

Philip Morris International Inc.
 Form 4
 January 05, 2015

FORM 4

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

OMB APPROVAL

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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Makihara Jun

(Last) (First) (Middle)
 120 PARK AVENUE
 (Street)

NEW YORK, NY 10017

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol

Philip Morris International Inc. [PM]

3. Date of Earliest Transaction
 (Month/Day/Year)

12/31/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director 10% Owner
 Officer (give title below) Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)

Form filed by One Reporting Person
 Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock				(A) or (D) Price	1,406 ⁽¹⁾	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)
Phantom Stock Units	(2)	12/31/2014		A	426 (3)	(4) (4)	Common Stock	426 \$ 82.0 (5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Makihara Jun 120 PARK AVENUE NEW YORK, NY 10017	X			

Signatures

Jerry Whitson for Jun Makihara 01/05/2015

Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 4(b)(v).
 - ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) 1,406 deferred shares held in the Philip Morris International Inc. 2008 Stock Compensation Plan for Non-Employee Directors. This includes an increase of 16 share equivalents acquired through the reinvestment of dividends since September 30, 2014, the date of the last reportable transaction to the SEC.
 - (2) Phantom Stock Units convert to common stock on a 1-for-1 basis.
 - (3) These units were acquired on December 31, 2014, pursuant to the Philip Morris International Inc. 2008 Deferred Fee Plan for Non-Employee Directors.
 - (4) These units are to be settled in cash upon the reporting person's termination as a member of the Issuer's Board of Directors.
 - (5) The average of the high and low price of Philip Morris International Inc. common stock on December 31, 2014.
 - (6) Share equivalents held in the Philip Morris International Inc. 2008 Deferred Fee Plan for Non-Employee Directors. This includes an increase of 1 share equivalent acquired through the reinvestment of dividends since September 30, 2014, the date of the last reportable transaction to the SEC.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. ly:times;"> During the year ended December 31, 2012, the Company incurred an aggregate of \$183 million for construction, tenant and other capital improvement projects, primarily in the senior housing, life science and medical office

segments.

(5) Dispositions of Real Estate and Discontinued Operations

During the year ended December 31, 2013, the Company sold the following: (i) eight post-acute/skilled nursing facilities for \$68 million, (ii) two senior housing facilities for \$22 million and (iii) two medical office buildings for \$6 million. In addition, in September 2013, the Company sold a 62-bed hospital located in Greenfield, Wisconsin in exchange for a 60-bed hospital located in Webster, Texas and recognized a gain of \$8 million based on the fair value of the hospital acquired in excess of the

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carrying value of the hospital sold. During the year ended December 31, 2012, the Company sold the following: (i) two senior housing facilities for \$111 million, (ii) a skilled nursing facility for \$15 million, (iii) a medical office building for \$7 million and (iv) a parcel of land in the life science segment for \$18 million.

At December 31, 2013, one hospital and two post-acute/skilled nursing facilities were classified as held for sale, with a carrying value of \$10 million. At December 31, 2012, properties classified as held for sale included 12 senior housing facilities, two hospitals and two medical office buildings with a combined aggregate carrying value of \$56 million.

The following table summarizes income from discontinued operations, impairments and gain on sales of real estate included in discontinued operations (dollars in thousands):

	Year Ended December 31,		
	2013	2012	2011
Rental and related revenues	\$ 16,649	\$ 33,777	\$ 32,555
Depreciation and amortization expenses	5,862	12,808	11,340
Operating expenses	3,929	3,304	1,472
Other expense, net	979	3,467	4,486
Income before impairments and gain on sales of real estate, net of income taxes	\$ 5,879	\$ 14,198	\$ 15,257
Impairments	\$ 1,372	\$	\$
Gain on sales of real estate, net of income taxes	\$ 69,866	\$ 31,454	\$ 3,107
Number of properties included in discontinued operations	16	20	23

(6) Net Investment in Direct Financing Leases

The components of net investment in DFLs consisted of the following (dollars in thousands):

	December 31,	
	2013	2012
Minimum lease payments receivable ⁽¹⁾	\$ 24,808,386	\$ 25,217,520

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Estimated residual values	4,134,405	4,010,514
Less unearned income	(21,789,392)	(22,346,641)
Net investment in direct financing leases	\$ 7,153,399	\$ 6,881,393
Properties subject to direct financing leases	364	361

(1) The minimum lease payments receivable are primarily attributable to HCR ManorCare, Inc. ("HCR ManorCare") (\$23.5 billion and \$24.0 billion at December 31, 2013 and 2012, respectively). The triple-net master lease with HCR ManorCare provides for annual rent of \$506 million beginning April 1, 2013 (prior to April 1, 2013, annual rent was \$489 million). The rent increases by 3.5% per year over the next three years and by 3% for the remaining portion of the initial lease term. The properties are grouped into four pools, and HCR ManorCare has a one-time extension option for each pool with rent increased for the first year of the extension option to the greater of fair market rent or a 3% increase over the rent for the prior year. Including the extension options, which the Company determined to be bargain renewal options, the four leased pools had total initial available terms ranging from 23 to 35 years.

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HCP, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

On November 21, 2013, the Company reached an agreement with Tenet Healthcare Corporation to modify and extend three acute care hospital leases. The leases were extended at current rent levels and contain annual CPI-based escalators under staggered terms from three to eight years with purchase options exercisable for a fixed price at the end of each term. As a result of these lease modifications, the Company reassessed the classification of the leases and accounted for the lease agreements as DFLs.

During the quarter ended September 30, 2013, the Company placed a 14-property senior housing DFL (the "DFL Portfolio") on non-accrual status. Based on the Company's determination that the collection of all rental payments is no longer reasonably assured, rental revenue for the DFL Portfolio will be recognized on a cash basis. Furthermore, the Company assessed the DFL Portfolio for impairment. The Company determined that the DFL Portfolio was not impaired at September 30, 2013, based on its belief that: (i) it is not probable that it will not collect all of the rental payments under the terms of the lease; and (ii) the fair value of the underlying collateral exceeds the DFL Portfolio's \$376 million carrying amount. The fair value of the DFL Portfolio was estimated based on a discounted cash flow model, the inputs to which are considered to be a Level 3 measurement within the fair value hierarchy. Inputs to this valuation model include real estate capitalization rates, industry growth rates and operating margins, some of which influence the Company's expectation of future cash flows from the DFL Portfolio and, accordingly, the fair value of its investment. During the year ended December 31, 2013, 2012 and 2011, the Company recognized DFL income of \$24.4 million, \$27.8 million and \$27.5 million, respectively, and received cash payments of \$24.0 million, \$23.8 million and \$21.9 million, respectively, from the DFL Portfolio.

On April 7, 2011, the Company completed the acquisition of 334 HCR ManorCare properties subject to a single master lease that the Company classified as a DFL. See discussion of the HCR ManorCare Acquisition in Note 3.

Certain leases contain provisions that allow the tenants to elect to purchase the properties during or at the end of the lease terms for the aggregate initial investment amount plus adjustments, if any, as defined in the lease agreements. Certain leases also permit the Company to require the tenants to purchase the properties at the end of the lease terms.

Future minimum lease payments contractually due under DFLs at December 31, 2013, were as follows (in thousands):

Year	Amount
2014	\$ 594,270
2015	606,618
2016	626,713
2017	638,775
2018	656,263
Thereafter	21,685,747
	\$ 24,808,386

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(7) Loans Receivable**

The following table summarizes the Company's loans receivable (in thousands):

	December 31,					
	Real Estate Secured	2013 Other Secured	Total	Real Estate Secured	2012 Other Secured	Total
Mezzanine	\$	\$ 234,455	\$ 234,455	\$	\$ 145,150	\$ 145,150
Other		147,669	147,669		147,264	147,264
Unamortized discounts, fees and costs		(2,713)	(2,713)		(2,974)	(2,974)
Allowance for loan losses		(13,410)	(13,410)		(13,410)	(13,410)
	\$	147,669	\$ 218,332	\$	128,766	\$ 276,030

Real Estate Secured Loans

Following is a summary of loans receivable secured by real estate at December 31, 2013:

Final Maturity Date	Number of Loans	Payment Terms	Principal Amount	Carrying Amount
			(in thousands)	
2016	4 ⁽¹⁾	aggregate monthly interest-only payments of \$0.5 million, accrues interest at 8.5% and secured by four senior housing facilities located in Tennessee, Maryland, Pennsylvania and Texas	70,615	77,094
2016	1	monthly interest-only payments of \$0.2 million, accrues interest at 6.4%, and secured by five senior housing facilities located in Arizona, Minnesota and Texas	30,220	30,220
2017	2 ⁽¹⁾	aggregate monthly interest-only payments of \$0.2 million, accrues interest at 8.25%, and secured by two senior housing facilities in New Jersey and Pennsylvania	33,045	34,395
2018	1 ⁽¹⁾	monthly interest-only payments of \$37,000, accrues interest at 8.00% and secured by a senior housing facility located in Pennsylvania	5,799	5,960
	8		\$ 139,679	\$ 147,669

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- (1) Represents commitments to fund an aggregate of \$141 million for seven senior housing development projects.

At December 31, 2013, future contractual principal payments to be received on loans receivable secured by real estate are \$101 million in 2016, \$33 million in 2017 and \$6 million in 2018.

Other Secured Loans

Barchester Loan. On May 2, 2013, the Company acquired £121 million (\$188 million) of subordinated debt at a discount for £109 million (\$170 million). The loan was secured by an interest in 160 facilities leased and operated by Barchester Healthcare ("Barchester"). On August 23, 2013, the

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Company acquired an additional investment in this loan of £9 million (\$14 million) at a discount for £5 million (\$8 million). This loan accrued interest on its face value at a floating rate of LIBOR plus a weighted-average margin of 3.14%. This loan investment was financed by a GBP denominated draw on the Company's revolving line of credit facility that is discussed in Note 11. On September 6, 2013, the Company received £129 million (\$202 million) from the par payoff of its Barchester debt investments; as a result, the Company recognized interest income of \$24 million representing primarily the debt investment's unamortized discounts. A portion of the proceeds from the Barchester repayment were used to repay the total outstanding amount of the Company's GBP denominated draw on its revolving line of credit facility.

Tandem Health Care Loan. On July 31, 2012, the Company closed a mezzanine loan facility to lend up to \$205 million to Tandem Health Care ("Tandem"), as part of the recapitalization of a post-acute/skilled nursing portfolio. At closing, this loan was subordinate to \$400 million in senior mortgage debt and \$137 million in other senior mezzanine debt. The Company funded \$100 million (the "First Tranche") at closing and funded an additional \$102 million (the "Second Tranche") in June 2013. The Second Tranche was used to by Tandem repay the senior mezzanine debt. At December 31, 2013, the loans were subordinate to \$443 million of senior mortgage debt. The loans bear interest at fixed rates of 12% and 14% per annum for the First and Second Tranches, respectively. This loan facility has a total term of up to 63 months from the First Tranche closing, is prepayable at the borrower's option and is secured by real estate partnership interests. The loans are subject to a prepayment premiums if repaid on or before the third anniversary from the First Tranche closing date.

Delphis Operations, L.P. Loan. The Company holds a secured term loan made to Delphis Operations, L.P. ("Delphis" or the "Borrower") that is collateralized by all of the assets of the Borrower. The Borrower's collateral is comprised primarily of interests in partnerships operating surgical facilities, of which one partnership leases a property owned by the Company. In December 2009, the Company determined that the loan was impaired. Further, in January 2011 the Company placed the loan on cost-recovery status, whereby accrual of interest income was suspended, and any payments received from the Borrower are applied to reduce the recorded investment in the loan.

As part of a March 2012 agreement (the "2012 Agreement") between Delphis, certain past and current principals of Delphis and the Cirrus Group, LLC (the "Guarantors"), and the Company, the Company agreed, among other things, to allow the distribution of \$1.5 million to certain of the Guarantors from funds generated from sales of assets that were pledged as additional collateral for this loan. Further, the Company, as part of the 2012 Agreement, agreed to provide financial incentives to the Borrower regarding the liquidation of the primary collateral assets for this loan.

Pursuant to the 2012 Agreement, the Company received the remaining cash (\$4.8 million, after reducing this amount by \$0.5 million for related legal expenses) and other consideration (\$2.1 million) of \$6.9 million from the Guarantors. In addition, during 2012, the Company received \$38.1 million in net proceeds from the sales of two of the primary collateral assets, which proceeds, together with the cash payments and other consideration, were applied to reduce the carrying value of the loan. The carrying value of the loan, net of an allowance for loan losses of \$13 million, was \$18.1 million and \$30.7 million at December 31, 2013 and 2012, respectively. At December 31, 2013, the Company believes the fair value of the collateral supporting this loan is in excess of its carrying value. During the years ended December 31, 2013, 2012 and 2011, the Company received cash payments of \$12.6 million, \$43 million and \$2.1 million, respectively.

HCR ManorCare Loans. In December 2007, the Company made a \$900 million investment (at a discount of \$100 million) in HCR ManorCare mezzanine loans, which paid interest at a floating rate of

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LIBOR plus 4.0%. Also, in August 2009 and January 2011, the Company purchased \$720 million (at a discount of \$130 million) and \$360 million, respectively, in participations in HCR ManorCare first mortgage debt, which paid interest at LIBOR plus 1.25%.

On April 7, 2011, upon closing of the HCR ManorCare Acquisition, the Company's \$2.0 billion of loans to HCR ManorCare were settled, which resulted in additional interest income of \$23 million, which represents the excess of the loans' fair values above their carrying values at the acquisition date. See Note 3 for additional discussion related to the HCR ManorCare Acquisition.

Genesis HealthCare Loans. In September and October 2010, the Company purchased participations in a senior loan and mezzanine note of Genesis HealthCare ("Genesis") with par values of \$278 million (at a discount of \$28 million) and \$50 million (at a discount of \$10 million), respectively. The Genesis senior loan paid interest at LIBOR (subject to a floor of 1.5%, increasing to 2.5% by maturity) plus a spread of 4.75%, increasing to 5.75% by maturity. The senior loan was secured by all of Genesis' assets. The mezzanine note paid interest at LIBOR plus a spread of 7.50%. In addition to the coupon interest payments, the mezzanine note required the payment of a termination fee, of which the Company's share prior to the early repayment of this loan was \$2.3 million.

On April 1, 2011, the Company received \$330.4 million from the early repayment of its loans to Genesis, and recognized additional interest income of \$34.8 million, which represents the related unamortized discounts and termination fee.

(8) Investments in and Advances to Unconsolidated Joint Ventures*HCP Ventures II*

On January 14, 2011, the Company acquired its partner's 65% interest in HCP Ventures II, a joint venture that owned 25 senior housing facilities, becoming the sole owner of the portfolio.

The HCP Ventures II consideration was as follows (in thousands):

	January 14, 2011
Cash paid for HCP Ventures II's partnership interest	\$ 135,550
Fair value of HCP's 35% interest in HCP Ventures II (carrying value of \$65,223 at closing) ⁽¹⁾	72,992
Total consideration	\$ 208,542
Estimated fees and costs	
Legal, accounting, and other fees and costs ⁽²⁾	\$ 150
Debt assumption fees ⁽³⁾	500
Total	\$ 650

(1)

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At closing, the Company recognized a gain of approximately \$8 million, included in other income, net, which represents the fair value of the Company's 35% interest in HCP Ventures II in excess of its carrying value as of the acquisition date.

- (2) Represents estimated fees and costs that were expensed and included in general and administrative expenses.
- (3) Represents debt assumption fees that were capitalized as deferred debt costs.

In accordance with the accounting guidance applicable to acquisitions of the partner's ownership interests that result in consolidation of previously unconsolidated entities, the Company recorded all of

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the assets and liabilities of HCP Ventures II at their fair value as of the January 14, 2011 acquisition date. In estimating the fair values, relevant market data and valuation techniques were utilized and included, but were not limited to, market data comparables for capitalization and discount rates, credit spreads and property specific cash flows assumptions. The capitalization and discount rates as well as credit spread assumptions utilized in the Company's valuation model were based on information that it believes to be within a reasonable range of current market data.

The following table summarizes the fair values of the HCP Ventures II assets acquired and liabilities assumed as of the acquisition date of January 14, 2011 (in thousands):

Assets acquired	
Buildings and improvements	\$ 683,633
Land	79,580
Cash	2,585
Restricted cash	1,861
Intangible assets	78,293
Total assets acquired	\$ 845,952
Liabilities assumed	
Mortgage debt	\$ 635,182
Other liabilities	2,228
Total liabilities assumed	637,410
Net assets acquired	\$ 208,542

The related assets, liabilities and results of operations of HCP Ventures II are included in the consolidated financial statements from the date of acquisition, January 14, 2011.

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The Company owns interests in the following entities that are accounted for under the equity method at December 31, 2013 (dollars in thousands):

Entity ⁽¹⁾	Segment	Investment ⁽²⁾	Ownership %
HCR ManorCare	post-acute/skilled nursing operations	\$ 84,099	9.5
HCP Ventures III, LLC	medical office	7,147	30
HCP Ventures IV, LLC	medical office and hospital	29,715	20
HCP Life Science ⁽³⁾	life science	68,843	50-63
Suburban Properties, LLC	medical office	6,403	67
Advances to unconsolidated joint ventures, net		369	
		\$ 196,576	
Edgewood Assisted Living Center, LLC	senior housing	\$ (386)	45
Seminole Shores Living Center, LLC	senior housing	(625)	50
		\$ (1,011)	

(1) These entities are not consolidated because the Company does not control, through voting rights or other means, the joint ventures. See Note 2 regarding the Company's accounting policies related to principles of consolidation.

(2) Represents the carrying value of the Company's investment in the unconsolidated joint venture. See Note 2 regarding the Company's accounting policy for joint venture interests. At December 31, 2013, includes a senior housing partnership for which the Company has a 72% ownership with an investment balance of zero.

(3) Includes three unconsolidated joint ventures between the Company and an institutional capital partner for which the Company is the managing member. HCP Life Science includes the following partnerships (and the Company's ownership percentage): (i) Torrey Pines Science Center, LP (50%); (ii) Britannia Biotech Gateway, LP (55%); and (iii) LASDK, LP (63%).

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Summarized combined financial information for the Company's unconsolidated joint ventures follows (in thousands):

	December 31,	
	2013	2012
Real estate, net	\$ 3,662,450	\$ 3,731,740
Goodwill and other assets, net	5,384,553	5,734,318
Total assets	\$ 9,047,003	\$ 9,466,058
Capital lease obligations and mortgage debt	\$ 6,768,815	\$ 6,875,932
Accounts payable	1,045,260	971,095
Other partners' capital	1,098,228	1,435,885
HCP's capital ⁽¹⁾	134,700	183,146
Total liabilities and partners' capital	\$ 9,047,003	\$ 9,466,058

- (1) The combined basis difference of the Company's investments in these joint ventures of \$60 million, as of December 31, 2013, is primarily attributable to real estate, capital lease obligations, deferred tax assets, goodwill and lease-related net intangibles.

	Year Ended December 31,		
	2013	2012	2011⁽¹⁾⁽²⁾
Total revenues	\$ 4,269,156	\$ 4,260,319	\$ 4,388,376
Net loss ⁽³⁾	(362,379)	(15,865)	(827,306)
HCP's share in earnings ⁽³⁾⁽⁴⁾	64,433	54,455	46,750
Fees earned by HCP	1,847	1,895	2,073
Distributions received by HCP	18,091	6,299	5,681

- (1) Includes the financial information of HCP Ventures II, up to the date in which it was consolidated on January 14, 2011.
- (2) Beginning April 7, 2011, includes the financial information of HCR ManorCare, in which the Company acquired an interest for \$95 million that represented a 9.9% equity interest at closing.
- (3) The combined net loss for the year ended December 31, 2011 includes impairments, net of the related tax benefit, of \$865 million related to HCR ManorCare's goodwill and intangible assets. The impairments at the operating entity were the result of reduced cash flows primarily caused by the reimbursement reductions for the Medicare skilled nursing facility Prospective Payment System announced by the Centers for Medicare & Medicaid Services effective October 1, 2011. The combined net loss for the year ended December 31, 2013 includes tax expense of \$400 million related to

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recording of a valuation allowance which was necessary to reduce the carrying value of HCR ManorCare's deferred tax assets to an amount that is more likely than not to be realized as determined by HCR ManorCare's management. HCR ManorCare's goodwill, intangible assets and deferred tax assets were not previously considered in the Company's initial investments in the operations of HCR ManorCare; therefore, the related impairments and valuation allowance against the carrying value of the deferred tax assets did not impact the Company's recorded investment. As such, HCR ManorCare's impairments during the year ended December 31, 2011 and tax expense related to the valuation allowance during the year ended December 31, 2013 did not have an impact on the Company's share of earnings from or its investment in HCR ManorCare.

(4)

The Company's joint venture interest in HCR ManorCare is accounted for using the equity method and results in an ongoing reduction of DFL income, proportional to HCP's ownership in HCR ManorCare. As required to eliminate intercompany profit, the Company recharacterized \$62.1 million, \$59.4 million and \$42.2 million of DFL income to the Company's share of earnings from HCR ManorCare (equity income) for the years ended December 31, 2013, 2012 and 2011, respectively.

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The Company's intangible lease assets were (in thousands):

Intangible lease assets	December 31,	
	2013	2012
Lease-up intangibles	\$ 578,143	\$ 580,319
Above market tenant lease intangibles	144,355	153,141
Below market ground lease intangibles	58,939	58,939
Gross intangible lease assets	781,437	792,399
Accumulated depreciation and amortization	(291,595)	(240,662)
Net intangible lease assets	\$ 489,842	\$ 551,737

The remaining weighted average amortization period of intangible assets was 15 years at both December 31, 2013 and 2012.

The Company's intangible lease liabilities were (in thousands):

Intangible lease liabilities	December 31,	
	2013	2012
Below market lease intangibles	\$ 201,234	\$ 188,534
Above market ground lease intangibles	6,121	6,091
Gross intangible lease liabilities	207,355	194,625
Accumulated depreciation and amortization	(108,545)	(90,445)
Net intangible lease liabilities	\$ 98,810	\$ 104,180

The remaining weighted average amortization period of unfavorable market lease intangibles was approximately nine years at both December 31, 2013 and 2012.

In 2013, the Company restated the above weighted average amortization periods of intangible assets and liabilities as of December 31, 2012, which were previously reported as 12 years and 8 years, respectively.

For the years ended December 31, 2013, 2012 and 2011, rental income includes additional revenues of \$9 million, \$4 million and \$6 million, respectively, from the amortization of net below market lease intangibles. For the years ended December 31, 2013, 2012 and 2011, operating expenses include additional expense of \$0.8 million, \$0.7 million and \$0.6 million, respectively, from the amortization of net above market ground lease intangibles. For the years ended December 31, 2013, 2012 and 2011, depreciation and amortization expense includes

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additional expense of \$59 million, \$44 million and \$45 million, respectively, from the amortization of lease-up and non-compete agreement intangibles.

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Estimated aggregate amortization of intangible assets and liabilities for each of the five succeeding fiscal years and thereafter follows (in thousands):

	Intangible Assets	Intangible Liabilities
2014	\$ 69,556	\$ 16,728
2015	65,639	16,171
2016	61,395	15,643
2017	53,847	13,674
2018	41,791	11,290
Thereafter	197,614	25,304
	\$ 489,842	\$ 98,810

(10) Other Assets

The Company's other assets consisted of the following (in thousands):

	December 31,	
	2013	2012
Straight-line rent assets, net of allowance of \$34,230 and \$33,521, respectively	\$ 368,919	\$ 306,294
Marketable debt securities ⁽¹⁾	244,089	222,809
Leasing costs, net	104,601	93,763
Deferred financing costs, net	42,106	45,490
Goodwill	50,346	50,346
Marketable equity securities		24,829
Other ⁽²⁾	57,644	44,989
Total other assets	\$ 867,705	\$ 788,520

(1) Includes £137.0 million of Four Seasons senior unsecured notes translated into U.S. dollars (see below for additional information).

(2) Includes a \$5.4 million allowance for losses related to accrued interest receivable on the Delphis loan. At both December 31, 2013 and 2012, the net carrying value of interest accrued related to the Delphis loan was zero. See Note 7 for additional information about the Delphis loan and the related impairment. At both December 31, 2013 and 2012, includes a loan receivable of \$10 million from HCP Ventures IV, LLC, an unconsolidated joint venture (see Note 8 for additional information) with an interest rate of 12% which matures in May 2014. The loan is secured by the Company's joint venture partner's 80% partnership interest in the joint venture.

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In June 2011, the Company purchased approximately \$22 million of marketable equity securities that were classified as available-for-sale. At December 31, 2011, the Company incurred a \$5 million impairment for these securities as it concluded the decrease in value of such securities below their carrying value was other-than-temporary. At December 31, 2012, the fair value and adjusted cost basis of the marketable equity securities were \$25 million and \$17 million, respectively. During the year ended December 31, 2013, the Company realized gains from the sale of marketable equity securities of \$11 million, which were included in other income, net.

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Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Four Seasons Health Care Senior Unsecured Notes*

On June 28, 2012, the Company purchased senior unsecured notes with an aggregate par value of £138.5 million at a discount for £136.8 million (\$214.9 million). The notes were issued by Elli Investments Limited, a subsidiary of Terra Firma, a European private equity firm, as part of its financing for the acquisition of Four Seasons Health Care ("Four Seasons"), an elderly and specialist care provider in the United Kingdom. The notes mature in June 2020 and are non-callable through June 2016. The notes bear interest on their par value at a fixed rate of 12.25% per annum, with an original issue discount resulting in a yield to maturity of 12.5%. This investment was financed by a GBP denominated unsecured term loan that is discussed in Note 11. These senior unsecured notes are accounted for as marketable debt securities and classified as held-to-maturity.

(11) Debt*Bank Line of Credit and Term Loan*

The Company's \$1.5 billion unsecured revolving line of credit facility (the "Facility") matures in March 2016 and contains a one-year extension option. Borrowings under the Facility accrue interest at LIBOR plus a margin that depends on the Company's debt ratings. The Company pays a facility fee on the entire revolving commitment that depends upon its debt ratings. Based on the Company's debt ratings at December 31, 2013, the margin on the Facility was 1.075%, and the facility fee was 0.175%. The Facility also includes a feature that will allow the Company to increase the borrowing capacity by an aggregate amount of up to \$500 million, subject to securing additional commitments from existing lenders or new lending institutions. At December 31, 2013, the Company had no balance outstanding under this Facility.

On July 30, 2012, the Company entered into a credit agreement with a syndicate of banks for a £137 million (\$227 million at December 31, 2013) four-year unsecured term loan (the "Term Loan") that accrues interest at a rate of GBP LIBOR plus 1.20%, based on the Company's current debt ratings. Concurrent with the closing of the Term Loan, the Company entered into a four-year interest rate swap contract that fixes the interest rate of the Term Loan at 1.81%, subject to adjustments based on the Company's debt ratings. The Term Loan contains a one-year committed extension option.

The Facility and Term Loan contain certain financial restrictions and other customary requirements, including cross-default provisions to other indebtedness. Among other things, these covenants, using terms defined in the agreements, (i) limit the ratio of Consolidated Total Indebtedness to Consolidated Total Asset Value to 60%, (ii) limit the ratio of Secured Debt to Consolidated Total Asset Value to 30%, (iii) limit the ratio of Unsecured Debt to Consolidated Unencumbered Asset Value to 60%, (iv) require a minimum Fixed Charge Coverage ratio of 1.5 times and (v) require a formula-determined Minimum Consolidated Tangible Net Worth of \$9.2 billion at December 31, 2013. At December 31, 2013, the Company was in compliance with each of these restrictions and requirements of the Facility and Term Loan.

Senior Unsecured Notes

At December 31, 2013, the Company had senior unsecured notes outstanding with an aggregate principal balance of \$7.0 billion. At December 31, 2013, interest rates on the notes ranged from 1.21% to 6.98% with a weighted average effective rate of 4.97% and a weighted average maturity of six years. Discounts and premiums are amortized to interest expense over the term of the related senior unsecured notes. The senior unsecured notes contain certain covenants including limitations on debt,

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

cross-acceleration provisions and other customary terms. As of December 31, 2013, the Company believes it was in compliance with these covenants.

On December 16, 2013, the Company repaid \$400 million of maturing senior unsecured notes, which accrued interest at a rate of 5.65%. The senior unsecured notes were repaid with a portion of the proceeds from the Company's November 2013 bond offering.

On November 12, 2013, the Company issued \$800 million of 4.25% senior unsecured notes due in 2023. The notes were priced at 99.540% of the principal amount with an effective yield to maturity of 4.307%; net proceeds from this offering were \$789 million.

On February 28, 2013, the Company repaid \$150 million of maturing 5.625% senior unsecured notes.

On November 19, 2012, the Company issued \$800 million of 2.625% senior unsecured notes due in 2020. The notes were priced at 99.729% of the principal amount with an effective yield to maturity of 2.667%. Net proceeds from this offering were \$793 million.

On July 23, 2012, the Company issued \$300 million of 3.15% senior unsecured notes due in 2022. The notes were priced at 98.888% of the principal amount with an effective yield to maturity of 3.28%; net proceeds from the offering were \$294 million.

On June 25, 2012, the Company repaid \$250 million of maturing senior unsecured notes, which accrued interest at a rate of 6.45%. The senior unsecured notes were repaid with proceeds from the Company's June 2012 common stock offering.

On January 23, 2012, the Company issued \$450 million of 3.75% senior unsecured notes due in 2019. The notes were priced at 99.523% of the principal amount with an effective yield to maturity of 3.83%; net proceeds from the offering were \$444 million.

The following is a summary of senior unsecured notes outstanding by maturity date at December 31, 2013 (dollars in thousands):

Maturity	Principal Amount	Weighted Average Interest Rate
2014	\$ 487,000	3.21%
2015	400,000	6.57
2016	900,000	5.10
2017	750,000	6.03
2018	600,000	6.83
2019	450,000	3.96
2020	800,000	2.79
2021	1,200,000	5.60
2022	300,000	3.39
2023	800,000	4.41
2041	300,000	6.88
	6,987,000	
Discounts, net	(23,625)	
	\$ 6,963,375	

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Mortgage Debt*

At December 31, 2013, the Company had \$1.4 billion in aggregate principal amount of mortgage debt outstanding that is secured by 126 healthcare facilities (including redevelopment properties) that had a carrying value of \$1.8 billion. At December 31, 2013, interest rates on the mortgage debt range from 0.69% to 8.69% with a weighted average effective interest rate of 6.19% and a weighted average maturity of three years.

The following is a summary of mortgage debt outstanding by maturity date at December 31, 2013 (dollars in thousands):

Maturity	Amount	Weighted Average Interest Rate
2014	\$ 179,525	5.80%
2015	308,421	5.96
2016	291,738	6.89
2017	550,477	6.20
2018	6,583	5.90
Thereafter	65,242	5.09
	1,401,986	
Discounts, net	(5,501)	
	\$ 1,396,485	

Mortgage debt generally requires monthly principal and interest payments, is collateralized by real estate assets and is generally non-recourse. Mortgage debt typically restricts transfer of the encumbered assets, prohibits additional liens, restricts prepayment, requires payment of real estate taxes, requires maintenance of the assets in good condition, requires maintenance of insurance on the assets and includes conditions to obtain lender consent to enter into or terminate material leases. Some of the mortgage debt is also cross-collateralized by multiple assets and may require tenants or operators to maintain compliance with the applicable leases or operating agreements of such real estate assets.

Other Debt

At December 31, 2013, the Company had \$75 million of non-interest bearing life care bonds at two of its continuing care retirement communities and non-interest bearing occupancy fee deposits at two of its senior housing facilities, all of which were payable to certain residents of the facilities (collectively, "Life Care Bonds"). The Life Care Bonds are generally refundable to the residents upon the termination of the contract or upon the successful resale of the unit.

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Debt Maturities*

The following table summarizes the Company's stated debt maturities and scheduled principal repayments at December 31, 2013 (in thousands):

Year	Term Loan ⁽¹⁾	Senior Unsecured Notes	Mortgage Debt	Total ⁽²⁾
2014	\$	\$ 487,000	\$ 179,525	\$ 666,525
2015		400,000	308,421	708,421
2016	226,858	900,000	291,738	1,418,596
2017		750,000	550,477	1,300,477
2018		600,000	6,583	606,583
Thereafter		3,850,000	65,242	3,915,242
	226,858	6,987,000	1,401,986	8,615,844
Discounts, net		(23,625)	(5,501)	(29,126)
	\$ 226,858	\$ 6,963,375	\$ 1,396,485	\$ 8,586,718

(1) Represents £137 million translated into U.S. dollars as of December 31, 2013.

(2) Excludes \$75 million of other debt that represents Life Care Bonds, which have no scheduled maturities.

(12) Commitments and Contingencies*Legal Proceedings*

From time to time, the Company is a party to legal proceedings, lawsuits and other claims that arise in the ordinary course of the Company's business. Except as described in this Note 12, the Company is not aware of any other legal proceedings or claims that it believes may have, individually or taken together, a material adverse effect on the Company's business, prospects, financial condition, results of operations or cash flows. The Company's policy is to accrue legal expenses as they are incurred.

On May 3, 2007, Ventas, Inc. ("Ventas") filed a complaint against the Company in the United States District Court for the Western District of Kentucky alleging, among other things, that the Company interfered with Ventas's prospective business advantage in connection with Ventas's 2007 acquisition of Sunrise Senior Living Real Estate Investment Trust ("Sunrise REIT"). Ventas sought compensatory damages in excess of \$300 million plus punitive damages. Prior to the jury deliberations, the District Court dismissed, among other rulings, Ventas's claim for punitive damages. On September 4, 2009, the jury returned a verdict in favor of Ventas in the amount of approximately \$102 million. The Company recognized \$102 million as a provision for litigation expense during the three months ended September 30, 2009. Both Ventas and the Company appealed various rulings of the District Court and the jury verdict to the United States Sixth Circuit Court of Appeals. On May 17, 2011, the Sixth Circuit Court of Appeals held that the District Court erred by not submitting Ventas's claim for punitive damages to the jury, and affirmed the District Court's judgment in all other respects. On August 23, 2011, the Company paid Ventas \$102 million resulting from the jury verdict. On November 9, 2011, the Company and Ventas settled all claims relating to the litigation and the Company paid \$125 million to

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Ventas in addition to the \$102 million paid in August 2011.

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Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Concentration of Credit Risk*

Concentrations of credit risks arise when one or more operators, tenants or obligors related to the Company's investments are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations, including those to the Company, to be similarly affected by changes in economic conditions. The Company regularly monitors various segments of its portfolio to assess potential concentrations of risks. The Company does not have significant foreign operations.

The following table provides information regarding the Company's concentrations with respect to certain operators and tenants; the information provided is presented for the gross assets and revenues that are associated with certain operators and tenants as percentages of the respective segment's and total Company's assets and revenues:

Segment Concentrations:

Operators	Percentage of Senior Housing Gross Assets		Percentage of Senior Housing Revenues		
	December 31,		Year Ended December 31,		
	2013	2012	2013	2012	2011
Emeritus Corporation ("Emeritus") ⁽¹⁾	37	37	35	23	24
Sunrise ⁽²⁾	17	18	13	16	19
HCR ManorCare ⁽³⁾	11	11	10	11	10
Brookdale Senior Living ("Brookdale") ⁽⁴⁾	11	11	12	14	22

Operators	Percentage of Post-Acute/ Skilled Nursing Gross Assets		Percentage of Post-Acute/ Skilled Nursing Revenues		
	December 31,		Year Ended December 31,		
	2013	2012	2013	2012	2011
HCR ManorCare ⁽³⁾	89	90	83	91	85

Total Company Concentrations:

Operators	Percentage of Total Company Assets		Percentage of Total Company Revenues		
	December 31,		Year Ended December 31,		
	2013	2012	2013	2012	2011
HCR ManorCare ⁽³⁾	32	31	28	30	28
Emeritus ⁽¹⁾	14	14	13	8	7
Sunrise ⁽²⁾	7	7	5	5	6
Brookdale ⁽⁴⁾	4	4	4	5	7

(1) Percentage of total revenues from Emeritus for the year ended December 31, 2012 includes partial results for the Blackstone JV acquisition. Assuming that full-year results were included for this acquisition in the Company's 2012 revenues, the percentage of segment revenues and total revenues would be 37% and 12%, respectively.

(2) Certain of the Company's properties are leased to tenants who have entered into management contracts with Sunrise to operate the respective property on their behalf. The Company's concentration of gross assets includes properties directly leased to Sunrise and properties that are managed by Sunrise on behalf of third party tenants.

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HCP, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(3) On April 7, 2011, the Company completed the acquisition of HCR ManorCare's real estate assets, which included the settlement of the Company's HCR ManorCare debt investments, see Notes 3 and 7 for additional information.

(4) Percentages do not include senior housing facilities that Brookdale operates on the Company's behalf under a RIDEA structure.

On September 1, 2011, the Company completed a strategic venture with Brookdale that includes the operation of 37 Company-owned senior living communities previously leased to or operated by Horizon Bay Retirement Living ("Horizon Bay"). As part of this transaction, Brookdale acquired Horizon Bay and: (i) assumed an existing triple-net lease for nine HCP communities; (ii) entered into a new triple-net lease related to four HCP communities; (iii) assumed Horizon Bay's management of three HCP communities, one of which was recently developed by HCP; and (iv) entered into management contracts and a joint venture agreement for a 10% interest in the real estate and operations for 21 of the Company's communities in a RIDEA structure. In connection with these transactions, the Company purchased approximately one million shares of Brookdale's common stock in June 2011 (see Note 10 for additional information regarding these marketable equity securities).

To mitigate credit risk of leasing properties to certain senior housing and post-acute/skilled nursing operators, leases with operators are often combined into portfolios that contain cross-default terms, so that if a tenant of any of the properties in a portfolio defaults on its obligations under its lease, the Company may pursue its remedies under the lease with respect to any of the properties in the portfolio. Certain portfolios also contain terms whereby the net operating profits of the properties are combined for the purpose of securing the funding of rental payments due under each lease.

At December 31, 2013 and 2012, the Company's gross real estate assets in the state of California, excluding assets held-for-sale, represented approximately 23% and 21% of the Company's total assets, respectively. For the year ended December 31, 2013, the Company's revenues derived from properties located in the states of California, Texas and Florida represented approximately 21%, 11% and 9% of the Company's total revenues, respectively.

DownREIT LLCs

In connection with the formation of certain DownREIT limited liability companies ("LLCs"), members may contribute appreciated real estate to a DownREIT LLC in exchange for DownREIT units. These contributions are generally tax-deferred, so that the pre-contribution gain related to the property is not taxed to the member. However, if a contributed property is later sold by the DownREIT LLC, the unamortized pre-contribution gain that exists at the date of sale is specifically allocated and taxed to the contributing members. In many of the DownREITs, the Company has entered into indemnification agreements with those members who contributed appreciated property into the DownREIT LLC. Under these indemnification agreements, if any of the appreciated real estate contributed by the members is sold by the DownREIT LLC in a taxable transaction within a specified number of years, the Company will reimburse the affected members for the federal and state income taxes associated with the pre-contribution gain that is specially allocated to the affected member under the Code ("make-whole payments"). These make-whole payments include a tax gross-up provision. These indemnification agreements have expiration terms that range through 2033.

Credit Enhancement Guarantee

Certain of the Company's senior housing facilities serve as collateral for \$112 million of debt (maturing May 1, 2025) that is owed by a previous owner of the facilities. This indebtedness is

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

guaranteed by the previous owner who has an investment grade credit rating. These senior housing facilities, which are classified as DFLs, had a carrying value of \$374 million as of December 31, 2013.

Environmental Costs

The Company monitors its properties for the presence of hazardous or toxic substances. The Company is not aware of any environmental liability with respect to the properties that would have a material adverse effect on the Company's business, financial condition or results of operations. The Company carries environmental insurance and believes that the policy terms, conditions, limitations and deductibles are adequate and appropriate under the circumstances, given the relative risk of loss, the cost of such coverage and current industry practice.

General Uninsured Losses

The Company obtains various types of insurance to mitigate the impact of property, business interruption, liability, flood, windstorm, earthquake, environmental and terrorism related losses. The Company attempts to obtain appropriate policy terms, conditions, limits and deductibles considering the relative risk of loss, the cost of such coverage and current industry practice. There are, however, certain types of extraordinary losses, such as those due to acts of war or other events that may be either uninsurable or not economically insurable. In addition, the Company has a large number of properties that are exposed to earthquake, flood and windstorm occurrences for which the related insurances carry high deductibles.

Tenant Purchase Options

Certain leases, including DFLs, contain purchase options whereby the tenant may elect to acquire the underlying real estate. Annualized base rent from leases subject to purchase options, summarized by the year the purchase options are exercisable are as follows (dollars in thousands):

Year	Annualized Base Rent⁽¹⁾	Number of Properties
2014	\$ 21,541	11
2015	55,397	35
2016	40,098	18
2017	6,969	3
2018	19,204	5
Thereafter	102,367	62
	\$ 245,576	134

- (1) Represents the most recent month's base rent including additional rent floors and cash income from direct financing leases annualized for 12 months. Base rent does not include tenant recoveries, additional rents in excess of floors and non-cash revenue adjustments (i.e., straight-line rents, amortization of above and below market lease intangibles, DFL interest accretion and deferred revenues).

Rental Expense

The Company's rental expense attributable to continuing operations for the years ended December 31, 2013, 2012 and 2011 was approximately \$8 million, \$7 million and \$6 million, respectively. These rental expense amounts include ground rent and other leases. Ground

leases generally require fixed annual rent payments and may also include escalation clauses and renewal

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Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

options. These leases have terms that are up to 99 years, excluding extension options. Future minimum lease obligations under non-cancelable ground and other operating leases as of December 31, 2013 were as follows (in thousands):

Year	Amount
2014	\$ 6,303
2015	5,781
2016	4,620
2017	3,880
2018	3,659
Thereafter	195,883
	\$ 220,126

(13) Equity*Common Stock*

On January 30, 2014, the Company announced that its Board declared a quarterly cash dividend of \$0.545 per share. The common stock cash dividend will be paid on February 25, 2014 to stockholders of record as of the close of business on February 10, 2014.

On October 19, 2012, the Company completed a public offering of 22 million shares of common stock and received net proceeds of \$979 million, which were primarily used to acquire the 129 senior housing communities from the Blackstone JV.

In June 2012, the Company completed a \$376 million offering of 8.97 million shares of common stock at a price of \$41.88 per share, which were primarily used to repay \$250 million of maturing senior unsecured notes, which accrued interest at a rate of 6.45%.

In March 2012, the Company completed a \$359 million offering of 9.0 million shares of common stock at a price of \$39.93 per share, which were primarily used to redeem all outstanding shares of the Company's preferred stock.

In March 2011, the Company completed a \$1.273 billion public offering of 34.5 million shares of common stock at a price of \$36.90 per share. The Company received total net proceeds of \$1.235 billion, which were primarily used to finance part of the aggregate purchase price of the HCR ManorCare Acquisition. The following is a summary of the Company's other issuances of common stock:

	Year Ended December 31,		
	2013	2012	2011
	(shares in thousands)		
Dividend Reinvestment and Stock Purchase Plan	2,441	1,064	1,910
Conversion of DownREIT units	100	736	80
Exercise of stock options	876	2,455	1,157
Vesting of restricted stock units ⁽¹⁾	471	707	228

(1)

Issued under the Company's 2006 Performance Incentive Plan, as amended and restated.

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)***Preferred Stock*

On April 23, 2012, the Company redeemed all of its outstanding preferred stock consisting of 4,000,000 shares of its 7.25% Series E preferred stock and the 7,820,000 shares of its 7.10% Series F preferred stock. The shares of Series E and Series F preferred stock were redeemed at a price of \$25 per share, or \$295.5 million in aggregate, plus all accrued and unpaid dividends to the redemption date. As a result of the redemption, the Company incurred a charge of \$10.4 million related to the original issuance costs of the preferred stock (this charge is presented as an additional preferred stock dividend in the Company's consolidated statements of income).

Accumulated Other Comprehensive Loss

The following is a summary of the Company's accumulated other comprehensive loss (in thousands):

	December 31,	
	2013	2012
Unrealized gains on available for sale securities	\$	\$ 7,776
Unrealized losses on cash flow hedges, net	(10,797)	(18,452)
Supplemental Executive Retirement Plan minimum liability	(2,910)	(3,150)
Cumulative foreign currency translation adjustment	(780)	(827)
Total accumulated other comprehensive loss	\$ (14,487)	\$ (14,653)

Noncontrolling Interests

At December 31, 2013, there were 4 million non-managing member units (6 million shares of HCP common stock are issuable upon conversion) outstanding in four DownREIT LLCs, in all of which the Company is the managing member. At December 31, 2013, the carrying and market values of the 4 million DownREIT units were \$184 million and \$217 million, respectively.

(14) Segment Disclosures

The Company evaluates its business and makes resource allocations based on its five business segments: (i) senior housing, (ii) post-acute/skilled nursing, (iii) life science, (iv) medical office and (v) hospital. Under the senior housing, post-acute/skilled nursing, life science and hospital segments, the Company invests or co-invests primarily in single operator or tenant properties, through the acquisition and development of real estate, management of operations (RIDEA) and by debt issued by operators in these sectors. Under the medical office segment, the Company invests or co-invests through the acquisition and development of medical office buildings ("MOBs") that are leased under gross, modified gross or triple-net leases, generally to multiple tenants, and which generally require a greater level of property management. The accounting policies of the segments are the same as those described under Summary of Significant Accounting Policies (see Note 2). There were no intersegment sales or transfers during the years ended December 31, 2013, 2012 and 2011. The Company evaluates performance based upon property net operating income from continuing operations ("NOI"), adjusted NOI (cash NOI) and interest income of the combined investments in each segment.

Non-segment assets consist primarily of corporate assets including cash and cash equivalents, restricted cash, accounts receivable, net, marketable equity securities, deferred financing costs and, if any, real estate held-for-sale. Interest expense, depreciation and amortization and non-property specific

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HCP, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

revenues and expenses are not allocated to individual segments in determining the Company's performance measure. See Note 12 for other information regarding concentrations of credit risk.

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

For the year ended December 31, 2013:

Segments	Rental Revenues ⁽¹⁾	Resident Fees and Services	Interest Income	Investment Management Fee Income	Total Revenues	NOI ⁽²⁾	Adjusted NOI ⁽²⁾ (Cash NOI)
Senior housing	\$ 602,506	\$ 146,288	\$ 11,621	\$	\$ 760,415	\$ 653,191	\$ 594,492
Post-acute/skilled nursing	541,805		73,595		615,400	539,320	467,508
Life science	296,879			4	296,883	239,923	228,475
Medical office	352,334			1,843	354,177	212,958	210,811
Hospital	72,060		943		73,003	68,198	79,752
Total	\$ 1,865,584	\$ 146,288	\$ 86,159	\$ 1,847	\$ 2,099,878	\$ 1,713,590	\$ 1,581,038

For the year ended December 31, 2012:

Segments	Rental Revenues ⁽¹⁾	Resident Fees and Services	Interest Income	Investment Management Fee Income	Total Revenues	NOI ⁽²⁾	Adjusted NOI ⁽²⁾ (Cash NOI)
Senior housing	\$ 481,559	\$ 139,073	\$ 3,503	\$	\$ 624,135	\$ 529,209	\$ 478,671
Post-acute/skilled nursing	530,037		19,993		550,030	529,562	453,456
Life science	289,664			4	289,668	236,491	226,997
Medical office	333,008			1,891	334,899	200,876	195,761
Hospital	80,198		1,040		81,238	76,685	75,104
Total	\$ 1,714,466	\$ 139,073	\$ 24,536	\$ 1,895	\$ 1,879,970	\$ 1,572,823	\$ 1,429,989

For the year ended December 31, 2011:

Segments	Rental Revenues ⁽¹⁾	Resident Fees and Services	Interest Income	Investment Management Fee Income	Total Revenues	NOI ⁽²⁾	Adjusted NOI ⁽²⁾ (Cash NOI)
Senior housing	\$ 469,251	\$ 49,091	\$ 178	\$ 70	\$ 518,590	\$ 484,970	\$ 432,047
Post-acute/skilled nursing	388,633		98,450		487,083	388,214	331,134

Explanation of Responses:

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Life science	288,151		4	288,155	235,355	212,250	
Medical office	318,368		1,999	320,367	190,584	184,408	
Hospital	78,987	1,236		80,223	74,657	72,707	
Total	\$ 1,543,390	\$ 49,091	\$ 99,864	\$ 2,073	\$ 1,694,418	\$ 1,373,780	\$ 1,232,546

(1) Represents rental and related revenues, tenant recoveries, and income from DFLs.

(2) NOI is a non-GAAP supplemental financial measure used to evaluate the operating performance of real estate. The Company defines NOI as rental and related revenues, including tenant recoveries, resident fees and services, and income from DFLs, less property level operating expenses. NOI excludes interest income, investment management fee income, interest expense, depreciation and amortization, general and administrative expenses, litigation settlement, impairments, impairment recoveries, other income, net, income taxes, equity income from and impairments of investments in unconsolidated joint ventures, and discontinued operations. The Company believes NOI provides relevant and useful information because it reflects only income and operating expense items that are incurred at the property level and presents them on an unleveraged basis. Adjusted NOI is calculated as NOI after eliminating the effects of straight-line rents, DFL accretion, amortization of above and below market

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Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

lease intangibles, and lease termination fees. Adjusted NOI is sometimes referred to as "cash NOI." The Company uses NOI and adjusted NOI to make decisions about resource allocations and to assess and compare property level performance. The Company believes that net income is the most directly comparable GAAP measure to NOI. NOI should not be viewed as an alternative measure of operating performance to net income as defined by GAAP because it does not reflect the aforementioned excluded items. Further, the Company's definition of NOI may not be comparable to the definition used by other REITs or real estate companies, as those companies may use different methodologies for calculating NOI.

The following is a reconciliation from reported net income to NOI and adjusted (cash) NOI (in thousands):

	Years ended December 31,		
	2013	2012	2011
Net income	\$ 985,006	\$ 846,842	\$ 554,494
Interest income	(86,159)	(24,536)	(99,864)
Investment management fee income	(1,847)	(1,895)	(2,073)
Interest expense	435,252	416,172	415,455
Depreciation and amortization	423,312	353,704	346,055
General and administrative	109,233	79,395	96,059
Litigation settlement and provision			125,000
Impairments		7,878	15,400
Other income, net	(18,216)	(2,976)	(12,933)
Income taxes	5,815	(1,654)	1,301
Equity income from unconsolidated joint ventures	(64,433)	(54,455)	(46,750)
Total discontinued operations	(74,373)	(45,652)	(18,364)
NOI	1,713,590	1,572,823	1,373,780
Straight-line rents	(39,587)	(47,311)	(59,173)
DFL accretion	(86,055)	(94,240)	(74,007)
Amortization of above and below market lease intangibles, net	(6,646)	(2,232)	(4,510)
Lease termination fees	(217)	(636)	(5,873)
NOI adjustments related to discontinued operations	(47)	1,585	2,329
Adjusted (Cash) NOI	\$ 1,581,038	\$ 1,429,989	\$ 1,232,546

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Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

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

Segments	December 31,	
	2013	2012
Senior housing	\$ 7,803,085	\$ 7,638,316
Post-acute/skilled nursing	6,266,938	6,039,575
Life science	3,986,187	3,932,397
Medical office	2,686,069	2,643,893
Hospital	639,357	702,102
Gross segment assets	21,381,636	20,956,283
Accumulated depreciation and amortization	(2,257,188)	(1,933,311)
Net segment assets	19,124,448	19,022,972
Assets held-for-sale, net	9,819	56,659
Other non-segment assets	941,603	835,924
Total assets	\$ 20,075,870	\$ 19,915,555

At December 31, 2013, goodwill of \$50 million was allocated to segment assets as follows: (i) senior housing \$31 million, (ii) post-acute/skilled nursing \$3 million, (iii) medical office \$11 million, and (iv) hospital \$5 million. The Company completed the required annual impairment test during the three months ended December 31, 2013; no impairment was recognized based on the results of this impairment test.

(15) Future Minimum Rents

Future minimum lease payments to be received, excluding operating expense reimbursements, from tenants under non-cancelable operating leases as of December 31, 2013, are as follows (in thousands):

Year	Amount
2014	\$ 1,056,273
2015	1,028,424
2016	991,159
2017	929,408
2018	847,918
Thereafter	3,718,573
	\$ 8,571,755

(16) Compensation Plans

Explanation of Responses:

Stock Based Compensation

On May 11, 2006, the Company's stockholders approved the 2006 Performance Incentive Plan, as amended and restated (the "2006 Incentive Plan"). The 2006 Incentive Plan provides for the granting of stock-based compensation, including stock options, restricted stock and performance restricted stock units to officers, employees and directors in connection with their employment with or services provided to the Company. On April 23, 2009, the Company's stockholders amended the 2006 Incentive Plan. As a result of the amendment, the maximum number of shares reserved for awards under the 2006 Incentive Plan, as amended, is 23.2 million shares. The maximum number of shares available for future awards under the

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Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

2006 Incentive Plan is 5.6 million shares at December 31, 2013, of which approximately 3.7 million shares may be issued as restricted stock and performance restricted stock units.

Stock Options

Stock options are granted with an exercise price per share equal to the closing market price of the company's common stock on the grant date. Stock options generally vest ratably over a four- to five-year period and have a 10-year contractual term. Vesting of certain options may accelerate, as provided in the 2006 Incentive Plan or in the applicable award agreement, upon retirement, a change in control or other specified events. Upon the exercise of options, the participant is required to pay the exercise price of the options being exercised and the related tax withholding obligation. Participants have the ability to elect to have the Company withhold the number of shares to be delivered upon exercise of stock options to pay the related exercise price and tax withholding obligation. The value of the shares withheld is dependent upon the closing market price of the Company's common stock on the date that the relevant transaction occurs.

A summary of the stock option activity in 2013 is presented in the following table (dollars and shares in thousands, except per share amounts):

	Shares Under Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding as of January 1, 2013	3,127	\$ 31.16	6.9	\$ 43,774
Granted	499	46.92		
Exercised	(1,300)	29.17		
Forfeited	(104)	33.29		
Outstanding as of December 31, 2013	2,222	35.77	5.0	8,870
Exercisable as of December 31, 2013	1,281	35.64	3.3	4,924

The following table summarizes additional information concerning outstanding and exercisable stock options at December 31, 2013 (shares in thousands):

Range of Exercise Price	Shares Under Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	Currently Exercisable Shares Under Options	Weighted Average Exercise Price
\$23.34 - \$25.52	456	\$ 23.34	4.1	262	\$ 23.34
27.11 - 28.35	342	28.35	4.8	162	28.35
31.95 - 46.92	1,424	41.53	5.3	857	40.78

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2,222	35.77	5.0	1,281	35.64
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The following table summarizes additional information concerning unvested stock options at December 31, 2013 (shares in thousands):

	Shares Under Options	Weighted Average Grant Date Fair Value
Unvested at January 1, 2013	2,588	\$ 4.30
Granted	499	5.89
Vested	(2,042)	4.30
Forfeited	(104)	4.75
Unvested at December 31, 2013	941	5.09

The weighted average fair value per share at the date of grant for options awarded during the years ended December 31, 2013, 2012 and 2011 was \$5.89, \$6.34 and \$5.97, respectively. The total vesting date intrinsic value (at vesting) of shares under options vested during the years ended December 31, 2013, 2012 and 2011 was \$12 million, \$18 million and \$16 million, respectively. The total intrinsic value of vested shares under options at December 31, 2013 was \$5 million.

Proceeds received from options exercised under the 2006 Incentive Plan for the years ended December 31, 2013, 2012 and 2011 were \$18 million, \$52 million and \$31 million, respectively. The total intrinsic value (at exercise) of options exercised during the years ended December 31, 2013, 2012 and 2011 was \$25 million, \$51 million and \$13 million, respectively.

The fair value of the stock options granted during the years ended December 31, 2013, 2012 and 2011 was estimated on the date of grant using a Black-Scholes option valuation model that uses the assumptions described below. The risk-free rate is based on the U.S. Treasury yield curve in effect at the grant date. The expected life (estimated period of time outstanding) of the stock options granted was estimated using the historical exercise behavior of employees and turnover rates. For stock options granted in 2013, 2012 and 2011, the expected volatility was based on the average of the Company's: (i) historical volatility of the adjusted closing prices of its common stock for a period equal to the stock option's expected life, ending on the grant date, calculated on a weekly basis and (ii) the implied volatility of traded options on its common stock for a period equal to 30 days ending on the grant date. For stock options granted prior to 2010, the expected volatility was based on the Company's historical volatility of the adjusted closing prices of its common stock for a period equal to the stock option's expected life, ending on the grant date and calculated on a weekly basis. The following table summarizes the Company's stock option valuation assumptions used with respect to stock options awarded in 2013, 2012 and 2011:

	2013	2012	2011
Risk-free rate	0.78%	1.09%	2.58%
Expected life (in years)	4.5	5.9	6.5
Expected volatility	28.9%	32.7%	31.8%
Expected dividend yield	5.8%	5.9%	6.1%

Restricted Stock and Performance Restricted Stock Units

Under the 2006 Incentive Plan, restricted stock and performance restricted stock units generally have a contractual life or vest over a three- to five-year period. The vesting of certain restricted shares and

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

units may accelerate, as provided in the 2006 Incentive Plan or in the applicable award agreement, upon retirement, a change in control or other specified events. When vested, each performance restricted stock unit is convertible into one share of common stock. The restricted stock and performance restricted stock units are valued on the grant date based on the closing market price of the Company's common stock on that date. Generally, the Company recognizes the fair value of the awards over the applicable vesting period as compensation expense. Upon any exercise or payment of restricted shares or units, the participant is required to pay the related tax withholding obligation. Participants generally have the flexibility to elect to have the Company reduce the number of shares to be delivered to pay the related tax withholding obligation. The value of the shares withheld is dependent on the closing market price of the Company's common stock on the date that the relevant transaction occurs. During 2013, 2012 and 2011, the Company withheld 242,000, 361,000 and 136,000 shares, respectively, to offset tax withholding obligations with respect to the restricted stock and restricted stock unit awards.

The following table summarizes additional information concerning restricted stock and restricted stock units at December 31, 2013 (units and shares in thousands):

	Restricted Stock Units	Weighted Average Grant Date Fair Value	Restricted Shares	Weighted Average Grant Date Fair Value
Unvested at January 1, 2013	1,220	\$ 35.16	145	\$ 27.24
Granted	502	45.96	144	41.77
Vested	(471)	36.58	(43)	31.65
Forfeited	(43)	41.79	(20)	26.84
Unvested at December 31, 2013	1,208	38.82	226	35.70

At December 31, 2013, the weighted average remaining vesting period of restricted stock units and restricted stock was two years. The total fair values (at vesting) of restricted stock and restricted stock units which vested for the years ended December 31, 2013, 2012 and 2011 were \$22 million, \$39 million and \$14 million, respectively.

As the Company pays dividends on its outstanding common stock, holders of restricted stock awards are generally entitled to any dividends on the underlying restricted shares, and holders of restricted stock units generally have the right to a cash payment equal to the dividends that would be paid on a number of shares of Company common stock equal to the number of outstanding units subject to the award.

On August 14, 2006, the Company granted 219,000 restricted stock units to the Company's former Chairman and Chief Executive Officer. The restricted stock units vest over a period of 10 years beginning in 2012, subject to accelerated vesting in certain circumstances as provided in the applicable award agreement and the Company's employment agreement with its former Chief Executive Officer. Each vested unit will be convertible, upon payment of the award, into one share of common stock. Additionally, as the Company pays dividends on its outstanding common stock, the original award will be credited with additional restricted stock units as dividend equivalents (in lieu of receiving a cash payment). Generally, the dividend equivalent restricted stock units will be subject to the same vesting and other conditions as applied to the grant.

The Company's Board of Directors terminated its former Chairman, Chief Executive Officer and President on October 2, 2013. As a result of the termination, general and administrative expenses for the year ended December 31, 2013 include charges of \$27 million related to: (i) the acceleration of

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HCP, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

\$17 million of deferred compensation for restricted stock units and options that vested upon termination; and (ii) severance payments and other costs of approximately \$10 million.

In 2012, the Company implemented a clawback policy that is retroactive to prior years pursuant to which its Board of Directors or Compensation Committee shall, in such circumstances as they determine to be appropriate, require reimbursement or cancellation of all or a portion of any short or long-term cash or equity incentive awards or payments to an officer (or former officer, as the case may be) of the Company where: (1) the amount of, or number of shares included in, any such payment or award was determined based on the achievement of financial results that were subsequently the subject of an accounting restatement due to noncompliance with any financial reporting requirement under the securities laws; and (2) a lesser payment or award of cash or shares would have been made to the individual based upon the restated financial results; and (3) the payment or award of cash or shares was received by the individual prior to or during the 12-month period following the first public issuance or filing of the financial results that were subsequently restated.

Total share-based compensation expense recognized during the years ended December 31, 2013, 2012 and 2011 was \$40 million, \$23 million and \$20 million, respectively. As of December 31, 2013, there was \$28 million of deferred compensation cost associated with future employee services, related to unvested share-based compensation arrangements granted under the Company's incentive plans, which is expected to be recognized over a weighted average period of three years.

Employee Benefit Plan

The Company maintains a 401(k) and profit sharing plan that allows for eligible participants to defer compensation, subject to certain limitations imposed by the Code. The Company provides a matching contribution of up to 4% of each participant's eligible compensation. During 2013, 2012 and 2011, the Company's matching contributions were approximately \$0.8 million for each year.

(17) Impairments

During the year ended December 31, 2013, the Company placed two medical office buildings into assets held for sale. As a result, the Company recognized impairment charges of \$1 million, which reduced the carrying value of the Company's aggregate investments from \$7 million to the \$6 million sales price. The fair value of the Company's medical office buildings were based on the projected sales prices from the pending dispositions. The sales prices of the MOBs were considered to be a Level 2 measurement within the fair value hierarchy.

During the year ended December 31, 2012, the Company executed an agreement for the disposition of a land parcel in its life science segment. As a result of the planned disposition of the land parcel, the Company recognized an impairment charge of \$7.9 million, which reduced the carrying value of the Company's investment from \$26 million to the \$18 million sales price. The fair value of the Company's land parcel was based on the projected sales prices from the pending disposition. The sales price of the land parcel was considered to be a Level 2 measurement within the fair value hierarchy.

During the year ended December 31, 2011, the Company concluded that its senior secured term loan to Delphis was impaired and established a provision for losses (impairment) of \$15 million. The impairment resulted from the Company's conclusion that the carrying value of its loan was in excess of the fair value of the loan's underlying collateral assets. This provision for losses reduced the carrying value of its investment from \$91 million to its fair value of \$76 million. The fair value of the Company's loan investment was based on a discounted cash flow valuation model and inputs considered to be a Level 3 measurement within the fair value hierarchy. Inputs to this valuation model include real estate

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HCP, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

capitalization rates, discount rates, earnings multiples, industry growth rates and operating margins, some of which influence the Company's expectation of future cash flows from the loan and, accordingly, the fair value of its investment.

(18) Income Taxes

For the year ended December 31, 2013, the Company recorded an income tax expense of \$5.9 million as compared to an income tax benefit of \$1.6 million and an income tax expense of \$1.2 million for the years ended December 31, 2012 and 2011 respectively. The Company's income tax expense from discontinued operations was insignificant for the years ended December 31, 2013, 2012 and 2011. The Company's deferred income tax expense and its balance in deferred tax assets and liabilities were insignificant as of December 31, 2013, 2012 and 2011.

The Company files numerous U.S. federal, state and local income and franchise tax returns. With a few exceptions, the Company is no longer subject to U.S. federal, state or local tax examinations by taxing authorities for years prior to 2010.

At December 31, 2013 and 2012, the tax basis of the Company's net assets is less than the reported amounts by \$7.7 billion and \$7.6 billion, respectively. The difference between the reported amounts and the tax basis is primarily related to the Slough Estates USA, Inc. ("SEUSA") and HCR ManorCare acquisitions, which occurred in 2007 and 2011, respectively. Both SEUSA and HCR ManorCare were corporations subject to federal and state income taxes. As a result of these acquisitions, the Company succeeded to the tax attributes of SEUSA and HCR ManorCare, including the tax basis in the acquired companies' assets and liabilities. The Company generally will be subject to a corporate-level tax on any taxable disposition of SEUSA's pre-acquisition assets that occur within ten years after its August 1, 2007 acquisition, and any taxable disposition of HCR ManorCare's pre-acquisition assets that occur within ten years after its April 7, 2011 acquisition.

The corporate-level tax associated with the disposition of assets acquired in connection with the SEUSA and HCR ManorCare acquisitions would be assessed only to the extent of the built-in gain that existed on the date of each acquisition, based on the fair market value of the assets on August 1, 2007, with respect to SEUSA, and April 7, 2011, with respect to HCR ManorCare. The Company does not expect to dispose of any assets included in either acquisition that would result in the imposition of a material tax liability. As a result, the Company has not recorded a deferred tax liability associated with this corporate-level tax. Gains from asset dispositions occurring more than 10 years after either acquisition will not be subject to this corporate-level tax. However, from time to time, the Company may dispose of SEUSA or HCR ManorCare assets before the applicable 10-year periods if it is able to effect a tax deferred exchange.

In connection with the SEUSA and HCR ManorCare acquisitions, the Company assumed unrecognized tax benefits of \$8 million and \$2 million, respectively. During 2013, the Company had a decrease in unrecognized tax benefits of \$0.9 million. The decrease was caused by the lapse in the statute of limitations for unrecognized tax benefits assumed in connection with the HCR ManorCare acquisition. During 2011, the Company had a net decrease in unrecognized tax benefits of \$4.9 million. The decrease was caused by the reversal of the remaining \$6.9 million in unrecognized tax benefits related to the SEUSA acquisition caused by SEUSA's settlement of federal and state tax audits for all years for which the unrecognized tax benefits had been accrued, net of a \$2.0 million increase for unrecognized tax benefits assumed in connection with the HCR ManorCare acquisition. The unrecognized tax benefits balances at both December 31, 2013 and 2012 were related entirely to the Company's acquisition of HCR ManorCare.

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A reconciliation of the Company's beginning and ending unrecognized tax benefits follows (in thousands):

	Amount
Balance at January 1, 2011	\$ 6,890
Additions based on prior years' tax positions	1,783
Reductions based on prior years' tax positions	(6,890)
Additions based on 2011 tax positions	194
Balance at December 31, 2011	1,977
Reductions based on prior years' tax positions	
Additions based on 2012 tax positions	
Balance at December 31, 2012	1,977
Reductions based on prior years' tax positions	(890)
Additions based on 2013 tax positions	
Balance at December 31, 2013	\$ 1,087

The Company anticipates that the balance in unrecognized tax benefits will decrease over the next 12 months by approximately \$0.9 million due to a lapse in the statute of limitations.

For the years ended December 31, 2013 and 2012, the Company recorded insignificant net increases to interest expense associated with the unrecognized tax benefits. For the year ended December 31, 2011, the Company recorded a net reduction to interest expense of \$1.1 million. The net reduction was due to the reversal of \$1.3 million of interest expense associated with the SEUSA unrecognized tax benefits and an increase of \$0.2 million associated with unrecognized tax benefits assumed in connection with the HCR ManorCare acquisition.

The Company has agreements with the sellers of SEUSA and HCR ManorCare whereby any increases in taxes and associated interest and penalties related to years prior to each of these acquisitions will be the responsibility of the sellers. Similarly, any pre-acquisition tax refunds and associated interest income will be refunded to the sellers.

There would be no effect on the Company's tax rate if the unrecognized tax benefits were to be recognized.

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(19) Earnings Per Common Share**

The following table illustrates the computation of basic and diluted earnings per share (dollars in thousands, except per share data):

	Year Ended December 31,		
	2013	2012	2011
Numerator			
Income from continuing operations	\$ 910,633	\$ 801,190	\$ 536,130
Noncontrolling interests' share in continuing operations	(14,110)	(12,411)	(15,484)
Income from continuing operations applicable to HCP, Inc.	896,523	788,779	520,646
Preferred stock dividends		(17,006)	(21,130)
Participating securities' share in continuing operations	(1,734)	(3,245)	(2,459)
Income from continuing operations applicable to common shares	894,789	768,528	497,057
Discontinued operations	74,373	45,652	18,364
Noncontrolling interests' share in discontinued operations	(59)	(1,891)	(119)
Net income applicable to common shares	\$ 969,103	\$ 812,289	\$ 515,302
Denominator			
Basic weighted average common shares	455,002	427,047	398,446
Dilutive potential common shares	700	1,269	1,772
Diluted weighted average common shares	455,702	428,316	400,218
Basic earnings per common share			
Income from continuing operations	\$ 1.97	\$ 1.80	\$ 1.25
Discontinued operations	0.16	0.10	0.04
Net income applicable to common stockholders	\$ 2.13	\$ 1.90	\$ 1.29

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Diluted earnings per common share

Income from continuing operations	\$	1.97	\$	1.80	\$	1.25
Discontinued operations		0.16		0.10		0.04
Net income applicable to common shares	\$	2.13	\$	1.90	\$	1.29

Restricted stock and certain of the Company's performance restricted stock units are considered participating securities, because dividend payments are not forfeited even if the underlying award does not vest, which require the use of the two-class method when computing basic and diluted earnings per share.

Options to purchase approximately 1.1 million, 1.2 million and 1.7 million shares of common stock that had an exercise price in excess of the average market price of the common stock during the years ended December 31, 2013, 2012 and 2011, respectively, were not included because they are anti-dilutive. Additionally, 6 million shares issuable upon conversion of 4 million DownREIT units during the years ended December 31, 2013, 2012 and 2011 were not included because they are anti-dilutive.

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Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(20) Supplemental Cash Flow Information**

	Year Ended December 31,		
	2013	2012	2011
	(in thousands)		
<i>Supplemental cash flow information:</i>			
Interest paid, net of capitalized interest	\$ 412,011	\$ 389,753	\$ 348,455
Income taxes paid	114	1,790	1,710
Capitalized interest	13,494	23,360	26,402
<i>Supplemental schedule of non-cash investing activities:</i>			
Accrued construction costs	15,187	14,157	11,525
Reclassification of the in-place leases from real estate to DFLs	123,891		
Fair value of real estate acquired in exchange for sale of real estate	15,204		
Settlement of loans receivable as consideration for the HCR ManorCare Acquisition			1,990,406
<i>Supplemental schedule of non-cash financing activities:</i>			
Vesting of restricted stock units	471	707	228
Cancellation of restricted stock	20	8	35
Conversion of non-managing member units into common stock	3,583	24,988	3,456
Noncontrolling interests issued in connection with acquisitions		42,734	1,500
Mortgages included in the consolidation of HCP Ventures II			635,182
Mortgages and other liabilities assumed with real estate acquisitions	12,767	60,597	57,869
Unrealized gains (losses), net on available for sale securities and derivatives designated as cash flow hedges	7,790	4,649	(9,763)

See additional information regarding supplemental non-cash financing activities related to: (i) a real estate exchange in Note 5, (ii) the HCR ManorCare Acquisition in Notes 3 and 7, (iii) the HCP Ventures II purchase in Note 8 and (iv) the preferred stock redemption in Note 13.

(21) Variable Interest Entities*Unconsolidated Variable Interest Entities*

At December 31, 2013, the Company leased 48 properties to a total of seven VIE tenants and has additional investments in a loan and marketable debt securities to VIE borrowers. The Company has determined that it is not the primary beneficiary of these VIEs.

The Company holds an interest-only, senior secured term loan made to a borrower (Delphis Operations, L.P.) that has been identified as a VIE (see Note 7 for additional information on the Delphis loan). The Company does not consolidate the VIE because it does not have the ability to control the activities that most significantly impact the VIE's economic performance. The loan is collateralized by all of the assets of the borrower (comprised primarily of interests in partnerships that operate surgical facilities, of which one partnership is a tenant of the Company).

The Company holds commercial mortgage-backed securities ("CMBS") issued by Federal Home Loan Mortgage Corporation through a special purpose entity that has been identified as a VIE. The Company does not consolidate the VIE because it does not have the ability to control the activities that most significantly impact the VIE's economic performance. The CMBS issued by the VIE are backed by mortgages on senior housing facilities.

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The carrying value and classification of the related assets, liabilities and maximum exposure to loss as a result of the Company's involvement with these VIEs are presented below at December 31, 2013 (in thousands):

VIE Type	Maximum Loss Exposure⁽¹⁾	Asset/Liability Type	Carrying Amount
VIE tenants operating leases	\$ 251,091	Lease intangibles, net and straight-line rent receivables	\$ 14,300
VIE tenants DFLs	1,081,415	Net investment in DFLs	601,970
Loan senior secured	18,071	Loans receivable, net	18,071
Debt investment	17,071	Marketable debt securities	17,071

(1)

The Company's maximum loss exposure related to the VIE tenants represents the future minimum lease payments over the remaining term of the respective leases, which may be mitigated by re-leasing the properties to new tenants. The Company's maximum loss exposure related to its loans and marketable debt securities to the VIE borrowers represents its current aggregate carrying amount.

As of December 31, 2013, the Company has not provided, and is not required to provide, financial support through a liquidity arrangement or otherwise, to its unconsolidated VIEs, including circumstances in which it could be exposed to further losses (e.g., cash shortfalls). See Notes 6, 7 and 12 for additional descriptions of the nature, purpose and activities of the Company's unconsolidated VIEs and interests therein.

Consolidated Variable Interest Entities

In September 2013, the Company made loans to two entities that entered into a tax credit structure ("Tax Credit Subsidiaries"). The Company consolidates the Tax Credit Subsidiaries because they are VIEs and the Company is the primary beneficiary of these VIEs. The assets and liabilities of the Tax Credit Subsidiaries substantially consist of notes receivable, prepaid expenses, notes payable and accounts payable and accrued liabilities generated from their operating activities. Assets generated by the operating activities of the Tax Credit Subsidiaries may only be used to settle their contractual obligations.

In September 2011, the Company formed a partnership in which it has a 90% ownership interest in a joint venture entity that owned and operated 21 properties in a RIDEA structure ("RIDEA Entity"). The Company consolidated the RIDEA Entity as a result of the rights it acquired through the joint venture agreement with Brookdale. In the fourth quarter of 2012, upon the occurrence of a reconsideration event, it was determined that this RIDEA Entity was a VIE and that the Company was the primary beneficiary of the VIE; therefore, the Company continued to consolidate this entity. During the second quarter of 2013, upon the occurrence of a reconsideration event, it was determined that this RIDEA Entity was no longer a VIE; however, the Company continues to consolidate the RIDEA Entity. The assets and liabilities of this RIDEA Entity substantially consist of cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities generated from its operating activities. The assets generated by the operating activities of the RIDEA Entity may be used to settle its contractual obligations, which include lease obligations to the Company. The Company is entitled to its ownership share of the RIDEA Entity's assets; however, it does not guarantee its liabilities (or contractual obligations) and is not liable to its general creditors.

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(22) Fair Value Measurements**

The following table illustrates the Company's financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets. Recognized gains and losses are recorded in other income, net on the Company's consolidated statements of income. During the year ended December 31, 2013, there were no transfers of financial assets or liabilities within the fair value hierarchy.

The financial assets and liabilities carried at fair value on a recurring basis at December 31, 2013 are as follows (in thousands):

Financial assets and liabilities	Fair Value	Level 2	Level 3
Interest-rate swap asset ⁽¹⁾	\$ 2,325	\$ 2,325	\$
Interest-rate swap liabilities ⁽¹⁾	(8,384)	(8,384)	
Currency swap liabilities ⁽¹⁾	(2,756)	(2,756)	
Warrants ⁽¹⁾	114		114
	\$ (8,701)	\$ (8,815)	\$ 114

(1) Interest rate and currency swaps as well as common stock warrant fair values are determined based on observable and unobservable market assumptions utilizing standardized derivative pricing models.

(23) Disclosures About Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of fair value because of the short-term maturities of these instruments. The fair values of loans receivable, bank line of credit, term loan, mortgage debt and other debt are based on rates currently prevailing for similar instruments with similar maturities. The fair values of interest-rate and currency swap contracts as well as common stock warrants are determined based on observable and unobservable market assumptions using standardized pricing models. The fair values of senior unsecured notes and marketable equity and debt securities are determined utilizing market quotes.

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The table below summarizes the carrying amounts and fair values of the Company's financial instruments:

	December 31,			
	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
(in thousands)				
Loans receivable, net ⁽²⁾	\$ 366,001	\$ 373,441	\$ 276,030	\$ 279,850
Marketable debt securities ⁽³⁾	244,089	280,850	222,809	234,137
Marketable equity securities ⁽¹⁾			24,829	24,829
Warrants ⁽³⁾	114	114	670	670
Term loan ⁽²⁾	226,858	226,858	222,694	222,694
Senior unsecured notes ⁽¹⁾	6,963,375	7,405,817	6,712,624	7,432,012
Mortgage debt ⁽²⁾	1,396,485	1,421,214	1,676,544	1,771,155
Other debt ⁽²⁾	74,909	74,909	81,958	81,958
Interest-rate swap asset ⁽²⁾	2,325	2,325	89	89
Interest-rate swap liability ⁽²⁾	8,384	8,384	12,699	12,699
Currency swap liabilities ⁽²⁾	2,756	2,756	2,641	2,641

- (1) Level 1: Fair value calculated based on quoted prices in active markets.
- (2) Level 2: Fair value based on quoted prices for similar or identical instruments in active or inactive markets, respectively, or calculated utilizing model derived valuations in which significant inputs or value drivers are observable in active markets.
- (3) Level 3: Fair value determined based on significant unobservable market inputs using standardized derivative pricing models.

(24) Derivative Financial Instruments

The following table summarizes the Company's outstanding interest-rate and foreign currency swap contracts as of December 31, 2013 (dollars and GBP in thousands):

Date Entered	Maturity Date	Hedge Designation	Fixed Rate/Buy Amount	Floating/Exchange Rate Index	Notional/Sell Amount	Fair Value ⁽¹⁾
July 2005 ⁽²⁾	July 2020	Cash Flow	3.82%	BMA Swap Index	\$ 45,600	\$ (5,681)
November 2008 ⁽³⁾	October 2016	Cash Flow	5.95%	1 Month LIBOR+1.50%	\$ 26,400	(2,703)
July 2012 ⁽⁴⁾	June 2016	Cash Flow	1.81%	1 Month GBP LIBOR+1.20%	£137,000	2,325
July 2012 ⁽⁵⁾	June 2016	Cash Flow	\$ 56,800	Buy USD/Sell GBP	£ 36,200	(2,756)

- (1) Interest-rate and foreign currency swap assets are recorded in other assets, net and interest-rate and foreign currency swap liabilities are recorded in accounts payable and accrued liabilities on the consolidated balance sheets.
- (2) Represents three interest-rate swap contracts with an aggregate notional amount of \$45.6 million which hedge fluctuations in interest payments on variable-rate secured debt due to overall changes in hedged cash flows.

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- (3) Acquired in conjunction with mortgage debt assumed related to real estate acquired on December 28, 2010. Hedges fluctuations in interest payments on variable-rate secured debt due to fluctuations in the underlying benchmark interest rate.
- (4) Hedges fluctuations in interest payments on variable-rate unsecured debt due to fluctuations in the underlying benchmark interest rate.

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HCP, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (5) Currency swap contract (buy USD/sell GBP) hedges the foreign currency exchange risk related to a portion of the Company's forecasted interest receipts on GBP denominated senior unsecured notes. Represents five foreign exchange contracts to sell £7.2 million at a rate of 1.5695 on various dates through June 2016.

The Company uses derivative instruments to mitigate the effects of interest rate and foreign currency fluctuations on specific forecasted transactions as well as recognized financial obligations or assets. Utilizing derivative instruments allows the Company to manage the risk of fluctuations in interest and foreign currency rates related to the potential impact these changes could have on future earnings and forecasted cash flows. The Company does not use derivative instruments for speculative or trading purposes.

The primary risks associated with derivative instruments are market and credit risk. Market risk is defined as the potential for loss in value of a derivative instrument due to adverse changes in market prices. Utilizing derivative instruments allows the Company to manage the risk of fluctuations in interest and foreign currency rates related to the potential impact these changes could have on future earnings, forecasted cash flows and the fair value of recognized obligations.

Credit risk is the risk that one of the parties to a derivative contract fails to perform or meet their financial obligation. The Company does not obtain collateral associated with its derivative contracts, but monitors the credit standing of its counterparties on a regular basis. Should a counterparty fail to perform, the Company would incur a financial loss to the extent that the associated derivative contract was in an asset position. At December 31, 2013, the Company does not anticipate non-performance by the counterparties to its outstanding derivative contracts.

On July 27, 2012, the Company entered into a foreign currency swap contract to hedge the foreign currency exchange risk related to a portion of the forecasted interest receipts from its GBP denominated senior unsecured notes (see additional discussion of the Four Seasons senior unsecured notes in Note 10). The cash flow hedge has a fixed USD/GBP exchange rate of 1.5695 (buy \$11 million and sell £7 million semi-annually) for a portion of its forecasted semi-annual cash receipts denominated in GBP. The foreign currency swap contract matures in June 2016 (the end of the non-call period of the senior unsecured notes). The fair value of the contract at December 31, 2013 was a liability of \$3 million and is included in accounts payable and accrued liabilities. During the year ended December 31, 2013, there was no ineffective portion related to this hedge.

On July 27, 2012, the Company entered into an interest-rate swap contract that is designated as hedging the interest payments on its GBP denominated Term Loan due to fluctuations in the underlying benchmark interest rate (see additional discussion of the Term Loan in Note 11). The cash flow hedge has a notional amount of £137 million and expires in June 2016 (the maturity of the Term Loan). The fair value of the contract at December 31, 2013 was an asset of \$2 million and is included in other assets, net. During the year ended December 31, 2013, there was no ineffective portion related to this hedge.

For the year ended December 31, 2013, the Company earned additional interest income of \$0.1 million and recognized additional interest expense of \$3 million, resulting from its cash flow hedging relationships. At December 31, 2013, the Company expects that the hedged forecasted transactions for each of the outstanding qualifying cash flow hedging relationships remain probable of occurring, and as a result, no gains or losses recorded to accumulated other comprehensive loss are expected to be reclassified to earnings.

To illustrate the effect of movements in the interest rate and foreign currency markets, the Company performed a market sensitivity analysis on its outstanding hedging instruments. The Company applied various basis point spreads to the underlying interest rate curves and foreign currency exchange

Table of Contents**HCP, Inc.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

rates of the derivative portfolio in order to determine the instruments' change in fair value. The following table summarizes the results of the analysis performed (dollars in thousands):

Effects of Change in Interest and Foreign Currency Rates					
Date Entered	Maturity Date	+50 Basis Points	-50 Basis Points	+100 Basis Points	-100 Basis Points
July 2005	July 2020	\$ 1,400	\$ (1,381)	\$ 2,791	\$ (2,772)
November 2008	October 2016	363	(353)	722	(711)
July 2012	June 2016	3,019	(2,490)	5,774	(5,244)
July 2012	June 2016	(657)	(57)	(957)	243

(25) Transactions with Related Parties

Mr. Klaritch, an executive vice president of the Company, was previously a senior executive and limited liability company member of MedCap Properties, LLC, which was acquired in October 2003 by HCP and a joint venture of which HCP was the managing member. As part of that transaction, MedCap Properties, LLC contributed certain property interests to a newly-formed entity, HCPI/Tennessee LLC, in exchange for DownREIT units. In connection with the transactions, Mr. Klaritch received 113,431 non-managing member units in HCPI/Tennessee, LLC in a distribution of his interest in MedCap Properties, LLC. Each DownREIT unit is redeemable for an amount of cash approximating the then-current market value of two shares of HCP's common stock or, at HCP's option, two shares of HCP's common stock (subject to certain adjustments, such as stock splits, stock dividends and reclassifications). During the year ended December 31, 2012, Mr. Klaritch and his affiliates exchanged their remaining approximately 45,000 HCPI/Tennessee, LLC DownREIT units for approximately 90,000 shares of the Company's common stock.

(26) Selected Quarterly Financial Data (Unaudited)

Selected quarterly information for the years ended December 31, 2013 and 2012 is as follows (in thousands, except per share amounts). Results of operations for properties sold or to be sold have been classified as discontinued operations for all periods presented:

	Three Months Ended During 2013			
	March 31	June 30	September 30	December 31
Total revenues	\$ 511,184	\$ 512,239	\$ 546,158	\$ 530,297
Income before income taxes and equity income from and impairments of investments in unconsolidated joint ventures	217,667	199,916	214,176	220,256
Total discontinued operations	2,232	2,828	9,824	59,489
Net income	233,784	216,725	236,858	297,639
Net income applicable to HCP, Inc.	230,585	213,401	233,756	293,095
Dividends paid per common share	0.525	0.525	0.525	0.525
Basic earnings per common share	0.51	0.47	0.51	0.64
Diluted earnings per common share	0.51	0.47	0.51	0.64

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	Three Months Ended During 2012			
	March 31	June 30	September 30	December 31
Total revenues	\$ 450,608	\$ 456,130	\$ 469,999	\$ 503,233
Income before income taxes and equity income from and impairments of investments in unconsolidated joint ventures	176,483	186,931	181,457	200,210
Total discontinued operations	5,671	2,465	3,607	33,909
Net income	196,564	204,975	199,043	246,260
Net income applicable to HCP, Inc.	193,380	202,024	196,108	241,028
Dividends paid per common share	0.50	0.50	0.50	0.50
Basic earnings per common share	0.43	0.48	0.46	0.54
Diluted earnings per common share	0.43	0.48	0.45	0.53

The above selected quarterly financial data includes the following significant transactions:

The Company redeemed all outstanding preferred stock during the quarter ended March 31, 2012.

The Company completed the acquisition of a 129 senior housing portfolio during the quarter ended December 31, 2012.

The Company received £129 million (\$202 million) from the par payoff of its Barchester debt investments generating \$24 million of interest income during the quarter ended September 30, 2013.

The Company's Board of Directors terminated its former Chairman, Chief Executive Officer and President on October 2, 2013. As a result of the termination, the Company incurred severance-related charges of \$26 million that include: (i) the acceleration of \$17 million of deferred compensation for restricted stock units and options that vested upon termination; and (ii) severance payments and other costs of approximately \$9 million.

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HCP, Inc.

Schedule II: Valuation and Qualifying Accounts

December 31, 2013

(In thousands)

Year Ended December 31,	Balance at Beginning of Year	Additions		Deductions		Balance at End of Year
		Amounts Charged Against Operations, net	Acquired Properties	Uncollectible Accounts Written-off	Disposed Properties	
2013	\$ 48,599	\$ 2,633	\$	\$ (2,063)	\$	\$ 49,169
2012	49,209	3,724		(960)	(3,374)	48,599
2011	43,740	13,316	2	(4,673)	(3,176)	49,209

(1) Includes allowance for doubtful accounts, straight-line rent reserves, and allowances for loan and direct financing lease losses.

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HCP, Inc.

Schedule III: Real Estate and Accumulated Depreciation

December 31, 2013

(Dollars in thousands)

City	State	Encumbrances at December 31, 2013	Initial Cost to Company			Gross Amount at Which Carried As of December 31, 2013			Accumulated Depreciation	Year Constructed	Life on Which Depreciation is Computed	
			Land	Buildings and Improvements	Costs Capitalized and Subsequent Acquisition	Land	Buildings and Improvements	Total ⁽¹⁾				
Senior housing												
1107	Huntsville	AL	\$	\$ 307	\$ 5,813	\$	\$ 307	\$ 5,453	\$ 5,760	\$ (988)	2006	40
1154	Little Rock	AR		1,922	14,140	445	2,046	13,967	16,013	(2,616)	2006	39
0786	Douglas	AZ		110	703		110	703	813	(285)	2005	35
2087	Prescott	AZ		1,277	8,660		1,277	8,660	9,937	(371)	2012	45
1974	Sun City	AZ	27,334	2,640	33,223	724	2,640	33,947	36,587	(3,890)	2011	30
0518	Tucson	AZ		2,350	24,037		2,350	24,037	26,387	(8,213)	2002	30
1238	Beverly Hills	CA		9,872	32,590	2,150	9,872	34,014	43,886	(6,543)	2006	40
1149	Camarillo	CA		5,798	19,427	575	5,822	19,202	25,024	(3,500)	2006	40
1006	Carlsbad	CA		7,897	14,255	363	7,897	13,828	21,725	(2,541)	2006	40
0883	Carmichael	CA		4,270	13,846		4,270	13,236	17,506	(2,344)	2006	40
0851	Citrus Heights	CA		1,180	8,367		1,180	8,037	9,217	(2,030)	2006	29
2092	Clearlake	CA		354	4,799		354	4,799	5,153	(177)	2012	45
0790	Concord	CA	25,000	6,010	39,601		6,010	38,301	44,311	(8,043)	2005	40
2181	Corona	CA	2	2,636	10,134		2,636	10,134	12,770	(357)	2012	45
0787	Dana Point	CA		1,960	15,946		1,960	15,466	17,426	(3,254)	2005	39
1152	Elk Grove	CA		2,235	6,339	262	2,235	6,448	8,683	(1,170)	2006	40
0798	Escondido	CA	14,340	5,090	24,253		5,090	23,353	28,443	(4,914)	2005	40
2054	Fortuna	CA		818	3,295		818	3,295	4,113	(135)	2012	50
2079	Fortuna	CA		1,346	11,856		1,346	11,856	13,202	(396)	2012	45
0791	Fremont	CA	8,857	2,360	11,672		2,360	11,192	13,552	(2,355)	2005	40
1965	Fresno	CA	18,961	1,730	31,918	2,535	1,730	34,453	36,183	(3,625)	2011	30
0788	Granada Hills	CA		2,200	18,257		2,200	17,637	19,837	(3,711)	2005	39
1156	Hemet	CA		1,270	5,966	214	1,271	5,933	7,204	(1,091)	2006	40
0856	Irvine	CA		8,220	14,104		8,220	13,564	21,784	(2,235)	2006	45
0227	Lodi	CA	8,776	732	5,453		732	5,453	6,185	(2,384)	1997	35
0226	Murietta	CA	5,897	435	5,729		435	5,729	6,164	(2,437)	1997	35
1165	Northridge	CA		6,718	26,309	549	6,752	26,015	32,767	(4,733)	2006	40
1561	Orangevale	CA		2,160	8,522	1,000	2,160	9,002	11,162	(1,713)	2008	40
1168	Palm Springs	CA		1,005	5,183	396	1,005	5,216	6,221	(947)	2006	40
0789	Pleasant Hill	CA	6,270	2,480	21,333		2,480	20,633	23,113	(4,342)	2005	40
1166	Rancho Mirage	CA		1,798	24,053	475	1,812	23,600	25,412	(4,277)	2006	40
2065	Roseville	CA		692	21,662		692	21,662	22,354	(657)	2012	45
1008	San Diego	CA		6,384	32,072	222	6,384	31,191	37,575	(5,708)	2006	40
1007	San Dimas	CA		5,628	31,374	208	5,630	30,786	36,416	(5,630)	2006	40
	San Juan											
1009	Capistrano	CA		5,983	9,614	189	5,983	9,516	15,499	(1,766)	2006	40
1167	Santa Rosa	CA		3,582	21,113	665	3,627	20,964	24,591	(3,823)	2006	40
	South San											
0793	Francisco	CA	10,216	3,000	16,586		3,000	16,056	19,056	(3,372)	2005	40
1966	Sun City	CA	14,355	2,650	22,709	1,369	2,650	24,078	26,728	(2,978)	2011	30
0792	Ventura	CA		9,653	2,030	17,379		2,030	16,749	(3,525)	2005	40

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1155	Yorba Linda	CA	4,968	19,290	308	5,030	18,740	23,770	(3,409)	2006	40	
2055	Yreka	CA	565	9,184		565	9,184	9,749	(346)	2012	45	
	Colorado											
1232	Springs	CO	1,910	24,479	400	1,910	23,915	25,825	(4,352)	2006	40	
0512	Denver	CO	2,810	36,021	1,885	2,810	37,906	40,716	(12,500)	2002	30	
1233	Denver	CO	2,511	30,641	342	2,528	30,164	32,692	(5,503)	2006	40	
2146	Denver	CO	875	5,693		875	5,693	6,568	(233)	2012	45	
	Greenwood											
1000	Village	CO	3,367	43,610	890	3,367	43,704	47,071	(7,127)	2006	40	
1234	Lakewood	CO	3,012	31,913	321	3,012	31,436	34,448	(5,710)	2006	40	
2091	Montrose	CO	1,078	24,224		1,078	24,224	25,302	(745)	2012	50	
2085	Glastonbury	CT	3,743	9,766		3,743	9,766	13,509	(382)	2012	45	
2144	Glastonbury	CT	1,658	16,046		1,658	16,046	17,704	(563)	2012	45	
0730	Torrington	CT	12,284	166	11,001		166	10,591	10,757	(2,294)	2005	40
1010	Woodbridge	CT	2,352	9,929	224	2,363	9,680	12,043	(1,808)	2006	40	
	Altamonte											
0538	Springs	FL	1,530	7,956		1,530	7,136	8,666	(1,961)	2002	40	
0861	Apopka	FL	5,733	920	4,816		920	4,716	5,636	(977)	2006	35
0852	Boca Raton	FL	4,730	17,532	2,619	4,730	19,741	24,471	(4,689)	2006	30	
1001	Boca Raton	FL	11,387	2,415	17,923		2,415	17,561	19,976	(2,923)	2006	40
0544	Boynton Beach	FL	7,856	1,270	4,773		1,270	4,773	6,043	(1,293)	2003	40
1963	Boynton Beach	FL	28,171	2,550	31,521	1,364	2,550	32,885	35,435	(3,716)	2011	30
1964	Boynton Beach	FL	3,944	570	5,649	471	570	6,120	6,690	(942)	2011	30
0539	Clearwater	FL	2,250	2,627		2,250	2,627	4,877	(721)	2002	40	
0746	Clearwater	FL	17,309	3,856	12,176		3,856	11,321	15,177	(3,490)	2005	40
0862	Clermont	FL	8,120	440	6,518		440	6,418	6,858	(1,329)	2006	35
1002	Coconut Creek	FL	13,617	2,461	16,006		2,461	15,620	18,081	(2,600)	2006	40
0492	Delray Beach	FL	11,183	850	6,637		850	6,637	7,487	(1,610)	2002	43
0850	Gainesville	FL	15,715	1,020	13,490		1,020	13,090	14,110	(2,481)	2006	40

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HCP, Inc.

Schedule III: Real Estate and Accumulated Depreciation (Continued)

December 31, 2013

(Dollars in thousands)

City	State	Encumbrances at December 31, 2011	Initial Cost to Company			Gross Amount at Which Carried As of December 31, 2013			Accumulated Depreciation	Year Acquired/Constructed	Life on Which Depreciation is Computed	
			Land	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Total ⁽¹⁾				
1095	Gainesville	FL		1,221	12,226		1,221	12,001	13,222	(2,175)	2006	40
0490	Jacksonville	FL	43,240	3,250	25,936	4,560	3,250	30,496	33,746	(8,782)	2002	35
1096	Jacksonville	FL		1,587	15,616		1,587	15,298	16,885	(2,773)	2006	40
0855	Lantana	FL		3,520	26,452		3,520	25,652	29,172	(6,342)	2006	30
1968	Largo	FL	49,413	2,920	64,989	4,176	2,920	69,165	72,085	(8,000)	2011	30
0731	Ocoee	FL	16,100	2,096	9,322		2,096	8,801	10,897	(1,907)	2005	40
0859	Oviedo	FL	8,371	670	8,071		670	7,971	8,641	(1,651)	2006	35
	Palm Beach											
1970	Gardens	FL	27,210	4,820	24,937	11,808	4,820	36,745	41,565	(3,690)	2011	30
1017	Palm Harbor	FL		1,462	16,774	500	1,462	16,888	18,350	(3,104)	2006	40
0732	Port Orange	FL	15,026	2,340	9,898		2,340	9,377	11,717	(2,032)	2005	40
1971	Sarasota	FL	22,782	3,050	29,516	1,265	3,050	30,780	33,830	(3,475)	2011	30
0802	St. Augustine	FL	14,419	830	11,627		830	11,227	12,057	(2,673)	2005	35
2194	Springtree	FL	3,871	1,066	15,874		1,066	15,874	16,940	(312)	2013	45
0692	Sun City Center	FL		510	6,120		510	5,865	6,375	(1,592)	2004	35
0698	Sun City Center	FL		3,466	70,810		3,466	69,750	73,216	(18,886)	2004	34
1097	Tallahassee	FL		1,331	19,039		1,331	18,695	20,026	(3,388)	2006	40
0224	Tampa	FL		600	5,566	686	696	6,134	6,830	(2,116)	1997	45
0849	Tampa	FL	11,865	800	11,340		800	10,940	11,740	(2,074)	2006	40
1257	Vero Beach	FL		2,035	34,993	201	2,035	33,634	35,669	(6,093)	2006	40
1605	Vero Beach	FL		700	16,234		700	16,234	16,934	(1,777)	2010	35
1976	West Palm Beach	FL		390	2,241	172	390	2,413	2,803	(321)	2011	30
1098	Alpharetta	GA		793	8,761	775	793	9,250	10,043	(1,631)	2006	40
1099	Atlanta	GA		687	5,507	1,235	687	6,342	7,029	(1,034)	2006	40
1169	Atlanta	GA		2,665	5,911	455	2,669	6,092	8,761	(1,113)	2006	40
2108	Buford	GA		562	3,604		562	3,604	4,166	(143)	2012	45
2109	Buford	GA		536	3,142		536	3,142	3,678	(124)	2012	45
2123	Buford	GA		1,987	6,561		1,987	6,561	8,548	(268)	2012	45
2053	Canton	GA		401	17,888		401	17,888	18,289	(507)	2012	50
2155	Commerce	GA		737	8,228		737	8,228	8,965	(295)	2012	45
2165	Hartwell	GA		368	6,337		368	6,337	6,705	(203)	2012	45
2066	Lawrenceville	GA		581	2,669		581	2,669	3,250	(129)	2012	45
1241	Lilburn	GA		907	17,340	36	907	16,819	17,726	(3,049)	2006	40
2167	Lithia Springs	GA		1,031	6,954		1,031	6,954	7,985	(280)	2012	40
2105	Macon	GA		814	10,890		814	10,890	11,704	(324)	2012	45
1112	Marietta	GA		894	6,944	552	904	7,220	8,124	(1,323)	2006	40
2156	Marietta	GA		987	4,818		987	4,818	5,805	(196)	2012	45
2086	Newnan	GA		1,227	4,202		1,227	4,202	5,429	(188)	2012	45
2147	Stone Mountain	GA		264	3,182		264	3,182	3,446	(125)	2012	45
2118	Woodstock	GA		764	7,334		764	7,334	8,098	(250)	2012	45
2157	Woodstock	GA		1,926	12,757		1,926	12,757	14,683	(434)	2012	45
1088	Davenport	IA		511	8,039		511	7,868	8,379	(1,426)	2006	40
1093	Marion	IA		502	6,865		502	6,713	7,215	(1,217)	2006	40
2166	Sioux City	IA		197	8,078		197	8,078	8,275	(299)	2012	45
1091	Bloomington	IL		798	13,091		798	12,832	13,630	(2,326)	2006	40
1587	Burr Ridge	IL		2,640	23,902	912	2,704	24,749	27,453	(4,132)	2010	25

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1089	Champaign	IL		101	4,207	1,592	279	5,463	5,742	(867)	2006	40
1157	Hoffman Estates	IL		1,701	12,037	244	1,704	11,695	13,399	(2,142)	2006	40
1090	Macomb	IL		81	6,062		81	5,905	5,986	(1,070)	2006	40
1143	Mt. Vernon	IL		296	15,935	3,562	512	18,949	19,461	(3,136)	2006	40
1969	Niles	IL	26,079	3,790	32,912	2,590	3,790	35,503	39,293	(4,165)	2011	30
1005	Oak Park	IL	25,685	3,476	35,259	764	3,476	35,477	38,953	(5,778)	2006	40
1961	Olympia Fields	IL	29,470	4,120	29,400	772	4,120	30,172	34,292	(3,556)	2011	30
1162	Orland Park	IL		2,623	23,154	224	2,623	22,748	25,371	(4,129)	2006	40
1092	Peoria	IL		404	10,050		404	9,840	10,244	(1,784)	2006	40
1588	Prospect Heights	IL		2,680	20,299	953	2,725	21,208	23,933	(3,626)	2010	25
1952	Vernon Hills	IL	43,249	4,900	45,854	456	4,900	46,309	51,209	(5,276)	2011	30
1237	Wilmette	IL		1,100	9,373		1,100	9,149	10,249	(1,658)	2006	40
0379	Evansville	IN		500	9,302		500	7,762	8,262	(2,445)	1999	45
1144	Indianapolis	IN		1,197	7,718		1,197	7,486	8,683	(1,357)	2006	40
1145	Indianapolis	IN		1,144	8,261	7,371	1,144	15,399	16,543	(2,394)	2006	40
0457	Jasper	IN		165	5,952	359	165	6,311	6,476	(2,263)	2001	35
2047	Kokomo	IN		296	3,245		296	3,245	3,541	(278)	2012	30
1146	West Lafayette	IN		813	10,876		813	10,626	11,439	(1,926)	2006	40
1170	Edgewood	KY		1,868	4,934	339	1,916	4,796	6,712	(888)	2006	40
0697	Lexington	KY	8,010	2,093	16,917		2,093	16,299	18,392	(5,159)	2004	30
1105	Louisville	KY		1,499	26,252	240	1,513	25,868	27,381	(4,739)	2006	40

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Schedule III: Real Estate and Accumulated Depreciation (Continued)

December 31, 2013

(Dollars in thousands)

City	State	Encumbrances at December 31, 2011	Initial Cost to Company		Gross Amount at Which Carried As of December 31, 2013			Accumulated Depreciation Constructed	Year Acquired/ Statement is Computed	Life on Which Depreciation in Latest Income Statement is Computed	
			Land	Buildings and Improvements	Land	Buildings and Improvements	Total ⁽¹⁾				
2115	Murray	KY	288	7,400	288	7,400	7,688	(279)	2012	45	
2135	Paducah	KY	621	16,768	621	16,768	17,389	(476)	2012	50	
1013	Danvers	MA	4,616	30,692	243	4,621	30,344	34,965	(5,560)	2006	40
1151	Dartmouth	MA	3,145	6,880	516	3,176	7,117	10,293	(1,293)	2006	40
1012	Dedham	MA	3,930	21,340	267	3,930	21,032	24,962	(3,848)	2006	40
1158	Plymouth	MA	2,434	9,027	441	2,438	8,987	11,425	(1,638)	2006	40
1153	Baltimore	MD	1,684	18,889	380	1,695	18,835	20,530	(3,419)	2006	40
1249	Frederick	MD	609	9,158	320	609	9,234	9,843	(1,681)	2006	40
1011	Pikesville	MD	1,416	8,854	288	1,416	8,681	10,097	(1,662)	2006	40
0281	Westminster	MD	15,079	768	5,251	768	4,853	5,621	(1,550)	1998	45
0546	Cape Elizabeth	ME	630	3,524	93	630	3,617	4,247	(975)	2003	40
0545	Saco	ME	80	2,363	155	80	2,518	2,598	(675)	2003	40
1258	Auburn Hills Farmington Hills	MI	2,281	10,692	307	2,281	10,692	12,973	(1,938)	2006	40
1248	Holland	MI	1,013	12,119	787	1,013	12,082	13,095	(2,265)	2006	40
0696	Portage	MI	787	51,410	787	50,172	50,959	(15,915)	2004	29	
1094	Sterling Heights	MI	100	5,700	4,617	100	9,950	10,050	(1,661)	2006	40
0472	Sterling Heights	MI	920	7,326	920	7,326	8,246	(2,582)	2001	35	
1259	Champlin	MI	1,593	11,500	1,593	11,181	12,774	(2,027)	2006	40	
2143	Des Peres	MN	1,576	26,725	1,576	26,725	28,301	(774)	2012	50	
1235	Richmond Heights	MO	4,361	20,664	1,744	4,361	20,046	24,407	(3,633)	2006	40
1236	St. Louis	MO	1,744	24,232	2,500	1,744	23,548	25,292	(4,268)	2006	40
0853	St. Peters	MO	2,500	20,343	1,377	2,500	19,853	22,353	(5,018)	2006	30
2081	Oxford	MS	1,377	31,508	2,003	1,377	31,508	32,885	(1,079)	2012	45
2074	Great Falls	MT	2,003	14,140	500	2,003	14,140	16,143	(458)	2012	45
0842	Great Falls	MT	500	5,683	252	500	5,423	5,923	(1,062)	2006	40
2163	Charlotte	NC	252	9,908	710	252	9,908	10,160	(310)	2012	45
0878	Charlotte	NC	710	9,559	2,052	710	9,159	9,869	(1,622)	2006	40
1584	Concord	NC	2,052	6,529	601	2,052	6,529	8,581	(855)	2010	40
1119	Mooresville	NC	601	7,615	166	612	7,546	8,158	(1,407)	2006	40
2126	Raleigh	NC	2,538	37,617	271	2,538	37,617	40,155	(1,134)	2012	50
1254	Minot	ND	1,191	11,532	685	1,191	11,517	12,708	(2,081)	2006	40
2127	Kearney	NE	685	16,047	856	685	16,047	16,732	(517)	2012	45
2080	Lexington	NE	856	22,584	474	856	22,584	23,440	(714)	2012	45
2169	Mc Cook	NE	474	8,405	1,024	474	8,405	8,879	(365)	2012	40
2168	Seward	NE	1,024	13,789	792	1,024	13,789	14,813	(598)	2012	40
2129	Wayne	NE	792	18,276	1,005	792	18,276	19,068	(678)	2012	40
1599	Cherry Hill	NJ	1,005	13,953	1,005	1,005	13,953	14,958	(474)	2012	45
1239	Cresskill	NJ	2,420	11,042	63	2,420	11,492	13,912	(1,448)	2010	25
0734	Hillsborough	NJ	4,684	53,927	52	4,684	53,004	57,688	(9,613)	2006	40
1242	Manahawkin	NJ	1,042	10,042	921	1,042	9,576	10,618	(2,075)	2005	40
0733	Paramus	NJ	3,157	19,909	207	3,157	19,375	22,532	(3,519)	2006	40
1014	Saddle River	NJ	921	9,927	1,784	921	9,461	10,382	(2,050)	2005	40
1231		NJ	4,280	31,684	236	4,280	31,191	35,471	(5,704)	2006	40
			1,784	15,625		1,784	15,417	17,201	(2,817)	2006	40

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Voorhees												
0245	Township	NJ	8,421	900	7,629	900	7,629	8,529	(2,468)	1998	45	
0213	Albuquerque	NM		767	9,324	767	8,825	9,592	(3,253)	1996	45	
2120	Albuquerque	NM		2,224	8,049	2,224	8,049	10,273	(297)	2012	45	
2161	Rio Rancho	NM		1,154	13,726	1,154	13,726	14,880	(480)	2012	40	
2121	Roswell	NM		618	7,038	618	7,038	7,656	(294)	2012	45	
2150	Roswell	NM		837	8,614	837	8,614	9,451	(373)	2012	45	
0796	Las Vegas	NV		1,960	5,816	1,960	5,426	7,386	(1,142)	2005	40	
2110	Las Vegas	NV		667	14,469	667	14,469	15,136	(556)	2012	45	
1252	Brooklyn	NY		8,117	23,627	580	8,117	23,631	31,748	(4,481)	2006	40
1256	Brooklyn	NY		5,215	39,052	179	5,215	38,380	43,595	(6,972)	2006	40
2177	Clifton Park	NY		2,257	11,470		2,257	11,470	13,727	(413)	2012	50
2176	Greece	NY		666	9,569		666	9,569	10,235	(341)	2012	45
2178	Greece	NY		601	7,362		601	7,362	7,963	(268)	2012	45
2174	Orchard Park	NY		726	17,735		726	17,735	18,461	(668)	2012	45
2175	Orchard Park	NY		478	11,961		478	11,961	12,439	(445)	2012	45
0473	Cincinnati	OH		600	4,428		600	4,428	5,028	(1,560)	2001	35
0841	Columbus	OH	6,388	970	7,806	1,023	970	8,438	9,408	(1,608)	2006	40
0857	Fairborn	OH	6,557	810	8,311		810	8,011	8,821	(1,697)	2006	36
1147	Fairborn	OH		298	10,704	3,068	298	13,541	13,839	(2,322)	2006	40
1386	Marietta	OH		1,069	11,435		1,069	11,230	12,299	(1,826)	2007	40
1253	Poland	OH		695	10,444	42	695	10,147	10,842	(1,838)	2006	40
1159	Willoughby	OH		1,177	9,982	295	1,194	9,855	11,049	(1,797)	2006	40

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(Dollars in thousands)

City	State	Encumbrances at December 31, 2011	Initial Cost to Company		Gross Amount at Which Carried As of December 31, 2013			Accumulated Depreciation	Year Acquired/Constructed	Life on Which Depreciation is Computed		
			Land	Buildings and Improvements	Buildings	Improvements	Total ⁽¹⁾					
2158	Broken Arrow	OK	1,115	18,852	1,115	18,852	19,967	(577)	2012	45		
2122	Muskogee	OK	412	2,815	412	2,815	3,227	(135)	2012	45		
1171	Oklahoma City	OK	801	4,904	265	811	4,776	5,587	(883)	2006	40	
2082	Oklahoma City	OK	1,344	3,943		1,344	3,943	5,287	(171)	2012	45	
2083	Oklahoma City	OK	2,116	28,007		2,116	28,007	30,123	(873)	2012	45	
2070	Tahlequah	OK	256	5,648		256	5,648	5,904	(205)	2012	45	
1160	Tulsa	OK	1,115	11,028	282	1,129	10,607	11,736	(1,937)	2006	40	
2130	Ashland	OR		19,303			19,303	19,303	(632)	2012	45	
2103	Eagle Point	OR	609	12,117		609	12,117	12,726	(383)	2012	45	
2179	Eldorado Heights	OR	311	7,868		311	7,868	8,179	(199)	2013	45	
2098	Eugene	OR	1,082	18,858		1,082	18,858	19,940	(581)	2012	50	
2104	Eugene	OR	653	13,568		653	13,568	14,221	(426)	2012	45	
2136	Grants Pass	OR	430	3,267		430	3,267	3,697	(134)	2012	50	
2137	Grants Pass	OR	1,064	16,124		1,064	16,124	17,188	(466)	2012	50	
2138	Grants Pass	OR	618	2,932		618	2,932	3,550	(182)	2012	50	
2145	Grants Pass	OR	775	13,230		775	13,230	14,005	(409)	2012	45	
2139	Gresham	OR	465	6,403		465	6,403	6,868	(206)	2012	50	
2182	Hermiston Terrace	OR	3,004	582	8,087	582	8,087	8,669	(171)	2013	45	
2140	Lebanon	OR	505	12,571		505	12,571	13,076	(407)	2012	50	
2152	McMinnville	OR	3,203	24,909		3,203	24,909	28,112	(1,210)	2012	45	
2159	McMinnville	OR	1,374	6,118		1,374	6,118	7,492	(266)	2012	45	
2090	Monmouth	OR	490	1,278		490	1,278	1,768	(72)	2012	50	
2106	Monmouth	OR	603	8,538		603	8,538	9,141	(300)	2012	45	
2089	Newberg	OR	1,889	16,855		1,889	16,855	18,744	(520)	2012	50	
2133	Portland	OR	1,615	12,030		1,615	12,030	13,645	(353)	2012	50	
2151	Portland	OR	1,677	9,469		1,677	9,469	11,146	(359)	2012	45	
2171	Portland	OR		16,087			16,087	16,087	(450)	2012	50	
2050	Redmond	OR	1,229	21,921		1,229	21,921	23,150	(606)	2012	50	
2131	River Road	OR	3,058	551	6,454	551	6,454	7,005	(148)	2013	45	
2084	Roseburg	OR	1,042	12,090		1,042	12,090	13,132	(424)	2012	45	
2134	Scappoose	OR	353	1,258		353	1,258	1,611	(58)	2012	50	
2153	Scappoose	OR	971	7,116		971	7,116	8,087	(287)	2012	45	
2051	Springfield	OR	1,124	22,515		1,124	22,515	23,639	(663)	2012	50	
2057	Springfield	OR	527	6,035		527	6,035	6,562	(221)	2012	45	
2056	Stayton	OR	48	569		48	569	617	(35)	2012	45	
2058	Stayton	OR	253	8,621		253	8,621	8,874	(302)	2012	45	
2088	Tualatin	OR		6,326			6,326	6,326	(286)	2012	45	
2180	Windfield Village	OR	3,731	580	9,817	580	9,817	10,397	(225)	2013	45	
1163	Haverford	PA	16,461	108,816	3,311	16,461	110,514	126,975	(20,413)	2006	40	
2063	Selinsgrove	PA	529	9,111		529	9,111	9,640	(355)	2012	45	
1967	Cumberland	RI	2,630	19,050	770	2,630	19,820	22,450	(2,331)	2011	30	
1959	East Providence	RI	14,948	1,890	13,989	1,084	1,890	15,073	16,963	(1,731)	2011	30
1960	Greenwich	RI	8,187	450	11,845	1,239	450	13,084	13,534	(1,567)	2011	30

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1972	Smithfield South	RI	1,250	17,816	653	1,250	18,469	19,719	(2,259)	2011	30	
1973	Kingstown	RI	1,390	12,551	630	1,390	13,182	14,572	(1,555)	2011	30	
1975	Tiverton	RI	3,240	25,735	651	3,240	26,386	29,626	(3,036)	2011	30	
1962	Warwick	RI	14,627	1,050	17,389	1,369	1,050	18,756	19,806	(2,308)	2011	30
1104	Aiken	SC	357	14,832	151	363	14,471	14,834	(2,663)	2006	40	
1100	Charleston	SC	885	14,124	292	896	14,075	14,971	(2,602)	2006	40	
1109	Columbia	SC	408	7,527	131	412	7,458	7,870	(1,380)	2006	40	
2154	Florence	SC	255	4,052		255	4,052	4,307	(176)	2012	45	
0306	Georgetown	SC	239	3,008		239	3,008	3,247	(970)	1998	45	
0879	Greenville	SC	1,090	12,558		1,090	12,058	13,148	(2,135)	2006	40	
1172	Greenville	SC	993	16,314	437	1,006	15,838	16,844	(2,865)	2006	40	
2059	Greenville	SC	149	3,827		149	3,827	3,976	(165)	2012	45	
2099	Hilton Head Island	SC	828	6,285		828	6,285	7,113	(260)	2012	45	
2111	Hilton Head Island	SC	1,107	1,873		1,107	1,873	2,980	(99)	2012	45	
2112	Hilton Head Island	SC	621	2,234		621	2,234	2,855	(110)	2012	45	
0305	Lancaster	SC	84	2,982		84	2,982	3,066	(877)	1998	45	
0880	Myrtle Beach	SC	900	10,913		900	10,513	11,413	(1,862)	2006	40	
0312	Rock Hill	SC	203	2,671		203	2,671	2,874	(841)	1998	45	
1113	Rock Hill	SC	695	4,119	322	795	4,126	4,921	(835)	2006	40	
2076	Rock Hill	SC	919	14,741		919	14,741	15,660	(506)	2012	45	
2093	Rock Hill	SC	503	4,281		503	4,281	4,784	(164)	2012	45	
0313	Sumter	SC	196	2,623		196	2,623	2,819	(846)	1998	45	
2067	West Columbia	SC	220	2,662		220	2,662	2,882	(130)	2012	45	

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(Dollars in thousands)

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			Land	Buildings and Improvements	Subsequent to Acquisition	Land	Buildings and Improvements	Total ⁽¹⁾				
2132	Cordova	TN		2,167	5,829		2,167	5,829	7,996	(224)	2012	45
2060	Franklin	TN		2,475	27,337		2,475	27,337	29,812	(857)	2012	45
2100	Hendersonville	TN		1,298	2,464		1,298	2,464	3,762	(134)	2012	45
2073	Kingsport	TN		1,113	8,625		1,113	8,625	9,738	(301)	2012	45
2071	Memphis	TN		1,315	9,787		1,315	9,787	11,102	(298)	2012	45
1003	Nashville	TN	11,000	812	16,983	2,524	812	18,759	19,571	(2,733)	2006	40
2094	Nashville	TN		1,444	14,436		1,444	14,436	15,880	(449)	2012	45
0860	Oak Ridge	TN	8,395	500	4,741		500	4,641	5,141	(961)	2006	35
0843	Abilene	TX	1,748	300	2,830		300	2,710	3,010	(514)	2006	39
2107	Amarillo	TX		1,315	26,838		1,315	26,838	28,153	(824)	2012	45
1004	Arlington	TX	14,076	2,002	19,110		2,002	18,729	20,731	(3,118)	2006	40
1116	Arlington	TX		2,494	12,192	249	2,540	11,873	14,413	(2,201)	2006	40
0511	Austin	TX		2,960	41,645		2,960	41,645	44,605	(14,229)	2002	30
1589	Austin	TX		2,860	17,358	497	2,973	17,742	20,715	(3,213)	2010	25
0202	Beaumont	TX		145	10,404		145	10,020	10,165	(3,768)	1996	45
2075	Bedford	TX		1,204	26,845		1,204	26,845	28,049	(825)	2012	45
0844	Burleson	TX	3,992	1,050	5,242		1,050	4,902	5,952	(929)	2006	40
0848	Cedar Hill	TX	8,548	1,070	11,554		1,070	11,104	12,174	(2,105)	2006	40
1325	Cedar Hill	TX		440	7,494		440	7,494	7,934	(1,697)	2007	40
2164	Dallas	TX		2,120	8,986		2,120	8,986	11,106	(324)	2012	45
0513	Fort Worth	TX		2,830	50,832		2,830	50,832	53,662	(17,367)	2002	30
0506	Friendswood	TX	22,392	400	7,354		400	7,354	7,754	(1,879)	2002	45
0217	Houston	TX	11,354	835	7,195		835	7,195	8,030	(2,551)	1997	45
0491	Houston	TX		2,470	21,710	750	2,470	22,460	24,930	(7,632)	2002	35
1106	Houston	TX		1,008	15,333	183	1,020	15,098	16,118	(2,773)	2006	40
1111	Houston	TX		1,877	25,372	247	1,961	24,491	26,452	(4,495)	2006	40
1955	Houston	TX	49,123	9,820	50,079	3,543	9,820	53,621	63,441	(6,683)	2011	30
1957	Houston	TX	32,260	8,170	37,285	2,089	8,170	39,375	47,545	(4,692)	2011	30
1958	Houston	TX	29,704	2,910	37,443	2,393	2,910	39,837	42,747	(4,797)	2011	30
2068	Houston	TX		985	18,824		985	18,824	19,809	(585)	2012	45
0820	Irving	TX	10,569	710	9,949		710	9,359	10,069	(2,139)	2005	35
2149	Kerrville	TX		1,459	33,408		1,459	33,408	34,867	(1,082)	2012	45
2124	Lubbock	TX		1,143	4,656		1,143	4,656	5,799	(195)	2012	45
0845	North Richland Hills	TX	2,927	520	5,117		520	4,807	5,327	(911)	2006	40
0846	North Richland Hills	TX	6,483	870	9,259		870	8,819	9,689	(1,911)	2006	35
2113	North Richland Hills	TX		909	11,337		909	11,337	12,246	(353)	2012	45
1102	Plano	TX		494	12,518	145	505	12,247	12,752	(2,249)	2006	40
2064	Plano	TX		590	6,930		590	6,930	7,520	(253)	2012	45
2162	Portland	TX		1,233	14,001		1,233	14,001	15,234	(506)	2012	45
0494	San Antonio	TX	7,721	730	3,961		730	3,961	4,691	(1,034)	2002	45
1590	San Antonio	TX		2,860	17,030	282	2,880	17,292	20,172	(3,125)	2010	25
2116	Sherman	TX		209	3,492		209	3,492	3,701	(135)	2012	45
1954	Sugar Land	TX	31,770	3,420	36,846	2,496	3,420	39,341	42,761	(4,537)	2011	30

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1103	The Woodlands	TX		802	17,358	228	869	17,071	17,940	(3,143)	2006	40
0195	Victoria	TX	12,496	175	4,290	3,101	175	7,018	7,193	(2,016)	1995	43
0847	Waxahachie	TX	2,004	390	3,879		390	3,659	4,049	(694)	2006	40
1953	Webster	TX	30,356	4,780	30,854	2,346	4,780	33,200	37,980	(3,933)	2011	30
2069	Cedar City	UT		437	8,706		437	8,706	9,143	(280)	2012	45
1161	Salt Lake City	UT		2,621	22,072	287	2,654	21,371	24,025	(3,886)	2006	40
2101	St. George	UT		683	9,435		683	9,435	10,118	(315)	2012	45
1015	Arlington	VA		4,320	19,567	455	4,320	19,445	23,765	(3,648)	2006	40
1244	Arlington	VA		3,833	7,076	206	3,833	7,045	10,878	(1,277)	2006	40
1245	Arlington	VA		7,278	37,407	392	7,278	36,914	44,192	(6,734)	2006	40
0881	Chesapeake	VA		1,090	12,444		1,090	11,944	13,034	(2,115)	2006	40
1247	Falls Church	VA		2,228	8,887	119	2,228	8,791	11,019	(1,629)	2006	40
1164	Fort Belvoir	VA		11,594	99,528	6,587	11,594	104,117	115,711	(19,524)	2006	40
1250	Leesburg	VA		607	3,236	82	607	3,171	3,778	(2,140)	2006	35
1016	Richmond	VA		2,110	11,469	281	2,110	11,324	13,434	(2,099)	2006	40

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HCP, Inc.

Schedule III: Real Estate and Accumulated Depreciation (Continued)

December 31, 2013

(Dollars in thousands)

City	State	Encumbrances at December 31, 2013	Initial Cost to Company			Gross Amount at Which Carried As of December 31, 2013			Accumulated Depreciation	Year Acquired/Constructed	Life on Which Depreciation is Computed	
			Land	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Total ⁽¹⁾				
1246	Sterling	VA	2,360	22,932	412	2,360	22,832	25,192	(4,186)	2006	40	
2077	Sterling	VA	1,046	15,788		1,046	15,788	16,834	(476)	2012	45	
0225	Woodbridge	VA	950	6,983		950	6,983	7,933	(2,365)	1997	45	
1173	Bellevue	WA	3,734	16,171	210	3,737	15,813	19,550	(2,874)	2006	40	
2095	College Place	WA	758	8,051		758	8,051	8,809	(299)	2012	45	
1240	Edmonds	WA	1,418	16,502	49	1,418	16,080	17,498	(2,923)	2006	40	
2172	Ellensburg	WA	759	5,699		759	5,699	6,458	(263)	2012	40	
2160	Kenmore	WA	3,284	16,641		3,284	16,641	19,925	(514)	2012	45	
0797	Kirkland	WA	1,000	13,403		1,000	13,043	14,043	(2,745)	2005	40	
1174	Lynnwood	WA	1,203	7,415	326	1,203	7,741	8,944	(1,385)	2006	40	
1251	Mercer Island	WA	4,209	8,123	318	4,209	8,236	12,445	(1,593)	2006	40	
2141	Moses Lake	WA	429	4,417		429	4,417	4,846	(223)	2012	50	
2096	Poulsbo	WA	1,801	18,068		1,801	18,068	19,869	(603)	2012	45	
2102	Richland	WA	249	5,067		249	5,067	5,316	(162)	2012	45	
0794	Shoreline	WA	8,973	1,590	10,671	1,590	10,261	11,851	(2,159)	2005	40	
0795	Shoreline	WA	4,030	26,421		4,030	25,651	29,681	(5,322)	2005	39	
1175	Snohomish	WA	1,541	10,228	195	1,541	10,164	11,705	(1,834)	2006	40	
2097	Spokane	WA	903	5,363		903	5,363	6,266	(233)	2012	45	
2061	Vancouver	WA	513	4,556		513	4,556	5,069	(187)	2012	45	
2062	Vancouver	WA	1,498	9,997		1,498	9,997	11,495	(321)	2012	45	
2052	Yakima	WA	557	5,897		557	5,897	6,454	(202)	2012	50	
2078	Yakima	WA	353	5,668		353	5,668	6,021	(175)	2012	45	
2114	Yakima	WA	721	8,872		721	8,872	9,593	(326)	2012	45	
2072	Appleton	WI	182	12,581		182	12,581	12,763	(395)	2012	45	
2170	Madison	WI	834	10,050		834	10,050	10,884	(362)	2012	40	
2173	Oakridge	WI	801	16,688		801	16,688	17,489	(305)	2013	45	
2117	Bridgeport	WV	3,174	15,437		3,174	15,437	18,611	(652)	2012	45	
2125	Bridgeport	WV	3,280	4,181		3,280	4,181	7,461	(219)	2012	45	
2142	Cody	WY	708	9,926		708	9,926	10,634	(281)	2012	50	
2148	Sheridan	WY	915	12,047		915	12,047	12,962	(404)	2012	45	
			\$ 1,048,786	\$ 608,154	\$ 5,135,147	\$ 125,352	\$ 609,792	\$ 5,178,617	\$ 5,788,409	\$ (758,223)		
Post-acute/skilled nursing												
0002	Fort Collins	CO	499	1,913	1,454	499	3,114	3,613	(3,114)	1985	25	
0018	Morrison	CO	1,429	5,464	4,019	1,429	8,758	10,187	(8,589)	1985	24	
0280	Statesboro	GA	168	1,508		168	1,509	1,677	(852)	1992	25	

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0297	Rexburg	ID	200	5,310		200	5,057	5,257	(2,239)	1998	35
0378	Anderson	IN	500	4,724	1,734	500	6,057	6,557	(2,217)	1999	35
2189	Anderson	IN	406		6,779	406	6,779	7,185		2013	*
0384	Angola	IN	130	2,900	2,791	130	5,691	5,821	(1,309)	1999	35
0385	Fort Wayne	IN	200	4,150	2,667	200	6,817	7,017	(2,113)	1999	38
0386	Fort Wayne	IN	140	3,760		140	3,760	3,900	(1,522)	1999	35
0387	Huntington	IN	30	2,970	338	30	3,308	3,338	(1,253)	1999	35
0373	Kokomo	IN	250	4,622	1,294	250	5,653	5,903	(1,589)	1999	45
0454	New Albany	IN	230	6,595		230	6,595	6,825	(2,402)	2001	35
0484	Tell City	IN	95	6,208	1,299	95	7,509	7,604	(1,971)	2001	45
0688	Cynthiana	KY	192	4,875		192	4,875	5,067	(1,083)	2004	40
0298	Franklin	LA	405	3,424		405	3,424	3,829	(1,904)	1998	25
0299	Morgan City	LA	203	2,050		203	2,050	2,253	(1,140)	1998	25
0388	Las Vegas	NV	1,300	3,950	4,013	1,300	7,963	9,263	(1,732)	1999	35
0389	Las Vegas	NV	1,300	5,800		1,300	5,800	7,100	(2,348)	1999	35
0390	Fairborn	OH	250	4,850		250	4,850	5,100	(1,963)	1999	35
0391	Georgetown	OH	130	4,970		130	4,970	5,100	(2,012)	1999	35
0392	Port Clinton	OH	370	3,630		370	3,630	4,000	(1,469)	1999	35
0393	Springfield	OH	250	3,950	2,113	250	6,063	6,313	(1,863)	1999	35
0394	Toledo	OH	120	5,130		120	5,130	5,250	(2,076)	1999	35
0395	Versailles	OH	120	4,980		120	4,980	5,100	(2,016)	1999	35
0285	Fort Worth	TX	243	2,036	268	243	2,304	2,547	(1,296)	1998	25
0296	Ogden	UT	250	4,685		250	4,432	4,682	(1,941)	1998	35
0681	Fishersville	VA	751	7,734		751	7,220	7,971	(1,751)	2004	40
0682	Floyd	VA	309	2,263		309	1,893	2,202	(730)	2004	25
0689	Independence	VA	206	8,366		206	7,810	8,016	(1,871)	2004	40
	Newport										
0683	News	VA	535	6,192		535	5,719	6,254	(1,386)	2004	40
0684	Roanoke	VA	586	7,159		586	6,696	7,282	(1,622)	2004	40
0685	Staunton	VA	422	8,681		422	8,136	8,558	(1,969)	2004	40
0686	Williamsburg	VA	699	4,886		699	4,464	5,163	(1,083)	2004	40
0690	Windsor	VA	319	7,543		319	7,018	7,337	(1,681)	2004	40
0687	Woodstock	VA	603	5,395	9	605	4,989	5,594	(1,210)	2004	40

\$ 13,840 \$ 162,673 \$ 28,778 \$ 13,842 \$ 185,023 \$ 198,865 \$ (65,316)

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HCP, Inc.

Schedule III: Real Estate and Accumulated Depreciation (Continued)

December 31, 2013

(Dollars in thousands)

City	State	Encumbrances at December 31, 2013	Initial Cost to Company			Gross Amount at Which Carried As of December 31, 2013			Accumulated Depreciation	Year Acquired/ Constructed	Life on Which Depreciation in Latest Income Statement is Computed	
			Land	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Total ⁽¹⁾				
Life science												
1482	Brisbane	CA	50,989	1,789	39,851	50,989	41,641	92,630		2007	**	
1481	Carlsbad	CA	30,300		7,723	30,300	7,723	38,023		2007	**	
1522	Carlsbad	CA	23,475		2,816	23,475	2,817	26,292		2007	**	
1401	Hayward	CA	900	7,100	915	900	8,015	8,915	(1,322)	2007	40	
1402	Hayward	CA	1,500	6,400	3,465	1,500	9,865	11,365	(1,900)	2007	40	
1403	Hayward	CA	1,900	7,100	424	1,900	7,523	9,423	(1,394)	2007	40	
1404	Hayward	CA	2,200	17,200	12	2,200	17,212	19,412	(2,762)	2007	40	
1405	Hayward	CA	1,000	3,200	7,478	1,000	10,678	11,678	(3,002)	2007	40	
1549	Hayward	CA	1,006	4,259	1,551	1,006	5,811	6,817	(1,720)	2007	29	
1550	Hayward	CA	677	2,761	5,019	677	7,725	8,402	(1,357)	2007	29	
1551	Hayward	CA	661	1,995	3,298	661	5,293	5,954	(652)	2007	29	
1552	Hayward	CA	1,187	7,139	594	1,187	7,432	8,619	(1,695)	2007	29	
1553	Hayward	CA	1,189	9,465	110	1,189	9,575	10,764	(2,196)	2007	29	
1554	Hayward	CA	1,246	5,179	1,829	1,246	7,008	8,254	(2,000)	2007	29	
1555	Hayward	CA	1,521	13,546	121	1,521	13,667	15,188	(3,141)	2007	29	
1556	Hayward	CA	1,212	5,120	3,315	1,212	8,206	9,418	(1,731)	2007	29	
1424	La Jolla	CA	9,600	25,283	7,794	9,648	32,100	41,748	(5,184)	2007	40	
1425	La Jolla	CA	6,200	19,883	125	6,276	19,932	26,208	(3,232)	2007	40	
1426	La Jolla	CA	7,200	12,412	3,460	7,291	15,781	23,072	(4,441)	2007	27	
1427	La Jolla	CA	8,700	16,983	2,059	8,746	18,995	27,741	(4,046)	2007	30	
1947	La Jolla	CA	12,006	2,581	10,534	20	2,581	10,554	13,135	(1,055)	2011	30
1949	La Jolla	CA	7,921	2,686	11,045	575	2,686	11,620	14,306	(1,269)	2011	30
1488	Mountain View	CA	7,300	25,410	1,914	7,566	27,058	34,624	(4,362)	2007	40	
1489	Mountain View	CA	6,500	22,800	1,866	6,500	24,666	31,166	(3,971)	2007	40	
1490	Mountain View	CA	4,800	9,500	442	4,800	9,942	14,742	(1,669)	2007	40	
1491	Mountain View	CA	4,200	8,400	1,249	4,209	9,640	13,849	(2,087)	2007	40	
1492	Mountain View	CA	3,600	9,700	730	3,600	10,430	14,030	(2,284)	2007	40	
1493	Mountain View	CA	7,500	16,300	1,904	7,500	17,603	25,103	(2,841)	2007	40	
1494	Mountain View	CA	9,800	24,000	203	9,800	24,203	34,003	(3,910)	2007	40	
1495	Mountain View	CA	6,900	17,800	3,245	6,900	21,045	27,945	(3,274)	2007	40	
1496	Mountain View	CA	7,000	17,000	6,364	7,000	23,364	30,364	(6,429)	2007	40	
1497	Mountain View	CA	14,100	31,002	10,111	14,100	41,113	55,213	(10,871)	2007	40	
1498	Mountain View	CA	7,100	25,800	8,101	7,100	33,901	41,001	(8,765)	2007	40	
2017		CA		20,350	(94)		20,256	20,256	(625)	2013	40	

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	Mountain View											
1470	Poway	CA	5,826	12,200	5,727	5,826	17,927	23,753	(5,547)	2007	40	
1471	Poway	CA	5,978	14,200	4,253	5,978	18,453	24,431	(4,658)	2007	40	
1472	Poway	CA	8,654		5,804	8,654	5,803	14,457		2007	*	
1473	Poway	CA	17,146	2,405	2,214	17,146	4,620	21,766		2007	**	
1477	Poway	CA	29,943	2,475	17,641	29,943	20,116	50,059		2007	**	
1478	Poway	CA	6,700	14,400	6,145	6,700	20,545	27,245	(6,801)	2007	40	
	Redwood											
1499	City	CA	3,400	5,500	1,275	3,407	6,768	10,175	(1,750)	2007	40	
	Redwood											
1500	City	CA	2,500	4,100	1,220	2,506	5,314	7,820	(1,369)	2007	40	
	Redwood											
1501	City	CA	3,600	4,600	860	3,607	5,452	9,059	(1,159)	2007	30	
	Redwood											
1502	City	CA	3,100	5,100	843	3,107	5,690	8,797	(1,153)	2007	31	
	Redwood											
1503	City	CA	4,800	17,300	3,280	4,818	20,562	25,380	(3,342)	2007	31	
	Redwood											
1504	City	CA	5,400	15,500	930	5,418	16,412	21,830	(2,585)	2007	31	
	Redwood											
1505	City	CA	3,000	3,500	635	3,006	4,130	7,136	(1,052)	2007	40	
	Redwood											
1506	City	CA	6,000	14,300	3,569	6,018	17,852	23,870	(3,209)	2007	40	
	Redwood											
1507	City	CA	1,900	12,800	8,436	1,912	21,224	23,136	(1,783)	2007	39	
	Redwood											
1508	City	CA	2,700	11,300	7,095	2,712	18,383	21,095	(1,612)	2007	39	
	Redwood											
1509	City	CA	2,700	10,900	6,099	2,712	16,987	19,699	(2,370)	2007	40	
	Redwood											
1510	City	CA	2,200	12,000	5,203	2,212	17,192	19,404	(3,342)	2007	38	
	Redwood											
1511	City	CA	2,600	9,300	1,539	2,612	10,828	13,440	(2,099)	2007	26	
	Redwood											
1512	City	CA	3,300	18,000	123	3,300	18,123	21,423	(2,901)	2007	40	
	Redwood											
1513	City	CA	3,300	17,900	292	3,300	18,192	21,492	(2,885)	2007	40	
0679	San Diego	CA	7,872	34,617	17,690	8,272	51,907	60,179	(13,568)	2002	39	
0837	San Diego	CA	4,630	2,029	8,967	4,630	10,995	15,625	(2,235)	2006	31	
0838	San Diego	CA	2,040	902	4,975	2,040	5,878	7,918	(694)	2006	40	
0839	San Diego	CA	3,940	3,184	4,584	3,951	6,712	10,663	(2,960)	2006	40	
0840	San Diego	CA	5,690	4,579	686	5,703	5,252	10,955	(1,327)	2006	40	
1418	San Diego	CA	11,700	31,243	6,370	11,700	37,613	49,313	(6,987)	2007	40	
1420	San Diego	CA	6,524		3,568	6,524	3,566	10,090		2007	**	
1421	San Diego	CA	7,000	33,779		7,000	33,779	40,779	(5,419)	2007	40	
1422	San Diego	CA	7,179	3,687	846	7,184	4,528	11,712	(941)	2007	30	
1423	San Diego	CA	8,400	33,144	8	8,400	33,152	41,552	(5,317)	2007	40	
1514	San Diego	CA	5,200			5,200		5,200		2007	**	
1558	San Diego	CA	7,740	22,654	2,100	7,875	24,620	32,495	(3,852)	2007	38	
1948	San Diego	CA	24,785	5,879	25,305	326	5,879	25,631	31,510	(2,585)	2011	30
1950	San Diego	CA	1,009	884	2,796		884	2,796	3,680	(280)	2011	30
2197	San Diego	CA	7,621	3,913		3,905	7,626	7,813	15,439	(1,072)	2010	33

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HCP, Inc.

Schedule III: Real Estate and Accumulated Depreciation (Continued)

December 31, 2013

(Dollars in thousands)

City	State	Encumbrances at December 31, 2013	Initial Cost to Company			Gross Amount at Which Carried As of December 31, 2013			Accumulated Depreciation	Year Acquired/Constructed	Life on Which Depreciation in Latest Income Statement is Computed
			Land	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Total ⁽¹⁾			
1407	South San Francisco	CA	28,600	48,700	5,341	28,600	54,040	82,640	(11,427)	2007	35
1408	South San Francisco	CA	9,000	17,800	1,023	9,000	18,823	27,823	(2,987)	2007	40
1409	South San Francisco	CA	18,000	38,043	421	18,000	38,464	56,464	(6,138)	2007	40
1410	South San Francisco	CA	4,900	18,100	157	4,900	18,256	23,156	(2,921)	2007	40
1411	South San Francisco	CA	8,000	27,700	363	8,000	28,062	36,062	(4,459)	2007	40
1412	South San Francisco	CA	10,100	22,521	239	10,100	22,761	32,861	(3,671)	2007	40
1413	South San Francisco	CA	8,000	28,299	252	8,000	28,550	36,550	(4,558)	2007	40
1414	South San Francisco	CA	3,700	20,800	203	3,700	21,004	24,704	(3,386)	2007	40
1430	South San Francisco	CA	10,700	23,621	212	10,700	23,832	34,532	(3,837)	2007	40
1431	South San Francisco	CA	7,000	15,500	157	7,000	15,657	22,657	(2,498)	2007	40
1435	South San Francisco	CA	13,800	42,500	32,853	13,800	75,353	89,153	(9,209)	2008	40
1436	South San Francisco	CA	14,500	45,300	34,087	14,500	79,387	93,887	(9,638)	2008	40
1437	South San Francisco	CA	9,400	24,800	16,980	9,400	41,780	51,180	(4,170)	2008	40
1439	South San Francisco	CA	11,900	68,848	70	11,900	68,918	80,818	(11,049)	2007	40
1440	South San Francisco	CA	10,000	57,954		10,000	57,954	67,954	(9,297)	2007	40
1441	South San Francisco	CA	9,300	43,549		9,300	43,549	52,849	(6,986)	2007	40
1442	South San Francisco	CA	11,000	47,289	81	11,000	47,370	58,370	(7,615)	2007	40
1443	South San Francisco	CA	13,200	60,932	1,158	13,200	62,090	75,290	(9,285)	2007	40
1444	South San Francisco	CA	10,500	33,776	353	10,500	34,128	44,628	(5,480)	2007	40
1445	South San Francisco	CA	10,600	34,083		10,600	34,083	44,683	(5,468)	2007	40
1448	South San Francisco	CA	14,100	71,344	52	14,100	71,396	85,496	(11,452)	2007	40
1449	South San Francisco	CA	12,800	63,600	472	12,800	64,072	76,872	(10,340)	2007	40
1450	South San Francisco	CA	11,200	79,222	20	11,200	79,242	90,442	(12,711)	2007	40

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	South San Francisco											
1451	South San Francisco	CA		7,200	50,856	66	7,200	50,922	58,122	(8,167)	2007	40
1452	South San Francisco	CA		14,400	101,362	(115)	14,400	101,247	115,647	(16,231)	2007	40
1454	South San Francisco	CA		11,100	47,738	9,369	11,100	57,108	68,208	(10,722)	2008	40
1455	South San Francisco	CA		9,700	41,937	5,835	10,261	47,211	57,472	(8,446)	2008	40
1456	South San Francisco	CA		6,300	22,900	8,196	6,300	31,096	37,396	(5,955)	2008	40
1458	South San Francisco	CA		10,900	20,900	5,695	10,909	26,389	37,298	(6,703)	2007	40
1459	South San Francisco	CA		3,600	100	192	3,600	292	3,892	(94)	2007	5
1460	South San Francisco	CA		2,300	100	102	2,300	202	2,502	(100)	2007	5
1461	South San Francisco	CA		3,900	200	191	3,900	391	4,291	(200)	2007	5
1462	South San Francisco	CA		7,117	600	4,911	7,117	5,163	12,280	(948)	2007	40
1463	South San Francisco	CA		10,381	2,300	17,731	10,381	20,031	30,412	(1,712)	2007	40
1464	South San Francisco	CA		7,403	700	7,355	7,403	8,055	15,458	(713)	2007	40
1468	South San Francisco	CA		10,100	24,013	4,165	10,100	26,034	36,134	(4,010)	2007	40
1480	South San Francisco	CA		32,210	3,110	11,189	32,210	14,299	46,509		2007	**
1559	South San Francisco	CA		5,666	5,773	188	5,695	5,863	11,558	(5,892)	2007	5
1560	South San Francisco	CA		1,204	1,293	117	1,210	1,390	2,600	(1,293)	2007	5
1982	South San Francisco	CA		64,900		14,686	64,900	14,686	79,586		2011	**
1604	Cambridge	MA		8,389	10,630	22,153	8,389	32,783	41,172	(149)	2010	
2011	Durham	NC	8,564	448	6,152	13,692	448	19,844	20,292	(42)	2011	
2029	Durham	NC		1,920	5,661	17,432	1,920	23,093	25,013	(315)	2012	
0461	Salt Lake City	UT		500	8,548		500	8,548	9,048	(3,165)	2001	33
0462	Salt Lake City	UT		890	15,623		890	15,624	16,514	(5,091)	2001	38
0463	Salt Lake City	UT		190	9,875		190	9,875	10,065	(2,765)	2001	43
0464	Salt Lake City	UT		630	6,921	62	630	6,984	7,614	(2,334)	2001	38
0465	Salt Lake City	UT		125	6,368	68	125	6,436	6,561	(1,788)	2001	43
0466	Salt Lake City	UT			14,614	7		14,621	14,621	(3,562)	2001	43
0507	Salt Lake City	UT		280	4,345	226	280	4,572	4,852	(1,157)	2002	43
0537	Salt Lake City	UT			6,517			6,517	6,517	(1,719)	2002	35
0799	Salt Lake City	UT			14,600	90		14,690	14,690	(2,507)	2005	40
1593	Salt Lake City	UT			23,998			23,998	23,998	(2,485)	2010	33
				\$ 54,285	\$ 935,829	\$ 2,218,082	\$ 503,894	\$ 937,686	\$ 2,713,944	\$ 3,651,630	\$ (448,888)	

Medical office

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0638	Anchorage	AK	6,091	1,456	10,650	7,143	1,456	17,742	19,198	(2,220)	2006	
0520	Chandler	AZ		3,669	13,503	1,858	3,669	15,117	18,786	(3,779)	2002	40
2040	Mesa	AZ			17,314	46		17,360	17,360	(606)	2012	45
0468	Oro Valley	AZ		1,050	6,774	910	1,050	7,109	8,159	(1,922)	2001	43
0356	Phoenix	AZ		780	3,199	1,077	780	3,550	4,330	(1,466)	1999	32
0470	Phoenix	AZ		280	877	48	280	924	1,204	(263)	2001	43
1066	Scottsdale	AZ		5,115	14,064	2,364	4,791	16,745	21,536	(3,705)	2006	40
2021	Scottsdale	AZ			12,312	143		12,454	12,454	(857)	2012	25
2022	Scottsdale	AZ			9,179	112		9,291	9,291	(726)	2012	25
2023	Scottsdale	AZ			6,398	206		6,604	6,604	(407)	2012	25
2024	Scottsdale	AZ			9,522	348		9,870	9,870	(561)	2012	25
2025	Scottsdale	AZ			4,102	266		4,368	4,368	(327)	2012	25
2026	Scottsdale	AZ			3,655	68		3,723	3,723	(220)	2012	25
2027	Scottsdale	AZ			7,168	539		7,707	7,707	(456)	2012	25

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(Dollars in thousands)

City	State	Encumbrances at December 31, 2011	Initial Cost to Company		Gross Amount at Which Carried As of December 31, 2013			Accumulated Depreciation at December 31, 2013	Year Acquired/ Constructed	Life on Which Depreciation in Latest Income Statement is Computed		
			Land	Buildings and Improvements	Buildings and Improvements	Land	Buildings and Improvements				Total ⁽¹⁾	
2028	Scottsdale	AZ		6,659	337	6,996	6,996	(411)	2012	25		
0453	Tucson	AZ	215	6,318	1,043	326	7,050	7,376	(2,536)	2000	35	
0556	Tucson	AZ	215	3,940	657	267	4,117	4,384	(901)	2003	43	
1041	Brentwood	CA		30,864	2,150	126	32,693	32,819	(6,126)	2006	40	
1200	Encino	CA	6,151	10,438	2,525	6,519	12,540	19,059	(3,253)	2006	33	
0436	Murietta	CA	400	9,266	2,203	578	10,730	11,308	(4,347)	1999	33	
0239	Poway	CA	2,700	10,839	2,326	2,872	11,754	14,626	(5,286)	1997	35	
0318	Sacramento	CA	2,860	21,850	12,429	2,860	33,509	36,369	(6,105)	1998	*	
0234	San Diego	CA	2,848	5,879	1,302	3,009	5,226	8,235	(2,689)	1997	21	
0235	San Diego	CA	2,863	8,913	2,891	3,068	9,948	13,016	(5,325)	1997	21	
0236	San Diego	CA	4,619	19,370	3,721	4,711	17,830	22,541	(8,952)	1997	21	
0421	San Diego	CA	2,910	17,362	10,273	2,910	27,635	30,545	(4,808)	1999	22	
0564	San Jose	CA	2,764	1,935	1,728	1,767	1,935	5,311	(1,339)	2003	37	
0565	San Jose	CA	6,436	1,460	7,672	495	1,460	8,161	9,621	(2,398)	2003	37
0659	San Jose	CA		1,718	3,124	396	1,718	3,443	5,161	(792)	2000	34
1209	Sherman Oaks	CA	7,472	10,075	3,199	7,861	12,877	20,738	(4,373)	2006	22	
0439	Valencia	CA	2,300	6,967	1,210	2,353	6,845	9,198	(2,896)	1999	35	
1211	Valencia	CA	1,344	7,507	565	1,383	8,034	9,417	(1,629)	2006	40	
0440	West Hills	CA	2,100	11,595	2,026	2,156	10,711	12,867	(4,369)	1999	32	
0728	Aurora	CO		8,764	1,142		9,906	9,906	(3,379)	2005	39	
1196	Aurora	CO	210	12,362	1,161	210	13,487	13,697	(2,811)	2006	40	
1197	Aurora	CO	200	8,414	903	200	9,317	9,517	(2,268)	2006	33	
0882	Colorado Springs	CO		12,933	5,038		17,971	17,971	(4,844)	2007	40	
0814	Conifer	CO		1,485	35	13	1,508	1,521	(317)	2005	40	
1199	Denver	CO	493	7,897	626	558	8,458	9,016	(1,977)	2006	33	
0808	Englewood	CO		8,616	6,274		14,764	14,764	(3,061)	2005	35	
0809	Englewood	CO		8,449	2,539		10,702	10,702	(2,935)	2005	35	
0810	Englewood	CO		8,040	4,656		12,696	12,696	(3,657)	2005	35	
0811	Englewood	CO		8,472	1,865		10,295	10,295	(2,918)	2005	35	
0812	Littleton	CO		4,562	1,570	79	5,950	6,029	(1,676)	2005	35	
0813	Littleton	CO		4,926	1,217	5	6,094	6,099	(1,589)	2005	38	
0570	Lone Tree	CO			18,675		18,548	18,548	(4,715)	2003	39	
0666	Lone Tree	CO	13,774	23,274	1,155		24,419	24,419	(5,026)	2000	37	
1076	Parker	CO		13,388	346	8	13,686	13,694	(2,660)	2006	40	
0510	Thornton	CO	236	10,206	2,030	244	12,204	12,448	(3,400)	2002	43	
0433	Atlantis	FL		5,651	651	33	5,911	5,944	(2,612)	1999	35	
0434	Atlantis	FL		2,027	248	5	2,270	2,275	(949)	1999	34	
0435	Atlantis	FL		2,000	703		2,604	2,604	(1,053)	1999	32	
0602	Atlantis	FL	455	2,231	342	455	2,383	2,838	(570)	2000	34	
0604	Englewood	FL	170	1,134	327	198	1,418	1,616	(384)	2000	34	
0609	Kissimmee	FL	788	174	207	788	359	1,147	(135)	2000	34	
0610	Kissimmee	FL	481	347	367	486	707	1,193	(203)	2000	34	
0671	Kissimmee	FL		7,574	1,785		8,793	8,793	(2,151)	2000	36	
0603	Lake Worth	FL	1,507	2,894	1,807	1,507	4,569	6,076	(938)	2000	34	
0612	Margate	FL	1,553	6,898	726	1,553	7,606	9,159	(1,662)	2000	34	

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0613	Miami	FL	8,339	4,392	11,841	2,642	4,392	14,315	18,707	(3,797)	2000	34
1067	Milton	FL			8,566	248		8,806	8,806	(1,623)	2006	40
0563	Orlando	FL		2,144	5,136	3,694	2,288	8,432	10,720	(2,984)	2003	37
0833	Pace	FL			10,309	2,574	26	12,534	12,560	(3,652)	2006	44
0834	Pensacola	FL			11,166	478		11,644	11,644	(2,132)	2006	45
0614	Plantation	FL	769	969	3,241	957	1,011	4,147	5,158	(1,204)	2000	34
0673	Plantation	FL	4,783	1,091	7,176	594	1,091	7,497	8,588	(1,536)	2002	36
0701	St. Petersburg	FL			10,141	5,581		15,578	15,578	(3,277)	2006	
1210	Tampa	FL		1,967	6,602	4,125	2,141	10,333	12,474	(3,613)	2006	25
1058	McCaysville	GA			3,231	18		3,249	3,249	(596)	2006	40
1065	Marion	IL		99	11,484	235	100	11,718	11,818	(2,243)	2006	40
1057	Newburgh	IN			14,019	2,576		16,590	16,590	(2,781)	2006	40
2039	Kansas City	KS	1,843	440	2,173	9	449	2,173	2,622	(96)	2012	35
2043	Overland Park	KS			7,668			7,668	7,668	(309)	2012	40
0483	Wichita	KS		530	3,341	384	530	3,724	4,254	(1,080)	2001	45
1064	Lexington	KY			12,726	971		13,618	13,618	(2,816)	2006	40
0735	Louisville	KY		936	8,426	3,683	936	11,628	12,564	(7,770)	2005	11
0737	Louisville	KY		835	27,627	3,535	835	30,609	31,444	(7,516)	2005	37
0738	Louisville	KY	4,891	780	8,582	3,664	818	11,998	12,816	(5,658)	2005	18
0739	Louisville	KY	7,907	826	13,814	1,575	826	14,898	15,724	(3,944)	2005	38
0740	Louisville	KY	8,561	2,983	13,171	3,495	2,991	16,418	19,409	(4,962)	2005	30
1944	Louisville	KY		788	2,414		788	2,414	3,202	(290)	2010	25
1945	Louisville	KY	24,878	3,255	28,644		3,255	28,644	31,899	(2,864)	2010	30
1946	Louisville	KY		430	6,125	46	430	6,171	6,601	(613)	2010	30
1324	Haverhill	MA		800	8,537	1,767	828	10,277	11,105	(2,338)	2007	40
1213	Ellicott City	MD		1,115	3,206	1,810	1,222	4,773	5,995	(1,133)	2006	34

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(Dollars in thousands)

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			Land	Buildings and Improvements	Land	Buildings and Improvements	Land	Buildings and Improvements				Total ⁽¹⁾
0361	Glen Burnie	MD		670	5,085		670	5,085	5,755	(2,131)	1999	35
1052	Towson	MD			14,233	3,599		15,788	15,788	(4,140)	2006	40
0240	Minneapolis	MN		117	13,213	1,577	117	14,642	14,759	(6,658)	1997	32
0300	Minneapolis	MN	945	160	10,131	2,607	160	12,342	12,502	(5,442)	1997	35
2032	Independence	MO	32,716		48,025	217		48,242	48,242	(1,380)	2012	45
1078	Flowood	MS			8,413	729		9,115	9,115	(1,841)	2006	40
1059	Jackson	MS			8,869	37		8,905	8,905	(1,617)	2006	40
1060	Jackson	MS			7,187	2,160		9,347	9,347	(2,010)	2006	40
1068	Omaha	NE			16,243	568	17	16,783	16,800	(3,190)	2006	40
0729	Albuquerque	NM			5,380	379		5,759	5,759	(1,306)	2005	39
0348	Elko	NV		55	2,637	12	55	2,649	2,704	(1,126)	1999	35
0571	Las Vegas	NV				18,240		17,501	17,501	(4,508)	2003	40
0660	Las Vegas	NV	3,406	1,121	4,363	3,921	1,301	8,052	9,353	(3,077)	2000	34
0661	Las Vegas	NV	3,551	2,125	4,829	3,806	2,267	8,277	10,544	(2,347)	2000	34
0662	Las Vegas	NV	6,791	3,480	12,305	3,469	3,480	15,514	18,994	(4,536)	2000	34
0663	Las Vegas	NV	981	1,717	3,597	2,120	1,717	5,697	7,414	(2,049)	2000	34
0664	Las Vegas	NV	1,998	1,172	1,550	314	1,172	1,649	2,821	(1,649)	2000	*
0691	Las Vegas	NV		3,244	18,339	1,637	3,273	19,826	23,099	(7,078)	2004	
2037	Mesquite	NV	3,163		5,559	6		5,565	5,565	(217)	2012	40
1285	Cleveland	OH		823	2,726	669	853	2,680	3,533	(689)	2006	40
0400	Harrison	OH			4,561	300		4,861	4,861	(1,936)	1999	35
1054	Durant	OK		619	9,256	1,223	651	10,439	11,090	(1,881)	2006	40
0817	Owasso	OK			6,582	601		7,184	7,184	(2,571)	2005	40
0404	Roseburg	OR			5,707			5,707	5,707	(2,239)	1999	35
0252	Clarksville	TN		765	4,184	25	765	4,209	4,974	(1,882)	1998	35
0624	Hendersonville	TN		256	1,530	896	256	2,306	2,562	(711)	2000	34
0559	Hermitage	TN		830	5,036	5,247	830	9,786	10,616	(2,807)	2003	35
0561	Hermitage	TN		596	9,698	3,139	596	12,402	12,998	(3,719)	2003	37
0562	Hermitage	TN		317	6,528	1,835	317	8,107	8,424	(2,599)	2003	37
0154	Knoxville	TN		700	4,559	4,050	700	8,515	9,215	(2,477)	1994	19
0625	Nashville	TN	8,878	955	14,289	1,702	955	15,745	16,700	(4,034)	2000	34
0626	Nashville	TN	3,654	2,050	5,211	2,606	2,055	7,750	9,805	(1,986)	2000	34
0627	Nashville	TN	518	1,007	181	572	1,007	732	1,739	(218)	2000	34
0628	Nashville	TN	5,175	2,980	7,164	1,494	2,980	8,603	11,583	(2,136)	2000	34
0630	Nashville	TN	522	515	848	251	528	1,085	1,613	(277)	2000	34
0631	Nashville	TN		266	1,305	962	266	2,164	2,430	(548)	2000	34
0632	Nashville	TN		827	7,642	3,079	827	10,470	11,297	(2,656)	2000	34
0633	Nashville	TN	9,344	5,425	12,577	3,490	5,425	16,035	21,460	(4,141)	2000	34
0634	Nashville	TN	8,543	3,818	15,185	3,357	3,818	18,194	22,012	(4,935)	2000	34
0636	Nashville	TN	426	583	450	298	583	748	1,331	(115)	2000	34
0573	Arlington	TX	8,333	769	12,355	2,150	769	14,440	15,209	(3,569)	2003	34
0576	Conroe	TX	2,722	324	4,842	1,693	324	6,432	6,756	(2,087)	2000	34
0577	Conroe	TX	5,006	397	7,966	2,344	397	9,980	10,377	(2,132)	2000	34
0578	Conroe	TX	5,231	388	7,975	2,367	388	10,212	10,600	(1,893)	2006	31

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0579	Conroe	TX	1,710	188	3,618	688	188	4,288	4,476	(956)	2000	34
0581	Corpus Christi	TX		717	8,181	3,044	717	11,180	11,897	(3,228)	2000	34
0600	Corpus Christi	TX		328	3,210	2,937	328	5,947	6,275	(1,581)	2000	34
0601	Corpus Christi	TX		313	1,771	786	313	2,539	2,852	(801)	2000	34
0582	Dallas	TX	5,145	1,664	6,785	2,400	1,693	9,036	10,729	(2,459)	2000	34
1314	Dallas	TX		15,230	162,971	6,031	15,702	168,090	183,792	(34,689)	2006	35
0583	Fort Worth	TX	2,839	898	4,866	1,558	898	6,369	7,267	(1,703)	2000	34
0805	Fort Worth	TX		2,481	872		2	3,304	3,306	(1,150)	2005	25
0806	Fort Worth	TX			6,070	201	5	6,190	6,195	(1,310)	2005	40
1061	Granbury	TX			6,863	152		7,015	7,015	(1,299)	2006	40
0430	Houston	TX		1,927	33,140	2,493	2,062	35,348	37,410	(14,413)	1999	35
0446	Houston	TX		2,200	19,585	6,366	2,209	23,314	25,523	(14,568)	1999	17
0586	Houston	TX		1,033	3,165	930	1,033	3,969	5,002	(1,137)	2000	34
0589	Houston	TX	9,462	1,676	12,602	3,677	1,706	16,024	17,730	(4,258)	2000	34
0670	Houston	TX		257	2,884	1,108	318	3,906	4,224	(1,032)	2000	35
0702	Houston	TX			7,414	1,131	7	8,517	8,524	(2,258)	2004	36
1044	Houston	TX			4,838	3,202		7,948	7,948	(2,147)	2006	40
0590	Irving	TX	5,382	828	6,160	1,742	828	7,844	8,672	(1,905)	2000	34
0700	Irving	TX			8,550	3,079		11,626	11,626	(3,212)	2004	34
1202	Irving	TX		1,604	16,107	896	1,604	17,003	18,607	(3,160)	2006	40
1207	Irving	TX		1,955	12,793	1,058	1,986	13,820	15,806	(2,490)	2006	40

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(Dollars in thousands)

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			Land	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Total ⁽¹⁾				
1062	Lancaster	TX	172	2,692	534	172	3,183	3,355	(871)	2006	39	
2195	Lancaster	TX		1,138			1,138	1,138	(18)	2006	39	
0591	Lewisville	TX	5,027	561	8,043	790	561	8,807	9,368	(1,962)	2000	34
0144	Longview	TX		102	7,998	395	102	8,393	8,495	(3,736)	1992	45
0143	Lufkin	TX		338	2,383	40	338	2,423	2,761	(1,048)	1992	45
0568	McKinney	TX		541	6,217	726	541	6,530	7,071	(1,940)	2003	36
0569	McKinney	TX			636	7,656		7,655	7,655	(1,923)	2003	40
0596	Nassau Bay	TX	5,257	812	8,883	1,785	812	10,521	11,333	(2,257)	2000	37
1079	North Richland Hills	TX			8,942	597		9,407	9,407	(1,813)	2006	40
2048	North Richland Hills	TX		1,385	10,213	1,264	1,385	11,477	12,862	(541)	2012	30
1048	Pearland	TX			4,014	4,023		7,975	7,975	(2,047)	2006	40
0447	Plano	TX		1,700	7,810	5,559	1,704	12,746	14,450	(3,770)	1999	20
0597	Plano	TX	7,393	1,210	9,588	2,905	1,210	12,400	13,610	(2,976)	2000	34
0672	Plano	TX	9,296	1,389	12,768	1,282	1,389	13,547	14,936	(3,167)	2002	36
1284	Plano	TX		2,049	18,793	1,100	2,087	18,755	20,842	(5,551)	2006	40
1286	Plano	TX		3,300			3,300	3,300		2006	**	
0815	San Antonio	TX			9,193	951	12	10,102	10,114	(2,655)	2006	35
0816	San Antonio	TX	4,279		8,699	1,386		10,047	10,047	(2,514)	2006	35
1591	San Antonio	TX			7,309	316	12	7,614	7,626	(911)	2010	30
1977	San Antonio	TX			26,191	620		26,810	26,810	(2,767)	2011	30
0598	Sugarland	TX	3,726	1,078	5,158	1,699	1,084	6,702	7,786	(1,718)	2000	34
1081	Texarkana	TX		1,117	7,423	674	1,195	8,020	9,215	(2,425)	2006	40
0599	Texas City	TX	6,091		9,519	157		9,676	9,676	(1,940)	2000	37
0152	Victoria	TX		125	8,977		125	8,977	9,102	(3,804)	1994	45
1592	Bountiful	UT	5,064	999	7,426	54	999	7,481	8,480	(863)	2010	30
0169	Bountiful	UT		276	5,237	620	330	5,803	6,133	(2,375)	1995	45
0346	Castle Dale	UT		50	1,818	63	50	1,881	1,931	(816)	1998	35
0347	Centerville	UT		300	1,288	191	300	1,479	1,779	(678)	1999	35
2035	Draper	UT	5,683		10,803	113		10,916	10,916	(396)	2012	45
0350	Grantsville	UT		50	429	39	50	468	518	(221)	1999	35
0469	Kaysville	UT		530	4,493	146	530	4,639	5,169	(1,275)	2001	43
0456	Layton	UT		371	7,073	474	389	7,457	7,846	(2,773)	2001	35
2042	Layton	UT			10,275	15		10,290	10,290	(363)	2012	45
0359	Ogden	UT		180	1,695	121	180	1,764	1,944	(777)	1999	35
1283	Ogden	UT		106	4,464	539	106	4,540	4,646	(1,081)	2006	40
0357	Orem	UT		337	8,744	1,347	306	9,354	9,660	(4,512)	1999	35
0371	Providence	UT		240	3,876	203	256	3,802	4,058	(1,592)	1999	35
0353	Salt Lake City	UT		190	779	97	201	865	1,066	(372)	1999	35
0354	Salt Lake City	UT		220	10,732	1,450	220	11,980	12,200	(5,008)	1999	35
0355	Salt Lake City	UT		180	14,792	1,483	180	16,169	16,349	(6,844)	1999	35
0467	Salt Lake City	UT		3,000	7,541	986	3,126	8,357	11,483	(2,697)	2001	38
0566	Salt Lake City	UT		509	4,044	1,027	509	4,903	5,412	(1,473)	2003	37
2041	Salt Lake City	UT			12,326	21		12,347	12,347	(428)	2012	45

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HCP, Inc.

Schedule III: Real Estate and Accumulated Depreciation (Continued)

December 31, 2013

(Dollars in thousands)

City	State	Encumbrances at December 31, 2013	Initial Cost to Company			Gross Amount at Which Carried As of December 31, 2013			Accumulated Depreciation	Acquired/ Constructed	Life on Which Depreciation in Latest Income Year Statement is Computed
			Land	Buildings and Improvements	Costs Capitalized Subsequent to Acquisition	Land	Buildings and Improvements	Total ⁽¹⁾			
Hospital											
0126	Sherwood	AR	709	9,604		709	9,587	10,296	(4,899)	1990	45
0113	Glendale	AZ	1,565	7,050		1,565	7,050	8,615	(3,690)	1988	45
1038	Fresno	CA	3,652	29,113	21,935	3,652	51,048	54,700	(11,509)	2006	40
0423	Irvine	CA	18,000	70,800		18,000	70,800	88,800	(28,663)	1999	35
Colorado											
0127	Springs	CO	690	8,338		690	8,338	9,028	(4,238)	1989	45
0887	Atlanta	GA	4,300	13,690		4,300	11,890	16,190	(4,062)	2007	40
Overland											
0112	Park	KS	2,316	10,681		2,316	10,680	12,996	(5,789)	1989	45
Baton											
1383	Rouge	LA	690	8,545	86	690	8,502	9,192	(2,075)	2007	40
0877	Slidell	LA	1,490	22,034		1,490	20,934	22,424	(3,751)	2006	40
2031	Slidell	LA	3,000		643	3,000	643	3,643		2012	**
0886	Dallas	TX	1,820	8,508	26	1,820	7,454	9,274	(1,273)	2007	40
1319	Dallas	TX	18,840	155,659	1,097	18,840	156,756	175,596	(30,155)	2007	35
1384	Plano	TX	6,290	22,686	4,350	6,290	27,037	33,327	(6,128)	2007	25
2198	Webster	TX	2,220	9,602		2,220	9,602	11,822	(109)	2013	35
			\$ 65,582	\$ 376,310	\$ 28,137	\$ 65,582	\$ 400,321	\$ 465,903	\$ (106,341)		
Total continuing operations properties											
			\$ 1,396,485	\$ 1,815,337	\$ 9,865,380	\$ 1,054,268	\$ 1,822,862	\$ 10,766,871	\$ 12,589,733	\$ (1,963,001)	
Corporate and other assets											
				2,729	4,101		3,108	3,108	(2,591)		
Total											
			\$ 1,396,485	\$ 1,815,337	\$ 9,868,109	\$ 1,058,369	\$ 1,822,862	\$ 10,769,979	\$ 12,592,841	\$ (1,965,592)	

* Property is in development and not yet placed in service or taken out of service and placed in redevelopment.

** Represents land parcels which are not depreciated.

A portion of the property has been taken out of service and placed in redevelopment.

(1) At December 31, 2013, the tax basis of the Company's net real estate assets is less than the reported amounts by approximately \$1.6 billion.

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Table of Contents**HCP, Inc.****Schedule III: Real Estate and Accumulated Depreciation (Continued)****December 31, 2013****(Dollars in thousands)**

(b) A summary of activity for real estate and accumulated depreciation for the years ended December 31, 2013, 2012 and 2011 follows (in thousands):

	Year ended December 31,		
	2013	2012	2011
<i>Real estate:</i>			
Balances at beginning of year	\$ 12,524,224	\$ 10,616,690	\$ 9,670,490
Acquisition of real estate and development and improvements	257,189	1,941,091	1,049,723
Disposition of real estate	(78,151)	(148,752)	(21,737)
Impairments		(7,878)	
Balances associated with changes in reporting presentation ⁽¹⁾	(110,421)	123,073	(81,786)
Balances at end of year	\$ 12,592,841	\$ 12,524,224	\$ 10,616,690
<i>Accumulated depreciation:</i>			
Balances at beginning of year	\$ 1,694,892	\$ 1,408,310	\$ 1,188,539
Depreciation expense	353,344	302,332	294,480
Disposition of real estate	(38,447)	(32,942)	(5,705)
Balances associated with changes in reporting presentation ⁽¹⁾	(44,197)	17,192	(69,004)
Balances at end of year	\$ 1,965,592	\$ 1,694,892	\$ 1,408,310

(1)

The balances associated with changes in reporting presentation represent real estate and accumulated depreciation related to properties placed into discontinued operations or where the lease classification has changed to direct financing leases as of December 31, 2013.

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