

Hudson Pacific Properties, Inc.
Form 10-Q
August 08, 2013
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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 June 30, 2013

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

For the Transition Period from _____ to _____

Commission File Number 001-34789

Hudson Pacific Properties, Inc.
(Exact name of Registrant as specified in its charter)

Maryland	27-1430478
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
11601 Wilshire Blvd., Suite 1600	90025
Los Angeles, California	(Zip Code)
(Address of principal executive offices)	
(310) 445-5700	
(Registrant's telephone number, including area code)	
(Former name, former address and former fiscal year if changed since last report)	

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

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

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

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

The number of shares of common stock outstanding at August 1, 2013 was 56,711,202.

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PART I—FINANCIAL INFORMATION

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

	June 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
REAL ESTATE ASSETS		
Land	\$507,823	\$478,273
Building and improvements	965,946	831,791
Tenant improvements	84,721	75,094
Furniture and fixtures	14,408	11,545
Property under development	32,699	23,961
Total real estate held for investment	1,605,597	1,420,664
Accumulated depreciation and amortization	(94,775)	(80,303)
Investment in real estate, net	1,510,822	1,340,361
Cash and cash equivalents	96,330	18,904
Restricted cash	14,518	14,322
Accounts receivable, net	10,188	12,167
Notes receivable	—	4,000
Straight-line rent receivables	16,673	12,732
Deferred leasing costs and lease intangibles, net	88,893	81,010
Deferred finance costs, net	7,092	8,175
Interest rate contracts	123	71
Goodwill	8,754	8,754
Prepaid expenses and other assets	22,615	4,588
Assets associated with real estate held for sale	53,152	54,608
TOTAL ASSETS	\$1,829,160	\$1,559,692
LIABILITIES AND EQUITY		
Notes payable	\$637,118	\$582,085
Accounts payable and accrued liabilities	17,528	18,578
Below-market leases	35,216	31,560
Security deposits	5,671	5,291
Prepaid rent	8,719	11,276
Obligations associated with real estate held for sale	1,269	1,205
TOTAL LIABILITIES	705,521	649,995
6.25% series A cumulative redeemable preferred units of the Operating Partnership	12,475	12,475
EQUITY		
Hudson Pacific Properties, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 authorized; 8.375% series B cumulative redeemable preferred stock, \$25.00 liquidation preference, 5,800,000 shares outstanding at June 30, 2013 and December 31, 2012, respectively	145,000	145,000
Common stock, \$0.01 par value, 490,000,000 authorized, 56,709,792 shares and 47,496,732 shares outstanding at June 30, 2013 and December 31, 2012, respectively	567	475
Additional paid-in capital	904,805	726,605
Accumulated other comprehensive loss	(1,177)	(1,287)

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Accumulated deficit	(39,478) (30,580)
Total Hudson Pacific Properties, Inc. stockholders' equity	1,009,717	840,213	
Non-controlling interest—members in Consolidated Entities	46,883	1,460	
Non-controlling common units in the Operating Partnership	54,564	55,549	
TOTAL EQUITY	1,111,164	897,222	
TOTAL LIABILITIES AND EQUITY	\$1,829,160	\$1,559,692	

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues				
Office				
Rental	\$29,286	\$21,158	\$56,090	\$42,122
Tenant recoveries	5,348	5,522	11,097	10,867
Parking and other	3,108	2,433	7,046	4,525
Total office revenues	37,742	29,113	74,233	57,514
Media & entertainment				
Rental	5,417	5,805	11,185	11,256
Tenant recoveries	323	417	741	665
Other property-related revenue	3,708	3,697	8,198	6,321
Other	200	62	436	102
Total media & entertainment revenues	9,648	9,981	20,560	18,344
Total revenues	47,390	39,094	94,793	75,858
Operating expenses				
Office operating expenses	14,079	13,057	27,425	23,766
Media & entertainment operating expenses	6,429	6,289	11,997	11,059
General and administrative	5,186	4,151	10,175	8,665
Depreciation and amortization	14,382	13,192	32,813	24,806
Total operating expenses	40,076	36,689	82,410	68,296
Income from operations	7,314	2,405	12,383	7,562
Other expense (income)				
Interest expense	5,762	4,575	11,354	9,466
Interest income	(90)	(2)	(240)	(7)
Acquisition-related expenses	509	299	509	360
Other expenses	9	46	54	90
	6,190	4,918	11,677	9,909
Income (loss) from continuing operations	1,124	(2,513)	706	(2,347)
Income from discontinued operations	883	284	1,618	586
Impairment loss from discontinued operations	(5,435)	—	(5,435)	—
Net (loss) income from discontinued operations	(4,552)	284	(3,817)	586
Net loss	(3,428)	(2,229)	(3,111)	(1,761)
Net income attributable to preferred stock and units	(3,231)	(3,231)	(6,462)	(6,462)
Net income attributable to restricted shares	(79)	(79)	(158)	(157)
Net loss attributable to non-controlling interest in Consolidated Entities	291	—	281	—
Net loss attributable to common units in the Operating Partnership	263	322	394	525
Net loss attributable to Hudson Pacific Properties, Inc. common stockholders	\$(6,184)	\$(5,217)	\$(9,056)	\$(7,855)
Basic and diluted per share amounts:				
	\$(0.03)	\$(0.14)	\$(0.10)	\$(0.23)

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Net loss from continuing operations attributable to common stockholders

Net (loss) income from discontinued operations	(0.08	)	0.01	(0.07	)	0.02	
Net loss attributable to common stockholders' per share—basic and diluted	\$(0.11)	\$(0.13)	\$(0.17)	\$(0.21)
Weighted average shares of common stock outstanding—basic and diluted	56,075,747	39,772,030	54,140,594	36,546,240				
Dividends declared per share of common stock	\$0.1250	\$0.1250	\$0.2500	\$0.2500				

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

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HUDSON PACIFIC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

(in thousands, except share and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Net loss	\$(3,428)	\$(2,229)	\$(3,111)	\$(1,761)
Other comprehensive income (loss): cash flow hedge adjustment	98	(262)	115	(353)
Comprehensive loss	(3,330)	(2,491)	(2,996)	(2,114)
Comprehensive income attributable to preferred stock and units	(3,231)	(3,231)	(6,462)	(6,462)
Comprehensive income attributable to restricted shares	(79)	(79)	(158)	(157)
Comprehensive loss attributable to non-controlling interest in consolidated real estate entities	291	—	281	—
Comprehensive loss attributable to common units in the Operating Partnership	259	337	389	546
Comprehensive loss attributable to Hudson Pacific Properties, Inc. stockholders	\$(6,090)	\$(5,464)	\$(8,946)	\$(8,187)

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

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

Hudson Pacific Properties, Inc. Stockholders' Equity									
	Shares of Common Stock	Stock Amount	Series B Cumulative Redeemable Preferred Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Deficit) Income	Non- controlling Interests — Common units in the Operating Partnership	Total Equity	Non- controlling Interests — Series A Cumulative Redeemable Preferred Units
Balance, January 1, 2012	33,840,854	\$ 338	\$ 87,500	\$ 552,043	\$ (13,685)	\$ (883)	\$ 63,356	\$ 688,669	\$ 12,475
Proceeds from sale of common stock, net of 13,225,000 underwriters' discount	132			190,666				190,798	
Common stock issuance transaction costs				(107)				(107)	
Issuance of Series B Cumulative Redeemable Preferred Stock			57,500					57,500	
Series B stock issuance transaction costs				(1,865)				(1,865)	
Issuance of unrestricted stock	3,748							—	
Issuance of restricted stock	21,567							—	
Shares repurchased	(28,896)			(503)				(503)	
Declared Dividend			(6,072)	(10,158)			(625)	(16,855)	(390)
Amortization of stock based compensation				2,016				2,016	
Net income (loss)			6,072		(7,698)		(525)	(2,151)	390
Cash Flow Hedge Adjustment						(332)	(21)	(353)	
Exchange of Non-controlling Interests — Common units in the Operating Partnership for common stock	155,878	2		3,780			(3,782)	—	
Balance, June 30, 2012	47,218,151	\$ 472	\$ 145,000	\$ 735,872	\$ (21,383)	\$ (1,215)	\$ 58,403	\$ 917,149	\$ 12,475

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

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Hudson Pacific Properties, Inc. Stockholders' Equity

	Shares of Common Stock	Stock Amount	Series B Cumulative Redeemable Preferred Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Deficit) Income	Non- controlling Interests - Common units in the Operating Partnership	Non-controlling Interest - Members in Consolidated Entities	Total Equity	Non- controlling Interests — Series A Cumulative Redeemable Preferred Units
Balance, January 1, 2013	47,496,732	\$475	\$145,000	\$726,605	\$(30,580)	\$(1,287)	\$55,549	\$1,460	\$897,222	\$12,475
Contributions								45,704	45,704	
Proceeds from sale of common stock, net of underwriters' discount	9,200,000	92		189,796					189,888	
Common stock issuance transaction costs				(392)					(392)	
Issuance of Series B Cumulative Redeemable Preferred Stock									—	
Series B stock issuance transaction costs									—	
Issuance of unrestricted stock	2,804								—	
Issuance of restricted stock	44,219								—	
Forfeiture of restricted stock	(3,415)								—	
Shares repurchased	(30,548)			(650)					(650)	
Declared Dividend			(6,072)	(14,177)			(596)		(20,845)	(390)
Amortization of stock based compensation				3,623					3,623	
Net income (loss)			6,072		(8,898)		(394)	(281)	(3,501)	390

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Cash Flow											
Hedge						110	5			115	
Adjustment											
Balance, June											
30, 2013	56,709,792	\$567	\$145,000	\$904,805	\$(39,478)	\$(1,177)	\$54,564	\$46,883	\$1,111,164	\$12,475	

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

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

	Six Months Ended June 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$(3,111)	) \$(1,761)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	33,602	25,840
Amortization of deferred financing costs and loan premium, net	462	644
Amortization of stock based compensation	3,512	2,002
Straight-line rent receivables	(4,702)	) (2,473)
Amortization of above-market leases	1,365	1,921
Amortization of below-market leases	(4,127)	) (3,010)
Amortization of lease incentive costs	37	45
Bad debt expense	(32)	) 406
Amortization of ground lease	124	124
Impairment loss	5,435	—
Change in operating assets and liabilities:		
Restricted cash	3,039	(720)
Accounts receivable	2,216	(1,916)
Deferred leasing costs and lease intangibles	(9,276)	) (1,963)
Prepaid expenses and other assets	1,683	(934)
Accounts payable and accrued liabilities	3,093	4,445
Security deposits	460	564
Prepaid rent	(2,789)	) (813)
Net cash provided by operating activities	30,991	22,401
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment property	(38,623)	) (10,019)
Property acquisitions	(9,994)	) (93,476)
Deposits for property acquisitions	(20,000)	) (8,900)
Net cash used in investing activities	(68,617)	) (112,395)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	8,720	83,000
Payments of notes payable	(61,279)	) (132,158)
Proceeds from issuance of common stock	189,888	190,798
Common stock issuance transaction costs	(392)	) (107)
Proceeds from issuance of Series B cumulative redeemable preferred stock	—	57,500
Series B stock issuance transaction costs	—	(1,865)
Dividends paid to common stock and unit holders	(14,773)	) (10,783)
Dividends paid to preferred stock and unit holders	(6,462)	) (6,462)
Repurchase of vested restricted stock	(650)) —
Payment of loan costs	—	(1,109)
Net cash provided by financing activities	115,052	178,814
Net increase in cash and cash equivalents	77,426	88,820
Cash and cash equivalents—beginning of period	18,904	13,705
Cash and cash equivalents—end of period	\$96,330	\$102,525
Supplemental disclosure of cash flow information		

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Cash paid for interest, net of amounts capitalized	\$ 10,954	\$9,054
Supplemental schedule of noncash investing and financing activities		
Accounts payable and accrued liabilities for investment in property	\$3,279	\$3,031
See footnote 3 for additional non-cash disclosures related to acquisition related activities.		

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

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Notes to Consolidated Financial Statements

(Unaudited and in thousands, except square footage and share data or as otherwise noted)

1. Organization

Hudson Pacific Properties, Inc. (which is referred to in these financial statements as the “Company,” “we,” “us,” or “our”) is a Maryland corporation formed on November 9, 2009 that did not have any meaningful operating activity until the consummation of our initial public offering and the related acquisition of our predecessor and certain other entities on June 29, 2010 (“IPO”). Concurrently with the closing of our IPO, we combined with our predecessor and Howard Street Associates, LLC and acquired certain other entities.

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

Since the completion of the IPO, the concurrent private placement, and the related formation transactions, we have been a fully integrated, self-administered, and self-managed real estate investment trust (“REIT”). Through our controlling interest in Hudson Pacific Properties, L.P. (our “Operating Partnership”) and its subsidiaries, we own, manage, lease, acquire and develop real estate, consisting primarily of office and media and entertainment properties. As of June 30, 2013, we owned a portfolio of 21 office properties and two media and entertainment properties. All of these properties are located in California. The results of operations for properties acquired after our IPO are included in our consolidated statements of operations from the date of each such acquisition.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements of the Company are prepared in accordance with U.S. generally accepted accounting principles (“GAAP”). The effect of all significant intercompany balances and transactions has been eliminated.

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States may have been condensed or omitted pursuant to SEC rules and regulations, although we believe that the disclosures are adequate to make their presentation not misleading. The accompanying unaudited financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2013. The interim financial statements should be read in conjunction with the consolidated financial statements in our 2012 Annual Report on Form 10-K and the notes thereto. Any reference to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm’s review of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

Use of Estimates

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

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Notes to Consolidated Financial Statements—(Continued)

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

Investment in Real Estate Properties

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

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

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

The Company capitalizes direct construction and development costs, including predevelopment costs, interest, property taxes, insurance and other costs directly related and essential to the acquisition, development or construction of a real estate project. Indirect development costs, including salaries and benefits, office rent, and associated costs for those individuals directly responsible for and who spend their time on development activities are also capitalized and allocated to the projects to which they relate. Capitalized personnel costs for the three and six months ended June 30, 2013 and 2012, were approximately \$0.5 million and \$1.0 million and \$0.2 million and \$0.4 million, respectively. Interest is capitalized on the construction in progress at a rate equal to the Company’s weighted average cost of debt. Construction and development costs are capitalized while substantial activities are ongoing to prepare an asset for its intended use. The Company considers a construction project as substantially complete and held available for occupancy upon the completion of tenant improvements, but no later than one year after cessation of major construction activity. Costs incurred after a project is substantially complete and ready for its intended use, or after development activities have ceased, are expensed as incurred. Costs previously capitalized related to abandoned acquisitions or developments are charged to earnings. Expenditures for repairs and maintenance are expensed as incurred.

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

Impairment of Long-Lived Assets

The Company assesses the carrying value of real estate assets and related intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impairment losses are recorded on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows estimated to be generated by those assets are less than the assets' carrying amount. The Company recognizes impairment losses to the extent the carrying amount exceeds the fair value of the properties. Properties held for sale are recorded at the lower of cost or estimated fair value less cost to sell. The Company recorded \$5.4 million of impairment charges related to a property held for sale during the three and six months ended June 30, 2013 with no comparable charge for the three and six months ended 2012. There was one property held for sale at June 30, 2013 and no properties held for sale at December 31, 2012.

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Notes to Consolidated Financial Statements—(Continued)

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

Goodwill

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

Cash and Cash Equivalents

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

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

Restricted Cash

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due for monthly rents and other charges. The Company maintains an allowance for doubtful accounts for estimated losses resulting from tenant defaults or the inability of tenants to make contractual rent and tenant recovery payments. The Company monitors the liquidity and creditworthiness of its tenants and operators on an ongoing basis. This evaluation considers industry and economic conditions, property performance, credit enhancements and other factors. For straight-line rent amounts, the Company's assessment is based on amounts estimated to be recoverable over the term of the lease. At June 30, 2013 and December 31, 2012, respectively, the Company has reserved \$7 and \$8 of straight-line receivables. The Company evaluates the collectability of accounts receivable based on a combination of factors. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Company's historical collection experience. The Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and the Company's historical experience. Historical experience has been within management's expectations. The Company recognized \$(32) and \$406 of bad debt (recovery) expense for the six months ended June 30, 2013 and 2012.

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

	June 30, 2013	December 31, 2012
Accounts receivable	10,820	13,742
Allowance for doubtful accounts	(632)	(1,575)
Accounts receivable, net	10,188	12,167

Notes Receivable

Notes receivable consist of a loan we acquired on August 14, 2012 from Jeffries LoanCore LLC in the amount of \$4.0 million. The borrower under the loan was WIP 3401 Expo BLVD Mezz, LLC (“WEBM”), which was the sole member of WIP 3401 Expo BLVD, LLC (“WEB”), the owner of that certain property located at 3401 Exposition Blvd. in Santa Monica, California (“3401 Exposition Boulevard”). The property is an approximately 65,000 square-foot office and industrial building currently being renovated for creative office uses. The loan was secured by, among other things, WEBM’s membership interest in WEB, bore interest at the rate of LIBOR plus 1300 basis points (subject to a 100 basis points floor on LIBOR), and was scheduled to mature on June 9, 2014, subject to three one-year extension options. The interest recognized on this loan is included in interest income in the accompanying consolidated statements of operations. The carrying value of the loan approximated fair value as it was negotiated based upon fair value of loans with similar characteristics. The loan generated income of \$155 for the six months ended June 30, 2013.

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Notes to Consolidated Financial Statements—(Continued)

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

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

Revenue Recognition

The Company recognizes rental revenue from tenants on a straight-line basis over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset. If the lease provides for tenant improvements, the Company determines whether the tenant improvements, for accounting purposes, are owned by the tenant or the Company. When the Company is the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is the owner of the tenant improvements, any tenant improvement allowance that is funded is treated as a lease incentive and amortized as a reduction of revenue over the lease term. Tenant improvement ownership is determined based on various factors including, but not limited to:

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

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

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

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

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

Deferred Financing Costs

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

Derivative Financial Instruments

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

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Notes to Consolidated Financial Statements—(Continued)

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

The Company held two interest rate contracts as of June 30, 2013 and December 31, 2012, which have been accounted for as cash flow hedges as more fully described in note 6 below.

Stock-Based Compensation

Accounting Standard Codification, or ASC, Topic 718, Compensation—Stock Compensation (referred to as ASC Topic 718 and formerly known as FASB 123R), requires us to recognize an expense for the fair value of equity-based compensation awards. Grants of stock options, restricted stock, restricted stock units and performance units under our equity incentive award plans are accounted for under ASC Topic 718. Our compensation committee will regularly consider the accounting implications of significant compensation decisions, especially in connection with decisions that relate to our equity incentive award plans and programs.

Income Taxes

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

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

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

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

The Company periodically evaluates its tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of June 30, 2013, the Company has not established a liability for uncertain tax positions.

Fair Value of Assets and Liabilities

Under GAAP, the Company is required to measure certain financial instruments at fair value on a recurring basis. In addition, the Company is required to measure other financial instruments and balances at fair value on a non-recurring basis (e.g., carrying value of impaired real estate and long-lived assets). Fair value is defined as the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants

at the measurement date. The GAAP fair value framework uses a three-tiered approach. Fair value measurements are classified and disclosed in one of the following three categories:

• Level 1: unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities;

• Level 2: quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which significant inputs and significant value drivers are observable in active markets; and

• Level 3: prices or valuation techniques where little or no market data is available that requires inputs that are both significant to the fair value measurement and unobservable.

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Notes to Consolidated Financial Statements—(Continued)

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

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

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

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

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

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

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

Interest Rate Derivative	Number of Instruments	Notional Amount
Interest Rate Caps	2	\$92.0 million

Non-designated Hedges

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

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

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

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Notes to Consolidated Financial Statements—(Continued)

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

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value as of June 30, 2013	December 31, 2012	Balance Sheet Location	Fair Value as of June 30, 2013	December 31, 2012
Derivatives designated as hedging instruments:						
Interest rate products	Interest rate contracts	\$ 123	\$ 71	Interest rate contracts	—	—
Total		\$ 123	\$ 71		—	—

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

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

	Six Months Ended June 30,	
	2013	2012
Beginning Balance of OCI related to interest rate contracts	1,465	1,036
Unrealized Loss Recognized in OCI Due to Change in Fair Value of interest rate contracts	(52)	356
Loss Reclassified from OCI into Income (as Interest Expense)	(63)	(3)
Net Change in OCI	(115)	353
Ending Balance of Accumulated OCI Related to Derivatives	1,350	1,389

Credit-Risk-Related Contingent Features

As of June 30, 2013, the Company did not have any derivatives that were in a net liability position.

Recently Issued Accounting Literature

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

3. Investment in Real Estate

Acquisitions

During 2013, we acquired the following properties: 3401 Exposition and Pinnacle II. The results of operations for each of these acquisitions are included in our consolidated statements of operations from the date of acquisition. The following table represents our purchase price accounting for each of these acquisitions:

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Notes to Consolidated Financial Statements—(Continued)

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

	3401 Exposition	Pinnacle II June 14, 2013	Total
Date of Acquisition	May 22, 2013		
Consideration paid			
Cash consideration	\$8,489	\$1,505	\$9,994
Debt Assumed	13,233	89,066	102,299
Non-controlling interest in consolidated real estate entity	—	45,704	45,704
Total consideration	\$21,722	\$136,275	\$157,997
Allocation of consideration paid			
Investment in real estate, net	25,439	134,289	159,728
Leases in place	—	9,805	9,805
Other lease intangibles	—	2,832	2,832
Fair market unfavorable debt value	—	(5,820)	(5,820)
Below-market leases	—	(7,783)	(7,783)
Other (liabilities) asset assumed, net	(3,717)	2,952	(765)
Total consideration paid	\$21,722	\$136,275	\$157,997

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

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

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

	Six Months Ended June 30,	
	2013	2012
Total revenues	\$99,095	\$94,206
Net loss	\$(5,432)	\$(4,744)

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Notes to Consolidated Financial Statements—(Continued)

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

During the six months ended June 30, 2013, we made a deposit of approximately 20.0 million in connection with acquisition of a four-building, 836,419 square-foot office portfolio in Seattle, Washington (the “Seattle Portfolio”) from Spear Street Capital which closed on July 31, 2013. See note 13 for further details.

Dispositions

On May 31, 2013, the Company entered into an agreement to sell its City Plaza property for approximately \$56.0 million (before certain credits, proration, and closing costs). The transaction closed on July 12, 2013. The transaction resulted in an approximately \$5.4 million impairment loss. The Company reclassified City Plaza’s results of operations for the three and six months ended June 30, 2013 and 2012 to discontinued operations on its consolidated statements of operations.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Total office revenues	1,966	1,521	3,962	2,988
Office operating expenses	(768)	(721)	(1,555)	(1,368)
Depreciation and amortization	(315)	(516)	(789)	(1,034)
Income from discontinued operations	883	284	1,618	586

4. Lease Intangibles

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

	June 30, 2013	December 31, 2012
Above-market leases	\$17,283	\$17,283
Leases in place	74,127	67,097
Below-market ground leases	7,513	7,513
Other lease intangibles	31,756	30,747
Deferred leasing costs	18,087	9,302
	148,766	131,942
Accumulated amortization	(59,873)	(50,932)
Deferred leasing costs and lease intangibles, net	\$88,893	\$81,010
Below-market leases	52,875	46,042
Accumulated accretion	(17,659)	(14,482)
Acquired lease intangible liabilities, net	\$35,216	\$31,560

5. Notes Payable

Senior Unsecured Revolving Credit Facility

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

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Notes to Consolidated Financial Statements—(Continued)

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

Our facility bears interest at a rate per annum equal to LIBOR plus 155 basis points to 220 basis points, depending on our leverage ratio. If the Company obtains a credit rating for its senior unsecured long term indebtedness, it may make an irrevocable election to change the interest rate for the facility to a rate per annum equal to LIBOR plus 100 basis points to 185 basis points, depending on the credit rating. Our facility is subject to a facility fee in an amount equal to our unused commitments multiplied by a rate per annum equal to 25 basis points to 35 basis points, depending on our usage of the facility, or, if we make the credit rating election, in an amount equal to the aggregate amount of our commitments multiplied by a rate per annum equal to 15 basis points to 45 basis points, depending upon the credit rating. The amount available for us to borrow under the facility is subject to compliance with certain covenants, including the following financial covenants:

- a maximum leverage ratio (defined as consolidated total indebtedness plus our pro rata share of indebtedness of unconsolidated affiliates to total asset value) of 0.60:1.00;
- a minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes, depreciation and amortization (“EBITDA”) plus our pro rata share of EBITDA of unconsolidated affiliates to fixed charges) of 1.50:1.00;
- a maximum secured indebtedness leverage ratio (defined as consolidated secured indebtedness plus our pro rata share of secured indebtedness of unconsolidated affiliates to total asset value) of 0.60:1.00 through and including August 3, 2014 and 0.55:1.00 thereafter;
- a maximum unencumbered leverage ratio (defined as consolidated unsecured indebtedness plus our pro rata share of unsecured indebtedness of unconsolidated affiliates to total unencumbered asset value) of 0.60:1.00;
- a minimum unsecured interest coverage ratio (defined as consolidated net operating income from unencumbered properties plus our pro rata share of net operating income from unencumbered properties to unsecured interest expense) of 1.60:1.00; and
- a maximum recourse debt ratio (defined as recourse indebtedness other than indebtedness under the revolving credit facility but including unsecured lines of credit to total asset value) of 0.15:1.00.

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

As of June 30, 2013, we were in compliance with our facility’s financial covenants. As of June 30, 2013, we had approximately \$240.6 million of total capacity under our unsecured revolving credit facility, of which nothing had been drawn.

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

Debt	Outstanding		Interest Rate ⁽¹⁾	Maturity Date
	June 30, 2013	December 31, 2012		
Unsecured Revolving Credit Facility	\$—	\$ 55,000	LIBOR+1.55% to 2.20%	8/3/2016
Mortgage loan secured by 625 Second Street ⁽²⁾	33,700	33,700	5.85%	2/1/2014
Mortgage loan secured by 3401 Exposition Blvd. ⁽³⁾	13,233	—	LIBOR+3.80%	5/31/2014
Mortgage loan secured by 6922 Hollywood Boulevard ⁽⁴⁾	40,858	41,243	5.58%	1/1/2015
Mortgage loan secured by 275 Brannan ⁽⁵⁾	3,858	138	LIBOR+2.00%	10/5/2015
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽⁶⁾	92,000	92,000	LIBOR+3.50%	2/11/2016
Mortgage loan secured by Pinnacle II ⁽⁷⁾	89,066	—	6.313%	9/1/2016
Mortgage loan secured by 901 Market ⁽⁸⁾	49,600	49,600	LIBOR+2.25%	10/31/2016

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Mortgage loan secured by Rincon Center ⁽⁹⁾	106,803	107,492	5.134%	5/1/2018
Mortgage loan secured by First Financial ⁽¹⁰⁾	43,000	43,000	4.58%	2/1/2022
Mortgage loan secured by 10950 Washington ⁽¹¹⁾	29,506	29,711	5.316%	3/11/2022
Mortgage loan secured by Pinnacle I	129,000	129,000	3.954%	11/7/2022
Subtotal	\$630,624	\$ 580,884		
Unamortized loan premium, net ⁽¹²⁾	6,494	1,201		
Total	\$637,118	\$ 582,085		

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

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

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

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Notes to Consolidated Financial Statements—(Continued)

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

- (4) This loan was assumed on November 22, 2011 in connection with the closing of our acquisition of the 6922 Hollywood Boulevard property.
- On October 5, 2012, we obtained a loan for our 275 Brannan property pursuant to which we have the ability to
- (5) draw up to \$15,000 for budgeted base building, tenant improvements, and other costs associated with the renovation and lease-up of that property.
- On February 11, 2011, we closed a five-year term loan totaling \$92,000 with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37,000 of the loan was subject to an interest rate contract, which swaps one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest
- (6) rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50,000 of the loan through its maturity on February 11, 2016. On January 11, 2012 we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42,000 of the loan through its maturity on February 11, 2016. Beginning with the payment due February 1, 2014, monthly debt service will include principal payments based on a 30-year amortization schedule, for total annual debt amortization of \$1,113.
- (7) This loan was assumed on June 14, 2013 in connection with the contribution of the Pinnacle II building to the Company's joint venture for The Pinnacle.
- On October 29, 2012, we obtained a loan for our 901 Market property pursuant to which we borrowed \$49,600
- (8) upon closing, with the ability to draw up to an additional \$11,900 for budgeted base building, tenant improvements, and other costs associated with the renovation and lease-up of that property.
- (9) On April 29, 2011, we closed a seven-year term loan totaling \$110,000 with JPMorgan Chase Bank, National Association, secured by our Rincon Center property. The loan bears interest at a fixed annual rate of 5.134%.
- The loan bears interest only for the first two years. Beginning with the payment due March 1, 2014, monthly debt
- (10) service will include principal payments based on a 30-year amortization schedule, for total annual debt service of \$2,639.
- On February 11, 2012, we closed a 10-year term loan totaling \$30,000 with Cantor Commercial Real Estate
- (11) Lending, L.P., secured by our 10950 Washington property. The loan bears interest at a fixed annual rate of 5.316% and will mature on March 11, 2022.
- (12) Represents unamortized amount of the non-cash mark-to-market adjustment on debt associated with 625 Second Street, 6922 Hollywood Boulevard and Pinnacle II.

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

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

2013 (six months ending December 31, 2013)	\$2,662
2014	53,139
2015	48,397
2016	228,309
2017	3,456
2018	101,713
Thereafter	192,948

Total	\$630,624
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6. Interest Rate Contracts

On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment campuses. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% on \$50.0 million of the loan through its maturity on February 11, 2016. On January 11, 2012 we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42.0 million of the loan through its maturity on February 11, 2016. We designated both of these interest rate cap contracts as a cash flow hedge for accounting purposes.

The combined fair market value of the interest rate caps at June 30, 2013 and December 31, 2012 was \$123 and \$71, respectively.

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

Our properties are leased to tenants under operating leases with initial term expiration dates ranging from 2013 to 2020. Approximate future combined minimum rentals (excluding tenant reimbursements for operating expenses and without regard to cancellation options) for properties at June 30, 2013 are as follows for the years/periods ended December 31. The table below does not include rents under leases at our media and entertainment properties with terms of one year or less.

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Notes to Consolidated Financial Statements—(Continued)

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

2013 (six months ending December 31, 2013)	\$54,532
2014	110,698
2015	116,185
2016	111,814
2017	91,485
2018	76,383
Thereafter	287,542
Total	\$848,639

Future Minimum Lease Payments

In conjunction with the acquisition of the Sunset Gower property, our subsidiary, SGS Realty II, LLC, assumed a ground lease agreement (expiring March 31, 2060) for a portion of the land with an unrelated party. As a result of the March 2011 rent adjustment, monthly rent increased to \$31, whereas the monthly rent totaled \$14 at the time of acquisition. The rental rate is subject to adjustment again in March 2018 and every seven years thereafter.

In conjunction with the acquisition of the Del Amo Office building, our subsidiary, Hudson Del Amo Office, LLC, assumed a ground sublease (expiring June 30, 2049) with an unrelated party. Rent under the ground sublease is \$1.00 per year, with the sublessee being responsible for all impositions, insurance premiums, operating charges, maintenance charges, construction costs and other charges, costs and expenses that arise or may be contemplated under any provisions of the ground sublease.

In conjunction with the acquisition of the 9300 Wilshire Boulevard building, our subsidiary, Hudson 9300 Wilshire, LLC, assumed a ground lease (expiring August 14, 2032) with an unrelated party. Minimum rent under the ground lease is \$75 per year (additional rent under this lease of 6% of gross rentals less minimum rent, as defined in such lease, is not included in this amount).

In conjunction with the acquisition of the 222 Kearny Street building, our subsidiary, Hudson 222 Kearny, LLC, assumed a ground lease (expiring June 14, 2054) with an unrelated party. Minimum rent under the ground lease is the greater of \$975 per year or 20.0% of the first \$8,000 of the tenant's "Operating Income" during any "Lease Year," as such terms are defined in the ground lease. The chart below reflects the \$975 per year lease payment.

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

2013 (six months ending December 31, 2013)	\$709
2014	1,417
2015	1,417
2016	1,417
2017	1,417
2018	1,417
Thereafter	50,825
Total	\$58,619

8. Fair Value of Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, receivables, payables, and accrued liabilities are reasonable estimates of fair value because of the short-term maturities of these instruments. Fair values for notes payable are estimates based on rates currently prevailing for similar instruments of similar maturities using Level 2 instruments. The estimated fair values of interest-rate contract/cap arrangements were derived from estimated values based on observable market data for similar instruments.

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Notes to Consolidated Financial Statements—(Continued)

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

	June 30, 2013		December 31, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable	\$637,118	\$647,813	\$582,085	\$588,191
Derivative assets, disclosed as “Interest rate contracts”	\$23	123	71	71

9. Equity

Non-controlling Interests

Common units in the Operating Partnership

Common units in the operating partnership consisted of 2,382,563 common units of partnership interests, or common units, not owned by us. Common units and shares of our common stock have essentially the same economic characteristics as they share equally in the total net income or loss distributions of our operating partnership. Investors who own common units have the right to cause our operating partnership to redeem any or all of their common units for cash equal to the then-current market value of one share of common stock or, at our election, issue shares of our common stock in exchange of common units on a one-for-one basis. In February 2012, one of our common unit holders required us to redeem 155,878 common units, and in December 2012, one of our common unit holders required us to redeem 72,500 common units. In both cases, we elected to issue shares of our common stock in exchange for the common units to satisfy the redemption notice and our outstanding common units decreased from 2,610,941 common units outstanding to the current 2,382,563 common units outstanding, with a corresponding increase to our outstanding common stock as of the date of such exchanges, as reflected in the table below under the caption “—Exchange of Common Units for Common Stock.”

Non-controlling interest—members in consolidated entities

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

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

6.25% series A cumulative redeemable preferred units of the Operating Partnership are 499,014 series A preferred units of partnership interest in our operating partnership, or series A preferred units, that are not owned by us. These series A preferred units are entitled to preferential distributions at a rate of 6.25% per annum on the liquidation preference of \$25.00 per unit and became convertible at the option of the holder into common units or redeemable into cash or, at our option, exchangeable for registered shares of common stock, after June 29, 2013. For a description of the conversion and redemption rights of the series A preferred units, please see “Description of the Partnership Agreement of Hudson Pacific Properties, L.P.—Material Terms of Our Series A Preferred Units” in our June 23, 2010 Prospectus.

8.375% Series B Cumulative Redeemable Preferred Stock

8.375% series B cumulative redeemable preferred stock are 5,800,000 shares of 8.375% preferred stock, with a liquidation preference of \$25.00 per share, \$0.01 par value per share. In December 2010 we completed the public offering of 3,500,000 share of our series B preferred stock (including 300,000 shares of series B preferred stock issued and sold pursuant to the exercise of the underwriters' option to purchase additional shares in part). Total proceeds from the offering, after deducting underwriting discount, were approximately \$83.9 million (before transaction costs). On January 23, 2012, we completed the public offering of 2,300,000 of our series B cumulative preferred stock (including 300,000 shares of series B preferred stock issued and sold pursuant to the exercise of the underwriters' option to purchase additional shares in full). Total proceeds from the offering, after deducting underwriting discount, were approximately \$57.5 million (before transaction costs).

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

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Notes to Consolidated Financial Statements—(Continued)

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

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

May 2012 Common Stock Offering

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

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

February 2013 Common Stock Offering

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

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

Exchange of Common Units for Common Stock

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

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

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

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Notes to Consolidated Financial Statements—(Continued)

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

	June 30, 2013	2012
Net loss attributable to Hudson Pacific Properties, Inc.	\$(2,826)	\$(1,626)
Transfers from the non-controlling interests		
Increase in common stockholders additional paid-in capital for exchange of common units	—	3,780
Change from net income attributable to common stockholders and transfer from non-controlling interests	\$(2,826)	\$2,154

Dividends

During the second quarter for 2013, we declared dividends on our common stock and non-controlling common partnership interests of \$0.125 per share and unit. We also declared dividends on our series A preferred partnership interests of \$0.3906 per unit. In addition, we declared dividends on our series B preferred shares of \$0.5234 per share. The second quarter dividends were declared on June 10, 2013 to holders of record on June 20, 2013.

Taxability of Dividends

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

Stock-Based Compensation

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

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

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

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

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

We recognize the total compensation expense for time-vested shares on a straight-line basis over the vesting period based on the fair value of the award on the date of grant.

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Notes to Consolidated Financial Statements—(Continued)

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

Hudson Pacific Properties, Inc. 2012 Outperformance Program

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

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

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

The 2012 Outperformance Program was valued, in accordance with ASC Topic 718, at an aggregate of approximately \$3.49 million utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run 100,000 times. For each simulation, the payoff is calculated at the settlement

dates, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the unit on the award date. Assumptions used in the valuations included (1) factors associated with the underlying performance of the Company's stock price and total shareholder return over the term of the performance awards including total stock return volatility and risk-free interest and (2) factors associated with the relative performance of the Company's stock price and total shareholder return when compared to the SNL Equity REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the 2012 OPP Units is based on the sum of: (1) the present value of the expected payoff to the OPP Award on the measurement dates, if the TSR over the applicable measurement period exceeds performance hurdles of the absolute and the relative TSR components; and (2) the present value of the distributions payable on the 2012 OPP Units. The ultimate reward realized on account of the OPP Award by the holders of the 2012 OPP Units is contingent on the TSR achieved on the measurement dates, both in absolute terms and relative to the TSR of the SNL Equity REIT Index. The per unit fair value of each 2012 OPP Unit was estimated on the date of grant using the following assumptions in the Monte Carlo valuation: expected price volatility for the Company and the SNL Equity REIT index of 36% and 35%, respectively; a risk free rate of 0.40%; and total dividend payments over the measurement period of \$1.62 per share.

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Notes to Consolidated Financial Statements—(Continued)

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

Hudson Pacific Properties, Inc. 2013 Outperformance Program

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

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

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

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

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Notes to Consolidated Financial Statements—(Continued)

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

following assumptions in the Monte Carlo valuation: expected price volatility for the Company and the SNL Equity REIT index of 33% and 25%, respectively; a risk free rate of 0.38%; and total dividend payments over the measurement period of \$1.50 per share.

For the six months ended June 30, 2013 and 2012, \$3,623 and \$2,016 of non-cash compensation expense for all stock compensation was recognized as additional paid-in capital, of which \$3,512 and \$2,002 was included in general and administrative expenses, with the remaining \$111 and \$14 of stock compensation capitalized to tenant improvement and deferred leasing costs and lease intangibles, net.

10. Related Party Transactions

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

11. Commitments and Contingencies

Legal

From time to time, the Company is party to various lawsuits, claims and other legal proceedings arising out of, or incident to, our ordinary course of business. Management believes, based in part upon consultation with legal counsel, that the ultimate resolution of all such claims will not have a material adverse effect on the Company's results of operations, financial position or cash flows. As of June 30, 2013, the risk of material loss from such legal actions impacting the Company's financial condition or results from operations has been assessed as remote.

Concentrations

As of June 30, 2013, all of the Company's properties were located in California, which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio. Further, for the six months ended June 30, 2013 and 2012, approximately 22%, of the Company's revenues were derived from tenants in the media and entertainment industry, which makes the Company susceptible to demand for rental space in such industry. Consequently, the Company is subject to the risks associated with an investment in real estate with a concentration of tenants in that industry.

12. Segment Reporting

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

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revenues), less property-level operating expenses (which includes external management fees and property-level general and administrative expenses). NOI excludes corporate general and administrative expenses, depreciation and amortization, impairments, gain/loss on sale of real estate, interest expense, acquisition-related expenses and other non-operating items.

Summary information for the reportable segments for the six months ended June 30, 2013 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Revenue	\$ 74,233	\$ 20,560	\$ 94,793
Operating expenses	27,425	11,997	39,422
Net operating income	\$ 46,808	\$ 8,563	\$ 55,371

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Notes to Consolidated Financial Statements—(Continued)

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

Summary information for the reportable segments for the six months ended June 30, 2012 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Revenue	\$ 57,514	\$18,344	\$75,858
Operating expenses	23,766	11,059	34,825
Net operating income	\$ 33,748	\$7,285	\$41,033

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

	June 30, 2013	June 30, 2012
Net operating income	\$55,371	\$41,033
General and administrative	(10,175)	(8,665)
Depreciation and amortization	(32,813)	(24,806)
Interest expense	(11,354)	(9,466)
Interest income	240	7
Acquisition-related expenses	(509)	(360)
Other expense	(54)	(90)
Income from continuing operations	\$706	\$(2,347)

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

13. Subsequent Events

Seattle Acquisition

On June 11, 2013, the Company entered into a purchase agreement to acquire a four-building, 836,419 square-foot office portfolio in Seattle, Washington (the “Seattle Portfolio”) from Spear Street Capital for approximately \$368.6 million (net of certain credits and before closing costs and prorations). The Company closed this transaction on July 31, 2013. The purchase price was paid from a combination of cash-on-hand, asset-level indebtedness and borrowings under the Company’s unsecured revolving credit facility. The Seattle Portfolio consists of the following:

A two-building, 472,881 square-foot waterfront property located in the Pioneer Square submarket of downtown Seattle, which we refer to as the First & King property. This property is 90% leased to tenants such as Capital One/ING Direct, EMC Corporation and Nuance Communications;

- A 189,762 square-foot Class-A office building located in the South Lake Union submarket of downtown Seattle, which we refer to as the Met Park North property. This building is 99% leased, with 74% of the building to be occupied by Amazon.com, Inc. under a ten-year lease expected to commence in November 2013; and

A 173,776 square-foot building located in the Edmonds/Lynnwood submarket of Seattle’s Northend, which we refer to as the Northview property. This building is 89% leased to tenants such as Automatic Data Processing, Inc. and the Federal Emergency Management Agency.

City Plaza Disposition

On May 31, 2013, the Company entered into an agreement to sell its City Plaza property for approximately \$56.0 million (before certain credits, prorations, and closing costs). The transaction closed on July 12, 2013. Proceeds from the disposition were used toward the acquisition of the Seattle portfolio pursuant to a like-kind exchange under Internal Revenue Code Section 1031. City Plaza is a nineteen-story, 333,922 rentable square-foot Class-A office building located in Orange, California, that was acquired by the Company's predecessor in August of 2008 and contributed to the Company in connection with its June 29, 2010 initial public offering.

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Financings

In connection with the acquisition of the Seattle Portfolio, on July 31, 2013, the Company closed a seven-year loan totaling \$64.5 million with Union Bank, N.A., secured by the Company's Met Park North property. The loan bears interest only at a rate equal to one-month LIBOR plus 155 basis points. The full loan is subject to an interest rate contract that swapped one-month LIBOR to a fixed rate of 2.1644% through the loans maturity on August 1, 2020. Proceeds from the loan were used toward the purchase the Seattle Portfolio.

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

Forward-Looking Statements

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

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

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

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

Historical Results of Operations

This Quarterly Report on Form 10-Q for Hudson Pacific Properties, Inc. for the six months ended June 30, 2013 represents an update to the more detailed and comprehensive disclosures included in our Annual Report on form 10-K for the year ended December 31, 2012. Accordingly, you should read the following discussion in conjunction with the information included in our Annual Report on form 10-K for the year ended December 31, 2012 as well as the unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

In addition, some of the statements and assumptions in this Quarterly Report on Form 10-Q are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 or Section 21E of the Securities Exchange Act of 1934, each as amended, including, in particular, statements about our plans, strategies and prospects as well as

estimates of industry growth for the second quarter and beyond. See “Forward-Looking Statements.”

Overview

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

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Properties	Acquisition/Completion Date	Square Feet
875 Howard Street	2/15/2007	286,270
Sunset Gower	8/17/2007	544,602
Sunset Bronson	1/30/2008	313,723
Technicolor Building	6/1/2008	114,958
City Plaza ⁽¹⁾	8/26/2008	333,922
First Financial	6/29/2010	222,423
Tierrasanta	6/29/2010	112,300
Del Amo Office	8/13/2010	113,000
9300 Wilshire Boulevard	8/24/2010	61,224
222 Kearny Street	10/8/2010	148,797
1455 Market	12/16/2010	1,012,012
Rincon Center	12/16/2010	580,850
10950 Washington	12/22/2010	159,024
604 Arizona	7/26/2011	44,260
275 Brannan	8/19/2011	54,673
625 Second Street	9/1/2011	136,906
6922 Hollywood Boulevard	11/22/2011	205,523
6050 Ocean Way & 1445 N. Beachwood Drive	12/16/2011	20,761
10900 Washington	4/5/2012	9,919
901 Market Street	6/1/2012	212,319
Element LA (Olympic Bundy)	9/5/2012	241,427
1455 Gordon Street	9/21/2012	6,000
Pinnacle I ⁽²⁾	11/8/2012	393,777
3401 Exposition	5/22/2013	65,000
Pinnacle II ⁽²⁾	6/14/2013	231,864
Total		5,625,534

(1) We sold the City Plaza property on July 12, 2013.

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

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

Comparison of the three months ended June 30, 2013 to the three months ended June 30, 2012

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and parking and other revenue. Total office revenues increased \$8.6 million, or 29.6%, to \$37.7 million for the three months ended June 30, 2013 compared to \$29.1 million for the three months ended June 30, 2012. The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below. During the three months ended June 30, 2013, the Company entered into an agreement to sell its City Plaza property in Orange, California. Accordingly, the City Plaza property was reclassified as held for sale and its financial results are accounted for as discontinued operations for the three months ended June 30, 2013 and June 30, 2012.

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Office Rental Revenue. Office rental revenue includes rental revenues from our office properties and percentage rent on retail space contained within those properties. Total office rental revenue increased \$8.1 million, or 38.4%, to \$29.3 million for the three months ended June 30, 2013 compared to \$21.2 million for the three months ended June 30, 2012. The increase in rental revenue was primarily the result of a full quarter of operating results from the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively. During the three months ended June 30, 2013, the Company renewed nine office leases encompassing approximately 140,350 rentable square feet. The weighted average initial stabilized cash rents for those renewed leases were 6.6% above the expiring cash rents for the same space and the weighted average initial straight-line rents on those renewed leases were 16.7% above the expiring straight-line rents for the same space.

Office Tenant Recoveries. Office tenant recoveries remained relatively flat for the three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Office Parking and Other Revenue. Office parking and other revenue increased \$0.7 million, or 27.7%, to \$3.1 million for the three months ended June 30, 2013 compared to \$2.4 million for the three months ended June 30, 2012. The increase in parking and other revenue was primarily the result of a full quarter of operating results from the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue and other revenue. Total media and entertainment revenues decreased \$0.3 million, or 3.3%, to \$9.6 million for the three months ended June 30, 2013 compared to \$10.0 million for the three months ended June 30, 2012. The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties and percentage rent on retail space contained within those properties. Total media and entertainment rental revenue decreased \$0.4 million, or 6.7%, to \$5.4 million for the three months ended June 30, 2013 compared to \$5.8 million for the three months ended June 30, 2012. The decrease resulted from lower occupancy over the second quarter of 2013 compared to the same quarter a year ago.

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

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and Internet). Total other property-related revenue remained relatively flat for the three months ended June 30, 2013 compared to the three months ended June 30, 2012.

Media & Entertainment Other Revenue. Other revenue includes service-related revenue, including the rental of certain sound recording equipment at our media and entertainment properties. Total other revenue increased \$0.1 million, or 222.6%, to \$0.2 million for the three months ended June 30, 2013 compared to \$0.1 million for the three months ended June 30, 2012. The increase in other revenue resulted from our acquisition of the Ocean Way recording studio equipment at our Sunset Gower media and entertainment property in January 2013.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as property- and corporate-level general and administrative expenses, other property-related expenses, management fees and depreciation and amortization. Total operating expenses increased by \$3.4 million, or 9.2%, to \$40.1 million for the three months ended June 30, 2013 compared to \$36.7 million for the three months ended June 30, 2012. This increase in total operating expenses reflects the factors discussed below. During the three months ended June 30, 2013, the Company entered into an agreement to sell its City Plaza property in Orange, California. Accordingly, the City Plaza property was reclassified as held for sale and its financial results are accounted for as discontinued operations for the three months ended June 30, 2013 and June 30, 2012.

Office Operating Expenses. Office operating expenses increased \$1.0 million, or 7.8%, to \$14.1 million for the three months ended June 30, 2013 compared to \$13.1 million for the three months ended June 30, 2012. The increase in operating expenses was primarily the result of a full quarter of operating results from the 901 Market property acquired on June 1, 2012,

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and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively. This increase in operating expenses also reflects a supplemental property tax expense associated with our Technicolor property, which occurred in the three months ended June 30, 2012, of approximately \$0.9 million. If this supplemental property tax expense is disregarded, then operating expenses from continuing operations at the Company's office properties would have increased by \$1.9 million, or 16.0%, over the same quarter a year ago.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses increased \$0.1 million, or 2.2%, to \$6.4 million for the three months ended June 30, 2013 compared to \$6.3 million for the three months ended June 30, 2012. The increase in operating expenses was primarily the result of expenses associated with the Ocean Way recording studio, with no comparable expenses compared to the same quarter a year ago.

General and Administrative Expenses. General and administrative expenses includes wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items. General and administrative expenses increased \$1.0 million, or 24.9%, to \$5.2 million for the three months ended June 30, 2013 compared to \$4.2 million for the three months ended June 30, 2012. The increase in general and administrative expenses was primarily due to the adoption of the 2013 Outperformance Program and increased staffing to meet operational needs stemming from growth through the acquisitions of office properties.

Depreciation and Amortization. Depreciation and amortization expense increased \$1.2 million, or 9.0%, to \$14.4 million for the three months ended June 30, 2013 compared to \$13.2 million for the three months ended June 30, 2012. The increase was primarily the result of a full quarter of operating results from the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively.

Other Expense (Income)

Interest Expense. Interest expense increased \$1.2 million, or 25.9%, to \$5.8 million for the three months ended June 30, 2013 compared to \$4.6 million for the three months ended June 30, 2012. At June 30, 2013, the Company had \$637.1 million of notes payable, compared to \$350.3 million at June 30, 2012. The increase was primarily due to the increase in indebtedness associated with our 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively.

Acquisition-related expenses. Acquisition-related expenses increased \$0.2 million, or 70.2%, to \$0.5 million for the three months ended June 30, 2013 compared to \$0.3 million for the three months ended June 30, 2012 as a result of expenses associated with the acquisition of the Pinnacle II building on June 14, 2013.

Net (Loss) Income From Discontinued Operations

During the quarter, the Company entered into an agreement to sell its City Plaza property in Orange, California, for approximately \$56.0 million (before certain credits, prorations and closing costs). Accordingly, the City Plaza property was reclassified as held for sale and its financial results are accounted for as discontinued operations for the three months ended June 30, 2013 and 2012. Income from discontinued operations associated with the City Plaza property increased \$0.6 million, or 210.9%, to \$0.9 million for the three months ended June 30, 2013 compared to \$0.3 million for the three months ended June 30, 2012. The increase is primarily due to lease up of City Plaza. The Company also recognized \$5.4 million of impairment loss in the three months ended June 30, 2013 based the estimated loss on sale of the City Plaza property, with no comparable activity in the same period a year ago. As a result of the combined income from discontinued operations and impairment loss from discontinued operations, the Company experienced a net loss from discontinued operations of \$4.6 million for the three months ended June 30,

2013 compared to net income from discontinued operations of \$0.3 million for the three months ended June 30, 2012.

Net Loss

Net loss for the three months ended June 30, 2013 was \$3.4 million compared to net loss of \$2.2 million for the three months ended June 30, 2012. The increase was primarily due to higher office operating expenses, higher general and administrative expenses, higher depreciation and amortization expenses, higher interest expense, and net loss from discontinued operations associated with the disposition of the City Plaza property, all partially offset by higher office operating revenues resulting from a full quarter of operating results from the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively, all as described above.

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Comparison of the six months ended June 30, 2013 to the six months ended June 30, 2012

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and parking and other revenue. Total office revenues increased \$16.7 million, or 29.1%, to \$74.2 million for the six months ended June 30, 2013 compared to \$57.5 million for the six months ended June 30, 2012. The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below. During the three months ended June 30, 2013, the Company entered into an agreement to sell its City Plaza property in Orange, California. Accordingly, the City Plaza property was reclassified as held for sale and its financial results are accounted for as discontinued operations for the six months ended June 30, 2013 and June 30, 2012.

Office Rental Revenue. Office rental revenue includes rental revenues from our office properties and percentage rent on retail space contained within those properties. Total office rental revenue increased \$14.0 million, or 33.2%, to \$56.1 million for the six months ended June 30, 2013 compared to \$42.1 million for the six months ended June 30, 2012. The increase in rental revenue was primarily the result of operating results from the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively. During the six months ended June 30, 2013, the Company renewed 16 office leases encompassing approximately 157,072 rentable square feet. The weighted average initial stabilized cash rents for those renewed leases were 3.5% above the expiring cash rents for the same space and the weighted average initial straight-line rents on those renewed leases were 13.2% above the expiring straight-line rents for the same space.

Office Tenant Recoveries. Office tenant recoveries remained relatively flat for the six months ended June 30, 2013 compared to the six months ended June 30, 2012.

Office Parking and Other Revenue. Office parking and other revenue increased \$2.5 million, or 55.7%, to \$7.0 million for the six months ended June 30, 2013 compared to \$4.5 million for the six months ended June 30, 2012. The increase in parking and other revenue was primarily the result of operating results from the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively, together with an early lease termination payment from Bank of America relating to the Company's 1455 Market Street property of \$1.1 million (after the write-off of non-cash items), with no comparable activity for the same period a year ago.

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue and other revenue. Total media and entertainment revenues increased 2.2 million, or 12.1%, to 20.6 million for the six months ended June 30, 2013 compared to 18.3 million for the six months ended June 30, 2012. The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Media and entertainment rental revenue includes rental revenues from our media and entertainment properties and percentage rent on retail space contained within those properties. Total media and entertainment rental revenue remained relatively flat for the six months ended June 30, 2013 compared to the six months ended June 30, 2012.

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

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and Internet).

Total other property-related revenue increased \$1.9 million, or 29.7%, to \$8.2 million for the six months ended June 30, 2013 compared to \$6.3 million for the six months ended June 30, 2012. The increase in other property-related revenue resulted from stronger production activity compared to the same quarter a year ago.

Media & Entertainment Other Revenue. Other revenue includes service-related revenue, including the rental of certain sound recording equipment at our media and entertainment properties. Total other revenue increased \$0.3 million, or 327.5%, to \$0.4 million for the six months ended June 30, 2013 compared to \$0.1 million for the six months ended June 30, 2012. The increase in other revenue resulted from our acquisition of the Ocean Way recording studio equipment at our Sunset Gower media and entertainment property in January 2013.

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Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as property- and corporate-level general and administrative expenses, other property-related expenses, management fees and depreciation and amortization. Total operating expenses increased by \$14.1 million, or 20.7%, to \$82.4 million for the six months ended June 30, 2013 compared to \$68.3 million for the six months ended June 30, 2012. This increase in total operating expenses reflects the factors discussed below. During the three months ended June 30, 2013, the Company entered into an agreement to sell its City Plaza property in Orange, California. Accordingly, the City Plaza property was reclassified as held for sale and its financial results are accounted for as discontinued operations for the six months ended June 30, 2013 and June 30, 2012.

Office Operating Expenses. Office operating expenses increased \$3.7 million, or 15.4%, to \$27.4 million for the six months ended June 30, 2013 compared to \$23.8 million for the six months ended June 30, 2012. The increase in operating expenses was primarily the result of operating results from the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively. This increase in operating expenses also reflects a supplemental property tax expense associated with our Technicolor property which occurred in the three months ended June 30, 2012 of approximately \$0.9 million, with no comparable activity in the six months ended June 30, 2013. If this supplemental property tax expense is disregarded, then operating expenses from continuing operations at the Company's office properties would have increased by \$4.6 million, or 20.0%, over the same quarter a year ago.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses increased \$0.9 million, or 8.5%, to \$12.0 million for the six months ended June 30, 2013 compared to \$11.1 million for the six months ended June 30, 2012. The increase in operating expenses was primarily due to stronger production activity compared to the same quarter a year ago. Operating expenses for the first six months of 2013 also reflects a property tax reimbursement stemming from the reassessment of the Sunset Gower media and entertainment property of \$0.8 million, with no comparable activity in the same period a year ago.

General and Administrative Expenses. General and administrative expenses includes wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items. General and administrative expenses increased \$1.5 million, or 17.4%, to \$10.2 million for the six months ended June 30, 2013 compared to \$8.7 million for the six months ended June 30, 2012. The increase in general and administrative expenses was primarily due to the adoption of the 2013 Outperformance Program and increased staffing to meet operational needs stemming from growth through the acquisitions of office properties.

Depreciation and Amortization. Depreciation and amortization expense increased \$8.0 million, or 32.3%, to \$32.8 million for the six months ended June 30, 2013 compared to \$24.8 million for the six months ended June 30, 2012. The increase was primarily the result of a full quarter of operating results from the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively.

Other Expense (Income)

Interest Expense. Interest expense increased \$1.9 million, or 19.9%, to \$11.4 million for the six months ended June 30, 2013 compared to \$9.5 million for the six months ended June 30, 2012. At June 30, 2013, the Company had \$637.1 million of notes payable, compared to \$350.3 million at June 30, 2012. The increase was primarily due to interest expenses for a full six months on the indebtedness associated with our First Financial and 10950 Washington properties and the increase in indebtedness associated with our 901 Market property acquired on June 1, 2012, and the

acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively.

Acquisition-related expenses. Acquisition-related expenses increased \$0.1 million, or 41.4%, to \$0.5 million for the six months ended June 30, 2013 compared to \$0.4 million for the six months ended June 30, 2012 as a result of expenses associated with the acquisition of the Pinnacle II building on June 14, 2013.

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Net (Loss) Income From Discontinued Operations

During the three months ended June 30, 2013, the Company entered into an agreement to sell its City Plaza property in Orange, California, for approximately \$56.0 million (before certain credits, prorations and closing costs). Accordingly, the City Plaza property was reclassified as held for sale and its financial results are accounted for as discontinued operations for the six months ended June 30, 2013 and 2012. Income from discontinued operations associated with the City Plaza property increased \$1.0 million, or 176.1%, to \$1.6 million for the six months ended June 30, 2013 compared to \$0.6 million for the six months ended June 30, 2012. The Company also recognized \$5.4 million of impairment loss in the six months ended June 30, 2013 based the estimated loss on sale of the City Plaza property, with no comparable activity in the same period a year ago. As a result of the combined income from discontinued operations and impairment loss from discontinued operations, the Company experienced a net loss from discontinued operations of \$3.8 million for the six months ended June 30, 2013 compared to net income from discontinued operations of \$0.6 million for the six months ended June 30, 2012.

Net Loss

Net Loss for the six months ended June 30, 2013 was \$3.1 million compared to net loss of \$1.8 million for the six months ended June 30, 2012. The increase was primarily due to higher office and media and entertainment operating expenses, higher general and administrative expenses, higher depreciation and amortization expenses, higher interest expense, and net loss from discontinued operations associated with the disposition of the City Plaza property, all partially offset by higher office operating revenues resulting from a full six months of operating results from the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively, and higher and media and entertainment revenues, all as described above.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

Our ratio of debt to total market capitalization was approximately 31.4% (counting series A preferred units as debt) as of June 30, 2013. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including restricted stock that we may issue to certain of our directors and executive officers, plus the aggregate value of common units not owned by us, plus the liquidation preference of outstanding series A preferred units and series B preferred stock, plus the book value of our total consolidated indebtedness. We had approximately \$96.3 million of cash and cash equivalents at June 30, 2013. In addition, the lead arrangers for our unsecured revolving credit facility have secured commitments that will allow borrowings of up to \$250 million to the extent our unencumbered pool properties support such borrowings. As of June 30, 2013, we had approximately \$240.6 million of total undrawn capacity under our revolving credit facility. We intend to use the unsecured revolving credit facility, among other things, to finance the acquisition of properties, to refinance indebtedness, to provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purposes.

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

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

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

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Cash Flows

Comparison of six months ended June 30, 2013 to six months ended June 30, 2012 is as follows:

	Six Months Ended June 30,		Dollar Change	Percentage Change	
	2013	2012			
	(\$ in thousands)				
Net cash provided by operating activities	\$30,991	\$22,401	\$8,590	38.3	%
Net cash used in investing activities	(68,617)	(112,395)	43,778	(39.0))%
Net cash provided by financing activities	115,052	178,814	(63,762)	(35.7))%

Cash and cash equivalents were \$96.3 million and \$18.9 million at June 30, 2013 and December 31, 2012, respectively.

Operating Activities

Net cash provided by operating activities increased by \$8.6 million to \$31.0 million for the six months ended June 30, 2013 compared to \$22.4 million for the six months ended June 30, 2012. The increase was primarily due to an increase in cash NOI, as defined, from our office properties, primarily from the acquisitions of the 901 Market property acquired on June 1, 2012, and the acquisitions of the Pinnacle I and Pinnacle II buildings on November 8, 2012 and June 14, 2013, respectively, a one-time lease termination payment from a tenant at our 1455 Market property, and an increase in cash NOI from our media properties, primarily from an increase in occupancy and an increase in production-related activities as compared to the same period in the prior year. The increase is partially offset by increase deferred leasing costs and lease intangible costs associated with newly signed leases at 1455 Market, Rincon Center, 275 Brannan and City Plaza and due to the net change in operating assets and liabilities, compared to the six months ended June 30, 2012.

Investing Activities

Net cash used in investing activities decreased \$43.8 million to \$68.6 million for the six months ended June 30, 2013 compared to \$112.4 million for six months ended June 30, 2012. The decrease was primarily due to the decrease in acquisition activities during the six months ended June 30, 2013 as compared to six months ended June 30, 2012 partially offset by increase in deposits for acquisitions and tenant improvement-related expenditures at some of our office properties.

Financing Activities

Net cash provided by financing activities decreased \$63.8 million to \$115.1 million for the six months ended June 30, 2013 compared to \$178.8 million for the six months ended June 30, 2012. The decrease was due to lower proceeds from property financings, and due to the issuance of our series B preferred stock in 2012, with no comparable activity in 2013 partially offset by decrease in repayment of debt compared to the six months ended June 30, 2012.

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 June 30, 2013, we had outstanding notes payable of \$630.6 million (before loan premium), of which \$158.7 million, or 25.2%, was variable rate debt. \$92.0 million of the variable rate debt is subject to the interest rate contracts described in footnote 5 in the table below.

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

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Debt	Outstanding		Interest Rate ⁽¹⁾	Maturity Date
	June 30, 2013	December 31, 2012		
Unsecured Revolving Credit Facility	\$—	\$ 55,000	LIBOR+1.55% to 2.20%	8/3/2016
Mortgage loan secured by 625 Second Street ⁽²⁾	33,700	33,700	5.85%	2/1/2014
Mortgage loan secured by 3401 Exposition Blvd. ⁽³⁾	13,233	—	LIBOR+3.80%	5/31/2014
Mortgage loan secured by 6922 Hollywood Boulevard ⁽⁴⁾	40,858	41,243	5.58%	1/1/2015
Mortgage loan secured by 275 Brannan ⁽⁵⁾	3,858	138	LIBOR+2.00%	10/5/2015
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽⁶⁾	92,000	92,000	LIBOR+3.50%	2/11/2016
Mortgage loan secured by Pinnacle II ⁽⁷⁾	89,066	—	6.313%	9/1/2016
Mortgage loan secured by 901 Market ⁽⁸⁾	49,600	49,600	LIBOR+2.25%	10/31/2016
Mortgage loan secured by Rincon Center ⁽⁹⁾	106,803	107,492	5.134%	5/1/2018
Mortgage loan secured by First Financial ⁽¹⁰⁾	43,000	43,000	4.58%	2/1/2022
Mortgage loan secured by 10950 Washington ⁽¹¹⁾	29,506	29,711	5.316%	3/11/2022
Mortgage loan secured by Pinnacle I	129,000	129,000	3.954%	11/7/2022
Subtotal	\$630,624	\$ 580,884		
Unamortized loan premium, net ⁽¹²⁾	6,494	1,201		
Total	\$637,118	\$ 582,085		

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

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

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

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

(5) On October 5, 2012, we obtained a loan for our 275 Brannan property pursuant to which we have the ability to draw up to \$15,000 for budgeted base building, tenant improvements, and other costs associated with the renovation and lease-up of that property.

(6) On February 11, 2011, we closed a five-year term loan totaling \$92,000 with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37,000 of the loan was subject to an interest rate contract, which swaps one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50,000 of the loan through its maturity on February 11, 2016. On January 11, 2012 we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42,000 of the loan through its maturity on February 11, 2016. Beginning with the payment due February 1, 2014, monthly debt service will include principal payments based on a 30-year amortization schedule, for total annual debt amortization of \$1,113.

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

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

(9)

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On April 29, 2011, we closed a seven-year term loan totaling \$110,000 with JPMorgan Chase Bank, National Association, secured by our Rincon Center property. The loan bears interest at a fixed annual rate of 5.134%.

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

On February 11, 2012, we closed a 10-year term loan totaling \$30,000 with Cantor Commercial Real Estate (11) Lending, L.P., secured by our 10950 Washington property. The loan bears interest at a fixed annual rate of 5.316% and will mature on March 11, 2022.

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

Contractual Obligations and Commitments

During the second quarter of 2013, there were no material changes outside the ordinary course of business in the information regarding specified contractual obligations contained in our Annual Report on Form 10-K for the year ended December 31, 2012.

Off-Balance Sheet Arrangements

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

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Critical Accounting Policies

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

In addition, we identified certain critical accounting policies that affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements in our 2012 Annual Report on Form 10-K. We have not made any material changes to these policies during the periods covered by this Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% on \$50.0 million of the loan through its maturity on February 11, 2016. On January 11, 2012 we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42.0 million of the loan through its maturity on February 11, 2016.

Our unsecured revolving credit facility, loan on our 901 Market property, loan on our 275 Brannan property, and loan on our 3401 Exposition Boulevard property are not subject to interest rate hedges. As of June 30, 2013, we had nothing drawn under our unsecured revolving credit facility.

Therefore, with respect to the \$92.0 million loan on our Sunset Gower and Sunset Bronson media and entertainment properties, the \$49.6 million loan on our 901 Market property, the \$13.2 million loan on our 3401 Exposition Blvd. property, and the \$3.9 million loan on our 275 Brannan property, if one-month LIBOR as of June 30, 2013 was to increase by 100 basis points, or 1.0%, the resulting increase in annual interest expense would impact our future earnings and cash flows by \$1.6 million.

As of June 30, 2013, we had outstanding notes payable of \$630.6 million (before loan premium), of which \$158.7 million, or 25.2%, was variable rate debt. \$92.0 million of the variable rate debt is subject to the interest rate contracts described in footnote 6 to the table above, and \$471.9 million of which was fixed rate secured mortgage loans. As of

June 30, 2013, the estimated fair value of our fixed rate secured mortgage loans was \$482.6 million.

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ITEM 4. CONTROLS AND PROCEDURES

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

As of June 30, 2013, the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures at the end of the period covered by this Report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded, as of that time, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

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

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or that, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operation if determined adversely to us. As of June 30, 2013, the risk of material loss from such legal actions impacting the Company's financial condition or results from operations has been assessed as remote.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2012. Please review the Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2012.

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

(a)Recent Sales of Unregistered Securities: None

(b)Use of Proceeds from Registered Securities: None

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

None.

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ITEM 6. EXHIBITS.

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

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- 10.23 Contribution Agreement by and among Victor J. Coleman, Howard S. Stern, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010.⁽¹⁾
- 10.24 Contribution Agreement by and among SGS investors, LLC, HFOP Investors, LLC, Soma Square Investors, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010.⁽¹⁾

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

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- 10.44 L.P., Hudson Pacific Properties, L.P., and US Bank National Association, dated June 29, 2010.⁽⁷⁾
Purchase and Sale Agreement, dated September 15, 2010, by and between ECI Washington LLC and
Hudson Pacific Properties, L.P.⁽⁹⁾
- 10.45 First Amendment to Purchase and Sale Agreement, dated October 1, 2010, by and between ECI
Washington LLC and Hudson Pacific Properties, L.P.⁽⁹⁾

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10.46	Term Loan Agreement by and between Sunset Bronson Entertainment Properties, LLC and Sunset Gower Entertainment Properties, LLC, as Borrowers, and Wells Fargo Bank, National Association, as Lender, dated February 11, 2011. ⁽¹⁰⁾
10.47	Contract for Sale dated as of December 15, 2010 by and between Hudson 1455 Market, LLC and Bank of America, National Association. ⁽¹²⁾
10.48	Contribution Agreement by and between BCSP IV U.S. Investments, L.P. and Hudson Pacific Properties, L.P., dated as of December 15, 2010. ⁽¹³⁾
10.49	Limited Liability Company Agreement of Rincon Center JV LLC by and between Rincon Center Equity LLC and Hudson Rincon, LLC, dated as of December 16, 2010. ⁽¹³⁾
10.50	First Amendment to Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated December 10, 2010. ⁽¹³⁾
10.51	Second Amendment to Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated April 4, 2011. ⁽¹⁴⁾
10.52	First Amendment to Registration Rights Agreement by and among Hudson Pacific Properties, Inc., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P. and Farallon Capital Institutional Partners III, L.P., dated May 3, 2011. ⁽¹¹⁾
10.53	Subscription Amendment by and among Hudson Pacific Properties, Inc., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P. and Farallon Capital Institutional Partners III, L.P., dated April 26, 2011. ⁽¹⁵⁾
10.54	Loan Agreement by and between Hudson Rincon Center, LLC, as Borrower, and JPMorgan Chase Bank, National Association, as Lender, dated April 29, 2011. ⁽¹¹⁾
10.55	Indemnification Agreement, dated October 1, 2011, by and between Hudson Pacific Properties, Inc. and Patrick Whitesell. ⁽¹⁶⁾
10.56	2012 Outperformance Award Agreement. ^{(17)*}
10.57	Credit Agreement by and among Hudson Pacific Properties, L.P. and Wells Fargo Bank, National Association, as Administrative Agent, Wells Fargo Securities, LLC, and Merrill Lynch, Pierce, Fenner and Smith Incorporated, as Lead Arrangers and Joint Bookrunners, Bank of America, N.A., and Barclays Bank PLC, as Syndication Agents, and Keybank National Association, as Documentation Agent, dated August 3, 2012. ⁽²²⁾
10.58	Limited Liability Company Agreement of Hudson MC Partners, LLC, dated as of November 8, 2012. ⁽²¹⁾
10.59	Acquisition and Contribution Agreement between Media Center Development, LLC and P2 Hudson Partners, LLC for Pinnacle 2 Property Located at 3300 West Olive Avenue, Burbank, California. ⁽²¹⁾
10.60	Loan Agreement dated as of November 8, 2012 between P1 Hudson MC Partners, LLC, as Borrower and Jefferies Loancore LLC, as Lender. ⁽²¹⁾
10.61	First Amendment to Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. 2010 Incentive Award Plan. ⁽¹⁹⁾
10.62	2013 Outperformance Award Agreement. ^{(20)*}
10.63	Hudson Pacific Properties, Inc. Revised Non-Employee Director Compensation Program. ⁽²³⁾
10.64	Amendment No. 1 to the Credit Agreement among the Company, Hudson Pacific Properties, L.P., as Borrower, and each of the Lenders party thereto (as defined in the original credit agreement, dated August 3, 2012). ²⁴
10.65	

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Purchase Agreement between 1220 Howell LLC, a Delaware limited liability company, King & Dearborn LLC, a Delaware limited liability company, and Northview Corporate Center LLC, a Delaware limited liability company, as Sellers, and Hudson Pacific Properties, L.P., a Maryland limited partnership, as Buyer.²⁵

- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Certificate of Correction.⁽¹⁸⁾

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

- (1)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on April 9, 2010.
- (2)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on May 12, 2010.
- (3)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 3, 2010.
- (4)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 11, 2010.
- (5)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 14, 2010.
- (6)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 22, 2010.
- (7)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 1, 2010.
- (8)) Previously filed with the Registration Statement on Form S-11 filed by the Registrant with the Securities and Exchange Commission on November 22, 2010.
- (9)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on December 6, 2010.
- (10)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 15, 2011.
- (11)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 4, 2011.
- (12)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on December 21, 2010.
- (13)) Previously filed with the Registration Statement on Form S-11 filed by the Registrant with the Securities and Exchange Commission on April 14, 2011.
- (14)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 5, 2011.
- (15)) Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.
- (16)) Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.
- (17)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 6, 2012.
- (18)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 23, 2012.
- (19)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on June 12, 2012.
- (20)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 7, 2013.
- (21)) Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.

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

* Denotes a management contract or compensatory plan or arrangement.

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

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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: August 8, 2013

/S/ MARK T. LAMMAS

Mark T. Lammas

Chief Financial Officer (principal financial officer)