
**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, 2012

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

The number of shares of common stock outstanding at November 1, 2012 was 47,220,023.

Hudson Pacific Properties, Inc.

FORM 10-Q

September 30, 2012

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PART I—FINANCIAL INFORMATION

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

	September 30, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
REAL ESTATE ASSETS		
Land	\$ 464,693	\$ 368,608
Building and improvements	696,003	601,812
Tenant improvements	68,213	69,021
Furniture and fixtures	11,660	11,536
Property under development	19,080	9,527
Total real estate held for investment	1,259,649	1,060,504
Accumulated depreciation and amortization	(75,892)	(53,329)
Investment in real estate, net	1,183,757	1,007,175
Cash and cash equivalents	27,288	13,705
Restricted cash	10,697	9,521
Accounts receivable, net	8,833	8,963
Notes receivable	4,000	—
Straight-line rent receivables	14,047	10,801
Deferred leasing costs and lease intangibles, net	74,389	84,131
Deferred finance costs, net	6,331	5,079
Interest rate contracts	92	164
Goodwill	8,754	8,754
Prepaid expenses and other assets	6,630	4,498
TOTAL ASSETS	\$ 1,344,818	\$ 1,152,791
LIABILITIES AND EQUITY		
Notes payable	\$ 359,454	\$ 399,871
Accounts payable and accrued liabilities	22,882	12,469
Below-market leases	28,714	22,861
Security deposits	5,974	5,651
Prepaid rent	7,143	10,795
TOTAL LIABILITIES	424,167	451,647
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 and 3,500,000 shares outstanding at September 30, 2012 and December 31, 2011, respectively	145,000	87,500
Common Stock, \$0.01 par value 490,000,000 authorized, 47,219,875 shares and 33,840,854 shares outstanding at September 30, 2012 and December 31, 2011, respectively	472	338
Additional paid-in capital	730,783	552,043
Accumulated other comprehensive (loss) income	(1,283)	(883)
Accumulated deficit	(24,709)	(13,685)
Total Hudson Pacific Properties, Inc. stockholders' equity	850,263	625,313
Non-controlling common units in the Operating Partnership	57,913	63,356
TOTAL EQUITY	908,176	688,669
TOTAL LIABILITIES AND EQUITY	\$ 1,344,818	\$ 1,152,791

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		Nine Months Ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Revenues				
Office				
Rental	\$ 23,551	\$ 18,950	\$ 68,522	\$ 54,285
Tenant recoveries	4,969	6,206	15,942	16,130
Parking and other	2,545	1,580	7,103	5,989
Total office revenues	<u>31,065</u>	<u>26,736</u>	<u>91,567</u>	<u>76,404</u>
Media & entertainment				
Rental	6,075	5,188	17,331	16,260
Tenant recoveries	406	402	1,071	1,261
Other property-related revenue	4,476	4,579	10,797	11,092
Other	44	12	146	111
Total media & entertainment revenues	<u>11,001</u>	<u>10,181</u>	<u>29,345</u>	<u>28,724</u>
Total revenues	<u>42,066</u>	<u>36,917</u>	<u>120,912</u>	<u>105,128</u>
Operating expenses				
Office operating expenses	13,042	12,785	38,176	32,592
Media & entertainment operating expenses	6,934	6,123	17,993	17,073
General and administrative	4,157	2,844	12,822	9,052
Depreciation and amortization	13,582	11,036	39,422	33,023
Total operating expenses	<u>37,715</u>	<u>32,788</u>	<u>108,413</u>	<u>91,740</u>
Income from operations	4,351	4,129	12,499	13,388
Other expense (income)				
Interest expense	4,511	4,073	13,977	13,245
Interest income	(142)	(36)	(149)	(67)
Acquisition-related expenses	455	762	815	762
Other expenses (income)	(199)	133	(109)	368
	<u>4,625</u>	<u>4,932</u>	<u>14,534</u>	<u>14,308</u>
Net loss	(274)	(803)	(2,035)	(920)
Less: Net income attributable to preferred stock and units	(3,231)	(2,027)	(9,693)	(6,081)
Less: Net income attributable to restricted shares	(69)	(53)	(226)	(177)
Less: Net income attributable to non-controlling interest in consolidated real estate entities	—	—	—	(803)
Add: Net loss attributable to common units in the Operating Partnership	179	211	704	698
Net loss attributable to Hudson Pacific Properties, Inc. common shareholders	<u>\$ (3,395)</u>	<u>\$ (2,672)</u>	<u>\$ (11,250)</u>	<u>\$ (7,283)</u>
Net loss attributable to common shareholders' per share - basic and diluted	<u>\$ (0.07)</u>	<u>\$ (0.08)</u>	<u>\$ (0.28)</u>	<u>\$ (0.26)</u>
Weighted average shares of common stock outstanding - basic and diluted	<u>46,668,862</u>	<u>33,146,334</u>	<u>39,945,249</u>	<u>28,126,546</u>
Dividends declared per common share	<u>0.1250</u>	<u>0.1250</u>	<u>0.3750</u>	<u>0.3750</u>

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net loss	\$ (274)	\$ (803)	\$ (2,035)	\$ (920)
Other comprehensive loss: cash flow hedge adjustment	(72)	(429)	(425)	(928)
Comprehensive loss	(346)	(1,232)	(2,460)	(1,848)
Less: Comprehensive income attributable to preferred stock and units	(3,231)	(2,027)	(9,693)	(6,081)
Less: Comprehensive income attributable to restricted shares	(69)	(53)	(226)	(177)
Less: Comprehensive (income) loss attributable to non-controlling interest in consolidated real estate entities	—	—	—	(803)
Less: Comprehensive loss attributable to common units in the Operating Partnership	183	242	729	773
Comprehensive loss attributable to Hudson Pacific Properties, Inc. shareholders	<u>(3,463)</u>	<u>(3,070)</u>	<u>(11,650)</u>	<u>(8,136)</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											
	Common Shares	Stock Amount	Series B Cumulative Redeemable Preferred Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Deficit) Income	Non-controlling Interests — Common units in the Operating Partnership	Total Equity	Non-controlling Interests — Series A Cumulative Redeemable Preferred Units	Non-controlling Interests — Consolidated Entities	
Balance, January 1, 2011	22,436,950	\$ 224	\$ 87,500	\$ 411,598	\$ (3,482)	\$ 6	\$ 65,684	\$ 561,530	\$ 12,475	\$ 40,328	
Contributions				—				—			
Distributions				(452)				(452)		(41,131)	
Proceeds from sale of common stock, net of underwriters' discount	7,992,500	80		110,928				111,008			
Proceed from private placement	3,125,000	31		45,657				45,688			
Common stock issuance transaction costs				(1,283)				(1,283)			
Series B stock issuance transaction costs				(600)				(600)			
Issuance of restricted stock	37,917	1		(1)				—			
Forfeiture of restricted stock	(7,535)							—			
Shares repurchased	(12,378)							—			
Declared Dividend			(5,496)	(11,201)			(978)	(17,675)	(585)		
Amortization of stock based compensation				2,004				2,004			
Net income (loss)			5,496		(7,106)		(698)	(2,308)	585	\$ 803	
Cash Flow Hedge Adjustment						(853)	(75)	(928)			
Balance, September 30, 2011	33,572,454	\$ 336	\$ 87,500	\$ 556,650	\$ (10,588)	\$ (847)	\$ 63,933	\$ 696,984	\$ 12,475	\$ —	

Hudson Pacific Properties, Inc. Stockholders' Equity											
	Common Shares	Stock Amount	Series B Cumulative Redeemable Preferred Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Deficit) Income	Non-controlling Interests — Common units in the Operating Partnership	Total Equity	Non-controlling Interests — Series A Cumulative Redeemable Preferred Units		
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.

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

	Nine Months Ended September 30,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ (2,035)	\$ (920)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	39,422	33,023
Amortization of deferred financing costs and loan premium, net	876	747
Amortization of stock based compensation	3,198	2,004
Straight-line rent receivables	(3,246)	(2,247)
Amortization of above-market leases	2,736	2,482
Amortization of below-market leases	(5,091)	(2,847)
Amortization of lease incentive costs	68	384
Bad debt expense	489	865
Amortization of ground lease	185	204
Change in operating assets and liabilities:		
Restricted cash	(1,176)	(5,503)
Accounts receivable	(359)	(7,145)
Deferred leasing costs and lease intangibles	(3,679)	(2,867)
Prepaid expenses and other assets	(2,087)	(1,954)
Accounts payable and accrued liabilities	13,832	9,299
Security deposits	209	651
Prepaid rent	(3,652)	1,911
Net cash provided by operating activities	<u>39,690</u>	<u>28,087</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment property	(13,667)	(10,147)
Property acquisitions	(184,297)	(57,162)
Acquisition of Notes receivable	(4,000)	—
Deposits for property acquisitions	—	(3,085)
Net cash used in investing activities	<u>(201,964)</u>	<u>(70,394)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	93,000	277,500
Payments of notes payable	(132,844)	(354,521)
Proceeds from issuance of common stock	190,798	111,008
Proceeds from private placement of common stock	—	45,688
Common stock issuance transaction costs	(485)	(1,283)
Proceeds from issuance of Series B cumulative redeemable preferred stock	57,500	—
Series B stock issuance transaction costs	(1,870)	(600)
Dividends paid to common stock and unit holders	(16,992)	(12,179)
Dividends paid to preferred stock and unit holders	(9,693)	(6,081)
Distribution to members	—	(93)
Acquisition of non-controlling member in consolidated real estate entity	—	(41,131)
Repurchase of vested restricted stock	(503)	—
Payment of loan costs	(3,054)	(4,161)
Net cash provided by financing activities	<u>175,857</u>	<u>14,147</u>
Net increase in cash and cash equivalents	<u>13,583</u>	<u>(28,160)</u>
Cash and cash equivalents - beginning of period	13,705	48,875
Cash and cash equivalents - end of period	<u>\$ 27,288</u>	<u>\$ 20,715</u>
Supplemental disclosure of cash flow information		
Cash paid for interest, net of amounts capitalized	<u>\$ 13,176</u>	<u>\$ 12,527</u>
Supplemental schedule of noncash investing and financing activities		
Accounts payable and accrued liabilities for investment in property	<u>\$ 3,411</u>	<u>\$ 1,701</u>
Accounts payable and accrued liabilities for distributions to members	<u>\$ —</u>	<u>\$ 359</u>

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

Since the completion of the IPO, the concurrent private placement, and the related formation transactions that occurred on June 29, 2010, we have been a fully integrated, self-administered, and self-managed real estate investment trust (“REIT”). Through our controlling interest in Hudson Pacific Properties, L.P. (our “Operating Partnership”) and its subsidiaries, we own, manage, lease, acquire and develop real estate, consisting primarily of office and media and entertainment properties. As of September 30, 2012, we owned a portfolio of 18 office properties and two media and entertainment properties. All of these properties are located in California. 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, 2012. The interim financial statements should be read in conjunction with the consolidated financial statements in our 2011 Annual Report on Form 10-K and the notes thereto. Any reference to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm’s review of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

Use of Estimates

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

Investment in Real Estate Properties

The properties are carried at cost less accumulated depreciation and amortization. The Company accounts for the cost

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

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 all of their time on development activities are also capitalized and allocated to the projects to which they relate. 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 incurred. Costs previously capitalized related to abandoned acquisitions or developments are charged to earnings. Expenditures for repairs and maintenance are expensed as incurred.

The Company computes depreciation using the straight-line method over the estimated useful lives of a range of 39 years for building and improvements, 15 years for land improvements, 5 or 7 years for furniture and fixtures and equipment, and over the shorter of asset life or life of the lease for tenant improvements. 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 did not record any impairment charges related to its real estate assets and related intangibles during the nine months ended September 30, 2012 and 2011. There are no properties held for sale at September 30, 2012 or December 31, 2011.

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, 2012 is \$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 nine months ended September 30, 2012 and 2011.

Cash and Cash Equivalents

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

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, 2012, the Company has reserved \$4 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 \$489 and \$865 of bad debt expense for the nine months ended September 30, 2012 and 2011.

Notes Receivable

Notes receivable consist 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 is WIP 3401 Expo BLVD Mezz, LLC ("WEBM"), which is 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. The property is an approximately 55,000 square foot office and industrial building currently being renovated for creative office uses. The loan is secured by, among other things, WEBM's membership interest in WEB, bears interest at the rate of LIBOR plus 1300 basis points (subject to a 100 basis points floor on LIBOR), and is 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 approximates fair value as it was negotiated based upon fair value of loans with similar characteristics. The loan generated income of \$89 for the nine months ended September 30, 2012.

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.

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

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

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

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

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

Deferred Financing Costs

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

Derivative Financial Instruments

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

The Company held two interest rate contracts as of September 30, 2012, which have been accounted for as cash flow hedges as more fully described in note 6 below. The Company held one interest rate contract at December 31, 2011, which has been accounted for as a cash flow hedge as more fully described in footnote 6 below.

Stock Based Compensation

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

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

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 state in which it conducts business.

The Company periodically evaluates its tax positions to evaluate whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of September 30, 2012, the Company has not established a liability for uncertain tax positions.

Fair Value of Assets and Liabilities

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

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

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

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

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, 2012, 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	\$92.0 million

Non-designated Hedges

For the nine months ended September 30, 2012 and 2011, 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 the fair value of the Company's derivative financial instruments as well as their classification on the Balance Sheet as of September 30, 2012 and December 31, 2011.

	Asset Derivatives			Liability Derivative		
	Fair Value as of					
	Balance Sheet Location	September 30, 2012	December 31, 2011	Balance Sheet Location	September 30, 2012	December 31, 2011
Derivatives designated as hedging instruments:						
Interest rate products	Interest rate contracts	\$ 92	\$ 164	Interest rate contracts	—	—
Total		\$ 92	\$ 164		—	—

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 nine months ended September 30, 2012 and 2011.

	Nine Months Ended September 30,	
	2012	2011
Beginning Balance of OCI related to interest rate contracts	1,036	70
Unrealized Loss Recognized in OCI Due to Change in Fair Value of interest rate contracts	436	1,003
Loss Reclassified from OCI into Income (as Interest Expense)	(11)	(75)
Net Change in OCI	425	928
Ending Balance of Accumulated OCI Related to Derivatives	1,461	998

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

Credit-risk-related Contingent Features

As of September 30, 2012, the Company did not have any derivatives that were 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.

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

3. Investment in Real Estate

During 2011, we acquired the 604 Arizona property, the 275 Brannan property, the 625 Second Street property, the 6922 Hollywood Boulevard property, and the 6050 Ocean Way/1445 N. Beachwood property. The results of operations for each of these acquisitions are included in our consolidated statements of operations from the date of acquisition. The following table represents our purchase price allocation for these acquisitions:

Date of Acquisition	604 Arizona	275 Brannan	625 Second Street	6922 Hollywood Boulevard	6050 Ocean Way/1445 N. Beachwood	Total
	July 26, 2011	August 19, 2011	September 1, 2011	November 22, 2011	December 12, 2011	
Consideration paid						
Cash consideration	\$ 21,373	\$ 12,370	\$ 23,419	\$ 50,555	\$ 6,502	\$ 114,219
Debt Assumed	—	—	33,700	42,247	—	75,947
Total consideration	\$ 21,373	\$ 12,370	\$ 57,119	\$ 92,802	\$ 6,502	\$ 190,166
Allocation of consideration paid						
Investment in real estate, net	20,366	12,250	53,394	88,999	6,916	181,925
Above-market leases	—	—	465	2,571	—	3,036
Leases in-place	1,121	—	2,799	4,767	—	8,687
Other lease intangibles	117	—	1,286	2,028	—	3,431
Fair market unfavorable debt value	—	—	(490)	(1,600)	—	(2,090)
Below-market leases	(104)	—	(1,054)	(4,265)	(416)	(5,839)
Other (liabilities) asset assumed, net	(127)	120	719	302	2	1,016
Total consideration paid	\$ 21,373	\$ 12,370	\$ 57,119	\$ 92,802	\$ 6,502	\$ 190,166

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

During 2012, we acquired the 10900 Washington property, the 901 Market Street property, the Olympic Bundy property and the 1455 Gordon Street property. The results of operations for each of these acquisitions are included in our consolidated statements of operations from the date of acquisition. The following table represents our purchase price allocation for each of these acquisitions:

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

Date of Acquisition	10900 Washington	901 Market	Olympic Bundy	1455 Gordon Street	Total
	April 5, 2012	June 1, 2012	September 5, 2012	September 21, 2012	
Consideration paid					
Cash consideration	\$ 2,605	\$ 90,871	\$ 88,436	\$ 2,385	\$ 184,297
Debt Assumed	—	—	—	—	—
Total consideration	\$ 2,605	\$ 90,871	\$ 88,436	\$ 2,385	\$ 184,297
Allocation of consideration paid					
Investment in real estate, net	2,600	97,187	88,024	2,384	190,195
Above-market leases	—	—	—	—	—
Leases in-place	—	2,968	1,325	96	4,389
Other lease intangibles	—	548	46	22	616
Fair market unfavorable debt value	—	—	—	—	—
Below-market leases	—	(10,249)	(666)	(27)	(10,942)
Other (liabilities) asset assumed, net	5	417	(293)	(90)	39
Total consideration paid	\$ 2,605	\$ 90,871	\$ 88,436	\$ 2,385	\$ 184,297

The table below shows the pro forma financial information for the nine months ended September 30, 2012 and 2011 as if these properties had been acquired as of January 1, 2011.

	Nine Months Ended September 30,	
	2012	2011
Total revenues	\$ 128,609	\$ 128,681
Net loss	\$ (1,638)	\$ 602

4. Lease Intangibles

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

	September 30, 2012	December 31, 2011
Above-market leases	\$ 18,440	\$ 18,748
Lease in-place	56,840	53,876
Below-market ground leases	7,513	7,513
Other lease intangibles	29,305	29,245
Lease commissions	642	642
Deferred leasing costs	10,612	7,988
	123,352	118,012
Accumulated amortization	(48,963)	(33,881)
Deferred leasing costs and lease intangibles, net	\$ 74,389	\$ 84,131
Below-market leases	40,966	30,418
Accumulated accretion	(12,252)	(7,557)
Acquired lease intangible liabilities, net	\$ 28,714	\$ 22,861

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

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 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, 2012, we were in compliance with our facility's financial covenants. As of September 30, 2012, we had approximately \$202.2 million of total capacity under our credit facility, of which \$10.0 million had been drawn.

The following table sets forth information as of September 30, 2012 with respect to our outstanding indebtedness.

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

Debt	Outstanding		Interest Rate ⁽¹⁾	Maturity Date
	September 30, 2012	December 31, 2011		
Unsecured Revolving Credit Facility	\$ 10,000	\$ 121,000	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 6922 Hollywood Boulevard ⁽³⁾	41,536	42,174	5.58%	1/1/2015
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽⁴⁾	92,000	92,000	LIBOR+3.50%	2/11/2016
Mortgage loan secured by Rincon Center ⁽⁵⁾	108,014	109,032	5.134%	5/1/2018
Mortgage loan secured by First Financial ⁽⁶⁾	43,000	—	4.58%	2/1/2022
Mortgage loan secured by 10950 Washington ⁽⁷⁾	29,812	—	5.316%	3/11/2022
Subtotal	\$ 358,062	\$ 397,906		
Unamortized loan premium, net ⁽⁸⁾	1,392	1,965		
Total	\$ 359,454	\$ 399,871		

- (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 November 22, 2011 in connection with the closing of our acquisition of the 6922 Hollywood Boulevard property.
- (4) On February 11, 2011, we closed a five-year term loan totaling \$92 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37.0 million of the loan was subject to an interest rate contract, which swaps one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50.0 million of the loan through its maturity on February 11, 2016. 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. Beginning with the payment due February 1, 2014, monthly debt service will include principal payments based on a 30-year amortization schedule, for total annual debt amortization of \$1,113.
- (5) On April 29, 2011, we closed a seven-year term loan totaling \$110.0 million with JPMorgan Chase Bank, National Association, secured by our Rincon Center property. The loan bears interest at a fixed annual rate of 5.134%.
- (6) On January 19, 2012 we closed a 10-year term loan totaling \$43.0 million with PNC Bank, National Association secured by our First Financial Plaza property. The loan bears interest at a fixed annual rate of 4.58% and will mature on February 1, 2022. The 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.
- (7) On February 11, 2012, we closed a 10-year term loan totaling \$30.0 million with Cantor Commercial Real Estate Lending, L.P., secured by our 10950 Washington property. The loan bears interest at a fixed annual rate of 5.316% and will mature on March 11, 2022.
- (8) Represents unamortized amount of the non-cash mark-to-market adjustment on debt associated with 625 Second Street and 6922 Hollywood Boulevard.

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, 2012, excluding the non-cash loan premium amortization, were as follows (in thousands) :

2012 (three months ending December 31, 2012)	\$ 753
2013	12,962
2014	38,787
2015	43,569
2016	92,481
2017	3,268
Thereafter	166,242
Total	\$ 358,062

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 both of these interest rate cap contracts as a cash flow hedge for accounting purposes.

The combined fair market value of the interest rate caps at September 30, 2012 and December 31, 2011 was \$92 and \$164, respectively.

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

Our properties are leased to tenants under operating leases with initial term expiration dates ranging from 2012 to 2020. Approximate future combined minimum rentals (excluding tenant reimbursements for operating expenses and without regard to cancellation options) for properties at September 30, 2012 are as follows for the years/periods ended December 31. The table does not include rents under leases at our media and entertainment properties with terms of one year or less.

2012 (three months ending December 31, 2012)	\$	21,408
2013		85,274
2014		76,512
2015		72,170
2016		67,223
2017		51,156
Thereafter		100,505
Total future minimum rents	\$	<u>474,248</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. The rental rate is subject to adjustment in March 2011 and every seven years thereafter. 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.

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 chart below reflects the \$975 per year lease payment.

The following table provides information regarding our future minimum lease payments at September 30, 2012 under these lease agreements.

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

2012 (three months ending December 31, 2012)	\$ 354
2013	1,417
2014	1,417
2015	1,417
2016	1,417
2017	1,417
Thereafter	52,242
Total future minimum rents	<u>\$ 59,681</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.

	September 30, 2012		December 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable	\$ 359,454	\$ 364,335	\$ 399,871	\$ 404,144
Derivative assets, disclosed as “Interest rate contracts”	92	92	164	164

9. Equity

Non-controlling Interests

Common units in the Operating Partnership

Common units in the operating partnership consisted of 2,455,063 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, shares of our common stock on a one-for-one basis. In February 2012, one of our common unit holders required us to redeem 155,878 common units and we elected to issue 155,878 shares of our common stock to satisfy the redemption, at which time our outstanding common units decreased from 2,610,941 common units outstanding to the current 2,455,063 common units outstanding, with a corresponding increase to our outstanding common stock as of the date of such redemption, as reflected in the table below.

Redeemable non-controlling interest in consolidated real estate entity

Redeemable non-controlling interest in consolidated real estate entity relates to a joint venture relationship with an affiliate of Beacon Capital Partners (“Beacon”), an unrelated third party, in the Rincon Center property. We acquired a 51% interest in a 585,000 square foot commercial space owned by Beacon as described in note 3. We had a call right and Beacon had a put right that, if exercised, obligated us to make an additional investment to acquire the remaining 49% interest in the Rincon Center joint venture in the second quarter of 2011. On February 24, 2011, we exercised the call right and completed the acquisition of Beacon’s 49% interest on April 29, 2011 for a purchase price of \$38.7 million (before closing costs and prorations).

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 are convertible at the option of the holder into common units or redeemable into cash or, at our option, exchangeable

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

for registered shares of common stock, in each case after June 29, 2013. 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’ over-allotment option 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 preferred stock issued and sold pursuant to the exercise of the underwriters’ over-allotment option 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 2011 Secondary Common Stock Offering and Private Placement

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

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

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

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

underwriters' over-allotment 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 2012 Exchange of Common Units for Common Stock

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

	September 30,	
	2012	2011
Net income (loss) attributable to Hudson Pacific Properties, Inc.	\$ (1,916)	\$ (1,610)
Transfers from the non-controlling interests:		
Increase in common stockholders additional paid-in capital for exchange of operating partnership units	3,780	—
Change from net income (loss) attributable to common stockholders and transfer from non-controlling interests	\$ 1,864	\$ (1,610)

Dividends

During the third quarter for 2012, 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, 2012 to holders of record on September 20, 2012.

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 will be 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 will be three years.

The following table summarizes the restricted share activity for the nine months ended September 30, 2012 and status of all unvested restricted share awards, to our non-employee board members and employees at September 30, 2012:

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

<u>Non-vested Shares</u>	Weighted-Average	
	Shares	Grant-Date Fair Value
Outstanding at January 1, 2012	628,666	\$ 14.93
Granted	21,567	16.23
Vested	(95,895)	16.86
Canceled	—	—
Outstanding at September 30, 2012	554,338	\$ 14.65

Nine Months Ended September 30,	Non-Vested shares issued	Weighted average grant - dated fair value	Vested Shares	Total Vest-Date fair value (in thousands)
2012	21,567	\$ 16.23	(95,895)	\$ 1,707
2011	31,257 ⁽¹⁾	15.20	(88,237)	1,364

(1) Amount includes 1,653 shares canceled during nine months ended September 30, 2011.

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.

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

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

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

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, 2012, the risk of material loss from such legal actions impacting the Company's financial condition or results from operations has been assessed as remote.

Concentrations

All of the Company's Properties are located in California, which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio. Further, for the nine months ended September 30, 2012 and 2011, approximately 24% and 27%, 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.

As of September 30, 2012 Bank of America leases approximately 832,549 square feet of our 1455 Market property for various lease terms ranging between one and seven years. For the nine months ended September 30, 2012 and 2011, the Bank of America Lease accounted for approximately 6% and 8%, respectively, of our total revenue.

12. Segment Reporting

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

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

	Office Properties	Media and Entertainment Properties	Total
Revenue	\$ 91,567	\$ 29,345	\$ 120,912
Operating expenses	38,176	17,993	56,169
Net operating income	<u>\$ 53,391</u>	<u>\$ 11,352</u>	<u>\$ 64,743</u>

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

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

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

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, 2012	September 30, 2011
Net operating income	\$ 64,743	\$ 55,463
General and administrative	(12,822)	(9,052)
Depreciation and amortization	(39,422)	(33,023)
Interest expense	(13,977)	(13,245)
Interest income	149	67
Acquisition-related expenses	(815)	(762)
Other expense	109	(368)
Net loss	<u>\$ (2,035)</u>	<u>\$ (920)</u>

There were no inter-segment sales or transfers during either of the nine months ended September 30, 2012 and 2011.

13. Subsequent Events

Financings

On October 9, 2012, the Company closed a three-year loan with Wells Fargo Bank, N.A., secured by the Company's 275 Brannan property. Upon full disbursement, the loan will total \$15.0 million. The loan bears interest at LIBOR plus 200 basis points and will mature on October 5, 2015, provided that the Company may extend such maturity for one additional year subject to satisfaction of certain conditions. Proceeds from the loan are expected to be used to fund base building, tenant improvement, and leasing commission costs associated with the renovation and lease-up of this property.

On October 30, 2012, the Company closed a four-year loan with Wells Fargo Bank, N.A., secured by the Company's 901 Market Street property, \$49.6 million which was funded at closing, with an additional \$11.9 million available to fund base building, tenant improvement, and leasing commission costs associated with the renovation and lease-up of this property. Upon full disbursement, the loan will total \$61.5 million. The loan bears interest at LIBOR plus 225 basis points, until such time as the property achieves a trailing six month 9.0% debt yield, at which time interest would be reduced to LIBOR plus 200 basis points. The loan will mature on October 31, 2016, provided that the Company may extend such maturity for one additional year subject to satisfaction of certain conditions.

Leasing

On October 19, 2012, the Company signed a new lease at its 1455 Market Street property to Square, Inc., a leading electronic payment service provider that enables credit card payments through mobile devices. This new lease initially encompasses 246,078 square feet and includes an expansion option for an additional 81,345 square feet, for a combined 327,432 square feet of occupancy. With respect to the initial 246,078 square feet of occupancy, 181,805 square feet is scheduled for commencement in early 2013, 15,741 square feet is scheduled for commencement in June, 2013, and the remaining 48,532 square feet is scheduled for commencement in early 2014. Square has the option to take an additional 81,354 square feet with a scheduled commencement in early 2014, which upon exercise, would result in a combined 327,432 square foot lease. The 246,078 square feet backfills 206,760 square feet of space occupied by the property's largest tenant and takes an additional 39,318 square feet of currently vacant space. The exercise of the 81,354 square foot option would result in the backfill of a total of 288,114 square feet of space currently occupied by the property's largest tenant.

On October 10, 2012, the Company signed a new lease at its 901 Market Street property to Hotel Tonight, Inc., a leading

online hotel room reservation company. This new lease encompasses 17,521 square feet for a term of six years, with an expected commencement in December, 2012.

Acquisitions

On November 8, 2012, a wholly-owned subsidiary of the Company, Hudson JW, LLC, a Delaware limited liability company ("HJW"), entered into a joint venture, Hudson MC Partners, LLC, a Delaware limited liability company (the "Pinnacle JV"), with Media Center Partners, LLC, a California limited liability company ("MCP"), to acquire The Pinnacle, a two-building (Pinnacle I and Pinnacle II), 625,640 square foot, office property located in Burbank, California. Pinnacle I is a 393,776 square foot building that, immediately prior to the transactions described below, was held in a joint venture between MCP and an unrelated entity (the "Prior P1 Majority Owner"), in which MCP held approximately five percent of the ownership interests. Pinnacle II is a 231,864 square foot building owned by an affiliate of MCP, Media Center Development, LLC, a Delaware limited liability company ("MCD").

On November 8, 2012, the Pinnacle I building was purchased by the Pinnacle JV for \$212.5 million. In order to effectuate that purchase, HJW contributed approximately \$83.9 million to the Pinnacle JV and the Pinnacle JV obtained a \$129.0 million ten-year project loan. Proceeds from HJW's contribution and the new project loan were, in turn, used to buy-out the P1 Majority Owner interest in Pinnacle I. In return for its contribution, HJW received approximately 98 percent of the ownership interests in the Pinnacle JV, with the remaining approximately 2 percent maintained by MCP (which percentages further reflected certain credits and proration adjustments among HJW and MCP). The Company funded HJW's contribution to the Pinnacle JV with a combination of available cash on hand and a \$38.0 million draw on its unsecured revolving credit facility.

MCD is expected to contribute the Pinnacle II building to the Pinnacle JV upon the satisfaction of certain closing conditions, including lender approval of the assumption of an existing approximately \$89.6 million project loan. While no assurances can be made with respect to the timing or success of satisfying the conditions to the contribution of Pinnacle II to the Pinnacle JV, the Company anticipates the satisfaction of those conditions to be completed before the end of the first quarter of 2013. Other than for purposes of funding closing costs and prorations, HJW will not be required to make a capital contribution in connection with the contribution of the Pinnacle II building to the Pinnacle JV, but HJW's ownership interest in the Pinnacle JV will be adjusted to reflect the contribution by MCD of Pinnacle II such that upon its contribution the combined ownership interest of MCP and MCD in the Pinnacle JV shall become approximately 35 percent, with the remaining approximately 65 percent owned by HJW.

The \$129.0 million loan secured by Pinnacle I bears interest at a fixed annual rate of 3.954% per annum and will mature on November 7, 2022. Beginning with the November 6, 2017 payment date, monthly debt service will include principal amortization payments based on a 30-year amortization schedule. The approximately \$89.6 million loan secured by Pinnacle II bears interest at a fixed annual rate of 6.31% per annum and will mature on September 30, 2016. Monthly debt service includes principal amortization payments based on a 30-year amortization schedule.

Upon completion of the transaction, the Pinnacle JV is expected to own both buildings for a combined purchase price of \$342.5 million, subject to \$218.6 million of project-level financing. An affiliate of HJW will also assume day-to-day property management responsibilities, with Worth Real Estate Group overseeing leasing, subject to HJW's approval of final leases. If for any reason other than a default by HJW, the contribution of the Pinnacle II building has not occurred by the earlier of (1) six months following the closing of the Pinnacle I contribution, (2) the date upon which the current project lender for the Pinnacle II loan delivers written notice advising that it will not approve the loan assumption, or (3) a default by MCD, HJW shall have the right, exercisable in its sole and absolute discretion, to purchase MCP's entire interest in the Pinnacle JV. If such right occurs as a result of either of the circumstances described in (1) or (2) of the preceding sentence, then HJW shall have the right to purchase MCP's interest for \$1.5 million. If such right occurs as a result of the circumstances described in (3) of such sentence, then the purchase amount shall be the greater of \$1.5 million or 80% of MCP's capital contributions to the Pinnacle JV.

Pinnacle I is approximately 91.7% leased to six tenants under long-term leases, the largest of which include Warner Music Group under a 195,166 square foot lease scheduled to expire in December 2019, Clear Channel Communications under a 107,715 square foot lease scheduled to expire in September 2016, and NBC under a 37,066 square foot lease scheduled to expire in December 2014. Pinnacle II is fully leased to Warner Bros. Entertainment under a lease scheduled to expire in December 2021.

Other than normally recurring capital expenditures and tenants improvements, we have no present plans with respect to renovation, improvement or redevelopment of The Pinnacle. The Pinnacle will be insured, along with our other properties, under a blanket property, liability, fire, extended coverage, terrorism and rental loss insurance policy that is renewed on an annual basis.

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

Forward-Looking Statements

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

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

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

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

Historical Results of Operations

This Quarterly Report on Form 10-Q for Hudson Pacific Properties, Inc. for the nine months ended September 30, 2012 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, 2011. 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, 2011 as well as the unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

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

Overview

The following table identifies each of the properties in our portfolio acquired through September 30, 2012 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
City Plaza	8/26/2008	333,922
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 ⁽¹⁾	12/16/2010	580,850
10950 Washington	12/22/2010	158,873
604 Arizona	7/26/2011	44,260
275 Brannan	8/19/2011	51,710
625 Second Street	9/1/2011	136,906
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
Olympic Bundy	9/5/2012	241,427
1455 Gordon Street	9/21/2012	6,000
Total		4,931,779

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

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

Comparison of the three months ended September 30, 2012 to the three months ended September 30, 2011

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and parking and other revenue. Total office revenues increased \$4.3 million, or 16.2%, to \$31.1 million for the three months ended September 30, 2012 compared to \$26.7 million for the three months ended September 30, 2011. 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 \$4.6 million, or 24.3%, to \$23.6 million for the three months ended September 30, 2012 compared to \$19.0 million for the three months ended September 30, 2011. The increase in rental revenue was primarily the result of rental revenue from office properties acquired during the third and fourth quarters of 2011 and second and third quarters of 2012.

Office Tenant Recoveries. Office tenant recoveries decreased \$1.2 million, or 19.9%, to \$5.0 million for the three months ended September 30, 2012 compared to \$6.2 million for the three months ended September 30, 2011. The decrease in tenant

recoveries resulted from a combination of factors, including abatements with Bank of America at 1455 Market pending commencement of the lease with the Metro Transit Authority, lease expirations at Rincon Center, and a reconciliation for prior period recoveries at our First Financial property, among other items.

Office Parking and Other Revenue. Office parking and other revenue increased \$1.0 million, or 61.1%, to \$2.5 million for the three months ended September 30, 2012 compared to \$1.6 million for the three months ended September 30, 2011. The increase in parking and other revenue was primarily the result of revenue from office properties acquired during the third and fourth quarters of 2011 and second and third quarters of 2012.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue and other revenue. Total media and entertainment revenues increased \$0.8 million, or 8.1%, to \$11.0 million for the three months ended September 30, 2012 compared to \$10.2 million for the three months ended September 30, 2011. The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties, percentage rent on retail space contained within those properties, and lease termination income. Total media and entertainment rental revenue increased \$0.9 million, or 17.1%, to \$6.1 million for the three months ended September 30, 2012 compared to \$5.2 million for the three months ended September 30, 2011. The increase in rental revenue resulted from higher occupancy compared to the same quarter a year ago.

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat for the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

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 remained relatively flat for the three months ended September 30, 2012 compared to the three months ended September 30, 2011.

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 \$4.9 million, or 15.0%, to \$37.7 million for the three months ended September 30, 2012 compared to \$32.8 million for the three months ended September 30, 2011. This increase in total operating expenses reflects the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$0.3 million, or 2.0%, to \$13.0 million for the three months ended September 30, 2012 compared to \$12.8 million for the three months ended September 30, 2011. The increase in operating expenses was primarily due to the acquisitions of office properties during the third and fourth quarters of 2011 and second and third quarters of 2012.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses increased \$0.8 million, or 13.2%, to \$6.9 million for the three months ended September 30, 2012 compared to \$6.1 million for the three months ended September 30, 2011. The increase in operating expenses was primarily due to higher occupancy compared to the same quarter a year ago and, to a lesser extent, higher ground rent under a ground lease for a portion of our Sunset Gower property.

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 \$1.3 million, or 46.2%, to \$4.2 million for the three months ended September 30, 2012 compared to \$2.8 million for the three months ended September 30, 2011. The increase in general and administrative expenses was primarily due to the adoption of the 2012 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 \$2.5 million, or 23.1%, to \$13.6 million for the three months ended September 30, 2012 compared to \$11.0 million for the three months ended September 30, 2011. The increase was primarily due to the depreciation associated with the acquisitions of office properties during the third and fourth quarters of 2011 and second and third quarters of 2012.

Other Expense (Income)

Interest Expense. Interest expense increased \$0.4 million, or 10.8%, to \$4.5 million for the three months ended September 30, 2012 compared to \$4.1 million for the three months ended September 30, 2011. At September 30, 2012, the Company had \$359.5 million of notes payable, compared to \$298.7 million at September 30, 2011. The increase was primarily due to the increase in indebtedness associated with the acquisitions of office properties during the third and fourth quarters of 2011.

Acquisition-related expenses. Acquisition-related expenses decreased \$0.3 million, or (40.3)%, to \$0.5 million for the three months ended September 30, 2012 compared to \$0.8 million for the three months ended September 30, 2011.

Net Loss

Net loss for the three months ended September 30, 2012 was \$0.3 million compared to net loss of \$0.8 million for the three months ended September 30, 2011. The decrease in net loss was primarily due to higher office revenues primarily relating to acquisitions in the third and fourth quarter of 2011 and second and third quarters of 2012, higher media revenues, and lower acquisition-related expenses, which were offset by higher operating expenses, higher general and administrative expenses, higher depreciation and amortization expenses, and higher interest expense, all as described above.

Comparison of the nine months ended September 30, 2012 to the nine months ended September 30, 2011

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and parking and other revenue. Total office revenues increased \$15.2 million, or 19.8%, to \$91.6 million for the nine months ended September 30, 2012 compared to \$76.4 million for the nine months ended September 30, 2011. 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 \$14.2 million, or 26.2%, to \$68.5 million for the nine months ended September 30, 2012 compared to \$54.3 million for the nine months ended September 30, 2011. The increase in rental revenue was primarily the result of rental revenue from office properties acquired during the third and fourth quarters of 2011 and second and third quarters of 2012.

Office Tenant Recoveries. Office tenant recoveries remained relatively flat for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Office Parking and Other Revenue. Office parking and other revenue increased \$1.1 million, or 18.6%, to \$7.1 million for the nine months ended September 30, 2012 compared to \$6.0 million for the nine months ended September 30, 2011. The increase in parking and other revenue was primarily the result of revenue from office properties acquired during the third and fourth quarters of 2011 and second and third quarters of 2012.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue and other revenue. Total media and entertainment revenues increased \$0.6 million, or 2.2%, to \$29.3 million for the nine months ended September 30, 2012 compared to \$28.7 million for the nine months ended September 30, 2011. The items that contributed to the period-over-period total revenue results are discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties, percentage rent on retail space contained within those properties, and lease termination income. Total media and entertainment rental revenue increased \$1.1 million, or 6.6%, to \$17.3 million for the nine months ended September 30, 2012 compared to \$16.3 million for the nine months ended September 30, 2011. The increase in rental revenue was primarily due to higher occupancy compared to the same period a year ago.

Media & Entertainment Tenant Recoveries. Tenant recoveries decreased \$0.2 million, or 15.1%, to \$1.1 million for the nine months ended September 30, 2012 compared to \$1.3 million for the nine months ended September 30, 2011. The decrease in tenant recoveries was primarily due to a decrease in property taxes at our Sunset Bronson property and corresponding reduction in recoveries compared to the same period a year ago.

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is revenue that is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and internet). Total other property-related revenue remained relatively flat for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

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 \$16.7 million, or 18.2%, to \$108.4 million for the nine months ended September 30, 2012 compared to \$91.7 million for the nine months ended September 30, 2011. This increase in total operating expenses reflects the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$5.6 million, or 17.1%, to \$38.2 million for the nine months ended September 30, 2012 compared to \$32.6 million for the nine months ended September 30, 2011. The increase in operating expenses was primarily due to the acquisitions of office properties during the third and fourth quarters of 2011 and second and third quarters of 2012, a one-time property tax reassessment savings in the second quarter of 2011 for periods prior to 2011 mostly associated with our City Plaza property, and a supplemental property tax reassessment expense in the second quarter of 2012 for periods prior to the current year on our Technicolor property for periods dating back to its completion in 2008.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses increased \$0.9 million, or 5.4%, to \$18.0 million for the nine months ended September 30, 2012 compared to \$17.1 million for the nine months ended September 30, 2011. The increase was primarily due to higher occupancy compared to the same period a year ago, a one-time property tax reassessment savings in the second quarter of 2011 for periods prior to 2011, and, to a lesser extent, higher ground rent under a ground lease for a portion of our Sunset Gower property.

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 \$3.8 million, or 41.6%, to \$12.8 million for the nine months ended September 30, 2012 compared to \$9.1 million for the nine months ended September 30, 2011. The increase in general and administrative expenses was primarily due to the adoption of the 2012 Outperformance Program and increased staffing to meet operational needs arising from the acquisitions of office properties.

Depreciation and Amortization. Depreciation and amortization expense increased \$6.4 million, or 19.4%, to \$39.4 million for the nine months ended September 30, 2012 compared to \$33.0 million for the nine months ended September 30, 2011. The increase was primarily due to the depreciation associated with the acquisitions of office properties during the third and fourth quarters of 2011 and second and third quarters of 2012.

Other Expense (Income)

Interest Expense. Interest expense increased \$0.7 million or 5.5% to \$14.0 million for the nine months ended September 30, 2012 compared to \$13.2 million for the nine months ended September 30, 2011. At September 30, 2012, the Company had \$359.5 million of notes payable, compared to \$298.7 million at September 30, 2011. The increase was primarily due to the increased indebtedness associated with the acquisitions of office properties during the third and fourth quarters of 2011.

Acquisition-related expenses. Acquisition-related expenses remained relatively flat for the nine months ended September 30, 2012 compared to the nine months ended September 30, 2011.

Net Loss

Net loss for the nine months ended September 30, 2012 was \$2.0 million compared to net loss of \$0.9 million for the nine months ended September 30, 2011. The increase in net loss was primarily due to higher operating expenses, higher general and administrative expenses, higher depreciation and amortization expenses, partially offset by higher revenues as a result of acquisitions in the third and fourth quarter of 2011 and second and third quarters of 2012, all as described above.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

Our ratio of debt to total market capitalization was approximately 25.8% (counting series A preferred units as debt) as of September 30, 2012. 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 \$27.3 million of cash and cash equivalents at September 30, 2012. In addition, the lead arrangers for our unsecured credit facility have secured commitments that will allow borrowings of up to \$250 million. As of September 30, 2012, we had approximately \$202.2 million of total capacity under our credit facility, of which \$10.0 million had been drawn. We intend to use the unsecured 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 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, 2012 to nine months ended September 30, 2011 is as follows:

	Nine Months Ended September 30,			
	2012	2011	Dollar Change	Percentage Change
	(\$ in thousands)			
Net cash provided by operating activities	39,690	28,087	11,603	41.3%
Net cash used in investing activities	(201,964)	(70,394)	(131,570)	186.9%
Net cash provided by financing activities	175,857	14,147	161,710	1,143.1%

Cash and cash equivalents were \$27.3 million and \$13.7 million at September 30, 2012 and December 31, 2011, respectively.

Operating Activities

Net cash provided by operating activities increased by \$11.6 million to \$39.7 million for the nine months ended September 30, 2012 compared to \$28.1 million for the nine months ended September 30, 2011. The increase was primarily due to a decrease in outstanding receivables, an increase in outstanding accounts payable and an increase in cash NOI, as defined, from our office properties, primarily from the acquisitions of office properties in the third and fourth quarters of 2011 and the second quarter of 2012, and a decrease in restricted cash, all of which were partially offset by an increase in general and administrative expenses, a decrease in prepaid rent primarily associated with our KTLA lease, compared to the nine months ended September 30, 2011. The increase in office properties cash NOI for the nine months ended September 30, 2012 would have been higher if the prior year early lease termination payment from a tenant at our City Plaza property is disregarded.

Investing Activities

Net cash used in investing activities increased \$131.6 million to \$202.0 million for the nine months ended September 30, 2012 compared to \$70.4 million for nine months ended September 30, 2011. The increase was primarily due to the acquisition of 901 Market in June 2012 and the acquisition of Olympic and Bundy in September 2012.

Financing Activities

Net cash provided by financing activities increased \$161.7 million to \$175.9 million for the nine months ended September 30, 2012 compared to \$14.1 million for the nine months ended September 30, 2011. The increase was due to higher net proceeds from the issuance of common stock, the issuance of our series B preferred stock, and lower repayment of indebtedness, as compared to the prior year, which was partially offset by payoff of the Rincon Center minority interest in 2011, with no comparable activity in 2012, lower new financings, and increased distributions, compared to the nine months ended September 30, 2011.

Indebtedness

Our indebtedness creates the possibility that we may be unable to generate cash sufficient to pay when due the principal of, interest on or other amounts 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, 2012, we had outstanding notes payable of \$358.1 million (before loan premium), of which \$102.0 million, or 28.5%, was variable rate debt, \$92.0 million of which is subject to the interest rate contracts described in footnote 4 in the table below.

The following table sets forth information as of September 30, 2012 with respect to our outstanding indebtedness.

Debt	Outstanding September 30, 2012	Interest Rate ⁽¹⁾	Maturity Date
Unsecured Revolving Credit Facility	\$ 10,000	LIBOR+1.55% to 2.20%	8/3/2016
Mortgage loan secured by 625 Second Street ⁽²⁾	33,700	5.85%	2/1/2014
Mortgage loan secured by 6922 Hollywood Boulevard ⁽³⁾	41,536	5.58%	1/1/2015
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽⁴⁾	92,000	LIBOR+3.50%	2/11/2016
Mortgage loan secured by Rincon Center ⁽⁵⁾	108,014	5.134%	5/1/2018
Mortgage loan secured by First Financial ⁽⁶⁾	43,000	4.58%	2/1/2022
Mortgage loan secured by 10950 Washington ⁽⁷⁾	29,812	5.316%	3/11/2022
Subtotal	<u>\$ 358,062</u>		
Unamortized loan premium, net ⁽⁸⁾	1,392		
Total	<u><u>\$ 359,454</u></u>		

- (1) Interest rate with respect to indebtedness is calculated on the basis of a 360-day year for the actual days elapsed, excluding the amortization of loan fees and costs.
- (2) 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 November 22, 2011 in connection with the closing of our acquisition of the 6922 Hollywood Boulevard property.
- (4) On February 11, 2011, we closed a five-year term loan totaling \$92 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37.0 million of the loan was subject to an interest rate contract, which swaps one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50.0 million of the loan through its maturity on February 11, 2016. 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. Beginning with the payment due February 1, 2014, monthly debt service will include principal payments based on a 30-year amortization schedule, for total annual debt amortization of \$1,113.
- (5) On April 29, 2011, we closed a seven-year term loan totaling \$110.0 million with JPMorgan Chase Bank, N.A., secured by our Rincon Center property. The loan bears interest at a fixed annual rate of 5.134%.
- (6) On January 19, 2012 we closed a 10-year term loan totaling \$43.0 million with PNC Bank, N.A., secured by our First Financial Plaza property. The loan bears interest at a fixed annual rate of 4.58% and will mature on February 1, 2022. The 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.
- (7) On February 11, 2012, we closed a 10-year term loan totaling \$30.0 million with Cantor Commercial Real Estate Lending, L.P., secured by our 10950

Washington property. The loan bears interest at a fixed annual rate of 5.316% and will mature on March 11, 2022.

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

Contractual Obligations and Commitments

During the third quarter of 2012, 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, 2011.

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 2011 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 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.

As of September 30, 2012, we had \$10.0 million drawn under our unsecured credit facility, which facility is not subject to an interest rate hedge. Therefore, with respect to the combined \$102.0 million loan on our Sunset Gower and Sunset Bronson media and entertainment properties and \$10.0 million drawn under our unsecured credit facility, if one-month LIBOR as of September 30, 2012 was to increase by 100 basis points, or 1.0%, the resulting increase in interest expense would impact our future earnings and cash flows by \$1.0 million.

As of September 30, 2012, we had outstanding notes payable of \$358.1 million (before loan premium), of which \$102.0 million, or 28.5%, was variable rate debt, \$92.0 million of which is subject to the interest rate contracts described above, and \$256.1 million of which was fixed rate secured mortgage loans. As of September 30, 2012, the estimated fair value of our fixed rate secured mortgage loans was \$260.9 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, 2012, 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, 2012, 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, 2011. Please review the Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2011.

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.

On November 8, 2012, a wholly-owned subsidiary of the Company, Hudson JW, LLC, a Delaware limited liability company ("HJW"), entered into a joint venture, P1 Hudson MC Partners, LLC, a Delaware limited liability company (the "Pinnacle JV"), with Media Center Partners, LLC, a California limited liability company ("MCP"),

to acquire The Pinnacle, a two-building (Pinnacle I and Pinnacle II), 625,640 square foot, office property located in Burbank, California. Pinnacle I is a 393,776 square foot building that, immediately prior to the transactions described below, was held in a joint venture between MCP and an unrelated entity (the “Prior P1 Majority Owner”), in which MCP held approximately five percent of the ownership interests. Pinnacle II is a 231,864 square foot building owned by an affiliate of MCP, Media Center Development, LLC, a Delaware limited liability company (“MCD”).

On November 8, 2012, the Pinnacle I building was purchased by the Pinnacle JV for \$212.5 million. In order to effectuate that purchase, HJW contributed approximately \$83.9 million to the Pinnacle JV and the Pinnacle JV obtained a \$129.0 million ten-year project loan. Proceeds from HJW's contribution and the new project loan were, in turn, used to buy-out the P1 Majority Owner interest in Pinnacle I. In return for its contribution, HJW received approximately 98 percent of the ownership interests in the Pinnacle JV, with the remaining approximately 2 percent maintained by MCP (which percentages further reflected certain credits and proration adjustments among HJW and MCP). The Company funded HJW's contribution to the Pinnacle JV with a combination of available cash on hand and a \$38.0 million draw on its unsecured revolving credit facility.

MCD is expected to contribute the Pinnacle II to the Pinnacle JV building upon the satisfaction of certain closing conditions, including lender approval of the assumption of an existing \$89.6 million project loan. While no assurances can be made with respect to the timing or success of satisfying the conditions to the contribution of Pinnacle II to the Pinnacle JV, the Company anticipates the satisfaction of those conditions to be completed before the end of the first quarter of 2013. Other than for purposes of funding closing costs and prorations, HJW will not be required to make a capital contribution in connection with the contribution of the Pinnacle II building to the Pinnacle JV, but HJW's ownership interest in the Pinnacle JV will be adjusted to reflect the contribution by MCD of Pinnacle II such that upon its contribution the combined ownership interest of MCP and MCD in Pinnacle JV shall become approximately 35 percent, with the remaining approximately 65 percent owned by HJW.

The \$129.0 million loan secured by Pinnacle I bears interest at a fixed annual rate of 3.954% per annum and will mature on November 7, 2022. Beginning with the November 6, 2017 payment date, monthly debt service will include principal amortization payments based on a 30-year amortization schedule. The \$89.6 million loan secured by Pinnacle II bears interest at a fixed annual rate of 6.31% per annum and will mature on September 30, 2016. Monthly debt service includes principal amortization payments based on a 30-year amortization schedule.

Upon completion of the transaction, the Pinnacle JV is expected to own both buildings for a combined purchase price of \$342.5 million, subject to \$218.6 million of project-level financing. The Company will also assume day-to-day property management responsibilities, with Worthe Real Estate Group overseeing leasing, subject to the Company's approval of final leases. If for any reason other than a default by HJW, the contribution of the Pinnacle II building has not occurred by the earlier of (1) six months following the closing of the Pinnacle I contribution, or (2) the date upon which the current project lender for the Pinnacle II loan delivers written notice advising that it will not approve the loan assumption, or (3) a default by MCD, HJW shall have the right exercisable in its sole and absolute discretion to purchase MCP's entire interest in the Pinnacle JV. If such right occurs as a result of either of the circumstances described in (1) or (2) of the proceeding sentence, then HJW shall have the right to purchase MCP's interest for approximately \$1.5 million. If such right occurs as a result of the circumstances described in (3) of such sentence, then the purchase amount shall be the greater of \$1.5 million or 80% of MCP's capital contributions to the Pinnacle JV.

Pinnacle I is approximately 91.7% leased to 6 tenants under long-term leases, the largest of which include Warner Music Group under a 195,166 square foot lease scheduled to expire in December 2019, Clear Channel Communications under a 107,715 square foot lease scheduled to expire in September 2016, and NBC under a 37,066 square foot lease schedule to expire in December 2014. Pinnacle II is fully leased to Warner Bros. Entertainment under a lease scheduled to expire in December 2021.

The Pinnacle Lease Expirations By Year							
Year of Lease Expiring	Number of Leases Expiring	Square Footage of Expiring Leases	Percent of Portfolio Square Feet	Annualized Rent ⁽¹⁾	Percent of Portfolio Annualized Rent	Annualized Rent Per Leased Square Foot ⁽²⁾	Annualized Rent Per Leased Square Foot at Expiration ⁽³⁾
Pinnacle I							
2012	—	—	—%	\$ —	—%	\$ —	—
2013	1	9,005	1.4%	417,323	1.8%	46.34	46.34
2014	2	41,106	6.6%	1,705,269	7.4%	41.48	43.12
2015	—	—	—%	—	—%	—	—
2016	1	107,715	17.2%	4,391,805	19.1%	40.77	44.13
2017	1	8,257	1.3%	322,023	1.4%	39.00	39.00
2018	—	—	—%	—	—%	—	—
2019	1	195,166	31.2%	7,726,622	33.5%	39.59	45.48
Sub-total	6	361,249	57.7%	\$ 14,563,043	63.2%	\$ 40.31	\$ 44.68
Pinnacle II							
2021	1	230,000	36.8%	8,489,300	36.8%	\$ 36.91	43.68
Sub-total	1	230,000	36.8%	\$ 8,489,300	36.8%	\$ 36.91	43.68
Total	7	591,249	94.5%	\$ 23,052,343	100%	\$ 38.99	44.29

- (1) Annualized Rent represents the annualized monthly contractual base rent (before abatements) under existing leases as of November 1, 2012. Calculated by multiplying (i) base rental payments (defined as cash base rent (before abatements)) for the month ending November 30, 2012, by (ii) 12.
- (2) Annualized Rent per Leased Square Foot is calculated as (i) annualized base rent divided by (ii) square footage under lease as of November 30, 2012.
- (3) Annualized Rent per Leased Square Foot at Expiration is calculated as (i) annualized base rent at expiration divided by (ii) square footage under leases as of November 30, 2012.

Other than normally recurring capital expenditures and tenants improvements, we have no present plans with respect to renovation, improvement or redevelopment of The Pinnacle. The Pinnacle will be insured, along with our other properties, under a blanket property, liability, fire, extended coverage, terrorism and rental loss insurance policy that is renewed on an annual basis.

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.
 - 10.58 Limited Liability Company Agreement of Hudson MC Partners, LLC, dated as of November 8, 2012
 - 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
 - 10.60 Loan Agreement dated as of November 8, 2012 between P1 Hudson MC Partners, LLC, as Borrower and Jefferies Loancore LLC, as Lender
 - 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, 2012, 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.
- * 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.

Date: November 9, 2012

HUDSON PACIFIC PROPERTIES, INC.

/s/ MARK T. LAMMAS

Mark T. Lammas

Chief Financial Officer (principal financial officer)