
**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, 2013

☐ **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)

27-1430478

(I.R.S. Employer
Identification Number)

**11601 Wilshire Blvd., Suite 1600
Los Angeles, California**

(Address of principal executive offices)

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 ☐

Non-accelerated filer ☐

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, 2013 was 56,712,744.

Hudson Pacific Properties, Inc.

FORM 10-Q

September 30, 2013

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PART I—FINANCIAL INFORMATION

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

	September 30, 2013	December 31, 2012
	(Unaudited)	
ASSETS		
REAL ESTATE ASSETS		
Land	\$ 581,842	\$ 478,273
Building and improvements	1,257,236	831,791
Tenant improvements	93,932	75,094
Furniture and fixtures	14,386	11,545
Property under development	50,597	23,961
Total real estate held for investment	1,997,993	1,420,664
Accumulated depreciation and amortization	(104,609)	(80,303)
Investment in real estate, net	1,893,384	1,340,361
Cash and cash equivalents	29,341	18,904
Restricted cash	17,679	14,322
Accounts receivable, net	11,922	12,167
Notes receivable	—	4,000
Straight-line rent receivables	19,601	12,732
Deferred leasing costs and lease intangibles, net	107,041	81,010
Deferred finance costs, net	8,278	8,175
Interest rate contracts	87	71
Goodwill	8,754	8,754
Prepaid expenses and other assets	6,209	4,588
Assets associated with real estate held for sale	—	54,608
TOTAL ASSETS	\$ 2,102,296	\$ 1,559,692
LIABILITIES AND EQUITY		
Notes payable	\$ 891,175	\$ 582,085
Accounts payable and accrued liabilities	39,270	18,578
Below-market leases, net	47,667	31,560
Security deposits	6,083	5,291
Prepaid rent	6,705	11,276
Interest rate contracts	863	—
Obligations associated with real estate held for sale	—	1,205
TOTAL LIABILITIES	991,763	649,995
6.25% series A cumulative redeemable preferred units of the Operating Partnership	12,475	12,475
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, 5,800,000 shares outstanding at September 30, 2013 and December 31, 2012, respectively	145,000	145,000
Common stock, \$0.01 par value, 490,000,000 authorized, 56,711,202 shares and 47,496,732 shares outstanding at September 30, 2013 and December 31, 2012, respectively	567	475
Additional paid-in capital	899,251	726,605
Accumulated other comprehensive loss	(1,989)	(1,287)
Accumulated deficit	(45,101)	(30,580)
Total Hudson Pacific Properties, Inc. stockholders' equity	997,728	840,213
Non-controlling interest—members in Consolidated Entities	46,340	1,460
Non-controlling common units in the Operating Partnership	53,990	55,549
TOTAL EQUITY		

		1,098,058	897,222
TOTAL LIABILITIES AND EQUITY	\$	2,102,296	\$ 1,559,692

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,	
	2013	2012	2013	2012
Revenues				
Office				
Rental	\$ 33,575	\$ 22,039	\$ 89,665	\$ 64,161
Tenant recoveries	6,520	4,989	17,617	15,856
Parking and other	3,426	2,537	10,472	7,062
Total office revenues	43,521	29,565	117,754	87,079
Media & entertainment				
Rental	5,977	6,075	17,162	17,331
Tenant recoveries	500	406	1,241	1,071
Other property-related revenue	3,170	4,476	11,368	10,797
Other	180	44	616	146
Total media & entertainment revenues	9,827	11,001	30,387	29,345
Total revenues	53,348	40,566	148,141	116,424
Operating expenses				
Office operating expenses	16,766	12,211	44,191	35,977
Media & entertainment operating expenses	6,136	6,934	18,133	17,993
General and administrative	5,020	4,083	15,195	12,748
Depreciation and amortization	20,256	12,808	53,069	37,614
Total operating expenses	48,178	36,036	130,588	104,332
Income from operations	5,170	4,530	17,553	12,092
Other expense (income)				
Interest expense	7,319	4,511	18,673	13,977
Interest income	(22)	(142)	(262)	(149)
Acquisition-related expenses	483	455	992	815
Other (income) expenses	(13)	(125)	41	(35)
	7,767	4,699	19,444	14,608
Loss from continuing operations	(2,597)	(169)	(1,891)	(2,516)
(Loss) income from discontinued operations	(10)	(105)	1,608	481
Impairment loss from discontinued operations	(145)	—	(5,580)	—
Net (loss) income from discontinued operations	(155)	(105)	(3,972)	481
Net loss	(2,752)	(274)	(5,863)	(2,035)
Net income attributable to preferred stock and units	(3,231)	(3,231)	(9,693)	(9,693)
Net income attributable to restricted shares	(71)	(69)	(229)	(226)
Net loss attributable to non-controlling interest in Consolidated Entities	118	—	399	—
Net loss attributable to common units in the Operating Partnership	242	179	636	704
Net loss attributable to Hudson Pacific Properties, Inc. common stockholders	\$ (5,694)	\$ (3,395)	\$ (14,750)	\$ (11,250)
Basic and diluted per share amounts:				
Net loss from continuing operations attributable to common stockholders	\$ (0.10)	\$ (0.07)	\$ (0.20)	\$ (0.29)
Net (loss) income from discontinued operations	—	—	(0.07)	0.01
Net loss attributable to common stockholders' per share—basic and diluted	\$ (0.10)	\$ (0.07)	\$ (0.27)	\$ (0.28)
Weighted average shares of common stock outstanding—basic and diluted	56,144,099	46,668,862	54,815,763	39,945,249
Dividends declared per share of common stock	\$ 0.1250	\$ 0.1250	\$ 0.3750	\$ 0.3750

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net loss	\$ (2,752)	\$ (274)	\$ (5,863)	\$ (2,035)
Other comprehensive loss: cash flow hedge adjustment	(846)	(72)	(731)	(425)
Comprehensive loss	(3,598)	(346)	(6,594)	(2,460)
Comprehensive income attributable to preferred stock and units	(3,231)	(3,231)	(9,693)	(9,693)
Comprehensive income attributable to restricted shares	(71)	(69)	(229)	(226)
Comprehensive loss attributable to non-controlling interest in consolidated real estate entities	118	—	399	—
Comprehensive loss attributable to common units in the Operating Partnership	276	183	665	729
Comprehensive loss attributable to Hudson Pacific Properties, Inc. stockholders	<u>\$ (6,506)</u>	<u>\$ (3,463)</u>	<u>\$ (15,452)</u>	<u>\$ (11,650)</u>

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

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

	Hudson Pacific Properties, Inc. Stockholders' Equity									
	Shares of Common Stock	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	
Balance, January 1, 2012	33,840,854	\$ 338	\$ 87,500	\$ 552,043	\$ (13,685)	\$ (883)	\$ 63,356	\$ 688,669	\$ 12,475	
Proceeds from sale of common stock, net of underwriters' discount	13,225,000	132		190,666				190,798		
Common stock issuance transaction costs				(485)				(485)		
Issuance of Series B Cumulative Redeemable Preferred Stock			57,500					57,500		
Series B stock issuance transaction costs				(1,870)				(1,870)		
Issuance of unrestricted stock	5,472							—		
Issuance of restricted stock	21,567							—		
Shares repurchased	(28,896)			(503)				(503)		
Declared Dividend			(9,108)	(16,060)			(932)	(26,100)	(585)	
Amortization of stock-based compensation				3,212				3,212		
Net income (loss)			9,108		(11,024)		(704)	(2,620)	585	
Cash Flow Hedge Adjustment						(400)	(25)	(425)		
Exchange of Non-controlling Interests — Common units in the Operating Partnership for common stock	155,878	2		3,780			(3,782)	—		
Balance, September 30, 2012	47,219,875	\$ 472	\$ 145,000	\$ 730,783	\$ (24,709)	\$ (1,283)	\$ 57,913	\$ 908,176	\$ 12,475	

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

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	Hudson Pacific Properties, Inc. Stockholders' Equity									
	Shares of Common Stock	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	Non-controlling Interest - Members in Consolidated Entities	Total Equity	Non- controlling Interests — Series A Cumulative Redeemable Preferred Units
Balance, January 1, 2013	47,496,732	\$ 475	\$ 145,000	\$ 726,605	\$ (30,580)	\$ (1,287)	\$ 55,549	\$ 1,460	\$ 897,222	\$ 12,475
Contributions								45,704	45,704	
Distributions								(425)	(425)	
Proceeds from sale of common stock, net of underwriters' discount	9,200,000	92		189,796					189,888	
Common stock issuance transaction costs				(392)					(392)	
Issuance of Series B Cumulative Redeemable Preferred Stock									—	
Series B stock issuance transaction costs									—	
Issuance of unrestricted stock	4,214								—	
Issuance of restricted stock	44,219								—	
Forfeiture of restricted stock	(3,415)								—	
Shares repurchased	(30,548)			(650)					(650)	
Declared Dividend			(9,108)	(21,267)			(894)		(31,269)	(585)
Amortization of stock-based compensation				5,159					5,159	
Net income (loss)			9,108		(14,521)		(636)	(399)	(6,448)	585
Cash Flow Hedge Adjustment						(702)	(29)		(731)	
Balance, September 30, 2013	56,711,202	\$ 567	\$ 145,000	\$ 899,251	\$ (45,101)	\$ (1,989)	\$ 53,990	\$ 46,340	\$ 1,098,058	\$ 12,475

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,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (5,863)	\$ (2,035)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	53,858	39,422
Amortization of deferred financing costs and loan premium, net	421	876
Amortization of stock-based compensation	4,974	3,198
Straight-line rent receivables	(7,632)	(3,246)
Amortization of above-market leases	1,999	2,736
Amortization of below-market leases	(6,343)	(5,091)
Amortization of lease incentive costs	37	68
Bad debt expense	176	489
Amortization of ground lease	185	185
Impairment loss	5,580	—
Change in operating assets and liabilities:		
Restricted cash	(122)	(1,176)
Accounts receivable	344	(359)
Deferred leasing costs and lease intangibles	(13,440)	(3,679)
Prepaid expenses and other assets	(1,764)	(2,087)
Accounts payable and accrued liabilities	16,774	13,832
Security deposits	(439)	209
Prepaid rent	(4,813)	(3,652)
Net cash provided by operating activities	43,932	39,690
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment property	(53,576)	(13,667)
Property acquisitions	(389,883)	(184,297)
Acquisition of Notes receivable	—	(4,000)
Proceeds from sale of real estate	52,994	—
Net cash used in investing activities	(390,465)	(201,964)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	369,361	93,000
Payments of notes payable	(167,255)	(132,844)
Proceeds from issuance of common stock	189,888	190,798
Common stock issuance transaction costs	(392)	(485)
Proceeds from issuance of Series B cumulative redeemable preferred stock	—	57,500
Series B stock issuance transaction costs	—	(1,870)
Dividends paid to common stock and unit holders	(22,161)	(16,992)
Dividends paid to preferred stock and unit holders	(9,693)	(9,693)
Distribution to non-controlling member in consolidated real estate entity	(425)	—
Acquisition of non-controlling member in consolidated real estate entity	—	—
Repurchase of vested restricted stock	(650)	(503)
Payment of loan costs	(1,703)	(3,054)
Net cash provided by financing activities	356,970	175,857
Net increase in cash and cash equivalents	10,437	13,583
Cash and cash equivalents—beginning of period	18,904	13,705
Cash and cash equivalents—end of period	\$ 29,341	\$ 27,288

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

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

	Nine Months Ended September 30,	
	2013	2012
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$ 19,589	\$ 13,176
NON-CASH INVESTING ACTIVITIES:		
Accounts payable and accrued liabilities for investment in property	\$ 6,204	\$ 3,411
Assumption of secured debt in connection with property acquisitions (Notes 3 and 5)	\$ 102,299	\$ —
Non-controlling interest in consolidated real estate entity (Note 3)	\$ 45,704	\$ 1,481
Assumption of other assets and liabilities in connection property acquisitions, net (Note 3)	\$ (2,423)	\$ (889)

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 or as otherwise noted)

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 on June 29, 2010 (“IPO”). Concurrently with the closing of our IPO, we combined with our predecessor and Howard Street Associates, LLC and acquired certain other entities.

We 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 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 was recorded at historical cost.

Since the completion of the IPO, the concurrent private placement, and the related formation transactions, 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, 2013, we owned a portfolio of 24 office properties and two media and entertainment properties. These properties are located in California and Washington. The results of operations for properties acquired after our IPO are included in our consolidated statements of operations from the date of each such acquisition.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated 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 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, 2013. The interim financial statements should be read in conjunction with the consolidated financial statements in our 2012 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, and its performance-based equity compensation awards. 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.

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

Investment in Real Estate Properties

The properties are carried at cost less accumulated depreciation and amortization. The Company assigns 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. Indirect development costs, including salaries and benefits, office rent, and associated costs for those individuals directly responsible for and who spend their time on development activities are also capitalized and allocated to the projects to which they relate. Capitalized personnel costs were approximately \$0.5 million and \$1.5 million for the three and nine months ended September 30, 2013, respectively and approximately \$0.3 million and \$0.7 million for three and nine months ended September 30, 2012, respectively. Interest is capitalized on the construction in progress at a rate equal to the Company’s weighted average cost of debt. 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 they are incurred. Costs previously capitalized related to abandoned acquisitions or developments are charged to earnings. Expenditures for repairs and maintenance are expensed as they are incurred.

The Company computes depreciation using the straight-line method over the estimated useful lives 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. Above- and below-market lease intangibles are amortized to revenue over the remaining non-cancellable lease terms and bargain renewal periods, if applicable. Other in-place lease intangibles are amortized to expense over the remaining non-cancellable lease term. Depreciation is discontinued when a property is identified as held for sale.

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 recorded \$5.6 million of impairment charges related to a property held for sale during the nine months ended September 30, 2013 with no comparable charge for the nine months ended 2012. There were no properties held for sale at September 30, 2013 and one property was held for sale at December 31, 2012.

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

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identifiable intangible assets acquired and liabilities assumed in business combinations. Our goodwill balance as of September 30, 2013 was \$8,754 . We do not amortize this asset but instead analyze it on an annual basis for impairment. No impairment indicators have been noted during the three and nine months ended September 30, 2013 and 2012 .

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, 2013 and December 31, 2012 , respectively, the Company has reserved \$5 and \$8 of straight-line 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. The Company recognized \$176 and \$489 of bad debt expense for the nine months ended September 30, 2013 and 2012 .

The following summarizes our accounts receivable net of allowance for doubtful accounts as of:

	September 30, 2013	December 31, 2012
Accounts receivable	12,754	13,742
Allowance for doubtful accounts	(832)	(1,575)
Accounts receivable, net	11,922	12,167

Notes Receivable

Notes receivable consisted of a loan we acquired on August 14, 2012 from Jeffries LoanCore LLC in the amount of \$4.0 million . The borrower under the loan was WIP 3401 Expo BLVD Mezz, LLC ("WEBM"), which was the sole member of WIP 3401 Expo BLVD, LLC ("WEB"), the owner of that certain property located at 3401 Exposition Blvd. in Santa Monica, California ("3401 Exposition Boulevard"). The property is an approximately 63,376 square-foot office and industrial building currently being renovated for creative office uses. The loan was secured by, among other things, WEBM's membership interest in WEB, bore interest at the rate of LIBOR plus 1300 basis points (subject to a 100 basis points floor on LIBOR), and was scheduled to mature on June 9, 2014, subject to three one -year extension options. The interest recognized on this loan is included in interest income in the accompanying consolidated statements of operations. The carrying value of the loan approximated its fair value as it was negotiated based upon fair value of loans with similar characteristics. The loan generated income of \$155 for the nine months ended September 30, 2013 .

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

In connection with the Company's purchase of 3401 Exposition Boulevard on May 22, 2013, the Company canceled the note associated with this loan and eliminated the note receivable.

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 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 during which 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.

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

The Company held two interest rate contracts as of December 31, 2012 and three interest rate contracts as of September 30, 2013, all of which have been accounted for as cash flow hedges as more fully described in note 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 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 treat 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 states in which it conducts business.

The Company periodically evaluates its tax positions to determine 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, 2013, 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.

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

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 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.

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.

As of September 30, 2013, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional Amount
Interest Rate Caps	2	\$97.0 million
Interest Rate Swaps	1	\$64.5 million

Non-designated Hedges

For the nine months ended September 30, 2013 and 2012, all of the Company's derivatives were designated as cash flow hedges.

Tabular Disclosure of Fair Values of Derivative Instruments on the Balance Sheet

The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of September 30, 2013 and December 31, 2012. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the consolidated balance sheets.

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

	Asset Derivatives			Liability Derivatives		
	Fair Value as of			Fair Value as of		
	Balance Sheet Location	September 30, 2013	December 31, 2012	Balance Sheet Location	September 30, 2013	December 31, 2012
Derivatives designated as hedging instruments:						
Interest rate products	Interest rate contracts	\$ 87	\$ 71	Interest rate contracts	863	—
Total		<u>\$ 87</u>	<u>\$ 71</u>		<u>863</u>	<u>—</u>

Tabular Disclosure of the Effect of Derivative Instruments on the Income Statement

The tables below present the effect of the Company's derivative financial instruments on the Statement of Operations for the three months ended September 30, 2013 and 2012 .

	Nine Months Ended September 30,	
	2013	2012
Beginning Balance of OCI related to interest rate contracts	1,465	1,036
Unrealized Loss Recognized in OCI Due to Change in Fair Value of interest rate contracts	847	436
Loss Reclassified from OCI into Income (as Interest Expense)	(116)	(11)
Net Change in OCI	731	425
Ending Balance of Accumulated OCI Related to Derivatives	<u>2,196</u>	<u>1,461</u>

Credit-Risk-Related Contingent Features

As of September 30, 2013 , the Company had one derivative that was in a net liability position.

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 not expected to have a 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.

3. Investment in Real Estate

Acquisitions

During 2013, we acquired the following: 3401 Exposition, Pinnacle II, the Seattle portfolio and 1861 Bundy. 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 accounting for each of these acquisitions:

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

	3401 Exposition	Pinnacle II	Seattle Portfolio	1861 Bundy	
<u>Date of Acquisition</u>	May 22, 2013	June 14, 2013	July 31, 2013	September 26, 2013	Total
Consideration paid					
Cash consideration	\$ 8,489	\$ 1,505	\$ 368,389	\$ 11,500	\$ 389,883
Notes Receivable	4,000	—	—	—	4,000
Debt Assumed	13,233	89,066	—	—	102,299
Non-controlling interest in consolidated real estate entity	—	45,704	—	—	45,704
Total consideration	<u>\$ 25,722</u>	<u>\$ 136,275</u>	<u>\$ 368,389</u>	<u>\$ 11,500</u>	<u>\$ 541,886</u>
Allocation of consideration paid					
Investment in real estate, net	25,439	134,289	367,094	11,500	538,322
Deferred leasing costs and lease intangibles, net	—	12,637	21,619	—	34,256
Fair market unfavorable debt value	—	(5,820)	—	—	(5,820)
Below-market leases	—	(7,783)	(14,666)	—	(22,449)
Other (liabilities) asset assumed, net	283	2,952	(5,658)	—	(2,423)
Total consideration paid	<u>\$ 25,722</u>	<u>\$ 136,275</u>	<u>\$ 368,389</u>	<u>\$ 11,500</u>	<u>\$ 541,886</u>

During 2012, we acquired the following properties: 10900 Washington, 901 Market Street, Element LA (Olympic Bundy), 1455 Gordon Street and Pinnacle I. 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 accounting for each of these acquisitions:

	10900 Washington	901 Market	Element LA	1455 Gordon Street	Pinnacle I	
<u>Date of Acquisition</u>	April 5, 2012	June 1, 2012	September 5, 2012	September 21, 2012	November 8, 2012	Total
Consideration paid						
Cash consideration	\$ 2,605	\$ 90,871	\$ 88,436	\$ 2,385	\$ 208,023	\$ 392,320
Non-controlling interest in consolidated real estate entity	—	—	—	—	1,481	1,481
Total consideration	<u>\$ 2,605</u>	<u>\$ 90,871</u>	<u>\$ 88,436</u>	<u>\$ 2,385</u>	<u>\$ 209,504</u>	<u>\$ 393,801</u>
Allocation of consideration paid						
Investment in real estate, net	2,600	97,187	88,024	2,384	200,175	390,370
Above-market leases	—	—	—	—	167	167
Leases in place	—	2,968	1,325	96	11,710	16,099
Other lease intangibles	—	548	46	22	3,456	4,072
Below-market leases	—	(10,249)	(666)	(27)	(5,076)	(16,018)
Other (liabilities) asset assumed, net	5	417	(293)	(90)	(928)	(889)
Total consideration paid	<u>\$ 2,605</u>	<u>\$ 90,871</u>	<u>\$ 88,436</u>	<u>\$ 2,385</u>	<u>\$ 209,504</u>	<u>\$ 393,801</u>

The table below shows the pro forma financial information for the nine months ended September 30, 2013 and 2012 as if these properties had been acquired as of January 1, 2012 .

	Nine Months Ended September 30,	
	2013	2012
Total revenues	\$ 166,685	\$ 138,955
Net loss	\$ (8,889)	\$ (8,584)

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

Dispositions

On May 31, 2013, the Company entered into an agreement to sell its City Plaza property for approximately \$56.0 million (before certain credits, prorations, and closing costs). The transaction closed on July 12, 2013. The transaction resulted in an approximately \$5.6 million impairment loss. The Company reclassified City Plaza's results of operations for the three and nine months ended September 30, 2013 and 2012 to discontinued operations on its consolidated statements of operations.

The following table sets forth the discontinued operations for the three and nine months ended September 30, 2013 and 2012 for the City Plaza:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Total office revenues	242	1,501	4,204	4,489
Office operating expenses	(252)	(832)	(1,807)	(2,200)
Depreciation and amortization	—	(774)	(789)	(1,808)
(Loss) income from discontinued operations	(10)	(105)	1,608	481

4. Lease Intangibles

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

	September 30, 2013	December 31, 2012
Above-market leases	\$ 17,604	\$ 17,283
Leases in place	87,235	67,097
Below-market ground leases	7,503	7,513
Other lease intangibles	37,494	30,747
Deferred leasing costs	20,585	9,302
	170,421	131,942
Accumulated amortization	(65,110)	(50,932)
Deferred leasing costs and lease intangibles, net	\$ 105,311	\$ 81,010
Below-market leases	67,541	46,042
Accumulated accretion	(19,874)	(14,482)
Below-market leases, net	\$ 47,667	\$ 31,560

5. Notes Payable

Senior Unsecured Revolving Credit Facility

On August 3, 2012, we replaced our \$200.0 million secured revolving credit facility with a \$250.0 million unsecured revolving credit facility with a group of lenders for which Wells Fargo Bank, N.A. acts as administrative agent and its affiliate acts as joint lead arranger, Bank of America, N.A. acts as joint lead arranger and, together with Barclays Capital, acts as joint syndication agent, and Keybank, N.A., acts as documentation agent. Our Operating Partnership is the borrower under our new unsecured revolving credit facility. The facility is required to be guaranteed by us and all of our subsidiaries that own unencumbered properties. The facility includes an accordion feature that allows us to increase the availability by \$150.0 million, to \$400.0 million, under specified circumstances and subject to receiving commitments from lenders.

Our facility bears interest at a rate per annum equal to LIBOR plus 155 basis points to 220 basis points, depending on our leverage ratio. If the Company obtains a credit rating for its senior unsecured long-term indebtedness, it may make an irrevocable election to change the interest rate for the facility to a rate per annum equal to LIBOR plus 100 basis points to 185 basis points, depending on the credit rating. Our facility is subject to a facility fee in an amount equal to our unused commitments multiplied by a rate per

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

annum equal to 25 basis points to 35 basis points, depending on our usage of the facility, or, if we make the credit rating election, in an amount equal to the aggregate amount of our commitments multiplied by a rate per annum equal to 15 basis points to 45 basis points, depending upon the credit rating. The amount available for us to borrow under the facility is subject to compliance with certain covenants, including the following financial covenants:

- a maximum leverage ratio (defined as consolidated total indebtedness plus our pro rata share of indebtedness of unconsolidated affiliates 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 (“EBITDA”) plus our pro rata share of EBITDA of unconsolidated affiliates to fixed charges) of 1.50 :1.00;
- a maximum secured indebtedness leverage ratio (defined as consolidated secured indebtedness plus our pro rata share of secured indebtedness of unconsolidated affiliates to total asset value) of 0.60 :1.00 through and including August 3, 2014 and 0.55 :1.00 thereafter;
- a maximum unencumbered leverage ratio (defined as consolidated unsecured indebtedness plus our pro rata share of unsecured indebtedness of unconsolidated affiliates to total unencumbered asset value) of 0.60 :1.00;
- a minimum unsecured interest coverage ratio (defined as consolidated net operating income from unencumbered properties plus our pro rata share of net operating income from unencumbered properties to unsecured interest expense) of 1.60 :1.00; and
- 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.

In addition to these covenants, the facility also includes certain limitations on dividend payouts and distributions, limits on certain types of investments outside of our primary business, and other customary affirmative and negative covenants. Our ability to borrow under the facility is subject to continued compliance with these covenants.

As of September 30, 2013, we were in compliance with our facility’s financial covenants. As of September 30, 2013, we had approximately \$237.3 million of total capacity under our unsecured revolving credit facility, of which \$80.0 million had been drawn.

The following table sets forth information as of September 30, 2013 with respect to our outstanding indebtedness.

Debt	Outstanding		Interest Rate ⁽¹⁾	Maturity Date
	September 30, 2013	December 31, 2012		
Unsecured Revolving Credit Facility	\$ 80,000	\$ 55,000	LIBOR+1.55% to 2.20%	8/3/2016
Mortgage loan secured by 625 Second Street ⁽²⁾	33,700	33,700	5.85%	2/1/2014
Mortgage loan secured by 3401 Exposition Boulevard ⁽³⁾	13,233	—	LIBOR+3.80%	5/31/2014
Mortgage loan secured by 6922 Hollywood Boulevard ⁽⁴⁾	40,632	41,243	5.58%	1/1/2015
Mortgage loan secured by 275 Brannan	15,000	138	LIBOR+2.00%	10/5/2015
Mortgage loan secured by Pinnacle II ⁽⁵⁾	88,813	—	6.313%	9/1/2016
Mortgage loan secured by 901 Market ⁽⁶⁾	49,600	49,600	LIBOR+2.25%	10/31/2016
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽⁷⁾	97,000	92,000	LIBOR+2.25%	2/11/2018
Mortgage loan secured by Rincon Center	106,404	107,492	5.134%	5/1/2018
Mortgage loan secured by First & King ⁽⁸⁾	95,000	—	LIBOR+1.60%	8/31/2018
Mortgage loan secured by Met Park North ⁽⁹⁾	64,500	—	LIBOR+1.55%	8/1/2020
Mortgage loan secured by First Financial ⁽¹⁰⁾	43,000	43,000	4.58%	2/1/2022
Mortgage loan secured by 10950 Washington	29,406	29,711	5.316%	3/11/2022
Mortgage loan secured by Pinnacle I	129,000	129,000	3.954%	11/7/2022
Subtotal	\$ 885,288	\$ 580,884		
Unamortized loan premium, net ⁽¹¹⁾	5,887	1,201		
Total	\$ 891,175	\$ 582,085		

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

(3) This loan was assumed on May 22, 2013 in connection with the closing of our acquisition of the 3401 Exposition Boulevard property.

(4) This loan was assumed on November 22, 2011 in connection with the closing of our acquisition of the 6922 Hollywood Boulevard property.

(5) This loan was assumed on June 14, 2013 in connection with the contribution of the Pinnacle II building to the Company’s joint venture for The Pinnacle project.

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

- (6) On October 29, 2012, we obtained a loan for our 901 Market property pursuant to which we borrowed \$49,600 upon closing, with the ability to draw up to an additional \$11,900 for budgeted base building, tenant improvements, and other costs associated with the renovation and lease-up of that property.
- (7) On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50,000 of the loan through its maturity on February 11, 2016. On January 11, 2012 we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42,000 of the loan through its maturity on February 11, 2016. Effective August 22, 2013, the terms of this loan were amended to increase the outstanding balance from \$92,000 to \$97,000, reduce the interest rate from LIBOR plus 3.50% to LIBOR plus 2.25%, and extend the maturity date from February 11, 2016 to February 11, 2018.
- (8) Monthly debt service will equal interest only for the first two years. Beginning with the payment due August 1, 2015, monthly debt service will include annual debt amortization payments of \$1,604 based on a 30-year amortization schedule.
- (9) Monthly debt service will equal interest only at a rate equal to one-month LIBOR plus 1.55%. The full loan amount is subject to an interest rate contract that swapped one-month LIBOR to a fixed rate of 2.1644% through the loan's maturity on August 1, 2020.
- (10) This loan bears interest only for the first two years. Beginning with the payment due March 1, 2014, monthly debt service will include principal payments based on a 30-year amortization schedule, for total annual debt service of \$2,639.
- (11) Represents unamortized amount of the non-cash mark-to-market adjustment on debt associated with 625 Second Street, 6922 Hollywood Boulevard, and Pinnacle II.

The Company presents its financial statements on a consolidated 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.

The minimum future annual principal payments due on our secured and unsecured notes payable at September 30, 2013, excluding the non-cash loan premium amortization, were as follows (in thousands):

2013 (three months ending December 31, 2013)	\$	1,030
2014		51,729
2015		59,240
2016		220,514
2017		5,060
2018		290,230
Thereafter		257,485
Total	\$	<u>885,288</u>

6. Interest Rate Contracts

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%. 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. On January 11, 2012, we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42.0 million of the loan through its maturity on February 11, 2016. We designated each of these interest rate cap contracts as a cash flow hedge for accounting purposes.

Effective August 22, 2013, the terms of this loan were amended to, among other changes, increase the outstanding balance from \$92.0 million to \$97.0 million and extend the maturity date from February 11, 2016 to February 11, 2018. The interest rate contracts described above were not changed in connection with this loan amendment.

On July 31, 2013, we closed a seven-year loan totaling \$64.5 million with Union Bank, N.A., secured by our Met Park North property. The loan bears interest at a rate equal to one-month LIBOR plus 1.55%. The full loan is subject to an interest rate contract that swapped one-month LIBOR to a fixed rate of 2.1644% through the loan's maturity on August 1, 2020.

The combined fair market value of the interest rate caps at September 30, 2013 and December 31, 2012 was \$87 and \$71, respectively. The fair market value of the interest rate swap at September 30, 2013 was \$(863).

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 2013 to 2020. Approximate future combined minimum rentals (excluding tenant reimbursements for operating expenses and without regard to cancellation options) for properties at September 30, 2013 are presented below for the years/periods ended December 31. The table below does not include rents under leases at our media and entertainment properties with terms of one year or less.

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

2013 (three months ending December 31, 2013)	\$ 31,486
2014	130,431
2015	141,716
2016	137,498
2017	116,954
2018	102,677
Thereafter	439,587
Total	<u>\$ 1,100,349</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. As a result of the March 2011 rent adjustment, monthly rent increased to \$31 , whereas the monthly rent totaled \$14 at the time of acquisition. The rental rate is subject to adjustment again in March 2018 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 Street 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 table below reflects the \$975 per year lease payment.

The following table provides information regarding our future minimum lease payments at September 30, 2013 under these lease agreements.

2013 (three months ending December 31, 2013)	\$ 354
2014	1,417
2015	1,417
2016	1,417
2017	1,417
2018	1,417
Thereafter	50,825
Total	<u>\$ 58,264</u>

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 using Level 2 instruments. The estimated fair values of interest-rate contract/cap arrangements were derived from estimated values based on observable market data for similar instruments.

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

	September 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable	\$ 891,175	\$ 901,025	\$ 582,085	\$ 588,191
Derivative assets, disclosed as “Interest rate contracts”	87	87	71	71
Derivative liabilities, disclosed as “Interest rate contracts”	(863)	(863)	—	—

9. Equity

Non-controlling Interests

Common units in the Operating Partnership

Common units in the operating partnership consisted of 2,382,563 common units of partnership interests, or common units, not owned by us. 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, issue shares of our common stock in exchange for common units on a one-for-one basis. In February 2012, one of our common unit holders required us to redeem 155,878 common units, and in December 2012, one of our common unit holders required us to redeem 72,500 common units. In both cases, we elected, in accordance with our limited partnership agreement, to issue shares of our common stock in exchange for the common units to satisfy the redemption notice. Accordingly, our outstanding common units decreased from 2,610,941 common units outstanding to the current 2,382,563 common units outstanding, with a corresponding increase to our outstanding common stock as of the date of such exchanges, as reflected in the table below under the caption “— *Exchange of Common Units for Common Stock* .”

Non-controlling interest—members in consolidated entities

Non-controlling interest—members in consolidated entities refers to our joint venture partner, Media Center Partners, LLC, a California limited liability company (“MCP”), with which we have entered into a joint venture, Hudson MC Partners, LLC, a Delaware limited liability company (the “Pinnacle JV”), to acquire The Pinnacle, a two -building (Pinnacle I and Pinnacle II), 625,640 square-foot office property located in Burbank, California. As of September 30, 2013 , we own a 65.0% in the Pinnacle JV, which owns the 625,640 square-foot project known as The Pinnacle. As of December 31, 2012 and until the acquisition by the Pinnacle JV of the 231,864 square-foot Pinnacle II building on June 14, 2013, we owned a 98.25% interest in the Pinnacle JV, which owns the 393,776 square-foot Pinnacle I building.

6.25% series A cumulative redeemable preferred units of the Operating Partnership

6.25% series A cumulative redeemable preferred units of the 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 became 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, after June 29, 2013. In October 2013, one of our series A preferred unit holders required us to redeem 80,000 series A preferred units. We elected to redeem these units for cash equal to the liquidation preference of \$25.00 per unit. As a result of this redemption, our outstanding series A preferred units decreased from 499,014 units outstanding to 419,014 units outstanding. 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

8.375% series B cumulative redeemable preferred stock are 5,800,000 shares of 8.375% preferred stock, with a liquidation preference of \$25.00 per share, \$0.01 par value per share. In December 2010, we completed the public offering of 3,500,000 share of our series B preferred stock (including 300,000 shares of series B preferred stock issued and sold pursuant to the exercise of the underwriters’ option to purchase additional shares in part). Total proceeds from the offering, after deducting underwriting discount, were approximately \$83.9 million (before transaction costs). On January 23, 2012, we completed the public offering of 2,300,000 of our series B cumulative preferred stock (including 300,000 shares of series B

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

preferred stock issued and sold pursuant to the exercise of the underwriters' option to purchase additional shares in full). Total proceeds from the offering, after deducting underwriting discount, were approximately \$57.5 million (before transaction costs).

Dividends on our series B preferred stock are cumulative from the date of original issue and payable quarterly on or about the last calendar day of each March, June, September and December, at the rate of 8.375% per annum of its \$25.00 per share liquidation preference (equivalent to \$2.0938 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.

May 2012 Common Stock Offering

On May 18, 2012, we completed the public offering of 13,225,000 shares of common stock and the exercise of the underwriters' option to purchase an additional 1,725,000 shares of our common stock at the public offering price of \$ 15.00 per share. Funds affiliated with Farallon Capital Management, L.L.C. acquired 2,000,000 of the shares of common stock offered in this offering.

Total proceeds from the public offering, after underwriters' discount, were approximately \$190.8 million (before transaction costs).

February 2013 Common Stock Offering

On February 12, 2013, we completed the public offering of 8,000,000 shares of common stock and the exercise of the underwriters' option to purchase an additional 1,200,000 shares of our common stock at the public offering price of \$21.50 per share.

Total proceeds from the public offering, after underwriters' discount, were approximately \$189.9 million (before transaction costs).

Exchange of Common Units for Common Stock

In February 2012, we elected to issue 155,878 shares of our common stock in exchange for a corresponding number of common units to satisfy the common unit redemption notice of Glenborough Fund XIV, L.P.

In December 2012, we elected to issue 72,500 shares of our common stock in exchange for a corresponding number of common units to satisfy the common unit redemption notice of Howard S. Stern.

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

The table below represents the net loss attributable to stockholders and transfers from non-controlling interest (in thousands) for the nine months ended :

	September 30,	
	2013	2012
Net loss attributable to Hudson Pacific Properties, Inc.	\$ (5,413)	\$ (1,916)
Transfers from the non-controlling interests		
Increase in common stockholders additional paid-in capital for exchange of common units	—	3,780
Change from net loss attributable to common stockholders and transfer from non-controlling interests	<u>\$ (5,413)</u>	<u>\$ 1,864</u>

Dividends

During the third quarter for 2013 , 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 \$0.5234 per share. The third quarter dividends were declared on September 10, 2013 to holders of record on September 20, 2013 .

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

The Board of Directors awards restricted shares to non-employee board members on an annual basis as part of such board members' annual compensation and to newly elected non-employee board members in accordance with our Board of Directors compensation program. The share-based awards are generally issued in the second quarter, and the individual share awards vest in equal annual installments over the applicable service vesting period, which is three years .

In addition, the Board of Directors awards restricted shares to employees on an annual basis as part of the employees' annual compensation. The share-based awards are generally issued in the fourth quarter, and the individual share awards vest in equal annual installments over the applicable service vesting period, which is three years .

The following table summarizes the restricted share activity for the nine months ended September 30, 2013 and status of all unvested restricted share awards to our non-employee board members and employees at September 30, 2013 :

Non-vested Shares	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at January 1, 2013	632,344	\$ 17.12
Granted	44,219	22.50
Vested	(106,045)	16.77
Canceled	(3,415)	16.09
Outstanding at September 30, 2013	567,103	\$ 17.61

Nine Months Ended September 30,	Non-Vested Shares Issued	Weighted Average Grant - dated Fair Value	Vested Shares	Total Vest-Date Fair Value (in thousands)
2013	44,219	\$ 22.50	(106,045)	\$ 2,258
2012	21,567	16.23	(95,554)	1,702

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

We 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.

Hudson Pacific Properties, Inc. 2012 Outperformance Program

On January 1, 2012, the Compensation Committee of our Board of Directors adopted the Hudson Pacific Properties, Inc. 2012 Outperformance Program, or the 2012 Outperformance Program. Participants in the 2012 Outperformance Program may earn, in the aggregate, up to \$10.0 million of stock-settled awards based on our total shareholder return (“TSR”) for the three -year period beginning January 1, 2012 and ending December 31, 2014. Under the 2012 Outperformance Program, participants will be entitled to share in a performance pool with a value, subject to the \$10.0 million cap, equal to the sum of: (i) 4% of the amount by which our TSR during the performance period exceeds 9% simple annual TSR (“the absolute TSR component”), plus (ii) 4% of the amount by which our TSR during the performance period exceeds that of the SNL Equity REIT Index over the performance period (“the relative TSR component”), except that the relative TSR component will be reduced on a linear basis from 100% to 0% for absolute TSR ranging from 7% to 0% simple annual TSR over the performance period. In addition, the relative TSR component may be a negative value equal to 4% of the amount by which we underperform the SNL Equity REIT Index by more than 3% per year during the performance period (if any). If we attain pro-rated TSR performance goals during 2012 and/or 2013 that yield hypothetical bonus pools of up to \$2 million for 2012 performance and/or up to \$4 million for combined 2012/2013 performance, stock awards issued under the final bonus pool at the end of the performance period will cover a number of shares in the aggregate at least equal to the number of shares that would have been subject to stock awards issued at the end of 2012 or 2013 (whichever is greater) based on our TSR performance and common stock price for such prior years (subject to reduction to comply with the \$10.0 million bonus pool limitation). At the end of the three -year performance period, participants who remain employed with us will be paid their percentage interest in the bonus pool as stock awards based on the value of our common stock at the end of the performance period. Half of each such participant’s bonus pool interest will be paid in fully vested shares of our common stock and the other half will be paid in restricted stock units (“RSUs”) that vest in equal annual installments over the two years immediately following the performance period (based on continued employment). In addition to these share/RSU payments, each 2012 Outperformance Program award entitles its holder to a cash payment equal to the aggregate dividends that would have been paid during the performance period on the total number of shares and RSUs ultimately issued or granted in respect of such 2012 Outperformance Program award, had such shares and RSUs been outstanding throughout the performance period.

If a participant’s employment is terminated without “cause,” for “good reason” or due to the participant’s death or disability during the performance period (referred to as qualifying terminations), the participant will be paid his or her 2012 Outperformance Program award at the end of the performance period entirely in fully vested shares (except for the performance period dividend equivalent, which will be paid in cash at the end of the performance period). Any such payment will be pro-rated in the case of a termination without “cause” or for “good reason” by reference to the participant’s period of employment during the performance period. If we experience a change in control or a participant experiences a qualifying termination of employment, in either case, after December 31, 2014, any unvested RSUs that remain outstanding will accelerate and vest in full upon such event.

The cost of the 2012 Outperformance Plan (approximately \$3.49 million , subject to a forfeiture adjustment equal to 6% of the total cost) will be amortized through the final vesting period under a graded vesting expense recognition schedule.

The 2012 Outperformance Program was valued, in accordance with ASC Topic 718, at an aggregate of approximately \$3.49 million utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run 100,000 times. For each simulation, the payoff is calculated at the settlement dates, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the unit on the award date. Assumptions used in the valuations included (1) factors associated with the underlying performance of the Company’s stock price and total shareholder return over the term of the performance awards including total stock return volatility and risk-free interest and (2) factors associated with the relative performance of the Company’s stock price and total shareholder return when compared to the SNL Equity REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the 2012 OPP Units is based on the sum of: (1) the present value of the expected payoff to the OPP Award on the measurement dates, if the TSR over the applicable measurement period exceeds performance hurdles of the absolute and the relative TSR components; and (2) the present value of the distributions payable on the 2012 OPP Units. The ultimate reward realized on account of the OPP Award by the holders of the 2012 OPP Units is contingent on the TSR achieved on the measurement dates, both in absolute terms and relative to the TSR of the SNL Equity REIT Index. The per unit fair value of each 2012 OPP Unit was estimated on the date of grant using the following assumptions in the Monte Carlo valuation: expected price volatility for the Company and the SNL Equity REIT

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

index of 36% and 35% , respectively; a risk free rate of 0.40% ; and total dividend payments over the measurement period of \$1.62 per share.

Hudson Pacific Properties, Inc. 2013 Outperformance Program

On January 1, 2013, the Compensation Committee of our Board of Directors adopted the Hudson Pacific Properties, Inc. 2013 Outperformance Program, or the 2013 Outperformance Program. Participants in the 2013 Outperformance Program may earn, in the aggregate, up to \$11.0 million of stock-settled awards based on our total shareholder return (“TSR”) for the three -year period beginning January 1, 2013 and ending December 31, 2015. Under the 2013 Outperformance Program, participants will be entitled to share in a performance pool with a value, subject to the \$11.0 million cap, equal to the sum of: (i) 4% of the amount by which our TSR during the performance period exceeds 9% simple annual TSR (the “absolute TSR component”), plus (ii) 4% of the amount by which our TSR during the performance period exceeds that of the SNL Equity REIT Index (determined on a percentage basis that is then multiplied by the sum of (A) our market capitalization on that date, plus (B) the aggregate per share dividend over the performance period through such date) (the “relative TSR component”), except that the relative TSR component will be reduced on a linear basis from 100% to zero percent for absolute TSR ranging from 7% to zero percent simple annual TSR over the performance period. In addition, the relative TSR component may be a negative value equal to 4% of the amount by which we underperform the SNL Equity REIT Index by more than 3% per year during the performance period (if any). If we attain pro-rated TSR performance goals during 2013 and/or 2014 that yield hypothetical bonus pools of up to \$2 million for 2013 performance and/or up to \$4 million for combined 2013/2014 performance, stock awards issued under the final bonus pool at the end of the performance period will cover a number of shares in the aggregate at least equal to the number of shares that would have been subject to stock awards issued at the end of 2013 or 2014 (whichever is greater) based on our TSR performance and common stock price for such prior years (subject to reduction to comply with the \$11.0 million bonus pool limitation). At the end of the three -year performance period, participants who remain employed with us will be paid their percentage interest in the bonus pool as stock awards based on the value of our common stock at the end of the performance period. Half of each such participant’s bonus pool interest will be paid in fully vested shares of our common stock and the other half will be paid in restricted stock units (“RSUs”) that vest in equal annual installments over the two years immediately following the performance period (based on continued employment) and which carry tandem dividend equivalent rights. However, if the performance period is terminated prior to December 31, 2015 in connection with a change in control, 2013 Outperformance Program awards will be paid entirely in fully vested shares of our common stock immediately prior to the change in control. In addition to these share/RSU payments, each 2013 Outperformance Program award entitles its holder to a cash payment equal to the aggregate dividends that would have been paid during the performance period on the total number of shares and RSUs ultimately issued or granted in respect of such 2013 Outperformance Program award, had such shares and RSUs been outstanding throughout the performance period.

If a participant’s employment is terminated without “cause,” for “good reason” or due to the participant’s death or disability during the performance period (referred to as qualifying terminations), the participant will be paid his or her 2013 Outperformance Program award at the end of the performance period entirely in fully vested shares (except for the performance period dividend equivalent, which will be paid in cash at the end of the performance period). Any such payment will be pro-rated in the case of a termination without “cause” or for “good reason” by reference to the participant’s period of employment during the performance period. If we experience a change in control or a participant experiences a qualifying termination of employment, in either case, after December 31, 2015, any unvested RSUs that remain outstanding will accelerate and vest in full upon such event.

The cost of the 2013 Outperformance Program (approximately \$4.14 million , subject to a forfeiture adjustment equal to 6% of the total cost) will be amortized through the final vesting period under a graded vesting expense recognition schedule.

The 2013 Outperformance Program was valued, in accordance with ASC topic 718, at an aggregate of approximately \$4.14 million utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run 100,000 times. For each simulation, the payoff is calculated at the settlement dates, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the unit on the award date. Assumptions used in the valuations included (1) factors associated with the underlying performance of the Company’s stock price and total shareholder return over the term of the performance awards including total stock return volatility and risk-free interest and (2) factors associated with the relative performance of the Company’s stock price and total shareholder return when compared to the SNL Equity REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the 2013 OPP Units is based on the sum of: (1) the present value of the expected payoff to the OPP Award on the measurement dates, if the TSR over the applicable measurement period exceeds performance hurdles of the absolute and the relative TSR components; and (2) the present value

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

of the distributions payable on the 2013 OPP Units. The ultimate reward realized on account of the OPP Award by the holders of the 2013 OPP Units is contingent on the TSR achieved on the measurement dates, both in absolute terms and relative to the TSR of the SNL Equity REIT Index. The per unit fair value of each 2013 OPP Unit was estimated on the date of grant using the following assumptions in the Monte Carlo valuation: expected price volatility for the Company and the SNL Equity REIT index of 33% and 25% , respectively; a risk free rate of 0.38% ; and total dividend payments over the measurement period of \$1.50 per share.

For the nine months ended September 30, 2013 and 2012 , \$5,159 and \$3,212 , respectively, of non-cash compensation expense for all stock compensation was recognized as additional paid-in capital, of which \$4,974 and \$3,198 , respectively, was included in general and administrative expenses, with the remaining \$185 and \$14 , respectively, of stock compensation capitalized to tenant improvement and deferred leasing costs and lease intangibles, net.

10. Related Party Transactions

Effective July 31, 2012, we consented to the assignment of a lease with a tenant of our 222 Kearny Street property to its subtenant, FJM Investments, LLC. The lease comprises approximately 3,707 square feet of the property's space and has a remaining term through May 31, 2014. The annual rental obligation under the lease for calendar year 2012 is \$125 , the base rent component of which is subject to three percent annual increases. FJM Investments, LLC was co-founded by and is co-owned by one of our independent directors, Robert M. Moran, Jr.

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, 2013 , 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

As of September 30, 2013 , the majority of the Company's properties were 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, 2013 and 2012 , approximately 21% and 25% , 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.

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, 2013 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	\$ 117,754	\$ 30,387	\$ 148,141
Operating expenses	44,191	18,133	62,324
Net operating income	<u>\$ 73,563</u>	<u>\$ 12,254</u>	<u>\$ 85,817</u>

Summary information for the reportable segments for the nine months ended September 30, 2012 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Revenue	\$ 87,079	\$ 29,345	\$ 116,424
Operating expenses	35,977	17,993	53,970
Net operating income	<u>\$ 51,102</u>	<u>\$ 11,352</u>	<u>\$ 62,454</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, 2013	September 30, 2012
Net operating income	\$ 85,817	\$ 62,454
General and administrative	(15,195)	(12,748)
Depreciation and amortization	(53,069)	(37,614)
Interest expense	(18,673)	(13,977)
Interest income	262	149
Acquisition-related expenses	(992)	(815)
Other expense	(41)	35
Income from continuing operations	<u>\$ (1,891)</u>	<u>\$ (2,516)</u>

There were no inter-segment sales or transfers during either of the nine months ended September 30, 2013 and 2012 .

13. Subsequent Events

Financings

On October 18, 2013, the Company closed a four -year loan with U.S. Bank, National Association, secured by the Company's Element LA property, which upon full disbursement, will total \$65.5 million . The loan bears interest at LIBOR plus 195 basis points and will mature on November 1, 2017, provided that the Company may extend such maturity for up to two one -year periods, subject to satisfaction of certain conditions. Proceeds from the loan are expected to be used to fund site-work, parking garage, base building, tenant improvement, and leasing commission costs associated with the renovation and lease-up of the property.

On November 1, 2013, the Company repaid the \$33.7 million loan secured by the Company's 625 Second Street property. That loan bore interest at a fixed rate of 5.85% and was scheduled to mature February 1, 2014. The repayment was made with proceeds from a draw under the Company's unsecured revolving credit facility.

Leasing Activities

On October 22, 2013, the Company entered a new 12 -year lease with Deluxe Entertainment Services Inc., a leading provider of services and technologies for the global digital media and entertainment industry, for its entire 63,376 square-foot 3401 Exposition Blvd. property located in Santa Monica, California. Commencement of the lease with Deluxe is scheduled for early third quarter 2014.

On November 4, 2013, the Company entered a new 15 -year lease with Riot Games, Inc., a developer and publisher of premium, competitive online games, for the Company's entire 284,037 square-foot Element LA campus located in West Los Angeles, California. The property is currently undergoing renovation and redevelopment. Commencement of the lease with Riot Games is scheduled for early in the second quarter of 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 three and nine months ended September 30, 2013 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, 2012. 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, 2012 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 fourth quarter and beyond. See “Forward-Looking Statements.”

Overview

The following table identifies each of the properties in our portfolio acquired through September 30, 2013 and their date of acquisition.

Properties	Acquisition/Completion Date	Square Feet
875 Howard Street	2/15/2007	286,270
Sunset Gower	8/17/2007	544,602
Sunset Bronson	1/30/2008	313,723
Technicolor Building	6/1/2008	114,958
First Financial	6/29/2010	222,423
Tierrasanta	6/29/2010	112,300
Del Amo Office	8/13/2010	113,000
9300 Wilshire Boulevard	8/24/2010	61,224
222 Kearny Street	10/8/2010	148,797
1455 Market	12/16/2010	1,012,012
Rincon Center	12/16/2010	580,850
10950 Washington	12/22/2010	159,024
604 Arizona	7/26/2011	44,260
275 Brannan	8/19/2011	54,673
625 Second Street	9/1/2011	136,906
6922 Hollywood Boulevard	11/22/2011	205,523
6050 Ocean Way & 1445 N. Beachwood Drive	12/16/2011	20,761
10900 Washington	4/5/2012	9,919
901 Market Street	6/1/2012	212,319
Element LA (Olympic Bundy)	9/5/2012	241,427
1455 Gordon Street	9/21/2012	6,000
Pinnacle I ⁽¹⁾	11/8/2012	393,777
3401 Exposition	5/22/2013	63,376
Pinnacle II ⁽¹⁾	6/14/2013	231,864
First & King	7/31/2013	484,463
Met Park North	7/31/2013	189,762
Northview	7/31/2013	173,776
1861 Bundy	9/26/2013	36,474
Total		6,174,463

(1) We acquired a 98.25% joint venture interest in the Pinnacle I property on November 8, 2012. On June 14, 2013 our joint venture partner contributed its interest in Pinnacle II, which reduced our entire interest in the joint venture to 65.0%.

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, 2013 to the three months ended September 30, 2012

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and parking and other revenue. Total office revenues increased \$14.0 million , or 47.2% , to \$43.5 million for the three months ended September 30, 2013 compared to \$29.6 million for the three months ended September 30, 2012 . 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 \$11.5 million , or 52.3% , to \$33.6 million for the three months ended September 30, 2013 compared to \$22.0 million for the three months ended September 30, 2012 . The increase in rental revenue was primarily the result of the acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013. During the three months ended September 30, 2013 , the Company renewed six office leases encompassing approximately 40,503 rentable square feet. The weighted average initial stabilized cash rents for those renewed leases were 7.3% above the expiring cash rents for the same space and the weighted average initial straight-line rents on those renewed leases were 14.2% above the expiring straight-line rents for the same space.

Office Tenant Recoveries. Office tenant recoveries increased \$1.5 million , or 30.7% , to \$6.5 million for the three months ended September 30, 2013 compared to \$5.0 million for the three months ended September 30, 2012 . The increase in tenant recoveries was primarily the result of the acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013.

Office Parking and Other Revenue. Office parking and other revenue increased \$0.9 million , or 35.0% , to \$3.4 million for the three months ended September 30, 2013 compared to \$2.5 million for the three months ended September 30, 2012 . The increase in parking and other revenue was primarily the result acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013.

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 decreased \$1.2 million , or 10.7% , to \$9.8 million for the three months ended September 30, 2013 compared to \$11.0 million for the three months ended September 30, 2012 . 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 and percentage rent on retail space contained within those properties. Total media and entertainment rental revenue remained relatively flat for the three months ended September 30, 2013 compared to the three months ended September 30, 2012 .

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat for the three months ended September 30, 2013 compared to the three months ended September 30, 2012 .

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is derived from tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and Internet). Total other property-related revenue decreased \$1.3 million , or 29.2% , to \$3.2 million for the three months ended September 30, 2013 compared to \$4.5 million for the three months ended September 30, 2012 . The decrease was primarily the result of lower production activity at the Sunset Gower media and entertainment property compared to the same quarter a year ago.

Media & Entertainment Other Revenue. Other revenue includes service-related revenue, including the rental of certain sound recording equipment at our media and entertainment properties. Total other revenue remained relatively flat for the three months ended September 30, 2013 compared to the three months ended September 30, 2012 .

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 \$12.1 million , or 33.7% , to \$48.2 million for the three months ended September 30, 2013 compared to \$36.0 million for the three months ended September 30, 2012 . This increase in total operating expenses reflects the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$4.6 million , or 37.3% , to \$16.8 million for the three months ended September 30, 2013 compared to \$12.2 million for the three months ended September 30, 2012 . The increase in operating expenses was primarily the result of the acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses decreased \$0.8 million , or 11.5% , to \$6.1 million for the three months ended September 30, 2013 compared to \$6.9 million for the three months ended September 30, 2012 . The decrease in operating expenses was primarily the result of lower production activity at the Sunset Gower media and entertainment property compared to the same quarter a year ago.

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 \$0.9 million , or 22.9% , to \$5.0 million for the three months ended September 30, 2013 compared to \$4.1 million for the three months ended September 30, 2012 . The increase in general and administrative expenses was primarily due to the adoption of the 2013 Outperformance Program and increased staffing to meet operational needs stemming from growth through the acquisitions of office properties.

Depreciation and Amortization. Depreciation and amortization expense increased \$7.4 million , or 58.2% , to \$20.3 million for the three months ended September 30, 2013 compared to \$12.8 million for the three months ended September 30, 2012 . The increase was primarily the result of the acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013.

Other Expense (Income)

Interest Expense. Interest expense increased \$2.8 million , or 62.2% , to \$7.3 million for the three months ended September 30, 2013 compared to \$4.5 million for the three months ended September 30, 2012 . At September 30, 2013 , the Company had \$891.2 million of notes payable compared to \$359.5 million at September 30, 2012 . The increase was primarily due to the increase in indebtedness associated with our 275 Brannan property financing on October 5, 2012, our 901 Market property financing on October 29, 2012, the indebtedness associated with the Pinnacle I and Pinnacle II buildings acquired on November 8, 2012 and June 14, 2013, respectively, and the indebtedness associated with the acquisition of the Seattle portfolio.

Acquisition-related expenses. Acquisition-related expenses remained relatively flat for the three months ended September 30, 2013 compared to the three months ended September 30, 2012 .

Net Loss

Net loss for the three months ended September 30, 2013 was \$ 2.8 million compared to net loss of \$0.3 million for the three months ended September 30, 2012 . The increase was primarily due to higher office operating expenses, higher general and administrative expenses, higher depreciation and amortization expenses, and higher interest expense, all partially offset by higher office operating revenues resulting from the acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013, all as described above.

Comparison of the nine months ended September 30, 2013 to the nine months ended September 30, 2012

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and parking and other revenue. Total office revenues increased \$30.7 million , or 35.2% , to \$117.8 million for the nine months ended September 30, 2013 compared to \$87.1 million for the nine months ended September 30, 2012 . The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below. During the three months ended June 30, 2013, the Company entered into an agreement to sell its City Plaza property in Orange, California. Accordingly, the City Plaza property was reclassified as held for sale and its financial results are accounted for as discontinued operations for the nine months ended September 30, 2013 and September 30, 2012 .

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 \$25.5 million , or 39.8% , to \$89.7 million for the nine months ended September 30, 2013 compared to \$64.2 million for the nine months ended September 30, 2012 . The increase in rental revenue was primarily the result of operating results from the 901 Market property acquired on June 1, 2012, and the Pinnacle I and Pinnacle II buildings our joint venture with MDP/Worthe acquired on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013. During the nine months ended September 30,

2013, the Company renewed 21 office leases encompassing approximately 196,137 rentable square feet. The weighted average initial stabilized cash rents for those renewed leases were 4.1% above the expiring cash rents for the same space and the weighted average initial straight-line rents on those renewed leases were 13.3% above the expiring straight-line rents for the same space.

Office Tenant Recoveries. Office tenant recoveries increased \$1.8 million, or 11.1%, to \$17.6 million for the nine months ended September 30, 2013 compared to \$15.9 million for the nine months ended September 30, 2012. The increase in tenant recoveries was primarily the result of operating results from the 901 Market property acquired on June 1, 2012, and the acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013.

Office Parking and Other Revenue. Office parking and other revenue increased \$3.4 million, or 48.3%, to \$10.5 million for the nine months ended September 30, 2013 compared to \$7.1 million for the nine months ended September 30, 2012. The increase in parking and other revenue was primarily the result of operating results from the 901 Market property acquired on June 1, 2012, and the acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013, together with an early lease termination payment from Bank of America relating to the Company's 1455 Market Street property of \$1.1 million (after the write-off of non-cash items), with no comparable activity for the same period a year ago.

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 1.0 million, or 3.6%, to 30.4 million for the nine months ended September 30, 2013 compared to 29.3 million for the nine months ended September 30, 2012. 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 and percentage rent on retail space contained within those properties. Total media and entertainment rental revenue remained relatively flat for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012.

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012.

Media & Entertainment Other Property-Related Revenue. Other property-related revenue 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 \$0.6 million, or 5.3%, to \$11.4 million for the nine months ended September 30, 2013 compared to \$10.8 million for the nine months ended September 30, 2012. The increase in other property-related revenue resulted from stronger production activity compared to the same period a year ago.

Media & Entertainment Other Revenue. Other revenue includes service-related revenue, including the rental of certain sound recording equipment at our media and entertainment properties. Total other revenue increased \$0.5 million, or 321.9%, to \$0.6 million for the nine months ended September 30, 2013 compared to \$0.1 million for the nine months ended September 30, 2012. The increase in other revenue resulted from our acquisition of the Ocean Way recording studio equipment at our Sunset Gower media and entertainment property in January 2013.

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 \$26.3 million, or 25.2%, to \$130.6 million for the nine months ended September 30, 2013 compared to \$104.3 million for the nine months ended September 30, 2012. This increase in total operating expenses reflects the factors discussed below. During the three months ended June 30, 2013, the Company entered into an agreement to sell its City Plaza property in Orange, California. Accordingly, the City Plaza property was reclassified as held for sale and its financial results are accounted for as discontinued operations for the nine months ended September 30, 2013 and September 30, 2012.

Office Operating Expenses. Office operating expenses increased \$8.2 million, or 22.8%, to \$44.2 million for the nine months ended September 30, 2013 compared to \$36.0 million for the nine months ended September 30, 2012. The increase in operating expenses was primarily the result of operating results from the 901 Market property acquired on June 1, 2012, and

the acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013. This increase in operating expenses also reflects a supplemental property tax expense associated with our Technicolor property which occurred in the nine months ended September 30, 2012 of approximately \$0.9 million, with no comparable activity in the nine months ended September 30, 2013. If this supplemental property tax expense is disregarded, then operating expenses from continuing operations at the Company's office properties would have increased by \$9.1 million, or 26.0%, over the same quarter a year ago.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses remained relatively flat for the nine months ended September 30, 2013 compared to the nine months ended September 30, 2012. Operating expenses for the first nine months of 2013 reflect a property tax reimbursement resulting from the reassessment of the Sunset Gower media and entertainment property of \$0.8 million, with no comparable activity in the same period a year ago.

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 \$2.4 million, or 19.2%, to \$15.2 million for the nine months ended September 30, 2013 compared to \$12.7 million for the nine months ended September 30, 2012. The increase in general and administrative expenses was primarily due to the adoption of the 2013 Outperformance Program and increased staffing to meet operational needs resulting from growth through the acquisitions of office properties.

Depreciation and Amortization. Depreciation and amortization expense increased \$15.5 million, or 41.1%, to \$53.1 million for the nine months ended September 30, 2013 compared to \$37.6 million for the nine months ended September 30, 2012. The increase was primarily the result of the 901 Market property acquired on June 1, 2012, and the Pinnacle I and Pinnacle II buildings our joint venture with MDP/Worthe acquired on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013.

Other Expense (Income)

Interest Expense. Interest expense increased \$4.7 million, or 33.6%, to \$18.7 million for the nine months ended September 30, 2013 compared to \$14.0 million for the nine months ended September 30, 2012. At September 30, 2013, the Company had \$891.2 million of notes payable, compared to \$359.5 million at September 30, 2012. The increase was primarily due to interest expenses for a full nine months on the indebtedness associated with our First Financial and 10950 Washington properties, the increase in indebtedness associated with our 275 Brannan property financing on October 5, 2012, our 901 Market property financing on October 29, 2012, the indebtedness associated with the Pinnacle I and Pinnacle II buildings acquired on November 8, 2012 and June 14, 2013, respectively, and the indebtedness associated with the acquisition of the Seattle portfolio.

Acquisition-related expenses. Acquisition-related expenses increased \$0.2 million, or 21.7%, to \$1.0 million for the nine months ended September 30, 2013 compared to \$0.8 million for the nine months ended September 30, 2012 as a result of expenses associated with the acquisition of the Pinnacle II building on June 14, 2013 and our acquisition of the Seattle portfolio on July 31, 2013.

Net (Loss) Income From Discontinued Operations

During the three months ended June 30, 2013, the Company entered into an agreement to sell its City Plaza property in Orange, California, for approximately \$56.0 million (before certain credits, prorations and closing costs). Accordingly, the City Plaza property was reclassified as held for sale and its financial results are accounted for as discontinued operations for the nine months ended September 30, 2013 and 2012. Income from discontinued operations associated with the City Plaza property increased \$1.1 million, or 234.3%, to \$1.6 million for the nine months ended September 30, 2013 compared to \$0.5 million for the nine months ended September 30, 2012. The Company also recognized \$5.6 million of impairment loss in the nine months ended September 30, 2013 based the estimated loss on sale of the City Plaza property, with no comparable activity in the same period a year ago. As a result of the combined income from discontinued operations and impairment loss from discontinued operations, the Company experienced a net loss from discontinued operations of \$4.0 million for the nine months ended September 30, 2013 compared to net income from discontinued operations of \$0.5 million for the nine months ended September 30, 2012.

Net Loss

Net Loss for the nine months ended September 30, 2013 was \$5.9 million compared to net loss of \$2.0 million for the nine months ended September 30, 2012. The increase was primarily attributable to higher office operating expenses, higher general and administrative expenses, higher depreciation and amortization expenses, higher interest expense, and net loss from discontinued operations associated with the disposition of the City Plaza property, all partially offset by higher office operating revenues resulting from a full nine months of operating results from the 901 Market property acquired on June 1, 2012, and the acquisition of the Pinnacle I and Pinnacle II buildings by our joint venture with MDP/Worthe on November 8, 2012 and June 14, 2013, respectively, and our acquisition of the Seattle portfolio on July 31, 2013, and modestly higher media and entertainment revenues, all as described above.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

Our ratio of debt to total market capitalization was approximately 41.0% (counting series A preferred units as debt) as of September 30, 2013. 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 \$29.3 million of cash and cash equivalents at September 30, 2013. In addition, the lead arrangers for our unsecured revolving credit facility have secured commitments that will allow borrowings of up to \$250 million to the extent our unencumbered pool properties support such borrowings. As of September 30, 2013, we had approximately \$237.3 million of total capacity under our unsecured revolving credit facility, of which \$80.0 million had been drawn. We intend to use the unsecured revolving 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 unsecured revolving 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 unsecured 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 the Company.

Cash Flows

Comparison of nine months ended September 30, 2013 to nine months ended September 30, 2012 is as follows:

	Nine Months Ended September 30,			
	2013	2012	Dollar Change	Percentage Change
	(\$ in thousands)			
Net cash provided by operating activities	\$ 43,932	\$ 39,690	\$ 4,242	10.7%
Net cash used in investing activities	(390,465)	(201,964)	(188,501)	93.3%
Net cash provided by financing activities	356,970	175,857	181,113	103.0%

Cash and cash equivalents were \$29.3 million and \$18.9 million at September 30, 2013 and December 31, 2012 , respectively.

Operating Activities

Net cash provided by operating activities increased by \$4.2 million to \$43.9 million for the nine months ended September 30, 2013 compared to \$39.7 million for the nine months ended September 30, 2012 . The increase was primarily attributable to an increase in cash NOI, as defined, from our office properties, primarily from the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively, and the acquisition of the Seattle portfolio on July 31, 2013, and a one-time lease termination payment from a tenant at our 1455 Market property. The increase was partially offset by an increase in deferred leasing costs and lease intangible costs associated with newly signed leases at 1455 Market, Rincon Center, and 275 Brannan, and an increase in general and administrative costs, compared to the nine months ended September 30, 2012 .

Investing Activities

Net cash used in investing activities increased \$188.5 million to \$390.5 million for the nine months ended September 30, 2013 compared to \$202.0 million for nine months ended September 30, 2012 . The increase was primarily attributable to the increase in acquisition activities during the nine months ended September 30, 2013 as compared to the nine months ended September 30, 2012 and an increase in tenant improvement-related expenditures at some of our office properties, partially offset by the sale of our City Plaza property on July 12, 2013.

Financing Activities

Net cash provided by financing activities increased \$181.1 million to \$357.0 million for the nine months ended September 30, 2013 compared to \$175.9 million for the nine months ended September 30, 2012 . The increase was due to greater proceeds from property financings, partially offset by increase in repayment of debt and an increase in dividends paid to common stock and unit holders as compared to the nine months ended September 30, 2012 . In addition, in 2012 we issued our series B preferred stock, with no comparable activity in 2013.

Indebtedness

Our indebtedness creates the possibility that we may be unable to generate cash sufficient to pay the principal of, interest on or other amounts 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, 2013 , we had outstanding notes payable of \$885.3 million (before loan premium), of which \$414.3 million , or 46.8% , was variable rate debt. \$161.5 million of the variable rate debt is subject to the interest rate contracts described in footnotes 7 and 9 in the table below.

The following table sets forth information as of September 30, 2013 with respect to our outstanding indebtedness (in thousands).

Debt	Outstanding		Interest Rate ⁽¹⁾	Maturity Date
	September 30, 2013	December 31, 2012		
Unsecured Revolving Credit Facility	\$ 80,000	\$ 55,000	LIBOR+1.55% to 2.20%	8/3/2016
Mortgage loan secured by 625 Second Street ⁽²⁾	33,700	33,700	5.85%	2/1/2014
Mortgage loan secured by 3401 Exposition Boulevard ⁽³⁾	13,233	—	LIBOR+3.80%	5/31/2014
Mortgage loan secured by 6922 Hollywood Boulevard ⁽⁴⁾	40,632	41,243	5.58%	1/1/2015
Mortgage loan secured by 275 Brannan	15,000	138	LIBOR+2.00%	10/5/2015
Mortgage loan secured by Pinnacle II ⁽⁵⁾	88,813	—	6.313%	9/1/2016
Mortgage loan secured by 901 Market ⁽⁶⁾	49,600	49,600	LIBOR+2.25%	10/31/2016
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽⁷⁾	97,000	92,000	LIBOR+2.25%	2/11/2018
Mortgage loan secured by Rincon Center	106,404	107,492	5.134%	5/1/2018
Mortgage loan secured by First & King ⁽⁸⁾	95,000	—	LIBOR+1.60%	8/31/2018
Mortgage loan secured by Met Park North ⁽⁹⁾	64,500	—	LIBOR+1.55%	8/1/2020
Mortgage loan secured by First Financial ⁽¹⁰⁾	43,000	43,000	4.58%	2/1/2022
Mortgage loan secured by 10950 Washington	29,406	29,711	5.316%	3/11/2022
Mortgage loan secured by Pinnacle I	129,000	129,000	3.954%	11/7/2022
Subtotal	\$ 885,288	\$ 580,884		
Unamortized loan premium, net ⁽¹¹⁾	5,887	1,201		
Total	\$ 891,175	\$ 582,085		

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

(3) This loan was assumed on May 22, 2013 in connection with the closing of our acquisition of the 3401 Exposition Boulevard property.

(4) This loan was assumed on November 22, 2011 in connection with the closing of our acquisition of the 6922 Hollywood Boulevard property.

(5) This loan was assumed on June 14, 2013 in connection with the contribution of the Pinnacle II building to the Company's joint venture for The Pinnacle project.

(6) On October 29, 2012, we obtained a loan for our 901 Market property pursuant to which we borrowed \$49,600 upon closing, with the ability to draw up to an additional \$11,900 for budgeted base building, tenant improvements, and other costs associated with the renovation and lease-up of that property.

(7) On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50,000 of the loan through its maturity on February 11, 2016. On January 11, 2012 we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42,000 of the loan through its maturity on February 11, 2016. Effective August 22, 2013, the terms of this loan were amended to increase the outstanding balance from \$92,000 to \$97,000, reduce the interest rate from LIBOR plus 3.50% to LIBOR plus 2.25%, and extend the maturity date from February 11, 2016 to February 11, 2018.

(8) This loan bears interest only for the first two years. Beginning with the payment due August 1, 2015, monthly debt service will include annual debt amortization payments of \$1,604 based on a 30-year amortization schedule.

(9) This loan bears interest only at a rate equal to one-month LIBOR plus 1.55%. The full loan amount is subject to an interest rate contract that swapped one-month LIBOR to a fixed rate of 2.1644% through the loans maturity on August 1, 2020.

(10) This loan bears interest only for the first two years. Beginning with the payment due March 1, 2014, monthly debt service will include principal payments based on a 30-year amortization schedule, for total annual debt service of \$2,639.

(11) Represents unamortized amount of the non-cash mark-to-market adjustment on debt associated with 625 Second Street, 6922 Hollywood Boulevard, and Pinnacle II.

Contractual Obligations and Commitments

During the third quarter of 2013, 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, 2012.

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 2012 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 below, 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.

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.

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 initially bore interest at a rate equal to one-month LIBOR plus 3.50%. 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 original maturity of February 11, 2016. On January 11, 2012 we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42.0 million of the loan through its original maturity of February 11, 2016. Effective August 22, 2013, the terms of this loan were amended to increase the outstanding balance from \$92.0 million to \$97.0 million, reduce the interest rate from LIBOR plus 3.50% to LIBOR plus 2.25%, and extend the maturity date from February 11, 2016 to February 11, 2018. The interest rate contracts described above were not changed in connection with this loan amendment.

On July 31, 2013, we closed a seven -year loan totaling \$64.5 million with Union Bank, N.A., secured by our Met Park North property. The loan bears interest at a rate equal to one-month LIBOR plus 155 basis points. The full loan is subject to an interest rate contract that swapped one-month LIBOR to a fixed rate of 2.1644% through the loans maturity on August 1, 2020.

Our unsecured revolving credit facility, loan on our 901 Market property, loan on our 275 Brannan property, loan on our 3401 Exposition Boulevard property, and loan on our First & King property are not subject to interest rate hedges. As of September 30, 2013, we had \$80.0 million drawn under our unsecured revolving credit facility.

Therefore, with respect to the \$80.0 million on our unsecured revolving credit facility, the \$97.0 million loan on our Sunset Gower and Sunset Bronson media and entertainment properties, the \$49.6 million loan on our 901 Market property, the \$13.2 million loan on our 3401 Exposition Blvd. property, the \$15.0 million loan on our 275 Brannan property, and the \$95.0 million loan on our First & King property, if one-month LIBOR as of September 30, 2013 was to increase by 100 basis points, or 1.0%, the resulting increase in annual interest expense would impact our future earnings and cash flows by \$3.5 million.

As of September 30, 2013, we had outstanding notes payable of \$885.3 million (before loan premium), of which \$414.3 million, or 46.8%, was variable rate debt. \$92.0 million of the variable rate debt is subject to the interest rate contracts described in footnote 7 to the table above, another \$64.5 million of the variable rate debt is subject to the interest rate contract described in footnote 9 to the table above, and \$471.0 million of which was fixed rate secured mortgage loans. As of September 30, 2013, the estimated fair value of our fixed rate secured mortgage loans was \$480.8 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, 2013, 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, 2013, 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, 2012. Please review the Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2012.

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

- (a) *Recent Sales of Unregistered Securities:* None
- (b) *Use of Proceeds from Registered Securities:* None
- (c) *Purchases of Equity Securities by the Issuer and Affiliated Purchasers:* None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

ITEM 6. EXHIBITS.

Exhibit Number	Description
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.⁽¹⁶⁾
- 10.56 2012 Outperformance Award Agreement.^{(17)*}
- 10.57 Credit Agreement by and among Hudson Pacific Properties, L.P. and Wells Fargo Bank, National Association, as Administrative Agent, Wells Fargo Securities, LLC, and Merrill Lynch, Pierce, Fenner and Smith Incorporated, as Lead Arrangers and Joint Bookrunners, Bank of America, N.A., and Barclays Bank PLC, as Syndication Agents, and Keybank National Association, as Documentation Agent, dated August 3, 2012.⁽²²⁾
- 10.58 Limited Liability Company Agreement of Hudson MC Partners, LLC, dated as of November 8, 2012.⁽²¹⁾
- 10.59 Acquisition and Contribution Agreement between Media Center Development, LLC and P2 Hudson Partners, LLC for Pinnacle 2 Property Located at 3300 West Olive Avenue, Burbank, California.⁽²¹⁾
- 10.60 Loan Agreement dated as of November 8, 2012 between P1 Hudson MC Partners, LLC, as Borrower and Jefferies Loancore LLC, as Lender.⁽²¹⁾
- 10.61 First Amendment to Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. 2010 Incentive Award Plan.⁽¹⁹⁾
- 10.62 2013 Outperformance Award Agreement.^{(20)*}
- 10.63 Hudson Pacific Properties, Inc. Revised Non-Employee Director Compensation Program.⁽²³⁾
- 10.64 Amendment No. 1 to the Credit Agreement among the Company, Hudson Pacific Properties, L.P., as Borrower, and each of the Lenders party thereto (as defined in the original credit agreement, dated August 3, 2012).⁽²⁴⁾
- 10.65 Purchase Agreement between 1220 Howell LLC, a Delaware limited liability company, King & Dearborn LLC, a Delaware limited liability company, and Northview Corporate Center LLC, a Delaware limited liability company, as Sellers, and Hudson Pacific Properties, L.P., a Maryland limited partnership, as Buyer.⁽²⁵⁾
- 10.66 First Modification and Additional Advance Agreement by and among Wells Fargo Bank, N.A., as Lender, and Sunset Bronson Entertainment Properties, LLC, and Sunset Gower Entertainment Properties, LLC as Borrower.
- 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.

99.1 Certificate of Correction. ⁽¹⁸⁾

- 101 The following financial information from Hudson Pacific Properties, Inc.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2013, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statement of Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to Consolidated Financial Statements **

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- (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.
 - (16) Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.
 - (17) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 6, 2012.
 - (18) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 23, 2012.
 - (19) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on June 12, 2012.
 - (20) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 7, 2013.
 - (21) Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.
 - (22) Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.
 - (23) Previously filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
 - (24) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 20, 2013.
 - (25) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 1, 2013.

* 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 7, 2013

/ s / M ARK T. L AMMAS

Mark T. Lammass

Chief Financial Officer (principal financial officer)

FIRST MODIFICATION AND ADDITIONAL ADVANCE AGREEMENT
(Secured Loan)

THIS FIRST MODIFICATION AND ADDITIONAL ADVANCE AGREEMENT (this "**Agreement**") is entered into as of August 20, 2013, by and among WELLS FARGO BANK, NATIONAL ASSOCIATION (collectively with its successors or assigns, "**Lender**"), SUNSET BRONSON ENTERTAINMENT PROPERTIES, LLC, a Delaware limited liability company ("**Bronson**"), and SUNSET GOWER ENTERTAINMENT PROPERTIES, LLC, a Delaware limited liability company ("**Gower**"; Bronson and Gower collectively or individually, as the context may suggest or require, jointly and severally, "**Borrower**").

RECITALS

- A. Pursuant to the terms of that certain Loan Agreement by and among Borrower and Lender, dated February 11, 2011 (the "**Loan Agreement**"), Lender made a loan to Borrower in the original principal amount of \$92,000,000 (the "**Loan**"). The Loan is evidenced by that certain Promissory Note Secured by Deeds of Trust, dated February 11, 2011, executed by Borrower payable to the order of Lender, in the principal amount of the Loan (the "**Original Note**") and is further evidenced and secured by certain other documents described in the Loan Agreement as Loan Documents.
- B. The Original Note is secured by, among other things, (i) a Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated February 11, 2011, executed by Gower and Sunset Gower Services, LLC, a Delaware limited liability company, in favor of a trustee, for the benefit of Lender, and recorded the Official Records of the County of Los Angeles, State California, on February 14, 2011, as Document No. 2011-00239744 (the "**Gower Deed of Trust**"), and encumbering real property more particularly described therein, and (ii) a Deed of Trust with Absolute Assignment of Leases and Rents, Security Agreement and Fixture Filing, dated February 11, 2011, executed by Bronson and Sunset Bronson Services, LLC, a Delaware limited liability company, in favor of a trustee, for the benefit of Lender, and recorded the Official Records of the County of Los Angeles, State California, on February 14, 2011, as Document No. 2011-00239745 (the "**Bronson Deed of Trust**"; together with the Gower Deed of Trust, collectively, the "**Deeds of Trust**"). The property encumbered by the Deeds of Trust is referred to herein as the "**Existing Property**").
- C. Hudson Pacific Properties, L.P., a Maryland limited partnership ("**Guarantor**") previously executed and delivered to Lender that certain Partial Payment and Carve-Out Guaranty, dated February 11, 2011, guarantying the Loan, as modified by that certain Modification to Partial Payment and Carve-Out Guaranty, dated January 31, 2013 (as amended, the "**Guaranty**").
- D. The Guarantor also previously executed and delivered to Lender that certain Hazardous Materials Indemnity Agreement (Unsecured), dated February 11, 2011 (the "**Indemnity**").
- E. The Borrower has requested additional funds from the Lender and certain other modifications to the Loan in exchange for granting to Lender a lien on additional property adjacent to the property encumbered by the Deeds of Trust, as more particularly described on **Exhibit A** attached hereto (the "**Additional Property**"; together with the Existing Property, collectively, the "**Property**"), and the Lender has agreed to lend such additional funds and make such modifications to the Loan, as set forth herein.
- F. Concurrently with the execution of this Agreement, Borrower shall execute an Amended and Restated Promissory Note Secured by Deeds of Trust, dated as of even date herewith (the "**Amended and Restated Note**").

- G.** The Amended and Restated Note, Loan Agreement, Deeds of Trust as amended by the Deed of Trust Amendment, Guaranty, this Agreement, the other documents described in the Loan Agreement as Loan Documents, together with all modifications, extensions, renewals and amendments thereto and any document required hereunder, are collectively referred to hereinafter as the “ **Loan Documents** ”.
- H.** As of the date hereof prior to the effectiveness of this Agreement, the total outstanding principal balance under the Loan is \$92,000,000.
- I.** By this Agreement, Borrower and Lender intend to, among other things, make an additional advance and modify and/or amend certain terms and provisions of the Loan Documents as of the Effective Date, hereinafter defined.

NOW, THEREFORE, for valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower and Lender agree, subject to the terms and conditions of this Agreement, as follows:

- 1. CONDITIONS PRECEDENT**. Lender's obligations under this Agreement are subject to the satisfaction of each and every one of the following conditions precedent, which must be satisfied in Lender's discretion by August 30, 2013:
- 1.1 Receipt and approval by Lender of an executed original of this Agreement, and any and all other documents, instruments, policies and forms of evidence or other materials which are required pursuant to this Agreement or any of the other Loan Documents or as otherwise required by Lender, each in form and content acceptable to Lender and including, without limitation, the (i) Amended and Restated Note, (ii) Reaffirmation of the Guaranty, executed by Guarantor, (iii) Reaffirmation of the Indemnity, executed by the Guarantor, (iv) Non-Borrower Trustors' Consent, and (v) an amendment to each of the Deeds of Trust executed by the applicable Borrower and TRS Entity, which amendments, among other things, modify the Gower Deed of Trust to encumber the Additional Property (each, a “ **Deed of Trust Amendment** ”).
- 1.2 There shall have occurred no material adverse change, as determined by Lender in its sole discretion, in the financial condition of Borrower, Guarantor or any TRS Entity from that which existed as of March 31, 2013.
- 1.3 Reimbursement to Lender by Borrower of Lender's (i) actual out-of-pocket costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby for which reimbursement is requested at closing, whether such services are furnished by Lender's employees or agents or by independent contractors, including, without limitation, attorney's fees, title insurance costs, recording fees, appraisal fees, flood certification fees, tax service contract fees, and engineers' and inspection fees; and (ii) internal administrative closing expenses in the amount of \$7,500.
- 1.4 The representations and warranties contained in this Agreement shall be true and correct in all materials respects.
- 1.5 All payments due and owing to Lender under the Loan Documents shall have been paid current as of the Effective Date of this Agreement.
- 1.6 At Borrower's sole cost and expense, the issuance by Chicago Title Insurance Company (the “ **Title Company** ”) of any endorsements reasonably required by Lender (including, without limitation a CLTA 110.5 endorsement) for attachment to Lender's policies of title insurance that insure the Deeds of Trust, increasing the amount of insurance under such title policies to the amount of the Aggregate Loan (hereinafter defined) and insuring the

priority and validity of the Deeds of Trust, as modified by this Agreement and the applicable Deed of Trust Amendments, as a first and valid lien upon the respective Existing Property subject only to such exceptions as have been approved by Lender in writing, and aggregating Lender's existing policies of title insurance with the New Title Policy (defined below).

- 1.7 Evidence that all taxes or other claims which may become a lien on the Property have been duly filed, paid and/or discharged, except to the extent that such items are being appropriately contested in good faith and an adequate reserve for the payment thereof is being maintained.
- 1.8 Lender shall have obtained a written appraisal for the Property prepared in conformance with the requirements of the Lender.
- 1.9 Evidence that Borrower and each TRS Entity is in good standing in its state of formation and states where it conducts business.
- 1.10 Evidence that Guarantor is in good standing in its state of formation and any states where it conducts business.
- 1.11 Borrower has delivered to Lender, at Borrower's expense, an opinion of legal counsel in form and content satisfactory to Lender to the effect that: (a) upon due authorization, execution and recordation or filing as may be specified in the opinion, each of the Loan Documents shall be legal, valid and binding instruments, enforceable against the makers thereof in accordance with their respective terms; (b) Borrower is duly formed and has all requisite authority to enter into this Agreement and all documents, instruments and other agreements required by Lender in connection herewith; and (c) as to such other matters, incident to the transactions contemplated hereby, as Lender may reasonably request.
- 1.12 Borrower has delivered to Lender at closing a commitment fee in the amount of \$292,600. Such fees shall be deemed earned when paid and non-refundable in all instances.

2. REPRESENTATIONS AND WARRANTIES. As a material inducement to Lender's entry into this Agreement, Borrower represents and warrants to Lender as of the Effective Date that:

- 2.1 **FORMATION AND ORGANIZATIONAL DOCUMENTS**. Borrower has previously delivered to Lender all of the relevant formation and organizational documents of Borrower, of the partners, members or joint venturers of Borrower, the TRS Entities and all guarantors of the Loan and all such formation documents remain in full force and effect and have not been amended or modified since they were delivered to Lender. Borrower hereby certifies that: (i) the above documents are all of the relevant formation and organizational documents of Borrower, of the partners, members or joint venturers of Borrower, the TRS Entities and all guarantors; (ii) they remain in full force and effect; and (iii) they have not been amended or modified since they were previously delivered to Lender.
- 2.2 **FULL FORCE AND EFFECT**. The Amended and Restated Note and other Loan Documents, as amended hereby, are in full force and effect without, to the best of Borrower's knowledge, any defense, counterclaim, right or claim of set-off; all necessary action to authorize the execution and delivery of this Agreement has been taken; and this Agreement is a modification of an existing obligation and is not a novation.
- 2.3 **NO DEFAULT**. To the best of Borrower's actual knowledge, no Default (as defined in the any of the Loan Documents), breach or failure of condition has occurred, or would exist with notice or the lapse of time or both, under any of the Loan Documents or Other Related Documents (in each case, as modified by this Agreement) and all representations and warranties of (i) Borrower in this Agreement and the other Loan Documents and (ii) Guarantor

in the Other Related Documents, in each case, as modified hereby, are true and correct in all material respects as of the date hereof, as if remade concurrently herewith and shall survive the execution of this Agreement.

- 2.4 **TITLE TO THE PROPERTY**. Since the recordation date of the Deeds of Trust, Borrower and Guarantor have not further encumbered the Existing Property (or any portion thereof), including, without limitation, by entering into any deed of trust, deed to secure debt or mortgage, ground lease, and/or any option to purchase or right of first refusal with respect to the Property.
- 2.5 **KTLA LEASE**. Borrower acknowledges that, as of the date hereof, no parking or other rights have been committed to KTLA on off-site locations other than the use of up to fifteen (15) parking spaces committed on Lot A (as defined in the KTLA Lease) pursuant to Section 9.1.2 of the KTLA Lease.
3. **ADDITIONAL ADVANCE**. Subject to the terms and conditions of this Agreement, Lender hereby grants to Borrower and Borrower hereby accepts at closing an additional advance on the Loan in the principal sum of Five Million Dollars (\$5,000,000) (the "**Additional Advance**"). The Additional Advance and the outstanding principal balance of the Loan are evidenced by the Amended and Restated Note made by Borrower to the order of Lender in the principal sum of the Aggregate Loan. The Amended and Restated Note is secured by the Deeds of Trust, a provision of which contemplates that the Deeds of Trust will provide security for the Aggregate Loan, including the Additional Advance.
4. **CONSOLIDATION**. The indebtedness evidenced by the Existing Note and the Additional Advance are hereby consolidated so as to constitute a single indebtedness of Borrower to Lender in the aggregate principal amount of Ninety-Seven Million Dollars (\$97,000,000) ("**Aggregate Loan**"). The Aggregate Loan shall be secured by the Deeds of Trust and the other Loan Documents which recite they are security instruments. Except as provided in this Agreement, all references to the "Loan" in the Loan Documents are hereby amended to mean the Aggregate Loan and all references to the "Note" in the Loan Documents are hereby amended to mean the Amended and Restated Note.
5. **EFFECTIVE DATE**. The date of this Agreement and the Amended and Restated Note are for reference purposes only. The effective date of the obligations of Borrower and Lender under this Agreement and under the Amended and Restated Note shall be the earlier of (i) the date on which Lender disburses any of the Additional Advance and (ii) the date on which the Deed of Trust Amendments are recorded in the Official Records of Los Angeles County, California (such earlier date, the "**Effective Date**").
6. **MODIFICATION OF LOAN DOCUMENTS**. The Loan Documents and Other Related Documents, as applicable, are hereby supplemented and modified to incorporate the following, which shall supersede and prevail over any conflicting provisions of the Loan Documents or Other Related Documents:
- 6.1 **References**. All references in the Loan Documents and Other Related Documents to (i) the "Note" shall hereafter refer to the Amended and Restated Note, (ii) the "Deed of Trust" or "Deeds of Trust", shall hereafter refer to the Deed of Trust or Deeds of Trust, as applicable, as amended by this Agreement and the Deed of Trust Amendments, and (iii) the "Loan" shall here after refer to the Aggregate Loan.
- 6.2 **Amendments to Section 1.1 of the Loan Agreement**.
- (a) Section 1.1 of the Loan Agreement is hereby amended by adding, as alphabetically appropriate, the definition of "Debt Yield" as follows:

“ “ Debt Yield ” - means the ratio, expressed as a percentage, of Net Operating Income of the Property divided by the outstanding principal amount of the Loan as of the applicable test date.”

- (b) Section 1.1 of the Loan Agreement is hereby amended by adding, as alphabetically appropriate, the definition of “Extended Maturity Date” as follows:

“ “ Extended Maturity Date ” – means February 11, 2019.”

- (c) Section 1.1 of the Loan Agreement is hereby amended by deleting the definition of “Maturity Date” in its entirety and replacing it with the following:

“ “ Maturity Date ” – means the Original Maturity Date or the Extended Maturity Date, as applicable.”

- (d) Section 1.1 of the Loan Agreement is hereby amended by adding, as alphabetically appropriate, the definition of “Original Maturity Date” as follows:

“ “ Original Maturity Date ” – means February 11, 2018.”

- 6.3 **Loan Agreement Section 2.6(d) Required Principal Amortization** . Section 2.6(d) of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

“Borrower shall make the monthly principal amortization payments as and when required pursuant to Section 2.10 below.”

- 6.4 **Loan Agreement Section 2.6(e) Voluntary Payments** . Section 2.6(e) of the Loan Agreement is hereby amended as follows: (i) all references to August 11, 2012, are hereby deleted and replaced by August 11, 2014; and (ii) all references to February 11, 2013, are hereby deleted and replaced by February 11, 2015; (iii) the following sentence shall be added at the end of Section 2.6(e)(i) : “[T]he provisions of this Section 2.6(e)(i) shall be inapplicable to any payments made to Lender from casualty or condemnation proceeds, or in connection with payments made under Section 2.8 (partial reconveyance), Section 2.10 (option to extend) or Section 7.3 (remargining)” ; and (iv) Section 2.6(e)(iv) shall be deleted and replaced with the following: “No Exit Fee shall be due in connection with any payments made to Lender from casualty or condemnation proceeds or in connection with payments made under Section 2.8 (partial reconveyance), Section 2.10 (option to extend) or Section 7.3 (remargining.)”.

- 6.5 **Loan Agreement Section 2.10 Option to Extend** . A new Section 2.10 of the Loan Agreement is hereby added as follows:

“2.10 OPTION TO EXTEND . Borrower shall have the option to extend (the “ **Option to Extend** ”) the term of the Loan from the Original Maturity Date to the Extended Maturity Date, upon satisfaction of each and every one of the following conditions precedent in Lender’s discretion:

- (a) Borrower shall provide Lender with written notice of Borrower’s request to exercise the Option to Extend not more than one hundred twenty (120) days, but not less than forty-five (45) days, prior to the Original Maturity Date.
- (b) As of the date of Borrower’s delivery of notice of request to exercise the Option to Extend, and as of the Original Maturity Date, no Default shall exist

that has not been previously waived by Lender, and no event or condition which, with the giving of notice or the passage of time or both, would constitute a Default shall exist, and Borrower shall so certify in writing.

- (c) Borrower shall execute or cause the execution of all documents reasonably required by Lender to exercise the Option to Extend.
- (d) If required by Lender, Lender shall obtain, at Borrower's sole cost and expense, a written appraisal prepared in conformance with the requirements and to the satisfaction of Lender that the Loan amount as a percentage of the "as-is" fair market value of the Property (after adjustment for senior liens and regular and special tax assessments) as of the Original Maturity Date does not exceed fifty-five percent (55.00%) ("**Loan-to-Value Percentage**"); provided, however, in the event such fair market value is not sufficient to meet the required Loan-to-Value Percentage, then Borrower shall have the right to pay down the outstanding principal balance of the Loan such that said Loan-to-Value Percentage may be met. Any principal balance reduction shall reduce Lender's commitment by a like amount. Any amount repaid may not be re-borrowed.
- (e) The Debt Yield shall be not less than fourteen and one-half of one percent (14.50%); provided, however, that Borrower shall have the right to pay down the outstanding principal balance of the Loan such that said Debt Yield may be met. Any principal balance reduction shall reduce Lender's commitment by a like amount. Any amounts repaid may not be re-borrowed. For purposes of calculating the Debt Yield for the purposes of this Section 2.10, the test date shall be the last day of the calendar quarter immediately preceding the Original Maturity Date.
- (f) At Borrower's sole cost and expense, the issuance by the Title Company, and Lender's receipt, of any endorsements reasonably deemed necessary by Lender for attachment to the Title Policy, insuring the priority and validity of the Deeds of Trust as a first and valid lien upon the applicable Property subject only to such exceptions as have been approved by Lender in writing.
- (g) On or before the Original Maturity Date, Lender shall have received an extension fee in an amount equal to fourteen-hundredths of a percent (0.14%) of the then commitment amount of the Loan (as of the Original Maturity Date), as may be reduced in accordance with Sections (d) and (e) above.

Commencing on the first day of the first full calendar month following the Original Maturity Date, and continuing on a monthly basis thereafter, Borrower shall repay principal outstanding under the Loan in equal monthly payments determined by Lender based upon the total commitment amount of the Loan on the Original Maturity Date, a thirty (30) year amortization schedule, and a five percent (5.00%) interest rate (the "**Amortization Payments**"). Except as modified by this Option to Extend, the terms and conditions of this Agreement, the other Loan Documents and Other Related Documents as modified and approved by Lender from time to time shall remain unmodified and in full force and effect."

- 6.6 **Loan Agreement Notices**. Lender's address for notices shall be the following:
Wells Fargo Bank, National Association
Real Estate Banking Group (AU# 63650)
1800 Century Park East, 12th Floor
Los Angeles, California 90067
Attn: Chris Chapman
Loan No. 1003622
- 6.7 **Loan Agreement Schedule 5.1**. Schedule 5.1 to the Loan Agreement is hereby deleted in its entirety and replaced with the Schedule 5.1 attached hereto.
- 6.8 **Legal Description**. Exhibit A to the Loan Agreement and the Indemnity is hereby deleted in its entirety and replaced with the Exhibit A attached hereto.
7. **RELEASE**. Borrower hereby ratifies, reaffirms and acknowledges that the Loan Documents, as modified hereby, represent its valid, enforceable and collectible obligations, and that it has no existing claims, defenses (personal or otherwise) or rights of setoff with respect thereto. Borrower hereby releases Lender, Lenders' parent corporations, subsidiaries and affiliates, any holder of or participant in the Loan, and each of their respective present and former officers, directors, shareholders, representatives, consultants, attorneys, employees and agents thereof, and their respective heirs, personal representatives, successors and assigns (collectively, the "**Released Parties**"), from any and all claims, liabilities, damages, actions and causes of action of every nature or character, known or unknown, direct or indirect, at law or in equity, for or because of any matter or things done, omitted or suffered to be done by any of the Released Parties prior to and including the Effective Date, or that may hereafter arise with respect to acts or omissions occurring prior to such date, relating to the administration of the Loan or the modifications described herein.
8. **HAZARDOUS MATERIALS**. Without in any way limiting any other provision of this Agreement, Borrower expressly reaffirms, as of the Effective Date, and continuing hereafter: (i) each and every representation and warranty in the Loan Documents respecting "Hazardous Materials", provided that Schedule 6.1 attached to the Loan Document shall be replaced with Schedule 6.1 attached hereto; and (ii) each and every covenant and indemnity in the Loan Documents respecting "Hazardous Materials". In addition, Borrower and Lender agree that: (i) this Section is intended as Lender's written request for information (and Borrower's response) concerning the environmental condition of the real property security under the terms of California Code of Civil Procedure §726.5; and (ii) each representation and/or covenant in this Agreement or any other Loan Document (together with any indemnity applicable to a breach of any such representation and/or covenant) with respect to the environmental condition of the real property security is intended by Lender and Borrower to be an "environmental provision" for purposes of California Code of Civil Procedure §736.
9. **RESERVED**.
10. **NON-IMPAIRMENT**. Except as expressly provided herein, nothing in this Agreement shall alter or affect any provision, condition, or covenant contained in any of the Loan Documents or affect or impair any rights, powers, or remedies of Lender, it being the intent of the parties hereto that the provisions of the Loan Documents shall continue in full force and effect except as expressly modified hereby.

11. MISCELLANEOUS PROVISIONS.

- 11.1 **No Waiver**. No previous waiver and no failure or delay by Lender in acting with respect to the terms of the Amended and Restated Note or this Agreement shall constitute a waiver of any breach, default, or failure of condition under the Amended and Restated Note, this Agreement or the obligations secured thereby. A waiver of any term of the Amended and Restated Note, this Agreement or of any of the obligations secured thereby must be made in writing and shall be limited to the express written terms of such waiver.
- 11.2 **Severability**. If any provision or obligation under this Agreement and the other Loan Documents shall be determined by a court of competent jurisdiction to be invalid, illegal or unenforceable, that provision shall be deemed severed from the Loan Documents and the validity, legality and enforceability of the remaining provisions or obligations shall remain in full force as though the invalid, illegal, or unenforceable provision had never been a part of the Loan Documents, provided, however, that if the rate of interest or any other amount payable under the Amended and Restated Note or this Agreement or any other Loan Document, or the right of collectability therefore, are declared to be or become invalid, illegal or unenforceable, Lender's obligations to make advances under the Loan Documents shall not be enforceable by Borrower.
- 11.3 **Time**. Time is of the essence of each and every term herein.
- 11.4 **Governing Law and Consent to Jurisdiction**. This Agreement and any claim, controversy or dispute arising under or related to this Agreement, the relationship of the parties, and/or the interpretation and enforcement of the rights and duties of the parties will be governed by, and construed and enforced in accordance with, the laws of the State of California without regard to any conflicts of law principles, except to the extent preempted by federal laws. Borrower and all persons and entities in any manner obligated to Lender under the Loan Documents consent to the jurisdiction of any federal or state court within the State of California having proper venue and also consent to service of process by any means authorized by California or federal law.
- 11.5 **Joint and Several Liability**. The liability of all persons and entities obligated in any manner hereunder and under any of the Loan Documents, other than Lender, shall be joint and several.
- 11.6 **Headings**. All article, section or other headings appearing in this Agreement and any of the other Loan Documents are for convenience of reference only and shall be disregarded in construing this Agreement and any of the other Loan Documents.
- 11.7 **Counterparts**. To facilitate execution, this document may be executed in as many counterparts as may be convenient or required. It shall not be necessary that the signature of, or on behalf of, each party, or that the signature of all persons required to bind any party, appear on each counterpart. All counterparts shall collectively constitute a single document. It shall not be necessary in making proof of this document to produce or account for more than a single counterpart containing the respective signatures of, or on behalf of, each of the parties hereto. Any signature page to any counterpart may be detached from such counterpart without impairing the legal effect of the signatures thereon and thereafter attached to another counterpart identical thereto except having attached to it additional signature pages.
- 11.8 **Defined Terms**. Unless otherwise defined herein, capitalized terms used in this Agreement shall have the meanings attributed to such terms in the Loan Agreement.

- 11.9 **Rules of Construction**. The word "Borrower" as used herein shall include both the named Borrower and any other person at any time assuming or otherwise becoming primarily liable for all or any part of the obligations of the named Borrower under the Note and the other Loan Documents . The term "person" as used herein shall include any individual, company, trust or other legal entity of any kind whatsoever. If this Agreement is executed by more than one person, the term "Borrower" shall include all such persons. The word "Lender" as used herein shall include Lender, its successors, assigns and affiliates.
- 11.10 **Use of Singular and Plural; Gender**. When the identity of the parties or other circumstances make it appropriate, the singular number includes the plural, and the masculine gender includes the feminine and/or neuter.
- 11.11 **Recitals, Exhibits, Schedules and Riders**. The recitals hereto are incorporated herein by this reference. All exhibits, schedules, riders and other items attached hereto are incorporated into this Agreement by such attachment for all purposes.
- 11.12 **Inconsistencies**. In the event of any inconsistencies between the terms of this Agreement and the terms of any of the other Loan Documents, the terms of this Agreement shall prevail.
- 11.13 **Integration; Interpretation**. The Loan Documents contain or expressly incorporate by reference the entire agreement of the parties with respect to the matters contemplated therein and supersede all prior negotiations or agreements, written or oral. The Loan Documents shall not be modified except by written instrument executed by all parties. Any reference to the Loan Documents includes any amendments, renewals or extensions now or hereafter approved by Lender in writing.

[Signatures on Following Page]

IN WITNESS WHEREOF, Borrower and Lender have caused this Agreement to be duly executed and delivered as of the date first above written.

“ LENDER ”

WELLS FARGO BANK, NATIONAL ASSOCIATION

By: /s/ Christopher Chapman
Name: Christopher C. Chapman
Title: Vice President

“ BORROWER ”

SUNSET GOWER ENTERTAINMENT PROPERTIES, LLC,
a Delaware limited liability company

By: Hudson Pacific Properties, L.P.,
a Maryland limited partnership,
its sole member

By: Hudson Pacific Properties, Inc.,
a Maryland corporation,
its general partner

By: /s/ Mark Lammas
Name: Mark T. Lammas
Title: Chief Financial Officer and Treasurer

SUNSET BRONSON ENTERTAINMENT PROPERTIES, LLC,
a Delaware limited liability company

By: Sunset Studios Holdings, LLC,
a Delaware limited liability company,
its sole member

By: Hudson Pacific Properties, L.P.,
a Maryland limited partnership,
its sole member

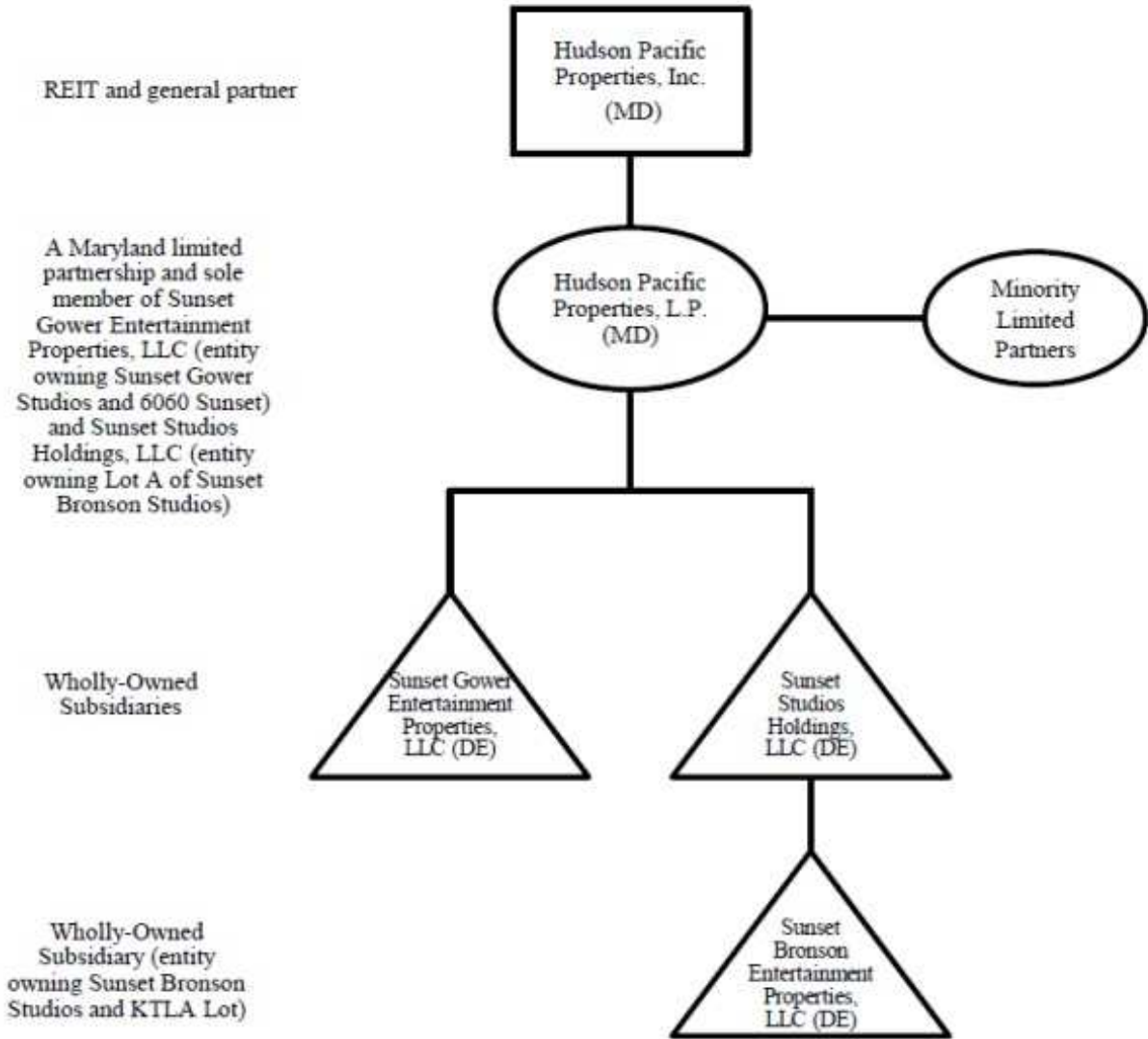
By: Hudson Pacific Properties, Inc.,
a Maryland corporation,
its general partner

By: /s/ Mark Lammas
Name: Mark T. Lammas
Title: Chief Financial Officer and Treasurer

Schedule 5.1

DIRECT AND INDIRECT OWNERSHIP OF BORROWERS

SGS & SBS Organizational Chart



Schedule 6.1

REPORTS OF HAZARDOUS MATERIALS

1438 N. Gower

1. Phase 1 Environmental Site Assessment of Sunset Gower Studios, dated April 26, 2010, prepared by EMG Corp.

5800 Sunset Boulevard

1. Phase 1 Environmental Site Assessment, dated February 3, 2011, prepared by EMG Corp.

1455 Gordon Street

1. Phase I Environmental Site Assessment Report, dated September 18, 2012 prepared by Citadel Environmental Services, Inc.
2. Limited Asbestos Survey, dated September 19, 2012, prepared by Citadel Environmental Services, Inc.
3. Limited Lead Survey, dated September 19, 2012, prepared by Citadel Environmental Services, Inc.
4. Property Condition Assessment for 1455 Gordon Street, dated December 14, 2012, prepared by Marx/Okubo Associates, Inc.

6050 Sunset and 1455 Beachwood Drive

1. Phase I Environmental Site Assessment Report for 1455 Beachwood Drive, dated December 16, 2011, prepared by Citadel Environmental Services, Inc.
 2. Asbestos Operations & Maintenance Program – Final for 6050 Sunset Blvd., dated January 4, 2012, prepared by Citadel Environmental Services, Inc.
 3. Lead-Containing Paint Operations & Maintenance Program – Final for 6050 Sunset Blvd., dated January 4, 2012, prepared by Citadel Environmental Services, Inc.
 4. Property Condition Assessment for 6050 Sunset Blvd., dated November 30, 2011, prepared by Marx/Okubo Associates, Inc.
 5. Phase I Environmental Site Assessment Report and Limited Asbestos and Lead Paint Surveys for 6050 Sunset Blvd., dated December 12, 2011, prepared by Citadel Environmental Services, Inc.
 6. Disclosure of information on Asbestos-Containing Materials and Lead-Containing Material Hazards for 6050 Sunset Blvd.
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Exhibit A – DESCRIPTION OF PROPERTY

PARCEL 1:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 11, TOWNSHIP 1 SOUTH, RANGE 14 WEST, SAN BERNARDINO BASE AND MERIDIAN, IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS FOLLOWS:

BEGINNING 155 FEET SOUTH OF THE POINT OF INTERSECTION OF THE SOUTH LINE OF SUNSET BOULEVARD AND THE WEST LINE OF GORDON STREET AS CONDEMNED FOR STREET PURPOSES BY DECREE RECORDED IN BOOK 6242, PAGE 234, OF DEEDS; THENCE WEST 135 FEET PARALLEL TO THE SOUTH LINE OF SUNSET BOULEVARD TO THE EAST LINE OF LAND CONVEYED TO WM. HORSLEY AND ELNORA HORSLEY BY DEED RECORDED IN BOOK 6692, PAGE 303, OF DEEDS THENCE SOUTH ALONG THE EAST LINE OF LAND OF HORSLEY 50 FEET; THENCE EAST PARALLEL WITH SOUTH LINE OF SUNSET BOULEVARD 135 FEET TO THE WEST LINE OF GORDON STREET; THENCE NORTH ALONG THE WEST SIDE OF GORDON STREET 50 FEET TO THE POINT OF BEGINNING.

PARCEL 2:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 11, TOWNSHIP 1 SOUTH, RANGE 14 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT THE POINT OF INTERSECTION OF THE SOUTH LINE OF SUNSET BOULEVARD, WITH THE PROLONGATION OF THE WEST LINE OF BEACHWOOD DRIVE, FORMERLY ACACIA STREET, AS SHOWN ON THE MAP OF GRIDER AND HAMILTON'S HOLLYWOOD TRACT, AS PER MAP RECORDED IN BOOK 9, PAGE 12 OF MAPS, THENCE SOUTH ALONG SAID PROLONGED LINE OF BEACHWOOD DRIVE, A DISTANCE OF 150 FEET; THENCE WEST PARALLEL WITH THE SOUTH LINE OF SUNSET BOULEVARD, A DISTANCE OF 75 FEET, THENCE NORTH PARALLEL WITH SAID PROLONGED LINE OF BEACHWOOD DRIVE, A DISTANCE OF 83 FEET; THENCE WEST A DISTANCE OF 12 FEET; THENCE NORTH A DISTANCE OF 67 FEET; THENCE EAST A DISTANCE OF 87 FEET TO THE POINT OF BEGINNING.

TOGETHER WITH THAT PORTION OF THE MID-POINT OF FORMER BEACHWOOD DRIVE VACATED BY RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES RECORDED APRIL 27, 1983 AS DOCUMENT NO. 83-466466 OF OFFICIAL RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, BEING FORMER STREET PROPERTY ABUTTING AND TO THE EAST OF THE PROPERTY DESCRIBED ABOVE.

PARCEL 3:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 11, TOWNSHIP 1 SOUTH, RANGE 14 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE PROLONGED WEST LINE OF BEACHWOOD DRIVE, FORMERLY ACACIA STREET AS SHOWN ON THE MAP OF GRIDER & HAMILTON'S HOLLYWOOD TRACT, RECORDED IN BOOK 9, PAGE 12 OF MAPS, DISTANT ALONG SAID LINE 150 FEET SOUTHERLY FROM THE INTERSECTION OF SAID LINE WITH THE SOUTHERLY LINE OF SUNSET BOULEVARD; THENCE SOUTHERLY ALONG SAID PROLONGED LINE, A DISTANCE OF 30 FEET; THENCE WESTERLY PARALLEL WITH THE SOUTH LINE OF SUNSET BOULEVARD, A DISTANCE OF 75 FEET; THENCE NORTH PARALLEL WITH PROLONGED LINE OF BEACHWOOD DRIVE, A DISTANCE OF 30 FEET;

THENCE EAST PARALLEL WITH THE SOUTH LINE OF SUNSET BOULEVARD, A DISTANCE OF 75 FEET TO THE POINT OF BEGINNING.

PARCEL 4:

THAT PORTION OF THE NORTHEAST QUARTER OF THE SOUTHWEST QUARTER OF SECTION 11, TOWNSHIP 1 SOUTH, RANGE 14 WEST, SAN BERNARDINO MERIDIAN, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, DESCRIBED AS FOLLOWS:

BEGINNING AT A POINT ON THE PROLONGED WEST LINE OF BEACHWOOD DRIVE, FORMERLY ACACIA STREET, AS SHOWN ON THE MAP OF GRIDER & HAMILTON'S HOLLYWOOD TRACT, RECORDED IN BOOK 9, PAGE 12 OF MAPS, DISTANT ALONG SAID LINE 150 FEET SOUTHERLY FROM THE INTERSECTION OF SAID LINE WITH THE SOUTHERLY LINE OF SUNSET BOULEVARD; THENCE SOUTHERLY ALONG SAID PROLONGED LINE, A DISTANCE OF 30 FEET; THENCE EASTERLY PARALLEL WITH THE SOUTH LINE OF SUNSET BOULEVARD, A DISTANCE OF 30 FEET; THENCE NORTH PARALLEL WITH PROLONGED LINE OF BEACHWOOD DRIVE, A DISTANCE OF 30 FEET; THENCE WEST PARALLEL WITH THE SOUTH LINE OF SUNSET BOULEVARD, A DISTANCE OF 30 FEET TO THE POINT OF BEGINNING.

APN: 5545-013-051,056,055 & 002

REAFFIRMATION OF PARTIAL PAYMENT AND CARVE-OUT GUARANTY

THIS REAFFIRMATION OF PARTIAL PAYMENT AND CARVE-OUT GUARANTY (this "**Reaffirmation**") is made as of August 20, 2013, by HUDSON PACIFIC PROPERTIES, L.P., a Maryland limited partnership (the "**Guarantor**") in favor of WELLS FARGO BANK, NATIONAL ASSOCIATION ("**Lender**").

RECITALS

- A. Pursuant to the terms of that certain Loan Agreement by and among Borrower and Lender, dated February 11, 2011 (the "**Loan Agreement**"), Lender made a loan to Borrower in the original principal amount of \$92,000,000 ("**Loan**"). The Loan is evidenced by that certain Promissory Note Secured by Deeds of Trust, dated February 11, 2011, executed by Borrower payable to the order of Lender, in the principal amount of the Loan (the "**Existing Note**") and is further evidenced and secured by certain other documents described in the Loan Agreement as Loan Documents.
- B. As a condition to making the Loan, Lender required that Guarantor execute that certain Partial Payment and Recourse Carve-Out Guaranty, dated as of February 11, 2011 (the "**Guaranty**").
- C. Concurrently herewith, the Borrower will execute (i) the foregoing First Modification and Additional Advance Agreement (the "**Modification Agreement**") and (ii) an Amended and Restated Promissory Note Secured by Deeds of Trust, in the principal amount of \$ 97,000,000 (the "**Amended and Restated Note**"), which Amended and Restated Note will be guaranteed by the Guarantor pursuant to the terms of the Guaranty.
- D. Guarantor now wishes to enter into this Reaffirmation for the purpose of (i) consenting to the Modification Agreement and the Amended and Restated Note and each of the documents executed or to be executed in connection therewith, and (ii) reaffirming Guarantor's obligations under the Guaranty, as more specifically described herein below.

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

1. **Consent and Reaffirmation**. Guarantor hereby consents to the Modification Agreement and the Amended and Restated Note, the documentation evidencing the same and the transactions contemplated thereby, and reaffirms its obligations and waivers of each and every one of the possible defenses to the obligations, as set forth under the Guaranty. Guarantor further reaffirms that their obligations under the Guaranty are separate and distinct from the Borrower's obligations under the Loan Agreement and the Loan Documents.
2. **No Default; Warranties**. Guarantor further represents and warrants that there exists no Default under the Guaranty (nor would a Default exist with notice, the passage of time, or both), and that all representations and warranties therein are true and correct (and deemed remade) as of the date hereof.

[Signatures on Following Page]

Agreed and Acknowledged:

Dated as of: August 20, 2013

“ GUARANTOR ”

HUDSON PACIFIC PROPERTIES, L.P.,
a Maryland limited partnership

By: Hudson Pacific Properties, Inc.
a Maryland corporation,
its general partner

By: /s/ Mark Lammas ____
Name: Mark T. Lammas
Title: Chief Financial Officer

REAFFIRMATION OF HAZARDOUS INDEMNITY

The undersigned (“ **Indemnitor** ”) consents to the foregoing First Modification and Additional Advance Agreement and the transactions contemplated thereby and reaffirms its obligations under that certain Hazardous Materials Indemnity Agreement (Unsecured), dated February 11, 2011 (as amended, the “ **Indemnity** ”).

Indemnitor reaffirms its obligations under the Indemnity, as amended by the foregoing First Modification and Additional Advance Agreement, and that such obligations are separate and distinct from Borrower's obligations, and are separately enforceable as provided by California Code of Civil Procedure Sections 726.5 and 736, and reaffirms its waivers, as set forth in the Indemnity, of each and every one of the possible defenses to such obligations.

Indemnitor further represents and warrants that to Indemnitor's knowledge there exists no Default under the Indemnity (nor would a Default exist with notice, the passage of time, or both), and that all representations and warranties therein, as amended hereby, are true and correct (and deemed remade) in all material respects as of the date hereof.

[Signatures on Following Page]

Agreed and Acknowledged:

Dated as of: August 20, 2013

HUDSON PACIFIC PROPERTIES, L.P.,
a Maryland limited partnership

By: Hudson Pacific Properties, Inc.
a Maryland corporation,
its general partner

By: /s/ Mark Lammas __
Name: Mark T. Lammas
Title: Chief Financial Officer

NON-BORROWER TRUSTORS' CONSENT

The undersigned (collectively, " **Non-Borrower Trustor** ") consents to the foregoing First Modification and Additional Advance Agreement (the " **Modification Agreement** ") and the transactions contemplated thereby and reaffirms its obligations under the applicable Deed of Trust. Each capitalized term used herein and not defined shall have the meaning given to such term in the Modification Agreement.

The Aggregate Loan shall be secured by the Deeds of Trust.

Without limitation of the foregoing, Non-Borrower Trustor confirms that the Deeds of Trust continue to secure the Loan as modified and amended by the Modification Agreement, including, but not limited to, the payment to Lender of all liability, whether liquidated or unliquidated, defined, contingent, conditional or of any other nature whatsoever, and performance of all covenants and obligations, arising under any Swap Agreement and/or the Amended and Restated Note, together with interest and other charges thereon and any and all amendments, modifications, extensions and renewals thereof, whether or not any such amendment, modification, extension or renewal is evidenced by a new or additional promissory note or notes.

Non-Borrower Trustor acknowledges and represents that Deeds of Trust are in full force and effect without any defense, counterclaim, right or claim of set-off; and that all necessary action to authorize the execution and delivery of this consent has been taken. Non-Borrower Trustor hereby represents and warrants that, to the Non-Borrower Trustor's knowledge, no Default, breach or failure of condition has occurred, or would exist with notice or the lapse of time or both, under the Deeds of Trust, and that all representations and warranties in the Deeds of Trust remain true and correct in all material respects, as modified hereby. Since the recordation date of the Deeds of Trust, Non-Borrower Trustor has not further encumbered the Existing Property or any portion thereof in a manner prohibited by the Loan Documents, including, without limitation, by entering into any deed of trust, deed to secure debt or mortgage, ground lease, and/or any option to purchase or right of first refusal with respect to the Existing Property or any portion thereof. Non-Borrower Trustor represents and warrants that the lien of the Deeds of Trust are a first lien on the applicable Property and that the Modification Agreement will not cause intervening liens to become prior to the lien of the Deeds of Trust. If any intervening lien exists or hereafter arises, Non-Borrower Trustor shall cause the same to be released or subordinated to the lien of the Deeds of Trust without limiting any other right or remedy available to Lender. Non-Borrower Trustor further warrants that Non-Borrower Trustor has no legal or equitable claim which would be prior to the lien of the Deeds of Trust, or which would entitle Non-Borrower Trustor to a judgment entitling Non-Borrower Trustor to an equitable lien on all or any portion of that property prior in lien to the Deeds of Trust.

Non-Borrower Trustor further agrees, if requested by Lender, to execute and deliver, in recordable form, an additional document modifying or supplementing the Deeds of Trust, in form and content acceptable to Lender, to be recorded in the applicable land records and evidencing of record the matters set forth herein.

Non-Borrower Trustor understands that the Lender's exercise of a non-judicial foreclosure sale under any of the Deeds of Trust will, by virtue of California Code of Civil Procedure Section 580d, result in the destruction of any subrogation, reimbursement or contribution rights which Non-Borrower Trustor may have against the Borrower. Non-Borrower Trustor further understands that such exercise by Lender and the consequent destruction of subrogation, reimbursement or contribution rights would constitute a defense to the enforcement of the Guaranty by Lender. With this explicit understanding, Non-Borrower Trustor nevertheless specifically waives any and all rights and defenses arising out of an election of remedies by Lender, even though that election of remedies, such as a non-judicial foreclosure with respect to security for a guaranteed obligation, has or may have destroyed Non-Borrower Trustor's rights of subrogation and reimbursement against the principal by the operation of Section 580d of the California Code of Civil Procedure or otherwise. Non-Borrower Trustor further specifically waives any and all rights and defenses that Non-Borrower Trustor may have because Borrower's debt is secured by real property; this means, among other things, that: (1) Lender may collect from Non-Borrower Trustor without first foreclosing on any real or personal property

collateral pledged by Borrower; (2) if Lender forecloses on any real property collateral pledged by Borrower, then (A) the amount of the debt may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price, and (B) Lender may collect from Non-Borrower Trustor even if Lender, by foreclosing on the real property collateral, has destroyed any right Non-Borrower Trustor may have to collect from Borrower. The foregoing sentence is an unconditional and irrevocable waiver of any rights and defenses Non-Borrower Trustor may have because Borrower's debt is secured by real property. These rights and defenses being waived by Non-Borrower Trustor include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d or 726 of the California Code of Civil Procedure. This understanding and waiver is made in addition to, and not in limitation of, any of the existing terms and conditions of the Non-Borrower Trustor rider attached to the Deeds of Trust, as applicable.

[Signatures on Following Page]

Agreed and Acknowledged:

Dated as of: August 20, 2013

“ NON-BORROWER TRUSTORS ”

SUNSET BRONSON SERVICES, LLC,
a Delaware limited liability company

By: Hudson Pacific Services, Inc.,
a Maryland corporation,
its sole member

By: /s/ Mark Lammas
Name: Mark T. Lammas
Title: Chief Financial Officer and Treasurer

SUNSET GOWER SERVICES, LLC,
a Delaware limited liability company

By: Hudson Pacific Services, Inc.,
a Maryland corporation,
its sole member

By: /s/ Mark Lammas
Name: Mark T. Lammas
Title: Chief Financial Officer and Treasurer

SFI-823295v8

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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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 7, 2013

/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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) 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
 - d) 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 7, 2013

/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, 2013 , 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 7, 2013

/s/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer

Date: November 7, 2013

/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.