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

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2011

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Transition Period from _____ to _____

Commission File Number 001-34789

Hudson Pacific Properties, Inc.

(Exact name of Registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

**11601 Wilshire Blvd., Suite 1600
Los Angeles, California**
(Address of principal executive offices)

27-1430478
(I.R.S. Employer
Identification Number)

90025
(Zip Code)

(310) 445-5700
(Registrant's telephone number, including area code)

(Former name, former address and
former fiscal year if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒.

The number of shares of common stock outstanding at November 1, 2011 was 33,576,863.

Hudson Pacific Properties, Inc.

FORM 10-Q

September 30, 2011

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PART I—FINANCIAL INFORMATION

HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(in thousands, except share data)

	September 30, 2011	December 31, 2010
ASSETS		
REAL ESTATE ASSETS		
Land	\$ 349,783	\$ 329,231
Building and improvements	529,375	468,711
Tenant improvements	59,657	47,478
Furniture and fixtures	11,475	11,411
Property under development	8,218	7,904
Total real estate held for investment	958,508	864,735
Accumulated depreciation and amortization	(46,235)	(27,113)
Investment in real estate, net	912,273	837,622
Cash and cash equivalents	20,715	48,875
Restricted cash	9,624	4,121
Accounts receivable, net	10,758	4,478
Straight-line rent receivables	8,950	6,703
Deferred leasing costs and lease intangibles, net	78,943	86,385
Deferred finance costs, net	4,892	3,211
Interest rate contracts	202	—
Goodwill	8,754	8,754
Prepaid expenses and other assets	9,239	4,416
TOTAL ASSETS	\$ 1,064,350	1,004,565
LIABILITIES AND EQUITY		
Notes payable	\$ 298,672	\$ 342,060
Accounts payable and accrued liabilities	18,753	11,507
Below-market leases	19,293	20,983
Security deposits	5,703	5,052
Prepaid rent	12,470	10,559
Interest rate contracts	—	71
TOTAL LIABILITIES	354,891	390,232
6.25% series A cumulative redeemable preferred units of the Operating Partnership	12,475	12,475
Redeemable non-controlling interest in consolidated real estate entity	—	40,328
EQUITY		
Hudson Pacific Properties, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 authorized; 8.375% series B cumulative redeemable preferred stock, \$25.00 liquidation preference, 3,500,000 shares outstanding at September 30, 2011 and December 31, 2010, respectively	87,500	87,500
Common Stock, \$0.01 par value 490,000,000 authorized, 33,572,454 outstanding at September 30, 2011 and 22,436,950 outstanding at December 31, 2010, respectively	336	224
Additional paid-in capital	556,650	411,598
Accumulated other comprehensive (deficit) income	(847)	6
Accumulated deficit	(10,588)	(3,482)
Total Hudson Pacific Properties, Inc. stockholders' equity	633,051	495,846
Non-controlling common units in the Operating Partnership	63,933	65,684
TOTAL EQUITY	696,984	561,530
TOTAL LIABILITIES AND EQUITY	\$ 1,064,350	1,004,565

The accompanying notes are an integral part of these consolidated financial statements.

HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues				
Office				
Rental	\$ 18,950	\$ 6,521	\$ 54,285	\$ 12,786
Tenant recoveries	7,437	1,001	19,584	1,915
Other	349	97	2,535	125
Total office revenues	26,736	7,619	76,404	14,826
Media & entertainment				
Rental	5,188	5,246	16,260	15,453
Tenant recoveries	402	363	1,261	1,179
Other property-related revenue	4,579	4,194	11,092	7,996
Other	12	83	111	96
Total media & entertainment revenues	10,181	9,886	28,724	24,724
Total revenues	36,917	17,505	105,128	39,550
Operating expenses				
Office operating expenses	12,785	2,822	32,592	5,650
Media & entertainment operating expenses	6,123	5,959	17,073	15,194
General and administrative	2,844	2,379	9,052	2,379
Depreciation and amortization	11,036	4,317	33,023	9,985
Total operating expenses	32,788	15,477	91,740	33,208
Income from operations	4,129	2,028	13,388	6,342
Other expense (income)				
Interest expense	4,073	1,784	13,245	6,196
Interest income	(36)	(31)	(67)	(37)
Unrealized (gain) on interest rate contracts	—	—	—	(347)
Acquisition-related expenses	762	256	762	2,689
Other expenses (income)	133	(8)	368	(8)
	4,932	2,001	14,308	8,493
Net (loss) income	(803)	27	(920)	(2,151)
Less: Net income attributable to preferred stock and units	(2,027)	(195)	(6,081)	(199)
Less: Net income attributable to restricted shares	(53)	(25)	(177)	(25)
Less: Net loss (income) attributable to non-controlling interest in consolidated real estate entities	—	—	(803)	32
Add: Net loss attributable to common units in the Operating Partnership	211	21	698	277
Net loss attributable to Hudson Pacific Properties, Inc. shareholders' / controlling members' equity	\$ (2,672)	\$ (172)	\$ (7,283)	\$ (2,066)
Net loss attributable to shareholders' per share - basic and diluted	\$ (0.08)	\$ (0.01)	\$ (0.26)	
Weighted average shares of common stock outstanding - basic and diluted	33,146,334	21,946,508	28,126,546	
Dividends declared per common share	0.1250	0.0971	0.3750	

The accompanying notes are an integral part of these consolidated financial statements.

HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (920)	\$ (2,151)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,023	9,985
Amortization of deferred financing costs and loan premium, net	747	1,013
Amortization of stock based compensation	2,004	375
Straight-line rent receivables	(2,247)	(2,810)
Amortization of above-market leases	2,482	597
Amortization of below-market leases	(2,847)	(788)
Amortization of lease incentive costs	384	—
Bad debt expense	865	—
Amortization of ground lease	204	15
Unrealized gain on interest rate contract	—	(347)
Change in operating assets and liabilities:		
Restricted cash	(5,503)	2,014
Accounts receivable	(7,145)	(1,853)
Deferred leasing costs and lease intangibles	(2,867)	(1,363)
Prepaid expenses and other assets	(1,954)	(285)
Accounts payable and accrued liabilities	9,299	857
Security deposits	651	753
Prepaid rent	1,911	(2,591)
Net cash provided by operating activities	28,087	3,421
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment property	(10,147)	(7,479)
Property acquisitions	(57,162)	(49,188)
Deposits for property acquisitions	(3,085)	—
Net cash used in investing activities	(70,394)	(56,667)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	277,500	5,671
Payments of notes payable	(354,521)	(158,189)
Proceeds from issuance of common stock	111,008	232,721
Proceeds from private placement of common stock	45,688	20,000
Series B stock issuance transaction costs	(600)	—
Common stock issuance transaction costs	(1,283)	(6,935)
Dividends paid to common stock and unit holders	(12,179)	—
Dividends paid to preferred stock and unit holders	(6,081)	—
Contributions by members	—	3,653
Distribution to members	(93)	(1,624)
Acquisition of non-controlling interest in consolidated real estate entity	(41,131)	(828)
Payment of loan costs	(4,161)	(2,938)
Net cash provided by financing activities	14,147	91,531
Net (decrease) increase in cash and cash equivalents	(28,160)	38,285
Cash and cash equivalents-beginning of period	48,875	3,694
Cash and cash equivalents-end of period	\$ 20,715	\$ 41,979
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	\$ 12,527	\$ 5,482

Supplemental schedule of noncash investing and financing activities		
Accounts payable and accrued liabilities for investment in property	\$ 1,701	\$ —
Accounts payable and accrued liabilities for distributions to members	\$ 359	\$ —

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
(Unaudited and in thousands, except square footage and share data)

1. Organization

Hudson Pacific Properties, Inc. (which is referred to in these financial statements as the “Company,” “we,” “us,” or “our”) is a Maryland corporation formed on November 9, 2009 that did not have any meaningful operating activity until the consummation of our initial public offering and the related acquisition of our predecessor and certain other entities in June 2010.

We combined with our predecessor and Howard Street Associates LLC and acquired certain other entities simultaneously with the closing of our initial public offering on June 29, 2010 (“IPO”). On June 29, 2010, we completed the following formation transactions:

- In our IPO we issued a total of 14,720,000 shares of our common stock in exchange for gross proceeds of approximately \$250.2 million in cash.
- In a concurrent private placement, we issued a total of 1,176,471 shares of our common stock in exchange for gross proceeds of \$20.0 million in cash.
- In our formation transactions, we acquired certain assets of our predecessor and other entities in exchange for the assumption or discharge of \$246.3 million in indebtedness, the payment of \$7.2 million in cash, and the issuance of 2,610,941 common units of partnership interest in our operating partnership, 499,014 series A preferred units of partnership interest in our operating partnership and 6,050,037 shares of our common stock.
- We entered into a \$200.0 million senior secured revolving credit facility, with an accordion feature to increase the availability to \$250.0 million under specified circumstances.

As indicated above, because the IPO and related formation transactions did not occur until shortly before June 30, 2010, the results of operations for the entities acquired in connection with the IPO and related formation transactions are only included in certain historical financial statements. More particularly, the results of operations discussed below for the three months ended September 30, 2010 reflect the operations of the (a) three office properties and two media and entertainment properties owned by HFOP City Plaza, LLC, Sunset Bronson Entertainment Properties, LLC, SGS Realty II, LLC, and Howard Street Associates LLC, as applicable (the “Predecessor Properties”), and (b) two office properties and certain management contracts owned by Glenborough Tierrasanta, LLC, GLB Encino, LLC and Hudson Capital, LLC, as applicable, which were acquired on June 29, 2010 (the “IPO Acquisitions”). The results of operations for the nine months ended September 30, 2010, reflect the operations of the Predecessor Properties for that entire period, and the results of operations for the IPO Acquisitions from the date of their acquisition. The results of operations for properties acquired after the IPO are similarly included in our consolidated statements of operations from the date of each such acquisition.

We have determined that one of the entities comprising our predecessor, SGS Realty II, LLC, was the acquirer for accounting purposes in our formation transactions that occurred in connection with our IPO. In addition, we have concluded that any interests contributed by the controlling member of the other entities comprising our predecessor and Howard Street Associates, LLC in connection with our IPO was a transaction between entities under common control. As a result, the contribution of interests in each of these entities has been recorded at historical cost. The consideration we paid in connection with the contribution of the ownership of these entities to us is described in the third bullet point appearing above.

Since the completion of the IPO, the concurrent private placement, and the related formation transactions that occurred on June 29, 2010, we have been a fully integrated, self-administered, and self-managed real estate investment trust (“REIT”). Through our controlling interest in Hudson Pacific Properties, L.P. (our “Operating Partnership”) and its subsidiaries, we own, manage, lease, acquire and develop real estate, consisting primarily of office and media and entertainment properties. As of September 30, 2011, we owned a portfolio of 14 office properties and two media and entertainment properties. All of these properties are located in California.

2. Summary of Significant Accounting Policies

Basis of Presentation

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

The accompanying consolidated/combined financial statements of the Company are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The effect of all significant intercompany balances and transactions has been eliminated. The real estate entities included in the accompanying consolidated/combined financial statements have been consolidated/combined on the basis that, for the periods prior to the completion of our IPO, such entities were under common control and are therefore reported at the historical cost of the predecessor entities.

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States may have been condensed or omitted pursuant to SEC rules and regulations, although we believe that the disclosures are adequate to make their presentation not misleading. The accompanying unaudited financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2011. The interim financial statements should be read in conjunction with the consolidated financial statements in our 2010 Annual Report on Form 10-K and the notes thereto. Any reference to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm’s review of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, the Company evaluates its estimates, including those related to acquiring, developing and assessing the carrying values of its real estate properties, its accrued liabilities, its performance-based equity compensation awards, and its qualification as a REIT. The Company bases its estimates on historical experience, current market conditions, and various other assumptions that are believed to be reasonable under the circumstances. Actual results could materially differ from these estimates.

Investment in Real Estate Properties

The properties are carried at cost less accumulated depreciation and amortization. The Company allocates the cost of an acquisition, including the assumption of liabilities, to the acquired tangible assets and identifiable intangible assets and liabilities based on their estimated fair values in accordance with GAAP. The Company assesses fair value based on estimated cash flow projections that utilize discount and/or capitalization rates and available market information. Estimates of future cash flows are based on a number of factors including historical operating results, known and anticipated trends, and market and economic conditions. The fair value of tangible assets of an acquired property considers the value of the property as if it was vacant.

Acquisition-related expenses associated with acquisition of operating properties are expensed in the period incurred.

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

The Company capitalizes direct construction and development costs, including predevelopment costs, interest, property taxes, insurance and other costs directly related and essential to the acquisition, development or construction of a real estate project. Construction and development costs are capitalized while substantial activities are ongoing to prepare an asset for its intended use. The Company considers a construction project as substantially complete and held available for occupancy upon the completion of tenant improvements, but no later than one year after cessation of major construction activity. Costs incurred after a project is substantially complete and ready for its intended use, or after development activities have ceased, are expensed as incurred. Costs previously capitalized related to abandoned acquisitions or developments are charged to earnings.

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

Expenditures for repairs and maintenance are expensed as incurred.

The Company computes depreciation using the straight-line method over the estimated useful lives of a range of 39 years for building and improvements, 15 years for land improvements, 5 or 7 years for furniture and fixtures and equipment, and over the shorter of asset life or life of the lease for tenant improvements. Depreciation is discontinued when a property is identified as held for sale. Above- and below-market lease intangibles are amortized to revenue over the remaining non-cancellable lease terms and bargain renewal periods, if any. Other in-place lease intangibles are amortized to expense over the remaining non-cancellable lease term and bargain renewal periods, if any.

Impairment of Long-Lived Assets

The Company assesses the carrying value of real estate assets and related intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impairment losses are recorded on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. The Company recognizes impairment losses to the extent the carrying amount exceeds the fair value of the properties. Properties held for sale are recorded at the lower of cost or estimated fair value less cost to sell. The Company did not record any impairment charges related to its real estate assets and related intangibles during the three and nine months ended September 30, 2011 and 2010 . There are no properties held for sale at September 30, 2011 or 2010 .

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identifiable intangible assets acquired in business combinations. Our goodwill balance as of September 30, 2011 is \$8,754. We do not amortize this asset but instead analyze it on an annual basis for impairment. No impairments have been noted for the three and nine months ended September 30, 2011 and 2010 .

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and in banks plus all short-term investments with a maturity of three months or less when purchased.

The Company maintains some of its cash in bank deposit accounts that, at times, may exceed the federally insured limit. No losses have been experienced related to such accounts.

Restricted Cash

Restricted cash consists of amounts held by lenders to provide for future real estate taxes and insurance expenditures, repairs and capital improvements reserves, general and other reserves and security deposits.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due for monthly rents and other charges. The Company maintains an allowance for doubtful accounts for estimated losses resulting from tenant defaults or the inability of tenants to make contractual rent and tenant recovery payments. The Company monitors the liquidity and creditworthiness of its tenants and operators on an ongoing basis. This evaluation considers industry and economic conditions, property performance, credit enhancements and other factors. For straight-line rent amounts, the Company's assessment is based on amounts estimated to be recoverable over the term of the lease. At September 30, 2011 , management believes that the collectability of straight-line rent balances are reasonably assured; accordingly, no allowance was established against straight-line rent receivables. The Company evaluates the collectability of accounts receivable based on a combination of factors. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Company's historical collection experience. The Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and the Company's historical experience. Historical experience has been within management's expectations.

Revenue Recognition

The Company recognizes rental revenue from tenants on a straight-line basis over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset. If the lease provides for

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

tenant improvements, the Company determines whether the tenant improvements, for accounting purposes, are owned by the tenant or the Company. When the Company is the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is the owner of the tenant improvements, any tenant improvement allowance that is funded is treated as a lease incentive and amortized as a reduction of revenue over the lease term. Tenant improvement ownership is determined based on various factors including, but not limited to:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant or landlord retains legal title to the improvements at the end of the lease term;
- whether the tenant improvements are unique to the tenant or general-purpose in nature; and
- whether the tenant improvements are expected to have any residual value at the end of the lease.

Certain leases provide for additional rents contingent upon a percentage of the tenant's revenue in excess of specified base amounts or other thresholds. Such revenue is recognized when actual results reported by the tenant, or estimates of tenant results, exceed the base amount or other thresholds. Such revenue is recognized only after the contingency has been removed (when the related thresholds are achieved), which may result in the recognition of rental revenue in periods subsequent to when such payments are received.

Other property-related revenue is revenue that is derived from the tenants' use of lighting, equipment rental, parking, power, HVAC and telecommunications (phone and internet). Other property-related revenue is recognized when these items are provided.

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. The reimbursements are recognized and presented gross, as the Company is generally the primary obligor with respect to purchasing goods and services from third-party suppliers, has discretion in selecting the supplier and bears the associated credit risk.

The Company recognizes gains on sales of properties upon the closing of the transaction with the purchaser. Gains on properties sold are recognized using the full accrual method when (i) the collectability of the sales price is reasonably assured, (ii) the Company is not obligated to perform significant activities after the sale, (iii) the initial investment from the buyer is sufficient and (iv) other profit recognition criteria have been satisfied. Gains on sales of properties may be deferred in whole or in part until the requirements for gain recognition have been met.

Deferred Financing Costs

Deferred financing costs are amortized over the term of the respective loan.

Derivative Financial Instruments

The Company manages interest rate risk associated with borrowings by entering into interest rate derivative contracts. The Company recognizes all derivatives on the consolidated balance sheet at fair value. Derivatives that are not hedges are adjusted to fair value and the changes in fair value are reflected as income or expense. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income, which is a component of equity. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings.

The Company held two interest rate contracts as of September 30, 2011, which have been accounted for as cash flow hedges as more fully described in footnote 6 below. The Company held one interest rate swap at December 31, 2010, which has been accounted for as a cash flow hedge as more fully described in footnote 6 below.

Stock Based Compensation

Accounting Standard Codification, or ASC, Topic 718, *Compensation—Stock Compensation* (referred to as ASC Topic 718 and formerly known as FASB 123R), requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options, restricted stock, restricted stock units and performance units under our equity incentive award

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

plans are accounted for under ASC Topic 718. Our compensation committee will regularly consider the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity incentive award plans and programs.

Income Taxes

Our taxable income prior to the completion of our IPO is reportable by the members of the limited liability companies that comprise our predecessor. Our property-owning subsidiaries are limited liability companies and are treated as pass-through entities for income tax purposes. Accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements for the activities of these entities.

We have elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended (the “Code”) commencing with our initial taxable year. To qualify as a REIT, we are required to distribute at least 90% of our REIT taxable income to our stockholders and meet the various other requirements imposed by the Code relating to such matters as operating results, asset holdings, distribution levels and diversity of stock ownership. Provided we qualify for taxation as a REIT, we are generally not subject to corporate level income tax on the earnings distributed currently to our stockholders that we derive from our REIT qualifying activities. If we fail to qualify as a REIT in any taxable year, and are unable to avail ourselves of certain savings provisions set forth in the Code, all of our taxable income would be subject to federal income tax at regular corporate rates, including any applicable alternative minimum tax.

We have elected, together with one of our subsidiaries, to be treated such subsidiary as a taxable REIT subsidiary (“TRS”) for federal income tax purposes. Certain activities that we undertake must be conducted by a TRS, such as non-customary services for our tenants, and holding assets that we cannot hold directly. A TRS is subject to federal and state income taxes.

The Company is subject to the statutory requirements of the state in which it conducts business.

The Company periodically evaluates its tax positions to evaluate whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of September 30, 2011, the Company has not established a liability for uncertain tax positions.

Fair Value of Assets and Liabilities

Under GAAP, the Company is required to measure certain financial instruments at fair value on a recurring basis. In addition, the Company is required to measure other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired real estate and long-lived assets). Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;
- Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and
- Level 3: prices or valuation techniques where little or no market data is available that requires inputs that are both significant to the fair value measurement and unobservable.

When available, the Company utilizes quoted market prices from an independent third-party source to determine fair value and classifies such items in Level 1 or Level 2. In instances where the market for a financial instrument is not active, regardless of the availability of a nonbinding quoted market price, observable inputs might not be relevant and could require the Company to make a significant adjustment to derive a fair value measurement. Additionally, in an inactive market, a market price quoted from an independent third party may rely more on models with inputs based on information available only to that independent third party. When the Company determines the market for a financial instrument owned by the Company to be illiquid or when market transactions for similar instruments do not appear orderly, the Company uses several valuation sources (including internal valuations, discounted cash flow analysis and quoted market prices) and establishes a fair value by assigning

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

weights to the various valuation sources.

Changes in assumptions or estimation methodologies can have a material effect on these estimated fair values. In this regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, may not be realized in an immediate settlement of the instrument.

The Company considers the following factors to be indicators of an inactive market: (i) there are few recent transactions, (ii) price quotations are not based on current information, (iii) price quotations vary substantially either over time or among market makers (for example, some brokered markets), (iv) indexes that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability, (v) there is a significant increase in implied liquidity risk premiums, yields, or performance indicators (such as delinquency rates or loss severities) for observed transactions or quoted prices when compared with the Company's estimate of expected cash flows, considering all available market data about credit and other nonperformance risk for the asset or liability, (vi) there is a wide bid-ask spread or significant increase in the bid-ask spread, (vii) there is a significant decline or absence of a market for new issuances (that is, a primary market) for the asset or liability or similar assets or liabilities, and (viii) little information is released publicly (for example, a principal-to-principal market).

The Company considers the following factors to be indicators of non-orderly transactions: (i) there was not adequate exposure to the market for a period before the measurement date to allow for marketing activities that are usual and customary for transactions involving such assets or liabilities under current market conditions, (ii) there was a usual and customary marketing period, but the seller marketed the asset or liability to a single market participant, (iii) the seller is in or near bankruptcy or receivership (that is, distressed), or the seller was required to sell to meet regulatory or legal requirements (that is, forced), and (iv) the transaction price is an outlier when compared with other recent transactions for the same or similar assets or liabilities.

In August 2009, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2009-05, *Fair Value Measurements and Disclosures* (Topic 820), *Measuring Liabilities at Fair Value*. This update provides amendments to the ASC for the fair value measurement of liabilities. In circumstances in which a quoted price in an active market for the identical liability is not available, the reporting entity is required to measure fair value using (i) a valuation technique that uses the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities when traded as assets, or (ii) another valuation technique that is consistent with the principles of fair value measurement, such as the income approach or the market approach. The amendments in this update also clarify that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. These amendments to the ASC are effective upon issuance and did not have a significant impact on our financial statements.

The Company's interest rate contract agreements are classified as Level 2 and their fair value is derived from estimated values obtained from observable market data for similar instruments.

Unrealized losses associated with Level 2 assets were \$429 and \$998 for the three and nine months ended September 30, 2011, respectively. Unrealized gains associated with Level 2 liabilities were \$0 and \$71 for the three and nine months ended September 30, 2011, respectively. The unrealized losses and gains associated with Level 2 assets for the three and nine months ended September 30, 2011 relate to interest rate contracts that have been accounted for as a cash flow hedges, therefore changes in the fair value of those derivatives are recognized in other comprehensive income, which is a component of equity.

Unrealized losses associated with Level 2 liabilities was \$34 for the three months ended September 30, 2010. Unrealized gains associated with Level 2 liabilities was \$347 for the nine months ended September 30, 2010. The unrealized loss associated with Level 2 liabilities for the three months ended September 30, 2010 relates to an interest rate swap which had been accounted for as a cash flow hedge, therefore changes in the fair value of that derivative are recognized in other comprehensive income, which is a component of equity.

Recently Issued Accounting Literature

Changes to GAAP are established by the FASB in the form of ASUs. We consider the applicability and impact of all ASUs. Recently issued ASUs not listed below are expected to not have any material impact on our consolidated financial position and results of operations, because either the ASU is not applicable or the impact is expected to be immaterial.

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

In June 2011, the FASB issued Accounting Standard Update (ASU) No. 2011-05, *Comprehensive Income (Topic 220): Presentation of Comprehensive Income*. This ASU requires an entity to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income, or in two separate but consecutive statements. This ASU eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholders' equity. This ASU is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, which for us means the first quarter of 2012. We do not believe the adoption of this guidance will have a material effect on our financial position or results of operations as it only affects presentation.

In September 2011, the FASB issued an accounting standards update that gives an entity the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This guidance will be effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, which will be the Company's fiscal year 2012, with early adoption permitted. The Company does not expect the adoption of the guidance will have a material impact on the Company's consolidated financial statements.

3. Investment in Real Estate

We acquired GLB Encino, LLC, Glenborough Tierrasanta, LLC, and Hudson Capital, LLC as part of the formation transactions in connection with our IPO for approximately \$89.0 million. The results of operations for each of the acquired entities are included in our consolidated statements of operations beginning June 29, 2010. The following table represents our purchase price allocation for these acquisitions.

	GLB Encino, LLC and Glenborough Tierrasanta, LLC	Hudson Capital, LLC	
<u>Date of Acquisition</u>	June 29, 2010	June 29, 2010	Total
Consideration paid			
Issuance of common shares or common operating partnership units	\$ 3,019	\$ 9,000	\$ 12,019
Issuance of preferred operating partnership units	12,475	—	12,475
Cash consideration	7,200	—	7,200
Debt assumed	57,300	—	57,300
Total consideration paid	<u>\$ 79,994</u>	<u>\$ 9,000</u>	<u>\$ 88,994</u>
Allocation of consideration paid			
Investment in real estate, net	\$ 72,978	\$ 255	\$ 73,233
Lease intangibles, net	6,570	—	6,570
Goodwill	—	8,754	8,754
Leasing costs	1,940		1,940
Fair market favorable debt value	280		280
Below-market leases	(1,062)		(1,062)
Cash	—	23	23
Other liabilities assumed, net	(712)	(32)	(744)
Total consideration paid	<u>\$ 79,994</u>	<u>\$ 9,000</u>	<u>\$ 88,994</u>

During 2010, we acquired the Del Amo Office property, the 9300 Wilshire Boulevard office building, the 222 Kearny Street property, the Rincon Center joint venture interest, the 1455 Market property and the 10950 Washington Boulevard property. The results of operations for each of these acquisitions are included in our consolidated statements of operations from the date of acquisition. The following table represents our purchase price allocation for these acquisitions.

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

Date of Acquisition	Del Amo August 13, 2010	9300 Wilshire August 24, 2010	222 Kearny October 8, 2010	Rincon Center ⁽¹⁾ December 16, 2010	1455 Market December 16, 2010	10950 Washington December 22, 2010	Total
Consideration paid							
Cash consideration	\$ 27,327	\$ 14,684	\$ 34,174	\$ 38,391	\$ 92,365	\$ 16,409	\$ 223,350
Redeemable Non-controlling Interest in Consolidated Real Estate Entity	—	—	—	40,180	—	—	40,180
Debt Assumed	—	—	—	106,000	—	30,000	136,000
Total consideration	\$ 27,327	\$ 14,684	\$ 34,174	\$ 184,571	\$ 92,365	\$ 46,409	\$ 399,530
Allocation of consideration paid							
Investment in real estate, net	18,000	10,718	31,356	168,906	76,216	43,089	348,285
Above-market leases	2,626	689	1,296	3,693	903	1,160	10,367
Leases in-place	2,118	677	1,942	10,935	13,471	2,417	31,560
Other lease intangibles	558	198	491	3,692	8,212	765	13,916
Fair market unfavorable debt value	—	—	—	(650)	—	(230)	(880)
Below-market ground lease	4,198	2,822	494	—	—	—	7,514
Below-market leases	—	(104)	(691)	(1,576)	(5,899)	(1,201)	(9,471)
Other (liabilities) asset assumed, net	(173)	(316)	(714)	(429)	(538)	409	(1,761)
Total consideration paid	\$ 27,327	\$ 14,684	\$ 34,174	\$ 184,571	\$ 92,365	\$ 46,409	\$ 399,530

(1) We acquired a 51% joint venture interest in the Rincon Center property on December 16, 2010. On April 29, 2011 we acquired the remaining 49% interest in the Rincon Center property for approximately \$38.7 million (before closing costs and prorations).

During 2011, we acquired the 604 Arizona property, the 275 Brannan property and the 625 Second street property. The results of operations for each of these acquisitions are included in our consolidated statements of operations from the date of acquisition. The following table represents our purchase price allocation for these acquisitions.

Date of Acquisition	604 Arizona July 26, 2011	275 Brannan August 19, 2011	625 Second Street September 1, 2011	Total
Consideration paid				
Cash consideration	\$ 21,373	\$ 12,370	\$ 23,419	\$ 57,162
Debt Assumed	—	—	33,700	33,700
Total consideration	\$ 21,373	\$ 12,370	\$ 57,119	\$ 90,862
Allocation of consideration paid				
Investment in real estate, net	20,366	12,250	53,394	86,010
Above-market leases	—	—	465	465
Leases in-place	1,121	—	2,799	3,920
Other lease intangibles	117	—	1,286	1,403
Fair market unfavorable debt value	—	—	(490)	(490)
Below-market leases	(104)	—	(1,054)	(1,158)
Other (liabilities) asset assumed, net	(127)	120	719	712
Total consideration paid	\$ 21,373	\$ 12,370	\$ 57,119	\$ 90,862

The table below shows the pro forma financial information (unaudited) for the nine months ended September 30, 2010 and 2011 as if all properties had been acquired as of January 1, 2010 .

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

	Nine Months Ended September 30,	
	2011	2010
Total revenues	\$ 110,050	\$ 102,198
Net loss	\$ 3	\$ (1,907)

4. Lease Intangibles

The following summarizes our deferred leasing cost and lease intangibles as of:

	September 30, 2011	December 31, 2010
Above-market leases	\$ 16,177	\$ 15,755
Lease in-place	49,109	45,658
Below-market ground leases	7,513	7,513
Other lease intangibles	27,181	25,903
Lease commissions	642	957
Deferred leasing costs	6,821	4,154
	107,443	99,940
Accumulated amortization	(28,500)	(13,555)
Deferred leasing costs and lease intangibles, net	\$ 78,943	\$ 86,385
Below-market leases	25,736	24,702
Accumulated accretion	(6,443)	(3,719)
Acquired lease intangible liabilities, net	\$ 19,293	\$ 20,983

5. Notes Payable

Senior Secured Revolving Credit Facility

In conjunction with our IPO and formation transactions, we entered into a \$200.0 million secured revolving credit facility with a group of lenders for which an affiliate of Barclays Capital Inc. acts as administrative agent and joint lead arranger and affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated act as syndication agent and joint lead arranger. Until it was amended on April 4, 2011, the credit facility bore interest at a rate per annum equal to LIBOR plus 325 basis points to 400 basis points, depending on our leverage ratio, subject to a LIBOR floor of 1.50%. On April 4, 2011, we amended this facility as described more fully in this footnote below.

The amount available for us to borrow under the facility is subject to the lesser of a percentage of the appraisal value of our properties that form the borrowing base of the facility and a minimum implied debt service coverage ratio. As a result of the April 4, 2011 amendment, the secured revolving credit facility now bears interest at a rate per annum equal to LIBOR plus 250 basis points to 325 basis points (down from 325 basis points to 400 basis points), depending on our leverage ratio, and is no longer subject to a LIBOR floor of 1.50%. The secured revolving credit facility continues to include an accordion feature that allows us to increase the availability by \$50.0 million, to \$250.0 million, under specified circumstances. Our ability to borrow under the facility is subject to continued compliance with a number of customary restrictive covenants, including:

- a maximum leverage ratio (defined as consolidated total indebtedness to total asset value) of 0.60:1.00;
- a minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes; depreciation and amortization to consolidated fixed charges) of 1.75:1.00;
- a maximum consolidated floating rate debt ratio (defined as consolidated floating rate indebtedness to total asset value) of 0.25:1.00;
- a maximum recourse debt ratio (defined as recourse indebtedness other than indebtedness under the revolving credit facility but including unsecured lines of credit to total asset value) of 0.15:1.00; and
- a minimum tangible net worth equal to at least 85% of our tangible net worth at the closing of our IPO plus 75% of the

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

net proceeds of any additional equity issuances.

At September 30, 2011, we are in compliance with these covenants. As of September 30, 2011, we had approximately \$141.2 million of total capacity under our credit facility, of which \$33.0 million had been drawn.

The following table sets forth information as of September 30, 2011 with respect to our outstanding indebtedness. The \$37.0 million note outstanding as of December 31, 2010 and secured by the Sunset Bronson property summarized below was repaid from proceeds of the \$92.0 million note secured by Sunset Gower / Sunset Bronson properties as described in (2) below. The \$106.0 million note outstanding as of December 31, 2010 and secured by the Rincon Center property summarized below was repaid from proceeds of the \$110.0 million note secured by Rincon Center property as described in (3) below.

Debt	Outstanding September 30, 2011	Outstanding December 31, 2010	Interest Rate ⁽¹⁾	Maturity Date
Mortgage loan secured by Sunset Bronson ⁽²⁾	\$ —	\$ 37,000	LIBOR+3.65%	4/30/2011
Mortgage loan secured by Rincon Center ⁽³⁾	—	106,000	6.08%	7/1/2011
Mortgage loan secured by First Financial ⁽⁴⁾	—	43,000	5.34%	12/1/2011
Mortgage loan secured by Tierrasanta ⁽⁵⁾	—	14,300	5.62%	12/1/2011
Mortgage loan secured by 10950 Washington	30,000	30,000	5.94%	2/11/2012
Secured Revolving Credit Facility	33,000	111,117	LIBOR+2.50% to 3.25%	6/29/2013
Mortgage loan secured by 625 Second Street ⁽⁶⁾	33,700	—	5.85%	2/1/2014
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽²⁾	92,000	—	LIBOR+3.50%	2/11/2016
Mortgage loan secured by Rincon Center ⁽³⁾	109,397	—	5.13%	5/1/2018
Subtotal	\$ 298,097	\$ 341,417		
Unamortized loan premium, net ⁽⁷⁾	575	643		
Total	\$ 298,672	\$ 342,060		

- (1) Interest rate with respect to indebtedness is calculated on the basis of a 360-day year for the actual days elapsed, excluding the amortization of loan fees and costs.
- (2) On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37.0 million of the loan was subject to an interest rate contract, which swaps one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50.0 million of the loan through its maturity on February 11, 2016. Proceeds from the loan were used to fully refinance a \$37.0 million mortgage loan secured by our Sunset Bronson property that was scheduled to mature on April 30, 2011. The remaining proceeds were used to partially pay down our secured revolving credit facility. Until its repayment on February 11, 2011, the \$37.0 million mortgage loan secured by our Sunset Bronson property incurred interest at a rate of one-month LIBOR plus 3.65% and was subject to the same interest rate contract swapping one-month LIBOR to a fixed rate of 0.75% described earlier.
- (3) Outstanding balance as of December 31, 2010 reflects full project-level indebtedness on Rincon Center, without pro rata adjustment for our 51% share of the Rincon Center joint venture. On April 29, 2011, we closed a seven-year term loan totaling \$110.0 million with JPMorgan Chase Bank, National Association, secured by our Rincon Center property. The loan bears interest at a fixed annual rate of 5.134%. The loan fully refinanced the prior \$106.0 million project loan on the property that was scheduled to mature on July 1, 2011.
- (4) This loan was fully repaid as of September 1, 2011.
- (5) This loan was fully repaid as of June 1, 2011.
- (6) This loan was assumed on September 1, 2011 in connection with the closing of our acquisition of 625 Second Street property.
- (7) Represents unamortized amount of the non-cash mark-to-market adjustment on debt associated with the First Financial (as of December 31, 2010, only), Tierrasanta (as of December 31, 2010, only), Rincon (as of December 31, 2010, only), 10950 Washington, and 625 Second Street (as of September 30, 2011 only).

The Company presents its financial statements on a consolidated/combined basis. Notwithstanding such presentation, except to the extent expressly indicated, such as in the case of the project financing for our Sunset Gower and Sunset Bronson properties, our separate property owning subsidiaries are not obligors of or under the debt of their respective affiliates and each property owning subsidiary's separate liabilities do not constitute obligations of its respective affiliates.

6. Interest Rate Contracts

The indebtedness encumbering the Sunset Bronson property was subject to a collar on the LIBOR portion of the interest rate of not less than 2.55% and no greater than 3.87% until June 1, 2010. We had not designated the interest rate collar

agreement as a hedging instrument for accounting purposes; therefore, the change in the fair value of the derivative instrument is reported in earnings. From and after June 1, 2010, the applicable interest rate became 5.90% per annum, until a new secured interest rate contract went effective upon the closing of the IPO and related formation transaction on June 29, 2010, which swapped one-month LIBOR to a fixed rate of 0.75%. The interest rate contract for Sunset Bronson fixed one-month LIBOR on the full \$37.0 million notional loan amount through April 30, 2011 on terms identical to the terms of the mortgage loan. We designated that interest rate swap as a cash flow hedge for accounting purposes.

On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment campuses. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37.0 million of the loan was subject to the above described interest rate contract, which swapped one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% on \$50.0 million of the loan through its maturity on February 11, 2016. We designated that interest rate cap contract as a cash flow hedge for accounting purposes.

The fair market value of the interest rate cap at September 30, 2011 was \$202 , and the fair market value of the interest rate swap at September 30, 2011 and December 31, 2010 was \$0 and a liability of \$71 , respectively.

7. Future Minimum Base Rents and Lease Payments Future Minimum Rents

Our properties are leased to tenants under operating leases with initial term expiration dates ranging from 2011 to 2020. Approximate future combined minimum rentals (excluding tenant reimbursements for operating expenses and without regard to cancellation options) for properties at September 30, 2011 are as follows for the years/periods ended December 31. The table does not include rents under leases at our media and entertainment properties with terms of one year or less.

2011 (three months ending December 31, 2011)	\$	33,890
2012		65,553
2013		60,680
2014		47,884
2015		44,344
2016		34,940
Thereafter		59,705
Total future minimum rents	\$	<u>346,996</u>

Future Minimum Lease Payments

In conjunction with the acquisition of the Sunset Gower Property, our subsidiary, SGS Realty II, LLC, assumed a ground lease agreement (expiring March 31, 2060) for a portion of the land with an unrelated party. Commencing September 1, 2007, the monthly rent increased to \$15, whereas the monthly rent totaled \$14 at the time of acquisition. The rental rate is subject to adjustment in March 2011 and every seven years thereafter. In conjunction with the acquisition of the Del Amo Office building, our subsidiary, Hudson Del Amo Office, LLC, assumed a ground sublease (expiring June 30, 2049) with an unrelated party. Rent under the ground sublease is \$1.00 per year, with the sublessee being responsible for all impositions, insurance premiums, operating charges, maintenance charges, construction costs and other charges, costs and expenses that arise or may be contemplated under any provisions of the ground sublease. In conjunction with the acquisition of the 9300 Wilshire Boulevard building, our subsidiary, Hudson 9300 Wilshire, LLC, assumed a ground lease (expiring August 14, 2032) with an unrelated party. Minimum rent under the ground lease is \$75 per year (additional rent under this lease of 6% of gross rentals less minimum rent, as defined in such lease, is not included in this amount). In conjunction with the acquisition of the 222 Kearny Office building, our subsidiary, Hudson 222 Kearny, LLC, assumed a ground lease (expiring June 14, 2054) with an unrelated party. Minimum rent under the ground lease is the greater of \$975 per year or 20.0% of the first \$8,000 of the tenant's "Operating Income" during any "Lease Year," as such terms are defined in the ground lease. The chart below reflects the \$975 per year lease payment.

The following table provides information regarding our future minimum lease payments at September 30, 2011 under these lease agreements.

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

2011 (three months ending December 31, 2011)	\$ 308
2012	1,231
2013	1,231
2014	1,231
2015	1,231
2016	1,231
Thereafter	45,618
Total future minimum rents	\$ 52,081

8. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, receivables, payables, and accrued liabilities are reasonable estimates of fair value because of the short-term maturities of these instruments. Fair values for notes payable are estimates based on rates currently prevailing for similar instruments of similar maturities. The estimated fair values of interest-rate contract/cap arrangements were derived from estimated values based on observable market data for similar instruments.

	September 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable	\$ 298,672	\$ 298,974	\$ 342,060	\$ 342,153
Derivative assets, disclosed as "Interest rate contracts"	202	202	—	—
Derivative liabilities, disclosed as "Interest rate contracts"	—	—	71	71

9. Equity

Non-controlling Interests

Common units in the Operating Partnership

Common units in our operating partnership are not owned by us, consisted of 2,610,941 common units of partnership interest in our operating partnership, or common units, and represented approximately 7.2% of the all common units in our operating partnership at September 30, 2011. Common units and shares of our common stock have essentially the same economic characteristics as they share equally in the total net income or loss distributions of our operating partnership. Investors who own common units have the right to cause our operating partnership to redeem any or all of their common units for cash equal to the then-current market value of one share of common stock, or, at our election, shares of our common stock on a one-for-one basis.

Redeemable non-controlling interest in consolidated real estate entity

Redeemable non-controlling interest in consolidated real estate entity relates to a joint venture relationship with an affiliate of Beacon Capital Partners ("Beacon"), an unrelated third party, in the Rincon Center property. We acquired a 51% interest in a 581,000 square foot commercial space owned by Beacon as described in note 3. We had a call right and Beacon had a put right that, if exercised, obligated us to make an additional investment to acquire the remaining 49% interest in the Rincon Center joint venture in the second quarter of 2011. On February 24, 2011, we exercised the call right and completed the acquisition of Beacon's 49% interest on April 29, 2011 for a purchase price of \$38.7 million (before closing costs and prorations). In connection with the completion of this acquisition, we refinanced the Rincon Center property as described more fully in footnote 5 above.

6.25% Series A Cumulative Redeemable Preferred units of the Operating Partnership

Series A cumulative redeemable preferred units in our operating partnership are 499,014 series A preferred units of partnership interest in our operating partnership, or series A preferred units, that are not owned by us. These series A preferred units are entitled to preferential distributions at a rate of 6.25% per annum on the liquidation preference of \$25.00 per unit and are convertible at the option of the holder into common units or redeemable into cash or, at our option, exchangeable for registered shares of common stock, in each case after an initial holding period of not less than three years from the

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

consummation of this offering. For a description of the conversion and redemption rights of the series A preferred units, please see “Description of the Partnership Agreement of Hudson Pacific Properties, L.P. — Material Terms of Our Series A Preferred Units” in our June 23, 2010 Prospectus.

8.375% Series B Cumulative Redeemable Preferred Stock

Series B cumulative redeemable preferred stock are 3,500,000 shares of our series B preferred stock, \$0.01 par value per share. Dividends on our series B preferred stock are cumulative from the date of original issue (December 10, 2010) and payable quarterly on or about the last calendar day of each March, June, September and December, commencing on December 31, 2010, at the rate of 8.375% per annum of its \$25.00 per share liquidation preference (equivalent to \$2.09375 per share per annum). If following a change of control of the Company, either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the New York Stock Exchange, or NYSE, or quoted on the NASDAQ Stock Market, or NASDAQ (or listed or quoted on a successor exchange or quotation system), holders of our series B preferred stock will be entitled to receive cumulative cash dividends from, and including, the first date on which both the change of control occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, at the increased rate of 12.375% per annum per share of the liquidation preference of our series B preferred stock (equivalent to \$3.09375 per annum per share) for as long as either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted. Except in instances relating to preservation of our qualification as a REIT or in connection with a change of control of the Company, our series B preferred stock is not redeemable prior to December 10, 2015. On and after December 10, 2015, we may redeem our series B preferred stock in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption. If at any time following a change of control either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), we will have the option to redeem our series B preferred stock, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, for cash at \$25.00 per share, plus accrued and unpaid dividends, if any, to, but not including, the redemption date. Our series B preferred stock has no maturity date and will remain outstanding indefinitely unless redeemed by us, and it is not subject to any sinking fund or mandatory redemption and is not convertible into any of our other securities. For a full description of the Series B cumulative redeemable preferred stock, please see “Description of our Preferred Stock” in our December 7, 2010 Prospectus.

Secondary Common Stock Offering and Private Placement

On May 3, 2011, we completed the public offering of 6,950,000 shares of common stock and the exercise of the underwriters' over-allotment option to purchase an additional 1,042,500 shares of our common stock at the public offering price of \$14.62 per share. We also completed the private placement of 3,125,000 shares to investment funds affiliated with Farallon Capital Management, L.L.C., at the same price.

Total proceeds from the public offering and the concurrent private placement, after underwriters' discount, were approximately \$156.7 million (before transaction costs). Of the total, approximately \$96.5 million was from the public offering of common stock, approximately \$14.5 million was from the exercise of the over-allotment option and approximately \$45.7 million was from the private placement investment.

The table below represent our condensed consolidated statements of equity and non-controlling series A preferred partnership and redeemable non-controlling interest in consolidated real estate entity interests:

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

Hudson Pacific Properties Inc., Stockholders' Equity										
	Common Shares	Stock Amount	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Deficit) Income	Non- controlling Interests — Common units in the Operating Partnership	Members' real estate Equity	Noncontrolling Interests — Interest in consolidated entities	Total Equity	Non- controlling Interests — Series A Cumulative Redeemable Preferred Units
Balance, January 1, 2010		\$ —	\$ —	\$ —	\$ —	\$ —	\$ 223,240	\$ 3,348	\$ 226,588	\$ —
Contributions			8				3,645		3,653	
Distributions			(79)				(1,624)		(1,703)	
Proceeds from sale of common stock, net of underwriters discount	14,720,000	147	232,574						232,721	
Proceed from private placement	1,176,471	12	19,988						20,000	
Issuance of restricted stock	265,291	2	(2)						—	
Shares Repurchased			(1)						(1)	
Issuance of Series A Cumulative Redeemable Preferred Units for acquisition of properties									—	12,475
Issuance of common units for acquisition of properties						12,019			12,019	
Common stock issuance transaction costs			(7,169)						(7,169)	
Declared Dividend			(2,085)						(2,085)	
Acquisition of non-controlling members Interest								(828)	(828)	
Amortization of stock based compensation			375						375	
Net income (loss)				(2,323)		(277)	283	(29)	(2,346)	195
Cash Flow Hedge Adjustment					(30)	(4)			(34)	
Comprehensive Loss									(2,380)	
Exchange of Member's equity for common stock and units	6,050,037	61	173,390			54,584	(225,544)	(2,491)	—	
Balance, September 30, 2010	22,211,799	\$ 222	\$ 416,999	\$ (2,323)	\$ (30)	\$ 66,322	\$ —	\$ —	\$ 481,190	\$ 12,670

Hudson Pacific Properties Inc., Stockholders' Equity										
	Common Shares	Stock Amount	Series B Cumulative Redeemable Preferred Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Deficit) Income	Non- controlling Interests — Common units in the Operating Partnership	Total Equity	Non- controlling Interests — Series A Cumulative Redeemable Preferred Units	Non- controlling Interests — Interests in Consolidated Entities
Balance, January 1, 2011	22,436,950	\$ 224	\$ 87,500	\$ 411,598	\$ (3,482)	\$ 6	\$ 65,684	\$ 561,530	\$ 12,475	\$ 40,328
Contributions								—		
Distributions				(452)				(452)		(41,131)
Proceeds from sale of common stock, net of underwriters discount	7,992,500	80		110,928				111,008		
Proceed from private placement	3,125,000	31		45,657				45,688		
Issuance of restricted stock	37,917	1		(1)				—		
Forfeiture of restricted stock	(7,535)							—		
Shares repurchased	(12,378)							—		
Common stock issuance transaction costs				(600)				(600)		
Series B stock issuance transaction costs				(1,283)				(1,283)		
Declared Dividend			(5,496)	(11,201)			(978)	(17,675)	(585)	
Amortization of stock based compensation				2,004				2,004		

					5,496			(7,106)			(698)		(2,308)		585		803		
Cash Flow Hedge Adjustment									(853)		(75)		(928)						
Comprehensive Loss															(3,236)				
Balance, September 30, 2011	33,572,454	\$	336	\$	87,500	\$	556,650	\$	(10,588)	\$	(847)	\$	63,933	\$	696,984	\$	12,475	\$	—

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

Dividends

During the third quarter for 2011, we declared dividends on our common stock and non-controlling common partnership interests of \$0.125 per share and unit. We also declared dividends on our series A preferred partnership interests of \$0.3906 per unit. In addition, we declared dividends on our series B preferred shares of \$0.52344 per share. The third quarter dividends were declared on September 9, 2011 to holders of record on September 20, 2011.

Taxability of Dividends

Earnings and profits, which determine the taxability of distributions to stockholders, may differ from income reported for financial reporting purposes due to the differences for federal income tax purposes in the treatment of loss on extinguishment of debt, revenue recognition, and compensation expense and in the basis of depreciable assets and estimated useful lives used to compute depreciation.

Stock-Based Compensation

In connection with entering into the employment arrangements effective as of closing of the IPO, Messrs. Coleman, Stern, Lammas, Barton, Shimoda, and certain non-executive employees and directors were granted 270,588 restricted shares of our common stock at our initial offering price of \$17.00 per restricted share. These restricted stock awards vest in three equal, annual installments on each of the first three anniversaries of the date of the IPO, subject to the executive's or director's continued service, as applicable. As of September 30, 2011, 88,237 of these stock awards had vested, 12,378 of which were canceled in satisfaction of federal and state taxes.

On December 29, 2010, various executives were granted 219,854 restricted shares of our common stock at the closing price of \$15.01 per restricted share. These restricted stock awards vest in three equal, annual installments on each of the first three anniversaries of their date of grant, subject to the executive's continued employment. None of these restricted shares were vested at September 30, 2011.

On January 20, 2011 our directors were granted 11,571 restricted shares and 3,308 unrestricted shares (fully vested) of our common stock at the closing price of \$15.12 per restricted share. The restricted stock awards vest in three equal, annual installments on each of the first three anniversaries of their date of grant, subject to the director's continued service. None of the restricted shares were vested at September 30, 2011.

On April 8, 2011 our directors were granted 1,740 unrestricted shares (fully vested) of our common stock at the closing price of \$14.36 per restricted share.

In connection with his resignation as a director effective April 25, 2011, 7,535 restricted shares previously granted to Mark Burnett were forfeited, unvested.

On June 9, 2011 our directors were granted 19,686 restricted shares of our common stock at the closing price of \$15.24 per restricted share. The restricted stock awards vest in three equal, annual installments on each of the first three anniversaries of their date of grant, subject to the director's continued service. None of the restricted shares were vested at September 30, 2011.

On July 12, 2011 our directors were granted 1,612 unrestricted shares (fully vested) of our common stock at the closing price of \$15.50 per restricted share.

In connection with his appointment as a director on October 1, 2011, Patrick Whitesell was granted 2,259 restricted shares of our common stock based on the June 9, 2011 grant to our directors in connection with their election to the board, prorated for Mr. Whitesell's partial period of service. This grant will vest in three equal installments consistent with the June 9, 2011 grant to the other directors. None of the restricted shares were vested at September 30, 2011.

We have elected to recognize the total compensation expense for time-vested shares on a straight-line basis over the vesting period based on the fair value of the award on the date of grant. For the nine months ended September 30, 2011, \$2,004 of non-cash compensation expense was recognized in general and administrative expenses and additional paid-in capital.

10. Related Party Transactions

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

Until the IPO and related formation transactions, the media and entertainment properties owned by our predecessor were managed by Hudson Studios Management, LLC and our City Plaza office property was managed by Hudson OP Management, LLC (Hudson Studios Management, LLC and Hudson OP Management, LLC are collectively referred to as “Hudson Management”), both of which were affiliates of our predecessor. For the nine months ended September 30, 2010, management fees of \$460 had been incurred. In addition, Hudson Management was entitled to a construction management fee of \$300 plus 5% of the hard costs in association with other future developments. As of September 30, 2010, \$300 of construction management fees had been capitalized to construction in progress. These agreements were effectively terminated upon our acquisition of Hudson Management.

The developers and managers of the 875 Howard Street Property were TMG Partners and Flynn Properties, Inc. TMG Partners was also the managing member. TMG Partners and Flynn Properties, Inc. jointly began providing property management services for the 875 Howard Street Property starting February 15, 2007. A monthly property management fee equal to the greater of \$20 per month or 2.5% of gross rents received from tenants during each calendar month was paid in equal parts to TMG Partners and Flynn Properties, Inc. These fees totaled \$78 for the nine months ended September 30, 2010.

11. Commitments and Contingencies

Legal

From time to time, the Company is party to various lawsuits, claims and other legal proceedings arising out of, or incident to, our ordinary course of business. Management believes, based in part upon consultation with legal counsel, that the ultimate resolution of all such claims will not have a material adverse effect on the Company’s results of operations, financial position, or cash flows. As of September 30, 2011, the risk of material loss from such legal actions impacting the Company’s financial condition or results from operations has been assessed as remote.

Concentrations

All of the Company’s Properties are located in California which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio. Further, for the nine months ended September 30, 2011 and 2010, approximately 27% and 63%, respectively, of the Company’s revenues were derived from tenants in the media and entertainment industry, which makes the Company susceptible to demand for rental space in such industry. Consequently, the Company is subject to the risks associated with an investment in real estate with a concentration of tenants in that industry.

Bank of America leases approximately 836,000 square feet of our 1455 Market property for various lease terms ranging between one and seven years. As a result of our purchase of this property on December 16, 2010, this lease did not account for any portion of our total revenue for the nine months ended September 30, 2010. For the nine months ended September 30, 2011, the Bank of America Lease accounted for approximately 7% of our total revenue.

12. Segment Reporting

The Company’s reporting segments are based on the Company’s method of internal reporting which classifies its operations into two reporting segments: (i) office properties, and (ii) media and entertainment properties. The Company evaluates performance based upon property net operating income from continuing operations (“NOI”) of the combined properties in each segment. NOI is not a measure of operating results or cash flows from operating activities as measured by GAAP, is not indicative of cash available to fund cash needs and should not be considered an alternative to cash flows as a measure of liquidity. All companies may not calculate NOI in the same manner. The Company considers NOI to be an appropriate supplemental financial measure to net income because it helps both investors and management to understand the core operations of the Company’s properties. The Company defines NOI as operating revenues (including rental revenues, other property-related revenue, tenant recoveries and other operating revenues), less property-level operating expenses (which includes external management fees and property-level general and administrative expenses). NOI excludes corporate general and administrative expenses, depreciation and amortization, impairments, gain/loss on sale of real estate, interest expense, acquisition-related expenses and other non-operating items.

Summary information for the reportable segments for the nine months ended September 30, 2011 is as follows:

Notes to Consolidated Financial Statements—(Continued)
(Unaudited and in thousands, except square footage and share data)

	Office Properties	Media and Entertainment Properties	Total
Revenue	\$ 76,404	\$ 28,724	\$ 105,128
Operating expenses	32,592	17,073	49,665
Net operating income	<u>\$ 43,812</u>	<u>\$ 11,651</u>	<u>\$ 55,463</u>

Summary information for the reportable segments for the nine months ended September 30, 2010 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Revenue	\$ 14,826	\$ 24,724	\$ 39,550
Operating expenses	5,650	15,194	20,844
Net operating income	<u>\$ 9,176</u>	<u>\$ 9,530</u>	<u>\$ 18,706</u>

The following is reconciliation from NOI to reported net income, the most direct comparable financial measure calculated and presented in accordance with GAAP:

	September 30, 2011	September 30, 2010
Net operating income	\$ 55,463	\$ 18,706
General and administrative	(9,052)	(2,379)
Depreciation and amortization	(33,023)	(9,985)
Interest income	67	37
Unrealized gain on interest rate contract	—	347
Interest expense	(13,245)	(6,196)
Acquisition-related expenses	(762)	(2,689)
Other expense	(368)	8
Net loss	<u>\$ (920)</u>	<u>\$ (2,151)</u>

There were no intersegment sales or transfers during either of the nine -month periods ended September 30, 2011 and 2010 .

13. Subsequent Events

Acquisitions and Financings

6922 Hollywood

On July 1, 2011, the Company executed a purchase agreement to acquire 6922 Hollywood Boulevard in Hollywood, for a total gross purchase price of \$92.5 million (before closing costs and prorations), including the assumption of an existing \$42.0 million loan. 6922 Hollywood is an approximately 205,522-square-foot project comprising approximately 171,828 square feet of office space and approximately 33,694 square feet of ground-floor retail space. The property is fully leased to multiple tenants, with an average remaining lease term of approximately seven years. The transaction is subject to the completion of various closing conditions, including the assumption of the loan. The \$42.0 million loan bears interest at a fixed annual rate of 5.5775%, with 30-year amortization, and matures in January 2015.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

We make statements in this quarterly report that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “approximately,” “intends,” “plans,” “pro forma,” “estimates” or “anticipates” or the negative of these words and phrases or similar words or phrases that are predictions of or indicate future events or trends and that do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods that may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- adverse economic or real estate developments in our markets;
- general economic conditions;
- defaults on, early terminations of or non-renewal of leases by tenants;
- fluctuations in interest rates and increased operating costs;
- our failure to obtain necessary outside financing;
- our failure to generate sufficient cash flows to service our outstanding indebtedness;
- lack or insufficient amounts of insurance;
- decreased rental rates or increased vacancy rates;
- difficulties in identifying properties to acquire and completing acquisitions;
- our failure to successfully operate acquired properties and operations;
- our failure to maintain our status as a REIT;
- environmental uncertainties and risks related to adverse weather conditions and natural disasters;
- financial market fluctuations;
- changes in real estate and zoning laws and increases in real property tax rates; and
- other factors affecting the real estate industry generally.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. Additional information concerning these and other risks and uncertainties is contained in our other periodic filings with the Securities and Exchange Commission.

Historical Results of Operations

This Quarterly Report on Form 10-Q for Hudson Pacific Properties, Inc. for the nine months ended September 30, 2011 represents an update to the more detailed and comprehensive disclosures included in our Annual Report on form 10-K for the year ended December 31, 2010. Accordingly, you should read the following discussion in conjunction with the information included in our Annual Report on form 10-K for the year ended December 31, 2010 as well as the unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

In addition, some of the statements and assumptions in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects as well as estimates of industry growth for the second quarter and beyond. See “Forward-Looking Statements.”

Overview

As indicated above, because the IPO and related formation transactions did not occur until June 29, 2010, operations for the entities acquired in connection with the IPO and related formation transactions are only included in certain historical

financial statements. More particularly, the results of operations discussed below for the three months ended September 30, 2010 reflect the operations of the (a) three office properties and two media and entertainment properties owned by HFOP City Plaza, LLC, Sunset Bronson Entertainment Properties, LLC, SGS Realty II, LLC, and Howard Street Associates LLC, as applicable (the "Predecessor Properties"), and (b) two office properties and certain management contracts owned by Glenborough Tierrasanta, LLC, GLB Encino, LLC and Hudson Capital, LLC, as applicable, which were acquired on June 29, 2010 (the "IPO Acquisitions"). The results of operations for the nine months ended September 30, 2010, reflect the operations of the Predecessor Properties for that entire period, and the results of operations for the IPO Acquisitions from the date of their acquisition. The results of operations for properties acquired after the IPO are similarly included in our consolidated statements of operations from the date of each such acquisition.

The following table identifies each of the properties in our portfolio acquired through September 30, 2011 and their date of acquisition.

Properties	Acquisition/Completion Date	Square Feet
875 Howard Street	2/15/2007	286,270
Sunset Gower	8/17/2007	543,709
Sunset Bronson	1/30/2008	313,723
Technicolor Building	6/1/2008	114,958
City Plaza	8/26/2008	333,922
First Financial	6/29/2010	222,423
Tierrasanta	6/29/2010	104,234
Del Amo Office	8/13/2010	113,000
9300 Wilshire Boulevard	8/24/2010	58,484
222 Kearny	10/8/2010	148,797
1455 Market	12/16/2010	1,012,012
Rincon Center ⁽¹⁾	12/16/2010	580,850
10950 Washington	12/22/2010	158,873
604 Arizona	7/26/2011	44,260
275 Brannan	8/19/2011	51,710
625 Second Street	9/1/2011	136,906
Total		4,224,131

(1) We acquired a 51% joint venture interest in the Rincon Center property on December 16, 2010. On April 29, 2011 we acquired the remaining 49% interest in the Rincon Center property for approximately \$38.7 million (before closing costs and prorations).

All amounts and percentages used in this discussion of our results of operations are calculated using the numbers presented in the financial statements contained in this report rather than the rounded numbers appearing in this discussion.

Comparison of the three months ended September 30, 2011 to the three months ended September 30, 2010

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and other revenue. Total office revenues increased \$ 19.1 million, or 250.9% , to \$ 26.7 million for the three months ended September 30, 2011 compared to \$ 7.6 million for the three months ended September 30, 2010 . The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Office Rental Revenue. Office rental revenue includes rental revenues from our office properties and percentage rent on retail space contained within those properties. Total office rental revenue increased \$ 12.4 million, or 190.6% , to \$ 19.0 million for the three months ended September 30, 2011 compared to \$ 6.5 million for the three months ended September 30, 2010 . The

increase in rental revenue from a year ago was primarily the result of rental revenue from office properties acquired during the third and fourth quarters of 2010 and third quarter of 2011.

Office Tenant Recoveries. Office tenant recoveries increased \$ 6.4 million, or 643.0% , to \$ 7.4 million for the three months ended September 30, 2011 compared to \$ 1.0 million for the three months ended September 30, 2010 . The increase in tenant recoveries was primarily the result of recoveries from office properties acquired during the third and fourth quarters of 2010 and third quarter of 2011 .

Office Other Revenue. Other revenue remained relatively flat for the three months ended September 30, 2011 compared to the three months ended September 30, 2010 .

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue and other revenue. Total media and entertainment revenues increased \$ 0.3 million, or 3.0% , to \$ 10.2 million for the three months ended September 30, 2011 compared to \$ 9.9 million for the three months ended September 30, 2010 . The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties, percentage rent on retail space contained within those properties, and lease termination income. Total media and entertainment rental revenue remained relatively flat for the three months ended September 30, 2011 compared to the three months ended September 30, 2010 .

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat for the three months ended September 30, 2011 compared to the three months ended September 30, 2010 .

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is revenue that is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and internet). Total other property-related revenue increased \$ 0.4 million, or 9.2% , to \$ 4.6 million for the three months ended September 30, 2011 compared to \$ 4.2 million for the three months ended September 30, 2010 . The increase in other property-related revenue was primarily due to an increase in lighting equipment rental revenue, parking revenue, and telecom revenue relating to higher production activity at our media and entertainment properties.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as property and corporate level general and administrative expenses, other property related expenses, management fees and depreciation and amortization. Total operating expenses increased by \$ 17.3 million, or 111.8% , to \$ 32.8 million for the three months ended September 30, 2011 compared to \$ 15.5 million for the three months ended September 30, 2010 . This increase in total operating expenses is attributable primarily to the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$ 10.0 million, or 353.0% , to \$ 12.8 million for the three months ended September 30, 2011 compared to \$ 2.8 million for the three months ended September 30, 2010 . The increase in operating expenses was primarily due to the acquisitions of office properties during the third and fourth quarters of 2010 and third quarter of 2011.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses remained relatively flat for the three months ended September 30, 2011 compared to the three months ended September 30, 2010 .

General and Administrative Expenses. General and administrative expenses includes wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items. General and administrative expenses increased \$ 0.5 million, or 19.5% , to \$ 2.8 million for the three months ended September 30, 2011 compared to \$ 2.4 million for the three months ended September 30, 2010 . The increase in general and administrative expenses was primarily due to increased staffing to meet operational needs stemming from growth through the acquisitions of office properties.

Depreciation and Amortization. Depreciation and amortization expense increased \$ 6.7 million, or 155.6% , to \$ 11.0 million for the three months ended September 30, 2011 compared to \$ 4.3 million for the three months ended September 30, 2010 . The increase was primarily due to the depreciation associated with the acquisitions of office properties during the third

and fourth quarters of 2010 and third quarter of 2011.

Other Expense (Income)

Interest Expense. Interest expense increased \$ 2.3 million, or 128.3% , to \$ 4.1 million for the three months ended September 30, 2011 compared to \$ 1.8 million for the three months ended September 30, 2010 . The increase was primarily due to the increased indebtedness associated with the acquisitions of office properties during the third and fourth quarters of 2010 and third quarter of 2011.

Acquisition-related expenses. Acquisition-related expenses increased \$ 0.5 million, or 197.7% , to \$ 0.8 million for the three months ended September 30, 2011 compared to \$ 0.3 million for the three months ended September 30, 2010 . The increase was due to increased acquisition activity during the three months ended September 30, 2011 , compared to a year ago.

Net Income (Loss)

Net loss for the three months ended September 30, 2011 was \$ 0.8 million compared to net income of \$27,000 for the three months ended September 30, 2010 . The increase in net loss was primarily due to higher operating expenses, higher general and administrative expenses, higher depreciation and amortization expenses, higher interest expenses and acquisition-related expenses, offset by higher office and media and entertainment revenues, all as described above.

Comparison of the nine months ended September 30, 2011 to the nine months ended September 30, 2010

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and other revenue. Total office revenues increased \$61.6 million (including early lease termination revenue from a single floor tenant at our City Plaza project), or 415.3% , to \$ 76.4 million for the nine months ended September 30, 2011 compared to \$ 14.8 million for the nine months ended September 30, 2010 . The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Office Rental Revenue. Office rental revenue includes rental revenues from our office properties and percentage rent on retail space contained within those properties. Total office rental revenue increased \$41.5 million, or 324.6% , to \$54.3 million for the nine months ended September 30, 2011 compared to \$12.8 million for the nine months ended September 30, 2010 . The increase in rental revenue from a year ago was primarily the result of rental revenue from office properties acquired during the third and fourth quarters of 2010 and third quarter of 2011.

Office Tenant Recoveries. Office tenant recoveries increased \$17.7 million, or 922.7% , to \$19.6 million for the nine months ended September 30, 2011 compared to \$1.9 million for the nine months ended September 30, 2010 . The increase in tenant recoveries was primarily the result of recoveries from office properties acquired during the third and fourth quarters of 2010 and third quarter of 2011.

Office Other Revenue. Other revenue increased \$2.4 million, or 1,928.0% , to \$2.5 million for the nine months ended September 30, 2011 compared to \$0.1 million for the nine months ended September 30, 2010 . The increase in other revenue was primarily the result of the early lease termination revenue from a single floor tenant at our City Plaza project.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue and other revenue. Total media and entertainment revenues increased \$4.0 million, or 16.2% , to \$28.7 million for the nine months ended September 30, 2011 compared to \$24.7 million for the nine months ended September 30, 2010 . The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties, percentage rent on retail space contained within those properties, and lease termination income. Total media and entertainment rental revenue increased \$0.8 million, or 5.2% , to \$16.3 million for the nine months ended September 30, 2011 compared to \$15.5 million for the nine months ended September 30, 2010 . The increase in rental revenue was primarily due to improved occupancy at our media and entertainment properties.

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 .

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is revenue that is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and internet). Total other property-related revenue increased \$3.1 million, or 38.7% , to \$11.1 million for the nine months ended September 30, 2011 compared to \$8.0 million for the nine months ended September 30, 2010 . The increase in other property-related revenue was primarily due to an increase in lighting equipment rental revenue, parking revenue, and telecom revenue relating to higher production activity associated with improved occupancy at our media and entertainment properties.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as property level and corporate general and administrative expenses, other property related expenses, management fees and depreciation and amortization. Total operating expenses increased by \$58.5 million, or 176.3% , to \$91.7 million for the nine months ended September 30, 2011 compared to \$33.2 million for the nine months ended September 30, 2010 . This increase in total operating expenses is attributable primarily to the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$26.9 million, or 476.8% , to \$32.6 million for the nine months ended September 30, 2011 compared to \$5.7 million for the nine months ended September 30, 2010 . The increase in operating expenses was primarily due to the acquisitions of office properties during the third and fourth quarters of 2010 and third quarter of 2011, which was partially offset by certain property tax reassessment savings, mostly associated with our City Plaza property.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses increased \$1.9 million, or 12.4% , to \$17.1 million for the nine months ended September 30, 2011 compared to \$15.2 million for the nine months ended September 30, 2010 . The increase in operating expenses was due to an increase in other property-related expenses, primarily lighting and other equipment rental expenses, resulting from higher production activity associated with improved occupancy at our media and entertainment properties, which was partially offset by certain property tax reassessment savings.

General and Administrative Expenses. General and administrative expenses includes wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items. Since the IPO, 2010 private placement, and formation transactions did not occur until June 29, 2010, the nine months ended September 30, 2010 only include general and administrative expenses for corporate-level operations beginning June 29, 2010 and thereafter. The \$9.1 million of general and administration expenses reflect the expenses of our corporate-level operations for the entire nine months ended September 30, 2011 compared to \$2.4 million of corporate-level operations occurring over the period commencing as of June 29, 2010 and ending September 30, 2010 .

Depreciation and Amortization. Depreciation and amortization expense increased \$23.0 million, or 230.7% , to \$33.0 million for the nine months ended September 30, 2011 compared to \$10.0 million for the nine months ended September 30, 2010 . The increase was primarily due to the depreciation associated with the acquisitions of office properties in connection with our initial public offering and during the third and fourth quarters of 2010 .

Other Expense (Income)

Interest Expense. Interest expense increased \$7.0 million, or 113.8% , to \$13.2 million for the nine months ended September 30, 2011 compared to \$6.2 million for the nine months ended September 30, 2010 . The increase was primarily due to the increased indebtedness associated with the acquisitions of office properties during the third and fourth quarters of 2010 and third quarter of 2011.

Unrealized Gain on Interest Rate Contracts. Unrealized gain on interest rate contracts decreased by \$0.3 million for the nine months ended September 30, 2011 compared to the nine months ended September 30, 2010 as a result of the expiration of an interest rate contract that was not accounted for as an effective cash flow hedge.

Acquisition-related expenses. Acquisition-related expenses decreased by \$1.9 million , or 71.7% , to \$0.8 million for the nine months ended September 30, 2011 compared to \$2.7 million for the nine months ended September 30, 2010 . The decrease was a result of lower acquisition activity for the nine months ended September 30, 2011 compared to the acquisition activity culminating with our IPO and the related formation transactions.

Net loss

Net loss for the nine months ended September 30, 2011 was \$0.9 million compared to net loss of \$2.2 million for the nine months ended September 30, 2010 . The decrease in net loss was primarily due to higher office and media and entertainment revenues and lower acquisition-related expenses, partially offset by higher operating expenses, higher general and administrative expenses, higher depreciation and amortization expenses, and higher interest expenses, all as described above.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

Our ratio of debt to total market capitalization was approximately 37.9% (counting series A preferred units as debt) as of September 30, 2011 . Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including restricted stock that we may issue to certain of our directors and executive officers, plus the aggregate value of common units not owned by us, plus the liquidation preference of outstanding series A preferred units and series B preferred stock, plus the book value of our total consolidated indebtedness. We had approximately \$20.7 million of cash and cash equivalents at September 30, 2011 . In addition, the lead arrangers for our secured credit facility have secured commitments that will allow borrowings of up to \$200 million. As of September 30, 2011 , we had approximately \$141.2 million of total capacity under our credit facility, of which \$33.0 million had been drawn. We intend to use the secured credit facility, among other things, to finance the acquisition of properties, to refinance indebtedness, to provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purposes.

Our short-term liquidity requirements primarily consist of operating expenses and other expenditures associated with our properties, distributions to our limited partners and dividend payments to our stockholders required to maintain our REIT status, capital expenditures and, potentially, acquisitions. We expect to meet our short-term liquidity requirements through cash on hand, net cash provided by operations, reserves established from existing cash and, if necessary, by drawing upon our secured credit facility.

Our long-term liquidity needs consist primarily of funds necessary to pay for the repayment of debt at maturity, property acquisitions and non-recurring capital improvements. We expect to meet our long-term liquidity requirements with net cash from operations, long-term secured and unsecured indebtedness and the issuance of equity and debt securities. We also may fund property acquisitions and non-recurring capital improvements using our secured credit facility pending permanent financing.

We believe we have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

Cash Flows

Comparison of nine months ended September 30, 2011 to nine months ended September 30, 2010

Cash and cash equivalents were \$20.7 million and \$48.9 million at September 30, 2011 and December 31, 2010 , respectively.

Net cash provided by operating activities increased by \$24.7 million to \$28.1 million for the nine months ended September 30, 2011 compared to \$3.4 million for the nine months ended September 30, 2010 . The increase is primarily due to the acquisition of certain ownership interests in properties contributed in connection with our initial public offering and related formation transactions and the purchase of nine properties subsequent to our initial public offering which increased operating cash flow and partially offset by an increase in restricted cash at our Sunset Bronson/Sunset Gower properties resulting from restricted cash requirements as a result of the financing completed in February 2011.

Net cash used in investing activities increased \$13.7 million to \$70.4 million for the nine months ended September 30, 2011 compared to \$56.7 million for nine months ended September 30, 2010 . The increase was primarily due to an increase in investments in real estate, primarily as a result of the purchase of certain ownership interests in properties contributed in connection with our IPO and related formation transactions. and an increase in property acquisitions during the nine months ended September 30, 2011 c ompared to nine months ended September 30, 2010 .

Net cash provided by financing activities decreased \$77.4 million to \$14.1 million for the nine months ended September 30, 2011 compared to \$91.5 million for the nine months ended September 30, 2010 . The decrease was due to the

proceeds from the issuance of common stock in connection with our IPO and private placement which was partially offset by the repayment of certain indebtedness in connection with the related formation transactions which occurred during the nine months ended September 30, 2010 , and offset by the issuance of common stock and private placement and the net loan and line of credit repayments and cash distributions to our common and preferred unit and share holders which occurred during the nine months ended September 30, 2011 .

Indebtedness

Our indebtedness creates the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts due in respect of our indebtedness and other obligations. In addition, we may incur additional debt from time to time to finance strategic acquisitions, investments, joint ventures or for other purposes, subject to the restrictions contained in the documents governing our indebtedness. If we incur additional debt, the risks associated with our leverage, including our ability to service our debt, would increase.

As of September 30, 2011 , we had outstanding notes payable of \$298.1 million (before loan premium), of which \$125.0 million , or 41.9% , was variable rate debt, \$50.0 million of which is subject to the interest rate contract described in footnote 2 in the table below.

The following table sets forth information as of September 30, 2011 with respect to our outstanding indebtedness.

Debt	September 30, 2011	December 31, 2010	Interest Rate ⁽¹⁾	Maturity Date
Mortgage loan secured by Sunset Bronson ⁽²⁾	\$ —	\$ 37,000	LIBOR+3.65%	4/30/2011
Mortgage loan secured by Rincon Center ⁽³⁾	—	106,000	6.08%	7/1/2011
Mortgage loan secured by First Financial ⁽⁴⁾	—	43,000	5.34%	12/1/2011
Mortgage loan secured by Tierrasanta ⁽⁵⁾	—	14,300	5.62%	12/1/2011
Mortgage loan secured by 10950 Washington	30,000	30,000	5.94%	2/11/2012
Secured Revolving Credit Facility ⁽⁶⁾	33,000	111,117	LIBOR+2.50% to 3.25%	6/29/2013
Mortgage loan secured by 625 Second Street	33,700	—	5.85%	2/1/2014
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽²⁾	92,000	—	LIBOR+3.50%	2/11/2016
Mortgage loan secured by Rincon Center ⁽³⁾	109,397	—	5.134%	5/1/2018
Subtotal	\$ 298,097	\$ 341,417		
Unamortized loan premium, net ⁽⁷⁾	575	643		
Total	<u>\$ 298,672</u>	<u>\$ 342,060</u>		

(1) Interest rate with respect to indebtedness is calculated on the basis of a 360-day year for the actual days elapsed, excluding the amortization of loan fees and costs.

(2) On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37.0 million of the loan was subject to an interest rate contract, which swaps one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50.0 million of the loan through its maturity on February 11, 2016. Proceeds from the loan were used to fully refinance a \$37.0 million mortgage loan secured by our Sunset Bronson property that was scheduled to mature on April 30, 2011. The remaining proceeds were used to partially pay down our secured revolving credit facility. Until its repayment on February 11, 2011, the \$37.0 million mortgage loan secured by our Sunset Bronson property incurred interest at a rate of one-month LIBOR plus 3.65% and was subject to the same interest rate contract swapping one-month LIBOR to a fixed rate of 0.75% described earlier.

(3) Outstanding balance as of December 31, 2010 reflects full project-level indebtedness on Rincon Center, without pro rata adjustment for our 51% share of the Rincon Center joint venture. On April 29, 2011, we closed a seven-year term loan totaling \$110.0 million with JPMorgan Chase Bank, National Association, secured by our Rincon Center property. The loan fully refinanced the prior \$106.0 million project loan on the property that was scheduled to mature on July 1, 2011.

(4) This loan was fully repaid as of September 1, 2011.

(5) This loan was fully repaid as of June 1, 2011.

(6) This loan was assumed on September 1, 2011 in connection with the closing of our acquisition of 625 Second Street property.

(7) Represents unamortized amount of the non-cash mark-to-market adjustment on debt associated with the First Financial (as of December 31, 2010, only), Tierrasanta (as of December 31, 2010, only), Rincon (as of December 31, 2010, only), 10950 Washington, and 625 Second Street (as of September 30, 2011 only).

Contractual Obligations and Commitments

During the third quarter of 2011 , there were no material changes outside the ordinary course of business in the information regarding specified contractual obligations contained in our Annual Report on Form 10-K for the year ended December 31, 2010 .

Off-Balance Sheet Arrangements

We currently do not have any off-balance sheet arrangements.

Critical Accounting Policies

Our discussion and analysis of our historical financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of our financial statements in conformity with GAAP requires us to make estimates of certain items and judgments as to certain future events, for example with respect to the allocation of the purchase price of acquired property among land, buildings, improvements, equipment, and any related intangible assets and liabilities, or the effect of a property tax reassessment of our properties. These determinations, even though inherently subjective and prone to change, affect the reported amounts of our assets, liabilities, revenues and expenses. While we believe that our estimates are based on reasonable assumptions and judgments at the time they are made, some of our assumptions, estimates and judgments will inevitably prove to be incorrect. As a result, actual outcomes will likely differ from our accruals, and those differences—positive or negative—could be material. Some of our accruals are subject to adjustment, as we believe appropriate based on revised estimates and reconciliation to the actual results when available.

In addition, we identified certain critical accounting policies that affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements in our 2010 Annual Report on Form 10-K. We have not made any material changes to these policies during the periods covered by this Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our future income, cash flows and fair values relevant to financial instruments are dependent upon prevalent market interest rates. Market risk refers to the risk of loss from adverse changes in market prices and interest rates. As more fully described in the interest rate risk section, we use derivative financial instruments to manage, or hedge, interest rate risks related to our borrowings. We only enter into contracts with major financial institutions based on their credit rating and other factors.

We had an interest rate agreement that expired on April 30, 2011 with respect to \$37.0 million of the \$92.0 million of total indebtedness on the Sunset Gower and Bronson properties pursuant to which we swapped one-month LIBOR to a fixed rate of 0.75%, which effectively resulted in a 4.25% fixed rate on that portion of the Sunset Gower and Sunset Bronson loan. We also had an interest rate agreement with respect to \$50.0 million of the same \$92.0 million of total indebtedness on the Sunset Gower and Sunset Bronson properties that capped one-month LIBOR at a rate of 3.715%, effectively resulting in a maximum rate on that portion of the Sunset Gower and Sunset Bronson loan of 7.215%.

Interest risk amounts were determined by considering the impact of hypothetical interest rates on our financial instruments. These analyses do not consider the effect of any change in overall economic activity that could occur in that environment. Further, in the event of a change of that magnitude, we may take actions to further mitigate our exposure to the change. However, due to the uncertainty of the specific actions that would be taken and their possible effects, these analyses assume no changes in our financial structure.

As of September 30, 2011, we had outstanding notes payable of \$298.1 million (before loan premium), of which \$125.0 million, or 41.9%, was variable rate debt, \$50.0 million of which is subject to the interest rate contract described above, and \$173.1 million of which was fixed rate secured mortgage loans. As of September 30, 2011, the estimated fair value of our fixed rate secured mortgage loans was \$174.0 million.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and regulations and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As of September 30, 2011, the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures at the end of the period covered by this Report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded, as of that time, that our disclosure controls

and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

No changes to our internal control over financial reporting were identified in connection with the evaluation referenced above that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or that, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operation if determined adversely to us. As of September 30, 2011, the risk of material loss from such legal actions impacting the Company's financial condition or results from operations has been assessed as remote.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2010. Please review the Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2010.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

- (a) *Recent Sales of Unregistered Securities:* On May 3, 2011, we completed the private placement of 3,125,000 shares of common stock to investment funds affiliated with Farallon Capital Management, L.L.C., at the price of \$14.62 per share for gross proceeds of \$45.7 million. The private placement was exempt from registration under Section 4(2) of the Securities Act of 1933, as amended, and Rule 506 thereunder.
- (b) *Use of Proceeds from Registered Securities:* On May 3, 2011, we completed the public offering of 7,992,500 shares of common stock (including the exercise of the underwriters' over-allotment option to purchase an additional 1,042,500 shares of the Company's common stock) at a price of \$14.62 per share.

Total proceeds from the public offering, after underwriters' discount, were approximately \$111.0 million (before transaction costs). Immediately following the offering, the Company used approximately \$81.0 million of the net proceeds from the offering and the concurrent private placement to repay indebtedness under its secured revolving credit facility. On June 1, 2011, we used \$14.3 million of the net proceeds from the offering and private placement to fully repay the project loan on its Tierrasanta property. The remaining proceeds will be primarily used to fund future acquisitions and for general working capital purposes.

- (c) *Purchases of Equity Securities by the Issuer and Affiliated Purchasers:* None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. (Removed and Reserved).

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
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3.1	Articles of Amendment and Restatement of Hudson Pacific Properties, Inc.	(2)
3.2	Amended and Restated Bylaws of Hudson Pacific Properties, Inc.	(2)
3.3	Form of Articles Supplementary of Hudson Pacific Properties, Inc.	(9)
4.1	Form of Certificate of Common Stock of Hudson Pacific Properties, Inc.	(5)
4.2	Form of Certificate of Series B Preferred Stock of Hudson Pacific Properties, Inc.	(9)
10.1	Form of Second Amended and Restated Agreement of Limited Partnership of Hudson Pacific Properties, L.P.	(9)
10.2	Registration Rights Agreement among Hudson Pacific Properties, Inc. and the persons named therein.	(8)
10.3	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Victor J. Coleman.	(8)
10.4	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Howard S. Stern.	(8)
10.5	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Mark T. Lammas.	(8)
10.6	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Christopher Barton.	(8)
10.7	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Dale Shimoda.	(8)
10.8	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Theodore R. Antenucci.	(8)
10.9	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Mark Burnett.	(8)
10.10	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Richard B. Fried.	(8)
10.11	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Jonathan M. Glaser.	(8)
10.12	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Mark D. Linehan.	(8)
10.13	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Robert M. Moran, Jr.	(8)
10.14	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Barry A. Porter.	(8)
10.15	Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. 2010 Incentive Award Plan.	(5)*
10.16	Restricted Stock Award Grant Notice and Restricted Stock Award Agreement.	(5)*
10.17	Hudson Pacific Properties, Inc. Director Stock Plan.	(9)*
10.18	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Victor J. Coleman.	(2)*
10.19	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Howard S. Stern.	(2)*
10.20	Employment Agreement, dated as of May 14, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Mark T. Lammas.	(4)*
10.21	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Christopher Barton.	(2)*
10.22	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. and Dale Shimoda.	(2)*
10.23	Contribution Agreement by and among Victor J. Coleman, Howard S. Stern, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010.	(1)
10.24	Contribution Agreement by and among SGS investors, LLC, HFOP Investors, LLC, Soma Square Investors, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010.	(1)
10.25	Contribution Agreement by and among TMG-Flynn SOMA, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010.	(1)

- 10.26 Contribution Agreement by and among Glenborough Fund XIV, L.P., Glenborough Acquisition, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc. dated as of February 15, 2010. ⁽¹⁾
- 10.27 Representation, Warranty and Indemnity Agreement by and among Hudson Pacific Properties, Inc. Hudson Pacific Properties, L.P, and the persons named therein as nominees of the Farallon Funds, dated as of February 15, 2010. ⁽¹⁾
- 10.28 Representation, Warranty and Indemnity Agreement by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and the persons named therein as nominees of TMG-Flynn SOMA, LLC, dated as of February 15, 2010. ⁽¹⁾
- 10.29 Representation, Warranty and Indemnity Agreement by and among Hudson Pacific Properties, Inc. Hudson Pacific Properties, L.P, and the persons named therein as nominees of Glenborough Fund XIV, L.P. dated as of February 15, 2010. ⁽¹⁾
- 10.30 Subscription Agreement by and among Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institution Partners III, L.P., Victor J. Coleman and Hudson Pacific Properties, Inc. dated as of February 15, 2010. ⁽²⁾
- 10.31 Tax Protection Agreement between Hudson Pacific Properties, L.P. and the persons named therein, dated June 29, 2010. ⁽⁷⁾
- 10.32 Agreement of Purchase and Sale and Joint Escrow Instructions between Del Amo Fashion Center Operating Company and Hudson Capital, LLC dated as of May 18, 2010. ⁽⁴⁾
- 10.33 Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated June 29, 2010. ⁽⁷⁾
- 10.34 First Modification Agreement between Sunset Bronson Entertainment Properties, LLC and Wells Fargo Bank, N.A. dated as of June 29, 2010. ⁽⁵⁾
- 10.35 Amended and Restated First Modification Agreement between Sunset Bronson Entertainment Properties, LLC and Wells Fargo Bank, N.A. dated as of June 20, 2010. ⁽⁷⁾
- 10.36 Loan Agreement among Sunset Bronson Entertainment Properties, L.L.C., as Borrower, Wachovia Bank, National Association, as Administrative Agent, Wachovia Capital Markets, LLC, as Lead Arranger and Sole Bookrunner, and lenders party thereto, dated as of May 12, 2008. ⁽⁶⁾
- 10.37 Conditional Consent Agreement between GLB Encino, LLC, as Borrower, and SunAmerica Life Insurance Company, as Lender, dated as of June 10, 2010. ⁽⁶⁾
- 10.38 Amended and Restated Deed of Trust, Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents between GLB Encino, LLC, as Trustor, SunAmerica Life Insurance Company, as Beneficiary, and First American Title Insurance Company, as Trustee, dated as of January 26, 2007. ⁽⁶⁾
- 10.39 Amended and Restated Promissory Note by GLB Encino, as Maker, to SunAmerica Life Insurance Company, as Holder, dated as of January 26, 2007. ⁽⁶⁾
- 10.40 Approval Letter from Wells Fargo, as Master Servicer, and CWC Capital Asset Management, LLC, as Special Servicer to Hudson Capital LLC, dated as of June 8, 2010. ⁽⁶⁾
- 10.41 Loan and Security Agreement between Glenborough Tierrasanta, LLC, as Borrower, and German American Capital Corporation, as Lender, dated as of November 28, 2006. ⁽⁶⁾
- 10.42 Note by Glenborough Tierrasanta, LLC, as Borrower, in favor of German American Capital Corporation, as Lender, dated as of November 28, 2006. ⁽⁶⁾
- 10.43 Reaffirmation, Consent to Transfer and Substitution of Indemnitor, by and among Glenborough Tierrasanta, LLC, Morgan Stanley Real Estate Fund V U.S., L.P., MSP Real Estate Fund V, L.P. Morgan Stanley Real Estate Investors, V U.S., L.P., Morgan Stanley Real Estate Fund V Special U.S., L.P., MSP Co-Investment Partnership V, L.P., MSP Co-Investment Partnership V, L.P., Glenborough Fund XIV, L.P., Hudson Pacific Properties, L.P., and US Bank National Association, dated June 29, 2010. ⁽⁷⁾
- 10.44 Purchase and Sale Agreement, dated September 15, 2010, by and between ECI Washington LLC and Hudson Pacific Properties, L.P. ⁽⁹⁾
- 10.45 First Amendment to Purchase and Sale Agreement, dated October 1, 2010, by and between ECI Washington LLC and Hudson Pacific Properties, L.P. ⁽⁹⁾
- 10.46 Term Loan Agreement by and between Sunset Bronson Entertainment Properties, LLC and Sunset Gower Entertainment Properties, LLC, as Borrowers, and Wells Fargo Bank, National Association, as Lender, dated February 11, 2011. ⁽¹⁰⁾

- 10.47 Contract for Sale dated as of December 15, 2010 by and between Hudson 1455 Market, LLC and Bank of America, National Association. ⁽¹²⁾
- 10.48 Contribution Agreement by and between BCSP IV U.S. Investments, L.P. and Hudson Pacific Properties, L.P., dated as of December 15, 2010. ⁽¹³⁾
- 10.49 Limited Liability Company Agreement of Rincon Center JV LLC by and between Rincon Center Equity LLC and Hudson Rincon, LLC, dated as of December 16, 2010. ⁽¹³⁾
- 10.50 First Amendment to Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated December 10, 2010. ⁽¹³⁾
- 10.51 Second Amendment to Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated April 4, 2011. ⁽¹⁴⁾
- 10.52 First Amendment to Registration Rights Agreement by and among Hudson Pacific Properties, Inc., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P. and Farallon Capital Institutional Partners III, L.P., dated May 3, 2011. ⁽¹¹⁾
- 10.53 Subscription Amendment by and among Hudson Pacific Properties, Inc., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P. and Farallon Capital Institutional Partners III, L.P., dated April 26, 2011. ⁽¹⁵⁾
- 10.54 Loan Agreement by and between Hudson Rincon Center, LLC, as Borrower, and JPMorgan Chase Bank, National Association, as Lender, dated April 29, 2011. ⁽¹¹⁾
- 10.55 Indemnification Agreement, dated October 1, 2011, by and between Hudson Pacific Properties, Inc. and Patrick Whitesell.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101** The following materials from Hudson Pacific Properties' Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Unaudited Consolidated Balance Sheets as of June 30, 2011 and December 31, 2011, (ii) Unaudited Consolidated Statements of Operations for the three and six months ended June 30, 2011 and 2010, (iii) Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2011 and 2010, and (iv) Notes to Consolidated Financial Statements, tagged as blocks of text.

- (1) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on April 9, 2010.
- (2) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on May 12, 2010.
- (3) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 3, 2010.
- (4) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 11, 2010.
- (5) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 14, 2010.
- (6) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 22, 2010.
- (7) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 1, 2010.
- (8) Previously filed with the Registration Statement on Form S-11 filed by the Registrant with the Securities and Exchange Commission on November 22, 2010.
- (9) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on December 6, 2010.
- (10) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 15, 2011.
- (11) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 4, 2011.
- (12) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on December 21, 2010.
- (13) Previously filed with the Registration Statement on Form S-11 filed by the Registrant with the Securities and Exchange Commission on April 14, 2011.
- (14) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 5, 2011.
- (15) Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.

* Denotes a management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, the interactive data files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

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

HUDSON PACIFIC PROPERTIES, INC.

Date: November 10, 2011

/ s / M ARK T. L AMMAS

Mark T. Lamm

Chief Financial Officer (principal financial officer)

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("Agreement") is made and entered into as of the 1st day of October, 2011, by and between Hudson Pacific Properties, Inc., a Maryland corporation (the "Company"), and Patrick Whitesell ("Indemnitee").

WHEREAS, at the request of the Company, Indemnitee currently serves as a director of the Company and may, therefore, be subjected to claims, suits or proceedings arising as a result of his service; and

WHEREAS, as an inducement to Indemnitee to continue to serve as such director, the Company has agreed to indemnify and to advance expenses and costs incurred by Indemnitee in connection with any such claims, suits or proceedings, to the maximum extent permitted by law; and

WHEREAS, the parties by this Agreement desire to set forth their agreement regarding indemnification and advance of expenses;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Definitions . For purposes of this Agreement:

- (a) "Adjudged" shall mean adjudged finally by a court or arbitral or other authority of competent jurisdiction.
 - (b) "Change in Control" means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the Effective Date (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of all of the Company's then-outstanding securities entitled to vote generally in the election of directors without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person's attaining such percentage interest; (ii) the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) at any time, a majority of the members of the Board of Directors are not comprised of (A) individuals who were directors as of the Effective Date and/or (B) individuals whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the Effective Date or whose election for nomination for election was previously so approved.
 - (c) "Corporate Status" means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise.
 - (d) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.
 - (e) "Effective Date" means the date set forth in the first paragraph of this Agreement.
 - (f) "Enterprise" means any foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise in which Indemnitee is or was serving as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise (i) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company or (ii) the management of which is controlled directly or indirectly by the Company.
 - (g) "Expenses" means any and all disbursements or expenses incurred by Indemnitee in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding, including, without limitation, reasonable attorneys' fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of
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any payments under this Agreement, and any ERISA excise taxes and penalties. Expenses shall also include (i) expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent, (ii) expenses incurred in connection with recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether the Indemnitee is ultimately determined to be entitled to such indemnification, advancement or expenses or insurance recovery, as the case may be, and (iii) expenses incurred by Indemnitee in establishing or enforcing his right to indemnification or reimbursement under this Agreement. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments, fines or penalties against Indemnitee (other than ERISA excise tax penalties).

(h) "Independent Counsel" means a law firm, or a member of a law firm, that is of outstanding reputation, experienced in matters of corporation law and neither is, nor in the past five years preceding the date of selection has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements), or (ii) any other party to or participant or witness in the Proceeding giving rise to a claim for indemnification or advance of Expenses hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel.

(i) "Proceeding" means any threatened, pending or completed action, suit, arbitration, mediation, alternate dispute resolution procedure, investigation, inquiry, administrative hearing or any other proceeding, whether brought by or in the right of the Company or otherwise and whether of a civil (including intentional or unintentional tort claims), criminal, administrative or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is, will or might be involved as a party or otherwise, by reason of any action taken by or omission by Indemnitee, or of any action or omission on Indemnitee's part, in each case in or in connection with Indemnitee's Corporate Status and whether or not acting or serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement or advancement of Expenses can be provided under this Agreement, except one pending or completed on or before the Effective Date, unless otherwise specifically agreed in writing by the Company and Indemnitee. If Indemnitee reasonably believes that a given situation may lead to or culminate in the institution of a Proceeding, such situation shall also be considered a Proceeding. The term "Proceeding" shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration or appeal of, and the giving of testimony in or related to, any threatened, pending or completed claim, action, suit or other proceeding, whether of a civil, criminal, administrative or investigative nature.

Section 2. Services by Indemnitee. The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce the Indemnitee to serve or continue to serve as a director of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving or continuing to serve as a director. However, this Agreement shall not impose any independent obligation on Indemnitee or the Company to continue Indemnitee's service to the Company. This Agreement shall not be deemed an employment contract between the Company (or any other entity) and Indemnitee.

Section 3. General. The Company shall indemnify, hold harmless and exonerate, and advance Expenses to, Indemnitee (a) as provided in this Agreement and (b) otherwise to the maximum extent not prohibited by (and not merely to the extent affirmatively permitted by) Maryland law in effect on the Effective Date and as amended from time to time; provided, however, that no change in Maryland law shall have the effect of reducing the benefits available to Indemnitee hereunder based on Maryland law as in effect on the Effective Date. The rights of Indemnitee provided in this Section 3 shall include, without limitation, the rights set forth in the other sections of this Agreement, including any additional indemnification permitted by Section 2-418(g) of the Maryland General Corporation Law (the "MGCL").

Section 4. Indemnification. If Indemnitee is, or is threatened to be, made a party to any Proceeding, the Company shall indemnify, hold harmless and exonerate Indemnitee against all judgments, penalties, fines and amounts paid in settlement and all Expenses actually and reasonably incurred by him or on his behalf in connection with any such Proceeding unless (and only to the extent) it is established that (a) the act or omission of Indemnitee was material to the matter giving rise to the Proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) Indemnitee actually received an improper personal benefit in money, property or services or (c) in the case of any criminal Proceeding, Indemnitee had reasonable cause to believe that the act or omission was unlawful.

Section 5. Certain Limits on Indemnification. Notwithstanding any other provision of this Agreement (other than Section 6), Indemnitee shall not be entitled to:

- (a) indemnification hereunder if the Proceeding was one by or in the right of the Company and Indemnitee is Adjudged to be liable to the Company;
- (b) indemnification hereunder if Indemnitee is Adjudged to be liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee; or
- (c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee unless: (i) the Proceeding was brought to establish or enforce indemnification rights under this Agreement, and then only to the extent in accordance with and as authorized by Section 12 of this Agreement, or (ii) the Company's charter or Bylaws, a resolution of

the stockholders entitled to vote generally in the election of directors or of the Board of Directors or an agreement approved by the Board of Directors to which the Company is a party expressly provide otherwise.

Section 6. Court-Ordered Indemnification. Notwithstanding any other provision of this Agreement, a court of appropriate jurisdiction, upon application of Indemnitee and such notice as the court shall require, may order indemnification in the following circumstances:

(a) if it determines Indemnitee is entitled to reimbursement under Section 2-418(d)(1) of the MGCL, the court shall order indemnification, in which case Indemnitee shall be entitled to recover the Expenses of securing such reimbursement; or

(b) if it determines that Indemnitee is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not Indemnitee (i) has met the standards of conduct set forth in Section 2-418(b) of the MGCL or (ii) has been Adjudged liable for receipt of an improper personal benefit under Section 2-418(c) of the MGCL, the court may order such indemnification as the court shall deem proper. However, indemnification with respect to any Proceeding by or in the right of the Company or in which liability shall have been Adjudged in the circumstances described in Section 2-418(c) of the MGCL shall be limited to Expenses.

Section 7. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provision of this Agreement, and without limiting any such provision, to the extent that Indemnitee was or is made a party to (or otherwise becomes a participant in) any Proceeding and is successful, on the merits or otherwise, in the defense of such Proceeding, Indemnitee shall be indemnified for all Expenses actually and reasonably incurred by him or on his behalf in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee under this Section 7 for all Expenses actually and reasonably incurred by him or on his behalf in connection with each such claim, issue or matter, allocated on a reasonable and proportionate basis. For purposes of this Section 7 and, without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 8. Advance of Expenses for a Party. If Indemnitee was, is, or is threatened to be, made a party to any Proceeding, the Company shall, without requiring a preliminary determination of Indemnitee's ultimate entitlement to indemnification hereunder, advance all reasonable Expenses incurred by or on behalf of Indemnitee in connection with such Proceeding within ten days after the receipt by the Company of a statement or statements requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee and shall include or be preceded or accompanied by a written affirmation by Indemnitee of Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Company as authorized by law and by this Agreement has been met and a written undertaking by or on behalf of Indemnitee, in substantially the form attached hereto as Exhibit A or in such form as may be required under applicable law as in effect at the time of the execution thereof, to reimburse the portion (if any) of any Expenses advanced to Indemnitee relating to claims, issues or matters in the Proceeding as to which it shall ultimately be established that the standard of conduct has not been met by Indemnitee and which have not been successfully resolved as described in Section 7 of this Agreement. Advances shall be interest-free and unsecured. The undertaking required by this Section 8 shall be an unlimited general obligation by or on behalf of Indemnitee and shall be accepted without reference to Indemnitee's financial ability to repay such advanced Expenses and without any requirement to post security therefor.

Section 9. Indemnification and Advance of Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee was, is or may be made a witness or otherwise asked to participate in any Proceeding, whether instituted by the Company or any other party, and to which Indemnitee is not a party, he shall be advanced all reasonable Expenses and indemnified, held harmless and exonerated against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith within ten days after the receipt by the Company of a statement or statements requesting such advance or advances from time to time, whether prior to or after final disposition of such Proceeding. Such statement or statements shall reasonably evidence the Expenses incurred by Indemnitee. Advances shall be interest-free and unsecured.

Section 10. Procedure for Determination of Entitlement to Indemnification.

(a) To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification. Indemnitee may submit one or more such requests from time to time and at such time(s) as Indemnitee deems appropriate in his sole discretion. The officer of the Company receiving any such request from Indemnitee shall, promptly upon receipt of such a request for indemnification, advise the Board of Directors in writing that Indemnitee has requested indemnification.

(b) Upon written request by Indemnitee for indemnification pursuant to Section 10(a) above, a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall promptly be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnitee, which Independent Counsel shall be selected by the Indemnitee and approved by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL, which approval will not be unreasonably withheld; or (ii) if

a Change in Control shall not have occurred, (A) by the Board of Directors by a majority vote of a quorum consisting entirely of Disinterested Directors or, if such a quorum cannot be obtained, then by a majority vote of a duly authorized committee of the Board of Directors consisting solely of one or more Disinterested Directors, (B) if Independent Counsel has been selected by the Board of Directors in accordance with Section 2-418(e)(2)(ii) of the MGCL and approved by the Indemnatee, which approval shall not be unreasonably withheld, by Independent Counsel, in a written opinion to the Board of Directors, a copy of which shall be delivered to Indemnatee or (C) if so directed by a majority of the members of the Board of Directors, by the stockholders of the Company. If it is so determined that Indemnatee is entitled to indemnification, payment to Indemnatee shall be made within ten days after such determination. Indemnatee shall cooperate with the person, persons or entity making such determination with respect to Indemnatee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnatee and reasonably necessary to such determination in the discretion of the Board of Directors or Independent Counsel if retained pursuant to clause (ii)(B) of this Section 10(b). Any Expenses incurred by Indemnatee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnatee's entitlement to indemnification) and the Company shall indemnify and hold Indemnatee harmless therefrom.

(c) The Company shall pay the reasonable fees and expenses of Independent Counsel, if one is appointed.

Section 11. Presumptions and Effect of Certain Proceedings.

(a) In making any determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall presume that Indemnatee is entitled to indemnification under this Agreement if Indemnatee has submitted a request for indemnification in accordance with Section 10(a) of this Agreement, and the Company shall have the burden of proof and the burden of persuasion by clear and convincing evidence to overcome that presumption in connection with the making of any determination contrary to that presumption.

(b) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, upon a plea of nolo contendere or its equivalent, or entry of an order of probation prior to judgment, does not create a presumption that Indemnatee did not meet the requisite standard of conduct described herein for indemnification.

(c) The knowledge and/or actions, or failure to act, of any other director, officer, employee or agent of the Company or any other director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise shall not be imputed to Indemnatee for purposes of determining any other right to indemnification under this Agreement.

(d) For purposes of any determination as to Indemnatee's entitlement of indemnification, Indemnatee shall be presumed to have met the standard of conduct for indemnification if, among other things and without limitation, Indemnatee relied on any information, opinion, report or statement, including any financial statement or other financial data or the records or books of account of the Company or any other Enterprise, prepared or presented by an officer or employee of the Company or any Enterprise whom Indemnatee reasonably believed to be reliable and competent in the matters presented, by a lawyer, certified public accountant, appraiser or other person or expert, as to a matter which Indemnatee reasonably believed to be within the person's professional or expert competence, or, if Indemnatee was serving on the Board of Directors of the Company or as a member of any similar body of any Enterprise, by a committee of the Board of Directors or such other body on which Indemnatee does not serve, as to a matter within its designated authority, if Indemnatee reasonably believes the committee to merit confidence. The provisions of this Section 11(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnatee meet, or be presumed to have met, the applicable standard of conduct set forth in this Agreement.

(e) For purposes of this Agreement, Indemnatee shall be considered to have been wholly successful with respect to any Proceeding if such Proceeding is disposed of, on the merits or otherwise (including a disposition without prejudice), without (i) the disposition being adverse to Indemnatee, (ii) it being Adjudged that Indemnatee was liable to the Company, (iii) a plea of guilty by Indemnatee, (iv) it being Adjudged that an act or omission of Indemnatee was material to the matter giving rise to the Proceeding and was (A) committed in bad faith or (B) the result of Indemnatee's active and deliberate dishonesty, (v) it being Adjudged that Indemnatee actually received an improper personal benefit in money, property or services or (vi) with respect to any criminal proceeding, it being Adjudged that Indemnatee had reasonable cause to believe the act or omission was unlawful.

Section 12. Remedies of Indemnatee.

(a) If (i) a determination is made pursuant to Section 10(b) of this Agreement that Indemnatee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Section 8 or Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(b) of this Agreement within 60 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to any other section of this Agreement or the charter or Bylaws of the Company is not made within ten days after a determination has been made that Indemnatee is entitled to indemnification, Indemnatee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, of his entitlement to such indemnification or advance of Expenses. Alternatively, Indemnatee, at his option, may

seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnatee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnatee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnatee to enforce his rights under Section 7 of this Agreement. Except as set forth herein, the provisions of Maryland law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnatee's right to seek any such adjudication or award in arbitration.

(b) In any judicial proceeding or arbitration commenced pursuant to this Section 12, Indemnatee shall be presumed to be entitled to indemnification or advance of Expenses, as the case may be, under this Agreement and the Company shall have the burden of proving that Indemnatee is not entitled to indemnification or advance of Expenses, as the case may be. If Indemnatee commences a judicial proceeding or arbitration pursuant to this Section 12, Indemnatee shall not be required to reimburse the Company for any advances pursuant to Section 8 of this Agreement until a final determination is made with respect to Indemnatee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed). If Indemnatee commences a judicial proceeding or arbitration pursuant to this Section 12, the Company may not refer to or introduce into evidence any determination pursuant to Section 10(b) of this Agreement adverse to Indemnatee for any purpose and any judicial proceeding or arbitration commenced pursuant to this Article 12 shall be conducted in all respects as a de novo trial or arbitration. The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 12 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all of the provisions of this Agreement.

(c) If a determination shall have been made pursuant to Section 10(b) of this Agreement that Indemnatee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 12, absent a misstatement by Indemnatee of a material fact, or an omission of a material fact necessary to make Indemnatee's statement not materially misleading, in connection with the request for indemnification.

(d) In the event that Indemnatee, pursuant to this Section 12, seeks a judicial adjudication of or an award in arbitration to enforce his rights under, or to recover damages for breach of, this Agreement, Indemnatee shall be entitled to advancement from the Company, and shall be indemnified and held harmless by the Company for, any and all Expenses actually and reasonably incurred by him in such judicial adjudication or arbitration in accordance with this Agreement.

(e) Interest shall be paid by the Company to Indemnatee at the maximum rate allowed to be charged for judgments under the Courts and Judicial Proceedings Article of the Annotated Code of Maryland for amounts which the Company pays or is obligated to pay for the period commencing with the date on which the Indemnatee requests indemnification or advancement of Expenses in accordance with this Agreement and ending on the date such payment is made to Indemnatee by the Company.

Section 13. Defense of the Underlying Proceeding.

(a) Indemnatee shall notify the Company promptly in writing upon being served with any summons, citation, subpoena, complaint, indictment, request or other document relating to any Proceeding which may result in the right to indemnification or the advance of Expenses hereunder and shall include with such notice a description of the nature of the Proceeding and a summary of the facts underlying the Proceeding. The failure to give any such notice shall not disqualify Indemnatee from the right, or otherwise affect in any manner any right of Indemnatee, to indemnification or the advance of Expenses under this Agreement unless the Company's ability to defend in such Proceeding or to obtain proceeds under any insurance policy is materially and adversely prejudiced thereby, and then only to the extent the Company is thereby actually so prejudiced.

(b) Subject to the provisions of the last sentence of this Section 13(b) and of Section 13(c) below, the Company shall have the right to defend Indemnatee in any Proceeding which may give rise to indemnification hereunder using a law firm of the Company's choice, subject to the prior written approval of the Indemnatee, which shall not be unreasonably withheld; provided, however, that the Company shall notify Indemnatee in writing of any such decision to defend within 15 calendar days following receipt of notice of any such Proceeding under Section 13(a) above. Indemnatee shall have the right to retain a separate law firm in any such Proceeding at Indemnatee's sole expense. The Company shall not, without the prior written consent of Indemnatee, which shall not be unreasonably withheld or delayed, consent to the entry of any judgment against Indemnatee or enter into any settlement or compromise which (i) includes an admission of fault of Indemnatee, (ii) does not include, as an unconditional term thereof, the full release of Indemnatee from all liability in respect of such Proceeding, which release shall be in form and substance reasonably satisfactory to Indemnatee or (iii) would impose any Expense, judgment, fine, penalty or limitation on Indemnatee. This Section 13(b) shall not apply to a Proceeding brought by Indemnatee under Section 12 of this Agreement, a Proceeding by or in the right of the Company or in the case of clause (ii) of Section 13(c).

(c) Notwithstanding the provisions of Section 13(b) above, if in a Proceeding to which Indemnatee is a party (i) Indemnatee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that he may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnatee reasonably concludes that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnatee and the Company, or (iii) if the Company fails to assume

the defense of such Proceeding in a timely manner, Indemnatee shall be entitled to be represented by separate legal counsel of Indemnatee's choice, subject, except in the case of (ii) or (iii) above, to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnatee the benefits intended to be provided to Indemnatee hereunder, Indemnatee shall have the right to retain counsel of Indemnatee's choice, at the expense of the Company (subject to Section 12(d) of this Agreement), to represent Indemnatee in connection with any such matter.

Section 14. Jointly Indemnifiable Claims.

(a) Given that certain Jointly Indemnifiable Claims may arise, the Company acknowledges and agrees that the Company shall, and to the extent applicable shall cause any Enterprise to (i) be fully and primarily responsible for, and be the indemnitor of first resort with respect to, payment to or payment on behalf of the Indemnatee in respect of indemnification or advancement of Expenses in connection with any such Jointly Indemnifiable Claim, irrespective of any right of recovery the Indemnatee may have from the Third-Party Indemnitors, and (ii) be required to advance the full amount of Expenses incurred by the Indemnatee and shall be liable for the full amount of all Expenses, judgments, fines, penalties and amounts paid in settlement to the extent not prohibited by (and not merely to the extent affirmatively permitted by) applicable law and as required by the terms of this Agreement, without regard to any rights the Indemnatee may have against the Third-Party Indemnitors. Under no circumstance shall the Company or any Enterprise be entitled to, and the Company hereby irrevocably waives, relinquishes and releases, any claims against the Third-Party Indemnitors for subrogation, contribution or recovery of any kind and no right of advancement or recovery the Indemnatee may have from the Third-Party Indemnitors shall reduce or otherwise alter the rights of the Indemnatee or the obligations of the Company or any Enterprise. The Company further agrees that no advancement or payment by any Third-Party Indemnitor on behalf of Indemnatee with respect to any Proceeding for which Indemnatee has sought indemnification, exoneration or hold harmless rights from the Company shall affect the foregoing and the Third-Party Indemnitor(s) shall have a right to receive from the Company, contribution and/or be subrogated, to the extent of such advancement or payment to all of the rights of recovery of Indemnatee against the Company. The Company and the Indemnatee agree that each of the Third-Party Indemnitors shall be third-party beneficiaries with respect to this Agreement entitled to enforce this Section 14 as though each such Third-Party Indemnitor were a party to this Agreement.

(b) For purposes of this Agreement "Third-Party Indemnitor" means any person or entity that has or may in the future provide to the Indemnatee any indemnification, exoneration, hold harmless or Expense advancement rights and/or insurance benefits other than (i) the Company, (ii) any Enterprise and (iii) any entity or entities through which the Company maintains liability insurance applicable to the Indemnatee.

(c) For purposes of this Agreement, "Jointly Indemnifiable Claims" shall mean any Proceeding for which the Indemnatee shall be entitled to indemnification, advancement of expenses or insurance from (i) the Company and/or any Enterprise pursuant to this Agreement, the charter or Bylaws or other governing documents of the Company or any Enterprise, any agreement or a resolution of the stockholders of the Company entitled to vote generally in the election of directors or of the Board of Directors, or otherwise, on the one hand, and (ii) any Third-Party Indemnitor pursuant to any agreement between any Third-Party Indemnitor and the Indemnatee pursuant to which the Indemnatee is indemnified, the laws of the jurisdiction of incorporation or organization of any Third-Party Indemnitor and/or the certificate of incorporation, certificate of organization, bylaws, partnership agreement, operating agreement, certificate of formation, certificate of limited partnership or other organizational or governing documents of any Third-Party Indemnitor, on the other hand.

Section 15. Non-Exclusivity; Survival of Rights; Subrogation.

(a) The rights of indemnification and advance of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnatee may at any time be entitled under applicable law, the charter or Bylaws or other governing documents of the Company or any Enterprise, any agreement or a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors, or otherwise. Unless consented to in writing by Indemnatee, no amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnatee under this Agreement in respect of any action taken or omitted by such Indemnatee in or by reason of his Corporate Status prior to such amendment, alteration or repeal, regardless of whether a claim with respect to such action or inaction is raised prior or subsequent to such amendment, alteration or repeal. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right or remedy shall be cumulative and in addition to every other right or remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion of any right or remedy hereunder, or otherwise, shall not prohibit the concurrent assertion or employment of any other right or remedy.

(b) Except as set forth in Section 14, in the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnatee, who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

Section 16. Insurance. The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors, with the advice of counsel, covering Indemnatee or any claim made against Indemnatee by reason of his Corporate Status or by reason of alleged actions or omissions by Indemnatee in such capacity and covering the Company for any indemnification or advance of Expenses made by

the Company to Indemnatee for any claims made against Indemnatee by reason of his Corporate Status or by reason of alleged actions or omissions by Indemnatee in such capacity. Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnatee for any payment by Indemnatee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and Expenses incurred by Indemnatee in connection with a Proceeding over the coverage of any insurance referred to in the previous sentence. The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnatee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnatee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnatee is a party or a participant (as a witness or otherwise) the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

Section 17. Coordination of Payments. Except as set forth in Section 14, the Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable or payable or reimbursable as Expenses hereunder if and to the extent that Indemnatee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

Section 18. Reports to Stockholders. To the extent required by the MGCL, the Company shall report in writing to its stockholders the payment of any amounts for indemnification of, or advance of Expenses to, Indemnatee under this Agreement arising out of a Proceeding by or in the right of the Company with the notice of the meeting of stockholders of the Company next following the date of the payment of any such indemnification or advance of Expenses or prior to such meeting.

Section 19. Duration of Agreement; Binding Effect.

(a) This Agreement shall be effective as of the Effective Date and may apply to acts or omissions of Indemnatee taken in or in connection with Indemnatee's Corporate Status which occurred prior to such date if Indemnatee was an officer, director, employee or agent of the Company or was a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise at the time such act or omission occurred.

(b) This Agreement shall continue until and terminate on the later of (i) the date that Indemnatee shall have ceased to serve as a director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise and (ii) the date that Indemnatee is no longer subject to any actual or possible Proceeding (including any rights of appeal thereto and any Proceeding commenced by Indemnatee pursuant to Section 12 of this Agreement).

(c) The indemnification and advance of Expenses provided by, or granted pursuant to, this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnatee who has ceased to be a director, officer, employee or agent of the Company or a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise, and shall inure to the benefit of Indemnatee and his spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

(d) The Company shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company, by written agreement in form and substance satisfactory to Indemnatee, expressly to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

(e) The Company and Indemnatee agree herein that a monetary remedy for breach of this Agreement, at some later date, may be inadequate, impracticable and difficult of proof, and further agree that such breach may cause Indemnatee irreparable harm. Accordingly, the parties hereto agree that Indemnatee may enforce this Agreement by seeking injunctive relief and/or specific performance hereof, without any necessity of showing actual damage or irreparable harm and that by seeking injunctive relief and/or specific performance, Indemnatee shall not be precluded from seeking or obtaining any other relief to which he may be entitled. Indemnatee shall further be entitled to such specific performance and injunctive relief, including temporary restraining orders, preliminary injunctions and permanent injunctions, without the necessity of posting bonds or other undertakings in connection therewith. The Company acknowledges that, in the absence of a waiver, a bond or undertaking may be required of Indemnatee by a court, and the Company hereby waives any such requirement of such a bond or undertaking.

Section 20. Section 409A. It is intended that any indemnification payment or advancement of Expenses made hereunder shall be exempt from Section 409A of the Internal Revenue Code of 1986, as amended, and the guidance issued thereunder ("Section 409A") pursuant to Treasury Regulation Section 1.409A-1(b)(10). Notwithstanding the foregoing, if any indemnification payment or advancement of Expenses made hereunder shall be determined to be "nonqualified deferred compensation" within the meaning of Section 409A, then (i) the amount of the indemnification payment or advancement of Expenses during one taxable year shall not affect the amount of the indemnification payments or advancement of Expenses during any other taxable year, (ii) the indemnification payments or advancement of Expenses must be made on or before the last day of the Indemnatee's taxable year following the year in which the expense was incurred, and (iii) the right to indemnification payments or advancement of Expenses hereunder is not subject to liquidation or exchange for another benefit.

Section 21. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) the validity, legality and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (b) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (c) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any Section, paragraph or sentence of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

Section 22. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. One such counterpart signed by the party against whom enforceability is sought shall be sufficient to evidence the existence of this Agreement.

Section 23. Headings. The headings of the paragraphs of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

Section 24. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

Section 25. Notices. All notices, requests, demands and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed:

- (a) If to Indemnitee, to the address set forth on the signature page hereto.
- (b) If to the Company, to:
Victor J. Coleman, Chief Executive Officer
Hudson Pacific Properties, Inc.
11601 Wilshire Blvd., Suite 1600
Los Angeles, California 90025

or to such other address as may have been furnished in writing to Indemnitee by the Company or to the Company by Indemnitee, as the case may be.

Section 26. Governing Law. The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without regard to its conflicts of laws rules.

Section 27. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

HUDSON PACIFIC PROPERTIES, INC.:

By: /s/ Victor J. Coleman
Name: Victor J. Coleman
Title: Chief Executive Officer

INDEMNITEE:

/s/ Patrick Whitesell
Name: Patrick Whitesell
Address: 9601 Wilshire Blvd
3rd Floor
Beverly Hills, CA 90210

CERTIFICATION

I, Victor J. Coleman, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2011

/s/ VICTOR J. COLEMAN

Victor J. Coleman

Chief Executive Officer

CERTIFICATION

I, Mark T. Lammas, certify that:

- 1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, Inc.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2011

/s/ MARK T. LAMMAS

Mark T. Lammas

Chief Financial Officer

WRITTEN STATEMENT
PURSUANT TO
18 U.S.C. SECTION 1350

The undersigned, Victor J. Coleman, Chief Executive Officer, and Mark T. Lammas, Chief Financial Officer of Hudson Pacific Properties, Inc. (the "Company"), hereby certify as of the date hereof, solely for the purposes of 18 U.S.C. §1350, that:

- (i) the Quarterly Report on Form 10-Q for the period ended September 30, 2011, of the Company (the "Report") fully complies with the requirements of Section 13(a) and 15(d), as applicable, of the Securities Exchange Act of 1934; and
- (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date: November 10, 2011

/s/ VICTOR J. COLEMAN

Victor J. Coleman

Chief Executive Officer

Date: November 10, 2011

/s/ MARK T. LAMMAS

Mark T. Lammas

Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.