Section 1: 10-Q (10-Q)

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, 2017

or

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

For the transition period from ______ to ______

Commission File Number: 001-34789 (Hudson Pacific Properties, Inc.)
Commission File Number: 333-202799-01 (Hudson Pacific Properties, L.P.)

Hudson Pacific Properties, Inc.
Hudson Pacific Properties, L.P.

(Exact name of registrant as specified in its charter)

Hudson Pacific Properties, Inc.	**Maryland** (State or other jurisdiction of incorporation or organization)	**27-1430478** (I.R.S. Employer Identification Number)
Hudson Pacific Properties, L.P.	**Maryland** (State or other jurisdiction of incorporation or organization)	**80-0579682** (I.R.S. Employer Identification Number)

11601 Wilshire Blvd., Ninth Floor
Los Angeles, California 90025

(Address of principal executive offices) (Zip Code)

(310) 445-5700

(Registrant’s telephone number, including area code)

N/A

(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.

Hudson Pacific Properties, Inc. Yes ☒ No ☐ Hudson Pacific Properties, L.P. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Hudson Pacific Properties, Inc. Yes ☒ No ☐ Hudson Pacific Properties, L.P. Yes ☒ No ☐

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

Hudson Pacific Properties, Inc.

Large accelerated filer ☒	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)
Smaller reporting company ☐	Emerging growth company ☐	

Hudson Pacific Properties, L.P

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☒ (Do not check if a smaller reporting company)
Smaller reporting company ☐	Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Hudson Pacific Properties, Inc. ☐ Hudson Pacific Properties, L.P. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Hudson Pacific Properties, Inc. Yes ☐ No ☒ Hudson Pacific Properties, L.P. Yes ☐ No ☒

The number of shares of common stock of Hudson Pacific Properties, Inc. outstanding at November 1, 2017 was 156,060,854.

EXPLANATORY NOTE

This report combines the quarterly reports on Form 10-Q for the period ended September 30, 2017 of Hudson Pacific Properties, Inc., a Maryland corporation, and Hudson Pacific Properties, L.P., a Maryland limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "we," "us," "our," or "our Company" refer to Hudson Pacific Properties, Inc. together with its consolidated subsidiaries, including Hudson Pacific Properties, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to "our operating partnership" or "the operating partnership" refer to Hudson Pacific Properties, L.P. together with its consolidated subsidiaries.

Hudson Pacific Properties, Inc. is a real estate investment trust, or REIT, and the sole general partner of our operating partnership. As of September 30, 2017, Hudson Pacific Properties, Inc. owned approximately 99.6% of the outstanding common units of partnership interest (including unvested restricted units) in our operating partnership, or common units. The remaining approximately 0.4% of outstanding common units at September 30, 2017 were owned by certain of our executive officers and directors, certain of their affiliates and other outside investors. As of December 31, 2016, certain affiliates of Blackstone Group L.P. ("Blackstone") and Farallon Capital Management, LLC ("the Farallon Funds") held an ownership interest in the Company and the operating partnership. Following a common stock offering and a common unit repurchase on January 10, 2017, Blackstone and the Farallon Funds informed us that they no longer owned common stock or common units in the Company or the operating partnership. As the sole general partner of our operating partnership, Hudson Pacific Properties, Inc. has the full, exclusive and complete responsibility for our operating partnership's day-to-day management and control.

We believe combining the quarterly reports on Form 10-Q of Hudson Pacific Properties, Inc. and the operating partnership into this single report results in the following benefits:

- enhancing investors' understanding of our Company and our operating partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation because a substantial portion of the disclosure applies to both our Company and our operating partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are a few differences between our Company and our operating partnership, which are reflected in the disclosures in this report. We believe it is important to understand the differences between our Company and our operating partnership in the context of how we operate as an interrelated, consolidated company. Hudson Pacific Properties, Inc. is a REIT, the only material assets of which are the units of partnership interest in our operating partnership. As a result, Hudson Pacific Properties, Inc. does not conduct business itself, other than acting as the sole general partner of our operating partnership, issuing equity from time to time and guaranteeing certain debt of our operating partnership. Hudson Pacific Properties, Inc. itself does not issue any indebtedness but guarantees some of the debt of our operating partnership. Our operating partnership, which is structured as a partnership with no publicly traded equity, holds substantially all of the assets of our Company and conducts substantially all of our business. Except for net proceeds from equity issuances by Hudson Pacific Properties, Inc., which are generally contributed to our operating partnership in exchange for units of partnership interest in our operating partnership, our operating partnership generates the capital required by our Company's business through its operations, its incurrence of indebtedness or through the issuance of units of partnership interest in our operating partnership.

Non-controlling interest, stockholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of our Company and those of our operating partnership. The common units in our operating partnership are accounted for as partners' capital in our operating partnership's consolidated financial statements and, to the extent not held by our Company, as a non-controlling interest in our Company's consolidated financial statements. The differences between stockholders' equity, partners' capital and non-controlling interest result from the differences in the equity issued by our Company and our operating partnership.

To help investors understand the significant differences between our Company and our operating partnership, this report presents the consolidated financial statements separately for our Company and our operating partnership. All other sections of this report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk," are presented together for our Company and our operating partnership.

In order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that our Company and our operating partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, or the Exchange Act and 18 U.S.C. §1350, this report also includes separate Part I, Item 4 “Controls and Procedures” sections and separate Exhibit 31 and 32 certifications for each of Hudson Pacific Properties, Inc. and our operating partnership.

HUDSON PACIFIC PROPERTIES, INC. AND HUDSON PACIFIC PROPERTIES, L.P.
QUARTERLY REPORT FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2017
TABLE OF CONTENTS

		Page
	PART I—FINANCIAL INFORMATION	
ITEM 1.	**Financial Statements of Hudson Pacific Properties, Inc.**	
	Consolidated Balance Sheets as of September 30, 2017 (unaudited) and December 31, 2016	5
	Consolidated Statements of Operations (unaudited) for the three and nine months ended September 30, 2017 and 2016	6
	Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three and nine months ended September 30, 2017 and 2016	7
	Consolidated Statements of Equity for the nine months ended September 30, 2017 (unaudited) and year ended December 31, 2016	8
	Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2017 and 2016	9
ITEM 1.	**Financial Statements of Hudson Pacific Properties, L.P.**	
	Consolidated Balance Sheets as of September 30, 2017 (unaudited) and December 31, 2016	10
	Consolidated Statements of Operations (unaudited) for the three and nine months ended September 30, 2017 and 2016	11
	Consolidated Statements of Comprehensive Income (Loss) (unaudited) for the three and nine months ended September 30, 2017 and 2016	12
	Consolidated Statements of Capital for the nine months ended September 30, 2017 (unaudited) and year ended December 31, 2016	13
	Consolidated Statements of Cash Flows (unaudited) for the nine months ended September 30, 2017 and 2016	14
	Notes to Unaudited Consolidated Financial Statements	15
ITEM 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	39
ITEM 3.	Quantitative and Qualitative Disclosures About Market Risk	60
ITEM 4.	Controls and Procedures	60
	PART II—OTHER INFORMATION	
ITEM 1.	Legal Proceedings	62
ITEM 1A.	Risk Factors	62
ITEM 2.	Unregistered Sales of Equity Securities and Use of Proceeds	62
ITEM 3.	Defaults Upon Senior Securities	62
ITEM 4.	Mine Safety Disclosures	62
ITEM 5.	Other Information	62
ITEM 6.	Exhibits	63
	Signatures	64

PART I—FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS OF HUDSON PACIFIC PROPERTIES, INC.

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

	September 30, 2017	December 31, 2016
ASSETS	(unaudited)	
Investment in real estate, at cost	$ 6,558,898	$ 6,099,293
Accumulated depreciation and amortization	(504,141)	(387,181)
Investment in real estate, net	6,054,757	5,712,112
Cash and cash equivalents	87,723	83,015
Restricted cash	25,784	25,177
Accounts receivable, net	5,014	6,833
Straight-line rent receivables, net	97,184	82,109
Deferred leasing costs and lease intangible assets, net	257,831	294,209
Prepaid expenses and other assets, net	57,360	79,058
Assets associated with real estate held for sale	321,437	396,485
TOTAL ASSETS	$ 6,907,090	$ 6,678,998
LIABILITIES AND EQUITY		
Notes payable, net	$ 2,424,358	$ 2,473,323
Accounts payable and accrued liabilities	162,938	116,973
Lease intangible liabilities, net	55,335	73,569
Security deposits and prepaid rent	66,499	70,468
Derivative liabilities	819	1,303
Liabilities associated with real estate held for sale	224,032	230,435
TOTAL LIABILITIES	2,933,981	2,966,071
6.25% Series A cumulative redeemable preferred units of the operating partnership	10,177	10,177
EQUITY		
Hudson Pacific Properties, Inc. stockholders’ equity:		
Common stock, $0.01 par value, 490,000,000 authorized, 155,302,800 shares and 136,492,235 shares outstanding at September 30, 2017 and December 31, 2016, respectively	1,553	1,364
Additional paid-in capital	3,619,940	3,109,394
Accumulated other comprehensive income	6,465	9,496
Accumulated income (deficit)	18,911	(16,971)
Total Hudson Pacific Properties, Inc. stockholders’ equity	3,646,869	3,103,283
Non-controlling interest—members in consolidated entities	302,111	304,608
Non-controlling interest—units in the operating partnership	13,952	294,859
TOTAL EQUITY	3,962,932	3,702,750
TOTAL LIABILITIES AND EQUITY	$ 6,907,090	$ 6,678,998

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 data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
REVENUES				
Office				
Rental	$ 139,157	$ 123,919	$ 406,275	$ 358,193
Tenant recoveries	24,982	22,657	67,421	64,493
Parking and other	8,035	5,521	22,146	16,103
Total Office revenues	172,174	152,097	495,842	438,789
Media & Entertainment				
Rental	11,012	7,102	26,802	19,987
Tenant recoveries	133	243	927	655
Other property-related revenue	6,561	5,005	14,964	12,784
Other	141	136	271	226
Total Media & Entertainment revenues	17,847	12,486	42,964	33,652
TOTAL REVENUES	190,021	164,583	538,806	472,441
OPERATING EXPENSES				
Office operating expenses	59,102	53,975	162,524	150,769
Media & Entertainment operating expenses	10,588	6,499	24,842	18,746
General and administrative	13,013	12,955	41,329	38,474
Depreciation and amortization	71,158	67,414	217,340	201,890
TOTAL OPERATING EXPENSES	153,861	140,843	446,035	409,879
INCOME FROM OPERATIONS	36,160	23,740	92,771	62,562
OTHER EXPENSE (INCOME)				
Interest expense	22,461	19,910	66,086	54,775
Interest income	(44)	(130)	(90)	(216)
Unrealized loss (gain) on ineffective portion of derivative instruments	37	(879)	82	1,630
Transaction-related expenses	598	315	598	376
Other income	(1,402)	(693)	(2,656)	(716)
TOTAL OTHER EXPENSES	21,650	18,523	64,020	55,849
INCOME BEFORE GAINS ON SALE OF REAL ESTATE	14,510	5,217	28,751	6,713
Gains on sale of real estate	—	—	16,866	8,515
NET INCOME	14,510	5,217	45,617	15,228
Net income attributable to preferred units	(159)	(159)	(477)	(477)
Net income attributable to participating securities	(255)	(196)	(750)	(589)
Net income attributable to non-controlling interest in consolidated entities	(2,991)	(2,525)	(9,002)	(6,866)
Net income attributable to non-controlling interest in units in the operating partnership	(41)	(490)	(256)	(2,357)
Net income attributable to Hudson Pacific Properties, Inc. common stockholders	$ 11,064	$ 1,847	$ 35,132	$ 4,939
Basic and diluted per share amounts:				
Net income attributable to common stockholders—basic	$ 0.07	$ 0.02	$ 0.23	$ 0.05
Net income attributable to common stockholders—diluted	$ 0.07	$ 0.02	$ 0.23	$ 0.05
Weighted average shares of common stock outstanding—basic	155,302,800	115,083,622	152,874,952	99,862,583
Weighted average shares of common stock outstanding—diluted	156,093,736	116,262,622	153,648,888	100,979,583
Dividends declared per share	$ 0.25	$ 0.20	$ 0.75	$ 0.60

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

HUDSON PACIFIC PROPERTIES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Net income	$ 14,510	$ 5,217	$ 45,617	$ 15,228
Other comprehensive income (loss): change in fair value of derivative instruments	507	3,087	611	(20,818)
Comprehensive income (loss)	15,017	8,304	46,228	(5,590)
Comprehensive income attributable to preferred units	(159)	(159)	(477)	(477)
Comprehensive income attributable to participating securities	(255)	(196)	(750)	(589)
Comprehensive income attributable to non-controlling interest in consolidated entities	(2,991)	(2,525)	(9,002)	(6,866)
Comprehensive (income) loss attributable to units in the operating partnership	(43)	(1,137)	(276)	5,903
Comprehensive income (loss) attributable to Hudson Pacific Properties, Inc. stockholders	$ 11,569	$ 4,287	$ 35,723	$ (7,619)

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 data)

	Hudson Pacific Properties, Inc. Stockholders' Equity							
	Shares of Common Stock	Stock Amount	Additional Paid-in Capital	Accumulated (Deficit) Income	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interest—Units in the Operating Partnership	Non-controlling Interest—Members in Consolidated Entities	Total Equity
Balance at January 1, 2016	89,153,780	$ 891	$1,710,979	$ (44,955)	$ (1,081)	$ 1,800,578	$ 262,625	$ 3,729,037
Contributions	—	—	—	—	—	—	33,996	33,996
Distributions	—	—	—	—	—	—	(1,303)	(1,303)
Proceeds from sale of common stock, net of underwriters' discount and transaction costs	47,010,695	470	1,449,111	—	—	—	—	1,449,581
Issuance of unrestricted stock	590,520	6	—	—	—	—	—	6
Shares withheld to satisfy tax withholding	(262,760)	(3)	(8,424)	—	—	—	—	(8,427)
Declared dividend	—	—	(90,005)	—	—	(27,814)	—	(117,819)
Amortization of stock-based compensation	—	—	13,609	—	—	1,045	—	14,654
Net income	—	—	—	27,984	—	5,848	9,290	43,122
Change in fair value of derivatives	—	—	—	—	10,577	(4,635)	—	5,942
Redemption of common units in the operating partnership	—	—	34,124	—	—	(1,480,163)	—	(1,446,039)
Balance at December 31, 2016	136,492,235	1,364	3,109,394	(16,971)	9,496	294,859	304,608	3,702,750
Contributions	—	—	—	—	—	—	3,870	3,870
Distributions	—	—	—	—	—	—	(15,369)	(15,369)
Proceeds from sale of common stock, net of underwriters' discount and transaction costs	18,656,575	187	647,337	—	—	—	—	647,524
Issuance of unrestricted stock	274,251	3	(3)	—	—	—	—	—
Shares withheld to satisfy tax withholding	(120,261)	(1)	(4,202)	—	—	—	—	(4,203)
Declared dividend	—	—	(117,916)	—	—	(492)	—	(118,408)
Amortization of stock-based compensation	—	—	9,865	—	—	2,007	—	11,872
Net income	—	—	—	35,882	—	256	9,002	45,140
Change in fair value of derivatives	—	—	—	—	591	20	—	611
Redemption of common units in the operating partnership	—	—	(24,535)	—	(3,622)	(282,698)	—	(310,855)
Balance at September 30, 2017	155,302,800	$ 1,553	$3,619,940	$ 18,911	$ 6,465	$ 13,952	$ 302,111	$ 3,962,932

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,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 45,617	$ 15,228
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	217,340	201,890
Amortization of deferred financing costs and loan premium, net	3,558	3,278
Amortization of stock-based compensation	11,237	9,931
Straight-line rents	(15,174)	(19,398)
Straight-line rent expenses	296	886
Amortization of above- and below-market leases, net	(14,326)	(13,804)
Amortization of above- and below-market ground lease, net	2,088	1,604
Amortization of lease incentive costs	1,140	1,017
Other non-cash adjustments[1]	598	682
Gains on sale of real estate	(16,866)	(8,515)
Change in operating assets and liabilities:		
Accounts receivable	1,649	12,521
Deferred leasing costs and lease intangibles	(23,270)	(34,610)
Prepaid expenses and other assets	(3,000)	(5,008)
Accounts payable and accrued liabilities	34,660	32,786
Security deposits and prepaid rent	(5,943)	2,364
Net cash provided by operating activities	239,604	200,852
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment property	(224,797)	(183,286)
Property acquisitions	(257,734)	(307,919)
Proceeds from sales of real estate	81,707	283,855
Contributions to unconsolidated entities	(1,071)	(28,393)
Distributions from unconsolidated entities	17,416	—
Deposit for property acquisitions	—	(13,130)
Proceed from repayment of notes receivable	—	28,892
Net cash used in investing activities	(384,479)	(219,981)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	270,000	957,000
Payments of notes payable	(321,892)	(808,006)
Proceeds from issuance of common stock, net	647,524	880,514
Payment for redemption of common units in the operating partnership	(310,855)	(876,213)
Distributions paid to common stockholders and unitholders	(118,408)	(88,469)
Distributions paid to preferred unitholders	(477)	(477)
Contributions from non-controlling member in consolidated entities	3,870	103
Distributions to non-controlling member in consolidated entities	(15,369)	(990)
Payments to satisfy tax withholding	(4,203)	(1,776)
Payments of loan costs	—	(2,661)
Net cash provided by financing activities	150,190	59,025
Net increase in cash and cash equivalents and restricted cash	5,315	39,896
Cash and cash equivalents and restricted cash—beginning of period	108,192	71,561
Cash and cash equivalents and restricted cash—end of period	$ 113,507	$ 111,457
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest including amounts capitalized	$ 47,852	$ 53,474
NON-CASH INVESTING ACTIVITIES:		

Accounts payable and accrued liabilities for real estate investments	$	(6,740)	$	(10,227)
Reclassification of investment in unconsolidated entities for real estate investments	$	7,835	$	—

____

(1) Represents bad debt expense/recovery, amortization of discount and net origination fees on purchased and originated loans and unrealized loss/gain on ineffective portion of derivative instruments.

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

ITEM 1. FINANCIAL STATEMENTS OF HUDSON PACIFIC PROPERTIES, L.P.

HUDSON PACIFIC PROPERTIES, L.P
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit data)

	September 30, 2017	December 31, 2016
ASSETS	(unaudited)	
Investment in real estate, at cost	$ 6,558,898	$ 6,099,293
Accumulated depreciation and amortization	(504,141)	(387,181)
Investment in real estate, net	6,054,757	5,712,112
Cash and cash equivalents	87,723	83,015
Restricted cash	25,784	25,177
Accounts receivable, net	5,014	6,833
Straight-line rent receivables, net	97,184	82,109
Deferred leasing costs and lease intangible assets, net	257,831	294,209
Prepaid expenses and other assets, net	57,360	79,058
Assets associated with real estate held for sale	321,437	396,485
TOTAL ASSETS	$ 6,907,090	$ 6,678,998
LIABILITIES		
Notes payable, net	$ 2,424,358	$ 2,473,323
Accounts payable and accrued liabilities	162,938	116,973
Lease intangible liabilities, net	55,335	73,569
Security deposits and prepaid rent	66,499	70,468
Derivative liabilities	819	1,303
Liabilities associated with real estate held for sale	224,032	230,435
TOTAL LIABILITIES	2,933,981	2,966,071
6.25% Series A cumulative redeemable preferred units of the operating partnership	10,177	10,177
CAPITAL		
Hudson Pacific Properties, L.P. partners’ capital:		
Common units, 155,871,845 and 145,942,855 issued and outstanding at September 30, 2017 and December 31, 2016, respectively.	3,654,332	3,392,264
Accumulated other comprehensive income	6,489	5,878
Total Hudson Pacific Properties, L.P. partners’ capital	3,660,821	3,398,142
Non-controlling interest—members in consolidated entities	302,111	304,608
TOTAL CAPITAL	3,962,932	3,702,750
TOTAL LIABILITIES AND CAPITAL	$ 6,907,090	$ 6,678,998

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

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited, in thousands, except unit data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
REVENUES				
Office				
Rental	$ 139,157	$ 123,919	$ 406,275	$ 358,193
Tenant recoveries	24,982	22,657	67,421	64,493
Parking and other	8,035	5,521	22,146	16,103
Total Office revenues	172,174	152,097	495,842	438,789
Media & Entertainment				
Rental	11,012	7,102	26,802	19,987
Tenant recoveries	133	243	927	655
Other property-related revenue	6,561	5,005	14,964	12,784
Other	141	136	271	226
Total Media & Entertainment revenues	17,847	12,486	42,964	33,652
TOTAL REVENUES	190,021	164,583	538,806	472,441
OPERATING EXPENSES				
Office operating expenses	59,102	53,975	162,524	150,769
Media & Entertainment operating expenses	10,588	6,499	24,842	18,746
General and administrative	13,013	12,955	41,329	38,474
Depreciation and amortization	71,158	67,414	217,340	201,890
TOTAL OPERATING EXPENSES	153,861	140,843	446,035	409,879
INCOME FROM OPERATIONS	36,160	23,740	92,771	62,562
OTHER EXPENSE (INCOME)				
Interest expense	22,461	19,910	66,086	54,775
Interest income	(44)	(130)	(90)	(216)
Unrealized loss (gain) on ineffective portion of derivative instruments	37	(879)	82	1,630
Transaction-related expenses	598	315	598	376
Other income	(1,402)	(693)	(2,656)	(716)
TOTAL OTHER EXPENSES	21,650	18,523	64,020	55,849
INCOME BEFORE GAINS ON SALE OF REAL ESTATE	14,510	5,217	28,751	6,713
Gains on sale of real estate	—	—	16,866	8,515
NET INCOME	14,510	5,217	45,617	15,228
Net income attributable to non-controlling interest in consolidated entities	(2,991)	(2,525)	(9,002)	(6,866)
Net income attributable to Hudson Pacific Properties, L.P.	11,519	2,692	36,615	8,362
Net income attributable to preferred units	(159)	(159)	(477)	(477)
Net income attributable to participating securities	(255)	(196)	(750)	(589)
Net income available to Hudson Pacific Properties, L.P. common unitholders	$ 11,105	$ 2,337	$ 35,388	$ 7,296
Basic and diluted per unit amounts:				
Net income attributable to common unitholders—basic	$ 0.07	$ 0.02	$ 0.23	$ 0.05
Net income attributable to common unitholders—diluted	$ 0.07	$ 0.02	$ 0.23	$ 0.05
Weighted average shares of common units outstanding—basic	155,871,845	145,614,312	153,736,796	145,550,685
Weighted average shares of common units outstanding—diluted	156,662,781	146,793,312	154,510,732	146,667,685
Dividends declared per unit	$ 0.25	$ 0.20	$ 0.75	$ 0.60

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

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net income	$ 14,510	$ 5,217	$ 45,617	$ 15,228
Other comprehensive income (loss): change in fair value of derivative instruments	507	3,087	611	(20,818)
Comprehensive income (loss)	15,017	8,304	46,228	(5,590)
Comprehensive income attributable to preferred units	(159)	(159)	(477)	(477)
Comprehensive income attributable to participating securities	(255)	(196)	(750)	(589)
Comprehensive income attributable to non-controlling interest in consolidated entities	(2,991)	(2,525)	(9,002)	(6,866)
Comprehensive income (loss) attributable to Hudson Pacific Properties, L.P. partners' capital	$ 11,612	$ 5,424	$ 35,999	$ (13,522)

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

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED STATEMENTS OF CAPITAL
(unaudited, in thousands, except unit data)

	Hudson Pacific Properties, L.P. Partners' Capital						
	Number of Common Units		Common Units		Accumulated Other Comprehensive (Loss) Income	Non-controlling Interest—Members in Consolidated Entities	Total Capital
Balance at January 1, 2016	145,450,095	$	3,466,476	$	(64) $	262,625 $	3,729,037
Contributions	—		—		—	33,996	33,996
Distributions	—		—		—	(1,303)	(1,303)
Proceeds from sale of common units, net of underwriters' discount and transaction costs	47,010,695		1,449,581		—	—	1,449,581
Issuance of unrestricted units	590,520		6		—	—	6
Units withheld to satisfy tax withholding	(262,760)		(8,427)		—	—	(8,427)
Declared distributions	—		(117,819)		—	—	(117,819)
Amortization of unit-based compensation	—		14,654		—	—	14,654
Net income	—		33,832		—	9,290	43,122
Change in fair value of derivative instruments	—		—		5,942	—	5,942
Redemption of common units	(46,845,695)		(1,446,039)		—	—	(1,446,039)
Balance at December 31, 2016	145,942,855		3,392,264		5,878	304,608	3,702,750
Contributions	—		—		—	3,870	3,870
Distributions	—		—		—	(15,369)	(15,369)
Proceeds from sale of common units, net of underwriters' discount and transaction costs	18,656,575		647,524		—	—	647,524
Issuance of unrestricted units	274,251		—		—	—	—
Units withheld to satisfy tax withholding	(120,261)		(4,203)		—	—	(4,203)
Declared distributions	—		(118,408)		—	—	(118,408)
Amortization of unit-based compensation	—		11,872		—	—	11,872
Net income	—		36,138		—	9,002	45,140
Change in fair value of derivative instruments	—		—		611	—	611
Redemption of common units	(8,881,575)		(310,855)		—	—	(310,855)
Balance at September 30, 2017	155,871,845	$	3,654,332	$	6,489 $	302,111 $	3,962,932

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

HUDSON PACIFIC PROPERTIES, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited, in thousands)

	Nine Months Ended September 30,	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 45,617	$ 15,228
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	217,340	201,890
Amortization of deferred financing costs and loan premium, net	3,558	3,278
Amortization of unit-based compensation	11,237	9,931
Straight-line rents	(15,174)	(19,398)
Straight-line rent expenses	296	886
Amortization of above- and below-market leases, net	(14,326)	(13,804)
Amortization of above- and below-market ground lease, net	2,088	1,604
Amortization of lease incentive costs	1,140	1,017
Other non-cash adjustments[(1)]	598	682
Gains on sale of real estate	(16,866)	(8,515)
Change in operating assets and liabilities:		
Accounts receivable	1,649	12,521
Deferred leasing costs and lease intangibles	(23,270)	(34,610)
Prepaid expenses and other assets	(3,000)	(5,008)
Accounts payable and accrued liabilities	34,660	32,786
Security deposits and prepaid rent	(5,943)	2,364
Net cash provided by operating activities	239,604	200,852
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment property	(224,797)	(183,286)
Property acquisitions	(257,734)	(307,919)
Proceeds from sales of real estate	81,707	283,855
Contributions to unconsolidated entities	(1,071)	(28,393)
Distributions from unconsolidated entities	17,416	—
Deposit for property acquisitions	—	(13,130)
Proceed from repayment of notes receivable	—	28,892
Net cash used in investing activities	(384,479)	(219,981)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	270,000	957,000
Payments of notes payable	(321,892)	(808,006)
Proceeds from issuance of common units, net	647,524	880,514
Payment for redemption of common units	(310,855)	(876,213)
Distributions paid to common unitholders	(118,408)	(88,469)
Distributions paid to preferred unitholders	(477)	(477)
Contributions from non-controlling member in consolidated entities	3,870	103
Distributions to non-controlling member in consolidated entities	(15,369)	(990)
Payments to satisfy tax withholding	(4,203)	(1,776)
Payments of loan costs	—	(2,661)
Net cash provided by financing activities	150,190	59,025
Net increase in cash and cash equivalents and restricted cash	5,315	39,896
Cash and cash equivalents and restricted cash—beginning of period	108,192	71,561
Cash and cash equivalents and restricted cash—end of period	$ 113,507	$ 111,457
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest including amounts capitalized	$ 47,852	$ 53,474

NON-CASH INVESTING ACTIVITIES:				
Accounts payable and accrued liabilities for real estate investments	$	(6,740)	$	(10,227)
Reclassification of investment in unconsolidated entities for real estate investments	$	7,835	$	—

____

(1) Represents bad debt expense/recovery, amortization of discount and net origination fees on purchased and originated loans and unrealized loss/gain on ineffective portion of derivative instruments.

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

(Unaudited, tabular amounts in thousands, except square footage, share and unit data)

1. Organization

Hudson Pacific Properties, Inc. is a Maryland corporation formed on November 9, 2009 as a fully integrated, self-administered and self-managed real estate investment trust ("REIT"). Through its controlling interest in the operating partnership and its subsidiaries, Hudson Pacific Properties, Inc. owns, manages, leases, acquires and develops real estate, consisting primarily of office and media and entertainment properties. Unless otherwise indicated or unless the context requires otherwise, all references in these financial statements to "the Company" refer to Hudson Pacific Properties, Inc. together with its consolidated subsidiaries, including Hudson Pacific Properties, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to "our operating partnership" or "the operating partnership" refer to Hudson Pacific Properties, L.P. together with its consolidated subsidiaries.

On April 1, 2015, the Company completed the acquisition of the EOP Northern California Portfolio ("EOP Acquisition") from Blackstone Real Estate Partners V and VI ("Blackstone"). The EOP Acquisition consisted of 26 high-quality office assets totaling approximately 8.2 million square feet and two development parcels located throughout the Northern California region. The total consideration paid for the EOP Acquisition before certain credits, prorations and closing costs included a cash payment of $1.75 billion and an aggregate of 63,474,791 shares of common stock of Hudson Pacific Properties, Inc. and common units in the operating partnership.

The Company's portfolio consists of properties located throughout Northern and Southern California and the Pacific Northwest. The following table summarizes the Company's portfolio as of September 30, 2017:

	Number of Properties	Square Feet (unaudited)
Office properties:		
Northern California[1]	29	9,600,289
Southern California[2]	16	2,817,509
Pacific Northwest[3]	8	1,496,620
Total Office properties	53	13,914,418
Media & Entertainment properties:		
Southern California[2]	3	1,249,927
Total Media & Entertainment properties	3	1,249,927
Total[4]	56	15,164,345

____

(1) Includes the Foster City, Milpitas, North San Jose, Palo Alto, Redwood Shores, San Francisco, San Mateo and Santa Clara submarkets.
(2) Includes the Burbank, Downtown Los Angeles, Hollywood, Torrance and West Los Angeles submarkets.
(3) Includes the Lynnwood, Pioneer Square and South Lake Union submarkets.
(4) Includes redevelopment, development and held for sale office properties.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the Company and the operating partnership are prepared in accordance with generally accepted accounting principles in the United States ("GAAP") applicable to interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Certain information and footnote disclosures required for annual financial statements have been condensed or excluded pursuant to the Securities and Exchange Commission ("SEC") rules and regulations. Accordingly, the interim financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, the accompanying interim financial statements reflect all adjustments of a normal and recurring nature that are considered necessary for a fair presentation of the results for the interim periods presented.

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, 2017. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements in the 2016 Annual Report on Form 10-K of Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. and the notes thereto.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

Certain amounts in the consolidated financial statements for the prior period have been reclassified to conform to the current period presentation. Included in the reclassified amounts are properties held for sale. These amounts relate to 3402 Pico Boulevard, which was sold on March 21, 2017, and Pinnacle I and Pinnacle II, which are expected to be sold during the fourth quarter of 2017.

Principles of Consolidation

The unaudited interim consolidated financial statements of the Company include the accounts of the Company, the operating partnership and all wholly owned subsidiaries and variable interest entities ("VIEs"), of which the Company is the primary beneficiary. The unaudited interim consolidated financial statements of the operating partnership include the accounts of the operating partnership and all wholly owned subsidiaries and VIEs, of which the operating partnership is the primary beneficiary. All intercompany balances and transactions have been eliminated in the consolidated financial statements.

The Company consolidates all VIEs of which the Company is considered the primary beneficiary. VIEs are defined as entities in which equity investors (i) do not have the characteristics of a controlling financial interest and/or (ii) do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The entity that consolidates a VIE is known as its primary beneficiary and is generally the entity with (i) the power to direct the activities that most significantly affect the VIE's economic performance and (ii) the right to receive benefits from the VIE or the obligation to absorb losses of the VIE that could be significant to the VIE. As of September 30, 2017, the Company has determined that four joint ventures and our operating partnership met the definition of a VIE. Three of the joint ventures are consolidated entities and one joint venture is a non-consolidated entity.

Consolidated Entities

As of September 30, 2017, the operating partnership has determined that three of its joint ventures met the definition of a VIE and are consolidated:

Property	Ownership interest
Pinnacle I[(1)]	65.0%
Pinnacle II[(1)]	65.0%
1455 Market Street	55.0%
Hill7	55.0%

____

(1) A single joint venture owns both Pinnacle I and Pinnacle II. The Company entered into an agreement on September 14, 2017 to sell its ownership interest in Pinnacle I and Pinnacle II. The sale is expected to close in the fourth quarter of 2017.

As of September 30, 2017, the Company has determined that our operating partnership met the definition of a VIE and is consolidated. Substantially all of the assets and liabilities of the Company are related to these VIEs.

Non-consolidated Entities

On June 15, 2017, the Company purchased the remaining interest in land at its 11601 Wilshire property. Refer to Note 3 for details. As a result of the purchase, the Company is no longer accounting for the interest in land as a non-consolidated entity.

As of September 30, 2017, the Company has determined it is not the primary beneficiary of one joint venture that meets the definition of a VIE. Due to its significant influence over the non-consolidated entity, the Company accounts for it using the equity method of accounting. Under the equity method, the Company initially records the investment at cost and subsequently adjusts for equity in earnings or losses and cash contributions and distributions. The Company's net equity investment is reflected within prepaid expenses and other assets on the Consolidated Balance Sheets which represents the

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

Company's maximum exposure for loss. The Company's share of net income or loss from the entity is included within other income on the Consolidated Statements of Operations. The Company owns 21% of the non-consolidated entity.

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 ongoing basis, the Company evaluates its estimates, including those related to acquiring, developing and assessing the carrying values of its real estate properties, its accrued liabilities and its performance-based equity compensation awards. The Company bases its estimates on historical experience, current market conditions and various other assumptions that are believed to be reasonable under the circumstances. Actual results could materially differ from these estimates.

Recently Issued Accounting Pronouncements

Changes to GAAP are established by the Financial Accounting Standards Board ("the FASB") in the form of Accounting Standards Update ("ASU"). The following ASUs were adopted by the Company in 2017:

Standard	Description	Effect on the Financial Statements or Other Significant Matters
ASU 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment	This guidance removes step two from the goodwill impairment test. As a result, an entity should perform its annual, or interim, goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount and should recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit.	The Company early adopted this guidance during the second quarter of 2017 and applied it prospectively. The adoption did not have an impact on the Company's consolidated financial statements.
ASU 2017-03, Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings (SEC Update)	The guidance in this ASU is based on two SEC staff announcements made at the September 2016 and November 2016 EITF meetings. In the September meeting, the SEC announced that a registrant should disclose the potential material effects of the ASUs related to revenues, leases and credit losses on financial instruments. As a result of the November meeting, the ASU conforms Accounting Standards Codification ("ASC") 323 to the guidance issued in ASU 2014-01 related to investments in qualified affordable housing projects.	The Company adopted this guidance during the first quarter of 2017 and applied it prospectively. With the adoption, the Company provided updates on its implementation of the ASUs related to revenue, leases and credit losses on financial instruments. Please refer to sections below for updates on the implementation of revenue and lease ASUs. The ASU related to credit losses on financial instruments could have a material impact on trade receivables and the Company is currently assessing the impact of this ASU on its consolidated financial statements and notes to the consolidated financial statements.
ASU 2016-19, Technical Corrections and Improvements	The technical corrections make minor change to certain aspects of the FASB ASC, including changes to resolve differences between current and pre-Codification guidance, updates to wording, references to avoid misapplication and textual simplifications to increase the Codification's utility and understandability and minor amendments to guidance that are not expected to have a significant effect on current accounting practice or create a significant administrative cost to most entities.	The Company adopted this guidance during the first quarter of 2017 and applied it prospectively. The adoption did not have a material impact on the Company's consolidated financial statements.
ASU 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force)	This guidance requires entities to include restricted cash and restricted cash equivalents with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the statement of cash flows.	The Company early adopted this guidance during the second quarter of 2017 and applied it retrospectively. Pursuant to the adoption, the Company revised the Consolidated Statement of Cash Flows and disclosed the reconciliation to the related captions in the Consolidated Balance Sheets in Note 19.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

Standard	Description	Effect on the Financial Statements or Other Significant Matters
ASU 2016-17, Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control	This guidance outlines how a single decisionmaker of a VIE should treat indirect interests held through other related parties that are under common control with the reporting entity when determining whether it is the primary beneficiary of that VIE.	The Company adopted this guidance during the first quarter of 2017 and applied it retrospectively. The adoption did not have a material impact on the Company's consolidated financial statements and did not change the consolidation conclusion.
ASU 2016-15, Classification of Certain Cash Receipts and Cash Payments	This ASU clarifies how certain transactions should be classified in the statement of cash flows, including debt prepayment costs, contingent consideration payments made after a business combination and distributions received from equity method investments. The ASU provides two approaches to determine the classification of cash distributions received from equity method investments: (i) the "cumulative earnings" approach, under which distributions up to the amount of cumulative equity in earnings recognized will be classified as cash inflows from operating activities, and those in excess of that amount will be classified as cash inflows from investing activities and (ii) the "nature of the distribution" approach, under which distributions will be classified based on the nature of the underlying activity that generated cash distributions. The guidance requires a Company to elect either the "cumulative earnings" approach or the "nature of the distribution" approach at the time of adoption.	The Company early adopted this guidance during the second quarter of 2017 and applied it retrospectively. Pursuant to the adoption, the Company elected the "nature of the distribution" approach related to the distributions received from its equity method investments. The adoption did not have an impact on the Company's Consolidated Statements of Cash Flows.
ASU 2016-07, Investments—Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting	The guidance eliminates the requirement that an investor retrospectively apply equity method accounting when an investment that it had accounted for by another method initially qualifies for use of the equity method. The guidance also requires an investor that has an available-for-sale security that subsequently qualifies for the equity method to recognize in net income the unrealized holding gains or losses in accumulated other comprehensive income related to that security when it begins applying the equity method. It is required to apply this guidance prospectively.	The Company adopted this guidance during the first quarter of 2017 and applied it prospectively. The adoption did not have a material impact on the Company's consolidated financial statements.
ASU 2016-05, Derivatives and Hedging (Topic 815), Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships	The guidance states that the novation of a derivative contract (e.g., a change in the counterparty) in a hedge accounting relationship does not, in and of itself, require de-designation of that hedge accounting relationship. The hedge accounting relationship could continue uninterrupted if all of the other hedge accounting criteria are met, including the expectation that the hedge will be highly effective when the creditworthiness of the new counterparty to the derivative contract is considered. Either a prospective or a modified retrospective approach can be applied.	The Company adopted this guidance during the first quarter of 2017 and applied it prospectively. The adoption did not have a material impact on the Company's consolidated financial statements.

Update on ASC 606, Revenue from Contracts with Customers ("ASC 606"), implementation

On May 28, 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers. This guidance outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers and specifically notes that lease contracts with customers are a scope exception. The FASB has subsequently issued other ASUs to amend and provide further guidance related to ASC 606. These ASUs are effective for annual reporting periods (including interim periods) beginning after December 15, 2017. Either the full retrospective basis (to the beginning of its contracts) or modified retrospective method (from the beginning of the latest fiscal year of adoption) is permitted.

The Company has compiled an inventory of sources of revenues and have preliminarily identified three revenue streams. Two of these revenue streams will be accounted for under ASC 606 when it becomes effective on January 1, 2018. The remaining revenue stream, which is integral to the Company's leasing revenues, will be accounted for under ASC 606, effective with the adoption of ASC 842, Leases ("ASC 842"), on January 1, 2019. The Company is in the process of evaluating the impact on its consolidated financial statements but expects that the recognition of revenues will not be impacted by this standard. The Company plans to adopt ASC 606 on January 1, 2018 using the modified retrospective approach.

Update on ASC 842 implementation

On February 25, 2016, the FASB issued ASU 2016-02 to amend the accounting guidance for leases and sets out the principles for the recognition, measurement, presentation, and disclosure of leases for both parties to a lease agreement (i.e., lessees and lessors).

ASC 842 provides practical expedience that allow entities to not (i) reassess whether any expired or existing contracts are or contain leases; (ii) reassess the lease classification for any expired or existing leases; (iii) reassess initial direct costs for any existing leases. This ASU is effective for annual reporting periods (including interim periods) beginning after December 15, 2018. A modified retrospective approach must be applied for leases that exist or are entered into after the beginning of the earliest comparative period presented in the consolidated financial statements.

The Company plans to adopt the standard on January 1, 2019 and expects to adopt using the practical expedience elections.

Lessor Accounting

The Company recognized rental revenues and tenant recoveries of $175.3 million and $501.4 million for the three and nine months ended September 30, 2017. This ASU requires companies to identify lease and non-lease components of a lease agreement. Lease components relate to the right to use the leased asset and non-lease components relate to payments for goods or services that are transferred separately from the right to use the underlying asset. Total lease consideration is allocated to lease and non-lease components on a relative standalone basis. The recognition of revenues related to lease components will be governed by ASC 842 while revenue related to non-lease components will be subject to ASC 606.

Under current accounting standards, 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. Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period during which the applicable expenses are incurred. The reimbursements are recognized and presented gross, as we are generally the primary obligor with respect to purchasing goods and services from third-party suppliers, have discretion in selecting the supplier and bear the associated credit risk.

The Company has not completed its analysis of this ASU but expects that lessors will continue to recognize the lease revenue component using an approach that is substantially equivalent to existing guidance. The Company expects that tenant recoveries will be separated into lease and non-lease components.

The ASU also requires lessors to capitalize only those costs that are defined as initial direct costs. Under the current accounting standards, the Company capitalizes initial direct and indirect leasing costs. During the three and nine months ended September 30, 2017, the Company capitalized $1.8 million and $5.0 million of indirect leasing costs, respectively. Under this new ASU, these costs will be expensed as incurred.

Lessee Accounting

As of September 30, 2017, the future undiscounted minimum lease payments under the Company's ground leases totaled $456.3 million. This guidance requires lessees to record a lease liability at lease inception, with a corresponding right-of-use asset, except for short-term leases. The Company continues to evaluate the amount of right-of-use asset and lease liability that will need to be recorded with respect to its ground leases where it is the lessee.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

Other recently issued ASUs

The Company considers the applicability and impact of all ASUs. The following table lists the recently issued ASUs that have not been disclosed in the Company's 2016 Annual Report on Form 10-K and have not been adopted by the Company. The list excludes those ASUs that are not expected to have a material impact on the Company's consolidated financial statements.

Standard	**Description**	**Effective Date**	**Effect on the Financial Statements or Other Significant Matters**
ASU 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities	The guidance eliminates the requirement to separately measure and report hedge ineffectiveness and generally requires the entire change in the fair value of a hedging instrument to be presented in the same income statement line as the hedged item. Therefore, a cumulative effect adjustment related to elimination of ineffectiveness measurement is required to be recorded to the opening balance of retained earnings as of the beginning of the fiscal year of adoption for cash flow hedge. The guidance also eases certain documentation and assessment requirements and modifies the accounting for components excluded from the assessment of hedge effectiveness. This guidance must be applied using a modified retrospective approach.	Effective for annual reporting periods (including interim periods) beginning after December 15, 2018	The Company is currently evaluating the impact of this standard on its consolidated financial statements and notes to the consolidated financial statements. The Company expects that the adoption would impact derivative instruments that have portions of ineffectiveness. The Company plans to early adopt this guidance during the first quarter in 2018 and apply it using the modified retrospective approach.
ASU 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting	The guidance clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. This guidance must be applied prospectively.	Effective for annual reporting periods (including interim periods) beginning after December 15, 2017	The Company does not currently expect a material impact of this ASU on its consolidated financial statements and notes to the consolidated financial statements. The Company plans to adopt this guidance during the first quarter in 2018.
ASU 2017-05, Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets	The guidance updates the definition of an in substance nonfinancial asset and clarifies the scope of ASC 610-20 on the sale or transfer of nonfinancial assets to noncustomers, including partial sales. It also clarifies the derecognition guidance for nonfinancial assets to conform with the new revenue recognition standard. Either a full or modified retrospective approach can be applied.	Effective for annual reporting periods (including interim periods) beginning after December 15, 2017	The Company currently expects that the adoption of this ASU could have a material impact on its consolidated financial statements; however, such impact will not be known until the Company disposes of any of its investments in real estate properties, which would all be sales of nonfinancial assets. The Company plans to adopt this guidance during the first quarter in 2018 and apply it using the modified retrospective approach.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

3. Investment in Real Estate

Real estate held for investment

The following table summarizes the Company’s investment in real estate, at cost as of:

	September 30, 2017	December 31, 2016
Land	$ 1,369,320	$ 1,221,450
Building and improvements	4,526,416	4,217,232
Tenant improvements	389,284	361,108
Furniture and fixtures	8,217	4,264
Property under development	265,661	295,239
Investment in real estate, at cost[(1)]	$ 6,558,898	$ 6,099,293

____

(1) Excludes balances related to properties that have been classified as held for sale.

Acquisitions

The Company’s acquisitions are accounted for using the acquisition method. The results of operations for each of these acquisitions are included in the Company’s Consolidated Statements of Operations from the date of acquisition.

The Company evaluates each acquisition to determine if the integrated set of assets and activities acquired meet the definition of a business and need to be accounted for as a business combination in accordance with ASC 805, *Business Combinations*. An integrated set of assets and activities would fail to qualify as a business if either (i) substantially all of the fair value of the gross assets acquired is concentrated in either a single identifiable asset or a group of similar identifiable assets or (ii) the integrated set of assets and activities is lacking, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs (i.e., revenue generated before and after the transaction). An acquired process is considered substantive if (i) the process includes an organized workforce (or includes an acquired contract that provides access to an organized workforce) that is skilled, knowledgeable and experienced in performing the process, (ii) the process cannot be replaced without significant cost, effort, or delay or (iii) the process is considered unique or scarce.

The Company assesses fair value based on Level 2 and Level 3 inputs within the fair value framework, which includes estimated cash flow projections that utilize appropriate discount, capitalization rates, renewal probability and available market information, which includes market rental rate and market rent growth rates. 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 were vacant. The fair value of acquired “above- and below-” market leases are based on the estimated cash flow projections utilizing 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 below-market 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 and legal and other related costs.

The following table summarizes the information on the acquisitions completed during the nine months ended September 30, 2017:

Property	Submarket	Segment	Date of Acquisition	Square Feet (unaudited)	Purchase Price[(1)] (in millions)
Sunset Las Palmas Studios[(2)]	Hollywood	Media and Entertainment	5/1/2017	369,000	$ 200.0
11601 Wilshire land[(3)]	West Los Angeles	Office	6/15/2017	N/A	50.0
6666 Santa Monica[(4)]	Hollywood	Media and Entertainment	6/29/2017	4,150	3.2
Total acquisitions				373,150	$ 253.2

____

(1) Represents purchase price before certain credits, prorations and closing costs.

(2) The property consists of stages, production office and support space on 15 acres near Sunset Gower Studios and Sunset Bronson Studios. The purchase price above does not include equipment purchased by the Company for $2.8 million, which was transacted separately from the studio acquisition. In April 2017, the Company drew $150.0 million under the unsecured revolving credit facility to fund the acquisition.

(3) On July 1, 2016 the Company purchased a partial interest in land held as a tenancy in common in conjunction with its acquisition of the 11601 Wilshire property. The land interest held as a tenancy in common was accounted for as an equity method investment. On June 15, 2017, the Company purchased the remaining interest, which was fair valued and allocated to land and building.

(4) This parcel is adjacent to the Sunset Las Palmas Studios property.

The Company's acquisitions did not meet the definition of a business and were therefore accounted for as asset acquisitions. In accordance with asset acquisitions, the purchase price includes capitalized acquisition costs. The following table represents the Company's final aggregate purchase price accounting, as of the respective acquisition dates, for each of the Company's acquisitions completed in the nine months ended September 30, 2017:

	Sunset Las Palmas Studios[(1)]	11601 Wilshire land	6666 Santa Monica	Total
Investment in real estate	$ 202,723	$ 50,034	$ 3,091	$ 255,848
Deferred leasing costs and in-place lease intangibles[(2)]	1,741	—	145	1,886
Total assets assumed	$ 204,464	$ 50,034	$ 3,236	$ 257,734

____

(1) The purchase price allocation includes equipment purchased by the Company of $2.8 million.

(2) Represents weighted-average amortization period of 1.21 years.

Dispositions

The following table summarizes the properties sold during the nine months ended September 30, 2017. These properties were non-strategic assets to the Company's portfolio:

Property	Date of Disposition	Square Feet (unaudited)	Sales Price[(1)] (in millions)
222 Kearny Street	2/14/2017	148,797	$ 51.8
3402 Pico Boulevard	3/21/2017	50,687	35.0
Total dispositions		199,484	$ 86.8

____

(1) Represents gross sales price before certain credits, prorations and closing costs.

The dispositions of these properties resulted in a $16.9 million gain for the nine months ended September 30, 2017. This amount is included in gains on sale of real estate in the Consolidated Statements of Operations. There were no dispositions during the three months ended September 30, 2017.

Held for Sale

The Company had four properties classified as held for sale as of December 31, 2016. Two properties were disposed of during the first quarter of 2017. The Company entered into an agreement on September 14, 2017 to sell its ownership interest in the consolidated joint venture that owns Pinnacle I and Pinnacle II to certain affiliates of Blackstone for $350.0 million, before credits, prorations and closing costs, including the assumption of $216.0 million of secured notes payable. The sale of Pinnacle I and Pinnacle II is expected to close in the fourth quarter of 2017.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

The following table summarizes the components of assets and liabilities associated with real estate held for sale as of:

	September 30, 2017	December 31, 2016
ASSETS		
Investment in real estate, net	$ 302,992	$ 371,422
Accounts receivable, net	11	357
Straight-line rent receivables, net	5,220	5,949
Deferred leasing costs and lease intangible assets, net	13,204	17,798
Prepaid expenses and other assets, net	10	959
Assets associated with real estate held for sale	$ 321,437	$ 396,485
LIABILITIES		
Notes payable, net	$ 214,818	$ 214,687
Accounts payable and accrued liabilities	3,229	6,517
Lease intangible liabilities, net	5,316	6,588
Security deposits and prepaid rent	669	2,643
Liabilities associated with real estate held for sale	$ 224,032	$ 230,435

Impairment of Long-Lived Assets

No impairment indicators have been noted and the Company recorded no impairment charges for the nine months ended September 30, 2017.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

4. Deferred Leasing Costs and Lease Intangibles, net

The following summarizes the Company's deferred leasing costs and lease intangibles as of:

	September 30, 2017	December 31, 2016
Above-market leases	$ 19,622	$ 23,430
Accumulated amortization	(14,299)	(12,989)
Above-market leases, net	5,323	10,441
Deferred leasing costs and in-place lease intangibles	316,695	350,747
Accumulated amortization	(128,598)	(133,511)
Deferred leasing costs and in-place lease intangibles, net	188,097	217,236
Below-market ground leases	71,210	71,423
Accumulated amortization	(6,799)	(4,891)
Below-market ground leases, net	64,411	66,532
Deferred leasing costs and lease intangible assets, net(1)	$ 257,831	$ 294,209
Below-market leases	$ 111,443	$ 128,817
Accumulated amortization	(57,081)	(56,254)
Below-market leases, net	54,362	72,563
Above-market ground leases	1,095	1,095
Accumulated amortization	(122)	(89)
Above-market ground leases, net	973	1,006
Lease intangible liabilities, net(1)	$ 55,335	$ 73,569

____
(1) Excludes balances related to properties that have been classified as held for sale.

The Company recognized the following amortization related to deferred leasing costs and lease intangibles:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Above-market leases(1)	$ 1,855	$ 2,809	$ 5,122	$ 10,223
Below-market leases(1)	5,776	7,311	19,448	24,027
Deferred leasing costs and in-place lease intangibles(2)	17,376	20,742	57,813	65,408
Above-market ground leases(3)	11	11	33	33
Below-market ground leases(3)	629	545	2,121	1,637

____
(1) Amortization is recorded in revenues in the Consolidated Statements of Operations.
(2) Amortization is recorded in depreciation and amortization expenses and office rental revenues in the Consolidated Statements of Operations.
(3) Amortization is recorded in office operating expenses in the Consolidated Statements of Operations.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

5. Accounts Receivable, net

The Company's accounting policy and methodology used to estimate the allowance for doubtful accounts is discussed in the Company's 2016 Annual Report on Form 10-K. The following table summarizes the Company's accounts receivable, net of allowance for doubtful accounts as of:

	September 30, 2017	December 31, 2016
Accounts receivable	$ 6,643	$ 8,660
Allowance for doubtful accounts	(1,629)	(1,827)
Accounts receivable, net[1]	$ 5,014	$ 6,833

____
(1) Excludes balances related to properties that have been classified as held for sale.

6. Straight-line Rent Receivables, net

The Company's accounting policy and methodology used to estimate the allowance for doubtful accounts is discussed in the Company's 2016 Annual Report on Form 10-K. The following table represents the Company's straight-line rent receivables, net of allowance for doubtful accounts as of:

	September 30, 2017	December 31, 2016
Straight-line rent receivables	$ 97,191	$ 82,245
Allowance for doubtful accounts	(7)	(136)
Straight-line rent receivables, net[1]	$ 97,184	$ 82,109

____
(1) Excludes balances related to properties that have been classified as held for sale.

7. Prepaid Expenses and Other Assets, net

The following table summarizes the Company's prepaid expenses and other assets, net as of:

	September 30, 2017	December 31, 2016
Investment in unconsolidated entities	$ 14,093	$ 37,228
Goodwill	8,754	8,754
Derivative assets	6,250	5,935
Other	28,263	27,141
Prepaid expenses and other assets, net	$ 57,360	$ 79,058

____
(1) Excludes balances related to properties that have been classified as held for sale.

No goodwill impairment indicators have been noted during the nine months ended September 30, 2017.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

8. Notes Payable, net

The following table sets forth information with respect to the amounts included in notes payable, net as of:

	September 30, 2017	December 31, 2016	Interest Rate[1]	Contractual Maturity Date
UNSECURED NOTES PAYABLE				
Unsecured Revolving Credit Facility[2]	$ 250,000	$ 300,000	LIBOR + 1.15% to 1.85%	4/1/2019 [3]
5-Year Term Loan due April 2020[2][4]	450,000	450,000	LIBOR + 1.30% to 2.20%	4/1/2020
5-Year Term Loan due November 2020[2]	175,000	175,000	LIBOR + 1.30% to 2.20%	11/17/2020
7-Year Term Loan due April 2022[2][5]	350,000	350,000	LIBOR + 1.60% to 2.55%	4/1/2022
7-Year Term Loan due November 2022[2][6]	125,000	125,000	LIBOR + 1.60% to 2.55%	11/17/2022
Series A Notes	110,000	110,000	4.34%	1/2/2023
Series E Notes	50,000	50,000	3.66%	9/15/2023
Series B Notes	259,000	259,000	4.69%	12/16/2025
Series D Notes	150,000	150,000	3.98%	7/6/2026
Series C Notes	56,000	56,000	4.79%	12/16/2027
TOTAL UNSECURED NOTES PAYABLE	1,975,000	2,025,000		
SECURED NOTES PAYABLE				
Rincon Center[7]	98,896	100,409	5.13%	5/1/2018
Sunset Gower Studios/Sunset Bronson Studios	5,001	5,001	LIBOR + 2.25%	3/4/2019 [3]
Met Park North[8]	64,500	64,500	LIBOR + 1.55%	8/1/2020
10950 Washington[7]	27,549	27,929	5.32%	3/11/2022
Pinnacle I[9][10]	129,000	129,000	3.95%	11/7/2022
Element LA	168,000	168,000	4.59%	11/6/2025
Pinnacle II[10]	87,000	87,000	4.30%	6/11/2026
Hill7[11]	101,000	101,000	3.38%	11/6/2026
TOTAL SECURED NOTES PAYABLE	680,946	682,839		
TOTAL NOTES PAYABLE	2,655,946	2,707,839		
Held for sale balances[10]	(216,000)	(216,000)		
Deferred financing costs, net[12]	(15,588)	(18,516)		
TOTAL NOTES PAYABLE, NET[13]	$ 2,424,358	$ 2,473,323		

____
(1) Interest rate with respect to indebtedness is calculated on the basis of a 360-day year for the actual days elapsed. Interest rates are as of September 30, 2017, which may be different than the interest rates as of December 31, 2016 for corresponding indebtedness.
(2) The Company has the option to make an irrevocable election to change the interest rate depending on the Company's credit rating. As of September 30, 2017, no such election had been made.
(3) The maturity date may be extended once for an additional one-year term.
(4) Effective July 2016, $300.0 million of the term loan was effectively fixed at 2.75% to 3.65% per annum through the use of two interest rate swaps. See Note 10 for details.
(5) Effective July 2016, the outstanding balance of the term loan was effectively fixed at 3.36% to 4.31% per annum through the use of two interest rate swaps. See Note 10 for details.
(6) Effective June 1, 2016, the outstanding balance of the term loan was effectively fixed at 3.03% to 3.98% per annum through the use of an interest rate swap. See Note 10 for details.
(7) Monthly debt service includes annual debt amortization payments based on a 30-year amortization schedule with a balloon payment at maturity.
(8) This loan bears interest only. Interest on the full loan amount was effectively fixed at 3.71% per annum through the use of an interest rate swap. See Note 10 for details.
(9) This loan bears interest only for the first five years. Beginning with the payment due December 6, 2017, monthly debt service will include annual debt amortization payments based on a 30-year amortization schedule with a balloon payment at maturity.
(10) The Company owns 65% of the ownership interests in the consolidated joint venture that owns the Pinnacle I and II properties. The full amount of the loan is shown. The Company entered into an agreement on September 14, 2017 to sell its ownership interest in the consolidated joint venture that owns Pinnacle I and Pinnacle II. The sale is expected to close in the fourth quarter of 2017. These properties meet the definition of properties held for sale.
(11) The Company owns 55% of the ownership interest in the consolidated joint venture that owns the Hill7 property. The full amount of the loan is shown. The maturity date of this loan can be extended for an additional two years at a higher interest rate and with principal amortization.
(12) Excludes deferred financing costs related to properties held for sale and amounts related to establishing the Company's unsecured revolving credit facility.
(13) Excludes amounts related to a public offering of senior notes that closed October 2, 2017.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

Current year activity

On September 14, 2017, the Company entered into an agreement to sell its ownership interests in the consolidated joint venture that owns the Pinnacle I and Pinnacle II properties to certain affiliates of Blackstone for $350.0 million, before credits, prorations and closing costs, including the assumption of $216.0 million of secured notes payable. The loan balance related to these properties as of September 30, 2017 and December 31, 2016 is reflected in liabilities associated with real estate held for sale in the Consolidated Balance Sheets.

On October 2, 2017, our operating partnership completed an underwritten public offering of $400.0 million in senior notes due November 1, 2027. The notes were issued at 99.815% of par, with a coupon of 3.950%. The notes are fully and unconditionally guaranteed by the Company. The net proceeds from the offering, after deducting the underwriting discount and offering expenses, were approximately $396.7 million, which was used to repay $150.0 million of the Company's 5-year term loan due April 2020 with the remainder of the net proceeds, together with cash on hand, used to fully repay the $250.0 million balance outstanding under the Company's unsecured revolving credit facility.

Indebtedness

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 Sunset Gower Studios and Sunset Bronson Studios, the Company's separate property-owning subsidiaries are not obligors of the debt of their respective affiliates and each property-owning subsidiary's separate liabilities do not constitute obligations of its respective affiliates.

Loan agreements include events of default that the Company believes are usual for loan and transactions of this type. As of the date of this filing, there have been no events of default associated with the Company's loans.

The following table summarizes the minimum future principal payments due (before the impact of extension options, if applicable) on the operating partnership's secured and unsecured notes payable as of September 30, 2017:

Year	Annual Principal Payments	
Remaining 2017	$	821
2018		101,157
2019		257,886
2020		692,493
2021		3,142
Thereafter		1,600,447
Total[(1)]	$	2,655,946

____
(1) Includes balances related to properties that have been classified as held for sale.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

Unsecured Revolving Credit Facility

The operating partnership's unsecured revolving credit facility is amended from time to time. The terms of the arrangement are more fully described in the Company's 2016 Annual Report on Form 10-K. The Company uses the unsecured revolving credit facility to finance the acquisition of other properties, to provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purposes. The following table summarizes the balance and key terms of the unsecured revolving credit facility as of:

	September 30, 2017	December 31, 2016
Outstanding borrowings	$ 250,000	$ 300,000
Remaining borrowing capacity	150,000	100,000
Total borrowing capacity	$ 400,000	$ 400,000
Interest rate(1)	LIBOR + 1.15% to 1.85%	
Facility fee-annual rate(1)	0.20% or 0.35%	
Contractual maturity date(2)	4/1/2019	

____
(1) The rate is based on the operating partnership's leverage ratio.
(2) The maturity date may be extended once for an additional one-year term.

Debt Covenants

The operating partnership's ability to borrow under its unsecured loan arrangements remains subject to ongoing compliance with financial and other covenants as defined in the respective agreements. Certain financial covenant ratios are subject to change in the occurrence of material acquisitions as defined in the respective agreements. Other covenants include certain limitations on dividend payouts and distributions, limits on certain types of investments outside of the operating partnership's primary business and other customary affirmative and negative covenants.

The following table summarizes existing covenants and their covenant levels, when considering the most restrictive terms:

Covenant Ratio	Covenant Level
Leverage ratio	maximum of 0.60:1.00
Unencumbered leverage ratio	maximum of 0.60:1.00
Fixed charge coverage ratio	minimum of 1.50:1.00
Secured indebtedness leverage ratio	maximum of 0.45:1.00
Unsecured interest coverage ratio	minimum of 2.00:1.00

The operating partnership was in compliance with its financial covenants as of September 30, 2017.

Repayment Guarantees

Sunset Gower Studios and Sunset Bronson Studios Loan

In connection with the loan secured by the Sunset Gower Studios and Sunset Bronson Studios properties, the Company has guaranteed in favor of and promised to pay to the lender 19.5% of the principal payable under the loan in the event the borrower, a wholly-owned entity of the operating partnership, does not do so. As of September 30, 2017, the outstanding balance was $5.0 million, which results in a maximum guarantee amount for the principal under this loan of $1.0 million. Furthermore, the Company agreed to guarantee the completion of the construction improvements, including tenant improvements, as defined in the agreement, in the event of any default of the borrower. If the borrower fails to complete the remaining required work, the guarantor agrees to perform timely all of the completion obligations, as defined in the agreement. As of the date of this filing, there has been no event of default associated with this loan.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

Other Loans

Although the rest of the operating partnership's loans are secured and non-recourse, the operating partnership provides limited customary secured debt guarantees for items such as voluntary bankruptcy, fraud, misapplication of payments and environmental liabilities.

Interest Expense

The following table represents a reconciliation from the gross interest expense to the amount on the interest expense line item in the Consolidated Statements of Operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Gross interest expense[(1)]	$ 24,107	$ 21,726	$ 70,345	$ 59,911
Capitalized interest	(2,831)	(2,960)	(7,817)	(8,414)
Amortization of deferred financing costs and loan premium, net	1,185	1,144	3,558	3,278
Interest expense	$ 22,461	$ 19,910	$ 66,086	$ 54,775

____

(1) Includes interest on the Company's notes payable and hedging activities.

9. Security Deposits and Prepaid Rent

The following table summarizes the Company's security deposits and prepaid rent as of:

	September 30, 2017	December 31, 2016
Security deposits	$ 36,881	$ 31,064
Prepaid rent	29,618	39,404
Security deposits and prepaid rent[(1)]	$ 66,499	$ 70,468

____

(1) Excludes balances related to properties that have been classified as held for sale.

10. Derivative Instruments

The Company enters into derivative instruments in order to hedge interest rate risk. The Company had six interest rate swaps with aggregate notional amounts of $839.5 million as of September 30, 2017 and December 31, 2016. These derivative instruments were designated as effective cash flow hedges for accounting purposes. There is no impact on the Company's Consolidated Statements of Cash Flows.

The Company's derivative instruments are classified as Level 2 and their fair values are derived from estimated values obtained from observable market data for similar instruments.

5-Year Term Loan due April 2020 and 7-Year Term Loan due April 2022

On April 1, 2015, the Company effectively hedged $300.0 million of the 5-Year Term Loan due April 2020 through two interest rate swaps, each with a notional amount of $150.0 million, which, effective as of May 1, 2015, swapped one-month LIBOR to a fixed rate of 1.36% through the loan's maturity. Therefore, the interest rate is effectively fixed at 2.66% to 3.56%, depending on the operating partnership's leverage ratio. The unhedged portion bears interest at a rate equal to one-month LIBOR plus 1.30% to 2.20%, depending on the operating partnership's leverage ratio.

The Company also effectively hedged its $350.0 million 7-Year Term Loan due April 2022 through two interest rate swaps, which, effective as of May 1, 2015, swapped one-month LIBOR to a fixed rate of 1.61% through the loan's maturity. Therefore, the interest rate is effectively fixed at 3.21% to 4.16% depending on the operating partnership's leverage ratio.

In July 2016, the derivative instruments described above were amended to include a 0.00% floor to one-month LIBOR and then de-designated the original swap and designated the amended swap as a hedge in order to minimize the ineffective portion of the original derivative instruments. Therefore, the effective interest rate increased to a range of 2.75% to 3.65% with respect to $300.0 million of the 5-Year Term Loan due April 2020 and 3.36% to 4.31% with respect to the 7-year Term Loan due April 2022, in each case, per annum. The interest rate within the range is based on the operating partnership's leverage ratio. The amount included in accumulated other comprehensive income (loss) prior to the de-designation is amortized into interest expense over the remaining original terms of the derivative instruments.

For the three and nine months ended September 30, 2017, the Company recognized an unrealized loss of $37 thousand and $82 thousand, respectively, reflected in the unrealized loss (gain) on ineffective portion of derivative instruments line item on the Consolidated Statements of Operations. For the three and nine months ended September 30, 2016, the Company recognized an unrealized gain of $0.9 million and an unrealized loss of $1.6 million, respectively.

7-Year Term Loan due November 2022

On May 3, 2016, the Company entered into a derivative instrument with respect to $125.0 million of the 7-Year Term Loan due November 2022. This derivative instrument became effective on June 1, 2016 and swapped one-month LIBOR, which includes a 0.00% floor, to a fixed rate of 1.43% through the loan's maturity.

Met Park North

On July 31, 2013, the Company closed a seven-year loan totaling $64.5 million with Union Bank, N.A., secured by the Met Park North property. The loan bears interest at a rate equal to one-month LIBOR plus 1.55%. The full loan is subject to an interest rate contract that swaps one-month LIBOR to a fixed rate of 2.16% through the loan's maturity on August 1, 2020.

Overall

The fair market value of derivative instruments is presented on a gross basis in prepaid and other expenses, net and derivative liabilities line items on the Consolidated Balance Sheets. The derivative assets as of September 30, 2017 and December 31, 2016 were $6.3 million and $5.9 million, respectively. The derivative liabilities as of September 30, 2017 and December 31, 2016 were $0.8 million and $1.3 million, respectively.

The Company reclassifies into earnings in the same period during which the hedged forecasted transaction affects earnings. As of September 30, 2017, the Company expects $1.1 million of unrealized loss included in accumulated other comprehensive loss will be reclassified to interest expense in the next 12 months.

11. Income Taxes

Hudson Pacific Properties, Inc. has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended ("the Code"), commencing with its taxable year ended December 31, 2010. Provided it continues to qualify for taxation as a REIT, Hudson Pacific Properties, Inc. is generally not subject to corporate level income tax on the earnings distributed currently to its stockholders. The Company has elected, together with one of its subsidiaries, to treat such subsidiary as a taxable REIT subsidiary ("TRS") for federal income tax purposes.

The Company's property-owning subsidiaries are limited liability companies and treated as pass-through entities or disregarded entities (or, in the case of the entities that own the 1455 Market Street and Hill7 properties, REITs) for federal 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.

The Company periodically evaluates its tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of September 30, 2017, the Company has not established a liability for uncertain tax positions.

The Company and its TRS file income tax returns with the U.S. federal government and various state and local jurisdictions. The Company and its TRS are no longer subject to tax examinations by tax authorities for years prior to 2012. The Company has assessed its tax positions for all open years, which include 2012 to 2016, and concluded that there are no material uncertainties to be recognized.

12. Future Minimum Lease Payments

Contingent rental expense is recorded in the period in which the contingent event becomes probable. The Company recognized rent for ground leases and a corporate office lease as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Contingent rental expense	$ 2,191	$ 1,970	$ 6,025	$ 6,417
Minimum rental expense	2,952	3,070	9,203	10,064

The following table provides information regarding the Company's future minimum lease payments for its ground leases (before the impact of extension options, if applicable) as of September 30, 2017:

Year	**Ground Leases** [(1)]
Remaining 2017	$ 3,359
2018	14,115
2019	14,165
2020	14,165
2021	14,165
Thereafter	396,307
Total	$ 456,276

____

(1) In situations where ground lease obligation adjustments are based on third-party appraisals of fair market land value, CPI adjustments and/or percentage of gross income that exceeds the minimum annual rent, the future minimum lease amounts above include the lease rental obligations in effect as of September 30, 2017.

13. Fair Value of Financial Instruments

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 require inputs that are both significant to the fair value measurement and unobservable.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

The Company measures fair value of financial instruments using Level 2 inputs categorized within the fair value framework. The Company's financial assets and liabilities measured and reported at fair value on a recurring basis include the following as of:

	September 30, 2017				December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative assets	$ —	$ 6,250	$ —	$ 6,250	$ —	$ 5,935	$ —	$ 5,935
Derivative liabilities	—	819	—	819	—	1,303	—	1,303

Other Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of fair value, using Level 1 inputs, because of the short-term nature of these instruments. Fair values for notes payable are estimates based on rates currently prevailing for similar instruments of similar maturities using Level 2 inputs. The table below represents the carrying value and fair value of the Company's notes payable as of:

	September 30, 2017		December 31, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Unsecured notes payable(1)	$ 1,975,000	$ 1,962,238	2,025,000	$ 2,011,210
Secured notes payable(1)(2)	680,946	669,181	682,839	669,924

____
(1) Amounts represent notes payable excluding net deferred financing costs.
(2) Includes balances related to properties that have been classified as held for sale.

14. Stock-Based Compensation

The Company has various stock compensation arrangements, which are more fully described in the 2016 Annual Report on Form 10-K. Under the 2010 Incentive Plan, as amended ("the 2010 Plan"), the Company's board of directors ("the Board") has the ability to grant, among other things, restricted stock, restricted stock units and performance-based awards.

The Board 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 the Non-Employee Director Compensation Program. The time-based awards are generally issued in the second quarter in conjunction with the director's election to the Board and the individual share awards vest in equal annual installments over the applicable service vesting period, which is three years.

The Board awards time-based restricted shares to employees on an annual basis as part of the employees' annual compensation. The time-based awards are generally issued in the fourth quarter and the individual share awards vest in equal annual installments over the applicable service vesting period, which is generally three years. Additionally, certain restricted share awards are subject to a mandatory holding period upon vesting if the grantee is a named executive officer.

In December 2015, the Compensation Committee of the Board awarded a one-time special retention award to certain executives. The grants consist of time-based awards and performance-based awards. The time-based awards vest in equal 25% installments over a four-year period, subject to the participant's continued employment. The performance-based awards vest over a four-year period, subject to the achievement of applicable performance goals and the participant's continued employment.

The Compensation Committee of the Board annually adopts a Hudson Pacific Properties, Inc. Outperformance Program ("OPP Plan") under the 2010 Plan. An award under the OPP Plan is ultimately earned to the extent the Company outperforms a predetermined total shareholder return ("TSR") goal and/or achieves goals with respect to the outperformance of its peers in a particular REIT index. The ultimate aggregate award cannot exceed the predetermined maximum bonus pool. With respect to OPP Plan awards granted prior to 2017, to the extent an award is earned following the completion of a three-year performance period, 50% of the earned award will vest in full at the end of the three-year performance period and 25% of the earned award will vest in equal annual installments over the two years thereafter, subject to the participant's continued employment. OPP Plan awards granted are settled in common stock or, in the case of certain executives, in performance units in the operating partnership. In February 2017, the Compensation Committee adopted the 2017 OPP Plan. The 2017 OPP Plan is substantially similar to the previous OPP Plans except for (i) the performance period is January 1, 2017 to December 31, 2019 (ii) the maximum bonus pool is $20.0 million and (iii) the two-year post-performance vesting period was replaced with a two-year mandatory holding period upon vesting.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

The per unit fair value of the 2017 OPP award granted was estimated on the date of grant using the following assumptions in the Monte Carlo valuation:

	Assumption
Expected price volatility for the Company	24.00%
Expected price volatility for the particular REIT index	17.00%
Risk-free rate	1.47%
Dividend yield	2.30%

The following table presents the classification and amount recognized for stock-based compensation related to the Company’s awards:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Expensed stock compensation(1)	$ 3,449	$ 3,288	$ 11,237	$ 9,931
Capitalized stock compensation(2)	217	112	635	300
Total stock compensation(3)	$ 3,666	$ 3,400	$ 11,872	$ 10,231

____

(1) Amounts are recorded in general and administrative expenses in the Consolidated Statements of Operations.
(2) Amounts are recorded in deferred leasing costs and lease intangible assets, net and investment in real estate, at cost in the Consolidated Balance Sheets.
(3) Amounts are recorded in additional paid-in capital and non-controlling interest—units in the operating partnership in the Consolidated Balance Sheets.

15. Earnings Per Share

Hudson Pacific Properties, Inc.

Hudson Pacific Properties, Inc. calculates basic earnings per share by dividing the net income available to common stockholders for the period by the weighted average number of common shares outstanding during the period. Hudson Pacific Properties, Inc. calculates diluted earnings per share by dividing the diluted net income available to common stockholders for the period by the weighted average number of common shares and dilutive instruments outstanding during the period using the treasury stock method or the if-converted method, whichever is more dilutive. Unvested time-based RSUs and unvested OPP awards that contain nonforfeitable rights to dividends are participating securities and are included in the computation of earnings per share pursuant to the two-class method.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

The following table reconciles the numerator and denominator in computing Hudson Pacific Properties, Inc.'s basic and diluted earnings per share for net income available to common stockholders:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Numerator:				
Basic and diluted net income available to Hudson Pacific Properties, Inc. common stockholders	$ 11,064	$ 1,847	$ 35,132	$ 4,939
Denominator:				
Basic weighted average common shares outstanding	155,302,800	115,083,622	152,874,952	99,862,583
Effect of dilutive instruments[(1)]	790,936	1,179,000	773,936	1,117,000
Diluted weighted average common shares outstanding	156,093,736	116,262,622	153,648,888	100,979,583
Basic earnings per common share	$ 0.07	$ 0.02	$ 0.23	$ 0.05
Diluted earnings per common share	$ 0.07	$ 0.02	$ 0.23	$ 0.05

____
(1) The Company includes unvested awards and convertible common units as contingently issuable shares in the computation of diluted earnings per share once the market criteria are met, assuming that the end of the reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted earnings per share calculation.

Hudson Pacific Properties, L.P.

Hudson Pacific Properties, L.P. calculates basic earnings per share by dividing the net income available to common unitholders for the period by the weighted average number of common units outstanding during the period. Hudson Pacific Properties, L.P. calculates diluted earnings per share by dividing the diluted net income available to common unitholders for the period by the weighted average number of common units and dilutive instruments outstanding during the period using the treasury stock method or the if-converted method, whichever is more dilutive. Unvested time-based RSUs and unvested OPP awards that contain nonforfeitable rights to dividends are participating securities and are included in the computation of earnings per unit pursuant to the two-class method.

The following table reconciles the numerator and denominator in computing Hudson Pacific Properties, L.P.'s basic and diluted earnings per unit for net income available to common unitholders:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Numerator:				
Basic and diluted net income available to Hudson Pacific Properties, L.P. common unitholders	$ 11,105	$ 2,337	$ 35,388	$ 7,296
Denominator:				
Basic weighted average common units outstanding	155,871,845	145,614,312	153,736,796	145,550,685
Effect of dilutive instruments[(1)]	790,936	1,179,000	773,936	1,117,000
Diluted weighted average common units outstanding	156,662,781	146,793,312	154,510,732	146,667,685
Basic earnings per common unit	$ 0.07	$ 0.02	$ 0.23	$ 0.05
Diluted earnings per common unit	$ 0.07	$ 0.02	$ 0.23	$ 0.05

____
(1) The operating partnership includes unvested awards as contingently issuable units in the computation of diluted earnings per unit once the market criteria are met, assuming that the end of the reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted earnings per unit calculation.

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

16. Equity

The table below presents the effect of the Company's derivative instruments on accumulated other comprehensive income ("OCI"):

	Hudson Pacific Properties, Inc. Stockholders' Equity	Non-controlling Interest—Units in the Operating Partnership	Total Equity
Balance at January 1, 2017	$ 9,496	$ (3,618)	$ 5,878
Unrealized loss recognized in OCI due to change in fair value	(3,095)	(4)	(3,099)
Loss reclassified from OCI into income (as interest expense)	3,686	24	3,710
Net change in OCI related to derivative instruments	591	20	611
Reclassification related to redemption of common units in the operating partnership	(3,622)	3,622	—
Balance at September 30, 2017	$ 6,465	$ 24	$ 6,489

Non-controlling Interests—Common units in the operating partnership

Common units of the operating partnership and shares of common stock of the Company have essentially the same economic characteristics, as they share equally in the total net income or loss distributions of the operating partnership. Investors who own common units have the right to cause the operating partnership to repurchase any or all of their common units for cash equal to the then-current market value of one share of common stock or, at the Company's election, issue shares of the Company's common stock in exchange for common units on a one-for-one basis.

The following table summarizes the ownership of common units, excluding unvested restricted units as of:

	September 30, 2017	December 31, 2016
Company-owned common units in the operating partnership	155,302,800	136,492,235
Company's ownership interest percentage	99.6%	93.5%
Non-controlling common units in the operating partnership[(1)]	569,045	9,450,620
Non-controlling ownership interest percentage[(1)]	0.4%	6.5%

____

(1) Represents common units held by certain of the Company's executive officers and directors, certain of their affiliates and other outside investors.

On January 10, 2017, common unitholders required the operating partnership to repurchase 8,881,575 common units and the Company elected, in accordance with the limited partnership agreement of the operating partnership, to settle in cash to satisfy the repurchase. The Company funded the repurchase using the proceeds from a registered underwritten public offering of common stock.

Performance units are partnership interests in the operating partnership. Each performance unit awarded will be deemed equivalent to an award of one share of common stock under the 2010 Plan, reducing the availability for other equity awards on a one-for-one basis. Under the terms of the performance units, the operating partnership will revalue its assets for tax purposes upon the occurrence of certain specified events and any increase in valuation from the time of grant until such event will be allocated first to the holders of performance units to equalize the capital accounts of such holders with the capital accounts of common unitholders. Subject to any agreed upon exceptions, once vested and having achieved parity with common unitholders, performance units are convertible into common units in the operating partnership on a one-for-one basis.

6.25% Series A cumulative redeemable preferred units of the operating partnership

There are 407,066 Series A preferred units of partnership interest in the operating partnership, or Series A preferred units, which are not owned by the Company. These Series A preferred units are entitled to preferential distributions at a rate of 6.25% per annum on the liquidation preference of $25.00 per unit and became convertible at the option of the holder into common units or redeemable into cash or, at the Company's election, exchangeable for registered shares of common stock 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 the Company's June 23, 2010 Prospectus.

Common Stock Activity

On January 10, 2017, the Company completed a public offering of 8,881,575 shares of common stock of Hudson Pacific Properties, Inc. Proceeds from the offering were used to repurchase common units in the operating partnership.

On March 3, 2017, the Company completed another public offering of 9,775,000 shares of common stock. Proceeds from the offering were used to fully repay a $255.0 million balance outstanding under its unsecured revolving credit facility, with the remaining proceeds used for general corporate purposes.

The Company's at-the-market, or ATM, program permits sales of up to $125.0 million of common stock. The Company did not utilize the ATM program during the nine months ended September 30, 2017. A cumulative total of $20.1 million has been sold as of September 30, 2017.

Share repurchase program

On January 20, 2016, the Board authorized a share repurchase program to buy up to $100.0 million of the outstanding common stock of Hudson Pacific Properties, Inc. No share repurchases have been made as of September 30, 2017.

Dividends

During the third quarter of 2017, the Company declared dividends on its common stock and non-controlling interest in common units in the operating partnership of $0.25 per share and unit. The Company also declared dividends on its Series A preferred units of $0.3906 per unit. The third quarter dividends were paid on September 29, 2017 to stockholders and unitholders of record on September 19, 2017.

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, compensation expense and the basis of depreciable assets and estimated useful lives used to compute depreciation.

17. Related Party Transactions

Employment Agreements

The Company has entered into employment agreements with certain executive officers, effective January 1, 2016, that provide for various severance and change in control benefits and other terms and conditions of employment.

Lease and Subsequent Purchase of Corporate Headquarters from Blackstone

On July 26, 2006, the Company's predecessor, Hudson Capital, LLC, entered into a lease agreement and subsequent amendments with landlord Trizec Holdings Cal, LLC (an affiliate of Blackstone) for the Company's corporate headquarters at 11601 Wilshire. The Company amended the lease to increase its occupancy to 40,120 square feet commencing on September 1, 2015. On December 16, 2015, the Company entered into an amendment of that lease to expand the space to approximately 42,371 square feet and to extend the term by an additional three years, to a total of ten years, through August 31, 2025. On July 1, 2016, the Company purchased the 11601 Wilshire property from affiliates of Blackstone for $311.0 million (before credits, prorations and closing costs).

Sale of Pinnacle I and Pinnacle II to certain affiliates of Blackstone

On September 14, 2017, the Company entered into an agreement to sell its ownership interests in the consolidated joint venture that owns the Pinnacle I and Pinnacle II properties to certain affiliates of Blackstone for $350.0 million, before credits, prorations and closing costs, including the assumption of $216.0 million of secured notes payable. The sale of Pinnacle I and Pinnacle II is expected to close in the fourth quarter of 2017.

JMG Capital Lease at 11601 Wilshire

JMG Capital Management LLC leases approximately 6,638 square feet at the Company's 11601 Wilshire property pursuant to an eight-year lease at an aggregate rate of approximately $279 thousand annualized rent per year. Jonathan M. Glaser, a director on the Board, is the founder and managing member of JMG Capital Management LLC. JMG Capital Management LLC was a tenant of the property at the time it was purchased by the Company.

222 Kearny Street Disposition

On February 14, 2017, the Company sold its 222 Kearny Street property to a joint venture, a partner of which is an affiliate of the Farallon Funds. Richard B. Fried, a director on the Board, is a managing member of the Farallon Funds.

Agreements Related to EOP Acquisition

On April 1, 2015, the Company completed the EOP Acquisition from certain affiliates of Blackstone, which consisted of 26 high-quality office assets totaling approximately 8.2 million square feet and two development parcels located throughout the Northern California region. The total consideration paid for the EOP Acquisition before certain credits, prorations and closing costs, included a cash payment of $1.75 billion and an aggregate of 63,474,791 shares of common stock of Hudson Pacific Properties, Inc. and common units in the operating partnership. In connection with the EOP Acquisition, the Company, the operating partnership and Blackstone entered into a stockholders agreement, which conferred Blackstone certain rights, including the right to nominate up to three of the Company's directors. Additionally, the Company entered into a registration rights agreement with Blackstone providing for customary registration rights with respect to the equity consideration paid in the EOP Acquisition. Following a common stock offering and common unit repurchase on January 10, 2017, the stockholders agreement and the registration rights agreement automatically terminated on that date.

Common Stock Offerings and Common Unit Redemptions

On January 10, 2017, the Company, Blackstone and the Farallon Funds completed a public offering of 18,673,808 shares of common stock, consisting of 8,881,575 shares offered by the Company and 9,792,233 shares offered by the selling stockholders. The offering generated net proceeds for the Company and the selling stockholders of approximately $310.9

(Unaudited, tabular amounts in thousands, except square footage and share/unit data)

million and $342.7 million, respectively, before expenses. The Company used the net proceeds that it received from the offering to redeem 8,881,575 common units held by Blackstone and the Farallon Funds.

The Company did not receive any proceeds from the sale of the common stock by the selling stockholders in the offerings described above but it paid approximately half of the expenses of the offerings with respect to the shares of common stock sold by the Farallon Funds and all of the expenses with respect to the shares of common stock sold by Blackstone, in each case, other than underwriting discounts, which were borne by the selling stockholders.

18. 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, the 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, 2017, the risk of material loss from such legal actions impacting the Company's financial condition or results from operations has been assessed as remote.

Letters of Credit

As of September 30, 2017, the Company has an outstanding letter of credit totaling approximately $2.0 million under the unsecured revolving credit facility. The letter of credit is related to utility company security deposit requirements.

19. Cash Flow Reconciliation

Restricted cash primarily consists of amounts held by lenders to fund reserves such as capital improvements, taxes, insurance, debt service and operating expenditures. Pursuant to the adoption of ASU 2016-18, the Company included restricted cash with cash and cash equivalents in the Consolidated Statements of Cash Flows, which resulted in an increase of $4.1 million in the net cash provided by operating activities line item in the Consolidated Statements of Cash Flows for the nine months ended September 30, 2016. The following table provides a reconciliation of cash and cash equivalents and restricted cash at the beginning and end of the periods presented:

	Nine Months Ended September 30,	
	2017	**2016**
Beginning of period:		
Cash and cash equivalents	$ 83,015	$ 53,551
Restricted cash	25,177	18,010
Total	$ 108,192	$ 71,561
End of period:		
Cash and cash equivalents	$ 87,723	$ 89,354
Restricted cash	25,784	22,103
Total	$ 113,507	$ 111,457

20. Subsequent Events

On October 2, 2017, our operating partnership completed an underwritten public offering of $400.0 million in senior notes due November 1, 2027. The notes were issued at 99.815% of par, with a coupon of 3.950%. The notes are fully and unconditionally guaranteed by the Company. The net proceeds from the offering, after deducting the underwriting discount and offering expenses, were approximately $396.7 million, which was used to repay $150.0 million of the Company's 5-year term loan due April 2020 with the remainder of the net proceeds, together with cash on hand, used to fully repay the $250.0 million balance outstanding under the Company's unsecured revolving credit facility.

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

Forward-Looking Statements

Certain written and oral statements made or incorporated by reference from time to time by us or our representatives in this Quarterly Report on Form 10-Q, other filings or reports filed with the SEC, press releases, conferences, or otherwise, are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, as amended, and Section 21E of the Exchange Act). In particular, statements relating to our liquidity and capital resources, portfolio performance and results of operations contain forward-looking statements. Furthermore, all of the statements regarding future financial performance (including anticipated funds from operations, or FFO, market conditions and demographics) are forward-looking statements. We are including this cautionary statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any such forward-looking statements. We caution investors that any forward-looking statements presented in this Quarterly Report on Form 10-Q, or that management may make orally or in writing from time to time, are based on management's beliefs and assumptions made by, and information currently available to, management. When used, the words "anticipate," "believe," "expect," "intend," "may," "might," "plan," "estimate," "project," "should," "will," "result" and similar expressions that do not relate solely to historical matters are intended to identify forward-looking statements. Such statements are subject to risks, uncertainties and assumptions and may be affected by known and unknown risks, trends, uncertainties and factors that are beyond our control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or projected. We expressly disclaim any responsibility to update forward-looking statements, whether as a result of new information, future events or otherwise. Accordingly, investors should use caution in relying on past forward-looking statements, which were based on results and trends at the time they were made, to anticipate future results or trends. Additional information concerning these and other risks and uncertainties is contained in our other periodic filings with the SEC.

Some of the risks and uncertainties that may cause our actual results, performance, liquidity or achievements to differ materially from those expressed or implied by forward-looking statements include, among others, the following:

- adverse economic or real estate developments in our target 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 or maintain an investment grade rating;
- our failure to generate sufficient cash flows to service our outstanding indebtedness and maintain dividend payments;
- 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;

- risks related to acquisitions generally, including the diversion of management's attention from ongoing business operations and the impact on customers, tenants, lenders, operating results and business;
- the inability to successfully integrate acquired properties, realize the anticipated benefits of acquisitions or capitalize on value creation opportunities;
- changes in real estate and zoning laws and increases in real property tax rates; and
- other factors affecting the real estate industry generally.

Additionally, we operate in a highly competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Historical Results of Operations

This Quarterly Report on Form 10-Q of Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. represents an update to the more detailed and comprehensive disclosures included in the 2016 Annual Report on Form 10-K of Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. Accordingly, you should read the following discussion in conjunction with the information included in our 2016 Annual Report on Form 10-K, as well as the unaudited financial statements included in Part I, Item 1 of 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 or Section 21E of the Exchange Act, including, in particular, statements about our plans, strategies and prospects as well as estimates of industry growth for the quarter and beyond. See "Forward-Looking Statements."

Overview

The following table identifies the properties in our portfolio as of September 30, 2017:

Properties	Acquisition Date	Acquisition/Estimated Rentable Square Feet	Consideration Paid (in thousands)
Predecessor properties:			
875 Howard Street	2/15/2007	286,270	$ —
Sunset Gower Studios	8/17/2007	545,673	—
Sunset Bronson Studios	1/30/2008	308,026	—
Technicolor Building[(1)]	6/1/2008	114,958	—
Properties acquired after IPO:			
Del Amo Office	8/13/2010	113,000	27,327
9300 Wilshire	8/24/2010	61,224	14,684
1455 Market Street[(2)]	12/16/2010	1,025,833	92,365
Rincon Center	12/16/2010	580,850	184,571
10950 Washington	12/22/2010	159,024	46,409
604 Arizona	7/26/2011	44,260	21,373
275 Brannan Street	8/19/2011	54,673	12,370
625 Second Street	9/1/2011	138,080	57,119
6922 Hollywood	11/22/2011	205,523	92,802
6050 Sunset Blvd. & 1445 N. Beachwood Drive	12/16/2011	20,032	6,502
10900 Washington	4/5/2012	9,919	2,605
901 Market Street	6/1/2012	206,199	90,871
Element LA (includes 1861 Bundy)	9/5/2012 & 9/26/2013	284,037	99,936
1455 Gordon Street	9/21/2012	5,921	2,385
Pinnacle I[(3)]	11/8/2012	393,777	209,504
3401 Exposition	5/22/2013	63,376	25,722
Pinnacle II[(3)]	6/14/2013	230,000	136,275
Seattle Portfolio (83 King Street, 505 First Avenue, Met Park North and Northview Center)	7/31/2013	844,980	368,389
Merrill Place	2/12/2014	193,153	57,034
EOP Northern California Portfolio (see table on next page for property list)	4/1/2015	7,120,686	3,489,541
4th & Traction[(4)]	5/22/2015	120,937	49,250
MaxWell (formerly known as 405 Mateo)[(5)]	8/17/2015	83,285	40,000
11601 Wilshire[(6)]	7/1/2016 & 6/15/2017	500,475	361,000
Hill7[(7)]	10/7/2016	285,680	179,800
Page Mill Hill	12/12/2016	182,676	150,000
Sunset Las Palmas Studios (includes 6666 Santa Monica)	5/1/2017 & 6/29/2017	373,150	203,200
Development properties[(8)]:			
ICON[(9)]	N/A	325,757	N/A
CUE[(10)]	N/A	91,953	N/A
450 Alaskan Way[(11)]	N/A	170,974	N/A
95 Jackson[(12)]	N/A	31,659	N/A
EPIC[(13)]	N/A	300,000	N/A
Total		15,476,020	$ 6,021,034

____

(1) We acquired this property in August 2007 and completed the development in June 2008.

(2) We own a 55% joint venture interest in the 1455 Market Street property as of January 2015.

(3) We own a 65% joint venture interest in the Pinnacle I and Pinnacle II properties as of June 2013. We entered into an agreement on September 14, 2017 to sell our ownership interest in the consolidated joint venture that owns Pinnacle I and Pinnacle II. The sale is expected to close in the fourth quarter of 2017.
(4) This development was completed in the second quarter of 2017 and is estimated to be stabilized in the fourth quarter of 2018.
(5) We estimate this development will be completed in the fourth quarter of 2018 and stabilized in the second quarter of 2019.
(6) We acquired the building and partial interest in the land on July 1, 2016 and acquired the remaining interest in the land on June 15, 2017.
(7) We own a 55% joint venture interest in the Hill7 property as of October 2016.
(8) The development properties were included within acquisitions above.
(9) This development was completed in the fourth quarter of 2016 and stabilized in the second quarter of 2017.
(10) This development was completed in the third quarter of 2017 and is estimated to be stabilized in the second quarter of 2019.
(11) This development was completed in the third quarter of 2017 and is estimated to be stabilized in the second quarter of 2018.
(12) We estimate this development will be completed in the second quarter of 2018 and stabilized in the fourth quarter of 2018.
(13) We estimate this development will be completed in the first quarter of 2020 and stabilized in the third quarter of 2021.

The following table identifies the properties we own as of September 30, 2017 that were acquired as part of the EOP Acquisition:

Properties	**Acquisition Square Feet**
1740 Technology	206,876
2180 Sand Hill Road	45,613
333 Twin Dolphin Plaza	182,789
3400 Hillview	207,857
555 Twin Dolphin Plaza	198,936
Campus Center	471,580
Clocktower Square	100,344
Concourse	944,386
Embarcadero Place	197,402
Foothill Research Center	195,376
Gateway	609,093
Lockheed	42,899
Metro Center	730,215
Metro Plaza	456,921
Page Mill Center	176,245
Palo Alto Square	328,251
Peninsula Office Park	510,789
Shorebreeze	230,932
Cloud10 (formerly known as Skyport Plaza)	418,086
Skyway Landing	247,173
Techmart Commerce Center	284,440
Towers at Shore Center	334,483
Total	7,120,686

The following table identifies the properties that were disposed through September 30, 2017:

Properties	Disposition Date	Square Feet	Sales Price[1] (in millions)
City Plaza	7/12/2013	333,922	$ 56.0
Tierrasanta	7/16/2014	112,300	19.5
First Financial	3/6/2015	223,679	89.0
Bay Park Plaza	9/29/2015	260,183	90.0
Bayhill Office Center	1/14/2016	554,328	215.0
Patrick Henry Drive	4/7/2016	70,520	19.0
One Bay Plaza	6/1/2016	195,739	53.4
12655 Jefferson	11/4/2016	100,756	80.0
222 Kearny Street	2/14/2017	148,797	51.8
3402 Pico Boulevard	3/21/2017	50,687	35.0
Total[2][3]		2,050,911	$ 708.7

____

(1) Represents gross sales price before certain credits, prorations and closing costs.

(2) Excludes the disposition of 45% interest in 1455 Market Street office property on January 7, 2015.

(3) Excludes our sale of an option to acquire land at 9300 Culver on December 6, 2016.

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 Part I, Item 1 of this Quarterly Report rather than the rounded numbers appearing in this discussion. The dollar amounts included in the tables in this discussion of our results of operations are presented in thousands.

Comparison of the three months ended September 30, 2017 to the three months ended September 30, 2016

Net Operating Income

We evaluate performance based upon property net operating income ("NOI") from continuing operations. NOI is not a measure of operating results or cash flows from operating activities or cash flows as measured by GAAP and should not be considered an alternative to income from continuing operations, as an indication of our performance, or as an alternative to cash flows as a measure of liquidity, or our ability to make distributions. All companies may not calculate NOI in the same manner. We consider NOI to be a useful performance measure to investors and management because when compared across periods, NOI reflects the revenues and expenses directly associated with owning and operating our properties and the impact to operations from trends in occupancy rates, rental rates and operating costs, providing a perspective not immediately apparent from income from continuing operations. We calculate NOI as net income (loss) excluding corporate general and administrative expenses, depreciation and amortization, impairments, gains/losses on sales of real estate, interest expense, transaction-related expenses and other non-operating items. We define 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, if any, and property-level general and administrative expenses). NOI on a cash basis is NOI on a GAAP basis, adjusted to exclude the effect of straight-line rent and other non-cash adjustments required by GAAP. We believe that NOI on a cash basis is helpful to investors as an additional measure of operating performance because it eliminates straight-line rent and other non-cash adjustments to revenue and expenses.

Management further analyzes NOI by evaluating the performance from the following property groups:

- Same-Store properties, which includes all of the properties owned and included in our stabilized portfolio as of July 1, 2016 and still owned and included in the stabilized portfolio as of September 30, 2017;

- Non-Same-Store properties, held for sale properties, development projects, redevelopment properties and lease-up properties as of September 30, 2017 and other properties not owned or not in operation from July 1, 2016 through September 30, 2017.

The following table reconciles net income to NOI:

	Three Months Ended September 30,			
	2017	2016	Dollar Change	Percent Change
Net income	$ 14,510	$ 5,217	$ 9,293	178.1 %
Adjustments:				
Interest expense	22,461	19,910	2,551	12.8
Interest income	(44)	(130)	86	(66.2)
Unrealized loss (gain) on ineffective portion of derivative instruments	37	(879)	916	(104.2)
Transaction-related expenses	598	315	283	89.8
Other income	(1,402)	(693)	(709)	102.3
Income from operations	36,160	23,740	12,420	52.3
Adjustments:				
General and administrative	13,013	12,955	58	0.4
Depreciation and amortization	71,158	67,414	3,744	5.6
NOI	$ 120,331	$ 104,109	$ 16,222	15.6 %
Same-Store NOI	$ 77,257	$ 72,964	$ 4,293	5.9 %
Non-Same-Store NOI	43,074	31,145	11,929	38.3
NOI	$ 120,331	$ 104,109	$ 16,222	15.6 %

The following table summarizes certain statistics of our Same-Store Office and Media and Entertainment properties:

	Three Months Ended September 30,	
	2017	2016
Same-Store Office statistics:		
Number of properties	32	32
Rentable square feet	7,901,375	7,901,375
Ending % leased	95.9%	95.6%
Ending % occupied	92.8%	94.6%
Average % occupied for the period	93.3%	92.7%
Average annual rental rate per square foot	$ 42.13	$ 39.50
Same-Store Media and Entertainment statistics:		
Number of properties	2	2
Rentable square feet	873,002	873,002
Average % occupied for the period	90.6%	87.4%

The following table gives further detail on our NOI:

	Three Months Ended September 30,					
	2017			2016		
	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
Revenues						
Office						
Rental	$ 81,705	$ 57,452	$ 139,157	$ 78,137	$ 45,782	$ 123,919
Tenant recoveries	17,809	7,173	24,982	17,412	5,245	22,657
Parking and other	5,120	2,915	8,035	3,241	2,280	5,521
Total Office revenues	104,634	67,540	172,174	98,790	53,307	152,097
Media & Entertainment						
Rental	8,220	2,792	11,012	7,102	—	7,102
Tenant recoveries	65	68	133	243	—	243
Other property-related revenue	5,048	1,513	6,561	5,005	—	5,005
Other	137	4	141	136	—	136
Total Media & Entertainment revenues	13,470	4,377	17,847	12,486	—	12,486
Total revenues	118,104	71,917	190,021	111,276	53,307	164,583
Operating Expenses						
Office operating expenses	33,513	25,589	59,102	31,813	22,162	53,975
Media & Entertainment operating expenses	7,334	3,254	10,588	6,499	—	6,499
Total operating expenses	40,847	28,843	69,690	38,312	22,162	60,474
Office NOI	71,121	41,951	113,072	66,977	31,145	98,122
Media & Entertainment NOI	6,136	1,123	7,259	5,987	—	5,987
NOI	$ 77,257	$ 43,074	$ 120,331	$ 72,964	$ 31,145	$ 104,109

The following table gives further detail on our change to NOI:

	Three Months Ended September 30, 2017 as compared to Three Months Ended September 30, 2016					
	Same-Store		Non-Same-Store		Total	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenues						
Office						
Rental	$ 3,568	4.6 %	$ 11,670	25.5%	$ 15,238	12.3 %
Tenant recoveries	397	2.3	1,928	36.8	2,325	10.3
Parking and other	1,879	58.0	635	27.9	2,514	45.5
Total Office revenues	5,844	5.9	14,233	26.7	20,077	13.2
Media & Entertainment						
Rental	1,118	15.7	2,792	100.0	3,910	55.1
Tenant recoveries	(178)	(73.3)	68	100.0	(110)	(45.3)
Other property-related revenue	43	0.9	1,513	100.0	1,556	31.1
Other	1	0.7	4	100.0	5	3.7
Total Media & Entertainment revenues	984	7.9	4,377	100.0	5,361	42.9
Total revenues	6,828	6.1	18,610	34.9	25,438	15.5
Operating expenses						
Office operating expenses	1,700	5.3	3,427	15.5	5,127	9.5
Media & Entertainment operating expenses	835	12.8	3,254	100.0	4,089	62.9
Total operating expenses	2,535	6.6	6,681	30.1	9,216	15.2
Office NOI	4,144	6.2	10,806	34.7	14,950	15.2
Media & Entertainment NOI	149	2.5	1,123	100.0	1,272	21.2
NOI	$ 4,293	5.9 %	$ 11,929	38.3%	$ 16,222	15.6 %

NOI increased $16.2 million, or 15.6%, for the three months ended September 30, 2017 as compared to the three months ended September 30, 2016, primarily resulting from:

- A $4.1 million, or 6.2%, increase in NOI from our Same-Store Office properties resulting primarily from increased rental revenues relating to leases signed at our 1455 Market Street (Bank of America) and 875 Howard Street (Glu Mobile, Inc. and Snap, Inc.) properties at a higher rate than expiring leases and reduction in above-market lease amortization at our Towers at Shore Center property, partially offset by lower occupancy at our Rincon Center property. Tenant recoveries increased due to higher overall recoverable operating expenses. Parking and other revenues increased due to lease termination fees related to our Campus Center and 901 Market Street properties.

- A $10.8 million, or 34.7%, increase in NOI from our Non-Same-Store Office properties resulting primarily from increased rental revenues relating to the commencement of Netflix, Inc.'s lease at our ICON property, leases signed at our Metro Center (Qualys, Inc.) and Shorebreeze (Y Media Labs) properties at a higher rate than expiring leases and acquisitions in 2016, which include 11601 Wilshire (acquired in July 2016), Hill7 (acquired in October 2016) and Page Mill Hill (acquired in December 2016), collectively referred to as "the 2016 Acquisitions." The increase was partially offset by the sale of our 12655 Jefferson (sold in November 2016) and 222 Kearny Street (sold in February 2017) properties. The increase was also partially offset by lower revenues from our 604 Arizona property, which was taken off-line for a redevelopment project.

- A $0.1 million, or 2.5%, increase in NOI from our Same-Store Media and Entertainment properties resulting primarily from higher rental revenues. The change was driven by increase in occupancy and production at Sunset Bronson Studios.

- A $1.1 million, or 100.0%, increase in NOI from our Non-Same-Store Media and Entertainment property resulting from our acquisition of Sunset Las Palmas Studios in May 2017.

Office NOI

Same-Store

Same-Store Office rental revenues increased $3.6 million, or 4.6%, to $81.7 million for the three months ended September 30, 2017 compared to $78.1 million for the three months ended September 30, 2016. The increase was primarily due to leases signed at our 1455 Market Street (Bank of America) and 875 Howard Street (Glu Mobile, Inc. and Snap, Inc.) properties at a higher rate than expiring leases. The increase was also due to a reduction in above-market lease amortization at our Towers at Shore Center property, partially offset by lower occupancy at our Rincon Center property.

Same-Store Office tenant recoveries increased $0.4 million, or 2.3%, to $17.8 million for three months ended September 30, 2017 compared to $17.4 million for the three months ended September 30, 2016. The increase was due to higher overall recoverable operating expenses.

Same-Store Office parking and other revenues increased $1.9 million, or 58.0%, to $5.1 million for the three months ended September 30, 2017 compared to $3.2 million for the three months ended September 30, 2016. The increase was primarily due to lease termination fees related to our Campus Center and 901 Market Street properties.

Same-Store Office operating expenses increased $1.7 million, or 5.3%, to $33.5 million for the three months ended September 30, 2017 compared to $31.8 million for the three months ended September 30, 2016. The change was primarily due to an increase in repairs and maintenance expense and ground rent expense, partially offset by a decrease in operating expense due to property tax reassessments relating to the prior year for our Rincon Center property.

Non-Same-Store

Non-Same-Store Office rental revenues increased by $11.7 million, or 25.5%, to $57.5 million for the three months ended September 30, 2017 compared to $45.8 million for the three months ended September 30, 2016. The increase was primarily due to 2016 Acquisitions, rental revenues relating to the commencement of Netflix, Inc.'s lease at our ICON property, and leases signed at our Metro Center (Qualys, Inc.) and Shorebreeze (Y Media Labs) properties at a higher rate than expiring leases. The increase was also partially offset by lower revenues from our 604 Arizona property, which was taken off-line for a redevelopment project, and by the sale of our 12655 Jefferson and 222 Kearny Street properties.

Non-Same-Store Office tenant recoveries increased $1.9 million, or 36.8%, to $7.2 million for the three months ended September 30, 2017 compared to $5.2 million for the three months ended September 30, 2016. The increase was primarily due the commencement of Netflix, Inc.'s lease at our ICON property and the 2016 Acquisitions, partially offset by the sale of our 222 Kearny Street property.

Non-Same-Store Office parking and other revenues increased $0.6 million, or 27.9%, to $2.9 million for the three months ended September 30, 2017 compared to $2.3 million for the three months ended September 30, 2016. The increase was primarily due to the commencement of Netflix, Inc.'s lease at our ICON property and the 2016 Acquisitions, partially offset by the sale of our 222 Kearny Street property.

Non-Same-Store Office operating expenses increased by $3.4 million, or 15.5%, to $25.6 million for the three months ended September 30, 2017 compared to $22.2 million for the three months ended September 30, 2016. The increase was primarily due to the 2016 Acquisitions and the commencement of Netflix, Inc.'s lease at our ICON property, partially offset by the sale of our 222 Kearny Street property. In addition, the increase was partially offset by lower expenses from our 604 Arizona property, which was taken off-line for a redevelopment project.

Media & Entertainment NOI

Same-Store

Same-Store Media and Entertainment revenues increased by $1.0 million, or 7.9%, to $13.5 million for the three months ended September 30, 2017 compared to $12.5 million for the three months ended September 30, 2016. The activity was primarily related to an increase in rental revenues by $1.1 million to $8.2 million for the three months ended September 30, 2017 primarily due to an increase in occupancy and production at Sunset Bronson Studios. Tenant recoveries of $0.1 million for the three months ended September 30, 2017 remained relatively flat as compared to $0.2 million for the three months ended September 30, 2016. Other property-related revenues of $5.0 million for the three months ended September 30, 2017 remained relatively flat as compared to $5.0 million for the three months ended September 30, 2016.

Same-Store Media and Entertainment operating expenses increased $0.8 million, or 12.8%, to $7.3 million for the three months ended September 30, 2017 compared to $6.5 million for the three months ended September 30, 2016. The increase was due to overall increase in occupancy and production.

Non-Same-Store

Non-Same-Store Media and Entertainment revenues were $4.4 million for the three months ended September 30, 2017. Non-Same-Store Media and Entertainment operating expenses were $3.3 million for the three months ended September 30, 2017. We acquired Sunset Las Palmas Studios in May 2017, which caused the increase in revenues and expenses.

Other Expenses (Income)

Interest expense increased $2.6 million, or 12.8%, to $22.5 million for the three months ended September 30, 2017 compared to $19.9 million for the three months ended September 30, 2016. We had notes payable, excluding net deferred financing costs, of $2.66 billion at September 30, 2017 compared to $2.43 billion at September 30, 2016. The increase was primarily attributable to an increase in our unsecured revolving credit facility usage, $101.0 million of borrowings related to our Hill7 property and $50.0 million of borrowings related to a private placement drawn on September 15, 2016.

We recognized unrealized loss on our derivative instruments of $37 thousand during the three months ended September 30, 2017 as compared to $0.9 million unrealized gain during the three months ended September 30, 2016. The unrealized loss was related to a portion of our derivative instruments that was evaluated to be ineffective in 2016. In July 2016, we amended the interest rate swaps to add a 0.00% floor to one-month LIBOR and then de-designated the original swaps and designated the amended swaps as a hedge in order to minimize the ineffective portion of the original derivatives.

Other income increased $0.7 million, or 102.3%, to $1.4 million during the three months ended September 30, 2017 as compared to $0.7 million during the three months ended September 30, 2016. The change was primarily due to increased income related to a joint venture we entered into on June 16, 2016 to co-originate a loan secured by land in Santa Clara, California.

General and administrative expenses include wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel and automobile expenses, telecommunications and computer-related expenses and other miscellaneous items. General and administrative expenses increased $0.1 million, or 0.4%, to $13.0 million for the three months ended September 30, 2017 compared to $13.0 million for the three months ended September 30, 2016. The change was primarily attributable to the adoption of the 2017 Hudson Pacific Properties, Inc. Outperformance Program ("2017 OPP Plan") and increased staffing to meet operational needs, partially offset by decreases in information technology expenses and investor relations costs.

Depreciation and amortization expense increased $3.7 million, or 5.6%, to $71.2 million for the three months ended September 30, 2017 compared to $67.4 million for the three months ended September 30, 2016. The increase was primarily related to depreciation expenses associated with the 2016 Acquisitions, our ICON property and the acquisition of Sunset Las Palmas Studios, partially offset by the reduction of depreciation expense as a result of the sale of our 222 Kearny Street property.

Comparison of the nine months ended September 30, 2017 to the nine months ended September 30, 2016

NOI

Management evaluates NOI by evaluating the performance of the following property groups as evidenced by the comparison of the nine months ended September 30, 2017 to the nine months ended September 30, 2016 results of operations:

- Same-Store properties, which includes all of the properties owned and included in our stabilized portfolio as of January 1, 2016 and still owned and included in the stabilized portfolio as of September 30, 2017;
- Non-Same-Store properties, held for sale properties, development projects, redevelopment properties and lease-up properties as of September 30, 2017 and other properties not owned or not in operation from January 1, 2016 through September 30, 2017.

The following table reconciles net income to NOI:

	Nine Months Ended September 30,			
	2017	**2016**	**Dollar Change**	**Percent Change**
Net income	$ 45,617	$ 15,228	$ 30,389	199.6 %
Adjustments:				
Interest expense	66,086	54,775	11,311	20.6
Interest income	(90)	(216)	126	(58.3)
Unrealized loss on ineffective portion of derivative instruments	82	1,630	(1,548)	(95.0)
Transaction-related expenses	598	376	222	59.0
Other income	(2,656)	(716)	(1,940)	270.9
Gains on sale of real estate	(16,866)	(8,515)	(8,351)	98.1
Income from operations	92,771	62,562	30,209	48.3
Adjustments:				
General and administrative	41,329	38,474	2,855	7.4
Depreciation and amortization	217,340	201,890	15,450	7.7
NOI	$ 351,440	$ 302,926	$ 48,514	16.0 %
Same-Store NOI	$ 220,895	$ 204,520	$ 16,375	8.0 %
Non-Same-Store NOI	130,545	98,406	32,139	32.7
NOI	$ 351,440	$ 302,926	$ 48,514	16.0 %

The following table summarizes certain statistics of our Same-Store Office and Media and Entertainment properties:

	Nine Months Ended September 30,	
	2017	2016
Same-Store Office statistics:		
Number of properties	31	31
Rentable square feet	7,725,130	7,725,130
Ending % leased	95.9%	95.5%
Ending % occupied	92.5%	94.5%
Average % occupied for the period	94.1%	94.4%
Average annual rental rate per square foot	$ 41.48	$ 38.85
Same-Store Media and Entertainment statistics:		
Number of properties	2	2
Rentable square feet	873,002	873,002
Average % occupied for the period	90.6%	87.4%

The following table gives further detail on our NOI:

	Nine Months Ended September 30,					
	2017			2016		
	Same-Store	Non-Same-Store	Total	Same-Store	Non-Same-Store	Total
Revenues						
Office						
Rental	$ 231,645	$ 174,630	$ 406,275	$ 219,762	$ 138,431	$ 358,193
Tenant recoveries	47,433	19,988	67,421	49,279	15,214	64,493
Parking and other	13,430	8,716	22,146	9,760	6,343	16,103
Total Office revenues	292,508	203,334	495,842	278,801	159,988	438,789
Media & Entertainment						
Rental	22,014	4,788	26,802	19,987	—	19,987
Tenant recoveries	795	132	927	655	—	655
Other property-related revenue	12,143	2,821	14,964	12,784	—	12,784
Other	261	10	271	226	—	226
Total Media & Entertainment revenues	35,213	7,751	42,964	33,652	—	33,652
Total revenues	327,721	211,085	538,806	312,453	159,988	472,441
Operating Expenses						
Office operating expenses	87,306	75,218	162,524	89,187	61,582	150,769
Media & Entertainment operating expenses	19,520	5,322	24,842	18,746	—	18,746
Total operating expenses	106,826	80,540	187,366	107,933	61,582	169,515
Office NOI	205,202	128,116	333,318	189,614	98,406	288,020
Media & Entertainment NOI	15,693	2,429	18,122	14,906	—	14,906
NOI	$ 220,895	$ 130,545	$ 351,440	$ 204,520	$ 98,406	$ 302,926

The following table gives further detail on our change to NOI:

	Nine Months Ended September 30, 2017 as compared to Nine Months Ended September 30, 2016					
	Same-Store		Non-Same-Store		Total	
	Dollar Change	Percent Change	Dollar Change	Percent Change	Dollar Change	Percent Change
Revenues						
Office						
Rental	$ 11,883	5.4 %	$ 36,199	26.1%	$ 48,082	13.4%
Tenant recoveries	(1,846)	(3.7)	4,774	31.4	2,928	4.5
Parking and other	3,670	37.6	2,373	37.4	6,043	37.5
Total Office revenues	13,707	4.9	43,346	27.1	57,053	13.0
Media & Entertainment						
Rental	2,027	10.1	4,788	100.0	6,815	34.1
Tenant recoveries	140	21.4	132	100.0	272	41.5
Other property-related revenue	(641)	(5.0)	2,821	100.0	2,180	17.1
Other	35	15.5	10	100.0	45	19.9
Total Media & Entertainment revenues	1,561	4.6	7,751	100.0	9,312	27.7
Total revenues	15,268	4.9	51,097	31.9	66,365	14.0
Operating expenses						
Office operating expenses	(1,881)	(2.1)	13,636	22.1	11,755	7.8
Media & Entertainment operating expenses	774	4.1	5,322	100.0	6,096	32.5
Total operating expenses	(1,107)	(1.0)	18,958	30.8	17,851	10.5
Office NOI	15,588	8.2	29,710	30.2	45,298	15.7
Media & Entertainment NOI	787	5.3	2,429	100.0	3,216	21.6
NOI	$ 16,375	8.0 %	$ 32,139	32.7%	$ 48,514	16.0%

NOI increased $48.5 million, or 16.0%, for the nine months ended September 30, 2017 as compared to the nine months ended September 30, 2016, primarily resulting from:

- A $15.6 million, or 8.2%, increase in NOI from our Same-Store Office properties resulting primarily from increased rental revenues relating to leases signed at our 1455 Market Street (Uber Technologies, Inc. and Bank of America), 875 Howard Street (Glu Mobile, Inc. and Snap, Inc.) and 625 Second Street (Github, Inc. and Ziff Davis, LLC) properties at a higher rate than expiring leases. The increase was also due to a reduction in above-market lease amortization at our Towers at Shore Center property, partially offset by a one-time GAAP straight-line rent write-off at our 901 Market Street (NerdWallet) property. In addition, parking and other revenues increased due to lease termination fees related to our Campus Center and 901 Market Street properties. In addition, tenant recoveries decreased due to property tax adjustments relating to the prior year for our Rincon Center property and lower recoveries for our Towers at Shore Center property, partially offset by higher recoveries for our 1455 Market Street property.

- A $29.7 million, or 30.2%, increase in NOI from our Non-Same-Store Office store properties resulting primarily from increased rental revenues relating to the commencement of Netflix, Inc.'s lease at our ICON property in the first quarter of 2017, leases signed at our Metro Center (Qualys, Inc. and BrightEdge Technologies, Inc.) property at a higher rate than expiring leases and the 2016 Acquisitions, partially offset by the sale of our One Bay Plaza (sold in June 2016) and 222 Kearny Street (sold in February 2017) properties. In addition, the increase was partially offset by lower revenues from our 604 Arizona property, which was taken off-line for a redevelopment project, and lower occupancy at our Palo Alto Square property.

- A $0.8 million, or 5.3%, increase in NOI from our Same-Store Media and Entertainment properties resulted primarily from higher rental revenues. The increase was primarily from an increase in occupancy and production at Sunset Bronson Studios, partially offset by increase in property taxes due to adjustments made in the prior year.

- A $2.4 million, or 100.0%, increase in NOI from our Non-Same-Store Media and Entertainment properties resulting from the acquisition of Sunset Las Palmas Studios in May 2017.

Office NOI

Same-Store

Same-Store Office rental revenues increased $11.9 million, or 5.4%, to $231.6 million for the nine months ended September 30, 2017 compared to $219.8 million for the nine months ended September 30, 2016. The increase was primarily due to leases signed at our 1455 Market Street (Uber Technologies, Inc. and Bank of America), 875 Howard Street (Glu Mobile, Inc. and Snap, Inc.) and 625 Second Street (Github, Inc. and Ziff Davis, LLC) properties at a higher rate than expiring leases. The increase was also due to a reduction in above-market lease amortization at our Towers at Shore Center property, partially offset by a one-time GAAP straight-line rent write-off at our 901 Market Street (NerdWallet) property.

Same-Store Office tenant recoveries decreased $1.8 million, or 3.7%, to $47.4 million for nine months ended September 30, 2017 compared to $49.3 million for the nine months ended September 30, 2016. The decrease was primarily related to lower property tax recovery resulting from a property tax reassessment of our Rincon Center property and lower recoveries for our Towers at Shore Center property, partially offset by higher recoveries for our 1455 Market Street property.

Same-Store Office parking and other revenues increased $3.7 million, or 37.6%, to $13.4 million for the nine months ended September 30, 2017 compared to $9.8 million for the nine months ended September 30, 2016. The increase was primarily due to lease termination fees related to our Campus Center and 901 Market Street properties.

Same-Store Office operating expenses decreased $1.9 million, or 2.1%, to $87.3 million for the nine months ended September 30, 2017 compared to $89.2 million for the nine months ended September 30, 2016. The decrease was primarily due to property tax reassessments relating to the prior year for our Rincon Center.

Non-Same-Store

Non-Same-Store Office rental revenues increased by $36.2 million, or 26.1%, to $174.6 million for the nine months ended September 30, 2017 compared to $138.4 million for the nine months ended September 30, 2016. The increase was primarily due to rental revenues relating to the commencement of Netflix, Inc.'s lease at our ICON property in the first quarter of 2017, leases signed at our Metro Center (Qualys, Inc. and BrightEdge Technologies, Inc.) property at a higher rate than expiring leases and the 2016 Acquisitions, partially offset by the sale of our One Bay Plaza and 222 Kearny Street properties. In addition, the increase was partially offset by lower revenues from our 604 Arizona property, which was taken off-line for a redevelopment project, and lower occupancy at our Palo Alto Square property.

Non-Same-Store Office tenant recoveries increased $4.8 million, or 31.4%, to $20.0 million for nine months ended September 30, 2017 compared to $15.2 million for the nine months ended September 30, 2016. The increase was primarily due the commencement of Netflix, Inc.'s lease at our ICON property and the 2016 Acquisitions, partially offset by the sale of our One Bay Plaza and 222 Kearny Street properties.

Non-Same-Store Office parking and other revenues increased $2.4 million, or 37.4%, to $8.7 million for the nine months ended September 30, 2017 compared to $6.3 million for the nine months ended September 30, 2016. The increase was primarily due the commencement of Netflix, Inc.'s lease at our ICON property and the 2016 Acquisitions, partially offset by the sale of our 222 Kearny Street property.

Non-Same-Store Office operating expenses increased by $13.6 million, or 22.1%, to $75.2 million for the nine months ended September 30, 2017 compared to $61.6 million for the nine months ended September 30, 2016. The increase was primarily due the commencement of Netflix, Inc.'s lease at our ICON property, higher expense at Metro Center and the 2016 Acquisitions, partially offset by the sale of our One Bay Plaza and 222 Kearny Street properties.

Media & Entertainment NOI

Same-Store

Same-Store Media and Entertainment revenues increased by $1.6 million, or 4.6%, to $35.2 million for the nine months ended September 30, 2017 as compared to $33.7 million for the nine months ended September 30, 2016. The activity was primarily related to a $2.0 million increase in rental revenue to $22.0 million for the nine months ended September 30, 2017 as compared to $20.0 million for the nine months ended September 30, 2016 as a result of an increase in occupancy and production at Sunset Bronson Studios. Tenant recoveries of $0.8 million for the nine months ended September 30, 2017 remained relatively flat as compared to $0.7 million for the nine months ended September 30, 2016. Other property-related revenues of $12.1 million for the nine months ended September 30, 2017 remained relatively flat as compared to $12.8 million for the nine months ended September 30, 2016.

Same-Store Media and Entertainment operating expenses increased by $0.8 million, 4.1%, to $19.5 million for the nine months ended September 30, 2017 compared to $18.7 million for the nine months ended September 30, 2016. The increase was due to overall increase in occupancy and production.

Non-Same-Store

Non-Same-Store Media and Entertainment revenues were $7.8 million for the nine months ended September 30, 2017. Non-Same-Store Media and Entertainment operating expenses were $5.3 million for the nine months ended September 30, 2017. We acquired Sunset Las Palmas Studios in May 2017, which caused the increase in revenues and expenses.

Other Expenses (Income)

Interest expense increased $11.3 million, or 20.6%, to $66.1 million for the nine months ended September 30, 2017 compared to $54.8 million for the nine months ended September 30, 2016. At September 30, 2017, we had $2.66 billion of notes payable, compared to $2.43 billion at September 30, 2016, excluding net deferred financing costs. The increase was primarily attributable to a $400.0 million net increase in term loan debt and private placement borrowings and $101.0 million borrowings related to our Hill7 property, partially offset by interest savings related to the paydown on our indebtedness associated with our Sunset Gower Studios, Sunset Bronson Studios and 901 Market Street properties.

We recognized unrealized loss on our derivative instruments of $0.1 million during the nine months ended September 30, 2016 as compared to $1.6 million during the nine months ended September 30, 2016. The unrealized loss was related to a portion of our derivative instruments that was evaluated to be ineffective in 2016. In July 2016, we amended the interest rate swaps to add a 0.00% floor to one-month LIBOR and then de-designated the original swaps and designated the amended swaps as a hedge in order to minimize the ineffective portion of the original derivatives.

Other income increased $1.9 million, or 270.9%, to $2.7 million for the nine months ended September 30, 2017 compared to $0.7 million for the nine months ended September 30, 2016. The change was primarily due to increased income related to a joint venture we entered into on June 16, 2016 to co-originate a loan secured by land in Santa Clara, California.

We recognized $16.9 million gains on sale of real estate for the nine months ended September 30, 2017 compared to a $8.5 million for the nine months ended September 30, 2016. We completed the sale of our 222 Kearny Street and 3402 Pico Boulevard properties in 2017 and completed the sale of our Bayhill Office Center, Patrick Henry Drive and One Bay Plaza properties in 2016.

General and administrative expenses include wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel and automobile expenses, telecommunications and computer-related expenses and other miscellaneous items. General and administrative expenses increased $2.9 million, or 7.4%, to $41.3 million for the nine months ended September 30, 2017 compared to $38.5 million for the nine months ended September 30, 2016. The increase in general and administrative expenses was primarily attributable to the adoption of the 2017 OPP, increased staffing to meet operational needs and investor relations costs.

Depreciation and amortization expense increased $15.5 million, or 7.7%, to $217.3 million for the nine months ended September 30, 2017 compared to $201.9 million for the nine months ended September 30, 2016. The increase was primarily related to depreciation expenses associated with 2016 Acquisitions, our ICON property and the acquisition of Sunset Las Palmas Studios, partially offset by the reduction of depreciation expense as a result of the sale of our One Bay Plaza and 222 Kearny Street properties.

Liquidity and Capital Resources

We had $87.7 million of cash and cash equivalents at September 30, 2017.

As of September 30, 2017, we had $150.0 million of total undrawn capacity under our unsecured revolving credit facility.

We have an at-the-market equity offering program, or ATM program, which allows us to sell up to $125.0 million of common stock, $20.1 million of which has been sold through September 30, 2017.

On January 20, 2016, our Board authorized a share repurchase program to buy up to $100.0 million of our outstanding common stock. No share repurchases were made through September 30, 2017.

Based on the closing price of our common stock of $33.53 on September 30, 2017, our ratio of debt to total market capitalization was approximately 33.5% (counting Series A preferred units as debt). 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, plus the book value of our total consolidated indebtedness.

On October 2, 2017, our operating partnership completed an underwritten public offering of $400.0 million in senior notes due November 1, 2027. The notes were issued at 99.815% of par, with a coupon of 3.950%. The notes are fully and unconditionally guaranteed by us. The net proceeds from the offering, after deducting the underwriting discount and offering expenses, were approximately $396.7 million, which was used to repay $150.0 million of our 5-year term loan due April 2020 with the remainder of the net proceeds, together with cash on hand, used to fully repay the $250.0 million balance outstanding under our unsecured revolving credit facility.

We intend to use the unsecured revolving credit facility and ATM program, among other things, to finance the acquisition of other properties, 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 potential acquisitions. We expect to meet our short-term liquidity requirements through cash on hand, net cash provided by operations, certain amounts included in restricted cash and, if necessary, by drawing upon our unsecured revolving credit facility.

Our long-term liquidity needs consist primarily of funds necessary 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 revolving 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 us.

Outstanding Indebtedness

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

As of September 30, 2017, we had outstanding notes payable of $2.66 billion (before $16.8 million of net deferred financing costs and including notes payable associated with real estate held for sale), of which $1.42 billion, or 53.4%, was variable rate debt. $839.5 million of the variable rate debt is subject to derivative instruments described in Part I, Item 1 “Note 10 to the Consolidated Financial Statements—Derivative Instruments.”

The following table sets forth information with respect to the amounts included in notes payable, net as of:

	September 30, 2017	December 31, 2016	Interest Rate[(1)]	Contractual Maturity Date
UNSECURED NOTES PAYABLE				
Unsecured Revolving Credit Facility[(2)]	$ 250,000	$ 300,000	LIBOR + 1.15% to 1.85%	4/1/2019 [(3)]
5-Year Term Loan due April 2020[(2)(4)]	450,000	450,000	LIBOR + 1.30% to 2.20%	4/1/2020
5-Year Term Loan due November 2020[(2)]	175,000	175,000	LIBOR + 1.30% to 2.20%	11/17/2020
7-Year Term Loan due April 2022[(2)(5)]	350,000	350,000	LIBOR + 1.60% to 2.55%	4/1/2022
7-Year Term Loan due November 2022[(2)(6)]	125,000	125,000	LIBOR + 1.60% to 2.55%	11/17/2022
Series A Notes	110,000	110,000	4.34%	1/2/2023
Series E Notes	50,000	50,000	3.66%	9/15/2023
Series B Notes	259,000	259,000	4.69%	12/16/2025
Series D Notes	150,000	150,000	3.98%	7/6/2026
Series C Notes	56,000	56,000	4.79%	12/16/2027
TOTAL UNSECURED NOTES PAYABLE	1,975,000	2,025,000		
SECURED NOTES PAYABLE				
Rincon Center[(7)]	98,896	100,409	5.13%	5/1/2018
Sunset Gower Studios/Sunset Bronson Studios	5,001	5,001	LIBOR + 2.25%	3/4/2019 [(3)]
Met Park North[(8)]	64,500	64,500	LIBOR + 1.55%	8/1/2020
10950 Washington[(7)]	27,549	27,929	5.32%	3/11/2022
Pinnacle I[(9)(10)]	129,000	129,000	3.95%	11/7/2022
Element LA	168,000	168,000	4.59%	11/6/2025
Pinnacle II[(10)]	87,000	87,000	4.30%	6/11/2026
Hill7[(11)]	101,000	101,000	3.38%	11/6/2026
TOTAL SECURED NOTES PAYABLE	680,946	682,839		
TOTAL NOTES PAYABLE	2,655,946	2,707,839		
Held for sale balances[(10)]	(216,000)	(216,000)		
Deferred financing costs, net[(12)]	(15,588)	(18,516)		
TOTAL NOTES PAYABLE, NET[(13)]	$ 2,424,358	$ 2,473,323		

____

(1) Interest rate with respect to indebtedness is calculated on the basis of a 360-day year for the actual days elapsed. Interest rates are as of September 30, 2017, which may be different than the interest rates as of December 31, 2016 for corresponding indebtedness.
(2) We have the option to make an irrevocable election to change the interest rate depending on our credit rating. As of September 30, 2017, no such election had been made.
(3) The maturity date may be extended once for an additional one-year term.
(4) Effective July 2016, $300.0 million of the term loan was effectively fixed at 2.75% to 3.65% per annum through the use of two interest rate swaps. See Part I, Item 1 “Note 10 to our Consolidated Financial Statements—Derivative Instruments” for details.
(5) Effective July 2016, the outstanding balance of the term loan was effectively fixed at 3.36% to 4.31% per annum through the use of two interest rate swaps. See Part I, Item 1 “Note 10 to our Consolidated Financial Statements—Derivative Instruments” for details.
(6) Effective June 1, 2016, the outstanding balance of the term loan was effectively fixed at 3.03% to 3.98% per annum through the use of an interest rate swap. See Part I, Item 1 “Note 10 to our Consolidated Financial Statements—Derivative Instruments” for details.
(7) Monthly debt service includes annual debt amortization payments based on a 30-year amortization schedule with a balloon payment at maturity.
(8) This loan bears interest only. Interest on the full loan amount was effectively fixed at 3.71% per annum through the use of an interest rate swap. See Part I, Item 1 “Note 10 to our Consolidated Financial Statements—Derivative Instruments” for details.
(9) This loan bears interest only for the first five years. Beginning with the payment due December 6, 2017, monthly debt service will include annual debt amortization payments based on a 30-year amortization schedule with a balloon payment at maturity.
(10) We own 65% of the ownership interests in the consolidated joint venture that owns the Pinnacle I and II properties. The full amount of the loan is shown. We entered into an agreement on September 14, 2017 to sell our ownership interest in the consolidated joint venture that owns Pinnacle I and Pinnacle II. The sale is expected to close in the fourth quarter of 2017. These properties meet the definition of properties held for sale.
(11) We own 55% of the ownership interest in the consolidated joint venture that owns the Hill7 property. The full amount of the loan is shown. The maturity date of this loan can be extended for an additional two years at a higher interest rate and with principal amortization.
(12) Excludes deferred financing costs related to properties held for sale and amounts related to establishing our unsecured revolving credit facility.
(13) Excludes amounts related to a public offering of $400 million aggregate principal amount of 3.950% senior notes due 2027 that closed October 2, 2017.

The operating partnership was in compliance with its financial covenants as of September 30, 2017.

Cash Flows

A comparison of our cash flow activity is as follows:

	Nine Months Ended September 30,			
	2017	2016	Dollar Change	Percent Change
Net cash provided by operating activities	$ 239,604	$ 200,852	$ 38,752	19.3%
Net cash used in investing activities	(384,479)	(219,981)	(164,498)	74.8
Net cash provided by financing activities	150,190	59,025	91,165	154.5

Cash and cash equivalents and restricted cash were $113.5 million and $108.2 million at September 30, 2017 and December 31, 2016, respectively.

Operating Activities

Net cash provided by operating activities increased by $38.8 million to $239.6 million for the nine months ended September 30, 2017 compared to $200.9 million for the nine months ended September 30, 2016. The change resulted primarily from an increase in cash NOI, as defined, from our office and media and entertainment properties, driven by our Sunset Las Palmas Studios acquisition, 2016 Acquisitions and higher rental revenue across our portfolio, partially offset by lower cash NOI related to One Bay Plaza (sold in June 2016) and 222 Kearny Street (sold in February 2017) properties.

Investing Activities

Net cash used in investing activities increased by $164.5 million to $384.5 million for the nine months ended September 30, 2017 compared to $220.0 million for the nine months ended September 30, 2016. The increase resulted primarily from a reduction in proceeds from sales of real estate properties and an increase in cash used for additions to investment in real estate, partially offset by a reduction in cash used to acquire real estate.

Financing Activities

Net cash provided by financing activities increased by $91.2 million to $150.2 million for the nine months ended September 30, 2017 compared to $59.0 million for the nine months ended September 30, 2016. The change resulted primarily from a reduction in repurchases of common units in our operating partnership and reduction in payments of notes payable, partially offset by a reduction in proceeds from notes payable and reduction in proceeds from sale of stock.

Contractual Obligations and Commitments

During the nine months ended September 30, 2017, there were no material changes outside the ordinary course of business in the information regarding specified contractual obligations contained in our 2016 Annual Report on Form 10-K. See Part I, Item 1 “Note 8 to our Consolidated Financial Statements—Notes Payable, net” for information regarding our minimum future principal payments due on our note payables. See Part I, Item 1 “Note 12 to our Consolidated Financial Statements—Future Minimum Lease Payments” for information regarding our future minimum ground lease payments.

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 assignment 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 2016 Annual Report on Form 10-K. We have not made any material changes to these policies during the periods covered by this Report.

Non-GAAP Supplemental Financial Measure: Funds From Operations

We calculate FFO in accordance with the White Paper on FFO approved by the Board of Governors of the National Association of Real Estate Investment Trusts. The White Paper defines FFO as net income or loss calculated in accordance with GAAP, excluding extraordinary items, as defined by GAAP, gains and losses from sales of depreciable real estate and impairment write-downs associated with depreciable real estate, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets) and after adjustment for unconsolidated partnerships and joint ventures. The calculation of FFO includes the amortization of deferred revenue related to tenant-funded tenant improvements and excludes the depreciation of the related tenant improvement assets. We believe that FFO is a useful supplemental measure of our operating performance. The exclusion from FFO of gains and losses from the sale of operating real estate assets allows investors and analysts to readily identify the operating results of the assets that form the core of our activity and assists in comparing those operating results between periods. Also, because FFO is generally recognized as the industry standard for reporting the operations of REITs, it facilitates comparisons of operating performance to other REITs. However, other REITs may use different methodologies to calculate FFO, and accordingly our FFO may not be comparable to all other REITs.

Implicit in historical cost accounting for real estate assets in accordance with GAAP is the assumption that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies using historical cost accounting alone to be insufficient. Because FFO excludes depreciation and amortization of real estate assets, we believe that FFO along with the required GAAP presentations provides a more complete measurement of our performance relative to our competitors and a more appropriate basis on which to make decisions involving operating, financing and investing activities than the required GAAP presentations alone would provide. We use FFO per share to calculate annual cash bonuses for certain employees.

However, FFO should not be viewed as an alternative measure of our operating performance because it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of our properties, which are significant economic costs and could materially impact our results from operations.

The following table presents a reconciliation of net income to FFO:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	**2016**	**2017**	**2016**
Net income	$ 14,510	$ 5,217	$ 45,617	$ 15,228
Adjustments:				
Depreciation and amortization of real estate assets	70,555	66,965	215,788	200,525
Gains on sale of real estate	—	—	(16,866)	(8,515)
FFO attributable to non-controlling interests	(6,609)	(4,902)	(18,561)	(13,574)
Net income attributable to preferred units	(159)	(159)	(477)	(477)
FFO to common stockholders and unitholders	$ 78,297	$ 67,121	$ 225,501	$ 193,187

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about our market risk is disclosed in Part II, Item 7A, of our 2016 Annual Report on Form 10-K and is incorporated herein by reference. There have been no material changes for the nine months ended September 30, 2017 to the information provided in Part II, Item 7A, of our 2016 Annual Report on Form 10-K.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures (Hudson Pacific Properties, Inc.)

Hudson Pacific Properties, Inc. maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in Hudson Pacific Properties, Inc.'s reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the 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 required by Rule 13a-15(b) under the Exchange Act, Hudson Pacific Properties, Inc. carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of 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 Hudson Pacific Properties, Inc.'s disclosure controls and procedures were effective in providing a reasonable level of assurance that information Hudson Pacific Properties, Inc. is required to disclose in reports that Hudson Pacific Properties, Inc. files under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure.

Disclosure Controls and Procedures (Hudson Pacific Properties, L.P.)

Hudson Pacific Properties, L.P. maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in Hudson Pacific Properties, L.P.'s reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. (the sole general partner of Hudson Pacific Properties, L.P.), 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 required by Rule 13a-15(b) under the Exchange Act, Hudson Pacific Properties, L.P. carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. (the sole general partner of Hudson Pacific Properties, L.P.), of the effectiveness of the design and operation of the disclosure controls and procedures as of the end of the period covered by this report.

Based on the foregoing, the Chief Executive Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. (the sole general partner of Hudson Pacific Properties, L.P.) concluded, as of that time, that Hudson Pacific Properties, L.P.'s disclosure controls and procedures were effective in providing a reasonable level of assurance that information Hudson Pacific Properties, L.P. is required to disclose in reports that Hudson Pacific Properties, L.P. files under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial

Officer of Hudson Pacific Properties, Inc. (the sole general partner of Hudson Pacific Properties, L.P.), as appropriate, to allow for timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting (Hudson Pacific Properties, Inc.)

There have been no changes that occurred during the third quarter of the year covered by this report in Hudson Pacific Properties, Inc.'s internal control over financial reporting identified in connection with the evaluation referenced above that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Changes in Internal Control Over Financial Reporting (Hudson Pacific Properties, L.P.)

There have been no changes that occurred during the third quarter of the year covered by this report in Hudson Pacific Properties, L.P.'s internal control over financial reporting identified in connection with the evaluation referenced above 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 a party to various lawsuits, claims and other legal proceedings arising out of, or incident to, our ordinary course of 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 adverse effect on our business, financial condition, results of operations or cash flows if determined adversely to us.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the section entitled "Risk Factors" in our 2016 Annual Report on Form 10-K. Please review the Risk Factors set forth in our 2016 Annual Report on Form 10-K.

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

(a) Recent Sales of Unregistered Securities:

During the third quarter of 2017, our operating partnership issued partnership units in private placements in reliance on the exemption from registration provided by Section 4(a)(2) of the Securities Act, in the amounts and for the consideration set forth below:

During the third quarter of 2017, the Company issued an aggregate of 950 shares of its common stock to certain of its non-employee directors as compensation in lieu of cash, out of which no shares of common stock were forfeited to the Company in connection with tax withholding obligations for a net issuance of 950 shares of common stock. For each share of common stock issued by the Company in connection with such an award, our operating partnership issued a restricted common unit to the Company as provided in our operating partnership's partnership agreement. During the third quarter of 2017, our operating partnership issued an aggregate of 950 common units to the Company.

All other issuances of unregistered equity securities of our operating partnership during the third quarter of 2017 have previously been disclosed in filings with the SEC. For all issuances of units to the Company, our operating partnership relied on the Company's status as a publicly traded NYSE-listed company with over $6.91 billion in total consolidated assets and as our operating partnership's majority owner and sole general partner as the basis for the exemption under Section 4(a)(2) of the Securities Act.

(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

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

Exhibit No.	Description	Incorporated by Reference Form	File No.	Exhibit No.	Filing Date
3.1	Articles of Amendment and Restatement of Hudson Pacific Properties, Inc.	S-11/A	333-164916	3.1	May 12, 2010
3.2	Second Amended and Restated Bylaws of Hudson Pacific Properties, Inc.	8-K	001-34789	3.1	January 12, 2015
3.3	Fourth Amended and Restated Agreement of Limited Partnership of Hudson Pacific Properties, L.P.	10-K	001-34789	10.1	February 26, 2016
3.4	Certificate of Limited Partnership of Hudson Pacific Properties, L.P.	10-Q	001-34789	3.4	November 4, 2016
4.1	Indenture, dated October 2, 2017, among Hudson Pacific Properties, L.P., and U.S. Bank National Association	8-K	001-34789	4.1	October 2, 2017
4.2	Supplemental Indenture No. 1, dated October 2, 2017, among Hudson Pacific Properties, L.P., Hudson Pacific Properties, Inc. and U.S. Bank National Association	8-K	001-34789	4.2	October 2, 2017
10.1	Amended and Restated Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. 2010 Incentive Award Plan*	8-K	001-34789	10.1	May 25, 2017
10.2	Indemnification Agreement, dated August 16, 2017, by and between Hudson Pacific Properties, Inc. and Andrea Wong				
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, Inc.				
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, Inc.				
31.3	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, L.P.				
31.4	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 Hudson Pacific Properties, L.P.				
32.1	Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, Inc.				
32.2	Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for Hudson Pacific Properties, L.P.				
101	The following financial information from Hudson Pacific Properties, Inc.'s and Hudson Pacific Properties, L.P.'s Quarterly Report on Form 10-Q for the quarter ended September 30, 2017 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (Loss) (unaudited), (iv) Consolidated Statements of Equity (unaudited), (v) Consolidated Statements of Capital (unaudited), (vi) Consolidated Statements of Cash Flows (unaudited) and (vii) Notes to Unaudited Consolidated Financial Statements **				

____

* Denotes a management contract or compensatory plan or arrangement.

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

SIGNATURES

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

HUDSON PACIFIC PROPERTIES, INC.

Date: November 3, 2017

/S/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer (Principal Executive Officer)

HUDSON PACIFIC PROPERTIES, INC.

Date: November 3, 2017

/S/ MARK T. LAMMAS

Mark T. Lammas
Chief Operating Officer, Chief Financial Officer and Treasurer
(Principal Financial Officer)

SIGNATURES

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

	HUDSON PACIFIC PROPERTIES, L.P.
Date: November 3, 2017	/S/ VICTOR J. COLEMAN
	Victor J. Coleman **Chief Executive Officer (Principal Executive Officer)**
	HUDSON PACIFIC PROPERTIES, L.P.
Date: November 3, 2017	/S/ MARK T. LAMMAS
	Mark T. Lammas **Chief Operating Officer, Chief Financial Officer and Treasurer** **(Principal Financial Officer)**

(Back To Top)

Section 2: EX-10.2 (EXHIBIT 10.2)

Exhibit 10.2

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT ("Agreement") is made and entered into as of the 16th day of August, 2017, by and between Hudson Pacific Properties, Inc., a Maryland corporation (the "Company"), and Andrea Wong ("Indemnitee").

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

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

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

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

Section 1. Definitions. For purposes of this Agreement:

(a) "Adjudged" shall mean adjudged finally by a court or arbitral or other authority of competent jurisdiction.

(b) "Change in Control" means a change in control of the Company occurring after the Effective Date of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item on any similar schedule or form) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), whether or not the Company is then subject to such reporting requirement; provided, however, that, without limitation, such a Change in Control shall be deemed to have occurred if, after the Effective Date (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the combined voting power of all of the Company’s then-outstanding securities entitled to vote generally in the election of directors without the prior approval of at least two-thirds of the members of the Board of Directors in office immediately prior to such person’s attaining such percentage interest; (ii) the Company is a party to a merger, consolidation, sale of assets, plan of liquidation or other reorganization not approved by at least two-thirds of the members of the Board of Directors then in office, as a consequence of which members of the Board of Directors in office immediately prior to such transaction or event constitute less than a majority of the Board of Directors thereafter; or (iii) at any time, a majority of the members of the Board of Directors are not comprised of (A) individuals who were directors as of the Effective Date and/or (B) individuals whose election by the Board of Directors or nomination for election by the Company’s stockholders was approved by the affirmative vote of at least two-thirds of the directors then in office who were directors as of the Effective Date or whose election for nomination for election was previously so approved.

(c) "Corporate Status" means the status of a person as a present or former director, officer, employee or agent of the Company or as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any Enterprise.

(d) "Disinterested Director" means a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification and/or advance of Expenses is sought by Indemnitee.

(e) "Effective Date" means the date set forth in the first paragraph of this Agreement.

(f) "Enterprise" means any foreign or domestic corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise in which Indemnitee is or was serving as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent at the request of the Company. As a clarification and without limiting the circumstances in which Indemnitee may be serving at the request of the Company, service by Indemnitee shall be deemed to be at the request of the Company if Indemnitee serves or served as a director, trustee, officer, partner, manager, managing member, fiduciary, employee or agent of any corporation, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise (i) of which a majority of the voting power or equity interest is owned directly or indirectly by the Company or (ii) the management of which is controlled directly or indirectly by the Company.

(g) "Expenses" means any and all disbursements or expenses incurred by Indemnitee in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in or otherwise participating in a Proceeding, including, without limitation, reasonable attorneys' fees and costs, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, and any ERISA excise taxes and penalties. Expenses shall also include (i) expenses incurred in connection with any appeal resulting from any Proceeding including, without limitation, the premium, security for and other costs relating to any cost bond, supersedeas bond or other appeal bond or its equivalent, (ii) expenses incurred in connection with recovery under any directors' and officers' liability insurance policies maintained by the Company, regardless of whether the Indemnitee is ultimately determined to be entitled to such indemnification, advancement or expenses or insurance recovery, as the case may be, and (iii) expenses incurred by Indemnitee in establishing or enforcing her right to indemnification or reimbursement under this Agreement. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments, fines or penalties against Indemnitee (other than ERISA excise tax penalties).

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

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

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

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

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

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

(a) indemnification hereunder if the Proceeding was one by or in the right of the Company and Indemnitee is Adjudged to be liable to the Company;

(b) indemnification hereunder if Indemnitee is Adjudged to be liable on the basis that personal benefit was improperly received in any Proceeding charging improper personal benefit to Indemnitee; or

(c) indemnification or advance of Expenses hereunder if the Proceeding was brought by Indemnitee unless: (i) the Proceeding was brought to establish or enforce indemnification rights under this Agreement, and then only to the extent in accordance with and as authorized by Section 12 of this Agreement, or (ii) the Company's charter or Bylaws, a resolution of the stockholders entitled to vote generally in the election of directors or of the Board of Directors or an agreement approved by the Board of Directors to which the Company is a party expressly provide otherwise.

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

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

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

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

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

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

Section 10. Procedure for Determination of Entitlement to Indemnification.

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

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

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

Section 11. Presumptions and Effect of Certain Proceedings.

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

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

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

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

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

Section 12. Remedies of Indemnitee.

(a) If (i) a determination is made pursuant to Section 10(b) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advance of Expenses is not timely made pursuant to Section 8 or Section 9 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 10(b) of this Agreement within 60 days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 7 of this Agreement within ten days after receipt by the Company of a written request therefor, or (v) payment of indemnification pursuant to any other section of this Agreement or the charter or Bylaws of the Company is not made within ten days after a determination has been made that Indemnitee is entitled to indemnification, Indemnitee shall be entitled to an adjudication in an appropriate court located in the State of Maryland, or in any other court of competent jurisdiction, of her entitlement to such indemnification or advance of Expenses. Alternatively, Indemnitee, at her option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence a proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 12(a); provided, however, that the foregoing clause shall not apply to a proceeding brought by Indemnitee to enforce her rights under Section 7 of this Agreement. Except as set forth herein, the provisions of Maryland law (without regard to its conflicts of laws rules) shall apply to any such arbitration. The Company shall not oppose Indemnitee’s right to seek any such adjudication or award in arbitration.

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

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

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

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

Section 13. Defense of the Underlying Proceeding.

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

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

(c) Notwithstanding the provisions of Section 13(b) above, if in a Proceeding to which Indemnitee is a party (i) Indemnitee reasonably concludes, based upon an opinion of counsel approved by the Company, which approval shall not be unreasonably withheld, that she may have separate defenses or counterclaims to assert with respect to any issue which may not be consistent with other defendants in such Proceeding, (ii) Indemnitee reasonably concludes that an actual or apparent conflict of interest or potential conflict of interest exists between Indemnitee and the Company, or (iii) if the Company fails to assume the defense of such Proceeding in a timely manner, Indemnitee shall be entitled to be represented by separate legal counsel of Indemnitee's choice, subject, except in the case of (ii) or (iii) above, to the prior approval of the Company, which shall not be unreasonably withheld, at the expense of the

Company. In addition, if the Company fails to comply with any of its obligations under this Agreement or in the event that the Company or any other person takes any action to declare this Agreement void or unenforceable, or institutes any Proceeding to deny or to recover from Indemnitee the benefits intended to be provided to Indemnitee hereunder, Indemnitee shall have the right to retain counsel of Indemnitee's choice, at the expense of the Company (subject to Section 12(d) of this Agreement), to represent Indemnitee in connection with any such matter.

Section 14. Jointly Indemnifiable Claims.

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

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

(c) For purposes of this Agreement, "Jointly Indemnifiable Claims" shall mean any Proceeding for which the Indemnitee shall be entitled to indemnification, advancement of expenses or insurance from (i) the Company and/or any Enterprise pursuant to this Agreement, the charter or Bylaws or other governing documents of the Company or any Enterprise, any agreement or a resolution of the stockholders of the Company entitled to vote generally in the election of directors or of the Board of Directors, or otherwise, on the one hand, and (ii) any Third-Party Indemnitor pursuant to any agreement between any Third-Party Indemnitor and the

Indemnitee pursuant to which the Indemnitee is indemnified, the laws of the jurisdiction of incorporation or organization of any Third-Party Indemnitor and/or the certificate of incorporation, certificate of organization, bylaws, partnership agreement, operating agreement, certificate of formation, certificate of limited partnership or other organizational or governing documents of any Third-Party Indemnitor, on the other hand.

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

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

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

Section 16. Insurance. The Company will use its reasonable best efforts to acquire directors and officers liability insurance, on terms and conditions deemed appropriate by the Board of Directors, with the advice of counsel, covering Indemnitee or any claim made against Indemnitee by reason of her Corporate Status or by reason of alleged actions or omissions by Indemnitee in such capacity and covering the Company for any indemnification or advance of Expenses made by the Company to Indemnitee for any claims made against Indemnitee by reason of her Corporate Status or by reason of alleged actions or omissions by Indemnitee in such capacity. Without in any way limiting any other obligation under this Agreement, the Company shall indemnify Indemnitee for any payment by Indemnitee arising out of the amount of any deductible or retention and the amount of any excess of the aggregate of all judgments, penalties, fines, settlements and Expenses incurred by Indemnitee in connection with a Proceeding over the coverage of any insurance referred to in the previous sentence. The purchase, establishment and maintenance of any such insurance shall not in any way limit or affect the rights or obligations of the Company or Indemnitee under this Agreement except as expressly provided herein, and the execution and delivery of this Agreement by the Company and the Indemnitee shall not in any way limit or affect the rights or obligations of the Company under any such insurance policies. If, at the time the Company receives notice from any source of a Proceeding to which Indemnitee is a party or a participant (as a witness or otherwise) the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies.

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

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

Section 19. Duration of Agreement; Binding Effect.

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

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

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

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

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

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

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

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

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

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

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

(a) If to Indemnitee, to the address set forth on the signature page hereto.

(b) If to the Company, to:

Victor J. Coleman, Chief Executive Officer
Hudson Pacific Properties, Inc.
11601 Wilshire Blvd., Ninth Floor
Los Angeles, California 90025

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

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

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

[SIGNATURE PAGE FOLLOWS]

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

HUDSON PACIFIC PROPERTIES, INC.:

By: _______
Name: Victor J. Coleman
Title: Chief Executive Officer

INDEMNITEE:

/s/ Andrea Wong
Name: Andrea Wong

EXHIBIT A

FORM OF UNDERTAKING TO REPAY EXPENSES ADVANCED

The Board of Directors of Hudson Pacific Properties, Inc.

Re: Undertaking to Repay Expenses Advanced

Ladies and Gentlemen:

This undertaking is being provided pursuant to that certain Indemnification Agreement dated the 16th day of August, 2017, by and between Hudson Pacific Properties, Inc., a Maryland corporation (the "Company"), and the undersigned Indemnitee (the "Indemnification Agreement"), pursuant to which I am entitled to advance of Expenses in connection with **[Description of Proceeding]** (the "Proceeding").

Terms used herein and not otherwise defined shall have the meanings specified in the Indemnification Agreement.

I am subject to the Proceeding by reason of my Corporate Status or by reason of alleged actions or omissions by me in such capacity. I hereby affirm my good belief that at all times, insofar as I was involved as a director of the Company, in any of the facts or events giving rise to the Proceeding, I (1) did not act with bad faith or active or deliberate dishonesty, (2) did not receive any improper personal benefit in money, property or services and (3) in the case of any criminal proceeding, had no reasonable cause to believe that any act or omission by me was unlawful.

In consideration of the advance of Expenses by the Company for reasonable attorneys' fees and related Expenses incurred by me in connection with the Proceeding (the "Advanced Expenses"), I hereby agree that if, in connection with the Proceeding, it is established that (1) an act or omission by me was material to the matter giving rise to the Proceeding and (a) was committed in bad faith or (b) was the result of active and deliberate dishonesty or (2) I actually received an improper personal benefit in money, property or services or (3) in the case of any criminal proceeding, I had reasonable cause to believe that the act or omission was unlawful, then I shall promptly reimburse the portion of the Advanced Expenses relating to the claims, issues or matters in the Proceeding as to which the foregoing findings have been established.

IN WITNESS WHEREOF, I have executed this Affirmation and Undertaking on this ___ day of ______________________, 20____.

____

Name:

Address:

(Back To Top)

Section 3: EX-31.1 (EXHIBIT 31.1)

Exhibit 31.1

CERTIFICATION

I, Victor J. Coleman, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, Inc.;
2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period

covered by this report;

3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2017

/s/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer

(Back To Top)

Section 4: EX-31.2 (EXHIBIT 31.2)

Exhibit 31.2

CERTIFICATION

I, Mark T. Lammas, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, Inc.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date:	November 3, 2017	/s/ MARK T. LAMMAS
		Mark T. Lammas Chief Operating Officer, Chief Financial Officer and Treasurer

(Back To Top)

Section 5: EX-31.3 (EXHIBIT 31.3)

Exhibit 31.3

CERTIFICATION

I, Victor J. Coleman, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, L.P.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2017

/s/ VICTOR J. COLEMAN

Victor J. Coleman
Chief Executive Officer

(Back To Top)

Section 6: EX-31.4 (EXHIBIT 31.4)

Exhibit 31.4

CERTIFICATION

I, Mark T. Lammas, certify that:

1) I have reviewed this quarterly report on Form 10-Q of Hudson Pacific Properties, L.P.;

2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

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

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 3, 2017

/s/ MARK T. LAMMAS

Mark T. Lammas
Chief Operating Officer, Chief Financial Officer and Treasurer

(Back To Top)

Section 7: EX-32.1 (EXHIBIT 32.1)

Exhibit 32.1

WRITTEN STATEMENT
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Victor J. Coleman, Chief Executive Officer, and Mark T. Lammas, Chief Operating Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. (the “Company”), hereby certify as of the date hereof, solely for the purposes of 18 U.S.C. §1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) the Quarterly Report on Form 10-Q for the period ended September 30, 2017 of the Company (the “Report”) fully complies with the requirements of Section 13(a) and 15(d), as applicable, of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date:	November 3, 2017	/s/ VICTOR J. COLEMAN
		Victor J. Coleman Chief Executive Officer
Date:	November 3, 2017	/s/ MARK T. LAMMAS
		Mark T. Lammas Chief Operating Officer, Chief Financial Officer and Treasurer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document.

(Back To Top)

Section 8: EX-32.2 (EXHIBIT 32.2)

Exhibit 32.2

WRITTEN STATEMENT
PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Victor J. Coleman, Chief Executive Officer, and Mark T. Lammas, Chief Operating Officer and Chief Financial Officer of Hudson Pacific Properties, Inc. in its capacity as sole general partner of Hudson Pacific Properties, L.P. (the “Company”), hereby certify as of the date hereof, solely for the purposes of 18 U.S.C. §1350, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002, that:

(i) the Quarterly Report on Form 10-Q for the period ended September 30, 2017 of the Company (the “Report”) fully complies with the requirements of Section 13(a) and 15(d), as applicable, of the Securities Exchange Act of 1934; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

Date:	November 3, 2017	/s/ VICTOR J. COLEMAN
		Victor J. Coleman Chief Executive Officer Hudson Pacific Properties, Inc., sole general partner of Hudson Pacific Properties, L.P.

Date: November 3, 2017	/s/ MARK T. LAMMAS
	Mark T. Lammas Chief Operating Officer, Chief Financial Officer and Treasurer Hudson Pacific Properties, Inc., sole general partner of Hudson Pacific Properties, L.P.

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document.

(Back To Top)