

Hudson Pacific Properties, Inc.
Form 10-Q
August 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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

For the Transition Period from _____ to _____

Commission File Number 001-34789

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

Maryland (State or other jurisdiction of incorporation or organization) 11601 Wilshire Blvd., Sixth Floor Los Angeles, California (Address of principal executive offices) (310) 445-5700 (Registrant's telephone number, including area code) (Former name, former address and former fiscal year if changed since last report)	27-1430478 (I.R.S. Employer Identification Number) 90025 (Zip Code)
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

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

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

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

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

The number of shares of common stock outstanding at August 1, 2014 was 67,047,762.

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PART I—FINANCIAL INFORMATION

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

	June 30, 2014 (unaudited)	December 31, 2013 (audited)
ASSETS		
REAL ESTATE ASSETS		
Land	\$622,880	\$578,787
Building and improvements	1,299,038	1,250,752
Tenant improvements	103,623	107,628
Furniture and fixtures	14,694	14,396
Property under development	87,116	70,128
Total real estate held for investment	2,127,351	2,021,691
Accumulated depreciation and amortization	(122,030)	(114,866)
Investment in real estate, net	2,005,321	1,906,825
Cash and cash equivalents	32,797	30,356
Restricted cash	17,682	16,750
Accounts receivable, net	8,986	8,909
Straight-line rent receivables	28,585	21,538
Deferred leasing costs and lease intangibles, net	107,919	111,398
Deferred finance costs, net	7,406	8,582
Interest rate contracts	14	192
Goodwill	8,754	8,754
Prepaid expenses and other assets	5,016	5,170
Assets associated with real estate held for sale	12,503	12,801
TOTAL ASSETS	\$2,234,983	\$2,131,275
LIABILITIES AND EQUITY		
Notes payable	\$852,524	\$931,308
Accounts payable and accrued liabilities	20,294	27,490
Below-market leases, net	44,806	45,439
Security deposits	5,803	5,941
Prepaid rent	12,187	7,623
Interest rate contracts	1,370	—
Obligations associated with real estate held for sale	113	133
TOTAL LIABILITIES	937,097	1,017,934
6.25% series A cumulative redeemable preferred units of the Operating Partnership	10,177	10,475
EQUITY		
Hudson Pacific Properties, Inc. stockholders' equity:		
Preferred stock, \$0.01 par value, 10,000,000 authorized; 8.375% series B cumulative redeemable preferred stock, \$25.00 liquidation preference, 5,800,000 shares outstanding at June 30, 2014 and December 31, 2013, respectively	145,000	145,000
Common stock, \$0.01 par value, 490,000,000 authorized, 66,794,216 shares and 57,230,199 shares outstanding at June 30, 2014 and December 31, 2013,	668	572

respectively

Additional paid-in capital	1,087,395	903,984	
Accumulated other comprehensive loss	(2,313	) (997)
Accumulated deficit	(40,350	) (45,113)
Total Hudson Pacific Properties, Inc. stockholders' equity	1,190,400	1,003,446	
Non-controlling interest—members in Consolidated Entities	44,048	45,683	
Non-controlling common units in the Operating Partnership	53,261	53,737	
TOTAL EQUITY	1,287,709	1,102,866	
TOTAL LIABILITIES AND EQUITY	\$2,234,983	\$2,131,275	

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues				
Office				
Rental	\$39,905	\$29,286	\$75,915	\$56,090
Tenant recoveries	5,988	5,348	11,559	11,097
Parking and other	7,013	3,108	11,492	7,046
Total office revenues	52,906	37,742	98,966	74,233
Media & entertainment				
Rental	5,958	5,417	11,407	11,185
Tenant recoveries	384	323	704	741
Other property-related revenue	2,811	3,708	6,445	8,198
Other	70	200	203	436
Total media & entertainment revenues	9,223	9,648	18,759	20,560
Total revenues	62,129	47,390	117,725	94,793
Operating expenses				
Office operating expenses	18,573	14,079	34,500	27,425
Media & entertainment operating expenses	5,838	6,429	11,843	11,997
General and administrative	6,579	5,186	12,355	10,175
Depreciation and amortization	17,944	14,382	34,612	32,813
Total operating expenses	48,934	40,076	93,310	82,410
Income from operations	13,195	7,314	24,415	12,383
Other expense (income)				
Interest expense	6,445	5,762	12,969	11,354
Interest income	(11	) (90	) (20	) (240
Acquisition-related expenses	—	509	105	509
Other expenses	12	9	13	54
	6,446	6,190	13,067	11,677
Income from continuing operations	6,749	1,124	11,348	706
(Loss) income from discontinued operations	(60	) 883	(126	) 1,618
Impairment loss from discontinued operations	—	(5,435	) —	(5,435
Net loss from discontinued operations	(60	) (4,552	) (126	) (3,817
Net income (loss)	6,689	(3,428	) 11,222	(3,111
Net income attributable to preferred stock and units	(3,195	) (3,231	) (6,395	) (6,462
Net income attributable to restricted shares	(69	) (79	) (138	) (158
Net loss attributable to non-controlling interest in Consolidated Entities	61	291	104	281
Net (income) loss attributable to common units in the Operating Partnership	(121	) 263	(168	) 394
Net income (loss) attributable to Hudson Pacific Properties, Inc. common stockholders	\$3,365	\$(6,184	) \$4,625	\$(9,056
Basic and diluted per share amounts:				
Net income (loss) from continuing operations attributable to common stockholders	0.05	(0.03) \$0.07	\$(0.10

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Net loss from discontinued operations	—	(0.08) —	(0.07)
Net income (loss) attributable to common stockholders' per share—basic and diluted	\$0.05	\$(0.11) \$0.07	\$(0.17)
Weighted average shares of common stock outstanding—basic and diluted	66,485,639	56,075,747	65,063,596	54,140,594	
Dividends declared per share of common stock	\$0.1250	\$0.1250	\$0.2500	\$0.2500	

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net income (loss)	\$6,689	\$(3,428)	) \$11,222	\$(3,111)
Other comprehensive (loss) income: cash flow hedge adjustment	(812)	) 98	(1,364)	) 115
Comprehensive income (loss)	5,877	(3,330)	) 9,858	(2,996)
Comprehensive income attributable to preferred stock and units	(3,195)	) (3,231)	) (6,395)	) (6,462)
Comprehensive income attributable to restricted shares	(69)	) (79)	) (138)	) (158)
Comprehensive loss attributable to non-controlling interest in consolidated real estate entities	61	291	104	281
Comprehensive (income) loss attributable to common units in the Operating Partnership	(93)	) 259	(120)	) 389
Comprehensive income (loss) attributable to Hudson Pacific Properties, Inc. stockholders	\$2,581	\$(6,090)	) \$3,309	\$(8,946)

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

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CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(in thousands, except share and per share amounts)

Hudson Pacific Properties, Inc. Stockholders' Equity

	Shares of Common Stock	Stock Amount	Series B Cumulative Redeemable Preferred Stock	Additional Paid in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Non- controlling Interests Common units in the Operating Partnership	Non-controlling Interest — Members in Consolidated Entities	Total Equity	Non- controlling Interests — Series A Cumulative Redeemable Preferred Units
Balance, January 1, 2013	47,496,732	\$475	\$145,000	\$726,605	\$(30,580)	\$(1,287)	\$55,549	\$1,460	\$897,222	\$12,475
Contributions	—	—	—	—	—	—	—	45,704	45,704	—
Distributions	—	—	—	—	—	—	—	(1,160)	(1,160)	(2,000)
Proceeds from sale of common stock, net of underwriters' discount	9,812,644	98	—	202,444	—	—	—	—	202,542	—
Common stock issuance transaction costs	—	—	—	(577)	—	—	—	—	(577)	—
Issuance of unrestricted stock	5,756	—	—	—	—	—	—	—	—	—
Issuance of restricted stock	44,219	—	—	—	—	—	—	—	—	—
Forfeiture of restricted stock	(3,415)	—	—	—	—	—	—	—	—	—
Shares repurchased	(125,737)	(1)	—	(2,755)	—	—	—	—	(2,756)	—
Declared Dividend	—	—	(12,144)	(28,415)	—	—	(1,192)	—	(41,751)	(749)
Amortization of stock-based compensation	—	—	—	6,682	—	—	—	—	6,682	—
Net income (loss)	—	—	12,144	—	(14,533)	—	(633)	(321)	(3,343)	749
Cash Flow Hedge Adjustment	—	—	—	—	—	290	13	—	303	—

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Balance, December 31, 2013	57,230,199	\$572	\$145,000	\$903,984	\$(45,113)	\$(997)	\$53,737	\$45,683	\$1,102,866	\$10,475
Distributions	—	—	—	—	—	—	—	(1,531)	(1,531)	—
Proceeds from sale of common stock, net of underwriters' discount	9,563,500	96	—	197,372	—	—	—	—	197,468	—
Common stock issuance transaction costs	—	—	—	(653)	—	—	—	—	(653)	—
Redemption of Series A Cumulative Redeemable Preferred Units	—	—	—	—	—	—	—	—	—	(298)
Issuance of unrestricted stock	3,322	—	—	—	—	—	—	—	—	—
Shares repurchased	(2,805)	—	—	—	—	—	—	—	—	—
Declared Dividend	—	—	(6,072)	(16,759)	—	—	(596)	—	(23,427)	(323)
Amortization of stock-based compensation	—	—	—	3,451	—	—	—	—	3,451	—
Net income (loss)	—	—	6,072	—	4,763	—	168	(104)	10,899	323
Cash Flow Hedge Adjustment	—	—	—	—	—	(1,316)	(48)	—	(1,364)	—
Balance, June 30, 2014	66,794,216	\$668	\$145,000	\$1,087,395	\$(40,350)	\$(2,313)	\$53,261	\$44,048	\$1,287,709	\$10,177

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

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

	Six Months Ended June 30,	
	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ 11,222	\$(3,111)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	34,612	33,602
Amortization of deferred financing costs and loan premium, net	178	462
Amortization of stock-based compensation	3,255	3,512
Straight-line rent receivables	(7,294)	(4,702)
Amortization of above-market leases	1,110	1,365
Amortization of below-market leases	(3,950)	(4,127)
Amortization of lease incentive costs	133	37
Bad debt expense	121	(32)
Amortization of ground lease	124	124
Impairment loss	—	5,435
Change in operating assets and liabilities:		
Restricted cash	(932)	3,039
Accounts receivable	26	2,216
Deferred leasing costs and lease intangibles	(4,541)	(9,276)
Prepaid expenses and other assets	(39)	1,683
Accounts payable and accrued liabilities	(2,550)	3,093
Security deposits	(138)	460
Prepaid rent	4,554	(2,789)
Net cash provided by operating activities	35,891	30,991
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to investment property	(51,506)	(38,623)
Property acquisitions	(75,580)	(9,994)
Deposits for property acquisitions	—	(20,000)
Net cash used in investing activities	(127,086)	(68,617)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	92,787	8,720
Payments of notes payable	(170,439)	(61,279)
Proceeds from issuance of common stock	197,468	189,888
Common stock issuance transaction costs	(653)	(392)
Dividends paid to common stock and unit holders	(17,355)	(14,773)
Dividends paid to preferred stock and unit holders	(6,395)	(6,462)
Redemption of 6.25% series A cumulative redeemable preferred units	(298)	—
Distribution to non-controlling member in consolidated real estate entity	(1,531)	—
Repurchase of vested restricted stock	—	(650)
Payment of loan costs	52	—
Net cash provided by financing activities	93,636	115,052
Net increase in cash and cash equivalents	2,441	77,426
Cash and cash equivalents—beginning of period	30,356	18,904
Cash and cash equivalents—end of period	\$32,797	\$96,330

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

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

	Six Months Ended June 30,	
	2014	2013
SUPPLEMENTAL CASH FLOWS INFORMATION:		
Cash paid for interest, net of amounts capitalized	\$ 15,694	\$ 10,954
NON-CASH INVESTING ACTIVITIES:		
Accounts payable and accrued liabilities for investment in property	\$ 5,129	\$ 3,279
Assumption of secured debt in connection with property acquisitions (Notes 3 and 5)	\$ —	\$ 102,299
Non-controlling interest in consolidated real estate entity (Note 3)	\$ —	\$ 45,704
Assumption of other (assets) and liabilities in connection property acquisitions, net (Note 3)	\$ (449	) \$ 3,235

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

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Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements

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

1. Organization

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

Since the completion of the IPO, the concurrent private placement, and the related formation transactions, we have been a fully integrated, self-administered, and self-managed real estate investment trust (“REIT”). Through our controlling interest in Hudson Pacific Properties, L.P. (our “Operating Partnership”) and its subsidiaries, we own, manage, lease, acquire and develop real estate, consisting primarily of office and media and entertainment properties. As of June 30, 2014, we owned a portfolio of 26 office properties and two media and entertainment properties. These properties are located in California and Washington. The results of operations for properties acquired after our IPO are included in our consolidated statements of operations from the date of each such acquisition.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States may have been condensed or omitted pursuant to SEC rules and regulations, although we believe that the disclosures are adequate to make their presentation not misleading. The accompanying unaudited financial statements include, in our opinion, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The results of operations for the interim periods are not necessarily indicative of the results that may be expected for the year ended December 31, 2014. The interim financial statements should be read in conjunction with the consolidated financial statements in our 2013 Annual Report on Form 10-K and the notes thereto. Any reference to the number of properties and square footage are unaudited and outside the scope of our independent registered public accounting firm’s review of our financial statements in accordance with the standards of the United States Public Company Accounting Oversight Board.

Use of Estimates

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

differ from these estimates.

Investment in Real Estate Properties

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

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

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

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

The Company capitalizes direct construction and development costs, including predevelopment costs, interest, property taxes, insurance and other costs directly related and essential to the acquisition, development or construction of a real estate project. Indirect development costs, including salaries and benefits, office rent, and associated costs for those individuals directly responsible for and who spend their time on development activities are also capitalized and allocated to the projects to which they relate. Capitalized personnel costs for the three and six months ended June 30, 2014 were approximately \$0.7 million and \$1.3 million, respectively, and \$0.5 million and \$1.0 million for the three and six months ended June 30, 2013, respectively. Interest is capitalized on the construction in progress at a rate equal to the Company’s weighted average cost of debt. Capitalized interest for the three and six months ended June 30, 2014 was approximately \$1.7 million and \$3.3 million, respectively, and \$0.8 million and \$1.6 million for the three and six months ended June 30, 2013, respectively. Construction and development costs are capitalized while substantial activities are ongoing to prepare an asset for its intended use. The Company considers a construction project as substantially complete and held available for occupancy upon the completion of tenant improvements but no later than one year after cessation of major construction activity. Costs incurred after a project is substantially complete and ready for its intended use, or after development activities have ceased, are expensed as they are incurred. Costs previously capitalized related to abandoned acquisitions or developments are charged to earnings. Expenditures for repairs and maintenance are expensed as they are incurred.

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

Impairment of Long-Lived Assets

The Company assesses the carrying value of real estate assets and related intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impairment losses are recorded on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows estimated to be generated by those assets are less than the assets’

carrying amount. The Company recognizes impairment losses to the extent the carrying amount exceeds the fair value of the properties. Properties held for sale are recorded at the lower of cost or estimated fair value less cost to sell. There is one property held for sale at June 30, 2014 (which is presented as held for sale at December 31, 2013 for comparative purposes) and no properties were held for sale at December 31, 2013. No impairment indicators have been noted during the three and six months ended June 30, 2014 and 2013.

Goodwill

Goodwill represents the excess of acquisition cost over the fair value of net tangible and identifiable intangible assets acquired and liabilities assumed in business combinations. Our goodwill balance as of June 30, 2014 was \$8.8 million. We do not amortize this asset but instead analyze it on an annual basis for impairment. No impairment indicators have been noted during the three and six months ended June 30, 2014 and 2013.

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

Cash and Cash Equivalents

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

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

Restricted Cash

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

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable consist of amounts due for monthly rents and other charges. The Company maintains an allowance for doubtful accounts for estimated losses resulting from tenant defaults or the inability of tenants to make contractual rent and tenant recovery payments. The Company monitors the liquidity and creditworthiness of its tenants and operators on an ongoing basis. This evaluation considers industry and economic conditions, property performance, credit enhancements and other factors. For straight-line rent amounts, the Company's assessment is based on amounts estimated to be recoverable over the term of the lease. At June 30, 2014 and December 31, 2013, the Company has reserved \$0.5 million and \$0.3 million, respectively, of straight-line receivables. The Company evaluates the collectability of accounts receivable based on a combination of factors. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Company's historical collection experience. The Company recognizes an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and the Company's historical experience. Historical experience has been within management's expectations. The Company recognized \$0.121 million and \$(0.032) million of bad debt expense (recovery) for the six months ended June 30, 2014 and 2013, respectively.

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

	June 30, 2014	December 31, 2013
Accounts receivable	\$9,982	\$10,152
Allowance for doubtful accounts	(996	) (1,243
Accounts receivable, net	\$8,986	\$8,909

Revenue Recognition

The Company recognizes rental revenue from tenants on a straight-line basis over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset. If the lease provides for tenant improvements, the Company determines whether the tenant improvements, for accounting purposes, are owned by the tenant or the Company. When the Company is the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is the owner of the tenant improvements, any

tenant improvement allowance that is funded is treated as a lease incentive and amortized as a reduction of revenue over the lease term. Tenant improvement ownership is determined based on various factors including, but not limited to:

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

Certain leases provide for additional rents contingent upon a percentage of the tenant's revenue in excess of specified base amounts or other thresholds. Such revenue is recognized when actual results reported by the tenant, or estimates of tenant

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

results, exceed the base amount or other thresholds. Such revenue is recognized only after the contingency has been removed (when the related thresholds are achieved), which may result in the recognition of rental revenue in periods subsequent to when such payments are received.

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

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

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

Deferred Financing Costs

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

Derivative Financial Instruments

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

The Company held three interest rate contracts as of June 30, 2014 and December 31, 2013, respectively, all of which have been accounted for as cash flow hedges as more fully described in note 6 below.

Stock-Based Compensation

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

Income Taxes

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

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

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

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

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

The Company periodically evaluates its tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. As of June 30, 2014, the Company has not established a liability for uncertain tax positions.

Fair Value of Assets and Liabilities

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

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

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

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

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

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

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

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

marketing period, but the seller marketed the asset or liability to a single market participant, (iii) the seller is in or near bankruptcy or receivership (that is, distressed), or the seller was required to sell to meet regulatory or legal requirements (that is, forced), and (iv) the transaction price is an outlier when compared with other recent transactions for the same or similar assets or liabilities.

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

As of June 30, 2014, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional Amount
Interest Rate Caps	2	\$92.0 million
Interest Rate Swaps	1	\$64.5 million

Non-designated Hedges

For the six months ended June 30, 2014 and 2013, all of the Company's derivatives were designated as cash flow hedges.

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

The table below presents a gross presentation, the effects of offsetting, and a net presentation of the Company's derivatives as of June 30, 2014 and December 31, 2013. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the consolidated balance sheets.

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value as of June 30, 2014	December 31, 2013	Balance Sheet Location	Fair Value as of June 30, 2014	December 31, 2013
Derivatives designated as hedging instruments:						
Interest rate products	Interest rate contracts	\$ 14	\$ 192	Interest rate contracts	\$ 1,370	—
Total		\$ 14	\$ 192		\$ 1,370	—

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

The tables below present the effect of the Company's derivative financial instruments on the Statement of Operations for the six months ended June 30, 2014 and 2013.

Six Months Ended June 30,

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	2014	2013	
Beginning balance of OCI related to interest rate contracts	\$1,162	\$1,465	
Unrealized loss recognized in OCI due to change in fair value of interest rate contracts	1,547	(52)
Loss reclassified from OCI into income (as interest expense)	(183	) (63)
Net change in OCI	1,364	(115)
Ending balance of accumulated OCI related to derivatives	2,526	1,350	
Allocation of OCI, non-controlling interests	(213	) (173)
Accumulated other comprehensive loss	\$2,313	\$1,177	

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

Credit-Risk-Related Contingent Features

As of June 30, 2014, the Company had one derivative that was in a net liability position.

Recently Issued Accounting Literature

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

On June 19, 2014, the FASB issued their final standard to amend the accounting guidance for stock compensation tied to performance targets (ASU No. 2014-12). The issue is the result of a consensus of the FASB Emerging Issues Task Force (Issue No. 13-D). The standard requires that a performance target that could be achieved after the requisite service period be treated as a performance condition, and as a result, this type of performance condition may delay expense recognition until achievement of the performance target is probable. The ASU is effective for all entities for reporting periods (including interim periods) beginning after December 15, 2015, and early adoption is permitted. The Company will adopt the guidance effective January 1, 2016 and the guidance is not expected to have a material impact on our consolidated financial statements or notes to our consolidated financial statements.

On May 28, 2014, the FASB issued their final standard on revenue from contracts with customers. The guidance specifically notes that lease contracts with customers are a scope exception. The standard (ASU No. 2014-09) outlines a single comprehensive model for entities to use in accounting for revenues arising from contracts with customers. The ASU is effective for annual reporting periods (including interim periods), beginning after December 15, 2016, and early adoption is not permitted. The Company will adopt the guidance effective January 1, 2017 and is currently assessing the impact on our consolidated financial statements and notes to our consolidated financial statements.

On April 10, 2014, the FASB issued final guidance to change the criteria for reporting discontinued operations while enhancing disclosures in this area (ASU No. 2014-08). Under the new guidance, only disposals representing a strategic shift that has (or will have) a major effect on an entity’s financial results or a business activity classified as held for sale should be reported as discontinued operations. The guidance also expands the disclosure requirements for discontinued operations and adds new disclosures for individually significant dispositions that do not qualify as discontinued operations. The guidance will be applied prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The guidance is effective for annual financial statements with fiscal years beginning on or after December 15, 2014 with early adoption permitted for disposals or classifications as held for sale that have not been reported in financial statements previously issued or available for issuance. As of January 1, 2014, we have early adopted the amended guidance and the result did not have a meaningful impact on our consolidated financial position or results of operations.

3. Investment in Real Estate

Acquisitions

During the first quarter of 2014, we acquired the following: Merrill Place and 3402 Pico Blvd. The results of operations for each of these acquisitions are included in our consolidated statements of operations from the date of

acquisition. The following table represents our purchase price accounting for each of these acquisitions:

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Notes to Consolidated Financial Statements—(Continued)

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

	Merrill Place February 12, 2014	3402 Pico Blvd February 28, 2014	Total
Date of Acquisition			
Consideration paid			
Cash consideration	\$57,034	\$18,546	\$75,580
Total consideration	\$57,034	\$18,546	\$75,580
Allocation of consideration paid			
Investment in real estate, net	\$57,508	\$18,500	\$76,008
Above-market leases	173	—	173
Deferred leasing costs and lease intangibles, net	3,163	—	3,163
Below-market leases	(3,315)	) —	(3,315)
Other (liabilities) asset assumed, net	(495)	) 46	(449)
Total consideration paid	\$57,034	\$18,546	\$75,580

During 2013, we acquired the following: 3401 Exposition, Pinnacle II, the Seattle portfolio and 1861 Bundy. The results of operations for each of these acquisitions are included in our consolidated statements of operations from the date of acquisition. The following table represents our purchase price accounting for each of these acquisitions:

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

The table below shows the pro forma financial information for the six months ended June 30, 2014 and 2013 as if these properties had been acquired as of January 1, 2013.

	Six Months Ended June 30,	
	2014	2013
Total revenues	\$119,894	\$97,685
Net income (loss)	\$11,386	\$(2,892)

Dispositions

During the quarter ended March 31, 2014, the Company began to market its Tierrasanta office property for sale and therefore, reclassified its assets and liabilities to held for sale as the June 30, 2014 and December 31, 2013. The property was sold on July 16, 2014. Refer to Note 13 for further details. Pursuant to ASU No. 2014-08, we will not be presenting the operating results in net income (loss) from discontinued operations.

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

On May 31, 2013, the Company entered into an agreement to sell its City Plaza property for approximately \$56.0 million (before certain credits, prorations, and closing costs). The transaction closed on July 12, 2013. The transaction resulted in an approximately \$5.6 million impairment loss which was recorded in the second quarter of 2013. The Company reclassified City Plaza's results of operations for the three and six months ended June 30, 2014 and 2013 to discontinued operations on its consolidated statements of operations.

The following table sets forth the discontinued operations for the three and six months ended June 30, 2014 and 2013 for City Plaza:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Total office revenues	\$—	\$1,965	—	3,962
Office operating expenses	(60	) (766	) (126	) (1,555
Depreciation and amortization	—	(316	) —	(789
Loss from discontinued operations	\$(60	) \$883	(126	) 1,618

4. Lease Intangibles

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

	June 30,	December 31,
	2014	2013
Above-market leases	\$12,832	\$16,517
Leases in place	65,490	86,417
Below-market ground leases	7,513	7,513
Other lease intangibles	29,533	37,162
Lease buy-out costs	3,107	3,107
Deferred leasing costs	33,624	29,759
	\$152,099	\$180,475
Accumulated amortization	(44,180	) (69,077
Deferred leasing costs and lease intangibles, net	\$107,919	\$111,398
Below-market leases	\$58,523	\$67,515
Accumulated accretion	(13,717	) (22,076
Below-market leases, net	\$44,806	\$45,439

5. Notes Payable

Senior Unsecured Revolving Credit Facility

On August 3, 2012, we replaced our \$200.0 million secured revolving credit facility with a \$250.0 million unsecured revolving credit facility with a group of lenders for which Wells Fargo Bank, N.A. acts as administrative agent and its affiliate acts as joint lead arranger, Bank of America, N.A. acts as joint lead arranger and, together with Barclays Capital, acts as joint syndication agent, and Keybank, N.A., acts as documentation agent. Our Operating Partnership is the borrower under our new unsecured revolving credit facility. The facility is required to be guaranteed by us and all

of our subsidiaries that own unencumbered properties. The facility includes an accordion feature that allows us to increase the availability by \$150.0 million, to \$400.0 million, under specified circumstances and subject to receiving commitments from lenders.

Our facility bears interest at a rate per annum equal to LIBOR plus 155 basis points to 220 basis points, depending on our leverage ratio. If the Company obtains a credit rating for its senior unsecured long-term indebtedness, it may make an irrevocable election to change the interest rate for the facility to a rate per annum equal to LIBOR plus 100 basis points to 185 basis points, depending on the credit rating. Our facility is subject to a facility fee in an amount equal to our unused commitments multiplied by a rate per annum equal to 25 basis points to 35 basis points, depending on our usage of the facility, or, if we make the credit rating election, in an amount

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

equal to the aggregate amount of our commitments multiplied by a rate per annum equal to 15 basis points to 45 basis points, depending upon the credit rating. The amount available for us to borrow under the facility is subject to compliance with certain covenants, including the following financial covenants:

a maximum leverage ratio (defined as consolidated total indebtedness plus our pro rata share of indebtedness of unconsolidated affiliates to total asset value) of 0.60:1.00;

a minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes, depreciation and amortization (“EBITDA”) plus our pro rata share of EBITDA of unconsolidated affiliates to fixed charges) of 1.50:1.00;

a maximum secured indebtedness leverage ratio (defined as consolidated secured indebtedness plus our pro rata share of secured indebtedness of unconsolidated affiliates to total asset value) of 0.60:1.00 through and including August 3, 2014 and 0.55:1.00 thereafter;

a maximum unencumbered leverage ratio (defined as consolidated unsecured indebtedness plus our pro rata share of unsecured indebtedness of unconsolidated affiliates to total unencumbered asset value) of 0.60:1.00;

a minimum unsecured interest coverage ratio (defined as consolidated net operating income from unencumbered properties plus our pro rata share of net operating income from unencumbered properties to unsecured interest expense) of 1.60:1.00; and

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

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

As of June 30, 2014, we were in compliance with our facility’s financial covenants. As of June 30, 2014, we had \$250.0 million of total capacity under our unsecured revolving credit facility, of which \$80.0 million had been drawn.

The following table sets forth information as of June 30, 2014 with respect to our outstanding indebtedness.

Debt	Outstanding		Interest Rate ⁽¹⁾	Maturity Date
	June 30, 2014	December 31, 2013		
Unsecured Revolving Credit Facility	\$80,000	\$155,000	LIBOR+1.55% to 2.20%	8/3/2016
Mortgage loan secured by 3401 Exposition Boulevard ⁽²⁾	—	13,233	LIBOR+3.80%	6/9/2014
Mortgage loan secured by 6922 Hollywood Boulevard ⁽³⁾	39,915	40,396	5.58%	1/1/2015
Mortgage loan secured by 275 Brannan	15,000	15,000	LIBOR+2.00%	10/5/2015
Mortgage loan secured by Pinnacle II ⁽⁴⁾	87,982	88,540	6.313%	9/6/2016
Mortgage loan secured by 901 Market ⁽⁵⁾	49,600	49,600	LIBOR+2.25%	10/31/2016

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Mortgage loan secured by Element LA ⁽⁶⁾	13,355	566	LIBOR+1.95%	11/1/2017
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽⁷⁾	97,000	97,000	LIBOR+2.25%	2/11/2018
Mortgage loan secured by Rincon Center ⁽⁸⁾	105,128	105,853	5.134%	5/1/2018
Mortgage loan secured by First & King ⁽⁹⁾	95,000	95,000	LIBOR+1.60%	8/31/2018
Mortgage loan secured by Met Park North ⁽¹⁰⁾	64,500	64,500	LIBOR+1.55%	8/1/2020
Mortgage loan secured by First Financial ⁽¹¹⁾	42,775	43,000	4.580%	2/1/2022
Mortgage loan secured by 10950 Washington ⁽¹²⁾	29,083	29,300	5.316%	3/11/2022
Mortgage loan secured by Pinnacle I ⁽¹³⁾	129,000	129,000	3.954%	11/7/2022
Subtotal	\$848,338	\$925,988		
Unamortized loan premium, net ⁽¹⁴⁾	4,186	5,320		
Total	\$852,524	\$931,308		

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

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

(2) This loan was assumed on May 22, 2013 in connection with the closing of our acquisition of the 3401 Exposition Boulevard property. This loan was paid in full in June 2014.

(3) This loan was assumed on November 22, 2011 in connection with the closing of our acquisition of the 6922 Hollywood Boulevard property. This loan is amortizing based on a 30-year amortization schedule.

(4) This loan was assumed on June 14, 2013 in connection with the contribution of the Pinnacle II building to the Company's joint venture with M. David Paul & Associates/Worthe Real Estate Group. This loan bore interest only for the first five years. Beginning with the payment due October 6, 2011, monthly debt service includes annual debt amortization payments based on a 30-year amortization schedule.

(5) On October 29, 2012, we obtained a loan for our 901 Market property pursuant to which we borrowed \$49.6 million upon closing, with the ability to draw up to an additional \$11.9 million for budgeted base building, tenant improvements, and other costs associated with the renovation and lease-up of that property.

(6) We have the ability to draw up to \$65.5 million for budgeted site-work, construction of a parking garage, base building, tenant improvement, and leasing commission costs associated with the renovation and lease-up of the property.

(7) On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50.0 million of the loan through February 11, 2016. On January 11, 2012 we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42.0 million of the loan through February 11, 2016.

(8) Effective August 22, 2013, the terms of this loan were amended to increase the outstanding balance from \$92.0 million to \$97.0 million, reduce the interest rate from LIBOR plus 3.50% to LIBOR plus 2.25%, and extend the maturity date from February 11, 2016 to February 11, 2018.

(9) This loan is amortizing based on a 30-year amortization schedule.

(10) This loan bears interest only for the first two years. Beginning with the payment due August 1, 2015, monthly debt service will include annual debt amortization payments of \$1.6 million based on a 30-year amortization schedule.

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

(12) This loan bears interest only for the first two years. Beginning with the payment due March 1, 2014, monthly debt service will include principal payments based on a 30-year amortization schedule, for total annual debt service of \$2.6 million.

(13) This loan is amortizing based on a 30-year amortization schedule.

(14) This loan bears interest only for the first five years. Beginning with the payment due December 6, 2017, monthly debt service will include annual debt amortization payments based on a 30-year amortization schedule.

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

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

The minimum future annual principal payments due on our secured and unsecured notes payable at June 30, 2014, excluding the non-cash loan premium amortization, were as follows (in thousands):

2014 (six months ending December 31, 2014)	\$2,457
2015	58,569

2016	218,908
2017	16,808
2018	294,104
2019	3,706
Thereafter	253,786
Total	\$848,338

6. Interest Rate Contracts

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

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

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

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Notes to Consolidated Financial Statements—(Continued)

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

The combined fair market value of the interest rate caps at June 30, 2014 and December 31, 2013 was \$0.014 million and \$0.1 million, respectively. The fair market value of the interest rate swap at June 30, 2014 and December 31, 2013 was \$(1.37) million and \$0.137 million, respectively.

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

Our properties are leased to tenants under operating leases with initial term expiration dates ranging from 2014 to 2020. Approximate future combined minimum rentals (excluding tenant reimbursements for operating expenses and without regard to cancellation options) for properties at June 30, 2014 are presented below for the years/periods ended December 31. The table below does not include rents under leases at our media and entertainment properties with terms of one year or less.

2014 (six months ending December 31, 2014)	\$71,671
2015	164,323
2016	160,551
2017	143,446
2018	131,429
2019	119,950
Thereafter	478,497
Total	\$1,269,867

Future Minimum Lease Payments

In conjunction with the acquisition of the Sunset Gower property, our subsidiary, SGS Realty II, LLC, assumed a ground lease agreement (expiring March 31, 2060) for a portion of the land with an unrelated party. As a result of the March 2011 rent adjustment, monthly rent increased to \$0.031 million, whereas the monthly rent totaled \$0.014 million at the time of acquisition. The rental rate is subject to adjustment again in March 2018 and every seven years thereafter.

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

In conjunction with the acquisition of the 9300 Wilshire Boulevard property, our subsidiary, Hudson 9300 Wilshire, LLC, assumed a ground lease (expiring August 14, 2032) with an unrelated party. Minimum rent under the ground lease is \$0.075 million per year (additional rent under this lease of 6% of gross rentals less minimum rent, as defined in such lease, is not included in this amount).

In conjunction with the acquisition of the 222 Kearny Street property, our subsidiary, Hudson 222 Kearny, LLC, assumed a ground lease (expiring June 14, 2054) with an unrelated party. Minimum rent under the ground lease is the greater of \$0.975 million per year or 20.0% of the first \$8.0 million of the tenant's "Operating Income" during any "Lease Year," as such terms are defined in the ground lease. The table below reflects the \$0.975 million per year lease payment.

The following table provides information regarding our future minimum lease payments at June 30, 2014 under these lease agreements.

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2014 (six months ending December 31, 2014)	\$709
2015	1,417
2016	1,417
2017	1,417
2018	1,417
2019	1,417
Thereafter	49,408
Total	\$57,202

8. Fair Value of Financial Instruments

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

	June 30, 2014		December 31, 2013	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Notes payable	\$852,524	\$860,412	\$931,308	\$940,435
Derivative assets, disclosed as “Interest rate contracts”	4	14	192	192
Derivative liabilities, disclosed as “Interest rate contracts”	(1,370)	(1,370)	—	—

9. Equity

Non-controlling Interests

Common units in the Operating Partnership

Common units in the operating partnership consisted of 2,382,563 common units of partnership interests, or common units, not owned by us. Common units and shares of our common stock have essentially the same economic characteristics, as they share equally in the total net income or loss distributions of our operating partnership. Investors who own common units have the right to cause our operating partnership to redeem any or all of their common units for cash equal to the then-current market value of one share of common stock or, at our election, issue shares of our common stock in exchange for common units on a one-for-one basis.

Non-controlling interest—members in consolidated entities

Non-controlling interest—members in consolidated entities refers to our joint venture partner, Media Center Partners, LLC, a California limited liability company (“MCP”), with which we have entered into a joint venture, Hudson MC Partners, LLC, a Delaware limited liability company (the “Pinnacle JV”), to acquire The Pinnacle, a two-building (Pinnacle I and Pinnacle II), 625,640 square-foot office property located in Burbank, California. As of June 30, 2014, we own a 65.0% interest in the Pinnacle JV, which owns the 625,640 square-foot project known as The Pinnacle. As of December 31, 2012 and until the acquisition by the Pinnacle JV of the 231,864 square-foot Pinnacle II building on June 14, 2013, we owned a 98.25% interest in the Pinnacle JV, which owns the 393,776 square-foot Pinnacle I building.

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

6.25% series A cumulative redeemable preferred units of the Operating Partnership are 407,066 series A preferred units of partnership interest in our operating partnership, or series A preferred units, that are not owned by us. These series A preferred units are entitled to preferential distributions at a rate of 6.25% per annum on the liquidation preference of \$25.00 per unit and became convertible at the option of the holder into common units or redeemable into cash or, at our option, exchangeable for registered shares of common stock, after June 29, 2013. In October 2013, one of our series A preferred unit holders required us to redeem 80,000 series A preferred units. We elected to redeem these units for cash equal to the liquidation

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

preference of \$25.00 per unit. As a result of this redemption, our outstanding series A preferred units decreased from 499,014 units outstanding to 419,014 units outstanding. In March 2014, one of our series A preferred unit holders required us to redeem 11,948 series A preferred units. We elected to redeem these units for cash equal to the liquidation preference of \$25.00 per unit. As a result of this redemption, our outstanding series A preferred units decreased from 419,014 units outstanding to the current 407,066 units outstanding as of June 30, 2014. For a description of the conversion and redemption rights of the series A preferred units, please see “Description of the Partnership Agreement of Hudson Pacific Properties, L.P.—Material Terms of Our Series A Preferred Units” in our June 23, 2010 Prospectus.

8.375% Series B cumulative redeemable preferred stock

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

Dividends on our series B preferred stock are cumulative from the date of original issue and payable quarterly on or about the last calendar day of each March, June, September and December, at the rate of 8.375% per annum of its \$25.00 per share liquidation preference (equivalent to \$2.0938 per share per annum). If, following a change of control of the Company, either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the New York Stock Exchange, or NYSE, or quoted on the NASDAQ Stock Market, or NASDAQ (or listed or quoted on a successor exchange or quotation system), holders of our series B preferred stock will be entitled to receive cumulative cash dividends from, and including, the first date on which both the change of control occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, at the increased rate of 12.375% per annum per share of the liquidation preference of our series B preferred stock (equivalent to \$3.09375 per annum per share) for as long as either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted. Except in instances relating to preservation of our qualification as a REIT or in connection with a change of control of the Company, our series B preferred stock is not redeemable prior to December 10, 2015. On and after December 10, 2015, we may redeem our series B preferred stock in whole, at any time, or in part, from time to time, for cash at a redemption price of \$25.00 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption. If at any time following a change of control either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), we will have the option to redeem our series B preferred stock, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed

or quoted, for cash at \$25.00 per share, plus accrued and unpaid dividends, if any, to, but not including, the redemption date. Our series B preferred stock has no maturity date and will remain outstanding indefinitely unless redeemed by us, and it is not subject to any sinking fund or mandatory redemption and is not convertible into any of our other securities. For a full description of the Series B cumulative redeemable preferred stock, please see “Description of our Preferred Stock” in our December 7, 2010 Prospectus.

February 2013 Common Stock Offering

On February 12, 2013, we completed the public offering of 8,000,000 shares of common stock and the exercise of the underwriters’ option to purchase an additional 1,200,000 shares of our common stock at the public offering price of \$21.50 per share. Total proceeds from the public offering, after underwriters’ discount, were approximately \$189.9 million (before transaction costs).

January 2014 Common Stock Offering

On January 28, 2014, we completed the public offering of 8,250,000 shares of common stock and the exercise of the underwriters’ option to purchase an additional 1,237,500 shares of our common stock at the public offering price of \$21.50 per

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

share. Total proceeds from the public offering, after underwriters' discount, were approximately \$195.8 million (before transaction costs).

Dividends

During the second quarter for 2014, we declared dividends on our common stock and non-controlling common partnership interests of \$0.125 per share and unit. We also declared dividends on our series A preferred partnership interests of \$0.3906 per unit. In addition, we declared dividends on our series B preferred shares of \$0.5234 per share. The second quarter dividends were declared on June 10, 2014 to holders of record on June 20, 2014.

Taxability of Dividends

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

Stock-Based Compensation

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

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

The following table summarizes the restricted share activity for the six months ended June 30, 2014 and status of all unvested restricted share awards to our non-employee board members and employees at June 30, 2014:

Non-vested Shares	Shares	Weighted-Average Grant-Date Fair Value
Outstanding at January 1, 2014	541,180	\$19.98
Granted	36,058	22.88
Vested	(32,547	) 17.52
Canceled	(3,108	) 14.48
Outstanding at June 30, 2014	541,583	\$20.35

Six Months Ended June 30,	Non-Vested Shares Issued	Weighted Average Grant - dated Fair Value	Vested Shares	Total Vest-Date Fair Value (in thousands)
2014	36,058	\$22.88	(32,547) \$768

2013	44,219	22.50	(106,045) 2,258
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We recognize the total compensation expense for time-vested shares on a straight-line basis over the vesting period based on the fair value of the award on the date of grant.

Hudson Pacific Properties, Inc. 2012 Outperformance Program

On January 1, 2012, the Compensation Committee of our Board of Directors adopted the Hudson Pacific Properties, Inc. 2012 Outperformance Program ("2012 Outperformance Program"). Participants in the 2012 Outperformance Program may earn, in the aggregate, up to \$10.0 million of stock-settled awards based on our total shareholder return ("TSR") for the three-year period beginning January 1, 2012 and ending December 31, 2014. Under the 2012 Outperformance Program, participants

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

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

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

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

The 2012 Outperformance Program was valued, in accordance with ASC 718, at an aggregate of approximately \$3.49 million utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run 100,000 times. For each simulation, the payoff is calculated at the settlement dates, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the unit on the award date. Assumptions used in the valuations included (1) factors associated with the underlying performance of the Company’s stock price and total shareholder return over the term of the performance awards including total stock return volatility and risk-free interest and (2) factors associated with the relative performance of the Company’s stock price and total shareholder return when compared to the SNL Equity REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an

equity risk premium. The fair value of the 2012 Outperformance Program awards is based on the sum of: (1) the present value of the expected payoff to the awards on the measurement dates, if the TSR over the applicable measurement period exceeds performance hurdles of the absolute and the relative TSR components; and (2) the present value of the distributions payable on the 2012 Outperformance Program awards. The ultimate reward realized on account of the awards by the holders of the 2012 Outperformance Program awards is contingent on the TSR achieved on the measurement dates, both in absolute terms and relative to the TSR of the SNL Equity REIT Index. The per unit fair value of each 2012 Outperformance Program awards was estimated on the date of grant using the following assumptions in the Monte Carlo valuation: expected price volatility for the Company and the SNL Equity REIT index of 36% and 35%, respectively; a risk free rate of 0.40%; and total dividend payments over the measurement period of \$1.62 per share.

Hudson Pacific Properties, Inc. 2013 Outperformance Program

On January 1, 2013, the Compensation Committee of our Board of Directors adopted the Hudson Pacific Properties, Inc. 2013 Outperformance Program ("2013 Outperformance Program"). Participants in the 2013 Outperformance Program may earn, in the aggregate, up to \$11.0 million of stock-settled awards based on our TSR for the three-year period beginning January 1, 2013 and ending December 31, 2015. Under the 2013 Outperformance Program, participants will be entitled to share in a

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

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

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

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

The 2013 Outperformance Program was valued, in accordance with ASC 718, at an aggregate of approximately \$4.14 million utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run 100,000 times. For each simulation, the payoff is calculated at the settlement dates, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the expected value of the unit on the award date. Assumptions used in the valuations included (1) factors associated

with the underlying performance of the Company's stock price and total shareholder return over the term of the performance awards including total stock return volatility and risk-free interest and (2) factors associated with the relative performance of the Company's stock price and total shareholder return when compared to the SNL Equity REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the 2013 Outperformance Program awards is based on the sum of: (1) the present value of the expected payoff to the awards on the measurement dates, if the TSR over the applicable measurement period exceeds performance hurdles of the absolute and the relative TSR components; and (2) the present value of the distributions payable on the 2013 Outperformance Program awards. The ultimate reward realized on account of the awards by the holders of the 2013 Outperformance Program awards is contingent on the TSR achieved on the measurement dates, both in absolute terms and relative to the TSR of the SNL Equity REIT Index. The per unit fair value of each 2013 Outperformance Program awards was estimated on the date of grant using the following assumptions in the Monte Carlo valuation: expected price volatility for the Company and the SNL Equity REIT index of 33% and 25%, respectively; a risk free rate of 0.38%; and total dividend payments over the measurement period of \$1.50 per share.

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

Hudson Pacific Properties, Inc. 2014 Outperformance Program

Effective January 1, 2014, the Compensation Committee of our Board of Directors adopted the Hudson Pacific Properties, Inc. 2014 Outperformance Program ("2014 Outperformance Program"). Participants in the 2014 Outperformance Program may earn, in the aggregate, up to \$12.0 million of stock-settled awards based on our TSR for the three-year period beginning January 1, 2014 and ending December 31, 2016. Under the 2014 Outperformance Program, participants will be entitled to share in a performance pool with a value, subject to the \$12.0 million cap, equal to the sum of: (i) 4% of the amount by which our TSR during the performance period exceeds 9% simple annual TSR (the "absolute TSR component"), plus (ii) 4% of the amount by which our TSR during the performance period exceeds that of the SNL Equity REIT Index (determined on a percentage basis that is then multiplied by the sum of (A) our market capitalization on that date, plus (B) the aggregate per share dividend over the performance period through such date) (the "relative TSR component"), except that the relative TSR component will be reduced on a linear basis from 100% to zero percent for absolute TSR ranging from 7% to zero percent simple annual TSR over the performance period. In addition, the relative TSR component may be a negative value equal to 4% of the amount by which we underperform the SNL Equity REIT Index by more than 3% per year during the performance period (if any). At the end of the three-year performance period, participants who remain employed with us will be paid their percentage interest in the bonus pool as stock awards based on the value of our common stock at the end of the performance period. Half of each such participant's bonus pool interest will be paid in fully vested shares of our common stock and the other half will be paid in RSUs that vest in equal annual installments over the two years immediately following the performance period (based on continued employment) and which carry tandem dividend equivalent rights. However, if the performance period is terminated prior to December 31, 2016 in connection with a change in control, 2014 Outperformance Program awards will be paid entirely in fully vested shares of our common stock immediately prior to the change in control. In addition to these share/RSU payments, each 2014 Outperformance Program award entitles its holder to a cash payment equal to the aggregate dividends that would have been paid during the performance period on the total number of shares and RSUs ultimately issued or granted in respect of such 2014 Outperformance Program award, had such shares and RSUs been outstanding throughout the performance period.

If a participant's employment is terminated without "cause," for "good reason" or due to the participant's death or disability during the performance period (referred to as qualifying terminations), the participant will be paid his or her 2014 Outperformance Program award at the end of the performance period entirely in fully vested shares (except for the performance period dividend equivalent, which will be paid in cash at the end of the performance period). Any such payment will be pro-rated in the case of a termination without "cause" or for "good reason" by reference to the participant's period of employment during the performance period. If we experience a change in control or a participant experiences a qualifying termination of employment, in either case, after December 31, 2016, any unvested RSUs that remain outstanding will accelerate and vest in full upon such event.

The cost of the 2014 Outperformance Program (approximately \$3.21 million, subject to a forfeiture adjustment equal to 10% of the total cost) will be amortized through the final vesting period under a graded vesting expense recognition schedule.

The 2014 Outperformance Program was valued, in accordance with ASC 718, at an aggregate of approximately \$3.21 million utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The Monte Carlo simulation used a statistical formula underlying the Black-Scholes and binomial formulas and such simulation was run 100,000 times. For each simulation, the payoff is calculated at the settlement date, which is then discounted to the award date at a risk-free interest rate. The average of the values over all simulations is the

expected value of the unit on the award date. Assumptions used in the valuations included (1) factors associated with the underlying performance of the Company's stock price and total shareholder return over the term of the performance awards including total stock return volatility and risk-free interest and (2) factors associated with the relative performance of the Company's stock price and total shareholder return when compared to the SNL Equity REIT Index. The valuation was performed in a risk-neutral framework, so no assumption was made with respect to an equity risk premium. The fair value of the 2014 Outperformance Program awards is based on the sum of: (1) the present value of the expected payoff to the awards on the measurement date, if the TSR over the applicable measurement period exceeds performance hurdles of the absolute and the relative TSR components; and (2) the present value of the distributions payable on the awards. The ultimate reward realized on account of the 2014 Outperformance Program awards by the holders of the awards is contingent on the TSR achieved on the measurement date, both in absolute terms and relative to the TSR of the SNL Equity REIT Index. The per unit fair value of each 2014 Outperformance Program award was estimated on the date of grant using the following assumptions in the Monte Carlo valuation: expected price volatility for the Company and the SNL Equity REIT index of 28% and 26%, respectively; a risk free rate of 0.77%; and total dividend payments over the measurement period of \$1.50 per share.

Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

For the six months ended June 30, 2014 and 2013, \$3.5 million and \$3.6 million, respectively, of non-cash compensation expense for all stock compensation was recognized as additional paid-in capital, of which \$3.3 million and \$3.5 million, respectively, was included in general and administrative expenses, with the remaining \$0.2 million and \$0.1 million, respectively, of stock compensation capitalized to tenant improvement and deferred leasing costs and lease intangibles, net.

10. Related Party Transactions

Effective July 31, 2012, we consented to the assignment of a lease with a tenant of our 222 Kearny Street property to its subtenant, FJM Investments, LLC. The lease comprises approximately 3,708 square feet of the property's space and has a remaining term through May 31, 2014. On March 26, 2014, we agreed to a renewal of the lease assignment to FJM Investments, LLC for an additional one-year term commencing on June 1, 2014 through May 31, 2015. The rental obligation under the lease for the term is \$0.148 million. FJM Investments, LLC was co-founded by and is co-owned by one of our independent directors, Robert M. Moran, Jr.

11. Commitments and Contingencies

Legal

From time to time, the Company is party to various lawsuits, claims and other legal proceedings arising out of, or incident to, our ordinary course of business. Management believes, based in part upon consultation with legal counsel, that the ultimate resolution of all such claims will not have a material adverse effect on the Company's results of operations, financial position or cash flows. As of June 30, 2014, the risk of material loss from such legal actions impacting the Company's financial condition or results from operations has been assessed as remote.

Concentrations

As of June 30, 2014, the majority of the Company's properties were located in California, which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio. Further, for the six months ended June 30, 2014 and 2013, approximately 16% and 22%, respectively, of the Company's revenues were derived from tenants in the media and entertainment industry, which makes the Company susceptible to demand for rental space in such industry. Consequently, the Company is subject to the risks associated with an investment in real estate with a concentration of tenants in that industry.

12. Segment Reporting

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

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

Summary information for the reportable segments for the six months ended June 30, 2014 is as follows:

	Office Properties	Media and Entertainment Properties	Total
Revenue	\$98,966	\$18,759	\$117,725
Operating expenses	34,500	11,843	46,343
Net operating income	\$64,466	\$6,916	\$71,382

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

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Hudson Pacific Properties, Inc.

Notes to Consolidated Financial Statements—(Continued)

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

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

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

	June 30, 2014	June 30, 2013
Net operating income	\$71,382	\$55,371
General and administrative	(12,355)	(10,175)
Depreciation and amortization	(34,612)	(32,813)
Interest expense	(12,969)	(11,354)
Interest income	20	240
Acquisition-related expenses	(105)	(509)
Other expense	(13)	(54)
Income from continuing operations	\$11,348	\$706

There were no inter-segment sales or transfers during either of the six months ended June 30, 2014 and 2013.

13. Subsequent Events

Tierrasanta Disposition

On April 23, 2014, the Company entered into an agreement to sell its Tierrasanta property for \$19.5 million (before certain credits, prorations, and closing costs) for a gain. The transaction closed on July 16, 2014. Proceeds from the disposition were used toward the acquisition of the Merrill Place property in Seattle, Washington pursuant to a like-kind reverse exchange under Internal Revenue Code Section 1031. Tierrasanta is a 112,300 rentable square-foot office building located in San Diego, California, that was acquired by the Company in connection with its June 29, 2010 initial public offering.

Leasing Activities

On July 31, 2014, the Company entered a new 15-year lease with Saks & Company, a leading operator of high-end department stores throughout the United States, for 40,558 square feet of its remaining retail available space at its 901 Market Street property. Commencement of the lease is scheduled for the second quarter 2015.

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

Forward-Looking Statements

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

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

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

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

Historical Results of Operations

This Quarterly Report on Form 10-Q for Hudson Pacific Properties, Inc. for the six months ended June 30, 2014 represents an update to the more detailed and comprehensive disclosures included in our Annual Report on form 10-K for the year ended December 31, 2013. Accordingly, you should read the following discussion in conjunction with the information included in our Annual Report on form 10-K for the year ended December 31, 2013 as well as the unaudited financial statements included elsewhere in this Quarterly Report on Form 10-Q.

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

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

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Overview

The following table identifies each of the properties in our portfolio acquired through June 30, 2014 and their date of acquisition.

Properties	Acquisition/Completion Date	Square Feet
875 Howard Street	2/15/2007	286,270
Sunset Gower	8/17/2007	543,709
Sunset Bronson	1/30/2008	313,723
Technicolor Building	6/1/2008	114,958
First Financial	6/29/2010	222,423
Tierrasanta	6/29/2010	112,300
Del Amo Office	8/13/2010	113,000
9300 Wilshire Boulevard	8/24/2010	61,224
222 Kearny Street	10/8/2010	148,797
1455 Market	12/16/2010	1,025,833
Rincon Center	12/16/2010	580,850
10950 Washington	12/22/2010	159,024
604 Arizona	7/26/2011	44,260
275 Brannan	8/19/2011	54,673
625 Second Street	9/1/2011	138,080
6922 Hollywood Boulevard	11/22/2011	205,523
6050 Ocean Way & 1445 N. Beachwood Drive	12/16/2011	20,761
10900 Washington	4/5/2012	9,919
901 Market Street	6/1/2012	206,199
Element LA	9/5/2012	247,545
1455 Gordon Street	9/21/2012	6,000
Pinnacle I ⁽¹⁾	11/8/2012	393,777
3401 Exposition	5/22/2013	63,376
Pinnacle II ⁽¹⁾	6/14/2013	231,864
First & King	7/31/2013	472,223
Met Park North	7/31/2013	190,748
Northview	7/31/2013	182,009
1861 Bundy	9/26/2013	36,492
Merrill Place	2/12/2014	193,153
3402 Pico Blvd	2/28/2014	39,136
Total		6,417,849

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

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

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Comparison of the three months ended June 30, 2014 to the three months ended June 30, 2013

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and parking and other revenue. Total office revenues increased \$15.2 million, or 40.2%, to \$52.9 million for the three months ended June 30, 2014 compared to \$37.7 million for the three months ended June 30, 2013. The period-over-period changes in the items that comprise total revenue are primarily attributable to the factors discussed below.

Office Rental Revenue. Total office rental revenue increased \$10.6 million, or 36.3%, to \$39.9 million for the three months ended June 30, 2014 compared to \$29.3 million for the three months ended June 30, 2013. The increase in rental revenue was primarily the result of the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014. During the three months ended June 30, 2014, we renewed six office leases encompassing approximately 16,345 rentable square feet. The weighted average initial stabilized cash rents for those renewed leases were 4.0% above the expiring cash rents for the same space and the weighted average initial straight-line rents on those renewed leases were 8.9% above the expiring straight-line rents for the same space.

Office Tenant Recoveries. Office tenant recoveries increased \$0.6 million, or 12.0%, to \$6.0 million for the three months ended June 30, 2014 compared to \$5.3 million for the three months ended June 30, 2013. The increase in tenant recoveries was primarily the result of the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014.

Office Parking and Other Revenue. Office parking and other revenue increased \$3.9 million, or 125.6%, to \$7.0 million for the three months ended June 30, 2014 compared to \$3.1 million for the three months ended June 30, 2013. The increase in parking and other revenue was primarily the result of the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014. The increase also reflects the impact of an early lease termination payment from Fox Interactive Media, Inc. at our 625 Second Street project of approximately \$1.6 million (after the write-off of non-cash items).

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue and other revenue. Total media and entertainment revenues decreased \$0.4 million, or 4.4%, to \$9.2 million for the three months ended June 30, 2014 compared to \$9.6 million for the three months ended June 30, 2013. The period-over-period changes in the items that comprise total revenue are primarily attributable to the factors discussed below.

Media & Entertainment Rental Revenue. Total media and entertainment rental revenue increased \$0.5 million, or 10.0%, to \$6.0 million for the three months ended June 30, 2014 compared to \$5.4 million for the three months ended June 30, 2013. The increase was primarily the result of higher occupancy at our Sunset Bronson media and entertainment property.

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat for the three months ended June 30, 2014 compared to the three months ended June 30, 2013.

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is derived from tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and Internet). Total other property-related revenue decreased \$0.9 million, or 24.2%, to \$2.8 million for the three months ended

June 30, 2014 compared to \$3.7 million for the three months ended June 30, 2013. The decrease was primarily the result of lower production activity at the Sunset Gower media and entertainment property compared to the same quarter a year ago.

Media & Entertainment Other Revenue. Other revenue includes service-related revenue, including the rental of certain sound recording equipment at our media and entertainment properties. Total other revenue remained relatively flat for the three months ended June 30, 2014 compared to the three months ended June 30, 2013.

Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as property- and corporate-level general and administrative expenses, other property-related expenses, management fees and depreciation and

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amortization. Total operating expenses increased by \$8.9 million, or 22.1%, to \$48.9 million for the three months ended June 30, 2014 compared to \$40.1 million for the three months ended June 30, 2013. This increase in total operating expenses reflects the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$4.5 million, or 31.9%, to \$18.6 million for the three months ended June 30, 2014 compared to \$14.1 million for the three months ended June 30, 2013. The increase in operating expenses was primarily the result of the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses decreased \$0.6 million, or 9.2%, to \$5.8 million for the three months ended June 30, 2014 compared to \$6.4 million for the three months ended June 30, 2013. The decrease was primarily the result of lower production activity at the Sunset Gower media and entertainment property compared to the same quarter a year ago.

General and Administrative Expenses. General and administrative expenses includes wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items. General and administrative expenses increased \$1.4 million, or 26.9%, to \$6.6 million for the three months ended June 30, 2014 compared to \$5.2 million for the three months ended June 30, 2013. The increase in general and administrative expenses was primarily due to the adoption of the 2014 Outperformance Program, the costs associated with a one-year consulting arrangement with a former executive, and increased staffing to meet operational needs stemming from growth through the acquisitions of office properties.

Depreciation and Amortization. Depreciation and amortization expense increased \$3.6 million, or 24.8%, to \$17.9 million for the three months ended June 30, 2014 compared to \$14.4 million for the three months ended June 30, 2013. The increase was primarily the result of the depreciation and amortization related to the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014.

Other Expense (Income)

Interest Expense. Interest expense increased \$0.7 million, or 11.9%, to \$6.4 million for the three months ended June 30, 2014 compared to \$5.8 million for the three months ended June 30, 2013. At June 30, 2014, we had \$852.5 million of notes payable compared to \$637.1 million at June 30, 2013. The increase was primarily due to interest expense on the increase in indebtedness associated with our 275 Brannan property, the indebtedness associated with the Pinnacle II building acquired on June 14, 2013, the indebtedness associated with the acquisition of the Seattle Portfolio, the indebtedness associated with the redevelopments of our Element LA property, and amounts outstanding under our unsecured revolving credit facility, all partially offset by interest savings related to our repayment of indebtedness associated with our 625 Second Street property on November 1, 2013.

Acquisition-related expenses. Acquisition-related expenses decreased \$0.5 million, or 100.0%, to \$0.0 million for the three months ended June 30, 2014 compared to \$0.5 million for the three months ended June 30, 2013. The decrease was the result of lower acquisition activity compared to the same quarter a year ago.

Net Income

Net income for the three months ended June 30, 2014 was \$6.7 million compared to net loss of \$3.4 million for the three months ended June 30, 2013. The increase was primarily due to higher office operating revenues resulting from

the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014, lower media and entertainment operating expenses and lower acquisition-related expenses, all partially offset by lower media and entertainment operating revenues, higher office operating expenses, higher general and administrative expenses, higher depreciation and amortization, and higher interest expense, all as described above.

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Comparison of the six months ended June 30, 2014 to the six months ended June 30, 2013

Revenue

Total Office Revenue. Total office revenue consists of rental revenue, tenant recoveries, and parking and other revenue. Total office revenues increased \$24.7 million, or 33.3%, to \$99.0 million for the six months ended June 30, 2014 compared to \$74.2 million for the six months ended June 30, 2013. The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Office Rental Revenue. Total office rental revenue increased \$19.8 million, or 35.3%, to \$75.9 million for the six months ended June 30, 2014 compared to \$56.1 million for the six months ended June 30, 2013. The increase reflects the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014. During the six months ended June 30, 2014, we renewed 10 office leases encompassing approximately 37,987 rentable square feet. The weighted average initial stabilized cash rents for those renewed leases were 11.8% above the expiring cash rents for the same space and the weighted average initial straight-line rents on those renewed leases were 18.3% above the expiring straight-line rents for the same space.

Office Tenant Recoveries. Office tenant recoveries increased \$0.5 million, or 4.2%, to \$11.6 million for the six months ended June 30, 2014 compared to \$11.1 million for the six months ended June 30, 2013. The increase in tenant recoveries was primarily the result of operating results from the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014, partially offset by a decrease in tenant recoveries stemming from the early terminations of the lease with Bank of America at our 1455 Market Street property.

Office Parking and Other Revenue. Office parking and other revenue increased \$4.4 million, or 63.1%, to \$11.5 million for the six months ended June 30, 2014 compared to \$7.0 million for the six months ended June 30, 2013. The increase in parking and other revenue was primarily the result of operating results from the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014, together with an early lease termination payment from Fox Interactive Media, Inc. at our 625 Second Street project of approximately \$1.6 million (after the write-off of non-cash items), compared to an early lease termination payment from Bank of America relating to the Company's 1455 Market Street property of \$1.1 million (after the write-off of non-cash items).

Total Media & Entertainment Revenue. Total media and entertainment revenue consists of rental revenue, tenant recoveries, other property-related revenue and other revenue. Total media and entertainment revenues decreased \$1.8 million, or 8.8%, to \$18.8 million for the six months ended June 30, 2014 compared to \$20.6 million for the six months ended June 30, 2013. The period-over-period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

Media & Entertainment Rental Revenue. Total media and entertainment rental revenue remained relatively flat for the six months ended June 30, 2014 compared to the six months ended June 30, 2013.

Media & Entertainment Tenant Recoveries. Tenant recoveries remained relatively flat for the six months ended June 30, 2014 compared to the six months ended June 30, 2013.

Media & Entertainment Other Property-Related Revenue. Other property-related revenue is derived from the tenants' rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and Internet). Total other property-related revenue decreased \$1.8 million, or 21.4%, to \$6.4 million for the six months ended

June 30, 2014 compared to \$8.2 million for the six months ended June 30, 2013. The decrease in other property-related revenue resulted from lower production activity at our Sunset Gower media and entertainment property compared to the same period a year ago.

Media & Entertainment Other Revenue. Other revenue includes service-related revenue, including the rental of certain sound recording equipment at our media and entertainment properties. Total other revenue remained relatively flat for the six months ended June 30, 2014 compared to the six months ended June 30, 2013.

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Operating Expenses

Total Operating Expenses. Total operating expenses consist of property operating expenses, as well as property- and corporate-level general and administrative expenses, other property-related expenses, management fees and depreciation and amortization. Total operating expenses increased by \$10.9 million, or 13.2%, to \$93.3 million for the six months ended June 30, 2014 compared to \$82.4 million for the six months ended June 30, 2013. This increase in total operating expenses reflects the factors discussed below.

Office Operating Expenses. Office operating expenses increased \$7.1 million, or 25.8%, to \$34.5 million for the six months ended June 30, 2014 compared to \$27.4 million for the six months ended June 30, 2013. The increase in operating expenses was primarily the result of operating results from the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014.

Media & Entertainment Operating Expenses. Media and entertainment operating expenses remained relatively flat for the six months ended June 30, 2014 compared to the six months ended June 30, 2013. Operating expenses for the first six months of 2013 reflect a property tax reimbursement resulting from the reassessment of the Sunset Gower media and entertainment property of \$0.8 million, with no comparable activity in the first six months of 2014. If this property tax reimbursement is disregarded, media and entertainment operating expenses would have decreased \$1.0 million, or 7.4%, to \$11.8 million for the six months ended June 30, 2014 compared to \$12.8 million for the six months ended June 30, 2013. The decrease was primarily the result of lower production activity at the Sunset Gower media and entertainment property compared to the same period a year ago.

General and Administrative Expenses. General and administrative expenses includes wages and salaries for corporate-level employees, accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items. General and administrative expenses increased \$2.2 million, or 21.4%, to \$12.4 million for the six months ended June 30, 2014 compared to \$10.2 million for the six months ended June 30, 2013. The increase in general and administrative expenses was primarily due to the adoption of the 2014 Outperformance Program, the costs associated with a one-year consulting arrangement with a former executive, and increased staffing to meet operational needs stemming from growth through the acquisitions of office properties.

Depreciation and Amortization. Depreciation and amortization expense increased \$1.8 million, or 5.5%, to \$34.6 million for the six months ended June 30, 2014 compared to \$32.8 million for the six months ended June 30, 2013. The increase was primarily the result of the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014.

Other Expense (Income)

Interest Expense. Interest expense increased \$1.6 million, or 14.2%, to \$13.0 million for the six months ended June 30, 2014 compared to \$11.4 million for the six months ended June 30, 2013. At June 30, 2014, we had \$852.5 million of notes payable, compared to \$637.1 million at June 30, 2013. The increase was primarily due to interest expenses for a full six months on the indebtedness associated with our 275 Brannan property, the indebtedness associated with the Pinnacle II building acquired on June 14, 2013, the indebtedness associated with the acquisition of the Seattle Portfolio, the indebtedness associated with the redevelopments of our Element LA property, and amounts outstanding under our unsecured revolving credit facility, all partially offset by interest savings related to our repayment of indebtedness associated with our 625 Second Street property on November 1, 2013.

Acquisition-related expenses. Acquisition-related expenses decreased \$0.4 million, or 79.4%, to \$0.1 million for the six months ended June 30, 2014 compared to \$0.5 million for the six months ended June 30, 2013 as a result of lower acquisition activity compared to the same quarter a year ago.

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Net Income

Net income for the six months ended June 30, 2014 was \$11.2 million compared to net loss of \$3.1 million for the six months ended June 30, 2013. The increase was primarily attributable to higher office operating revenues resulting from the acquisition of the Pinnacle II building by our joint venture with MDP/Worthe on June 14, 2013, our acquisition of the Seattle portfolio on July 31, 2013, and our acquisition of the Merrill Place property on February 12, 2014, lower media and entertainment operating expenses and lower acquisition-related expenses, all partially offset by lower media and entertainment operating revenues, higher office operating expenses, higher general and administrative expenses, higher depreciation and amortization, and higher interest expense, all as described above.

Liquidity and Capital Resources

Analysis of Liquidity and Capital Resources

We had approximately \$32.8 million of cash and cash equivalents at June 30, 2014. In addition, the lead arrangers for our unsecured revolving credit facility have secured commitments that will allow borrowings of up to \$250.0 million to the extent our unencumbered pool properties support such borrowings. As of June 30, 2014, we had \$250.0 million of total capacity under our unsecured revolving credit facility, of which \$80.0 million had been drawn. We also have an at-the-market, or ATM, equity offering program that allows us to sell up to \$125.0 million of shares of our common stock, \$14.5 million of which has been sold as of June 30, 2014.

We intend to use the unsecured revolving credit facility and ATM program, among other things, to finance the acquisition of other properties, to provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purposes.

Based on the closing price of our common stock of \$25.34 as of June 30, 2014, our ratio of debt to total market capitalization was approximately 31.1% (counting series A preferred units as debt) as of June 30, 2014. Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including restricted stock that we may issue to certain of our directors and executive officers, plus the aggregate value of common units not owned by us, plus the liquidation preference of outstanding series A preferred units and series B preferred stock, plus the book value of our total consolidated indebtedness.

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

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

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

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Cash Flows

Comparison of six months ended June 30, 2014 to six months ended June 30, 2013 is as follows (in thousands):

	Six Months Ended June 30,				
	2014	2013	Dollar Change	Percentage Change	
Net cash provided by operating activities	\$35,891	\$30,991	\$4,900	15.8	%
Net cash used in investing activities	(127,086	) (68,617	) (58,469	) 85.2	%
Net cash provided by financing activities	93,636	115,052	(21,416	) (18.6)%

Cash and cash equivalents were \$32.8 million and \$30.4 million at June 30, 2014 and December 31, 2013, respectively.

Operating Activities

Net cash provided by operating activities increased by \$4.9 million to \$35.9 million for the six months ended June 30, 2014 compared to \$31.0 million for the six months ended June 30, 2013. The increase was primarily attributable to an increase in cash NOI, as defined, from our office properties, primarily from the acquisitions of the Pinnacle II on June 14, 2013, respectively, and the acquisition of the Seattle portfolio on July 31, 2013. In addition, the increase was also attributable to an increase in prepaid rent and decrease in payment of leasing costs associated with leases signed at 1455 Market, Rincon and 275 Brannan partially offset by a decrease in restricted cash, an increase accounts receivable, a decrease in accounts payable, compared to the six months ended June 30, 2013.

Investing Activities

Net cash used in investing activities increased \$58.5 million to \$127.1 million for the six months ended June 30, 2014 compared to \$68.6 million for six months ended June 30, 2013. The increase was primarily attributable to the increase in acquisition activities during the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 and an increase in capital and tenant improvement-related expenditures at some of our office and development properties.

Financing Activities

Net cash provided by financing activities decreased \$21.4 million to \$93.6 million for the six months ended June 30, 2014 compared to \$115.1 million for the six months ended June 30, 2013. The decrease was due to an increase in repayment of debt and an increase in dividends paid to common stock and unit holder as compared to the six months ended June 30, 2013. This was offset by an increase in the total proceeds generated by the issuance of common equity securities, after underwriters' discounts, of approximately \$197.5 million (before transaction costs) in 2014, compared to the issuance of equity securities generating total proceeds, after underwriters' discounts, of approximately \$189.9 million (before transaction costs) in 2013.

Indebtedness

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

As of June 30, 2014, we had outstanding notes payable of \$848.3 million (before loan premium), of which \$414.5 million, or 48.9%, was variable rate debt. \$156.5 million of the variable rate debt is subject to the interest rate contracts described in footnotes 7 and 10 in the table below.

The following table sets forth information as of June 30, 2014 with respect to our outstanding indebtedness (in thousands).

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Debt	Outstanding		Interest Rate ⁽¹⁾	Maturity Date
	June 30, 2014	December 31, 2013		
Unsecured Revolving Credit Facility	\$ 80,000	\$ 155,000	LIBOR+1.55% to 2.20%	8/3/2016
Mortgage loan secured by 3401 Exposition Boulevard ⁽²⁾	—	13,233	LIBOR+3.80%	6/9/2014
Mortgage loan secured by 6922 Hollywood Boulevard ⁽³⁾	39,915	40,396	5.58%	1/1/2015
Mortgage loan secured by 275 Brannan	15,000	15,000	LIBOR+2.00%	10/5/2015
Mortgage loan secured by Pinnacle II ⁽⁴⁾	87,982	88,540	6.313%	9/6/2016
Mortgage loan secured by 901 Market ⁽⁵⁾	49,600	49,600	LIBOR+2.25%	10/31/2016
Mortgage loan secured by Element LA ⁽⁶⁾	13,355	566	LIBOR+1.95%	11/1/2017
Mortgage loan secured by Sunset Gower/Sunset Bronson ⁽⁷⁾	97,000	97,000	LIBOR+2.25%	2/11/2018
Mortgage loan secured by Rincon Center ⁽⁸⁾	105,128	105,853	5.134%	5/1/2018
Mortgage loan secured by First & King ⁽⁹⁾	95,000	95,000	LIBOR+1.60%	8/31/2018
Mortgage loan secured by Met Park North ⁽¹⁰⁾	64,500	64,500	LIBOR+1.55%	8/1/2020
Mortgage loan secured by First Financial ⁽¹¹⁾	42,775	43,000	4.58%	2/1/2022
Mortgage loan secured by 10950 Washington ⁽¹²⁾	29,083	29,300	5.316%	3/11/2022
Mortgage loan secured by Pinnacle I ⁽¹³⁾	129,000	129,000	3.954%	11/7/2022
Subtotal	\$ 848,338	\$ 925,988		
Unamortized loan premium, net ⁽¹⁴⁾	4,186	5,320		
Total	\$ 852,524	\$ 931,308		

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

(2) This loan was assumed on May 22, 2013 in connection with the closing of our acquisition of the 3401 Exposition Boulevard property. This loan was paid in full in June 2014.

(3) This loan was assumed on November 22, 2011 in connection with the closing of our acquisition of the 6922 Hollywood Boulevard property. This loan is amortizing based on a 30-year amortization schedule.

(4) This loan was assumed on June 14, 2013 in connection with the contribution of the Pinnacle II building to the Company's joint venture with M. David Paul & Associates/Worthe Real Estate Group. This loan bore interest only for the first five years. Beginning with the payment due October 6, 2011, monthly debt service includes annual debt amortization payments based on a 30-year amortization schedule.

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

(6) We have the ability to draw up to \$65,500 for budgeted site-work, construction of a parking garage, base building, tenant improvement, and leasing commission costs associated with the renovation and lease-up of the property.

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

(8) This loan is amortizing based on a 30-year amortization schedule.

(9)

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

This loan bears interest only at a rate equal to one-month LIBOR plus 1.55%. The full loan amount is subject to (10) an interest rate contract that swapped one-month LIBOR to a fixed rate of 2.1644% through the loan's maturity on August 1, 2020.

This loan bears interest only for the first two years. Beginning with the payment due March 1, 2014, monthly debt (11) service will include principal payments based on a 30-year amortization schedule, for total annual debt service of \$2,639.

(12) This loan is amortizing based on a 30-year amortization schedule.

(13) This loan bears interest only for the first five years. Beginning with the payment due December 6, 2017, monthly debt service will include annual debt amortization payments based on a 30-year amortization schedule.

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

Contractual Obligations and Commitments

During the second quarter of 2014, there were no material changes outside the ordinary course of business in the information regarding specified contractual obligations contained in our Annual Report on Form 10-K for the year ended December 31, 2013.

Off-Balance Sheet Arrangements

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

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Critical Accounting Policies

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

In addition, we identified certain critical accounting policies that affect certain of our more significant estimates and assumptions used in preparing our consolidated financial statements in our 2013 Annual Report on Form 10-K. We have not made any material changes to these policies during the periods covered by this Report.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan initially bore interest at a rate equal to one-month LIBOR plus 3.50%. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% on \$50.0 million of the loan through its original maturity of February 11, 2016. On January 11, 2012 we purchased an interest rate cap in order to cap one-month LIBOR at 2.00% with respect to \$42.0 million of the loan through its original maturity of February 11, 2016. Effective August 22, 2013, the terms of this loan were amended to increase the outstanding balance from \$92.0 million to \$97.0 million, reduce the interest rate from LIBOR plus 3.50% to LIBOR plus 2.25%, and extend the maturity date from February 11, 2016 to February 11, 2018. The interest rate contracts described above were not changed in connection with this loan amendment.

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

Our unsecured revolving credit facility, as well as the loans on each of our 901 Market, 275 Brannan, First & King, and Element LA properties, are not subject to interest rate hedges. As of June 30, 2014, we had \$80.0 million drawn under our unsecured revolving credit facility.

With respect to the \$80.0 million on our unsecured revolving credit facility, the \$97.0 million loan on our Sunset Gower and Sunset Bronson media and entertainment properties (\$5.0 million of which is not subject to an interest rate contract), the \$49.6 million loan on our 901 Market property, the \$15.0 million loan on our 275 Brannan property, the \$95.0 million loan on our First & King property, and the \$13.4 million loan on our Element LA property, if one-month LIBOR as of June 30, 2014 was to increase by 100 basis points, or 1.0%, the resulting increase in annual interest expense would impact our future earnings and cash flows by \$3.5 million.

As of June 30, 2014, we had outstanding notes payable of \$848.3 million (before loan premium), of which \$414.5 million, or 48.9%, was variable rate debt. \$92.0 million of the variable rate debt is subject to the interest rate contracts

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described in footnote 7 to the table above, another \$64.5 million of the variable rate debt is subject to the interest rate contract described in footnote 10 to the table above, and \$433.9 million of which was fixed rate secured mortgage loans. As of June 30, 2014, the estimated fair value of our fixed rate secured mortgage loans was \$441.8 million. The estimated fair value of our variable rate debt equals the carrying value.

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ITEM 4. CONTROLS AND PROCEDURES

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

As of June 30, 2014, the end of the period covered by this Report, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, regarding the effectiveness of our disclosure controls and procedures at the end of the period covered by this Report. Based on the foregoing, our Chief Executive Officer and Chief Financial Officer concluded, as of that time, that our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in reports filed or submitted under the Exchange Act (i) is processed, recorded, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow for timely decisions regarding required disclosure.

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

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, we are party to various lawsuits, claims and other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings that we believe to be material or that, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operation if determined adversely to us. As of June 30, 2014, the risk of material loss from such legal actions impacting the Company's financial condition or results from operations has been assessed as remote.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors included in the section entitled "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2013. Please review the Risk Factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2013.

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

(a)Recent Sales of Unregistered Securities: None

(b)Use of Proceeds from Registered Securities: None

(c)Purchases of Equity Securities by the Issuer and Affiliated Purchasers:

The following shares of common stock were withheld to satisfy applicable tax withholding obligations upon the vesting of share-based awards, as permitted under our and our operating partnership's 2010 Incentive Award Plan:

2,805 shares of common stock, at a weighted average price of \$25.41 per share, during June 2014.

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ITEM 3. DEFAULTS UPON SENIOR SECURITIES.

None.

ITEM 4. MINE SAFETY DISCLOSURES.

None.

ITEM 5. OTHER INFORMATION.

The Compensation Committee, or the Committee, of our Board of Directors recently engaged in a review of our annual cash incentive compensation program, with the assistance of its independent compensation consultant, FTI Consulting. On August 4, 2014, the Committee approved a 2014 bonus program, or the 2014 Bonus Program, applicable to our named executive officers, or the named executives.

Bonus Program

The Committee approved the 2014 Bonus Program, which ties the named executives' annual cash bonuses closely to our financial performance. Each named executive is eligible to participate in the 2014 Bonus Program.

Under the 2014 Bonus Program, the named executives will be eligible to earn annual cash bonuses based on our achievement in 2014 of performance goals relating to (i) funds from operations per share; (ii) stabilized office portfolio leased percentage; and (iii) either 12-month absolute total shareholder return or 12-month relative total shareholder return as compared to the Office REIT Index, whichever is greater, as well as based on the achievement of goals related to our performance and/or the named executive's individual performance. In determining each named executive's actual annual cash bonus under the 2014 Bonus Program, the goals will be weighted as follows:

Criteria	Weighting
Funds from operations per share	40%
Stabilized office portfolio leased percentage	20%
12-month total shareholder return (either absolute or relative)	20%
Discretionary	20%

In addition, the Committee approved threshold, target and maximum annual cash bonuses for each named executive based on a percentage of the named executive's base salary actually paid in 2014, as set forth below:

Executive	Threshold Bonus	Target Bonus	Maximum Bonus
Victor Coleman	100%	150%	200%
Mark Lammas	75%	112.5%	150%
Chris Barton	75%	100%	125%
Alex Vouvalides	75%	100%	125%
Dale Shimoda	75%	100%	125%

The named executive must be employed by us through the date on which we pay annual cash bonuses under the 2014 Bonus Program in order to be eligible to receive an annual cash bonus under the program.

ITEM 6. EXHIBITS.

Description

Exhibit
Number

- 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⁾

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3.3	Form of Articles Supplementary of Hudson Pacific Properties, Inc. ⁽⁹⁾
4.1	Form of Certificate of Common Stock of Hudson Pacific Properties, Inc. ⁽⁵⁾
4.2	Form of Certificate of Series B Preferred Stock of Hudson Pacific Properties, Inc. ⁽⁹⁾
10.1	Form of Second Amended and Restated Agreement of Limited Partnership of Hudson Pacific Properties, L.P. ⁽⁹⁾
10.2	Registration Rights Agreement among Hudson Pacific Properties, Inc. and the persons named therein. ⁽⁸⁾
10.3	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Victor J. Coleman. ⁽⁸⁾
10.4	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Howard S. Stern. ⁽⁸⁾
10.5	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Mark T. Lammas. ⁽⁸⁾
10.6	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Christopher Barton. ⁽⁸⁾
10.7	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Dale Shimoda. ⁽⁸⁾
10.8	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Theodore R. Antenucci. ⁽⁸⁾
10.9	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Mark Burnett. ⁽⁸⁾
10.10	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Richard B. Fried. ⁽⁸⁾
10.11	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Jonathan M. Glaser. ⁽⁸⁾
10.12	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Mark D. Linehan. ⁽⁸⁾
10.13	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Robert M. Moran, Jr. ⁽⁸⁾
10.14	Indemnification Agreement, dated June 29, 2010, by and between Hudson Pacific Properties, Inc. and Barry A. Porter. ⁽⁸⁾
10.15	Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. 2010 Incentive Award Plan. ⁽⁵⁾ *
10.16	Restricted Stock Award Grant Notice and Restricted Stock Award Agreement. ⁽⁵⁾ *
10.17	Hudson Pacific Properties, Inc. Director Stock Plan. ⁽⁹⁾ *
10.18	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Victor J. Coleman. ⁽²⁾ *
10.19	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Howard S. Stern. ⁽²⁾ *
10.20	Employment Agreement, dated as of May 14, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Mark T. Lammas. ⁽⁴⁾ *
10.21	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Christopher Barton. ⁽²⁾ *
10.22	Employment Agreement, dated as of April 22, 2010, by and among Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. and Dale Shimoda. ⁽²⁾ *
10.23	Contribution Agreement by and among Victor J. Coleman, Howard S. Stern, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010. ⁽¹⁾
10.24	Contribution Agreement by and among SGS investors, LLC, HFOP Investors, LLC, Soma Square Investors, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010. ⁽¹⁾
10.25	

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- Contribution Agreement by and among TMG-Flynn SOMA, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc., dated as of February 15, 2010.⁽¹⁾
- 10.26 Contribution Agreement by and among Glenborough Fund XIV, L.P., Glenborough Acquisition, LLC, Hudson Pacific Properties, L.P. and Hudson Pacific Properties, Inc. dated as of February 15, 2010.⁽¹⁾
- 10.27 Representation, Warranty and Indemnity Agreement by and among Hudson Pacific Properties, Inc. Hudson Pacific Properties, L.P., and the persons named therein as nominees of the Farallon Funds, dated as of February 15, 2010.⁽¹⁾
- 10.28 Representation, Warranty and Indemnity Agreement by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and the persons named therein as nominees of TMG-Flynn SOMA, LLC, dated as of February 15, 2010.⁽¹⁾

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- 10.29 Representation, Warranty and Indemnity Agreement by and among Hudson Pacific Properties, Inc. Hudson Pacific Properties, L.P., and the persons named therein as nominees of Glenborough Fund XIV, L.P. dated as of February 15, 2010.⁽¹⁾
- 10.30 Subscription Agreement by and among Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P., Farallon Capital Institution Partners III, L.P., Victor J. Coleman and Hudson Pacific Properties, Inc. dated as of February 15, 2010.⁽²⁾
- 10.31 Tax Protection Agreement between Hudson Pacific Properties, L.P. and the persons named therein, dated June 29, 2010.⁽⁷⁾
- 10.32 Agreement of Purchase and Sale and Joint Escrow Instructions between Del Amo Fashion Center Operating Company and Hudson Capital, LLC dated as of May 18, 2010.⁽⁴⁾
- 10.33 Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated June 29, 2010.⁽⁷⁾
- 10.34 First Modification Agreement between Sunset Bronson Entertainment Properties, LLC and Wells Fargo Bank, N.A. dated as of June 29, 2010.⁽⁵⁾
- 10.35 Amended and Restated First Modification Agreement between Sunset Bronson Entertainment Properties, LLC and Wells Fargo Bank, N.A. dated as of June 20, 2010.⁽⁷⁾
- 10.36 Loan Agreement among Sunset Bronson Entertainment Properties, L.L.C., as Borrower, Wachovia Bank, National Association, as Administrative Agent, Wachovia Capital Markets, LLC, as Lead Arranger and Sole Bookrunner, and lenders party thereto, dated as of May 12, 2008.⁽⁶⁾
- 10.37 Conditional Consent Agreement between GLB Encino, LLC, as Borrower, and SunAmerica Life Insurance Company, as Lender, dated as of June 10, 2010.⁽⁶⁾
- 10.38 Amended and Restated Deed of Trust, Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents between GLB Encino, LLC, as Trustor, SunAmerica Life Insurance Company, as Beneficiary, and First American Title Insurance Company, as Trustee, dated as of January 26, 2007.⁽⁶⁾
- 10.39 Amended and Restated Promissory Note by GLB Encino, as Maker, to SunAmerica Life Insurance Company, as Holder, dated as of January 26, 2007.⁽⁶⁾
- 10.40 Approval Letter from Wells Fargo, as Master Servicer, and CWC Capital Asset Management, LLC, as Special Servicer to Hudson Capital LLC, dated as of June 8, 2010.⁽⁶⁾
- 10.41 Loan and Security Agreement between Glenborough Tierrasanta, LLC, as Borrower, and German American Capital Corporation, as Lender, dated as of November 28, 2006.⁽⁶⁾
- 10.42 Note by Glenborough Tierrasanta, LLC, as Borrower, in favor of German American Capital Corporation, as Lender, dated as of November 28, 2006.⁽⁶⁾
- 10.43 Reaffirmation, Consent to Transfer and Substitution of Indemnitor, by and among Glenborough Tierrasanta, LLC, Morgan Stanley Real Estate Fund V U.S., L.P., MSP Real Estate Fund V, L.P. Morgan Stanley Real Estate Investors, V U.S., L.P., Morgan Stanley Real Estate Fund V Special U.S., L.P., MSP Co-Investment Partnership V, L.P., MSP Co-Investment Partnership V, L.P., Glenborough Fund XIV, L.P., Hudson Pacific Properties, L.P., and US Bank National Association, dated June 29, 2010.⁽⁷⁾
- 10.44 Purchase and Sale Agreement, dated September 15, 2010, by and between ECI Washington LLC and Hudson Pacific Properties, L.P.⁽⁹⁾
- 10.45 First Amendment to Purchase and Sale Agreement, dated October 1, 2010, by and between ECI Washington LLC and Hudson Pacific Properties, L.P.⁽⁹⁾
- 10.46 Term Loan Agreement by and between Sunset Bronson Entertainment Properties, LLC and Sunset Gower Entertainment Properties, LLC, as Borrowers, and Wells Fargo Bank, National Association, as Lender, dated February 11, 2011.⁽¹⁰⁾
- 10.47 Contract for Sale dated as of December 15, 2010 by and between Hudson 1455 Market, LLC and Bank of America, National Association.⁽¹²⁾

- 10.48 Contribution Agreement by and between BCSP IV U.S. Investments, L.P. and Hudson Pacific Properties, L.P., dated as of December 15, 2010.⁽¹³⁾
- 10.49 Limited Liability Company Agreement of Rincon Center JV LLC by and between Rincon Center Equity LLC and Hudson Rincon, LLC, dated as of December 16, 2010.⁽¹³⁾
- 10.50 First Amendment to Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated December 10, 2010.⁽¹³⁾
- 10.51 Second Amendment to Credit Agreement among Hudson Pacific Properties, Inc., Hudson Pacific Properties L.P., Barclays Capital and Merrill Lynch, Pierce, Fenner & Smith Incorporated (as successor in interest to Banc of America Securities LLC), as Joint Lead Arrangers, Bank of America, N.A., as Syndication Agent, and Barclays Bank PLC, as Administrative Agent, and the other lenders party thereto, dated April 4, 2011.⁽¹⁴⁾
- 10.52 First Amendment to Registration Rights Agreement by and among Hudson Pacific Properties, Inc., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P. and Farallon Capital Institutional Partners III, L.P., dated May 3, 2011. ⁽¹¹⁾

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10.53	Subscription Amendment by and among Hudson Pacific Properties, Inc., Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P. and Farallon Capital Institutional Partners III, L.P., dated April 26, 2011. ⁽¹⁵⁾
10.54	Loan Agreement by and between Hudson Rincon Center, LLC, as Borrower, and JPMorgan Chase Bank, National Association, as Lender, dated April 29, 2011. ⁽¹¹⁾
10.55	Indemnification Agreement, dated October 1, 2011, by and between Hudson Pacific Properties, Inc. and Patrick Whitesell. ⁽¹⁶⁾
10.56	2012 Outperformance Award Agreement. ^{(17)*}
10.57	Credit Agreement by and among Hudson Pacific Properties, L.P. and Wells Fargo Bank, National Association, as Administrative Agent, Wells Fargo Securities, LLC, and Merrill Lynch, Pierce, Fenner and Smith Incorporated, as Lead Arrangers and Joint Bookrunners, Bank of America, N.A., and Barclays Bank PLC, as Syndication Agents, and Keybank National Association, as Documentation Agent, dated August 3, 2012. ⁽²²⁾
10.58	Limited Liability Company Agreement of Hudson MC Partners, LLC, dated as of November 8, 2012. ⁽²¹⁾
10.59	Acquisition and Contribution Agreement between Media Center Development, LLC and P2 Hudson Partners, LLC for Pinnacle 2 Property Located at 3300 West Olive Avenue, Burbank, California. ⁽²¹⁾
10.60	Loan Agreement dated as of November 8, 2012 between P1 Hudson MC Partners, LLC, as Borrower and Jefferies Loancore LLC, as Lender. ⁽²¹⁾
10.61	First Amendment to Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P. 2010 Incentive Award Plan. ⁽¹⁹⁾
10.62	2013 Outperformance Award Agreement. ^{(20)*}
10.63	Hudson Pacific Properties, Inc. Revised Non-Employee Director Compensation Program. ⁽²³⁾
10.64	Amendment No. 1 to the Credit Agreement among the Company, Hudson Pacific Properties, L.P., as Borrower, and each of the Lenders party thereto (as defined in the original credit agreement, dated August 3, 2012). ⁽²⁴⁾
10.65	Purchase Agreement between 1220 Howell LLC, a Delaware limited liability company, King & Dearborn LLC, a Delaware limited liability company, and Northview Corporate Center LLC, a Delaware limited liability company, as Sellers, and Hudson Pacific Properties, L.P., a Maryland limited partnership, as Buyer. ⁽²⁵⁾
10.66	First Modification and Additional Advance Agreement by and among Wells Fargo Bank, N.A., as Lender, and Sunset Bronson Entertainment Properties, LLC, and Sunset Gower Entertainment Properties, LLC as Borrower. ⁽²⁶⁾
10.67	Supplemental Federal Income Tax Considerations. ⁽²⁷⁾
10.68	2014 Outperformance Award Agreement. ^{(28)*}
10.69	Consulting Agreement by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P., and Howard S. Stern dated January 16, 2014. ^{(29)*}
10.70	Addendum to Outperformance Agreement. ^{(30)*}
10.71	Employment Agreement, dated as of June 27, 2014, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Victor J. Coleman. ^{(31)*}
10.72	Employment Agreement, dated as of June 27, 2014, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Mark T. Lammas. ^{(31)*}
10.73	Employment Agreement, dated as of June 27, 2014, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Christopher Barton. ^{(31)*}
10.74	Employment Agreement, dated as of June 27, 2014, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Dale Shimoda. ^{(31)*}
10.75	Employment Agreement, dated as of June 27, 2014, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Alex Vouvalides. ^{(31)*}
10.76	Amendment to Equity Distribution Agreement, dated as of July 21, 2014, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Barclays Capital Inc.

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- 10.77 Amendment to Equity Distribution Agreement, dated as of July 21, 2014, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Merrill Lynch, Pierce, Fenner & Smith Incorporated
- 10.78 Amendment to Equity Distribution Agreement, dated as of July 21, 2014, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and KeyBanc Capital Markets Inc.
- 10.79 Amendment to Equity Distribution Agreement, dated as of July 21, 2014, by and among Hudson Pacific Properties, Inc., Hudson Pacific Properties, L.P. and Wells Fargo Securities, LLC
- 12.1 Computation of Ratios of Earnings to Fixed Charges for the Years Ended December 31, 2013, 2012, 2011, 2010 and 2009.
- 22.1 List of Subsidiaries of the Registrant.
- 23.1 Consent of Independent Registered Public Accounting Firm.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32 Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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99.1 Certificate of Correction.⁽¹⁸⁾
 The following financial information from Hudson Pacific Properties, Inc.’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2014 formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Comprehensive Income (unaudited), (iv) Consolidated Statement of Equity (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to Consolidated Financial Statements **

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(1)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on April 9, 2010.

(2)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on May 12, 2010.

(3)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 3, 2010.

(4)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 11, 2010.

(5)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 14, 2010.

(6)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on June 22, 2010.

(7)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 1, 2010.

(8)) Previously filed with the Registration Statement on Form S-11 filed by the Registrant with the Securities and Exchange Commission on November 22, 2010.

(9)) Previously filed with the Registration Statement on Form S-11/A filed by the Registrant with the Securities and Exchange Commission on December 6, 2010.

(10)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on February 15, 2011.

(11)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 4, 2011.

(12)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on December 21, 2010.

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

(14)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on April 5, 2011.

(15)) Previously filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2011.

(16)) Previously filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2011.

(17)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 6, 2012.

(18)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 23, 2012.

(19)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on June 12, 2012.

(20)) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 7, 2013.

(21)) Previously filed with the Company’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2012.

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- (22) Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012.
- (23) Previously filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2012.
- (24) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on May 20, 2013.
- (25) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on July 1, 2013.
- (26) Previously filed with the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.
- (27) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on November 22, 2013.
- (28) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 3, 2014.
- (29) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on January 16, 2014.
- (30) Previously filed with the Company's Annual Report on Form 10-K for the year ended December 31, 2013.
- (31) Previously filed with the Current Report on Form 8-K filed by the Registrant with the Securities and Exchange Commission on June 27, 2014.

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

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SIGNATURES

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

HUDSON PACIFIC PROPERTIES, INC.

Date: August 7, 2014

/S/ Victor J. Coleman
Victor J. Coleman
Chief Executive Officer

HUDSON PACIFIC PROPERTIES, INC.

Date: August 7, 2014

/S/ MARK T. LAMMAS
Mark T. Lammas
Chief Financial Officer (principal financial officer)