AV Homes, Inc.
Form 4
August 24, 2015

FORM 4

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

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Nash Joshua Lionel

(Last) (First) (Middle)

C/O ULYSSES MANAGEMENT, LLC, ONE ROCKEFELLER PLAZA 20TH FLOOR

(Street)

NEW YORK, NY 10020

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
AV Homes, Inc. [AVHI]

3. Date of Earliest Transaction (Month/Day/Year)
08/20/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	08/20/2015		P		172,000	A	$ 13.9	172,000	I	By Limited Partnership (1)
Common Stock	08/20/2015		P		28,000	A	$ 13.9	28,000	I	By Offshore Fund (2)
Common Stock								182,633	D	
Common Stock								173,900	I	By Trust fbo Mother

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Nash Joshua Lionel C/O ULYSSES MANAGEMENT, LLC ONE ROCKEFELLER PLAZA 20TH FLOOR NEW YORK, NY 10020	X			

Signatures

/s/ Gary Shullaw, attorney-in-fact for Joshua L. Nash	08/24/2015
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Shares are held by a limited partnership. The managing general partner of the limited partnership is directly controlled by the reporting person. The reporting person disclaims beneficial ownership of the shares held by the limited partnership except to the extent of his pecuniary interest therein.

(2) Shares are held by an offshore fund. The reporting person controls the management company for this fund. The reporting person disclaims beneficial ownership of the shares held by the offshore company except to the extent of his pecuniary interest therein, which results solely from a compensatory arrangement pursuant to which certain amounts to be paid to the reporting person are valued by reference to the managed account.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and

a written unsecured undertaking by the director or officer or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that he or she did not meet the standard of conduct.

Our charter authorizes us to obligate our company and our bylaws obligate us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding without requiring a preliminary determination of the director s or officer s ultimate entitlement to indemnification to:

any present or former director or officer who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or

any individual who, while a director or officer of our company and at our request, serves or has served as a director, officer, partner, member, manager or trustee of another corporation, real estate

Table of Contents

investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us, with the approval of our board of directors, to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any employee or agent of our company or a predecessor of our company.

The partnership agreement of our operating partnership also provides that we, as general partner, and our directors, officers and employees, officers and employees of our operating partnership and our designees are indemnified against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of the operating partnership, except (1) if the act or omission of such person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which such person received an improper personal benefit in money, property or services or otherwise, in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the person had reasonable cause to believe the act or omission was unlawful. The operating partnership must also pay or reimburse the reasonable expenses of any such person upon its receipt of a written affirmation of the person s good faith belief that the standard of conduct necessary for indemnification has been met and a written undertaking to repay any amounts paid or advanced if it is ultimately determined that the person did not meet the standard of conduct for indemnification. The operating partnership will not indemnify or advance funds to any person with respect to any action initiated by the person seeking indemnification (other than an action to enforce such person s right to indemnification under the partnership agreement) without our approval or if the person is found to be liable to the operating partnership on any portion of any claim in the action. See Description of the Partnership Agreement of Hudson Pacific Properties, L.P. Exculpation and Indemnification.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Indemnification Agreements

We have entered into indemnification agreements with each of our executive officers and directors as described in Management Limitation of Liability and Indemnification.

Restrictions on Ownership and Transfer of our Stock

Our charter contains restrictions on the ownership and transfer of our stock that are intended to assist us in continuing to qualify as a REIT. Subject to certain exceptions, our charter provides that no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our common stock or of our series B preferred stock, or 9.8% (in value) of the aggregate of the outstanding shares of all classes and series of our stock. For more information regarding these and other restrictions on the ownership and transfer of our stock imposed by our charter and the remedies for a violation of such restrictions, see Description of Stock Restrictions on Ownership and Transfer.

REIT Qualification

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our stockholders, if it determines that it is no longer in our best interest to continue to be qualified as a REIT.

Table of Contents

SHARES ELIGIBLE FOR FUTURE SALE

General

Upon completion of this offering and the concurrent private placement, we will have outstanding 32,328,569 shares of our common stock (33,341,069 shares if the underwriters overallotment option is exercised in full). In addition, upon completion of this offering and the concurrent private placement, 2,610,941 shares of our common stock will be issuable upon exchange of outstanding common units. Our operating partnership will also have outstanding approximately $12.5 million in liquidation preference of series A preferred units, which are redeemable for cash, or at our option, exchangeable for registered shares of our common stock after June 29, 2013.

Of these shares, 21,470,000 shares (22,482,500 shares if the underwriters overallotment option is exercised in full) will be freely transferable without restriction or further registration under the Securities Act, subject to the restrictions on ownership and transfer of our stock set forth in our charter. The 3,125,000 shares of common stock issued to the Farallon Funds in the concurrent private placement, the shares of common stock already owned by the Farallon Funds prior to this offering and the shares of our common stock issuable to officers, directors and affiliates upon exchange of units are or will be restricted shares as defined in Rule 144.

No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of our common stock (including shares issued upon the exchange of units or the exercise of stock options), or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock. See Risk Factors Risks Related to this Offering.

For a description of certain restrictions on ownership and transfer of our stock, see Description of Stock Restrictions on Ownership and Transfer.

Rule 144

In general, under Rule 144 as currently in effect, beginning 90 days after the date of this prospectus, a person who is not deemed to have been an affiliate of ours at any time during the three months preceding a sale and who has beneficially owned shares considered to be restricted securities under Rule 144 for at least six months would be entitled to sell those shares, subject only to the availability of current public information about us. A non-affiliated person who has beneficially owned shares considered to be restricted securities under Rule 144 for at least one year would be entitled to sell those shares without regard to the provisions of Rule 144.

An affiliate of ours who has beneficially owned shares of our common stock for at least six months would be entitled to sell, within any three-month period, a number of shares that does not exceed the greater of:

- 1% of the shares of our common stock then outstanding, which will equal approximately 323,286 shares immediately after this offering (333,411 shares if the underwriters exercise their overallotment option in full); or

- the average weekly trading volume of our common stock on the NYSE during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales under Rule 144 by our affiliates or persons selling shares on behalf of our affiliates are also subject to manner of sale provisions, notice requirements and the availability of current public information about us.

Redemption/Exchange Rights

In connection with the formation transactions at the time of our initial public offering, our operating partnership issued an aggregate of 2,610,941 common units to contributors of interests in the property entities.

Table of Contents

Beginning on or after the date which is 14 months after becoming a holder of common units, limited partners of our operating partnership and certain qualifying assignees of a limited partner have the right, subject to the terms and conditions set forth in the partnership agreement, to require our operating partnership to redeem part or all of their common units for a cash amount per common unit equal to the value of one share of our common stock, as determined in accordance with, and subject to adjustment as provided in, the partnership agreement. The operating partnership s obligation to effect a redemption, however, will not arise or be binding against the operating partnership unless and until we, as general partner, decline or fail to exercise our prior and independent right to acquire such common units in exchange for common stock, in our sole discretion and subject to the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled Description of Stock Restrictions on Ownership and Transfer. See Description of the Partnership Agreement of Hudson Pacific Properties, L.P. In addition, beginning three years after the completion of our initial public offering (June 29, 2013), limited partners holding series A preferred units and certain qualifying assignees will have the right, subject to the terms and conditions set forth in the partnership agreement, to require the operating partnership to redeem all or a portion of their series A preferred units in exchange for a cash redemption price equal to $25.00 per unit plus any accrued distributions that have not been paid on or prior to the redemption date. The operating partnership s obligation to effect a redemption, however, will not arise or be binding against the operating partnership unless and until we, as general partner, decline or fail to exercise our prior and independent right to acquire such series A preferred units in exchange for shares of our common stock that are issued under an effective registration statement under the Securities Act, in our sole discretion and subject to the restrictions on ownership and transfer of our stock set forth in our charter and described under the section entitled Description of Stock Restrictions on Ownership and Transfer. See Description of the Partnership Agreement of Hudson Pacific Properties, L.P.

Registration Rights

We entered into a registration rights agreement with the various persons receiving shares of our common stock and/or common units in the formation transactions or pursuant to the 2010 private placement, including the Farallon Funds, the Morgan Stanley Investment Partnership and certain of our executive officers. Under the registration rights agreement, subject to certain limitations, commencing not later than 14 months after the date of our initial public offering (August 29, 2011), we will file one or more registration statements covering the resale of the shares of our common stock issued in the formation transactions and the 2010 private placement and the resale of the shares of our common stock issued or issuable, at our option, in exchange for operating partnership units issued in the formation transactions. We may, at our option, satisfy our obligation to prepare and file a resale registration statement by filing a registration statement registering the issuance by us of shares of our common stock registered under the Securities Act to the holders of units upon redemption of such units and, to the extent such shares constitute restricted securities, their resale. The Farallon Funds have the right, on one occasion, to require us to register shares of our common stock issued in the formation transactions and the 2010 private placement for resale in an underwritten offering registered pursuant to the Securities Act; provided, such registration shall be limited to a number of shares of common stock representing up to 25% of the aggregate number of shares of our common stock and common units issued to the Farallon Funds and their affiliates in the formation transactions and the 2010 private placement. Commencing upon our filing of a resale registration statement not later than 14 months after the date of our initial public offering (August 29, 2011), under certain circumstances, we are also required to undertake an underwritten offering upon the written request of holders of at least 10% in the aggregate of the securities originally issued in the formation transactions, provided that we are not obligated to effect more than two such underwritten offerings in addition to the demand registration. We have agreed to enter into an amendment to the registration rights agreement pursuant to which the common stock purchased by the Farallon Funds in the concurrent private placement will be entitled to the benefits of the registration rights agreement.

Table of Contents

Equity Incentive Plan

We have adopted the 2010 Plan, which provides for the grant of incentive awards to eligible service providers. 1,650,000 shares of common stock are reserved for issuance under the 2010 Plan. As of April 25, 2011, 490,442 shares of restricted stock had been granted under the 2010 Plan and 1,159,558 shares remained available for future issuance.

We filed with the SEC a Registration Statement on Form S-8 covering the shares of common stock issuable under the 2010 Plan. Shares of our common stock covered by this registration statement, including any shares of our common stock issuable upon the exercise of options or shares of restricted common stock, will be eligible for transfer or resale without restriction under the Securities Act unless held by affiliates.

Lock-up Agreements and Other Contractual Restrictions on Resale

In addition to the limits placed on the sale of our common stock by operation of Rule 144 and other provisions of the Securities Act, our directors and executive officers, and the Farallon Funds have agreed with the underwriters of this offering, subject to certain exceptions, not to sell or otherwise transfer or encumber, or enter into any transaction that transfers, in whole or in part, directly or indirectly, any shares of common stock or securities convertible or exchangeable into shares of common stock owned by them at the completion of this offering and the concurrent private placement or thereafter acquired by them for a period of 90 days after the date of this prospectus (provided, that the Farallon Funds may (i) sell shares of common stock representing up to 25% of the aggregate number of shares of our common stock and common units issued to the Farallon Funds in the formation transactions and the 2010 private placement pursuant to a demand registration statement or (ii) distribute such amount of shares to their limited partners, members or stockholders), without the prior consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc. However, each of our directors and executive officers may transfer or dispose of his or her shares during this 90-day lock-up period in the case of gifts or for estate planning purposes where the transferee agrees to a similar lock-up agreement for the remainder of this 90-day lock-up period, provided that no report is required to be filed by the transferor under the Exchange Act as a result of the transfer.

Table of Contents

FEDERAL INCOME TAX CONSIDERATIONS

The following is a general summary of certain material U.S. federal income tax considerations regarding our company and this offering of our common stock. For purposes of this discussion, references to we, our and us mean only Hudson Pacific Properties, Inc., and do not include any of its subsidiaries, except as otherwise indicated. This summary is for general information only and is not tax advice. The information in this summary is based on:

- the Internal Revenue Code of 1986, as amended, or the Code;
- current, temporary and proposed Treasury Regulations promulgated under the Code;
- the legislative history of the Code;
- administrative interpretations and practices of the Internal Revenue Service, or the IRS; and
- court decisions;

in each case, as of the date of this prospectus. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings that are not binding on the IRS except with respect to the particular taxpayers who requested and received those rulings. Future legislation, Treasury Regulations, administrative interpretations and practices and/or court decisions may adversely affect the tax considerations contained in this discussion. Any such change could apply retroactively to transactions preceding the date of the change. We have not requested and do not intend to request a ruling from the IRS that we qualify as a REIT, and the statements in this prospectus are not binding on the IRS or any court. Thus, we can provide no assurance that the tax considerations contained in this discussion will not be challenged by the IRS or will be sustained by a court if challenged by the IRS. This summary does not discuss any state, local or non-U.S. tax consequences associated with the purchase, ownership, or disposition of our common stock or our election to be taxed as a REIT.

You are urged to consult your tax advisors regarding the tax consequences to you of:

- **the purchase, ownership or disposition of our common stock, including the federal, state, local, non-U.S. and other tax consequences;**
- **our election to be taxed as a REIT for federal income tax purposes; and**
- **potential changes in applicable tax laws.**

Taxation of Our Company

General

We intend to elect to be taxed as a REIT under Sections 856 through 860 of the Code commencing with our taxable year ended December 31, 2010. We believe that we have been organized and have operated in a manner that will allow us to qualify for taxation as a REIT under the Code commencing with our taxable year ended December 31, 2010, and we intend to continue to be organized and operate in this manner. However, qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that we have been organized or have operated in a manner so as to qualify or remain qualified as a REIT. See Failure to Qualify.

The sections of the Code and the corresponding Treasury Regulations that relate to qualification and taxation as a REIT are highly technical and complex. The following discussion sets forth certain material aspects

185

of the sections of the Code that govern the federal income tax treatment of a REIT and its stockholders. This summary is qualified in its entirety by the applicable Code provisions, Treasury Regulations promulgated under the Code, and administrative and judicial interpretations thereof.

Latham & Watkins LLP has acted as our tax counsel in connection with this offering of our common stock and our intended election to be taxed as a REIT. Latham & Watkins LLP has rendered an opinion to us to the effect that, commencing with our taxable year ended December 31, 2010, we have been organized and have operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and our proposed method of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT under the Code. It must be emphasized that this opinion is based on various assumptions and representations as to factual matters, including representations made by us in a factual certificate provided by one of our officers. In addition, this opinion is based upon our factual representations set forth in this prospectus. Moreover, our qualification and taxation as a REIT depend upon our ability to meet the various qualification tests imposed under the Code, which are discussed below, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership, the results of which have not been and will not be reviewed by Latham & Watkins LLP. Accordingly, no assurance can be given that our actual results of operation for any particular taxable year will satisfy those requirements. Further, the anticipated federal income tax treatment described in this discussion may be changed, perhaps retroactively, by legislative, administrative or judicial action at any time. Latham & Watkins LLP has no obligation to update its opinion subsequent to the date of such opinion.

Provided we qualify for taxation as a REIT, we generally will not be required to pay federal corporate income taxes on our REIT taxable income that is currently distributed to our stockholders. This treatment substantially eliminates the double taxation that ordinarily results from investment in a C corporation. A C corporation is a corporation that generally is required to pay tax at the corporate level. Double taxation means taxation once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. We will, however, be required to pay federal income tax as follows:

First, we will be required to pay tax at regular corporate rates on any undistributed REIT taxable income, including undistributed net capital gains.

Second, we may be required to pay the alternative minimum tax on our items of tax preference under some circumstances.

Third, if we have (1) net income from the sale or other disposition of foreclosure property held primarily for sale to customers in the ordinary course of business or (2) other nonqualifying income from foreclosure property, we will be required to pay tax at the highest corporate rate on this income. To the extent that income from foreclosure property is otherwise qualifying income for purposes of the 75% gross income test, this tax is not applicable. Subject to certain other requirements, foreclosure property generally is defined as property we acquired through foreclosure or after a default on a loan secured by the property or a lease of the property.

Fourth, we will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited transactions are, in general, sales or other taxable dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business.

Fifth, if we fail to satisfy the 75% gross income test or the 95% gross income test, as described below, but have otherwise maintained our qualification as a REIT because certain other requirements are met, we will be required to pay a tax equal to (1) the greater of (A) the amount by which we fail to satisfy the 75% gross income test and (B) the amount by which we fail to satisfy the 95% gross income test, multiplied by (2) a fraction intended to reflect our profitability.

Table of Contents

Sixth, if we fail to satisfy any of the asset tests (other than a *de minimis* failure of the 5% or 10% asset test), as described below, due to reasonable cause and not due to willful neglect, and we nonetheless maintain our REIT qualification because of specified cure provisions, we will be required to pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets that caused us to fail such test.

Seventh, if we fail to satisfy any provision of the Code that would result in our failure to qualify as a REIT (other than a violation of the gross income tests or certain violations of the asset tests, as described below) and the violation is due to reasonable cause and not due to willful neglect, we may retain our REIT qualification but we will be required to pay a penalty of $50,000 for each such failure.

Eighth, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of (1) 85% of our ordinary income for the year, (2) 95% of our capital gain net income for the year, and (3) any undistributed taxable income from prior periods.

Ninth, if we acquire any asset from a corporation that is or has been a C corporation in a transaction in which our basis in the asset is determined by reference to the C corporation s basis in the asset, and we subsequently recognize gain on the disposition of the asset during the ten-year period beginning on the date on which we acquired the asset, then we will be required to pay tax at the highest regular corporate tax rate on this gain to the extent of the excess of (1) the fair market value of the asset over (2) our adjusted basis in the asset, in each case determined as of the date on which we acquired the asset. The results described in this paragraph with respect to the recognition of gain assume that the C corporation will refrain from making an election to receive different treatment under applicable Treasury Regulations on its tax return for the year in which we acquire the asset from the C corporation.

Tenth, our subsidiaries that are C corporations, including our taxable REIT subsidiaries, generally will be required to pay federal corporate income tax on their earnings.

Eleventh, we will be required to pay a 100% tax on any redetermined rents, redetermined deductions or excess interest. See Penalty Tax. In general, redetermined rents are rents from real property that are overstated as a result of services furnished to any of our tenants by a taxable REIT subsidiary of ours. Redetermined deductions and excess interest generally represent amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm s length negotiations.

Twelfth, we may elect to retain and pay income tax on our net capital gain. In that case, a stockholder would include its proportionate share of our undistributed net capital gain (to the extent we make a timely designation of such gain to the stockholder) in its income, would be deemed to have paid the tax that we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the basis of the stockholder in our common stock.

Requirements for Qualification as a REIT. The Code defines a REIT as a corporation, trust or association:

(1) that is managed by one or more trustees or directors;

(2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;

(3) that would be taxable as a domestic corporation, but for Sections 856 through 860 of the Code;

187

(4) that is not a financial institution or an insurance company within the meaning of certain provisions of the Code;

(5) that is beneficially owned by 100 or more persons;

(6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including certain specified entities, during the last half of each taxable year; and

(7) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), the term individual includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but generally does not include a qualified pension plan or profit sharing trust.

We believe that we have been organized and have operated in a manner that has or, as applicable, will allow us to satisfy conditions (1) through (7) inclusive, during the relevant time periods. In addition, our charter provides for restrictions regarding ownership and transfer of our shares which are intended to assist us in continuing to satisfy the share ownership requirements described in (5) and (6) above. A description of the share ownership and transfer restrictions relating to our common stock is contained in the discussion in this prospectus under the heading Description of Stock Restrictions on Ownership and Transfer. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy the share ownership requirements described in (5) and (6) above. If we fail to satisfy these share ownership requirements, except as provided in the next sentence, our status as a REIT will terminate. If, however, we comply with the rules contained in applicable Treasury Regulations that require us to ascertain the actual ownership of our shares and we do not know, or would not have known through the exercise of reasonable diligence, that we failed to meet the requirement described in condition (6) above, we will be treated as having met this requirement. See Failure to Qualify.

In addition, we may not maintain our status as a REIT unless our taxable year is the calendar year. We have and will continue to have a calendar taxable year.

Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries. In the case of a REIT that is a partner in a partnership or a member in a limited liability company treated as a partnership for federal income tax purposes, Treasury Regulations provide that the REIT will be deemed to own its proportionate share of the assets of the partnership or limited liability company, as the case may be, based on its interest in partnership capital, subject to special rules relating to the 10% asset test described below. Also, the REIT will be deemed to be entitled to its proportionate share of the income of that entity. The assets and gross income of the partnership or limited liability company retain the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, our pro rata share of the assets and items of income of our operating partnership, including our operating partnership s share of these items of any partnership or limited liability company treated as a partnership or disregarded entity for federal income tax purposes in which it owns an interest, is treated as our assets and items of income for purposes of applying the requirements described in this discussion, including the gross income and asset tests described below. A brief summary of the rules governing the federal income taxation of partnerships and limited liability companies is set forth below in Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies.

Table of Contents

We have control of our operating partnership and the subsidiary partnerships and limited liability companies and intend to operate them in a manner consistent with the requirements for our qualification as a REIT. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were entitled to relief, as described below.

We may from time to time own and operate certain properties through subsidiaries that we intend to be treated as qualified REIT subsidiaries under the Code. A corporation will qualify as our qualified REIT subsidiary if we own 100% of the corporation s outstanding stock and do not elect with the subsidiary to treat it as a taxable REIT subsidiary, as described below. A qualified REIT subsidiary is not treated as a separate corporation, and all assets, liabilities and items of income, gain, loss, deduction and credit of a qualified REIT subsidiary are treated as assets, liabilities and items of income, gain, loss, deduction and credit of the parent REIT for all purposes under the Code, including all REIT qualification tests. Thus, in applying the federal tax requirements described in this discussion, any qualified REIT subsidiaries we own are ignored, and all assets, liabilities and items of income, gain, loss, deduction and credit of such corporations are treated as our assets, liabilities and items of income, gain, loss, deduction and credit. A qualified REIT subsidiary is not subject to federal income tax, and our ownership of the stock of a qualified REIT subsidiary will not violate the restrictions on ownership of securities, as described below under Asset Tests.

Ownership of Interests in Taxable REIT Subsidiaries. We currently own an interest in one taxable REIT subsidiary and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to federal income tax as a regular C corporation. In addition, a taxable REIT subsidiary may be prevented from deducting interest on debt funded directly or indirectly by its parent REIT if certain tests regarding the taxable REIT subsidiary s debt to equity ratio and interest expense are not satisfied. A REIT s ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset test described below. See Asset Tests.

Income Tests

We must satisfy two gross income requirements annually to maintain our qualification as a REIT. First, in each taxable year we must derive directly or indirectly at least 75% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, and certain foreign currency gains) from investments relating to real property or mortgages on real property, including rents from real property and, in certain circumstances, interest, or certain types of temporary investments. Second, in each taxable year we must derive at least 95% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, and certain foreign currency gains) from the real property investments described above or dividends, interest and gain from the sale or disposition of stock or securities, or any combination of the foregoing. For these purposes, the term interest generally does not include any amount received or accrued, directly or indirectly, if the determination of all or some of the amount depends in any way on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term interest solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Table of Contents

Rents we receive from a tenant will qualify as rents from real property for the purpose of satisfying the gross income requirements for a REIT described above only if all of the following conditions are met:

The amount of rent is not based in any way on the income or profits of any person. However, an amount we receive or accrue generally will not be excluded from the term rents from real property solely because it is based on a fixed percentage or percentages of receipts or sales;

Neither we nor an actual or constructive owner of 10% or more of our capital stock actually or constructively owns 10% or more of the interests in the assets or net profits of a non-corporate tenant, or, if the tenant is a corporation, 10% or more of the voting power or value of all classes of stock of the tenant. Rents we receive from such a tenant that is a taxable REIT subsidiary of ours, however, will not be excluded from the definition of rents from real property as a result of this condition if at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are substantially comparable to rents paid by our other tenants for comparable space. Whether rents paid by a taxable REIT subsidiary are substantially comparable to rents paid by other tenants is determined at the time the lease with the taxable REIT subsidiary is entered into, extended, and modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, however, if a lease with a controlled taxable REIT subsidiary is modified and such modification results in an increase in the rents payable by such taxable REIT subsidiary, any such increase will not qualify as rents from real property. For purposes of this rule, a controlled taxable REIT subsidiary is a taxable REIT subsidiary in which the parent REIT owns stock possessing more than 50% of the voting power or more than 50% of the total value of the outstanding stock of such taxable REIT subsidiary. We currently lease space to wholly owned subsidiaries of our taxable REIT subsidiary at our media and entertainment properties and may, from time to time, enter into additional leases with one or more taxable REIT subsidiaries. To the extent any rent from such lease does not satisfy the 90% rental exception described above, our receipt of such rent will not qualify under the gross income tests;

Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as rents from real property. To the extent that rent attributable to personal property, leased in connection with a lease of real property, exceeds 15% of the total rent received under the lease, we may transfer a portion of such personal property to a taxable REIT subsidiary. Our taxable REIT subsidiary indirectly owns certain personal property leased to tenants at our media and entertainment properties and, from time to time, one or more of our taxable REIT subsidiaries may own personal property leased to tenants at other properties; and

We generally do not operate or manage the property or furnish or render services to our tenants, subject to a 1% *de minimis* exception and except as provided below. We may, however, perform services that are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property. Examples of these services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, we may employ an independent contractor from whom we derive no revenue to provide customary services, or a taxable REIT subsidiary (which may be wholly or partially owned by us) to provide both customary and non-customary services to our tenants without causing the rent we receive from those tenants to fail to qualify as rents from real property. Certain wholly owned subsidiaries of our taxable REIT subsidiary (which is our services company) provide non-customary services to certain of our tenants at our media and entertainment properties and, from time to time, one or more taxable REIT subsidiaries may provide non-customary services to our tenants at these and other properties. Any amounts we

Table of Contents

receive from a taxable REIT subsidiary with respect to the taxable REIT subsidiary s provision of non-customary services will, however, be nonqualifying income under the 75% gross income test and, except to the extent received through the payment of dividends, the 95% gross income test.

We generally do not intend, and as a general partner of our operating partnership, do not intend to permit our operating partnership, to take actions we believe will cause us to fail to satisfy the rental conditions described above. However, we may intentionally fail to satisfy some of these conditions to the extent we determine, based on the advice of our tax counsel, that the failure will not jeopardize our tax status as a REIT. In addition, with respect to the limitation on the rental of personal property, we have not obtained appraisals of the real property and personal property leased to tenants. Accordingly, there can be no assurance that the IRS will not disagree with our determinations of value. Moreover, in connection with granting the excepted holder limit to the Farallon excepted holders, we have obtained representations from these entities in order to ensure that we generally will not be deemed to own an interest in any of our tenants, or in the event we are treated as owning such an interest as a result of granting such waiver, we will not derive nonqualifying rental income in excess of certain thresholds.

Some of our leases are in the form of licenses and have terms of less than 30 days (short-term licenses). The treatment of rents derived with respect to these short-term licenses for purposes of the gross income tests is not entirely clear. We believe that rents derived with respect to these short-term licenses should qualify as rents from real property for purposes of the gross income tests, although there can be no assurance that the IRS will not take a contrary position. If the payments we receive in connection with such short-term licenses do not qualify as rents from real property, such payments would not be treated as qualifying income for purposes of the gross income tests.

Income we receive that is attributable to the rental of parking spaces at the properties generally will constitute rents from real property for purposes of the gross income tests if certain services provided with respect to the parking spaces are performed by independent contractors from whom we derive no revenue, either directly or indirectly, or by a taxable REIT subsidiary, and certain other conditions are met. We believe that the income we receive that is attributable to parking spaces meets these tests and, accordingly, will constitute rents from real property for purposes of the gross income tests.

From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase these items, and futures and forward contracts. Income from a hedging transaction, including gain from the sale or disposition of such a transaction, that is clearly identified as a hedging transaction as specified in the Code will not constitute gross income and thus will be exempt from the 75% and 95% gross income tests. The term hedging transaction, as used above, generally means any transaction we enter into in the normal course of our business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be made by us to acquire or carry real estate assets, or (2) for hedging transactions, currency fluctuations with respect to an item of qualifying income under the 75% or 95% gross income test. To the extent that we do not properly identify such transactions as hedges or we hedge with other types of financial instruments, the income from those transactions is not likely to be treated as qualifying income for purposes of the gross income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

To the extent our taxable REIT subsidiaries pay dividends, we generally will derive our allocable share of such dividend income through our interest in our operating partnership. Such dividend income will qualify under the 95%, but not the 75%, gross income test.

We will monitor the amount of the dividend and other income from our taxable REIT subsidiaries and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the gross income tests. Although we expect these actions will be sufficient to prevent a violation of the gross income tests, we cannot guarantee that such actions will in all cases prevent such a violation.

Table of Contents

If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for the year if we are entitled to relief under certain provisions of the Code. We generally may make use of the relief provisions if:

- following our identification of the failure to meet the 75% or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth each item of our gross income for purposes of the 75% or 95% gross income tests for such taxable year in accordance with Treasury Regulations to be issued; and
- our failure to meet these tests was due to reasonable cause and not due to willful neglect.

It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. For example, if we fail to satisfy the gross income tests because nonqualifying income that we intentionally accrue or receive exceeds the limits on nonqualifying income, the IRS could conclude that our failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, we will not qualify as a REIT. As discussed above in Taxation of Our Company General, even if these relief provisions apply, and we retain our status as a REIT, a tax would be imposed with respect to our nonqualifying income. We may not always be able to comply with the gross income tests for REIT qualification despite periodic monitoring of our income.

Prohibited Transaction Income. Any gain that we realize on the sale of property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by our operating partnership, either directly or through its subsidiary partnerships and limited liability companies, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax, unless certain safe harbor exceptions apply. This prohibited transaction income may also adversely affect our ability to satisfy the gross income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. Our operating partnership intends to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning its properties and to make occasional sales of the properties as are consistent with our operating partnership s investment objectives. We do not intend to enter into any sales that are prohibited transactions. However, the IRS may successfully contend that some or all of the sales made by our operating partnership or its subsidiary partnerships or limited liability companies are prohibited transactions. We would be required to pay the 100% penalty tax on our allocable share of the gains resulting from any such sales.

Penalty Tax. Any redetermined rents, redetermined deductions or excess interest we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of our tenants by a taxable REIT subsidiary of ours, and redetermined deductions and excess interest represent any amounts that are deducted by a taxable REIT subsidiary of ours for amounts paid to us that are in excess of the amounts that would have been deducted based on arm s length negotiations. Rents we receive will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

Currently, certain wholly owned subsidiaries of our taxable REIT subsidiary (which is our services company) provide services to certain of our tenants and pay rent to us and, from time to time, we may enter into additional leases with our taxable REIT subsidiaries that also provide services to our tenants. We believe we have set, and we intend to set in the future, any fees paid to our taxable REIT subsidiaries for such services, and any rent payable to us by our taxable REIT subsidiaries, at arm s length rates, although the amounts paid may not satisfy the safe-harbor provisions described above. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty

Table of Contents

tax on the excess of an arm s length fee for tenant services over the amount actually paid, or on the excess rents paid to us.

Asset Tests

At the close of each calendar quarter of our taxable year, we must also satisfy four tests relating to the nature and diversification of our assets. First, at least 75% of the value of our total assets must be represented by real estate assets, cash, cash items and government securities. For purposes of this test, the term real estate assets generally means real property (including interests in real property and interests in mortgages on real property) and shares (or transferable certificates of beneficial interest) in other REITs, as well as any stock or debt instrument attributable to the investment of the proceeds of a stock offering or a public offering of debt with a term of at least five years, but only for the one-year period beginning on the date the REIT receives such proceeds.

Second, not more than 25% of the value of our total assets may be represented by securities (including securities of taxable REIT subsidiaries), other than those securities includable in the 75% asset test.

Third, of the investments included in the 25% asset class, and except for investments in other REITs, our qualified REIT subsidiaries and taxable REIT subsidiaries, the value of any one issuer s securities may not exceed 5% of the value of our total assets, and we may not own more than 10% of the total vote or value of the outstanding securities of any one issuer except, in the case of the 10% value test, securities satisfying the straight debt safe-harbor or securities issued by a partnership that itself would satisfy the 75% income test if it were a REIT. Certain types of securities we may own are disregarded as securities solely for purposes of the 10% value test, including, but not limited to, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, solely for purposes of the 10% value test, the determination of our interest in the assets of a partnership or limited liability company in which we own an interest will be based on our proportionate interest in any securities issued by the partnership or limited liability company, excluding for this purpose certain securities described in the Code.

Our operating partnership currently owns 100% of the securities of a corporation that has elected, together with us, to be treated as our taxable REIT subsidiary. So long as this corporation qualifies as a taxable REIT subsidiary, we will not be subject to the 5% asset test, the 10% voting securities limitation or the 10% value limitation with respect to our ownership of its securities. We may acquire securities in other taxable REIT subsidiaries in the future. We believe that the aggregate value of our taxable REIT subsidiary has not exceeded, and in the future will not exceed, 25% of the aggregate value of our gross assets. No independent appraisals have been obtained to support these conclusions. In addition, there can be no assurance that the IRS will not disagree with our determinations of value.

The asset tests must be satisfied at the close of each calendar quarter of our taxable year in which we (directly or through our operating partnership) acquire securities in the applicable issuer, and also at the close of each calendar quarter in which we increase our ownership of securities of such issuer (including as a result of increasing our interest in our operating partnership). For example, our indirect ownership of securities of each issuer will increase as a result of our capital contributions to our operating partnership or as limited partners exercise their redemption/exchange rights. Accordingly, after initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If we fail to satisfy an asset test because we acquire securities or other property during a quarter (including as a result of an increase in our interest in our operating partnership), we may cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter. We believe that we have maintained, and we intend to maintain, adequate records of the value of our assets to ensure compliance with the asset tests. If we fail to cure any noncompliance with the asset tests within the 30 day cure period, we would cease to qualify as a REIT unless we are eligible for certain relief provisions discussed below.

Table of Contents

Certain relief provisions may be available to us if we discover a failure to satisfy the asset tests described above after the 30-day cure period. Under these provisions, we will be deemed to have met the 5% and 10% asset tests if the value of our nonqualifying assets (i) does not exceed the lesser of (a) 1% of the total value of our assets at the end of the applicable quarter or (b) $10,000,000, and (ii) we dispose of the nonqualifying assets or otherwise satisfy such tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued. For violations of any of the asset tests due to reasonable cause and not due to willful neglect and that are, in the case of the 5% and 10% asset tests, in excess of the de minimis exception described above, we may avoid disqualification as a REIT after the 30-day cure period by taking steps including (i) the disposition of sufficient nonqualifying assets, or the taking of other actions, which allow us to meet the asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury Regulations to be issued, (ii) paying a tax equal to the greater of (a) $50,000 or (b) the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets, and (iii) disclosing certain information to the IRS.

Although we believe we have satisfied the asset tests described above and plan to take steps to ensure that we satisfy such tests for any quarter with respect to which retesting is to occur, there can be no assurance that we will always be successful, or will not require a reduction in our operating partnership s overall interest in an issuer (including in a taxable REIT subsidiary). If we fail to cure any noncompliance with the asset tests in a timely manner, and the relief provisions described above are not available, we would cease to qualify as a REIT.

Annual Distribution Requirements

To maintain our qualification as a REIT, we are required to distribute dividends, other than capital gain dividends, to our stockholders in an amount at least equal to the sum of:

90% of our REIT taxable income ; and

90% of our after-tax net income, if any, from foreclosure property; minus

the excess of the sum of certain items of non-cash income over 5% of our REIT taxable income.

For these purposes, our REIT taxable income is computed without regard to the dividends paid deduction and our net capital gain. In addition, for purposes of this test, non-cash income means income attributable to leveled stepped rents, original issue discount on purchase money debt, cancellation of indebtedness, or a like-kind exchange that is later determined to be taxable.

In addition, if we dispose of any asset we acquired from a corporation which is or has been a C corporation in a transaction in which our basis in the asset is determined by reference to the basis of the asset in the hands of that C corporation, within the ten-year period following our acquisition of such asset, we would be required to distribute at least 90% of the after-tax gain, if any, we recognized on the disposition of the asset, to the extent that gain does not exceed the excess of (a) the fair market value of the asset over (b) our adjusted basis in the asset, in each case, on the date we acquired the asset.

We generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At our election, a distribution will be treated as paid in a taxable year if it is declared before we timely file our tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such year. These distributions are treated as received by our stockholders in the year in which paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. In order to be taken into account for purposes of our distribution requirement, the amount distributed must not be preferential *i.e.*, every stockholder of the class of stock to which a distribution is made must be treated the same as every other

Table of Contents

stockholder of that class, and no class of stock may be treated other than according to its dividend rights as a class. To the extent that we do not distribute all of our net capital gain, or distribute at least 90%, but less than 100%, of our REIT taxable income, as adjusted, we will be required to pay tax on the undistributed amount at regular corporate tax rates. We believe that we have made, and we intend to continue to make, timely distributions sufficient to satisfy these annual distribution requirements and to minimize our corporate tax obligations. In this regard, the partnership agreement of our operating partnership authorizes us, as general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements and to minimize our corporate tax obligation.

We expect that our REIT taxable income will be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, we anticipate that we generally will have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in determining our taxable income. In addition, we may decide to retain our cash, rather than distribute it, in order to repay debt or for other reasons. If these timing differences occur, we may borrow funds to pay dividends or pay dividends in the form of taxable stock dividends in order to meet the distribution requirements, while preserving our cash.

Pursuant to recent guidance issued by the IRS, certain part-stock and part-cash dividends distributed by publicly traded REITs with respect to calendar years 2008 though 2011, and in some cases declared as late as December 31, 2012, will be treated as distributions for purposes of the REIT distribution requirements. Under the terms of this guidance, up to 90% of distributions by a REIT could be paid in shares of its stock. If we make such a distribution, taxable stockholders would be required to include the full amount of the dividend (*i.e.*, the cash and the stock portion) as ordinary income (subject to limited exceptions), to the extent of our current and accumulated earnings and profits for federal income tax purposes, as described under the headings Federal Income Tax Considerations for Holders of Our Common Stock Taxation of Taxable U.S. Stockholders Distributions Generally and Federal Income Tax Considerations for Holders of Our Common Stock Taxation of Non-U.S. Stockholders Distributions Generally. As a result, our stockholders could recognize taxable income in excess of the cash received and may be required to pay tax with respect to such dividends in excess of the cash received. If a taxable stockholder sells the stock it receives as a dividend, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock.

Under some circumstances, we may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying deficiency dividends to our stockholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends, subject to the 4% excise tax described below. However, we will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends.

Furthermore, we will be required to pay a 4% excise tax to the extent we fail to distribute during each calendar year at least the sum of 85% of our ordinary income for such year, 95% of our capital gain net income for the year and any undistributed taxable income from prior periods. Any ordinary income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

For purposes of the 90% distribution requirement and excise tax described above, dividends declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period and paid during January of the following year, will be treated as paid by us and received by our stockholders on December 31 of the year in which they are declared.

Like-Kind Exchanges

We may dispose of properties in transactions intended to qualify as like-kind exchanges under the Code. Such like-kind exchanges are intended to result in the deferral of gain for federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could require us to pay federal income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances surrounding the particular transaction.

Failure To Qualify

If we discover a violation of a provision of the Code that would result in our failure to qualify as a REIT, certain specified cure provisions may be available to us. Except with respect to violations of the gross income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a $50,000 penalty for each violation in lieu of a loss of REIT status. If we fail to satisfy the requirements for taxation as a REIT in any taxable year, and the relief provisions do not apply, we will be required to pay tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. Distributions to stockholders in any year in which we fail to qualify as a REIT will not be deductible by us, and we will not be required to distribute any amounts to our stockholders. As a result, we anticipate that our failure to qualify as a REIT would reduce the cash available for distribution by us to our stockholders. In addition, if we fail to qualify as a REIT, all distributions to stockholders will be taxable as regular corporate dividends to the extent of our current and accumulated earnings and profits. In such event, corporate distributees may be eligible for the dividends-received deduction. In addition, non-corporate stockholders, including individuals, may be eligible for the preferential tax rates on qualified dividend income. See Federal Income Tax Considerations Federal Income Tax Considerations for Holders of Our Common Stock Taxation of Taxable U.S. Stockholders Tax Rates for a discussion of the scheduled sunset of the preferential tax rates on qualified dividend income. Unless entitled to relief under specific statutory provisions, we would also be ineligible to elect to be treated as a REIT for the four taxable years following the year for which we lose our qualification. It is not possible to state whether in all circumstances we would be entitled to this statutory relief.

Tax Aspects of Our Operating Partnership, the Subsidiary Partnerships and the Limited Liability Companies

General. All of our investments are held indirectly through our operating partnership. In addition, our operating partnership holds certain of its investments indirectly through subsidiary partnerships and limited liability companies which we believe have been and will continue to be treated as partnerships or disregarded entities for federal income tax purposes. In general, entities that are treated as partnerships or disregarded entities for federal income tax purposes are pass-through entities which are not required to pay federal income tax. Rather, partners or members of such entities are allocated their shares of the items of income, gain, loss, deduction and credit of the partnership or limited liability company, and are potentially required to pay tax on this income, without regard to whether they receive a distribution from the partnership or limited liability company. We will include in our income our share of these partnership and limited liability company items for purposes of the various gross income tests, the computation of our REIT taxable income, and the REIT distribution requirements. Moreover, for purposes of the asset tests, we will include our pro rata share of assets held by our operating partnership, including its share of its subsidiary partnerships and limited liability companies, based on our capital interests in each such entity. See Taxation of Our Company.

Entity Classification. Our interests in our operating partnership and the subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of these entities as partnerships (or disregarded entities). For example, an entity that would

Table of Contents

otherwise be treated as a partnership for federal income tax purposes may nonetheless be taxable as a corporation if it is a publicly traded partnership and certain other requirements are met. A partnership or limited liability company would be treated as a publicly traded partnership if its interests are traded on an established securities market or are readily tradable on a secondary market or a substantial equivalent thereof, within the meaning of applicable Treasury Regulations. We do not anticipate that our operating partnership or any subsidiary partnership or limited liability company will be treated as a publicly traded partnership that is taxable as a corporation. However, if any such entity were treated as a corporation, it would be required to pay an entity-level tax on its income. In this situation, the character of our assets and items of gross income would change and could prevent us from satisfying the REIT asset tests and possibly the REIT income tests. See Taxation of Our Company Asset Tests and Income Tests. This, in turn, could prevent us from qualifying as a REIT. See Failure to Qualify for a discussion of the effect of our failure to meet these tests. In addition, a change in the tax status of our operating partnership or a subsidiary partnership or limited liability company might be treated as a taxable event. If so, we might incur a tax liability without any related cash payment. We believe our operating partnership and each of our other partnerships and limited liability companies have been and will continue to be treated as partnerships or disregarded entities for federal income tax purposes.

Allocations of Income, Gain, Loss and Deduction. The operating partnership agreement generally provides that allocations of net income will be made first to holders of series A preferred units to the extent of the accrued preferred return on such units and then to us to the extent of the accrued preferred return on our series B preferred units. Any remaining net income will be allocated to holders of common units. Allocations to holders of common units will generally be made proportionately to all such holders in respect of such units. Certain limited partners have guaranteed debt of our operating partnership, indirectly through an agreement to make capital contributions to our operating partnership under limited circumstances. As a result of these guaranties or contribution agreements, and notwithstanding the foregoing discussion of allocations of income and loss of our operating partnership to holders of units, such limited partners could under limited circumstances be allocated a disproportionate amount of net loss upon a liquidation of our operating partnership, which net loss would have otherwise been allocable to us.

If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder, the item subject to the allocation will be reallocated in accordance with the partners interests in the partnership. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Our operating partnership s allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Code and the Treasury Regulations thereunder.

Tax Allocations With Respect to the Properties. Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership, must be allocated in a manner so that the contributing partner is charged with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss generally is equal to the difference between the fair market value or book value and the adjusted tax basis of the contributed property at the time of contribution, as adjusted from time to time. These allocations are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners.

Our operating partnership may, from time to time, acquire interests in property in exchange for interests in our operating partnership. In that case, the tax basis of these property interests generally carries over to the operating partnership, notwithstanding their different book (*i.e.*, fair market) value (this difference is referred to as a book-tax difference). The partnership agreement requires that income and loss allocations with respect to these properties be made in a manner consistent with Section 704(c) of the Code. Treasury Regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. Depending on the method we choose in connection with any particular contribution, the carryover basis of each of the contributed interests in the properties in the hands of our operating partnership

Table of Contents

(i) will or could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if any of the contributed properties were to have a tax basis equal to its respective fair market value at the time of the contribution and (ii) could cause us to be allocated taxable gain in the event of a sale of such contributed interests or properties in excess of the economic or book income allocated to us as a result of such sale, with a corresponding benefit to the other partners in our operating partnership. An allocation described in clause (ii) above might cause us or the other partners to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements. See General Requirements for Qualification as a REIT and Annual Distribution Requirements.

Any property acquired by our operating partnership in a taxable transaction will initially have a tax basis equal to its fair market value, and Section 704(c) of the Code generally will not apply.

Federal Income Tax Considerations for Holders of Our Common Stock

The following summary describes the principal federal income tax consequences to you of purchasing, owning and disposing of our common stock. This summary assumes you hold shares of our common stock as a capital asset (generally, property held for investment within the meaning of Section 1221 of the Code). It does not address all the tax consequences that may be relevant to you in light of your particular circumstances. In addition, this discussion does not address the tax consequences relevant to persons who receive special treatment under the federal income tax law, except where specifically noted. Holders receiving special treatment include, without limitation:

- financial institutions, banks and thrifts;
- insurance companies;
- tax-exempt organizations;
- S corporations;
- traders in securities that elect to mark to market;
- partnerships, pass-through entities and persons holding our common stock through a partnership or other pass-through entity;
- stockholders subject to the alternative minimum tax;
- regulated investment companies and REITs;
- non-U.S. governments and international organizations;
- non-U.S. stockholders that are passive foreign investment companies or controlled foreign corporations;
- broker-dealers or dealers in securities or currencies;

U.S. expatriates;

persons holding our common stock as part of a hedge, straddle, conversion, integrated or other risk reduction or constructive sale transaction; or

U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar.

198

Table of Contents

If you are considering purchasing our common stock, you should consult your tax advisors concerning the application of federal income tax laws to your particular situation as well as any consequences of the purchase, ownership and disposition of our common stock arising under the laws of any state, local or non-U.S. taxing jurisdiction.

When we use the term U.S. stockholder, we mean a holder of shares of our common stock who, for federal income tax purposes, is:

- an individual who is a citizen or resident of the United States;
- a corporation, including an entity treated as a corporation for federal income tax purposes, created or organized in or under the laws of the United States or of any state thereof or in the District of Columbia;
- an estate the income of which is subject to federal income taxation regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more U.S. persons or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a U.S. person.

If you hold shares of our common stock and are not a U.S. stockholder, you are a non-U.S. stockholder.

If a partnership or other entity treated as a partnership for federal income tax purposes holds shares of our common stock, the tax treatment of a partner generally will depend on the status of the partner and on the activities of the partnership. Partners of partnerships holding shares of our common stock are encouraged to consult their tax advisors.

Taxation of Taxable U.S. Stockholders

Distributions Generally. Distributions out of our current or accumulated earnings and profits will be treated as dividends and, other than with respect to capital gain dividends and certain amounts which have previously been subject to corporate level tax discussed below, will be taxable to our taxable U.S. stockholders as ordinary income when actually or constructively received. See Tax Rates below. As long as we qualify as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. stockholders that are corporations or, except to the extent provided in Tax Rates below, the preferential rates on qualified dividend income applicable to non-corporate U.S. stockholders, including individuals. For purposes of determining whether distributions to holders of common stock are out of current or accumulated earnings and profits, our earnings and profits will be allocated first to our outstanding preferred stock and then to our outstanding common stock.

To the extent that we make distributions on our common stock in excess of our current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to a U.S. stockholder. This treatment will reduce the U.S. stockholder s adjusted tax basis in such shares of stock by the amount of the distribution, but not below zero. Distributions in excess of our current and accumulated earnings and profits and in excess of a U.S. stockholder s adjusted tax basis in its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for more than one year. Dividends we declare in October, November, or December of any year and which are payable to a stockholder of record on a specified date in any of these months will be treated as both paid by us and received by the stockholder on December 31 of that year, provided we actually pay the dividend on or before January 31 of the following year. U.S. stockholders may not include in their own income tax returns any of our net operating losses or capital losses.

Table of Contents

Certain stock dividends, including dividends partially paid in our capital stock and partially paid in cash that comply with recent IRS guidance, generally will be taxable to the recipient U.S. stockholder to the same extent as if paid in cash.

Capital Gain Dividends. Dividends that we properly designate as capital gain dividends will be taxable to our taxable U.S. stockholders as a gain from the sale or disposition of a capital asset held for more than one year, to the extent that such gain does not exceed our actual net capital gain for the taxable year. U.S. stockholders that are corporations may, however, be required to treat up to 20% of certain capital gain dividends as ordinary income. If we properly designate any portion of a dividend as a capital gain dividend, then, except as otherwise required by law, we presently intend to allocate a portion of the total capital gain dividends paid or made available to holders of all classes of our stock for the year to the holders of our common stock in proportion to the amount that our total dividends, as determined for U.S. federal income tax purposes, paid or made available to the holders of our common stock for the year bears to the total dividends, as determined for U.S. federal income tax purposes, paid or made available to holders of all classes of our stock for the year.

Retention of Net Capital Gains. We may elect to retain, rather than distribute as a capital gain dividend, all or a portion of our net capital gains. If we make this election, we would pay tax on our retained net capital gains. In addition, to the extent we so elect, our earnings and profits (determined for federal income tax purposes) would be adjusted accordingly, and a U.S. stockholder generally would:

- include its pro rata share of our undistributed net capital gains in computing its long-term capital gains in its return for its taxable year in which the last day of our taxable year falls, subject to certain limitations as to the amount that is includable;

- be deemed to have paid its share of the capital gains tax imposed on us on the designated amounts included in the U.S. stockholder s income as long-term capital gain;

- receive a credit or refund for the amount of tax deemed paid by it;

- increase the adjusted basis of its common stock by the difference between the amount of includable gains and the tax deemed to have been paid by it; and

- in the case of a U.S. stockholder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury Regulations to be promulgated by the IRS.

Passive Activity Losses and Investment Interest Limitations. Distributions we make and gain arising from the sale or exchange by a U.S. stockholder of our shares will not be treated as passive activity income. As a result, U.S. stockholders generally will not be able to apply any passive losses against this income or gain. A U.S. stockholder may elect to treat capital gain dividends, capital gains from the disposition of our stock and income designated as qualified dividend income, described in Tax Rates below, as investment income for purposes of computing the investment interest limitation, but in such case, the stockholder will be taxed at ordinary income rates on such amount. Other distributions made by us, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

Dispositions of Our Common Stock. If a U.S. stockholder sells or disposes of shares of common stock, it will recognize gain or loss for federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder s adjusted basis in the shares. This gain or loss, except as provided below, will be a long-term capital gain or loss if the holder has held such common stock for more than one year. However, if a U.S. stockholder recognizes a loss upon the sale or other disposition of common stock that it has held for six months or less, after

Table of Contents

applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. stockholder received distributions from us which were required to be treated as long-term capital gains.

Tax Rates. The maximum tax rate for non-corporate taxpayers for (1) capital gains, including certain capital gain dividends, has generally been reduced to 15% (although depending on the characteristics of the assets which produced these gains and on designations which we may make, certain capital gain dividends may be taxed at a 25% rate) and (2) qualified dividend income has generally been reduced to 15%. In general, dividends payable by REITs are not eligible for the reduced tax rate on qualified dividend income, except to the extent that certain holding requirements have been met and the REIT s dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if it distributed taxable income that it retained and paid tax on in the prior taxable year) or to dividends properly designated by the REIT as capital gain dividends. The currently applicable provisions of the federal income tax laws relating to the 15% tax rate are currently scheduled to sunset or revert to the provisions of prior law effective for taxable years beginning after December 31, 2012, at which time the capital gains tax rate will be increased to 20% and the rate applicable to dividends will be increased to the tax rate then applicable to ordinary income. U.S. stockholders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income.

Medicare Tax on Unearned Income. Legislation enacted in 2010 requires certain U.S. stockholders that are individuals, estates or trusts to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of stock for taxable years beginning after December 31, 2012. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our common stock.

Legislation Relating to Foreign Accounts. Under legislation enacted in 2010, certain payments made after December 31, 2012 to foreign financial institutions in respect of accounts of U.S. stockholders at such financial institutions may be subject to withholding at a rate of 30%. U.S. stockholders should consult their tax advisors regarding the effect, if any, of this legislation on their ownership and disposition of our common stock. See Taxation of Non-U.S. Stockholders Legislation Relating to Foreign Accounts.

Information Reporting and Backup Withholding. We are required to report to our U.S. stockholders and the IRS the amount of dividends paid during each calendar year, and the amount of any tax withheld. Under the backup withholding rules, a stockholder may be subject to backup withholding with respect to dividends paid unless the holder is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of the backup withholding rules. A U.S. stockholder that does not provide us with its correct taxpayer identification number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the stockholder s federal income tax liability, provided the required information is timely furnished to the IRS. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status. See Taxation of Non-U.S. Stockholders.

Taxation of Tax-Exempt Stockholders

Dividend income from us and gain arising upon a sale of our shares generally should not be unrelated business taxable income, or UBTI, to a tax-exempt stockholder, except as described below. This income or gain will be UBTI, however, if a tax-exempt stockholder holds its shares as debt-financed property within the meaning of the Code or if the shares are used in a trade or business of the tax-exempt stockholder. Generally, debt-financed property is property the acquisition or holding of which was financed through a borrowing by the tax-exempt stockholder.

Table of Contents

For tax-exempt stockholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, or qualified group legal services plans exempt from federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) or (c)(20) of the Code, respectively, income from an investment in our shares will constitute UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for specific purposes so as to offset the income generated by its investment in our shares. These prospective investors should consult their tax advisors concerning these set aside and reserve requirements.

Notwithstanding the above, however, a portion of the dividends paid by a pension-held REIT may be treated as unrelated business taxable income as to certain trusts that hold more than 10%, by value, of the interests in the REIT. A REIT will not be a pension-held REIT if it is able to satisfy the not closely held requirement without relying on the look-through exception with respect to certain trusts or if such REIT is not predominantly held by qualified trusts. As a result of restrictions on ownership and transfer of our stock contained in our charter, we do not expect to be classified as a pension-held REIT, and as a result, the tax treatment described above should be inapplicable to our stockholders. However, because our common stock is (and, we anticipate, will continue to be) publicly traded, we cannot guarantee that this will always be the case.

Taxation of Non-U.S. Stockholders

The following discussion addresses the rules governing federal income taxation of the purchase, ownership and disposition of our common stock by non-U.S. stockholders. These rules are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of federal income taxation and does not address state, local or non-U.S. tax consequences that may be relevant to a non-U.S. stockholder in light of its particular circumstances. We urge non-U.S. stockholders to consult their tax advisors to determine the impact of federal, state, local and non-U.S. income tax laws on the purchase, ownership and disposition of shares of our common stock, including any reporting requirements.

Distributions Generally. Distributions (including any taxable stock dividends) that are neither attributable to gains from sales or exchanges by us of U.S. real property interests nor designated by us as capital gain dividends (except as described below) will be treated as dividends of ordinary income to the extent that they are made out of our current or accumulated earnings and profits. Such distributions ordinarily will be subject to withholding of federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty, unless the distributions are treated as effectively connected with the conduct by the non-U.S. stockholder of a U.S. trade or business. Under certain treaties, however, lower withholding rates generally applicable to dividends do not apply to dividends from a REIT. Certain certification and disclosure requirements must be satisfied to be exempt from withholding under the effectively connected income exemption. Dividends that are treated as effectively connected with a U.S. trade or business will generally not be subject to withholding but will be subject to federal income tax on a net basis at graduated rates, in the same manner as dividends paid to U.S. stockholders are subject to federal income tax. Any such dividends received by a non-U.S. stockholder that is a corporation may also be subject to an additional branch profits tax at a 30% rate (applicable after deducting federal income taxes paid on such effectively connected income) or such lower rate as may be specified by an applicable income tax treaty.

Except as otherwise provided below, we expect to withhold federal income tax at the rate of 30% on any distributions made to a non-U.S. stockholder unless:

(1) a lower treaty rate applies and the non-U.S. stockholder files with us an IRS Form W-8BEN evidencing eligibility for that reduced treaty rate; or

(2) the non-U.S. stockholder files an IRS Form W-8ECI with us claiming that the distribution is income effectively connected with the non-U.S. stockholder s trade or business.

Table of Contents

Distributions in excess of our current and accumulated earnings and profits will not be taxable to a non-U.S. stockholder to the extent that such distributions do not exceed the adjusted basis of the stockholder s common stock, but rather will reduce the adjusted basis of such stock. To the extent that such distributions exceed the non-U.S. stockholder s adjusted basis in such common stock, they will give rise to gain from the sale or exchange of such stock, the tax treatment of which is described below. For withholding purposes, we expect to treat all distributions as made out of our current or accumulated earnings and profits. However, amounts withheld may be refundable if it is subsequently determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits, provided that certain conditions are met.

Capital Gain Dividends and Distributions Attributable to a Sale or Exchange of U.S. Real Property Interests. Distributions to a non-U.S. stockholder that we properly designate as capital gain dividends, other than those arising from the disposition of a U.S. real property interest, generally should not be subject to federal income taxation, unless:

(1) the investment in our common stock is treated as effectively connected with the non-U.S. stockholder s U.S. trade or business, in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain, except that a non-U.S. stockholder that is a non-U.S. corporation may also be subject to a branch profits tax of up to 30%, as discussed above; or

(2) the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met, in which case the nonresident alien individual will be subject to a 30% tax on the individual s capital gains.

Pursuant to the Foreign Investment in Real Property Tax Act, which is referred to as FIRPTA, distributions to a non-U.S. stockholder that are attributable to gain from sales or exchanges by us of U.S. real property interests, or USRPI, whether or not designated as capital gain dividends, will cause the non-U.S. stockholder to be treated as recognizing such gain as income effectively connected with a U.S. trade or business. Non-U.S. stockholders would generally be taxed at the same rates applicable to U.S. stockholders, subject to any applicable alternative minimum tax. We also will be required to withhold and to remit to the IRS 35% (or 15% to the extent provided in Treasury Regulations) of any distribution to non-U.S. stockholders that is designated as a capital gain dividend or, if greater, 35% of any distribution to non-U.S. stockholders that could have been designated as a capital gain dividend. The amount withheld is creditable against the non-U.S. stockholder s federal income tax liability. However, any distribution with respect to any class of stock that is regularly traded on an established securities market located in the United States is not subject to FIRPTA, and therefore, not subject to the 35% U.S. withholding tax described above, if the non-U.S. stockholder did not own more than 5% of such class of stock at any time during the one-year period ending on the date of the distribution. Instead, such distributions will generally be treated as ordinary dividend distributions and subject to withholding in the manner described above with respect to ordinary dividends.

Retention of Net Capital Gains. Although the law is not clear on the matter, it appears that amounts designated by us as retained net capital gains in respect of the common stock held by stockholders generally should be treated with respect to non-U.S. stockholders in the same manner as actual distributions of capital gain dividends. Under that approach, the non-U.S. stockholders would be able to offset as a credit against their federal income tax liability resulting from their proportionate share of the tax paid by us on such retained net capital gains and to receive from the IRS a refund to the extent their proportionate share of such tax paid by us exceeds their actual federal income tax liability. If we were to designate any portion of our net capital gain as retained net capital gain, a non-U.S. stockholder should consult its tax advisor regarding the taxation of such retained net capital gain.

Sale of Our Common Stock. Gain recognized by a non-U.S. stockholder upon the sale, exchange or other taxable disposition of our common stock generally will not be subject to federal income taxation unless such

Table of Contents

stock constitutes a USRPI. In general, stock of a domestic corporation that constitutes a U.S. real property holding corporation, or USRPHC, will constitute a USRPI. We believe that we are a USRPHC. Our common stock will not, however, constitute a USRPI so long as we are a domestically controlled qualified investment entity. A domestically controlled qualified investment entity includes a REIT in which at all times during a specified testing period less than 50% in value of its stock is held directly or indirectly by non-U.S. stockholders. We believe, but cannot guarantee, that we are a domestically controlled qualified investment entity. Because our common stock is (and, we anticipate, will continue to be) publicly traded, no assurance can be given that we will continue to be a domestically controlled qualified investment entity.

Notwithstanding the foregoing, gain from the sale, exchange or other taxable disposition of our common stock not otherwise subject to FIRPTA will be taxable to a non-U.S. stockholder if either (a) the investment in our common stock is treated as effectively connected with the non-U.S. stockholder s U.S. trade or business or (b) the non-U.S. stockholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and certain other conditions are met. In addition, even if we are a domestically controlled qualified investment entity, upon disposition of our common stock (subject to the 5% exception applicable to regularly traded stock described below), a non-U.S. stockholder may be treated as having gain from the sale or other taxable disposition of a USRPI if the non-U.S. stockholder (1) disposes of such stock within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from the sale or exchange of a USRPI and (2) acquires, or enters into a contract or option to acquire, or is deemed to acquire, other shares of that stock during the 61-day period beginning with the first day of the 30-day period described in clause (1).

Even if we do not qualify as a domestically controlled qualified investment entity at the time a non-U.S. stockholder sells our common stock, gain arising from the sale or other taxable disposition by a non-U.S. stockholder of such stock would not be subject to federal income taxation under FIRPTA as a sale of a USRPI if:

(3) such class of stock is regularly traded, as defined by applicable Treasury Regulations, on an established securities market such as the NYSE; and

(4) such non-U.S. stockholder owned, actually and constructively, 5% or less of such class of our stock throughout the five-year period ending on the date of the sale or exchange.

If gain on the sale, exchange or other taxable disposition of our common stock were subject to taxation under FIRPTA, the non-U.S. stockholder would be subject to regular federal income tax with respect to such gain in the same manner as a taxable U.S. stockholder (subject to any applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals). In addition, if the sale, exchange or other taxable disposition of our common stock were subject to taxation under FIRPTA, and if shares of our common stock were not regularly traded on an established securities market, the purchaser of such common stock would generally be required to withhold and remit to the IRS 10% of the purchase price.

Information Reporting and Backup Withholding Tax. Generally, we must report annually to the IRS the amount of dividends paid to a non-U.S. stockholder, such holder s name and address, and the amount of tax withheld, if any. A similar report is sent to the non-U.S. stockholder. Pursuant to tax treaties or other agreements, the IRS may make its reports available to tax authorities in the non-U.S. stockholder s country of residence.

Payments of dividends or of proceeds from the disposition of stock made to a non-U.S. stockholder may be subject to information reporting and backup withholding unless such holder establishes an exemption, for example, by properly certifying its non-U.S. status on an IRS Form W-8BEN or another appropriate version of IRS Form W-8. Notwithstanding the foregoing, backup withholding and information reporting may apply if either we have or our paying agent has actual knowledge, or reason to know, that a non-U.S. stockholder is a U.S. person.

Table of Contents

Backup withholding is not an additional tax. Rather, the federal income tax liability of persons subject to backup withholding will be reduced by the amount of tax withheld. If withholding results in an overpayment of taxes, a refund or credit may be obtained, provided that the required information is timely furnished to the IRS.

Legislation Relating to Foreign Accounts. Legislation enacted in 2010 may impose withholding taxes on certain types of payments made to foreign financial institutions and certain other non-U.S. entities after December 12, 2012. The legislation imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, stock paid to a foreign financial institution or to a foreign nonfinancial entity, unless (i) the foreign financial institution undertakes certain diligence and reporting obligations or (ii) the foreign non-financial entity either certifies it does not have any substantial U.S. owners or furnishes identifying information regarding each substantial U.S. owner. In addition, if the payee is a foreign financial institution, it generally must enter into an agreement with the U.S. Treasury that requires, among other things, that it undertake to identify accounts held by certain U.S. persons or U.S.-owned foreign entities, annually report certain information about such accounts, and withhold 30% on payments to certain other account holders. Prospective investors should consult their tax advisors regarding this legislation.

Other Tax Consequences

State, local and non-U.S. income tax laws may differ substantially from the corresponding federal income tax laws, and this discussion does not purport to describe any aspect of the tax laws of any state, local or non-U.S. jurisdiction. You should consult your tax advisor regarding the effect of state, local and non-U.S. tax laws with respect to our tax treatment as a REIT and on an investment in our common stock.

Table of Contents

ERISA CONSIDERATIONS

General

The following is a summary of certain considerations arising under the Employee Retirement Income Security Act of 1974, as amended, or ERISA, and the prohibited transaction provisions of Section 4975 of the Code that may be relevant to a prospective purchaser that is an employee benefit plan subject to ERISA. The following summary may also be relevant to a prospective purchaser that is not an employee benefit plan subject to ERISA, but is a tax-qualified retirement plan or an individual retirement account, individual retirement annuity, medical savings account or education individual retirement account, which we refer to collectively as an IRA. This discussion does not address all aspects of ERISA or Section 4975 of the Code or, to the extent not preempted, state law that may be relevant to particular employee benefit plan stockholders in light of their particular circumstances, including plans subject to Title I of ERISA, other employee benefit plans and IRAs subject to the prohibited transaction provisions of Section 4975 of the Code, and governmental, church, foreign and other plans that are exempt from ERISA and Section 4975 of the Code but that may be subject to other federal, state, local or foreign law requirements.

A fiduciary making the decision to invest in shares of our common stock on behalf of a prospective purchaser which is an ERISA plan, a tax qualified retirement plan, an IRA or other employee benefit plan is advised to consult its legal advisor regarding the specific considerations arising under ERISA, Section 4975 of the Code, and, to the extent not preempted, state law with respect to the purchase, ownership or sale of shares of our common stock by the plan or IRA.

Plans should also consider the entire discussion under the heading Federal Income Tax Considerations, as material contained in that section is relevant to any decision by an employee benefit plan, tax-qualified retirement plan or IRA to purchase our common stock.

Employee Benefit Plans, Tax-Qualified Retirement Plans and IRAs

Each fiduciary of an ERISA plan, which is an employee benefit plan subject to Title I of ERISA, should carefully consider whether an investment in shares of our common stock is consistent with its fiduciary responsibilities under ERISA. In particular, the fiduciary requirements of Part 4 of Title I of ERISA require that:

- an ERISA plan make investments that are prudent and in the best interests of the ERISA plan, its participants and beneficiaries;
- an ERISA plan make investments that are diversified in order to reduce the risk of large losses, unless it is clearly prudent for the ERISA plan not to do so;
- an ERISA plan s investments are authorized under ERISA and the terms of the governing documents of the ERISA plan; and
- the fiduciary not cause the ERISA plan to enter into transactions prohibited under Section 406 of ERISA (and certain corresponding provisions of the Code).

In determining whether an investment in shares of our common stock is prudent for ERISA purposes, the appropriate fiduciary of an ERISA plan should consider all of the facts and circumstances, including whether the investment is reasonably designed, as a part of the ERISA plan s portfolio for which the fiduciary has investment responsibility, to meet the objectives of the ERISA plan, taking into consideration the risk of loss and opportunity for gain or other return from the investment, the diversification, cash flow and funding requirements of the ERISA plan, and the liquidity and current return of the ERISA plan s portfolio. A fiduciary should also take into account the nature of our business, the length of our operating history and other matters described in the

Table of Contents

section entitled Risk Factors. Specifically, before investing in shares of our common stock, any fiduciary should, after considering the employee plan s or IRA s particular circumstances, determine whether the investment is appropriate under the fiduciary standards of ERISA or other applicable law including standards with respect to prudence, diversification and delegation of control and the prohibited transaction provisions of ERISA and the Code.

Our Status Under ERISA

In some circumstances where an ERISA plan holds an interest in an entity, the assets of the entity are deemed to be ERISA plan assets. This is known as the look-through rule. Under those circumstances, the obligations and other responsibilities of plan sponsors, plan fiduciaries and plan administrators, and of parties in interest and disqualified persons, under Parts 1 and 4 of Subtitle B of Title I of ERISA and Section 4975 of the Code, as applicable, may be expanded, and there may be an increase in their liability under these and other provisions of ERISA and the Code (except to the extent (if any) that a favorable statutory or administrative exemption or exception applies). For example, a prohibited transaction may occur if our assets are deemed to be assets of investing ERISA plans and persons who have certain specified relationships to an ERISA plan (parties in interest within the meaning of ERISA, and disqualified persons within the meaning of the Code) deal with these assets. Further, if our assets are deemed to be assets of investing ERISA plans, any person that exercises authority or control with respect to the management or disposition of the assets is an ERISA plan fiduciary.

ERISA plan assets are not defined in ERISA or the Code, but the United States Department of Labor has issued regulations that outline the circumstances under which an ERISA plan s interest in an entity will be subject to the look-through rule. The Department of Labor regulations apply to the purchase by an ERISA plan of an equity interest in an entity, such as stock of a REIT. However, the Department of Labor regulations provide an exception to the look-through rule for equity interests that are publicly offered securities.

Under the Department of Labor regulations, a publicly offered security is a security that is:

- freely transferable;
- part of a class of securities that is widely held; and
- either part of a class of securities that is registered under section 12(b) or 12(g) of the Exchange Act or sold to an ERISA plan as part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act, and the class of securities of which this security is a part is registered under the Exchange Act within 120 days, or longer if allowed by the SEC, after the end of the fiscal year of the issuer during which this offering of these securities to the public occurred.

Whether a security is considered freely transferable depends on the facts and circumstances of each case. Under the Department of Labor regulations, if the security is part of an offering in which the minimum investment is $10,000 or less, then any restriction on or prohibition against any transfer or assignment of the security for the purposes of preventing a termination or reclassification of the entity for federal or state tax purposes will not ordinarily prevent the security from being considered freely transferable. Additionally, limitations or restrictions on the transfer or assignment of a security which are created or imposed by persons other than the issuer of the security or persons acting for or on behalf of the issuer will ordinarily not prevent the security from being considered freely transferable.

A class of securities is considered widely held if it is a class of securities that is owned by 100 or more investors independent of the issuer and of one another. A security will not fail to be widely held because the number of independent investors falls below 100 subsequent to the initial public offering as a result of events beyond the issuer s control.

Table of Contents

The shares of our common stock offered in this prospectus may meet the criteria of the publicly offered securities exception to the look-through rule. First, the common stock could be considered to be freely transferable, as the minimum investment will be less than $10,000 and the only restrictions upon its transfer are those generally permitted under the Department of Labor regulations, those required under federal tax laws to maintain our status as a REIT, resale restrictions under applicable federal securities laws with respect to securities not purchased pursuant to this prospectus and those owned by our officers, directors and other affiliates, and voluntary restrictions agreed to by the selling stockholder regarding volume limitations.

Second, we expect (although we cannot confirm) that our common stock will be held by 100 or more investors, and we expect that at least 100 or more of these investors will be independent of us and of one another.

Third, the shares of our common stock will be part of an offering of securities to the public pursuant to an effective registration statement under the Securities Act and the common stock is registered under the Exchange Act.

In addition, the Department of Labor regulations provide exceptions to the look-through rule for equity interests in some types of entities, including any entity that qualifies as either a real estate operating company or a venture capital operating company.

Under the Department of Labor regulations, a real estate operating company is defined as an entity which on testing dates has at least 50% of its assets, other than short-term investments pending long-term commitment or distribution to investors, valued at cost:

- invested in real estate which is managed or developed and with respect to which the entity has the right to substantially participate directly in the management or development activities; and

- which, in the ordinary course of its business, is engaged directly in real estate management or development activities.

According to those same regulations, a venture capital operating company is defined as an entity that on testing dates has at least 50% of its assets, other than short-term investments pending long-term commitment or distribution to investors, valued at cost:

- invested in one or more operating companies with respect to which the entity has management rights; and

- that, in the ordinary course of its business, actually exercises its management rights with respect to one or more of the operating companies in which it invests.

We have not endeavored to determine whether we will satisfy the real estate operating company or venture capital operating company exception.

Prior to making an investment in the shares offered in this prospectus, prospective employee benefit plan investors (whether or not subject to ERISA or section 4975 of the Code) should consult with their legal and other advisors concerning the impact of ERISA and the Code (and, particularly in the case of non-ERISA plans and arrangements, any additional state, local and foreign law considerations), as applicable, and the potential consequences in their specific circumstances of an investment in such shares.

Table of Contents

UNDERWRITING

Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC are acting as representatives of each of the underwriters named below. Subject to the terms and conditions set forth in a purchase agreement among us and the underwriters, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the number of shares of common stock set forth opposite its name below.

Underwriter	Number of Shares
Merrill Lynch, Pierce, Fenner & Smith Incorporated	
Barclays Capital Inc.	
Morgan Stanley & Co. Incorporated	
Wells Fargo Securities, LLC	
KeyBanc Capital Markets Inc.	
Total	6,750,000

Subject to the terms and conditions set forth in the purchase agreement, the underwriters have agreed, severally and not jointly, to purchase all of the shares of common stock sold under the purchase agreement if any of these shares are purchased. If an underwriter defaults, the purchase agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the purchase agreement may be terminated.

We have agreed to indemnify the underwriters against the following:

- liabilities arising out of untrue statements or omissions of a material fact contained in or omitted from this prospectus or the related registration statement;

- liabilities arising out of any settlement of any litigation, investigation, proceeding or claim based upon such untrue statements or omissions; and

- expenses reasonably incurred in investigating, preparing or defending against any litigation, investigation, proceeding or claim based upon such untrue statements or omissions.

In addition, we are obligated to contribute to payments the underwriters may be required to make in respect of those liabilities if indemnification is not permitted.

The underwriters are offering the shares of common stock, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares of common stock, and other conditions contained in the purchase agreement, such as the receipt by the underwriters of officer s certificates and legal opinions. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The representatives have advised us that the underwriters propose initially to offer the shares of common stock to the public at the public offering price set forth on the cover page of this prospectus and to dealers at that price less a concession not in excess of $ per share. The underwriters may allow, and dealers may reallow, a concession not to exceed $ per share on sales to other dealers. After the initial offering, the public offering price, concession or any other term of the offering may be changed.

209

Table of Contents

The following table shows the public offering price, underwriting discount and proceeds before expenses to us. The information assumes either no exercise or full exercise by the underwriters of their overallotment option.

	Per Share	Without Option	With Option
Public offering price	$	$	$
Underwriting discount	$	$	$
Proceeds, before expenses, to us	$	$	$

The expenses of the offering, including the filing fees and reasonable fees and disbursements of counsel to the underwriters in connection with Financial Industry Regulatory Authority, Inc., or FINRA, filings, but not including the underwriting discount, are estimated at approximately $1.1 million and are payable by us.

Overallotment Option

We have granted an option to the underwriters to purchase up to 1,012,500 additional shares at the public offering price, less the underwriting discount. The underwriters may exercise this option for 30 days from the date of this prospectus solely to cover any overallotments. If the underwriters exercise this option, each will be obligated, subject to conditions contained in the purchase agreement, to purchase a number of additional shares proportionate to that underwriter s initial amount reflected in the above table.

No Sales of Similar Securities

We, our executive officers, directors and the Farallon Funds have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for or exercisable for common stock (including units in our operating partnership), for 90 days after the date of this prospectus (provided, that the Farallon Funds have the right to (i) sell shares of common stock representing up to 25% of the aggregate number of shares of our common stock and common units issued to the Farallon Funds in the formation transactions related to our initial public offering and the 2010 private placement pursuant to a demand registration statement or (ii) to distribute such amount of shares to their limited partners, members or stockholders) without first obtaining the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated and Barclays Capital Inc. Specifically, we and these other persons have agreed not to directly or indirectly:

- offer, pledge, sell or contract to sell any common stock;
- sell any option or contract to purchase any common stock;
- purchase any option or contract to sell any common stock;
- grant any option, right or warrant for the sale of any common stock;
- otherwise dispose of or transfer any common stock;
- request or demand that we file a registration statement related to the common stock; or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

210

Table of Contents

The restrictions described in the immediately preceding paragraph do not apply to: (A) with respect to us, (1) the sale of shares to the underwriters, (2) any shares of our common stock issued or options to purchase our common stock granted pursuant to our existing employee benefit plans referred to in this prospectus, (3) any shares of our common stock issued pursuant to any non-employee director stock plan or dividend reinvestment plan referred to in this prospectus, (4) shares of our common stock transferred in accordance with Article VI of our charter, (5) shares of our common stock, in the aggregate not to exceed 10% of the number of shares of common stock outstanding, issued in connection with other acquisitions of real property or real property companies, provided, in the case of this clause (5), that each acquirer agrees to similar restrictions, (6) the filing of a registration statement on Form S-8 relating to the offering of securities in accordance with the terms of an equity incentive plan, and (7) the sale of shares in the concurrent private placement; (B) with respect to our officers, directors and the Farallon Funds, (1)(i) gifts or other dispositions by will or intestacy, (ii) transfers made to (x) limited partners, members, stockholders or affiliates or (y) any wholly-owned subsidiary, (iii) bona fide gifts, sales or other dispositions to (w) members of the transferor s family, (x) affiliates of the transferor that are controlled by the transferor, or (y) a trust the beneficiaries of which are a limited liability company or a partnership owned exclusively by the transferor and/or members of the transferor s family, or (iv) donations or transfer to charitable organizations, provided, in the case of this clause (1), that (a) the transferee agrees to similar restrictions, (b) no filing by any party under the Exchange Act shall be required or shall be voluntarily made in connection with such transfer or distribution, (c) each party shall agree to not voluntarily make, any public announcement of the transfer or disposition and (d) the transferor notifies the underwriter representatives at least three business days prior to the proposed disposition, and (2) transactions relating to shares of our common stock acquired by the transferor in the open market after completion of the offering; provided, however, that (a) any subsequent sale of the shares of our common stock acquired in the open market are not required to be reported in any public report or filing with the SEC, or otherwise and (ii) the transferor does not otherwise voluntarily effect any public filing or report regarding such sales; (C) with respect to each of Victor J. Coleman, Howard S. Stern and the Farallon Funds, in addition to the exceptions set forth in clause (B) above, transfers made to an escrow account by such individual or entity, or from an escrow account to the company, in connection with the operation of any pledge agreements entered into in connection with indemnification obligations under agreements entered into in connection with the formation transactions related to our initial public offering, in each case for the benefit of the company; and (D) with respect to Howard S. Stern, the existing pledge of 96,833 shares of common stock and 195,254 common units of partnership interest in our operating partnership to Citigroup Global Markets Inc., Morgan Stanley Smith Barney LLC and certain of their affiliates as collateral to secure lending obligations; provided, that upon expiration or termination of the pledge and security agreement covering such pledged securities, such pledged securities shall be subject to and bound by the terms of the lock-up restrictions for the remainder of the 90-day term.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition. In the event that either (x) during the last 17 days of lock-up period referred to above, we issue an earnings release or material news or a material event relating to us occurs or (y) prior to the expiration of the lock-up period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the lock-up period, the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event, as applicable, unless Merrill Lynch, Pierce, Fenner and Smith Incorporated and Barclays Capital Inc. waive, in writing, such extension.

New York Stock Exchange Listing

Our common stock is listed on the NYSE under the symbol HPP.

Table of Contents

Price Stabilization, Short Positions and Penalty Bids

Until the distribution of the shares of common stock is completed, SEC rules may limit underwriters and selling group members from bidding for and purchasing our common stock. However, the representatives may engage in transactions that stabilize the price of the common stock, such as bids or purchases to peg, fix or maintain that price.

In connection with the offering, the underwriters may purchase and sell our common stock in the open market. These transactions may include short sales, purchases on the open market to cover positions created by short sales and stabilizing transactions. Short sales involve the sale by the underwriters of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriters option to purchase additional shares in the offering. The underwriters may close out any covered short position by either exercising their overallotment option or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the overallotment option. Naked short sales are sales in excess of the overallotment option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of shares of common stock made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such underwriter in stabilizing or short covering transactions.

Similar to other purchase transactions, the underwriters purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market.

Neither we nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor any of the underwriters make any representation that the representatives will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

Electronic Offer, Sale and Distribution of Shares

In connection with the offering, certain of the underwriters or securities dealers may distribute prospectuses by electronic means, such as e-mail. In addition, certain of the underwriters may facilitate Internet distribution for this offering to certain of their Internet subscription customers. These underwriters may allocate a limited number of shares for sale to its online brokerage customers. An electronic prospectus may be available on the Internet Web site maintained by certain underwriters. Other than any prospectus in electronic format, the information on an underwriter s Web site is not part of this prospectus.

Other Relationships

Some of the underwriters and their affiliates have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with us and/or our affiliates. They have received, or may in the future receive, customary fees and commissions for these transactions. Each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Morgan Stanley

Table of Contents

& Co. Incorporated, Wells Fargo Securities, LLC, and KeyBanc Capital Markets Inc. acted as an underwriter in our initial public offering, which closed on June 29, 2010, and each of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Morgan Stanley & Co. Incorporated and Wells Fargo Securities, LLC acted as an underwriter in our offering of series B preferred stock, which closed on December 10, 2010, and in each case each underwriter received customary underwriting discounts and commissions in connection therewith.

In addition, in the ordinary course of their business activities, the underwriters and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of ours or our affiliates. The underwriters and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

On December 16, 2010, we acquired 1455 Market, a 1,012,012 square foot office property located in San Francisco, California, from Bank of America, National Association, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated, one of the underwriters in this offering. We acquired the property for $92.9 million in cash (before prorations) in an arms-length, negotiated transaction. Bank of America, National Association is currently the largest tenant at 1455 Market.

Affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc., Morgan Stanley & Co. Incorporated, Wells Fargo Securities, LLC and KeyBanc Capital Markets Inc., each of which is an underwriter in this offering, are lenders under our $200 million secured revolving credit facility. Under this facility, an affiliate of Barclays Capital Inc. also acts as administrative agent and joint lead arranger, an affiliate of Merrill Lynch, Pierce, Fenner & Smith Incorporated acts as syndication agent and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC) acts as joint lead arranger. In connection with their participation in the secured revolving credit facility, our underwriters or their affiliates receive customary fees. In addition, to the extent that we use a portion of the net proceeds of this offering and the concurrent private placement to repay borrowings outstanding under our secured revolving credit facility, such affiliates of our underwriters will receive their proportionate shares of any amount of the secured revolving credit facility that is repaid with the net proceeds of this offering and the concurrent private placement. Furthermore, an affiliate of Wells Fargo Securities, LLC serves as a lender under our $92 million secured term loan.

The Morgan Stanley Investment Partnership, the general partner of which is owned by investment funds managed by an affiliate of Morgan Stanley & Co. Incorporated, an underwriter in this offering, contributed properties to us in the formation transactions related to our initial public offering. In exchange for its contribution to our operating partnership of the property entities that own the First Financial and Tierrasanta properties, the Morgan Stanley Investment Partnership and certain of its limited partners received an aggregate of approximately $12.5 million in liquidation preference of series A preferred units, 177,567 common units with a value of $3.0 million and $7.2 million in cash. As a result of the foregoing, certain of the limited partners of the Morgan Stanley Investment Partnership became limited partners in our operating partnership and ceased to be limited partners in the Morgan Stanley Investment Partnership. In connection with this contribution and pursuant to debt guarantee agreements, certain partners of the Morgan Stanley Investment Partnership were granted the opportunity to guarantee an aggregate of up to approximately $55.1 million (or, under certain circumstances, up to approximately $70.0 million) of indebtedness of our operating partnership (or a subsidiary thereof) which will, among other things, allow them to defer recognition of gain in connection with the formation transactions related to our initial public offering.

Notice to Prospective Investors in the European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), including each Relevant Member State that has implemented the 2010 PD Amending Directive with regard to persons to whom an offer of securities is addressed and the

Table of Contents

denomination per unit of the offer of securities (each, an Early Implementing Member State), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the Relevant Implementation Date), no offer of shares of common stock will be made to the public in that Relevant Member State (other than offers (the Permitted Public Offers) where a prospectus will be published in relation to the shares that has been approved by the competent authority in a Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive), except that with effect from and including that Relevant Implementation Date, offers of shares of common stock may be made to the public in that Relevant Member State at any time:

A. to qualified investors as defined in the Prospectus Directive, including:

(a) (in the case of Relevant Member States other than Early Implementing Member States), legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities, or any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than 43.0 million and (iii) an annual turnover of more than 50.0 million as shown in its last annual or consolidated accounts; or

(b) (in the case of Early Implementing Member States), persons or entities that are described in points (1) to (4) of Section I of Annex II to Directive 2004/39/EC, and those who are treated on request as professional clients in accordance with Annex II to Directive 2004/39/EC, or recognized as eligible counterparties in accordance with Article 24 of Directive 2004/39/EC unless they have requested that they be treated as non-professional clients; or

B. to fewer than 100 (or, in the case of Early Implementing Member States, 150) natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted in the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of shares of common stock shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

Each person in a Relevant Member State (other than a Relevant Member State where there is a Permitted Public Offer) who initially acquires any shares of common stock or to whom any offer is made will be deemed to have represented, acknowledged and agreed that (A) it is a qualified investor , and (B) in the case of any shares of common stock acquired by it as a financial intermediary, as that term is used in Article 3(2) of the Prospectus Directive, (x) the shares of common stock acquired by it in the offering have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors as defined in the Prospectus Directive, or in circumstances in which the prior consent of the Subscribers has been given to the offer or resale, or (y) where shares of common stock have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors as defined in the Prospectus Directive, the offer of those shares of common stock to it is not treated under the Prospectus Directive as having been made to such persons.

For the purpose of the above provisions, the expression an offer to the public in relation to any shares of common stock in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer of any shares of common stock to be offered so as to enable an investor to decide to purchase any shares of common stock, as the same may be varied in the Relevant Member State by any measure implementing the Prospectus Directive in the Relevant Member State and the expression Prospectus Directive means Directive 2003/71 EC (including the 2010 PD Amending Directive, in the case of

Table of Contents

Early Implementing Member States) and includes any relevant implementing measure in each Relevant Member State and the expression 2010 PD Amending Directive means Directive 2010/73/EU.

Notice to Prospective Investors in Switzerland

We have not and will not register with the Swiss Financial Market Supervisory Authority (FINMA) as a foreign collective investment scheme pursuant to Article 119 of the Federal Act on Collective Investment Scheme of 23 June 2006, as amended (CISA), and accordingly the shares of common stock being offered pursuant to this prospectus have not and will not be approved, and may not be licenseable, with FINMA. Therefore, the securities have not been authorized for distribution by FINMA as a foreign collective investment scheme pursuant to Article 119 CISA and the shares of common stock offered hereby may not be offered to the public (as this term is defined in Article 3 CISA) in or from Switzerland. The securities may solely be offered to qualified investors, as this term is defined in Article 10 CISA, and in the circumstances set out in Article 3 of the Ordinance on Collective Investment Scheme of 22 November 2006, as amended (CISO), such that there is no public offer. Investors, however, do not benefit from protection under CISA or CISO or supervision by FINMA. This prospectus and any other materials relating to the shares of common stock are strictly personal and confidential to each offeree and do not constitute an offer to any other person. This prospectus may only be used by those qualified investors to whom it has been handed out in connection with the offer described herein and may neither directly or indirectly be distributed or made available to any person or entity other than its recipients. It may not be used in connection with any other offer and shall in particular not be copied and/or distributed to the public in Switzerland or from Switzerland. This prospectus does not constitute an issue prospectus as that term is understood pursuant to Article 652a and/or 1156 of the Swiss Federal Code of Obligations. We have not applied for a listing of the securities on the SIX Swiss Exchange or any other regulated securities market in Switzerland, and consequently, the information presented in this prospectus does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange and corresponding prospectus schemes annexed to the listing rules of the SIX Swiss Exchange.

Notice to Prospective Investors in the Dubai International Financial Centre

This prospectus relates to an Exempt Offer in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (DFSA). This prospectus is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this prospectus nor taken steps to verify the information set forth herein and has no responsibility for the prospectus. The securities to which this prospectus relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the securities offered should conduct their own due diligence on the securities. If you do not understand the contents of this prospectus you should consult an authorized financial advisor.

Table of Contents

LEGAL MATTERS

Certain legal matters will be passed upon for us by Latham & Watkins LLP, Los Angeles, California, and for the underwriters by Hogan Lovells US LLP. Venable LLP will pass upon the validity of the shares of common stock sold in this offering and certain other matters under Maryland law.

EXPERTS

Ernst & Young, LLP, an independent registered public accounting firm, has audited (i) our consolidated financial statements as of and for the years ended December 31, 2010 and 2009 as set forth in their report, (ii) the financial statements of Howard Street Associates, LLC as of December 31, 2009 and 2008 and for the years ended December 31, 2009 and 2008 and the period from February 14, 2007 (commencement of operations) to December 31, 2007 as set forth in their report, (iii) the statement of revenues and certain expenses of ECI Washington, LLC for the year ended December 31, 2009 as set forth in their report, (iv) the statement of revenues and certain expenses of Canpartners IV 222 Kearny, LLC for the year ended December 31, 2009 as set forth in their report, (v) the combined statement of revenues and certain expenses of GLB Encino, LLC and Glenborough Tierrasanta, LLC for the year ended December 31, 2009 as set forth in their report, (vi) the statement of revenues and certain expenses of City Plaza for the year ended December 31, 2007 as set forth in their report and (vii) the statements of revenues and certain expenses of Rincon Center JV LLC for the years ended December 31, 2010 and 2009 as set forth in their report. We have included each of the aforementioned financial statements in this prospectus and elsewhere in the registration statement in reliance on Ernst & Young, LLP s reports, given on their authority as experts in accounting and auditing.

The combined financial statements of our predecessor as of and for the year ended December 31, 2008 appearing in this prospectus and registration statement have been audited by McGladrey & Pullen, LLP, an independent registered public accounting firm, as stated in their report appearing elsewhere herein, and are included in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

Table of Contents

WHERE YOU CAN FIND MORE INFORMATION

We maintain a Web site at www.hudsonpacificproperties.com. Information contained on our Web site is not incorporated by reference into this prospectus and you should not consider information contained on our Web site to be part of this prospectus.

We have filed with the SEC a Registration Statement on Form S-11, including exhibits, schedules and amendments filed with this registration statement, of which this prospectus is a part, under the Securities Act with respect to the shares of our common stock to be sold in this offering. This prospectus does not contain all of the information set forth in the registration statement and exhibits and schedules to the registration statement. For further information with respect to our company and the shares of our common stock to be sold in this offering, reference is made to the registration statement, including the exhibits and schedules thereto. Statements contained in this prospectus as to the contents of any contract or other document referred to in this prospectus are not necessarily complete and, where that contract or other document has been filed as an exhibit to the registration statement, each statement in this prospectus is qualified in all respects by the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined without charge at the public reference room of the SEC, 100 F Street, N.E., Washington, DC 20549. Information about the operation of the public reference room may be obtained by calling the SEC at 1-800-SEC-0300. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. Our SEC filings, including our registration statement, are also available to you, free of charge, on the SEC s Web site, www.sec.gov.

We are subject to the information and reporting requirements of the Exchange Act and, accordingly, file annual, quarterly and periodic reports and other information with the SEC. These reports and other information are available for inspection and copying at the SEC s public reference facilities and the Web site of the SEC referred to above.

Table of Contents

INDEX TO FINANCIAL STATEMENTS

F-i

Table of Contents

Hudson Pacific Properties, Inc.

Pro Forma Consolidated Financial Statements

(Unaudited and in thousands)

The pro forma consolidated financial statements of Hudson Pacific Properties, Inc. (together with its consolidated entities as discussed further below, the Company, we, our or us) as of and for the year ended December 31, 2010 are derived from the financial statements of Hudson Pacific Properties, Inc., which includes Howard Street Associates, LLC and our predecessor entities consisting of HFOP City Plaza, LLC, Sunset Bronson Entertainment Properties, LLC, and SGS Really II, LLC for the periods prior our initial public offering (IPO) on June 29, 2010. Subsequent to our IPO on June 29, 2010, our historical results also included Glenborough Tierrasanta, LLC, GLB Encino, LLC, Del Amo Fashion Center Operating Company, L.L.C., the 9300 Wilshire property, Hudson Capital, LLC, the 10950 Washington property, the 1455 Market office property, a 51% interest in the Rincon Center property, and the 222 Kearny property, for the periods disclosed in our historical audited financial statements included elsewhere in this filing. The unaudited pro forma consolidated financial statements discussed above are presented as if this offering and the related concurrent private placement (including the application of the net proceeds therefrom as set forth under Use of Proceeds), the acquisition of the remaining 49% interest in the Rincon Center property and the refinancing transactions relating to the Sunset Bronson and Sunset Gower media properties had occurred on December 31, 2010 for the pro forma consolidated balance sheet, and as if this offering and the related concurrent private placement (including the application of the net proceeds therefrom as set forth under Use of Proceeds), the acquisitions of Glenborough Tierrasanta, LLC, GLB Encino, LLC, Del Amo Fashion Center Operating Company, L.L.C., Hudson Capital, LLC, the 9300 Wilshire property, the 222 Kearny property, the 10950 Washington property, the 1455 Market office property and 100% of the Rincon Center property, the refinancing of the Sunset Bronson and Sunset Gower media properties and our IPO and the 2010 private placement had occurred on January 1, 2010 for the pro forma consolidated statement of operations.

Our pro forma consolidated financial statements are presented for informational purposes only and should be read in conjunction with the historical financial statements and related notes thereto included elsewhere in this prospectus. The adjustments to our pro forma consolidated financial statements are based on available information and assumptions that we consider reasonable. Our pro forma consolidated financial statements do not purport to (1) represent our financial position that would have actually occurred had this offering, the acquisition of the remaining 49% interest in the Rincon Center property and the refinancing transactions relating to the Sunset Bronson and Sunset Gower media properties occurred on December 31, 2010, (2) represent the results of our operations that would have actually occurred had this offering and the related concurrent private placement, the acquisitions of Glenborough Tierrasanta, LLC, GLB Encino, LLC, Del Amo Fashion Center Operating Company, L.L.C., Hudson Capital, LLC, the 9300 Wilshire property, the 222 Kearny property, the 10950 Washington property, the 1455 Market office property and 100% of the Rincon Center property, the refinancing of the Sunset Bronson and Sunset Gower media properties and our IPO and the 2010 private placement occurred on January 1, 2010 and (3) project our financial position or results of operations as of any future date or for any future period, as applicable.

We were formed as a Maryland corporation on November 9, 2009 to acquire the entities owning various real estate assets and to succeed the business of Hudson Capital, LLC, a Los Angeles-based real estate investment firm founded by Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively. Hudson Pacific Properties, L.P. (our Operating Partnership) was formed as a Maryland limited partnership on January 15, 2010. After the completion of the IPO, the 2010 private placement, and the related formation transactions that occurred on June 29, 2010, we became a fully integrated, self-administered, and self-managed real estate investment trust (REIT). Through our controlling interest in our operating partnership and its subsidiaries, we own, manage, lease, acquire and develop real estate, consisting primarily of office and media and entertainment properties.

Table of Contents

As a result of our IPO, one of the entities comprising our predecessor, SGS Realty II, LLC, was determined to be the acquirer for accounting purposes. In addition, we concluded that any interests contributed by the controlling member of the other entities comprising our predecessor and Howard Street Associates, LLC was a transaction between entities under common control. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 805 *Business Combinations* (ASC 805), a business combination excludes the transfers of net assets or exchanges of equity interests between entities under common control. Further, the transfers of net assets or exchanges of equity interests between entities under common control should be accounted for similar to the pooling-of-interests method in that the entity that receives the net assets or the equity interests initially recognizes the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. Because the Company, SGS Realty II, LLC, Sunset Bronson Entertainment Properties, LLC, HFOP City Plaza, LLC, and Howard Street Associates, LLC were under common control at the time of the IPO and the formation transactions, the transfer of assets and liabilities of each of these entities were accounted for at historical cost in a manner similar to a pooling of interests.

Subsequent to the acquisitions of Glenborough Tierrasanta, LLC, GLB Encino, LLC, and Hudson Capital, LLC as part of our IPO on June 29, 2010, the acquisition of Del Amo Fashion Center Operating Company, L.L.C. on August 16, 2010, the acquisition of 9300 Wilshire on August 24, 2010, the acquisition of 222 Kearny on October 8, 2010, the acquisitions of 1455 Market and our 51% interest of the Rincon Center joint venture on December 16, 2010 and the acquisition of 10950 Washington on December 22, 2010, our operations included such entities operations. Elsewhere in this prospectus, we have included the audited consolidated statements of revenues and certain expenses of Glenborough Tierrasanta, LLC and GLB Encino, LLC for the year ended December 31, 2009 and the unaudited statements of revenues and certain expenses for those same entities for the three months ended March 31, 2010. We have also included the audited statements of revenues and certain expenses of Canpartners IV 222 Kearny, LLC (222 Kearny property) and ECI Washington, LLC (10950 Washington property) for the year ended December 31, 2009 and the unaudited statements of revenues and certain expenses for those same entities for the nine months ended September 30, 2010. In addition, we have included the audited statements of revenues and certain expenses of Rincon Center JV, LLC for the years ended December 31, 2010 and 2009.

Upon completion of this offering, we expect net proceeds from this offering of approximately $90,517, or approximately $104,210 if the underwriters overallotment option is exercised in full (after deducting the underwriting discount and commissions and estimated expenses of this offering). We expect proceeds from the concurrent private placement of approximately $44,625. We will use the proceeds received from this offering and the concurrent private placement, as well as cash on hand, if any, as described under Use of Proceeds elsewhere in this prospectus.

In December 2009, the FASB issued ASU 2009-17, Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. This ASU amends FASB Accounting Standards Codification for Statement 167 and introduces a more qualitative approach to evaluating VIEs for consolidation. In addition, we are required to perform an analysis to determine whether a variable interest gives us a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the entity that has (i) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. In determining whether it has the power to direct the activities of the VIE that most significantly affect the VIE s performance, the provision requires a company to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed. It also requires continuous reassessment of primary beneficiary status rather than periodic, event-driven assessments as previously required, and incorporates expanded disclosure requirements. This guidance was effective for interim and annual periods beginning after November 15, 2009.

We acquired a 51% interest in the Rincon Center joint venture from an affiliate of Beacon Capital Partners on December 16, 2010. We concluded that the Rincon Center joint venture is a variable interest entity

Table of Contents

and we are the primary beneficiary since we have authority, power and discretion to manage and control the business and affairs of the property which includes the day-to-day property management, leasing, development and obtaining property level financing. As a result of our assessment, we have consolidated the joint venture. We expect to acquire the remaining 49% interest in the Rincon Center joint venture as a result of our exercise of our call right to purchase such interest on February 24, 2011. The acquisition of such 49% interest is expected to close in the second quarter of 2011. Our pro forma adjustments reflect this acquisition, which has been accounted for as a redemption of the non-controlling equity interest in accordance with ASC 810 *Consolidation*.

Table of Contents

Hudson Pacific Properties, Inc.

Pro Forma Consolidated Balance Sheet

As of December 31, 2010

(Unaudited and in thousands)

	Hudson Pacific Properties, Inc. (A)	Refinancing Transactions (B)	Acquisition of Rincon Center (C)	Proceeds from Private Placement (D)	Proceeds from Offering (E)	Use of Proceeds (F)	Company Pro Forma
ASSETS							
Investment in real estate, net	$ 838,777	$	$	$	$	$	$ 838,777
Cash and cash equivalents	48,875	(11,681)	(40,328)	44,625	90,517	(46,500)	85,508
Restricted cash	4,121						4,121
Accounts receivable, net	4,478						4,478
Straight-line rent receivables	6,703						6,703
Deferred leasing costs and lease intangibles, net	85,241						85,241
Deferred finance costs, net	3,211	2,064					5,275
Goodwill	8,754						8,754
Prepaid expenses and other assets	4,416						4,416
TOTAL ASSETS	$ 1,004,576	$ (9,617)	$ (40,328)	$ 44,625	$ 90,517	$ (46,500)	$ 1,043,273
LIABILITIES AND EQUITY							
Notes payable	$ 230,943	$ 55,000	$	$	$	$	$ 285,943
Secured Revolving Credit Facility	111,117	(64,617)				(46,500)	
Accounts payable and accrued liabilities	11,507						11,507
Below-market leases and above-market ground leases	20,994						20,994
Security deposits	5,052						5,052
Prepaid rent	10,559						10,559
Interest rate contracts	71						71
TOTAL LIABILITIES	$ 390,243	$ (9,617)	$	$	$	$ (46,500)	$ 334,126
6.25% Series A Cumulative Redeemable Preferred units of the Operating Partnership	12,475						12,475
Redeemable non-controlling interest in consolidated real estate entity	40,328		(40,328)				
EQUITY							
Hudson Pacific Properties, Inc. shareholders equity:							
Series B Cumulative Redeemable Preferred Stock	87,500						87,500
Common stockholders	408,346			44,625	90,517		543,488
Total Hudson Pacific Properties, Inc. shareholders equity	495,846			44,625	90,517		630,988
	65,684						65,684

Non-controlling unitholders in Operating Partnership							
TOTAL EQUITY	561,530			44,625	90,517		696,672
TOTAL LIABILITIES & EQUITY	$ 1,004,576	$ (9,617)	$ (40,328)	$ 44,625	$ 90,517	$ (46,500)	$ 1,043,273

F-4

Table of Contents

Hudson Pacific Properties Inc

Pro Forma Consolidated Statement of Operations

For the Year Ended December 31, 2010

(Unaudited and in thousands, except share data)

	Hudson Pacific Properties, Inc. (AA)	Other Acquisitions and Adjustments (BB)	Refinancing Transactions (CC)	Pro Forma before Offering and Use of Proceeds (DD)	Acquisition of Rincon Center (EE)	Use of Proceeds (FF)	Income Allocation (GG)	Pro Forma Consolidated
REVENUES								
Office								
Rental	$ 22,247	$ 29,764	$	$ 52,011	$ 15,331	$	$	$ 67,342
Tenant recoveries	4,023	22,174		26,197	1,469			27,666
Other	233	779		1,012	1,542			2,554
	26,503	52,717		79,220	18,342			97,562
Media and entertainment properties								
Rental	20,931			20,931				20,931
Tenant recoveries	1,571			1,571				1,571
Other property related revenue	11,397			11,397				11,397
Other	238			238				238
	34,137			34,137				34,137
Total Revenues	60,640	52,717		113,357	18,342			131,699
OPERATING EXPENSES								
Office property related expenses	10,212	30,762		40,974	7,357			48,331
Media and entertainment properties	19,815	(400)		19,415				19,415
General and administrative	4,493	2,909		7,402				7,402
Depreciation and amortization	15,912	15,546		31,458	7,918			39,376
Total operating expenses	50,432	48,817		99,249	15,275			114,524
Income from operations	10,208	3,900		14,108	3,067			17,175
OTHER EXPENSE (INCOME)								
Interest expense	8,831	3,220	172	12,223	5,777	(1,097)		16,903
Interest income	(59)			(59)				(59)
Unrealized gain of interest rate collar	(347)			(347)				(347)
Acquisition-related expenses	4,273			4,273				4,273
Other expense	192	200		392				392
	12,890	3,420	172	16,482	5,777	(1,097)		21,162
Net income	$ (2,682)	$ 480	$ (172)	$ (2,374)	$ (2,710)	$ 1,097	$	$ (3,987)
Less: Net income attributable to preferred stock and units	(817)			(817)			(7,291)	(8,108)
Less: Net income attributable to restricted shares	(50)			(50)			(194)	(244)
Add: Net loss attributable to non-controlling members in consolidated real estate entities	(119)			(119)	148		(29)	
Add: Net loss attributable to Unitholders in the Operating Partnership	418			418			894	1,312
Net income attributable to the Company	$ (3,250)	$ 480	$ (172)	$ (2,942)	$ (2,562)	$ 1,097	$ (6,620)	$ (11,027)

Pro Forma earnings per share basic and diluted	$	(0.36)	**(HH)**
Pro Forma weighted average shares outstanding basic and diluted		31,821,508	**(HH)**

Table of Contents

Hudson Pacific Properties, Inc.

Notes to Pro Forma Consolidated Financial Statements

(Unaudited and in thousands, except share data)

1. Adjustments to the Pro Forma Consolidated Balance Sheet

The adjustments to the pro forma consolidated balance sheet as of December 31, 2010 are as follows:

(A) Represents the balance sheet of Hudson Pacific Properties, Inc. (the Company, we, our or us) as of December 31, 2010. Hudson Pacific Properties, Inc. is comprised of the real estate activity and holdings of the entities comprising our predecessor (SGS Realty II, LLC, Sunset Bronson Entertainment Properties, LLC and HFOP City Plaza, LLC) and Howard Street Associates, LLC for reasons discussed below. The Company completed its initial public offering (the IPO) and 2010 private placement of its common stock on June 29, 2010. In connection with the IPO, the Company completed the formation transactions and consolidated its asset management, property management, property development, leasing, tenant improvement construction, acquisition and financing businesses into Hudson Pacific Properties, L.P., the operating partnership formed by and managed by the Company, and consolidated the ownership of our portfolio of office and media and entertainment properties, together with certain other real estate assets, under the operating partnership.

As a result of our IPO, one of the entities comprising our predecessor, SGS Realty II, LLC, was determined to be the acquirer for accounting purposes. In addition, we concluded that any interests contributed by the controlling member of the other entities comprising our predecessor and Howard Street Associates, LLC was a transaction between entities under common control. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification 805 *Business Combinations* (ASC 805), a business combination excludes the transfers of net assets or exchanges of equity interests between entities under common control. Further, the transfers of net assets or exchanges of equity interests between entities under common control should be accounted for similar to the pooling-of-interests method in that the entity that receives the net assets or the equity interests initially recognizes the assets and liabilities transferred at their carrying amounts in the accounts of the transferring entity at the date of transfer. Because the Company, SGS Realty II, LLC, Sunset Bronson Entertainment Properties, LLC, HFOP City Plaza, LLC, and Howard Street Associates, LLC were under common control at the time of the initial public offering and the formation transactions, the transfer of assets and liabilities of each of these entities were accounted for at historical cost in a manner similar to a pooling of interests. For financial accounting purposes, the acquisition was viewed as a change in reporting entity and, as a result, we have retrospectively changed the presentation of the Company s financial statements for all periods subsequent to February 14, 2007, the date at which common control of the entities contributed by Farallon Partners, L.L.C. commenced. Accordingly, the Company s historical consolidated balance sheets as of December 31, 2009 and 2008, and the historical consolidated statements of operations, equity and cash flows for the years ended December 31, 2009 and 2008 and for the period from February 14, 2007 (commencement of operations) through December 31, 2007 include the results of the Company, SGS Realty II, LLC, Sunset Bronson Entertainment Properties, LLC, HFOP City Plaza, LLC, and Howard Street Associates, LLC.

Concurrent with and subsequent to our IPO on June 29, 2010, we acquired Glenborough Tierrasanta, LLC, GLB Encino, LLC, Hudson Capital, LLC, Del Amo Fashion Center Operating Company, L.L.C., the 9300 Wilshire property, the 222 Kearny property, the 1455 Market property, our 51% interest in the Rincon Center joint venture, and the 10950 Washington property, and our

F-6

Table of Contents

Hudson Pacific Properties, Inc.

Notes to Pro Forma Consolidated Financial Statements

(Unaudited and in thousands, except share data)

balance sheet includes the acquired properties at December 31, 2010 and their historical results for the periods subsequent to the respective acquisitions.

Our historical consolidated financial statements as of and for the year ended December 31, 2010 have been included elsewhere in this filing.

(B) Reflects the $92,000 refinancing of the Sunset Bronson and Sunset Gower media properties, which occurred on February 11, 2011. The net proceeds, along with cash on hand, were used to pay down our secured revolving credit facility. The calculation of such refinancing transaction and use of proceeds is as follows:

Gross proceeds	$ 92,000
Repayment of existing Sunset Bronson loan	(37,000)
Net debt increase after repayment of Sunset Bronson loan	55,000
Loan closing costs	(2,064)
Net proceeds	$ 52,936

Net proceeds	$ 52,936
Cash on hand used for secured revolving credit facility pay down	11,681
Secured revolving credit facility pay down	$ 64,617

(C) We expect to acquire the remaining 49% interest in the Rincon Center joint venture as a result of our exercise of our call right to purchase such interest on February 24, 2011. The acquisition of such 49% interest is expected to close in the second quarter of 2011. The pro forma adjustment reflects this acquisition, which has been accounted for as a redemption of the non-controlling equity interest in accordance with ASC 810 *Consolidation*.

(D) Reflects the sale of shares of common stock to certain investment funds affiliated with Farallon at a price per share equal to the public offering price.

(E) Reflects the sale of shares of common stock in this offering, net of underwriting discounts, commissions and offering expenses as follows:

Gross proceeds from offering	$ 96,390
Less:	
Underwriting discounts, commissions and offering expenses	(5,873)

Available proceeds	$ 90,517

(F) We will use the net proceeds received by us from this offering and the concurrent private placement, together with cash on hand, to repay the remaining outstanding revolving credit facility balance of $46,500.

F-7

Table of Contents

Hudson Pacific Properties, Inc.

Notes to Pro Forma Consolidated Financial Statements

(Unaudited and in thousands, except share data)

2. Adjustments to the Pro Forma Consolidated Statement of Operations

The adjustments to the pro forma consolidated statement of operations for the year ended December 31, 2010:

(AA) Reflects our historical consolidated statement of operations for the year ended December 31, 2010. See Note (A) above and the introduction to the pro forma financial statements for further discussion on the presentation of our historical financial statements.

(BB) Reflects the incremental impact on our pro forma results of operations for the year ended December 31, 2010 from our IPO, the 2010 private placement and related formation transactions including (1) repayment of debt secured by the Sunset Gower property, the Technicolor Building and 875 Howard Street property; (2) contracted additional general and administrative expenses as a result of becoming a public company, including, but not limited to, incremental salaries including amortization of non-cash compensation expense on restricted shares issued to management and board of directors fees and expenses; (3) expected tax expense to be incurred by our taxable REIT subsidiary for other property related income; and (4) the elimination of management fee expenses as a result of the acquisition of the Hudson Capital, LLC management company. We expect to incur additional general and administrative expenses as a result of operating as a public company, including, but not limited to, incremental salaries, board of directors fees and expenses, directors and officers insurance, Sarbanes-Oxley Act of 2002 compliance costs, and incremental audit and tax fees. We estimate that these costs could result in general and administrative expenses of approximately $8,868 per year, before additional non-cash compensation expenses of approximately $2,984 per year (including the $7,402 in general and administrative expenses reflected in our pro forma consolidated results of operations). In addition, this reflects the incremental impact on our pro forma results of operations for the year ended December 31, 2010 from our acquisitions of Glenborough Tierrasanta, LLC, GLB Encino, LLC, Del Amo Fashion Center Operating Company, L.L.C., Hudson Capital, LLC, the 9300 Wilshire property, the 222 Kearny property, the 10950 Washington property, and the 1455 Market property, as if these acquisitions had occurred on January 1, 2010. In addition, we include interest expense on our secured revolving credit facility balance as of December 31, 2010, as if the entire balance was outstanding commencing on January 1, 2010 and for the entire year. The calculation of interest expense relating to our secured revolving credit facility assumes an interest rate of LIBOR plus 2.50% and a 0.40% unused line fee.

(CC) Reflects the incremental impact on our pro forma results of operations for the year ended December 31, 2010 from the refinancing transactions relating to the Sunset Bronson and Sunset Gower media properties and the related pay down on the secured revolving credit facility (see Note (B)) as if such transaction had occurred on January 1, 2010.

(DD) Reflects pro forma results of operations for the year ended December 31, 2010 prior to giving effect of the offering, the concurrent private placement and use of proceeds thereof.

(EE) The pro forma adjustments reflect the acquisition of 100% of the Rincon Center property for the year ended December 31, 2010 as if the property was acquired on January 1, 2010. (We purchased 51% of the Rincon Center property on December 16, 2010 and expect to acquire the remaining 49% interest in the Rincon Center property in the second quarter of 2011 (see Note (C)). The results of operations of the Rincon Center property from December 16, 2010 to December 31, 2010 are reflected in our historical results of operations (See Note (AA)).

F-8

Table of Contents

Hudson Pacific Properties, Inc.

Notes to Pro Forma Consolidated Financial Statements

(Unaudited and in thousands, except share data)

	Rincon Center Property
REVENUES	
Rental	$ 15,331
Tenant recoveries	1,469
Other	1,542
	18,342
OPERATING EXPENSES	
Office operating expenses	7,357
Depreciation and amortization	7,918
	15,275
Income (loss) from operations	3,067
OTHER EXPENSE (INCOME)	
Interest expense	5,777(1)
	5,777
Net income (loss)	$ (2,710)
Add: Net loss attributable to non-controlling members in consolidated real estate entities	148

(1) The Rincon Center property is subject to a $106,000 note payable secured by the property. The note bears interest at a stated rate of 6.08% and matures in July 2011.

(FF) Reflects use of proceeds of this offering to repay our secured revolving credit facility balance of $46,500. This repayment will result in an increase in the unused line fee as if repayment had occurred on January 1, 2010.

(GG) Reflects the incremental impact on our pro forma results of operations for the year ended December 31, 2010 as a result of (1) the income allocation to the series A preferred operating partnership units and the income allocation to the series B cumulative redeemable preferred stock; (2) the income allocation to the unvested restricted shares; and (3) the income allocation to unitholders in our operating partnership. The issuance of shares in this offering and the concurrent private placement will cause more of our pro forma net loss to be attributable to the company and less to unitholders in our operating partnership. See Notes (AA) through (FF).

(HH) Pro forma earnings (loss) per share basic and diluted are calculated by dividing pro forma consolidated net income (loss) allocable to common stockholders by the number of weighted average shares of common stock outstanding. For each period, the series A preferred units in our operating partnership and the participating securities have been excluded from the computation of diluted pro forma earnings per share as such inclusion would be anti-dilutive.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders of

Hudson Pacific Properties, Inc.

We have audited the accompanying consolidated balance sheets, as of December 31, 2010 and 2009, of Hudson Pacific Properties, Inc. (the Company), and the related consolidated statements of operations, equity, and cash flows for the years then ended. Our audits also included the financial statement schedule listed in the index at Exhibit 15(a). These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position at December 31, 2010 and 2009, of the Company, and the consolidated results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Los Angeles, California

March 23, 2011

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Hudson Pacific Properties, Inc.

We have audited the accompanying combined statements of operations, members equity, and cash flows of Hudson Pacific Properties Inc., which includes the combined real estate activity and holdings of certain entities as described in Note 1 to the combined financial statements (referred to as the Company), for the year ended December 31, 2008. These combined financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Howard Street Associates, LLC, a wholly-owned combined subsidiary, which statements reflect total revenues constituting 12.7 percent in 2008. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Howard Street Associates, LLC, is based solely on the report of the other auditors.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the results of operations of the Hudson Pacific Properties, Inc. and its cash flows for the year ended December 31, 2008, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 1 to the combined financial statements, on June 29, 2010, the Company completed its initial public offering and the related formation transactions which included a transaction between the Company and Howard Street Associates, LLC accounted for as entities under common control. For periods prior to the initial public offering, the Company s combined financial statements were retrospectively amended to include Howard Street Associates, LLC.

/s/ McGladrey & Pullen, LLP

Chicago, Illinois

November 22, 2010

Table of Contents

HUDSON PACIFIC PROPERTIES, INC.

CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	December 31, 2010	December 31, 2009
ASSETS		
REAL ESTATE ASSETS		
Land	$ 329,630	$ 193,042
Building and improvements	469,407	206,715
Tenant improvements	47,538	13,412
Furniture and fixtures	11,411	11,097
Property under development	7,904	4,148
Total real estate held for investment	865,890	428,414
Accumulated depreciation	(27,113)	(16,329)
Investment in real estate, net	838,777	412,085
Cash and cash equivalents	48,875	3,694
Restricted cash	4,121	4,231
Accounts receivable, net of allowance of $309 and $308	4,478	1,273
Straight-line rent receivables	6,703	2,935
Deferred leasing costs and lease intangibles, net	85,241	19,612
Deferred financing costs, net	3,211	668
Goodwill	8,754	
Prepaid expenses and other assets	4,416	3,736
TOTAL ASSETS	$ 1,004,576	$ 448,234
LIABILITIES AND EQUITY		
Notes payable	$ 342,060	$ 189,518
Accounts payable and accrued liabilities	11,507	6,026
Below-market leases, net	20,994	11,636
Security deposits	5,052	2,939
Prepaid rent	10,559	11,102
Interest rate contracts	71	425
TOTAL LIABILITIES	390,243	221,646
6.25% Series A cumulative redeemable preferred units of the Operating Partnership	12,475	
Redeemable non-controlling interest in consolidated real estate entity	40,328	
EQUITY		
Members equity		223,240
Hudson Pacific Properties, Inc. stockholders equity:		
Series B cumulative redeemable preferred stock	87,500	
Common stock, $0.01 par value 490,000,000 authorized, 22,436,950 outstanding at December 31, 2010	224	
Additional paid-in capital	411,598	
Accumulated other comprehensive income	6	
Accumulated deficit	(3,482)	
Total Hudson Pacific Properties, Inc. stockholders and members equity	495,846	223,240
Non-controlling interests:		
Members in consolidated real estate entities		3,348

Unitholders in the Operating Partnership	65,684	
	65,684	3,348
TOTAL EQUITY	561,530	226,588
TOTAL LIABILITIES AND EQUITY	$ 1,004,576	$ 448,234

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

Table of Contents

HUDSON PACIFIC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

	Twelve Months Ended December 31		
	2010	**2009**	**2008**
Revenues			
Office			
Rental	$ 22,247	$ 11,046	$ 8,235
Tenant recoveries	4,023	2,024	1,504
Other	233	252	41
Total office revenues	26,503	13,322	9,780
Media & entertainment			
Rental	20,931	19,916	22,075
Tenant recoveries	1,571	1,792	1,544
Other property-related revenue	11,397	9,427	13,509
Other	238	64	92
Total media & entertainment revenues	34,137	31,199	37,220
Total revenues	60,640	44,521	47,000
Operating expenses			
Office operating expenses	$ 10,212	$ 6,242	$ 3,003
Media & entertainment operating expenses	19,815	19,545	23,881
General and administrative	4,493		
Depreciation and amortization	15,912	10,908	9,693
Total operating expenses	$ 50,432	$ 36,695	$ 36,577
Income from operations	10,208	7,826	10,423
Other expense (income)			
Interest expense	8,831	8,792	12,029
Interest income	(59)	(19)	(48)
Unrealized (gain) loss on interest rate contracts	(347)	(400)	835
Sale of lot			208
Acquisition-related expenses	4,273		
Other expense	192	97	21
	12,890	8,470	13,045
Net loss	(2,682)	(644)	(2,622)
Less: Net income attributable to preferred stock and units	(817)		
Less: Net income attributable to restricted shares	(50)		
Add: Net (income) loss attributable to non-controlling members in consolidated real estate entities	(119)	29	81
Add: Net loss attributable to unitholders in the Operating Partnership	418		
Net (loss) income attributable to Hudson Pacific Properties, Inc. shareholders / controlling members equity	$ (3,250)	$ (615)	$ (2,541)

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

Table of Contents

HUDSON PACIFIC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF EQUITY

(in thousands, except share and per share amounts)

	Hudson Pacific Properties Inc., Stockholders Equity									
	Common Shares	**Stock Amount**	**Series B Cumulative Redeemable Preferred Stock**	**Additional Paid in Capital**	**Accumulated Deficit**	**Accumulated Other Comp Income**	**Members Real Estate Equity**	**Non-controlling Interests - Unitholders in the Operating Partnership Units**	**Non-controlling Interest - Members in Consolidated Entities**	**Total**
Balance, January 1, 2008		$	$	$	$	$	$ 74,654	$	$ 1,793	$ 76,447
Contributions							193,060		2,023	195,083
Distributions							(46,724)		(453)	(47,177)
Net loss							(2,541)		(81)	(2,622)
Balance December 31, 2008		$	$	$	$	$	$ 218,449	$	$ 3,282	$ 221,731
Contributions							6,390		111	6,501
Distributions							(984)		(16)	(1,000)
Net loss							(615)		(29)	(644)
Balance, December 31, 2009		$	$	$	$	$	$ 223,240	$	$ 3,348	$ 226,588
Contributions							4,122			4,122
Distributions							(1,703)			(1,703)
Proceeds from sale of common stock, net of underwriters discount	14,720,000	147		232,574						232,721
Proceeds from private placement	1,176,471	12		19,988						20,000
Issuance of restricted stock	490,442	4		(4)						
Shares repurchased				(1)						(1)
Issuance of Series B Cumulative Redeemable Preferred Stock			87,500							87,500
Issuance of common units for acquisition of properties								12,019		12,019
Transaction related costs				(11,241)						(11,241)
Declared dividend			(427)	(4,271)				(502)		(5,200)
Amortization of stock based compensation				765						765
Acquisition of non-controlling member s interest									(828)	(828)
Net income (loss)			427		(3,482)		283	(418)	(29)	(3,219)
Cash flow hedge adjustment						6		1		7
Comprehensive loss										(3,212)
Exchange of members equity for common stock and units	6,050,037	61		173,788			(225,942)	54,584	(2,491)	

Balance, December 31, 2010	22,436,950	$	224	$	87,500	$	411,598	$	(3,482)	$	6	$		$	65,684	$		$ 561,530

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

F-14

Table of Contents

HUDSON PACIFIC PROPERTIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

	Twelve Months Ended December 31		
	2010	**2009**	**2008**
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	$ (2,682)	$ (644)	$ (2,622)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Depreciation and amortization	15,912	10,930	9,693
Amortization of deferred financing costs and loan premium, net	1,328	1,549	2,454
Amortization of stock based compensation	765		
Straight-line rent receivables	(3,768)	(1,356)	(1,579)
Amortization of above-market leases	1,119	672	366
Amortization of below-market leases	(1,186)	(1,096)	(2,169)
Amortization of lease incentive costs	135		
Bad debt expense	36	191	214
Amortization of ground lease	63		
Unrealized gain on interest rate contracts	(347)	(399)	835
Other non-cash losses		75	
Loss on sale of asset		33	
Loss on sale of lot			208
Change in operating assets and liabilities:			
Restricted cash	1,571	746	679
Accounts receivable	(3,817)	(236)	(595)
Deferred leasing costs and lease intangibles, net	(1,309)	(5,032)	(838)
Prepaid expenses and other assets	(137)		
Accounts payable and accrued liabilities	626	1,036	(1,287)
Security deposits	907	1,123	675
Prepaid rent	(1,597)	(3,054)	14,015
Net cash provided by operating activities	7,619	4,538	20,049
CASH FLOWS FROM INVESTING ACTIVITIES			
Additions to investment property	(11,629)	(15,487)	(192,562)
Purchase of properties	(230,527)	30	11,404
Proceeds from sale of lot			2,632
Net cash used in investing activities	(242,156)	(15,457)	(178,526)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from notes payable	116,385	3,924	41,937
Payments of notes payable	(157,786)		(23,875)
Proceeds from issuance of common stock	232,720		
Proceeds from issuance of Series B cumulative redeemable preferred stock	87,500		
Proceeds from private placement of common stock	20,000		
Common stock and Series B issuance transaction costs	(11,241)		
Acquisition of non-controlling members interest	(828)		
Dividends paid to common stock and unit holders	(4,773)		
Dividends paid to preferred stock and unit holders	(816)		
Contributions by members	4,122	6,501	195,083
Distribution to members	(1,703)	(1,000)	(47,177)
Payment of loan costs	(3,862)	(625)	(2,174)
Net cash provided by financing activities	279,718	8,800	163,794

Net increase (decrease) in cash and cash equivalents	45,181	(2,119)	5,317
Cash and cash equivalents-beginning of period	3,694	5,813	496
Cash and cash equivalents-end of period	$ 48,875	$ 3,694	$ 5,813
Supplemental disclosure of cash flow information			
Cash paid for interest, net of amounts capitalized	$ 7,870	$ 8,123	$ 9,745
Supplemental schedule of non-cash investing and financing activities			
Accounts payable and accrued liabilities for investment in property	$ 3,477	$ 1,201	$ 5,692

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

F-15

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

1. Organization and Basis of Presentation

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

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

In our IPO we issued a total of 14,720,000 shares of our common stock in exchange for gross proceeds of approximately $250.2 million in cash.

In a concurrent private placement, we issued a total of 1,176,471 shares of our common stock in exchange for gross proceeds of $20.0 million in cash.

In our formation transactions, we acquired certain assets of our predecessor and other entities in exchange for the assumption or discharge of $246.3 million in indebtedness, the payment of $7.2 million in cash, and the issuance of 2,610,941 common units of partnership interest in our operating partnership, 499,014 series A preferred units of partnership interest in our operating partnership and 6,050,037 million shares of our common stock.

We entered into a $200.0 million senior secured revolving credit facility, with an accordion feature to increase the availability to $250.0 million under specified circumstances.

Because these transactions did not occur until shortly before June 30, 2010, the financial condition and results of operations for the entities acquired by our predecessor in connection with the IPO and related formation transactions are only included in certain historical financial statements. More specifically, our financial condition as of December 31, 2009 and results of operations for the year ending December 31, 2009 and 2008 reflect the financial condition and operating results for the combined predecessor entities consisting of HFOP City Plaza, LLC (asset owning entity of City Plaza), Sunset Bronson Entertainment Properties, LLC (asset owning entity of Sunset Bronson media and entertainment property), SGS Realty II, LLC (asset owning entity of Sunset Gower media and entertainment property and the Technicolor building), in addition to Howard Street Associates LLC (the asset-owning entity of 875 Howard Street). Our financial condition as of December 31, 2010 and results of operations for the year ending December 31, 2010 reflect the financial condition of the aforementioned entities, together with the entities we acquired at the time of our IPO, namely, Glenborough Tierrasanta, LLC (asset-owning entity of Tierrasanta), GLB Encino, LLC (asset-owning entity of First Financial) and Hudson Capital, LLC, in each case from the date of their acquisition. Our financial condition as of December 31, 2010 and results of operations for the year ending December 31, 2010 also reflect the acquisitions the Del Amo Office property, 9300 Wilshire Boulevard office property, 222 Kearny property, the Rincon Center joint venture interest, 1455 Market property, and 10950 Washington Boulevard property, from the date of each such acquisition.

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

recorded at historical cost. The consideration we paid in connection with the contribution of the ownership of these entities to us is described in the third bullet point appearing above.

After the completion of the IPO, the concurrent private placement, and the related formation transactions that occurred on June 29, 2010, we are 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 December 31, 2010, we owned a portfolio of 11 office properties (including our joint venture interest in the Rincon Center property) and two media and entertainment properties. All of these properties are located in California.

Any reference to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm s audit of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Reclassifications

For periods prior to 2010, we have reclassified certain other property-related revenue and tenant recoveries relating to our media and entertainment properties which had been included as an offset to corresponding operating expenses, such that on account of such reclassification our media and entertainment revenue, other property-related revenue, and tenant recoveries and our media and entertainment operating expenses reflect the gross revenue and gross expenses, as applicable, without regard to such offset. This reclassification conforms the periods prior to 2010 with the current period presentation.

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. Actual results could materially differ from these estimates.

Investment in Real Estate Properties

The properties are carried at cost less accumulated depreciation and amortization. The Company allocates the cost of an acquisition, including the assumption of liabilities, to the acquired tangible assets and identifiable intangibles 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

Acquisition-related expenses are expensed in the period incurred.

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

The Company capitalizes direct construction and development costs, including predevelopment costs, interest, property taxes, insurance and other costs directly related and essential to the acquisition, development or construction of a real estate project. Construction and development costs are capitalized while substantial activities are ongoing to prepare an asset for its intended use. The Company considers a construction project as substantially complete and held available for occupancy upon the completion of tenant improvements, but no later than one year after cessation of major construction activity. Costs incurred after a project is substantially complete and ready for its intended use, or after development activities have ceased, are expensed as incurred. Costs previously capitalized related to abandoned acquisitions or developments are charged to earnings. 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 life of the lease for tenant improvements. Depreciation is discontinued when a property is identified as held for sale. Above- and below-market lease intangibles are amortized primarily to revenue over the remaining non-cancellable lease terms and bargain renewal periods, if any. Other in-place lease intangibles are amortized to expense over the remaining non-cancellable lease term and bargain renewal periods, if any.

Impairment of Long-Lived Assets

The Company assesses the carrying value of real estate assets and related intangibles, whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impairment losses are recorded on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amount. The Company recognizes impairment losses to the extent the carrying amount exceeds the fair value of the properties. Properties held for sale are recorded at the lower of cost or estimated fair value less cost to sell. The Company did not record any impairment charges related to its real estate assets and related intangibles during the year ended December 31, 2010 and 2009.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identifiable intangible assets acquired in business combinations. Our goodwill balance of $8,754 is reported as of

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

December 31, 2010. Goodwill has an indefinite life and, accordingly, we do not amortize this asset but instead analyze it on an annual basis for impairment. No impairments have been noted for the year ended December 31, 2010.

Cash and Cash Equivalents

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

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

Restricted Cash

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due for monthly rents and other charges. The Company maintains an allowance for doubtful accounts, including an allowance for straight-line rent receivables, 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 December 31, 2010 and 2009, management believes that the collectability of straight-line rent balances are reasonably assured; accordingly, no allowance was established against straight-line rent receivables. The Company evaluates the collectability of accounts receivable based on a combination of factors. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Company s historical collection experience. The Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and the Company s historical experience. Historical experience has been within management s expectations.

Revenue Recognition

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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

whether the tenant improvements are unique to the tenant or general-purpose in nature; and

whether the tenant improvements are expected to have any residual value at the end of the lease.

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

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

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

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

Deferred Financing Costs

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

Derivative Financial Instruments

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

The Company held one interest rate swap at December 31, 2010, which has been accounted for as a cash flow hedge as more fully described in footnote 6 below. The Company held one interest rate contract instrument at December 31, 2009. The Company did not use hedge accounting for this instrument.

Stock Based Compensation

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

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 (IRC) 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 IRC 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 IRC, 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 it tax positions to evaluate whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of December 31, 2010, 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

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

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

Unrealized gain associated with Level 2 assets was $7 for the year ended December 31, 2010. Unrealized gains associated with Level 2 liabilities was $347 for the year ended December 31, 2010. Unrealized gains associated with Level 2 liabilities were $400 for the year ended December 31, 2009. The unrealized gain associated with Level 2 assets for the year ended December 31, 2010 relates to an interest rate swap which has been accounted for as a cash flow hedge, therefore changes in the fair value of that derivative are recognized in other comprehensive income, which is a component of equity.

Recent Accounting Pronouncements

In January 2010, we adopted FASB guidance contained in ASU No. 2009-17, Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. This standard requires an enterprise to perform an analysis to determine whether an enterprise s variable interest or interests give it a controlling financial interest in a variable interest entity. Additionally, an enterprise is required to assess whether it has an implicit financial responsibility to ensure that a variable interest entity operates as designed when determining whether it has the power to direct the activities of the variable interest entity that most significantly impact the entity s economic performance. The adoption of ASU 2009-17 did not have a material effect on our consolidated financial position or results of operations.

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. This guidance provides for new disclosures requiring us to (i) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers and (ii) present separately information about purchases, sales, issuances and settlements in the reconciliation of Level 3 fair value measurements. This guidance also provides clarification of existing disclosures requiring us to (i) determine each class of assets and liabilities based on the nature and risks of the investments rather than by major security type and (ii) for each class of assets and liabilities, disclose the valuation techniques and inputs used to measure fair value for both Level 2 and Level 3 fair value measurements. This ASU is effective for annual and interim reporting periods beginning after December 15, 2009 for most of the new disclosures and for periods beginning after December 15, 2010 for the new Level 3 disclosures. The adoption of this ASU did not have a material effect on our financial position and results of operations as it only addresses disclosures.

In February 2010, the FASB issued ASU No. 2010-09, Subsequent Events (Topic 855): Amendments to Certain Recognition and Disclosure Requirements. This standard amends the authoritative guidance for subsequent events that was previously issued and, among other things, exempts SEC registrants from the requirement to disclose the date through which it has evaluated subsequent events for either original or restated financial statements. This standard does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provides different guidance on the accounting treatment for subsequent events or transactions. The adoption of this ASU did not have a material effect on our financial position and results of operations as it only addresses disclosures.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

3. Investment in Real Estate

A summary of the activity of our investment in real estate is as follows:

	Year ended December 31, 2010	Year ended December 31, 2009	Year ended December 31, 2008
Investment in real estate			
Beginning balance	$ 428,414	$ 418,002	$ 239,378
Acquisitions	422,417		170,702
Improvements, capitalized costs	15,059	10,488	19,534
Cost of property sold		(76)	(11,612)
Ending Balance	$ 865,890	$ 428,414	$ 418,002
Accumulated depreciation			
Beginning balance	$ (16,329)	$ (8,810)	$ (2,306)
Additions	(10,784)	(7,532)	(6,504)
Deletions		13	
Ending Balance	$ (27,113)	$ (16,329)	$ (8,810)

We capitalized interest cost relating to the development of the Technicolor Building in the amounts of $0, $0, and $1,054 for the years ended December 31, 2010, 2009 and 2008, respectively. We capitalized real estate taxes relating to the development of the Technicolor Building in the amounts of $0, $0, and $401 for the years ended December 31, 2010, 2009 and 2008, respectively.

During 2009, the 875 Howard Street Property began a redevelopment of a portion of the property, which was completed during 2010. For the years ended December 31, 2010 and 2009, we capitalized $165 and $544 of interest expense, respectively and $112 and $359, respectively of property operating costs as part of the redevelopment.

We acquired the Sunset Bronson and City Plaza properties on January 30, 2008 and August 26, 2008, respectively, and the results of operations for each are included in our consolidated statements of operations only from the date of acquisition. The following table represents our purchase price allocation for these acquisitions.

Date of acquisition	Sunset Bronson January 30, 2008	City Plaza August 26, 2008
Land	$ 89,309	$ 14,939
Building and improvements	24,886	33,149
Tenant improvements	487	931
Furniture and fixtures	7,001	
Above-market leases		1,296
In-place leases	3,541	3,181
Net assets acquired	$ 125,224	$ 53,496

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

As described above, we also acquired GLB Encino, LLC, Glenborough Tierrasanta, LLC, and Hudson Capital, LLC as part of the formation transactions in connection with our IPO for approximately $89.0 million. The results of operations for each of the acquired entities are included in our consolidated statements of operations only from the date of acquisition. The following table represents our purchase price allocation for these acquisitions.

	GLB Encino, LLC and Glenborough Tierrasanta, LLC	Hudson Capital, LLC	Total
Consideration paid			
Issuance of common shares or common operating partnership units	$ 3,019	$ 9,000	$ 12,019
Issuance of preferred operating partnership units	12,475		12,475
Cash consideration	7,200		7,200
Debt assumed	57,300		57,300
Total consideration paid	$ 79,994	$ 9,000	$ 88,994
Allocation of consideration paid			
Investment in real estate, net	72,978		72,978
In-place leases	6,570		6,570
Goodwill		8,754	8,754
Other lease intangibles	1,940		1,940
Fair market favorable debt value	280		280
Below-market leases	(1,062)		(1,062)
Cash		23	23
Other asset (liabilities) assumed, net	(712)	223	(489)
Total consideration paid	$ 79,994	$ 9,000	$ 88,994

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

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

Date of Acquisition	Del Amo August 13, 2010	9300 Wilshire August 24, 2010	222 Kearny October 8, 2010	Rincon Center December 16, 2010	1455 Market December 16, 2010	10950 Washington December 22, 2010	Total
Consideration paid							
Cash consideration	$ 27,327	$ 14,684	$ 34,174	$ 38,391	$ 92,365	$ 16,409	$ 223,350
Redeemable Non-controlling Interest in Consolidated Real Estate Entity				40,180			40,180
Debt Assumed				106,000		30,000	136,000
Total consideration	$ 27,327	$ 14,684	$ 34,174	$ 184,571	$ 92,365	$ 46,409	$ 399,530
Allocation of consideration paid							
Investment in real estate, net	18,000	10,718	31,356	170,060	76,216	43,089	349,439
Above-market leases	2,626	689	1,296	3,718	903	1,160	10,392
In-place leases	2,118	677	1,942	9,742	13,471	2,417	30,367
Other lease intangibles	558	198	491	3,717	8,212	765	13,941
Fair market unfavorable debt value				(650)		(230)	(880)
Below-market ground lease	4,198	2,822	494				7,514
Below-market leases		(104)	(691)	(1,587)	(5,899)	(1,201)	(9,482)
Other asset (liabilities) assumed, net	(173)	(316)	(714)	(429)	(538)	409	(1,761)
Total consideration paid	$ 27,327	$ 14,684	$ 34,174	$ 184,571	$ 92,365	$ 46,409	$ 399,530

The table below shows the pro forma financial information (unaudited) for the years ended December 31, 2010 and 2009 as if all properties had been acquired as of January 1, 2010 and 2009.

	Year ended December 31, 2010	2009
Total revenues	$ 120,213	$ 111,294
Operating expenses	100,403	93,172
Interest expense	18,401	16,434
Net loss	$ (2,594)	$ (2,260)

On March 25, 2008, we sold to an unrelated third party a 37,351 square foot (unaudited) vacant lot related to our Sunset Bronson property with approximately 56,026 square feet of FAR (unaudited) for a sale price of $12.0 million, which resulted in a loss of $208.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

The table below shows the pro forma financial information (unaudited) for the year ended December 31, 2008 as if the City Plaza Property and Sunset Bronson Property had been acquired as of January 1, 2008. The Technicolor Building was completed and placed into service on June 1, 2008 and only had a partial year of operating in 2008.

	Year ended December 31, 2008	
	Actual	Pro forma
Total revenue	$ 35,588	$ 39,240
Operating expenses	28,302	33,123
Interest expense	7,977	8,115
Net income (loss)	$ (158)	$ 1,998

Variable Interest Entities (VIE)

In December 2009, the FASB issued ASU 2009-17, Consolidations (Topic 810): Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities. This ASU amends FASB Accounting Standards Codification for Statement 167 and introduces a more qualitative approach to evaluating VIEs for consolidation. In addition, we are required to perform an analysis to determine whether a variable interest gives us a controlling financial interest in a VIE. This analysis identifies the primary beneficiary of a VIE as the entity that has (i) the power to direct the activities of the VIE that most significantly impact the VIE s economic performance, and (ii) the obligation to absorb losses or the right to receive benefits that could potentially be significant to the VIE. In determining whether it has the power to direct the activities of the VIE that most significantly affect the VIE s performance, the provision requires a company to assess whether it has an implicit financial responsibility to ensure that a VIE operates as designed. It also requires continuous reassessment of primary beneficiary status rather than periodic, event-driven assessments as previously required, and incorporates expanded disclosure requirements. This guidance is effective for interim and annual periods beginning after November 15, 2009.

Upon the acquisition of the 51% interest of the Rincon Center joint venture from an affiliate of Beacon Capital Partners on December,16 2010, we concluded that we are be the primary beneficiary of the Rincon Center joint venture and as a result of our assessment, we have consolidated the joint venture. We have authority, power and discretion to manage and control the business and affairs of the property which includes the day-to-day property management, leasing, development and obtaining property level financing. We have a call right and Beacon has a put right that, if exercised, obligates us to make an additional investment to acquire the remaining 49% interest in the Rincon Center joint venture in the second quarter of 2011 at a purchase price of approximately $38.7 million (before prorations). Further, if we default on our obligations under the put/call arrangement, we will be obligated to pay a termination fee of $17.5 million, and Beacon may elect to either purchase our interest in the Rincon Center joint venture or pursue a forced sale of the property.

The carrying value of real estate, nonrecourse mortgage debt and noncontrolling interest of the VIE for which the Company is the primary beneficiary is as follows:

	December 31, 2010	December 31, 2009
Investment in real estate, net	$ 169,872	$
Notes payable, net of loan premium	$ 106,598	$
Redeemable non-controlling interest in consolidated real estate entity	$ 40,328	$

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

4. Deferred leasing costs and lease intangibles, net

The following summarizes our deferred leasing costs and lease intangibles assets, net as of:

	December 31, 2010	December 31, 2009
Above-market leases	$ 15,780	$ 3,111
In-place leases	44,464	10,503
Below-market ground leases	7,513	
Other lease intangibles	25,929	9,469
Lease incentive costs	956	1,096
Deferred leasing costs	4,154	3,967
	$ 98,796	$ 28,146
Accumulated amortization	(13,555)	(8,534)
Deferred leasing costs and lease intangibles, net	$ 85,241	$ 19,612
Below-market leases	$ 24,713	$ 14,169
Accumulated accretion	(3,719)	(2,533)
Below-market leases, net	$ 20,994	$ 11,636

During the years ended December 31, 2010, 2009 and 2008, the Company recognized $4,932, $2,528, and $3,059, respectively, of amortization expense related to lease costs and in-place leases, and amortized $1,119, $672, and $366, respectively, of above-market leases against rental revenue. As of December 31, 2010, the weighted-average amortization period for lease intangibles is 8.53 years.

As of December 31, 2010, the estimated aggregate amortization of deferred leasing costs and lease intangible assets, net for each of the next five years and thereafter are as follows:

2011	$ 19,749
2012	16,385
2013	13,433
2014	8,581
2015	7,231
Thereafter	19,862
	$ 85,241

During the years ended December 31, 2010, 2009 and 2008, the Company amortized $1,186, $1,096, and $2,169, respectively of below-market leases in rental revenue. As of December 31, 2010, the weighted-average amortization period for below-market leases is 7.79 years.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

As of December 31, 2010 the estimated amortization of below-market leases, net for each of the next five years and thereafter are as follows:

2011	$ 3,748
2012	3,628
2013	3,237
2014	1,724
2015	1,599
Thereafter	7,058
	$ 20,994

5. Prepaid Expenses and Other Assets

Prepaid expenses and other assets consisted of the following as of:

	December 31, 2010	December 31, 2009
Prepaid insurance	$ 2,078	$ 1,146
Prepaid property taxes	335	1,412
Corporate furniture, fixtures and equipment, net of accumulated depreciation of $275 and $0, respectively	286	
Trade name, net of accumulated amortization of $345 and $243, respectively	677	779
Other	1,040	399
	$ 4,416	$ 3,736

Trade name is being amortized over a ten year period from the date of acquisition of our Sunset Gower property on August 17, 2007.

6. Notes Payable

Senior Secured Revolving Credit Facility

In conjunction with our initial public offering and formation transactions, we entered into a $200 million secured revolving credit facility with a group of lenders for which an affiliate of Barclays Capital Inc. acts as administrative agent and joint lead arranger and affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated act as syndication agent and joint lead arranger. The credit facility bears interest at a rate per annum equal to LIBOR plus 325 basis points to 400 basis points, depending on our leverage ratio, provided that LIBOR is subject to a floor of 1.50%. The secured revolving credit facility contains an accordion feature that allows us to increase the availability by $50.0 million, to $250.0 million, under specified circumstances.

The amount available for us to borrow under the facility will be subject to the lesser of a percentage of the appraisal value of our properties that form the borrowing base of the facility and a minimum implied debt service coverage ratio. Our ability to borrow under the facility is subject to ongoing compliance with a number of customary restrictive covenants, including:

a maximum leverage ratio (defined as consolidated total indebtedness to total asset value) of 0.60:1.00;

a minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes; depreciation and amortization to consolidated fixed charges) of 1.75:1.00;

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

a maximum consolidated floating rate debt ratio (defined as consolidated floating rate indebtedness to total asset value) of 0.25:1.00;

a maximum recourse debt ratio (defined as recourse indebtedness other than indebtedness under the revolving credit facility but including unsecured lines of credit to total asset value) of 0.15:1.00; and

a minimum tangible net worth equal to at least 85% of our tangible net worth at the closing of our initial public offering plus 75% of the net proceeds of any additional equity issuances.

As of December 31, 2010 we are in compliance with all of the covenants on our secured revolving credit facility.

Outstanding Indebtedness

The following table sets forth information as of December 31, 2010 with respect to our outstanding indebtedness. The $115.0 million note secured by the Sunset Gower property and $37.5 million note secured by the 875 Howard Street property summarized below were repaid from proceeds of the initial public offering. Approximately $36.7 million was undrawn and available to us under the secured revolving credit facility as of December 31, 2010.

	Outstanding			
Debt	**December 31, 2010**	**December 31, 2009**	**Interest Rate**	**Maturity Date**
Mortgage loan secured by Sunset Bronson	$ 37,000	$ 37,000	LIBOR+3.65%	4/30/2011
Mortgage loan secured by Rincon Center	106,000		6.08%	7/1/2011
Mortgage loan secured by First Financial	43,000		5.34%	12/1/2011
Mortgage loan secured by Tierrasanta	14,300		5.62%	12/1/2011
Mortgage loan secured by Sunset Gower		115,000	LIBOR+2.75%	3/14/2010
Construction loan secured by 875 Howard Street		37,518	LIBOR+1.75%	2/13/2011
Mortgage loan secured by 10950 Washington	30,000		5.94%	2/11/2012
Secured Revolving Credit Facility	111,117		LIBOR+3.25% to 4.00%	6/29/2013
Subtotal	$ 341,417	$ 189,518		
Unamortized loan premium, net	643			
Total	$ 342,060	$ 189,518		

The following table summarizes stated debt maturities and scheduled principal repayments as of December 31, 2010:

2011	$ 200,300
2012	30,000
2013	111,117
	$ 341,417

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

As a requirement of the Sunset Bronson mortgage loan, we entered into an interest rate collar agreement with a notional amount of $37.0 million, which sets the interest rate cap at 3.87% and the floor at 2.55%. The expiration date of the collar was June 1, 2010. We had not designated the interest rate collar agreement as a hedging instrument for accounting purposes; therefore, the change in the fair value of the derivative instrument is reported in current earnings. A new secured interest rate contract with respect to this loan went effective upon the closing of the IPO and related formation transaction on June 29, 2010, which swapped one-month LIBOR to a fixed rate of 0.75%. We designated this interest rate swap as a cash flow hedge for accounting purposes. The fair market value of the interest rate swap at December 31, 2010 was a $71 liability position and the fair market value of the interest rate collar as of December 31, 2009 was a $425 liability position and are included in the accompanying consolidated balance sheets. Of the 2010 change in fair value of $354, $347 is included in earnings and the remaining change in value of $7 is included in accumulated other comprehensive income. The change in fair value $410 for the year ended December 31, 2009 is included in earnings.

As a requirement of the Sunset Gower mortgage loan, we entered into an interest rate cap agreement, in order to cap the one-month LIBOR rate at 6.00%. As part of a May 2008 loan modification, we entered into another interest rate cap agreement in order to cap the one-month LIBOR rate at 4.75%, which was effective as of September 15, 2008. The notional amount and the terms of the interest rate cap are identical to the principal amount and terms of the mortgage loan. The cost related to the cap was $43 and it expired on September 15, 2009. On May 21, 2009, the Company entered into another interest rate cap agreement effective September 15, 2009 through March 15, 2010 to cap the interest rate during the extension of the loan at 4.75%. The fair market value of the interest rate cap agreement at December 31, 2009 was $0. The change in fair value of $20 for the year ended December 31, 2009 is included in earnings.

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, see Item 14: Subsequent Events.

7. Lease Payments Future Minimum Rents (Ground Leases) and Future Minimum Base Rents

Lease Payments Future Minimum Rents (Ground Leases)

In conjunction with the acquisition of the Sunset Gower property, our Sunset Gower subsidiary assumed a ground lease agreement for a portion of the land with an unrelated party. Commencing September 1, 2007, the monthly rent increased to $15, whereas the monthly rent totaled $14 at the time of acquisition. The rental rate is currently being renegotiated and is subject to adjustment in February, every seven years. The ground lease terminates March 31, 2060.

In conjunction with the acquisitions of the 9300 Wilshire property, our 9300 Wilshire subsidiary assumed a ground lease agreement 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). The ground lease terminates August 14, 2032.

In conjunction with the acquisitions of the Del Amo property, our Del Amo subsidiary assumed a ground sublease agreement with an unrelated party. Rent under the ground sublease is $1.00 per year, with 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. The ground lease terminates June 30, 2049.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

In conjunction with the acquisitions of the 222 Kearny property, our 222 Kearny subsidiary assumed a ground lease agreement underlying approximately 64.3% of the square footage of the building commonly known as 222 Kearny, with an unrelated party. Rent under the ground lease is the greater of: (A) $975 or (B) 20.0% of the first $8.0 million of tenant s Operating Income during each Lease Year (as such terms are defined under the ground lease). The ground lease terminates June 14, 2054.

Total ground lease expense for the years ended December 31, 2010 and 2009, and 2008 totaled $462, $181 and $181, respectively.

The future ground lease payments in each of the next five years and thereafter are as follows:

2011	$ 1,231
2012	1,231
2013	1,231
2014	1,231
2015	1,231
Thereafter	46,850
	$ 53,005

Future Minimum Base Rents

Our properties are leased to tenants under operating leases with initial term expiration dates ranging from 2011 to 2020. As of December 31, 2010, the minimum future cash rents to be received (excluding tenant reimbursements for operating expenses) under noncancelable operating leases for the properties in each of the next five years and thereafter are as follows:

2011	$ 57,962
2012	55,626
2013	53,322
2014	41,960
2015	37,908
Thereafter	79,537
	$ 326,315

8. Fair Value of Financial Instruments

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

	December 31, 2010 Carrying Value	December 31, 2009 Carrying Value

		Fair Value		Fair Value
Notes payable	$ 342,060	$ 342,153	$ 189,518	$ 188,389
Interest rate contracts	71	71	425	425
	$ 342,131	$ 342,224	$ 189,943	$ 188,814

F-32

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

9. Commitments and Contingencies

Legal

The Company is subject to certain legal proceedings and claims arising in connection with its 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.

Commitments

Pursuant to the Purchase and Sale Agreement dated August 11, 2008, City Plaza entered into an agreement pursuant to which it agreed to pay the Seller, as defined in the agreement, of the City Plaza property a Contingent Payment, as defined in the agreement, equal to 25% of net proceeds from any Capital Event, as defined in the agreement, in excess of proceeds necessary to provide an 11% unlevered IRR on the investment amount of $54,000. This obligation was to continue until either the Seller received $5,000, a transfer of the property to an unaffiliated third party occurred or a transfer of the membership interest of the Company to an unaffiliated third party occurred. Pursuant to a letter agreement dated March 1, 2010, the Seller agreed that the transfer of City Plaza in the formation transactions terminated the Contingent Payment obligation without giving rise to any payment.

Concentrations

All of the Company s Properties are located in California which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio. Further, for the years ended December 31, 2010 and 2009, approximately 56% and 70% , respectively of the Company s revenues were derived from tenants in the media and entertainment industry which makes the Company particularly 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. For the years ended December 31, 2010 and 2009, the Technicolor Lease accounted for approximately 10% and 15%, respectively of total revenues and the KTLA lease accounted for approximately 5% and 7%, respectively, of total revenues.

Bank of America leases approximately 836,000 square feet (unaudited) of our 1455 Market property for various lease terms between one and seven years. As a result of our purchase of this property on December 16, 2010, this lease did not account for a material portion of our total revenue for the years ended December 31, 2010. For future periods, so long as this lease remains in place we expect that is will comprise a significant portion of our rental revenue. Consequently, the Company is subject to risks associated with this tenant.

10. Related-Party Transactions

Property management fees

For the periods prior to our initial public offering, we entered into a management agreement with Hudson Management to manage our properties. For the years ended December 31, 2010, 2009, and 2008, management fees of $460, $1,111 and $930, respectively, had been incurred. In addition, Hudson Management was entitled to a construction management fee of $300 plus 5% of the hard costs in association with other future developments. As of December 31, 2009 and 2008, $300 of construction management fees had been capitalized to construction in progress. These agreements were effectively terminated upon our acquisition of Hudson Management.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

The developers and managers of the 875 Howard Street Property were TMG Partners and Flynn Properties, Inc. TMG Partners was also the managing member. TMG Partners and Flynn Properties, Inc. jointly began providing property management services for the 875 Howard Street Property starting February 15, 2007. A monthly property management fee equal to the greater of $20 per month or 2.5% of gross rents received from tenants during each calendar month was paid in equal parts to TMG Partners and Flynn Properties, Inc. These fees totaled $152, $240 and $240 for the years ended December 31, 2010, 2009, and 2008.

11. Segment Reporting

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

Summary information for the reportable segments for the year ended December 31, 2010 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Rental revenues	$ 22,247	$ 20,931	$ 43,178
Tenant recoveries	4,023	1,571	5,594
Other property related revenue		11,397	11,397
Other	233	238	471
Total revenues	26,503	34,137	60,640
Operating expenses	10,212	19,815	30,027
Net operating income	$ 16,291	$ 14,322	$ 30,613

Summary information for the reportable segments follows for the year ended December 31, 2009 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Rental revenues	$ 11,046	$ 19,916	$ 30,962
Tenant recoveries	2,024	1,792	3,816
Other property related revenue		9,427	9,427
Other operating revenues	252	64	316
Total revenues	13,322	31,199	44,521

Operating expenses	6,242	19,545	25,787
Net operating income	$ 7,080	$ 11,654	$ 18,734

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

Summary information for the reportable segments follows for the year ended December 31, 2008 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Rental revenues	$ 8,235	$ 22,075	$ 30,310
Tenant recoveries	1,504	1,544	3,048
Other property related revenue		13,509	13,509
Other operating revenues	41	92	133
Total revenues	9,780	37,220	47,000
Operating expenses	3,003	23,881	26,884
Net operating income	$ 6,777	$ 13,339	$ 20,116

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

	Year ended December 31,		
	2010	2009	2008
Net operating income	$ 30,613	$ 18,734	$ 20,116
General and administrative	(4,493)		
Depreciation and amortization	(15,912)	(10,908)	(9,693)
Interest expense	(8,831)	(8,792)	(12,029)
Interest income	59	19	48
Unrealized gain (loss) on interest rate contracts	347	400	(835)
Sale of lot			(208)
Acquisition-related expenses	(4,273)		
Other expenses	(192)	(97)	(21)
Net loss	$ (2,682)	$ (644)	$ (2,622)

12. Equity

Common Stock

In our June 29, 2010 IPO we issued a total of 14,720,000 shares of our common stock in exchange for gross proceeds of approximately $250.2 million in cash. In a concurrent private placement, we issued a total of 1,176,471 shares of our common stock in exchange for gross proceeds of $20.0 million in cash. In our formation transactions, we acquired certain assets of our predecessor and other entities in exchange for the assumption or discharge of $246.3 million in indebtedness, the payment of $7.2 million in cash, and the issuance of 2,610,941 common units of partnership interest in our operating partnership (discussed below), 499,014 series A preferred units of partnership interest in our operating partnership (discussed below) and 6,050,037 shares of our common stock.

Non-controlling Interests

Non-controlling common partnership interests in our operating partnership relate to interests in the partnership that are not owned by us. Non-controlling interests consisted of 2,610,941 common units of partnership interest in our operating partnership, or common units, and represented approximately 10.4% of the outstanding common units in our operating partnership at December 31, 2010. Common units and shares of our

F-35

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

common stock have essentially the same economic characteristics as they share equally in the total net income or loss distributions of our operating partnership. Commencing fourteen months after the completion of IPO, investors who own common units have the right to cause our operating partnership to redeem any or all of their common units for cash equal to the then-current market value of one share of common stock, or, at our election, shares of our common stock on a one-for-one basis.

Redeemable non-controlling interest in consolidated real estate entity relates to a joint venture relationship with an affiliate of Beacon Capital Partners (Beacon), an unrelated third party, in the Rincon Center property. We acquired a 51% interest in a 581,000 (unaudited) square foot commercial space owned by Beacon as described in note 3. We have a call right and Beacon has a put right that, if exercised, obligates us to make an additional investment to acquire the remaining 49% interest in the Rincon Center joint venture in the second quarter of 2011 at a purchase price of approximately $38.7 million (before prorations). Further, if we default on our obligations under the put/call arrangement, we will be obligated to pay a termination fee of $17.5 million, and Beacon may elect to either purchase our interest in the Rincon Center joint venture or pursue a forced sale of the property.

Non-controlling series A preferred partnership interests in our operating partnership relate to 499,014 series A preferred units of partnership interest our operating partnership, or series A preferred units, that are not owned by us. The following is a discussion of certain of the rights, privileges and preferences of the series A preferred units.

Liquidation Preference

In the event of any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the operating partnership, holders of series A preferred units will be entitled to receive and be paid in cash an amount equal to $25.00 per preferred unit plus any accrued and unpaid distributions before any distribution or payment may be made with respect to any other series or class of partnership interest ranking junior to the series A preferred units (but only to the extent consistent with a liquidation in accordance with positive capital account balances).

Distributions

Holders of series A preferred units are entitled to receive, when, as and if declared by the operating partnership, out of available cash, cumulative preferential cash distributions in an amount equal to 6.25% per annum of the $25.00 liquidation preference per unit from the date of issuance of such unit, payable quarterly in arrears on or before the last calendar day of March, June, September and December of each year, commencing on the first of such dates to occur after the completion of our initial public offering. Distributions that are due but unpaid will accumulate and compound quarterly. If any such preferential distribution payments for any past quarterly period are in arrears, no distributions may be authorized or paid on any other series or class of partnership interest ranking junior to the series A preferred units, nor shall any other series or class of partnership interests ranking junior to the series A preferred units be redeemed, purchased or acquired by the operating partnership or us, except for:

- a redemption of common units from us in connection with a redemption or repurchase by us of common stock for cash pursuant to certain restrictions on ownership and transfer of our stock or a redemption of preferred units from us in connection with a redemption or repurchase by us of outstanding preferred stock for cash;

- the acquisition by us of common units tendered for redemption with shares of our common stock; or

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

the conversion into or exchange for shares of our common stock or units ranking junior to the series A preferred units with no cash distributed.

Redemption Rights

Beginning three years after the completion of our initial public offering, each limited partner holding series A preferred units and certain assignees will have the right, subject to the terms and conditions set forth in the partnership agreement, to require the operating partnership to redeem all or a portion of their series A preferred units in exchange for a cash redemption price equal to $25.00 per unit plus any accrued distributions that have not been paid on or prior to the redemption date. The operating partnership s obligation to effect a redemption, however, will not arise or be binding against the operating partnership unless and until we, as general partner, decline or fail to exercise our prior and independent right to acquire such preferred units in exchange for shares of our common stock that are issued under an effective registration statement under the Securities Act.

Any notice of redemption must be delivered at least 30 business days prior to the last day of the calendar quarter in which the redemption right is being exercised. On or before the close of business on the tenth business day after such a notice of redemption is received, we may, in our sole and absolute discretion but subject to certain restrictions on ownership and transfer of our stock, acquire some or all of the tendered series A preferred units in exchange for a number of registered shares of our common stock per unit with a value equal to the redemption price per unit, such value to be based on the 10-day trailing average closing price of our common stock calculated as of the business day immediately prior to the date of redemption.

Conversion Rights

Beginning three years after the completion of this offering, each limited partner holding series A preferred units and certain assignees will have the right, subject to the terms and conditions set forth in the partnership agreement, to convert all or any portion of its series A preferred units into a number of common units with a value equal to the aggregate redemption price of the series A preferred units tendered for conversion, the value of such common units to be based on the 10-day trailing average closing price of our common stock calculated as of the business day immediately prior to the date of redemption. Any such conversion of series A preferred units will be deemed to have been made at the close of business on the date that we, as general partner, receive notice of conversion.

In the event of a recapitalization, reclassification or change of outstanding common units (other than a subdivision or combination of outstanding common units), a merger, sale or other business combination of our operating partnership, a sale, conveyance or lease to another or entity of all or substantially all of the operating partnership s property and assets (other than to one or more of our subsidiaries) or an exchange of substantially all of the outstanding common units for securities of another entity, in each case in which holders of common units are entitled to receive securities, other property or assets with respect to or in exchange for their common units, qualifying holders of series A preferred units will thereafter be entitled to convert their series A preferred units into the kind and amount of securities or other consideration that such holder would have owned or been entitled to receive upon such a business combination if such holder had converted its series A preferred units into common units immediately before the business combination.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

Voting and Consent Rights

Generally, the series A preferred units are entitled to limited voting rights and in most cases vote on an as-converted basis with the holders of common units on any matter on which all limited partners are entitled to vote. However, so long as any series A preferred units remain outstanding, the consent of the limited partners holding a majority in interest of series A preferred units other than any limited partner 50% or more of whose equity is owned, directly or indirectly, by us will be required to:

authorize, designate or issue any class or series of partnership interests ranking pari passu with or senior to the series A preferred units with respect to payment of dividends or the distribution of assets upon liquidation, dissolution or winding up of the affairs of the operating partnership;

increase the authorized or issued amount of series A preferred units; or

amend, alter or repeal the terms of the series A preferred units, whether by merger, consolidation, transfer or conveyance of all or substantially all of the operating partnership s assets or otherwise, so as to materially and adversely affect any right, preference or privilege of the series A preferred units, except that, so long as the series A preferred units remain outstanding following any such merger, consolidation, transfer or conveyance of all or substantially all of the operating partnership s assets with the terms thereof materially unchanged, taking into account that, upon the occurrence of such an event, the operating partnership may not be the surviving entity and the surviving entity may not be a limited partnership, the occurrence of such an event will not be deemed to materially and adversely affect the rights, preferences or privileges of the series A preferred units and, in such case, no consent of limited partners holding series A preferred units would be required.

except as discussed below under General Partner Fundamental Change, effect a fundamental change, which is generally defined as a merger, consolidation or other combination of our assets with another entity, a sale of all or substantially all of our assets not in the ordinary course of our business, a reclassification, recapitalization or change in the terms of our outstanding common equity interests (other than in connection with a stock split, reverse stock split, stock dividend, change in par value, increase in authorized shares, designation or issuance of new classes of equity securities or any event that does not require the approval of our stockholders), as a result of which our stock ceases to be publicly traded or common units cease to be exchangeable (at our option) for publicly traded shares of our stock.

General Partner Fundamental Change

Without the approval of limited partners holding a majority in interest of the series A preferred units, we may not engage in a fundamental change, unless upon consummation of such a fundamental change transaction the partnership agreement or other organizational documents of any successor to the operating partnership will contain certain provisions requiring our operating partnership or such successor to:

make minimum tax distributions to holders of our series A preferred units;

continue to own an aggregate of at least 33% of the equity in our operating partnership through the ownership of equity interests which are subordinate to our series A preferred units; and refrain from incurring additional indebtedness if its ratio of total indebtedness to gross asset value exceeds 50%, or allow this leverage ratio to exceed 60%, so long as series A preferred units remain outstanding.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

In connection with any fundamental change transaction, the operating partnership has the right to redeem all or any portion of the then outstanding series A preferred units for cash per unit equal to the redemption price.

Series B cumulative redeemable preferred stock

Series B cumulative redeemable preferred stock relates to 3,500,000 shares of our series B preferred stock, $0.01 par value per share. Dividends on our series B preferred stock are cumulative from the date of original issue (December 10, 2010) and payable quarterly on or about the last calendar day of each March, June, September and December, commencing on December 31, 2010, at the rate of 8.375% per annum of its $25.00 per share liquidation preference (equivalent to $2.09375 per share per annum). If following a change of control of our Company, either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the New York Stock Exchange, or NYSE, or quoted on the NASDAQ Stock Market, or NASDAQ (or listed or quoted on a successor exchange or quotation system), holders of our series B preferred stock will be entitled to receive cumulative cash dividends from, and including, the first date on which both the change of control occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, at the increased rate of 12.375% per annum per share of the liquidation preference of our series B preferred stock (equivalent to $3.09375 per annum per share) for as long as either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted. Except in instances relating to preservation of our qualification as a real estate investment trust, or REIT, or in connection with a change of control of our 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 description of the Series B cumulative redeemable preferred stock, please see Description of our Preferred Stock in our December 7, 2010 Prospectus.

Dividends

During the year ended December 31, 2010, we declared three dividends on our common stock and non-controlling common partnership interests of $0.0021 per share and unit for the period from June 29, 2010 to June 30, 2010, and $0.095 per share and unit for the third quarter ending September 30, 2010 and fourth quarter ended December 31, 2010. We also declared three dividends on our series A preferred partnership interests of $0.0086 per unit for the period from June 29, 2010, to June 30, 2010, and $0.3906 per unit for the third quarter ending September 30, 2010 and fourth quarter ended December 31, 2010. In addition, we declared dividends on our series B preferred shares of $0.12214 per share for the period from December 10, 2010 to December 31,

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

2010. The third quarter dividends were declared on September 22, 2010, to holders of record on September 30, 2010. The fourth quarter dividends were declared on December 12, 2010, to holders of record on December 20, 2010.

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.

The Company s dividends related to its common stock (CUSIP #444097109) and described above under Dividends, will be classified for United States federal income tax purposes as follows (unaudited):

			Ordinary Dividends			
Record Date	**Payment Date**	**Distribution Per Share**	**Total**	**Non-Qualified**	**Qualified**	**Return of Capital**
9/30/2010	10/15/2010	$ 0.09710	$ 0.05465	$ 0.04768	$ 0.00697	$ 0.04245
12/20/2010	12/31/2010	$ 0.09500	$ 0.05347	$ 0.04665	$ 0.00682	$ 0.04153
	Totals	$ 0.19210	$ 0.10812	$ 0.09433	$ 0.01379	$ 0.08398
		100%	56.28%			43.72%

The Company s dividends related to its 8.375% Series B Cumulative Preferred Stock (CUSIP #444097208) and described above under Dividends, will be classified for United States federal income tax purposes as follows (unaudited):

			Ordinary Dividends		
Record Date	**Payment Date**	**Distribution Per Share**	**Total**	**Non-Qualified**	**Qualified**
12/20/2010	12/31/2010	$ 0.12214	$ 0.12214	$ 0.10657	$ 0.01557
	Totals	$ 0.12214	$ 0.12214	$ 0.10657	$ 0.01557

Stock-Based Compensation

In connection with entering into the employment arrangements effective as of closing of the IPO, Messrs. Coleman, Stern, Lammas, Barton, Shimoda, and certain non-executive employees and directors were granted 270,588 restricted shares of our common stock at our initial offering price of $17.00 per restricted share resulting in $4.5 million in total compensation expense. These restricted stock awards will vest in three equal, annual installments on each of the first three anniversaries of the date of the IPO, subject to the executive s continued employment. In addition, on December 29, 2010, various executives were granted 219,854 restricted shares of our common stock at the closing price of $15.01 per restricted share resulting in $3.3 million total compensation expense. We have elected to recognize the total compensation expense for time-vested shares on a straight-line basis over the vesting period based on the fair value of the award on the date of grant. None of the restricted shares were vested at December 31, 2010. For the year ended December 31, 2010, $765 of non-cash compensation expense was recognized in general and administrative expenses and additional paid in capital.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands, except square footage and share data)

13. Quarterly Financial Information (unaudited)

	Three months ended			
	December 31, 2010	**September 31, 2010**	**June 30, 2010**	**March 31, 2010**
Total revenues	$ 21,090	$ 17,505	$ 11,087	$ 10,958
Net loss	(531)	27	(2,847)	669
Less: Net income attributable to preferred non-controlling partnership interest	(622)	(195)		
Less: Net income attributable to restricted shares	(25)	(25)		
Less: Net (income) loss attributable to non-controlling members in consolidated real estate entities	(148)		32	(3)
Add: Net loss attributable to unitholders in the Operating Partnership	141	21	256	
Net loss attributable to Hudson Pacific Properties, Inc. shareholders / controlling member s equity	(1,185)	(172)	(2,559)	666
Net loss per common share basic and diluted	(0.05)	(0.01)		
Weighted average shares of common stock outstanding basic and diluted	21,946,508	21,946,508		

	Three months ended			
	December 31, 2009	**September 31, 2009**	**June 30, 2009**	**March 31, 2009**
Total revenues	$ 10,602	$ 11,556	$ 10,828	$ 11,535
Net loss	(868)	97	(71)	198
Less: Net (income) attributable to non-controlling members in consolidated real estate entities	33	(2)	3	(5)
Net loss attributable to Hudson Pacific Properties, Inc. shareholders / controlling member s equity	(835)	95	(68)	193

14. Subsequent Events

On February 11, 2011, we closed a five-year term loan totaling $92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment campuses. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. $37.0 million of the loan is currently subject to an interest rate swap agreement that fixes one-month LIBOR to a rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% on $50.0 million of the loan through its maturity on February 11, 2016. Proceeds from the loan were used to fully refinance a $37.0 million mortgage loan secured by our Sunset Bronson campus that was scheduled to mature on April 30, 2011. The remaining proceeds were used to partially pay down our secured credit facility. As a result, as of February 15, 2011 $38.5 million of our secured credit facility had been drawn.

On February 24, 2011, we exercised our call right to purchase the remaining 49% interest in the Rincon Center property at a purchase price of approximately $38.7 million (before prorations). The transaction is expected to close in the second quarter of 2011.

F-41

Table of Contents

Schedule III

Consolidated Real Estate and Accumulated Depreciation

(In thousands)

		Initial Costs		Cost Capitalized subsequent to Acquisition		Gross Carrying Amount at December 31, 2010					
Property name	**Encumbrances at December 31, 2010**	**Land**	**Building & Improvements**	**Improvements**	**Carrying Costs**	**Land**	**Building & Improvements**	**Total**	**Accumulated Depreciation at December 31, 2010**	**Year Built/ Renovated**	**Year Acquired**
Office											
City Plaza	$	$ 14,939	$ 34,135	$ 3,221	$	$ 14,939	$ 37,356	$ 52,295	$ (2,544)	1969/1999	2008
Techniccolor Building		6,598	27,187	28,064	3,088	6,598	58,339	64,937	(5,291)	2008	2007
875 Howard Street Property		18,058	41,046	10,256	1,180	18,058	52,482	70,540	(4,984)	Various	2007
First Financial	43,000	8,115	52,137	930		8,115	53,067	61,182	(940)	1986	2010
Tierrasanta	14,300	3,056	9,670	32		3,056	9,702	12,758	(229)	1985	2010
Del Amo			18,000	14			18,014	18,014	(199)	1986	2010
9300 Wilshire			10,718	24			10,742	10,742	(121)	1965/2001	2010
222 Kearny		7,563	23,793			7,563	23,793	31,356	(238)	Various	2010
Rincon Center	106,000	58,649	111,411	17		58,649	111,428	170,077	(206)	1985	2010
1455 Market		41,226	34,990			41,226	34,990	76,216	(338)	1977	2010
10950 Washington	30,000	17,979	25,110			17,979	25,110	43,089	(27)	Various	2010
Media & Entertainment											
Sunset Gower		75,749	58,969	6,488		75,749	65,457	141,206	(6,591)	Various	2007
Sunset Bronson	37,000	77,698	32,374	3,406		77,698	35,780	113,478	(5,405)	Various	2008
Total	$ 230,300	$ 329,630	$ 479,540	$ 52,452	$ 4,268	$ 329,630	$ 536,260	$ 865,890	$ (27,113)		

F-42

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders of Hudson Pacific Properties, Inc.

We have audited the accompanying balance sheets of Howard Street Associates, LLC (the Company) as of December 31, 2009 and 2008, and the related statements of operations, members equity, and cash flows for the years ended December 31, 2009 and 2008, and the period from February 14, 2007 (Commencement of Operations) to December 31, 2007. These financial statements are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Howard Street Associates, LLC as of December 31, 2009 and 2008, and the results of their operations and its cash flows for the years ended December 31, 2009 and 2008, and the period from February 14, 2007 (Commencement of Operations) to December 31, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California

November 22, 2010

F-43

Table of Contents

Howard Street Associates, LLC

Balance Sheets

	December 31, 2009	December 31, 2008
	(In Thousands)	
Assets		
Real estate assets:		
Land	$ 18,058	$ 18,058
Land improvements	564	564
Building and improvements	38,393	38,393
Tenant improvements	2,278	2,278
Property under development	3,637	93
Total real estate held for investment	62,930	59,386
Accumulated depreciation and amortization	(3,870)	(3,218)
Total investment in real estate, net	59,060	56,168
Cash and cash equivalents	1,438	858
Restricted cash	523	373
Deferred financing costs, net of accumulated amortization of $560 and $358 at December 31, 2009 and 2008, respectively	201	364
Lease intangibles, net of accumulated amortization of $2,047 and $1,848 at December 31, 2009 and 2008, respectively	794	993
Lease commissions, net of accumulated amortization of $720 and $878 at December 31, 2009 and 2008, respectively	1,535	502
Prepaid expenses and other assets	66	77
Total assets	$ 63,617	$ 59,335
Liabilities and members equity		
Notes payable	$ 37,518	$ 33,594
Accounts payable and accrued liabilities	1,818	493
Below-market leases net of accumulated amortization of $5,430 and $4,334 at December 31, 2009 and 2008, respectively	11,637	12,733
Prepaid rent	83	181
Security deposits	904	
Total liabilities	51,960	47,001
Members equity	11,657	12,334
Total liabilities and equity	$ 63,617	$ 59,335

See accompanying notes.

Table of Contents

Howard Street Associates, LLC

Statements of Operations

	Year Ended December 31, 2009	Year Ended December 31, 2008	Period From February 14, 2007 (Commencement of Operations) to December 31, 2007
		(In Thousands)	
Revenues:			
Rental income	$ 1,997	$ 4,444	$ 3,905
Tenant recoveries	396	718	620
Other	140		
Total revenues	2,533	5,162	4,525
Expenses:			
Office operating expenses	1,589	641	720
Real estate taxes	239	557	462
Depreciation and amortization	950	3,094	2,851
Total operating expenses	2,778	4,292	4,033
Income from operations	(245)	870	492
Other expense (income):			
Interest expense	422	1,785	2,236
Interest income	(1)	(3)	(14)
Unrealized loss of interest rate contracts	11		24
	432	1,782	2,246
Net loss	$ (677)	$ (912)	$ (1,754)

See accompanying notes.

F-45

Table of Contents

Howard Street Associates, LLC

Statements of Members Equity

	TMG-Flynn SOMA, LLC	SOMA Square Investors, LLC (In Thousands)	Total Members Equity
February 14, 2007 (Commencement of Operations)	$	$	$
Member contributions	900	14,100	15,000
Net loss	(105)	(1,649)	(1,754)
Balance at December 31, 2007	795	12,451	13,246
Net loss	(55)	(857)	(912)
Balance at December 31, 2008	740	11,594	12,334
Net loss	(41)	(636)	(677)
Balance at December 31, 2009	$ 699	$ 10,958	$ 11,657

See accompanying notes.

F-46

Table of Contents

Howard Street Associates, LLC

Statements of Cash Flows

	Year Ended December 31, 2009	Year Ended December 31, 2008	Period From February 14, 2007 (Commencement of Operations) to December 31, 2007
	(In Thousands)		
Operating activities			
Net loss	$ (677)	$ (912)	$ (1,754)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities			
Depreciation and amortization	950	3,094	2,851
Amortization of deferred financing costs	88	187	171
Amortization of below-market rents	(1,096)	(2,169)	(2,165)
Unrealized loss on interest loss contract	11		24
Changes in operating assets and liabilities:			
Lease commissions, prepaid expenses and other assets	(1,122)	7	(343)
Accounts payable and accrued liabilities	431	115	521
Restricted cash	(150)	(145)	(228)
Prepaid rent	(98)	40	141
Security deposits	904		
Net cash provided by (used in) operating activities	(759)	217	(782)
Investing activities			
Additions to investment in real estate	(2,535)	(102)	(66)
Acquisition of investment property			(46,257)
Net cash used in investing activities	(2,535)	(102)	(46,323)
Financing activities			
Proceeds from notes payable	3,924	343	33,251
Contributions by members			15,000
Payment of loan costs and interest rate contracts	(50)		(746)
Net cash provided by financing activities	3,874	343	47,505
Net increase in cash and cash equivalents	580	458	400
Cash and cash equivalents at beginning of period	858	400	
Cash and cash equivalents at end of period	$ 1,438	$ 858	$ 400
Supplemental disclosure of cash flow information			
Cash paid for interest, net of amounts capitalized	$ 719	$ 1,667	$ 1,923

See accompanying notes.

Table of Contents

Howard Street Associates, LLC

Notes to the Financial Statements

Years Ended December 31, 2009 and 2008

and the Period from February 14, 2007 (Commencement of Operations) to December 31, 2007

(In Thousands)

1. Formation and Limited Liability Company Agreement

Howard Street Associates, LLC, a Delaware limited liability company (the Company), was formed on December 6, 2006, to acquire, refurbish, re-tenant, improve, operate, market, lease, finance, and ultimately dispose of a commercial building located at 875-899 Howard Street, San Francisco, California (the Project).

The Project was acquired on February 15, 2007, and the Company commenced operation of the Project.

The members of the Company are TMG-Flynn SOMA, LLC, a Delaware limited liability company (the Managing Member), and SOMA Square Investors, LLC, a Delaware limited liability company (the Investor Member). The percentage interests of the Managing Member and the Investor Member are 6% and 94%, respectively. The members have committed to contribute a maximum of $18,000 in cash to the Company on a pari passu basis.

The Company will continue until December 31, 2057, unless terminated sooner, as provided in the Limited Liability Company Agreement (the Company Agreement).

The Members are to receive various cash distribution preferences. The Managing Member will receive additional cash distributions as each level of the cash distribution preferences is attained. The preferences include a complete return of the members invested capital, and preferred returns on invested capital at rates of 10%, 18%, 27.5%, and 35%, depending upon the amount of cash proceeds actually distributed.

Profits and losses are allocated in accordance with the partnership agreement and generally follow distributions.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying combined financial statements of the Company are prepared in accordance with U.S. generally accepted accounting principles (GAAP).

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 periods. Actual results could materially differ from these estimates.

Investment in Real Estate

The property is carried at cost less accumulated depreciation and amortization. The Company allocates the cost of an acquisition, including the assumption of liabilities, to the acquired tangible assets and identifiable intangibles based on their estimated fair values in accordance with GAAP. The Company assesses fair value

Table of Contents

Howard Street Associates, LLC

Notes to the Financial Statements

Years Ended December 31, 2009 and 2008

and the Period from February 14, 2007 (Commencement of Operations) to December 31, 2007

(In Thousands)

based on estimated cash flow projections that utilize appropriate 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.

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 capitalized below-market lease values are amortized as an increase to rental income over the terms in the respective leases. As of December 31, 2009 and 2008, the Company had a liability related to below-market leases of $11,637 and $12,733, respectively, net of accumulated amortization of $5,430 and $4,334, respectively. The weighted-average amortization period for the Company s below market leases was approximately 13.2 and 13.9 years as of December 31, 2009 and 2008, respectively.

The table below presents the expected amortization related to the acquired in-place lease value and acquired below-market leases at December 31, 2009:

	2010	2011	2012	2013	2014	Thereafter	Total
Amortization expense:							
Acquired in-place lease value	$ 60	$ 60	$ 60	$ 60	$ 60	$ 494	$ 794
Adjustments to rental revenues:							
Below market leases	$ 880	$ 881	$ 881	$ 881	$ 881	$ 7,233	$ 11,637

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

Table of Contents

Howard Street Associates, LLC

Notes to the Financial Statements

Years Ended December 31, 2009 and 2008

and the Period from February 14, 2007 (Commencement of Operations) to December 31, 2007

(In Thousands)

The Company computes depreciation using the straight-line method over the estimated useful lives as follows:

Land improvements	15 years
Building and improvements	39 years
Tenant improvements and leasing commissions	15 years
Furniture and equipment	5 to 7 years

Above- and below-market lease intangibles are amortized to revenue over the remaining non-cancelable lease terms and bargain renewal periods, if any. Other in-place lease intangibles are amortized to expense over the remaining non-cancelable lease term and bargain renewal periods, if any.

Impairment of Long-Lived Assets

The Company assesses the carrying value of real estate assets and related intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impairment losses are recorded on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amount. The Company recognizes impairment losses to the extent the carrying amount exceeds the fair value of the properties. Properties held for sale are recorded at the lower of cost or estimated fair value less the cost to sell. The Company did not record any impairment charges related to its real estate assets and related intangibles during 2009, 2008 and 2007.

Cash and Cash Equivalents

Cash and cash equivalents are defined as cash on hand and in banks plus all short-term investments with an original 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.

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, including an allowance for straight-line rent receivables, 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 December 31, 2009 and 2008, management believes that the collectability of straight-line rent balances is reasonably assured; accordingly, no allowance was established against straight-line rent

Table of Contents

Howard Street Associates, LLC

Notes to the Financial Statements

Years Ended December 31, 2009 and 2008

and the Period from February 14, 2007 (Commencement of Operations) to December 31, 2007

(In Thousands)

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 uncollectable accounts and the Company s historical collection experience. The Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment, and the Company s historical experience. Historical experience has been within management s expectations.

Revenue Recognition

The Company recognizes rental revenue from tenants on a straight-line basis over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset. The net impact of the amortization of acquired below-market leases increased revenue by $1,096, $2,169 and $2,165 for the years ended December 31, 2009, 2008, and the period from February 14, 2007 (Commencement of Operations) to December 31, 2007, respectively. For assets acquired subject to leases, the Company recognizes revenue upon acquisition of the asset, provided 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 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.

Table of Contents

Howard Street Associates, LLC

Notes to the Financial Statements

Years Ended December 31, 2009 and 2008

and the Period from February 14, 2007 (Commencement of Operations) to December 31, 2007

(In Thousands)

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. Loan costs, net of related amortization, totaled $201 and $364 as of December 31, 2009 and 2008, respectively, and are included in deferred financing costs, net of accumulated amortization of $560 and $358 as of December 31, 2009 and 2008, respectively, in the accompanying balance sheets.

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 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 the fair value of the hedged assets, liabilities, or firm commitments through earnings, or recognized in other comprehensive income, which is a component of equity. The ineffective portion of a derivative s change in fair value is immediately recognized in earnings.

The Company held one interest rate cap with a fair value of $0 at December 31, 2009 and 2008. The Company did not use hedge accounting for this instrument.

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.

Table of Contents

Howard Street Associates, LLC

Notes to the Financial Statements

Years Ended December 31, 2009 and 2008

and the Period from February 14, 2007 (Commencement of Operations) to December 31, 2007

(In Thousands)

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 non-binding 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 non-performance 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 and interest rate cap agreements are classified as Level 2 and their fair value is derived from estimated values obtained from the counterparties based on observable market data for similar instruments.

Unrealized losses associated with Level 2 liabilities were $11, $0 and $24 for the years ended December 31, 2009, 2008, and the period from February 14, 2007 (Commencement of Operations) to December 31, 2007, respectively.

Howard Street Associates, LLC

Notes to the Financial Statements

Years Ended December 31, 2009 and 2008

and the Period from February 14, 2007 (Commencement of Operations) to December 31, 2007

(In Thousands)

Income Taxes

No provision for federal income taxes has been made as the liabilities for such taxes is that of the members, not the Company. The Company is subject to the statutory requirements of the state in which it conducts business.

3. Investment in Real Estate

As described above, the property was acquired for $46,000 plus closing costs and prorations on February 15, 2007, and, as such, the following table represents the Company s purchase price allocation:

	Total
Consideration paid to acquire Project:	
Cash consideration	$ 46,257
Total consideration paid to acquire Project	$ 46,257
Allocation of consideration paid to acquire Project:	
Investment in real estate, net	$ 59,104
Lease intangibles, net	2,841
Leasing commissions	1,122
Below-market leases	(17,067)
Other net assets acquired	257
Total allocation of consideration paid to acquire Project	$ 46,257

During 2009, the Company began a redevelopment of a portion of the Project which was completed during 2010. For the year ended December 31, 2009, the Company capitalized $544 of interest expense and $358 of property operating costs as part of the redevelopment.

4. Loan Payable

On February 15, 2007, the Company obtained a loan commitment of $57,628 with a bank as financing for the Project, with monthly interest-only payments due. An initial loan advance of $32,618 was made on February 15, 2007 and additional draws were taken of $633, $343 and $3,924, during the period from February 14, 2007 (Commencement of Operations) to December 31, 2007, and the years ended December 31, 2008 and 2009, respectively. The additional loan advances are for capital expenses, leasing expenses, operating expenses, and interest coverage expenses. The loan was originally scheduled to mature on February 13, 2011, subject to an option to extend the maturity date for one 12-month term upon compliance with certain terms and conditions. In June 2010, the loan was repaid. The loan is secured by a deed of trust, assignment of leases, security agreement, and fixture filing on the Project.

The loan bears interest at the 30-day LIBOR plus 1.75% (2.000% at December 31, 2009, 3.625% at December 31, 2008, and 7.0% at December 31, 2007). The loan interest rate is reset on the second London business day before the ninth day of each calendar month, and is rounded up to the nearest one-eighth of one percent (1/8%).

Table of Contents

Howard Street Associates, LLC

Notes to the Financial Statements

Years Ended December 31, 2009 and 2008

and the Period from February 14, 2007 (Commencement of Operations) to December 31, 2007

(In Thousands)

Under the loan agreement, the Company was required to purchase an interest rate cap agreement and maintain such a cap for the duration of the loan until the loan is fully repaid. On February 14, 2007 (Commencement of Operations), the Company purchased, for a premium of $24, an interest rate cap effective February 14, 2007 (Commencement of Operations) through February 14, 2009, which limited its LIBOR exposure to a maximum rate of 6.25%. Upon the termination of the interest rate cap, the Company purchased, for a premium of $11, an interest rate cap effective February 14, 2009 through February 14, 2010, which limited its LIBOR exposure to a maximum rate of 4.25%. Under a separate agreement entered into between the bank and the Company, the Company s right, title, and interest in the cap were assigned directly to the bank, such that during the period of time the loan remains outstanding, in the event that LIBOR exceeded the capped rate, the excess due to the Company from the provider of the cap will be paid directly to the bank, resulting in the Company limiting its variable portion of the interest expense to the capped rate plus 1.75%. Through December 31, 2009, no amounts have been paid to the bank under the interest rate cap as the LIBOR has not exceeded the capped rate.

The Company is exposed to credit loss in the event of non-performance by other parties to the interest rate cap agreement; however, the Company does not anticipate any non-performance by counter parties.

5. Tenant Concentrations

For the years ended December 31, 2009 and 2008, one tenant accounted for 32% and 73%, respectively, of the Property s total revenues and another tenant accounted for 68% and 27%, respectively, of total revenues for the same period. For the period from February 14, 2007 (Commencement of Operations) to December 31, 2007, one tenant accounted for 69% of the Property s total revenues and another tenant accounted for 31% of total revenues for the same period.

6. Related-Party Transactions

The developer and manager of the Project is TMG Partners and Flynn Properties, Inc. TMG Partners is also the managing member of the Managing Member. TMG Partners and Flynn Properties, Inc. jointly began providing property management services for the Company starting February 15, 2007. A monthly property management fee equal to the greater of $20 per month or 2.5% of gross rents received from tenants during each calendar month is paid in equal parts to TMG Partners and Flynn Properties, Inc. These fees totaled $240, $240 and $210 for the years ended December 31, 2009 and 2008, and the period from February 14, 2007 (Commencement of Operations) to December 31, 2007, respectively.

Under the management agreement, payroll-related costs were reimbursed to Flynn Properties, Inc. in the amount of $38 for the period from February 14, 2007 (Commencement of Operations) to December 31, 2007, and to TMG Partners and Flynn Properties, Inc. in the amount of $98 and $58 for the years ended December 31, 2009 and 2008, respectively.

Payroll-related costs are included in maintenance and repairs expense.

Table of Contents

Howard Street Associates, LLC

Notes to the Financial Statements

Years Ended December 31, 2009 and 2008

and the Period from February 14, 2007 (Commencement of Operations) to December 31, 2007

(In Thousands)

7. Commitments and Contingencies

The Company has been named as a defendant in a number of lawsuits in the ordinary course of business. Management believes that the ultimate settlement of these suits will not have a material adverse effect on the Company s financial position and results of operations.

8. Lease Commitments

The Project was 65% leased and occupied at December 31, 2009 and 100% leased and occupied as of December 31, 2008 and 2007. One of the tenants has a lease that will expire in December 2013, with two five-year renewal options, while the more significant tenant was on a six-month renewal option and moved out in February 2009.

On September 2, 2009, the Company entered into a 10-year lease agreement with a new tenant. On November 16, 2009, the Company entered into a seven-year lease agreement with another new tenant. The lease is subject to extension for one term of five years.

Minimum future rental income as of December 31, 2009, is as follows:

2010	$ 708
2011	2,286
2012	2,588
2013	3,163
2014	2,608
Thereafter	12,303
Total future minimum rents	$ 23,656

Minimum future rentals do not include expenses reimbursed by tenants, which are to be paid based on the building operating costs and property taxes.

9. 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. The carrying value of variable rate notes payable are reasonable estimates of fair value.

	December 31, 2009		December 31, 2008	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable	$ 37,518	$ 37,518	$ 33,594	$ 33,594

F-56

Table of Contents

Report of Independent Auditors

The Board of Directors and Stockholders of Hudson Pacific Properties, Inc.

We have audited the accompanying statement of revenues and certain expenses (as defined in Note 1) of Canpartners IV 222 Kearny, LLC (the Company), for the year ended December 31, 2009. This statement of revenues and certain expenses is the responsibility of the Company s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and certain expenses is free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses of the Company was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Hudson Pacific Properties, Inc. as described in Note 1, and are not intended to be a complete presentation of the revenues and expenses of the Company.

In our opinion, the statement of revenues and certain expenses referred to above presents fairly, in all material respects, the revenues and certain expenses, as defined above, of Canpartners IV 222 Kearny, LLC for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California

November 22, 2010

Table of Contents

Canpartners IV 222 Kearny, LLC

Statements of Revenues and Certain Expenses

Nine Months Ended September 30, 2010 (unaudited) and Year Ended December 31, 2009

(In thousands)

	Nine Months Ended September 30, 2010 (unaudited)	Year Ended December 31, 2009
REVENUES		
Rental revenues	$ 3,036	$ 4,346
Tenant recoveries	268	394
Parking	173	228
	3,477	4,968
CERTAIN EXPENSES		
Property operating expenses	1,343	1,994
Ground lease expense	731	975
	2,074	2,969
Revenues in excess of certain expenses	$ 1,403	$ 1,999

See accompanying notes.

Table of Contents

Canpartners IV 222 Kearny, LLC

Notes to Statements of Revenues and Certain Expenses

Nine Months Ended September 30, 2010 (unaudited) and Year Ended December 31, 2009

(In thousands)

1. Basis of Presentation

The accompanying statements of revenues and certain expenses includes the operations of 222 Kearny Plaza (222 Kearny), an office building located in San Francisco, California. 222 Kearny is owned by Canpartners IV 222 Kearny, LLC (the Company).

The accompanying statements of revenues and certain expenses relate to 222 Kearny and have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the statements are not representative of the actual operations for the periods presented as revenues and certain operating expenses, which may not be directly attributable to the revenues and expenses expected to be incurred to the future operations of the Property, have been excluded. Such items include depreciation, amortization, management fees, general and administrative expense, interest expense, interest income and amortization of above and below market leases.

Unaudited Interim Financial Information

The accompanying interim unaudited financial statements have been prepared by 222 Kearny management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with U.S. generally accepted accounting principles may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the presentation not misleading. The unaudited statement of revenues and certain expenses for the nine months ended September 30, 2010 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim period ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010. The interim unaudited statement of revenues and certain expenses should be read in conjunction with the Company s audited statement of revenues and certain expenses for the year ended December 31, 2009.

2. Summary of Significant Accounting Policies

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.

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

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenues and certain expenses during the reporting periods to prepare the statements of revenues and certain expenses in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

Table of Contents

Canpartners IV 222 Kearny, LLC

Notes to Statements of Revenues and Certain Expenses

Nine Months Ended September 30, 2010 (unaudited) and Year Ended December 31, 2009

(In thousands)

3. Minimum Future Lease Rentals

As of September 30, 2010, the minimum future cash rents receivable under non-cancelable operating leases in each of the next five years and thereafter are as follows (unaudited):

Three-months ended December 31, 2010	$ 1,021
2011	3,379
2012	2,463
2013	1,737
2014	996
Thereafter	1,337
	$ 10,933

Leases generally require reimbursement of the tenant s proportional share of common area, real estate taxes and other operating expenses, which are excluded from the amounts above.

4. Tenant Concentrations

One of the Property s tenants accounted for 11% of the Company s total revenues for the year ended December 31, 2009 and the nine months ended September 30, 2010 (unaudited).

5. Minimum Future Lease Payments

As of September 30, 2010, the minimum future cash rents payable under a non-cancelable land leases in each of the next five years and thereafter are as follows (unaudited):

Three-months ended December 31, 2010	$ 244
2011	975
2012	975
2013	975
2014	975
Thereafter	39,000
	$ 43,144

6. Commitments and Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the ultimate settlement of these actions will not have a material adverse effect on the Company.

7. Subsequent Events

The Company evaluated subsequent events through the date these financial statements were issued.

Table of Contents

Report of Independent Auditors

The Board of Directors and Stockholders of Hudson Pacific Properties, Inc.

We have audited the accompanying statement of revenues and certain expenses (as defined in Note 1) of ECI Washington, LLC (the Company), for the year ended December 31, 2009. This statement of revenues and certain expenses is the responsibility of the Company s management. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and certain expenses is free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses of the Company was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Hudson Pacific Properties, Inc. as described in Note 1, and are not intended to be a complete presentation of the revenues and expenses of the Company.

In our opinion, the statement of revenues and certain expenses referred to above presents fairly, in all material respects, the revenues and certain expenses, as defined above, of ECI Washington, LLC for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California

November 22, 2010

Table of Contents

ECI Washington, LLC

Statements of Revenues and Certain Expenses

Nine Months Ended September 30, 2010 (unaudited) and Year Ended December 31, 2009

(In thousands)

	Nine Months Ended September 30, 2010 (unaudited)	Year Ended December 31, 2009
REVENUES		
Rental revenues	$ 3,096	$ 4,058
Tenant recoveries	913	1,058
Parking	315	405
	4,324	5,521
CERTAIN EXPENSES		
Property operating expenses	1,325	1,895
	1,325	1,895
Revenues in excess of certain expenses	$ 2,999	$ 3,626

See accompanying notes.

Table of Contents

ECI Washington, LLC

Notes to Statements of Revenues and Certain Expenses

Nine Months Ended September 30, 2010 (unaudited) and Year Ended December 31, 2009

(In thousands)

1. Basis of Presentation

The accompanying statements of revenues and certain expenses includes the operations of 10950 Washington Boulevard (10950 Washington), an office building located in Culver City, California. 10950 Washington is owned by ECI Washington, LLC (the Company).

The accompanying statements of revenues and certain expenses relate to 10950 Washington and have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the unaudited statements are not representative of the actual operations for the periods presented as revenues and certain operating expenses, which may not be directly attributable to the revenues and expenses expected to be incurred to the future operations of the Property, have been excluded. Such items include depreciation, amortization, management fees, general and administrative expenses, interest expense, interest income and amortization of above and below market leases.

Unaudited Interim Financial Information

The accompanying interim unaudited financial statements have been prepared by 10950 Washington management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with U.S. generally accepted accounting principles may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the presentation not misleading. The unaudited statement of revenues and certain expenses for the nine months ended September 30, 2010 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim period ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ended December 31, 2010. The interim unaudited statement of revenues and certain expenses should be read in conjunction with the Company s audited statement of revenues and certain expenses for the year ended December 31, 2009.

2. Summary of Significant Accounting Policies

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.

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

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenues and certain expenses during the reporting periods to prepare the statements of revenues and certain expenses in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

Table of Contents

ECI Washington, LLC

Notes to Statements of Revenues and Certain Expenses

Nine Months Ended September 30, 2010 (unaudited) and Year Ended December 31, 2009

(In thousands)

3. Minimum Future Lease Rentals

As of September 30, 2010, the minimum future cash rents receivable under non-cancelable operating leases in each of the next five years and thereafter are as follows (unaudited):

Three-months ended December 31, 2010	$ 1,073
2011	4,374
2012	4,361
2013	4,304
2014	4,149
Thereafter	2,006
	$ 20,267

Leases generally require reimbursement of the tenant s proportional share of common area, real estate taxes and other operating expenses, which are excluded from the amounts above.

4. Tenant Concentrations

One of the Property s tenants, accounted for 70% of the Company s total revenues for the year ended December 31, 2009 and the nine months ended September 30, 2010 (unaudited).

5. Commitments and Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the ultimate settlement of these actions will not have a material adverse effect on the Company.

6. Subsequent Events

The Company evaluated subsequent events through the date these financial statements were issued.

Table of Contents

Report of Independent Auditors

The Stockholder of Hudson Pacific Properties, Inc.

We have audited the accompanying combined statement of revenues and certain expenses (as defined in Note 1) of GLB Encino, LLC and Glenborough Tierrasanta, LLC (the Company), for the year ended December 31, 2009. This combined statement of revenues and certain expenses is the responsibility of the Company s management. Our responsibility is to express an opinion on this combined statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and certain expenses is free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined statement, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses of the Company were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Hudson Pacific Properties, Inc. as described in Note 1, and are not intended to be a complete presentation of the revenues and expenses of the Company.

In our opinion, the statement of revenues and certain expenses referred to above presents fairly, in all material respects, the combined revenues and certain expenses, as defined above of GLB Encino, LLC and Glenborough Tierrasanta, LLC for the year ended December 31, 2009, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California

April 9, 2010

Table of Contents

GLB Encino, LLC and Glenborough Tierrasanta, LLC

Combined Statement of Revenues and Certain Expenses

Three-Months Ended March 31, 2010 (Unaudited) and the Year Ended December 31, 2009

(In thousands)

	Three-Months Ended March 31, 2010 (Unaudited)	Year Ended December 31, 2009
Revenues		
Rental revenues	$ 2,122	$ 8,493
Parking and other	310	1,198
Tenant recoveries	171	717
	2,603	10,408
Certain expenses		
Property operating expenses	745	2,695
Other operating expenses		145
Revenues in excess of certain expenses	$ 1,858	$ 7,568

See accompanying notes.

F-66

Table of Contents

GLB Encino, LLC and Glenborough Tierrasanta, LLC

Notes to Combined Statement of Revenues and Certain Expenses

Three-Months Ended March 31, 2010 (Unaudited) and the Year Ended December 31, 2009

(In thousands)

1. Basis of Presentation

The accompanying combined statements of revenues and certain expenses includes the combined operations of First Financial Plaza (First Financial), an office building located in Los Angeles, California and Tierrasanta Research Park (Tierrasanta), an office building located in San Diego, California. First Financial and Tierrasanta are owned by GLB Encino, LLC and Glenborough Tierrasanta, LLC, respectively (collectively, the Company). Glenborough Fund XIV, L.P. is the managing and sole member of GLB Encino, LLC and Glenborough Tierrasanta, LLC.

The accompanying combined statements of revenues and certain expenses relates to the Company and has been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the combined statement is not representative of the actual operations for the year presented as revenues and certain operating expenses, which may not be directly attributable to the revenues and expenses expected to be incurred to the future operations of the Company, have been excluded. Such items include depreciation, amortization, management fees, interest expense, interest income and amortization of above and below market leases. The Company is not aware of any material factors relating to First Financial and Tierrasanta other than those discussed above that would cause the reported financial information not to be necessarily indicative of future operating results.

First Financial and Tierrasanta are under common management and their acquisition will be conditioned on a single event, consummation of an initial public offering. Due to common management, and consistent with Accounting Standards Codification (ASC) 810-10, *Consolidation*, management views First Financial and Tierrasanta on a combined basis.

Unaudited Interim Financial Information

The accompanying interim unaudited combined statement of revenues and certain expenses have been prepared by the Company s management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the presentation not misleading. The unaudited combined statement of revenues and certain expenses for the three months ended March 31, 2010, include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim period ended March 31, 2010 are not necessarily indicative of the results that may be expected for the years ended December 31, 2010. The interim unaudited combined statement of revenues and certain expenses should be read in conjunction with the Company s audited combined statement of revenues and certain expenses for the year ended December 31, 2009 and notes thereto.

2. Principles of Combination

The combined financial statement includes selected accounts of the Company as described in Note 1. All significant intercompany accounts and transactions have been eliminated in the combined statements of revenues and certain expenses.

Table of Contents

GLB Encino, LLC and Glenborough Tierrasanta, LLC

Notes to Combined Statement of Revenues and Certain Expenses

Three-Months Ended March 31, 2010 (Unaudited) and the Year Ended December 31, 2009

(In thousands)

3. Summary of Significant Accounting Policies

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.

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

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenues and certain expenses during the reporting periods to prepare the combined statements of revenues and certain expenses in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

4. Minimum Future Lease Rentals

There are various lease agreements in place with tenants to lease space in the Company. As of March 31, 2010 , the minimum future cash rents receivable under noncancelable operating leases in each of the next five years and thereafter are as follows (unaudited):

April 1, 2010 to December 31, 2010	$ 5,876
2011	7,216
2012	6,758
2013	5,676
2014	4,357
Thereafter	11,307
	$ 41,190

Leases generally require reimbursement of the tenant s proportional share of common area, real estate taxes and other operating expenses, which are excluded from the amounts above.

5. Tenant Concentrations

For the three months ended March 31, 2010 (unaudited) and the year ended December 31, 2009, one tenant represented 13% of the Company s total revenue.

6. Related-Party Transactions

The Company reimburses an operating company that is owned by the minority owner of Glenborough Fund XIV, L.P. for property management payroll and related expenses. Such reimbursable costs are included in operating expenses in the accompanying statements of revenues and certain expenses.

Table of Contents

GLB Encino, LLC and Glenborough Tierrasanta, LLC

Notes to Combined Statement of Revenues and Certain Expenses

Three Months Ended March 31, 2010 (Unaudited) and the Year Ended December 31, 2009

(In thousands)

7. Commitments and Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the ultimate settlement of these actions will not have a material adverse effect on the Company s results of operations.

8. Subsequent Events

The Company evaluated subsequent events through the date these combined financial statements were issued.

Table of Contents

City Plaza

Unaudited Statements of Revenues and Certain Expenses

Six Months Ended June 30, 2008 and 2007

(In thousands)

	2008	2007
Revenues		
Rental revenues	$ 2,174	$ 3,571
Parking and other	89	121
Tenant recoveries	162	367
	2,425	4,059
Certain expenses		
Property operating expenses	1,742	1,689
Excess of revenues over certain expenses	$ 683	$ 2,370

See accompanying notes.

F-70

Table of Contents

City Plaza

Notes to the Unaudited Statement of Revenues and Certain Expenses

Six Months Ended June 30, 2008 and 2007

(In thousands)

1. Basis of Presentation

The accompanying statements of revenues and certain expenses include the historical operations of City Plaza (the Property), an office building located in Orange, California. City Plaza was acquired by HFOP City Plaza, LLC on August 26, 2008.

Concurrent with the consummation of the initial public offering of the common stock of Hudson Pacific Properties, Inc., HFOP City Plaza, LLC will contribute its ownership interest in the Property to Hudson Pacific Properties, Inc. Affiliates of the prior owners of the Property have historically provided maintenance and management services to the Property.

The accompanying statements of revenues and certain expenses relate to the Property and have been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the statements are not representative of the actual operations for the years presented as revenues and certain operating expenses, which may not be directly attributable to the revenues and expenses expected to be incurred to the future operations of the Property, have been excluded. Such items include depreciation, amortization, management fees, interest expense, interest income, and amortization of above- and below-market leases.

Tenant reimbursements for real estate taxes, common area maintenance and other recoverable costs are recognized in the period that the expenses are incurred. Lease termination fees, and parking and miscellaneous revenues are included in parking and other income in the accompanying statements of revenues and certain expenses. Lease termination fees are recognized when the related leases are canceled and the landlord has no continuing obligation to provide services to such former tenants.

Unaudited Interim Financial Information

The accompanying interim unaudited combined statements of revenues and certain expenses have been prepared by the Property s management pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosure normally included in the financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP) may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the presentation not misleading. The unaudited statement of revenues and certain expenses for the six months ended June 30, 2008 and 2007, include, in the opinion of management, 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 ended June 30, 2008 and 2007 are not necessarily indicative of the results that may be expected for the years ended December 31, 2008 and 2007.

2. Summary of Significant Accounting Policies

The interim unaudited combined statements of revenues and certain expenses should be read in conjunction with the Property s audited statements of revenues and certain expenses for the year ended December 31, 2007, and notes thereto.

Table of Contents

City Plaza

Notes to the Unaudited Statement of Revenues and Certain Expenses

Six Months Ended June 30, 2008 and 2007

(In thousands)

Revenue Recognition

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

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. The reimbursements are recognized and presented gross, as the Property 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.

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenues and certain expenses during the reporting periods to prepare the combined statements of revenues and certain expenses in conformity with GAAP. Actual results could differ from those estimates.

3. Commitments and Contingencies

The Property is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the ultimate settlement of these actions will not have a material adverse effect on the Property s results of operations.

4. Subsequent Events

The Company evaluated subsequent events through the date these financial statements were issued.

Table of Contents

Report of Independent Auditors

The Stockholder of Hudson Pacific Properties, Inc.

We have audited the accompanying statement of revenues and certain expenses (as defined in Note 1) of City Plaza (the Property) for the year ended December 31, 2007. The statement of revenues and certain expenses is the responsibility of the management of the Property. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of revenues and certain expenses is free of material misstatement. We were not engaged to perform an audit of the Property s internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Property s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statement of revenues and certain expenses of the Property was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Hudson Pacific Properties, Inc. as described in Note 1, and are not intended to be a complete presentation of the revenues and expenses of the Property.

In our opinion, the statement of revenues and certain expenses referred to above presents fairly, in all material respects, the revenue and certain expenses, as defined above, of City Plaza for the year ended December 31, 2007, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California

February 16, 2010

Table of Contents

City Plaza

Statement of Revenue and Certain Expenses

Year Ended December 31, 2007

(In thousands)

Revenues	
Rental revenues	$ 5,727
Parking and other	901
Tenant recoveries	454
	7,082
Certain expenses	
Property operating expenses	3,874
Excess of revenues over certain expenses	$ 3,208

See accompanying notes.

F-74

City Plaza

Notes to Statement of Revenues and Certain Expenses

Year ended December 31, 2007

(In thousands)

1. Basis of Presentation

The accompanying statement of revenues and certain expenses includes the historical operations of City Plaza (the Property), an office building located in Orange, California. City Plaza was acquired by HFOP City Plaza, LLC on August 26, 2008.

Concurrent with the consummation of the initial public offering of the common stock of Hudson Pacific Properties, Inc., HFOP City Plaza, LLC will contribute their ownership interest in the Property to Hudson Pacific Properties, Inc. Affiliates of the prior owners of the Property have historically provided maintenance and management services to the Property.

The accompanying combined statement of revenues and certain expenses relates to the Company and has been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the combined statement is not representative of the actual operations for the year presented as revenues and certain operating expenses, which may not be directly attributable to the revenues and expenses expected to be incurred to the future operations of the Property, have been excluded. Such items include depreciation, amortization, management fees, interest expense, interest income and amortization of above- and below-market leases.

Tenant reimbursements for real estate taxes, common area maintenance and other recoverable costs are recognized in the period that the expenses are incurred. Lease termination fees, and parking and miscellaneous revenues are included in parking and other income in the accompanying statements of revenues and certain expenses. Lease termination fees are recognized when the related leases are canceled and the landlord has no continuing obligation to provide services to such former tenants.

2. Summary of Significant Accounting Policies

Revenue Recognition

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

Tenant recoveries related to reimbursement of real estate taxes, insurance, repairs and maintenance, and other operating expenses are recognized as revenue in the period the applicable expenses are incurred. The reimbursements are recognized and presented gross, as the Property 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.

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenues and certain expenses during the reporting periods to prepare the combined statements of revenues and certain expenses in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

Table of Contents

City Plaza

Notes to Statement of Revenues and Certain Expenses

Year ended December 31, 2007

(In thousands)

3. Commitments and Contingencies

The Property is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the ultimate settlement of these actions will not have a material adverse effect on the Property s results of operations.

4. Subsequent Events

The Company evaluated subsequent events through the date these financial statements were issued.

Table of Contents

Report of Independent Auditors

The Board of Directors and Stockholders of Hudson Pacific Properties, Inc.

We have audited the accompanying statements of revenues and certain expenses (as defined in Note 1) of Rincon Center JV LLC (the Company), for the years ended December 31, 2010 and 2009. These statements of revenues and certain expenses are the responsibility of the Company s management. Our responsibility is to express an opinion on these statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the statement of revenues and certain expenses is free of material misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement, assessing the accounting principles used, and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements of revenues and certain expenses of the Company were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in the Registration Statement on Form S-11 of Hudson Pacific Properties, Inc. as described in Note 1, and are not intended to be a complete presentation of the revenues and expenses of the Company.

In our opinion, the statements of revenues and certain expenses referred to above presents fairly, in all material respects, the revenues and certain expenses, as defined above Rincon Center JV LLC for the years ended December 31, 2010 and 2009, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Los Angeles, California

April 14, 2011

Table of Contents

Rincon Center JV LLC

Statements of Revenues and Certain Expenses

Year Ended December 31, 2010 and 2009

(In thousands)

	Year Ended December 31, 2010	Year Ended December 31, 2009
Revenues		
Rental revenues	$ 16,832	$ 17,157
Parking and other	1,643	1,674
Tenant recoveries	1,547	1,477
Total revenues	20,022	20,308
Certain expenses		
Property operating expenses	7,770	7,931
Total certain expenses	7,770	7,931
Revenues in excess of certain expenses	$ 12,252	$ 12,377

See accompanying notes.

F-78

Table of Contents

Rincon Center JV LLC

Notes to Statements of Revenues and Certain Expenses

Years Ended December 31, 2010 and 2009

(In thousands)

1. Basis of Presentation

The accompanying statements of revenues and certain expenses include the operations of Rincon Center (Rincon Center), an office building located in San Francisco, California. Rincon Center is owned by Rincon Center JV LLC (the Company).

The accompanying statements of revenues and certain expenses relates to the Company and has been prepared for the purpose of complying with Rule 3-14 of Regulation S-X promulgated under the Securities Act of 1933, as amended. Accordingly, the statements are not representative of the actual operations for the years presented as revenues and certain operating expenses, which may not be directly attributable to the revenues and expenses expected to be incurred to the future operations of the Company, have been excluded. Such items include depreciation, amortization, management fees, interest expense, interest income and amortization of above and below market leases.

2. Summary of Significant Accounting Policies

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.

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

Use of Estimates

Management has made a number of estimates and assumptions relating to the reporting and disclosure of revenues and certain expenses during the reporting periods to prepare the statements of revenues and certain expenses in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates.

Table of Contents

Rincon Center JV LLC

Notes to Combined Statement of Revenues and Certain Expenses

Year Ended December 31, 2010 and 2009

(In thousands)

3. Minimum Future Lease Rentals

There are various lease agreements in place with tenants to lease space in the Company. As of December 31, 2010, the minimum future cash rents receivable under noncancelable operating leases in each of the next five years and thereafter are as follows:

2011	$ 17,162
2012	16,458
2013	13,582
2014	9,432
2015	9,181
Thereafter	14,201
	$ 80,016

Leases generally require reimbursement of the tenant s proportional share of common area, real estate taxes and other operating expenses, which are excluded from the amounts above.

4. Tenant Concentrations

For the year ended December 31, 2010 and 2009, two tenants represented 68.5% and 68.5%, respectively, of the Company s rental revenues.

5. Commitments and Contingencies

The Company is subject to various legal proceedings and claims that arise in the ordinary course of business. These matters are generally covered by insurance. Management believes that the ultimate settlement of these actions will not have a material adverse effect on the Company s results of operations.

6. Subsequent Events

The Company evaluated subsequent events through the date these statements of revenues and certain expenses were issued.

Table of Contents

6,750,000 Shares

Common Stock

PROSPECTUS

BofA Merrill Lynch

Barclays Capital

Morgan Stanley

Wells Fargo Securities

KeyBanc Capital Markets

, 2011

Table of Contents

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

Item 31. ***Other Expenses of Issuance and Distribution.***

The following table itemizes the expenses incurred by us in connection with the issuance and registration of the securities being registered hereunder. All amounts shown are estimates except for the SEC registration fee and the Financial Industry Regulatory Authority, Inc., or FINRA, filing fee.

SEC Registration Fee	$ 13,575
FINRA Filing Fee	$ 12,193
Printing and Engraving Expenses	$ 92,398
Legal Fees and Expenses (other than Blue Sky)	$ 350,000
Accounting and Fees and Expenses	$ 161,839
Other expenses	$ 423,000
Total	$ 1,053,005

Item 32. ***Sales to Special Parties.***

None.

Item 33. ***Recent Sales of Unregistered Securities.***

On February 1, 2010 we issued 100 shares of our common stock to Victor J. Coleman in connection with the initial capitalization of our company for an aggregate purchase price of $1,000. The issuance of such shares was effected in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act.

In connection with our initial public offering and related formation transactions, on June 29, 2010, an aggregate of (i) 6,050,037 shares of common stock, (ii) 2,610,941 common units of limited partnership interest in our operating partnership, or common units and (iii) series A preferred units of limited partnership interest in our operating partnership with an aggregate liquidation preference of approximately $12.5 million (before closing costs and prorations) were issued to certain persons transferring interests in the properties and assets comprising our initial portfolio to us in consideration of such transfers. All such persons had a substantive, pre-existing relationship with us and made irrevocable elections to receive such securities in the formation transactions prior to the filing of the registration statement related to our initial public offering with the SEC. All of such persons are accredited investors as defined under Regulation D of the Securities Act. The issuance of such shares and units was effected in reliance upon exemptions from registration provided by Section 4(2) under the Securities Act and Regulation D of the Securities Act.

Concurrently with the closing of our initial public offering, we completed a separate private placement pursuant to which we sold 1,176,471 shares of common stock with an aggregate value of $20.0 million to Victor J. Coleman and certain investment funds affiliated with Farallon Capital Management, L.L.C., at a price per share equal to the price to the public without payment by us of any underwriting discount or commission. Mr. Coleman and each such investment fund had a substantive, pre-existing relationship with us and made irrevocable elections to receive such securities in the private placement prior to the filing of the registration statement related to our initial public offering with the SEC. Mr. Coleman and each such investment fund are accredited investors as defined under Regulation D of the Securities Act. The issuance of such shares was effected in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act and Regulation D of the Securities Act.

II-1

Table of Contents

Concurrently with the closing of this offering, we will complete a separate private placement pursuant to which we will sell 3,125,000 shares of common stock to certain investment funds affiliated with Farallon Capital Management, L.L.C., at a price per share equal to the price to the public without payment by us of any underwriting discount or commission. Each such investment fund had a substantive, pre-existing relationship with us prior to the filing of this registration statement with the SEC. Each such investment fund is an accredited investor as defined under Regulation D of the Securities Act. The issuance of such shares will be effected in reliance upon an exemption from registration provided by Section 4(2) under the Securities Act and pursuant to Regulation D of the Securities Act.

Item 34. ***Indemnification of Directors and Officers.***

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- active and deliberate dishonesty that is established by a final judgment and is material to the cause of action.

Our charter contains a provision that eliminates the liability of our directors and officers to the maximum extent permitted by Maryland law.

Maryland law requires a Maryland corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. Maryland law permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

Under Maryland law, a Maryland corporation also may not indemnify a director or officer in a suit by or in the right of the corporation in which the director or officer was adjudged liable to the corporation or for a judgment of liability on the basis that a personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct, however, indemnification for an adverse judgment in a suit by us or in our right, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon the corporation s receipt of:

- a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and

Table of Contents

a written unsecured undertaking by the director or officer or on his or her behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that he or she did not meet the standard of conduct.

Our charter authorizes us, and our bylaws obligate us, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, to pay or reimburse reasonable expenses in advance of final disposition of a proceeding to any individual who:

is a present or former director or officer and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or

while a director or officer and at our request, serves or has served as a director, officer, partner, manager, member or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any individual who served a predecessor of ours in any of the capacities described above and to any employee or agent of our company or a predecessor of our company.

Furthermore, our officers and directors are indemnified against specified liabilities by the underwriters, and the underwriters are indemnified against certain liabilities by us, under the underwriting agreement relating to this offering. See Underwriting.

We have entered into indemnification agreements with each of our executive officers and directors whereby we indemnify such executive officers and directors to the fullest extent permitted by Maryland law against all expenses and liabilities, subject to limited exceptions. These indemnification agreements also provide that upon an application for indemnity by an executive officer or director to a court of appropriate jurisdiction, such court may order us to indemnify such executive officer or director.

In addition, our directors and officers are indemnified for specified liabilities and expenses pursuant to the partnership agreement of Hudson Pacific Properties, L.P., the partnership in which we serve as sole general partner.

Item 35. ***Treatment of Proceeds from Stock Being Registered.***

None.

Item 36. ***Financial Statements and Exhibits.***

(A) Financial Statements. See Index to Consolidated Financial Statements and the related notes thereto.

(B) Exhibits. The following exhibits are filed as part of, or incorporated by reference into, this registration statement on Form S-11:

Exhibit	
1.1	Form of Underwriting Agreement.(15)
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	Articles Supplementary of Hudson Pacific Properties, Inc.(14)
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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)

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10.16	Restricted Stock Award Grant Notice and Restricted Stock Award Agreement.(5)
10.17	Hudson Pacific Properties, Inc. Director Stock Plan. (9)
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10.35	Amended and Restated First Modification Agreement between Sunset Bronson Entertainment Properties, LLC and Wells Fargo Bank, N.A. dated as of June 29, 2010.(7)
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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)
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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-A, L.P., Glenborough Fund XIV, L.P., Hudson Pacific Properties, L.P., and U.S. Bank National Association, dated June 29, 2010.(7)
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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. (14)

Table of Contents

Exhibit	
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. [13]
10.52	Form of 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. [15]
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21.1	List of Subsidiaries of the Registrant. [15]
23.1	Consent of Venable LLP (included in Exhibit 5.1). [15]
23.2	Consent of Latham & Watkins LLP (included in Exhibit 8.1). [15]
23.3	Consent of Ernst & Young LLP.
23.4	Consent of McGladrey & Pullen, LLP.
24.1	Power of Attorney (included on the Signature Page to the Registration Statement on Form S-11 filed with the Securities and Exchange Commission on April 14, 2011).

(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 Annual Report on Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 24, 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 Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 5, 2011.
(14) Previously filed with the Registration Statement on Form S-11 filed by the Registrant with the Securities and Exchange Commission on April 14, 2011.
(15) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on April 25, 2011.

Table of Contents

Item 37. ***Undertakings.***

(a) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933, and will be governed by the final adjudication of such issue.

(b) The undersigned Registrant hereby further undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance under Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial *bona fide* offering thereof.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant certifies that it has reasonable grounds to believe that the registrant meets all of the requirements for filing on Form S-11 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Los Angeles, State of California, on this 26th day of April, 2011.

Hudson Pacific Properties, Inc.

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

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Victor J. Coleman **Victor J. Coleman**	Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	April 26, 2011
/s/ Mark T. Lammas **Mark T. Lammas**	Chief Financial Officer (Principal Financial Officer)	April 26, 2011
/s/ Howard S. Stern **Howard S. Stern**	President and Director	April 26, 2011
/s/ Harout Diramerian **Harout Diramerian**	Chief Accounting Officer (Principal Accounting Officer)	April 26, 2011
* **Richard B. Fried**	Director	April 26, 2011
* **Theodore R. Antenucci**	Director	April 26, 2011
* **Jonathan M. Glaser**	Director	April 26, 2011
* **Mark D. Linehan**	Director	April 26, 2011
*	Director	April 26, 2011

Robert M. Moran, Jr.		
*	Director	April 26, 2011
Barry A. Porter		

*By: VICTOR J. COLEMAN
Victor J. Coleman

Attorney-in-fact

II-9

EXHIBIT INDEX

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Table of Contents

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24.1	Power of Attorney (included on the Signature Page to the Registration Statement on Form S-11 filed with the Securities and Exchange Commission on April 14, 2011).

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(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 Annual Report on Form 10-K filed by the Registrant with the Securities and Exchange Commission on March 24, 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 Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 5, 2011.

(14) Previously filed with the Registration Statement on Form S-11 filed by the Registrant with the Securities and Exchange Commission on April 14, 2011.

(15) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on April 25, 2011.