Hudson Pacific Properties, Inc.
Form 424B4
December 08, 2010
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Registration No. 333-170751

PROSPECTUS

3,200,000 Shares

8.375% Series B Cumulative Redeemable Preferred Stock

(Liquidation Preference $25.00 per share)

We are offering 3,200,000 shares of our 8.375% Series B Cumulative Redeemable Preferred Stock, $0.01 par value per share, which we refer to in this prospectus as our series B preferred stock. We have granted the underwriters an option to purchase up to 400,000 additional shares of our series B preferred stock to cover overallotments.

Dividends on our series B preferred stock will be cumulative from the date of original issue and payable quarterly on or about the last calendar day of each March, June, September and December, commencing on or about December 31, 2010, at the rate of 8.375% per annum of its liquidation preference, which is equivalent to $2.09375 per annum per share. If following a change of control of our company, either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the New York Stock Exchange, or NYSE, or quoted on the NASDAQ Stock Market, or NASDAQ (or listed or quoted on a successor exchange or quotation system), holders of our series B preferred stock will be entitled to receive cumulative cash dividends from, and including, the first date on which both the change of control occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, at the increased rate of 12.375% per annum per share of the liquidation preference of our series B preferred stock (equivalent to $3.09375 per annum per share) for as long as either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted. The first dividend on our series B preferred stock sold in this offering is payable on December 31, 2010 (in the amount of $0.12214 per share).

Except in instances relating to preservation of our qualification as a real estate investment trust, or REIT, or in connection with a change of control of our company, our series B preferred stock is not redeemable prior to December 10, 2015. On and after December 10, 2015, we may redeem our series B preferred stock in whole, at any time, or in part, from time to time, for cash at a redemption price of $25.00 per share, plus any accrued and unpaid dividends to, but not including, the date of redemption. If at any time following a change of control either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not listed on the NYSE or quoted on NASDAQ (or listed or quoted on a successor exchange or quotation system), we will have the option to redeem our series B preferred stock, in whole but not in part, within 90 days after the first date on which both the change of control has occurred and either our series B preferred stock (or any preferred stock of the surviving entity that is issued in exchange for our series B preferred stock) or the common stock of the surviving entity, as applicable, is not so listed or quoted, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to, but not including, the redemption date. Our series B preferred stock has no maturity date and will remain outstanding indefinitely unless redeemed by us, and it is not subject to any sinking fund or mandatory redemption and is not convertible into any of our other securities.

We are organized and conduct our operations in a manner that will allow us to qualify as a REIT. To assist us in complying with certain federal income tax requirements applicable to REITs, our charter contains certain restrictions relating to the ownership and transfer of our capital stock, including an ownership limit of 9.8% of the outstanding shares of our series B preferred stock.

No market currently exists for our series B preferred stock. We have applied to list our series B preferred stock on the NYSE under the symbol HPP Pr B. If the application is approved, trading of the series B preferred stock is expected to commence within 30 days after the initial delivery

of the series B preferred stock.

See <u>Risk Factors</u> beginning on page 17 of this prospectus for certain risks relevant to an investment in our series B preferred stock.

	Per Share	Total
Public offering price	$ 25.0000	$ 80,000,000
Underwriting discount	$ 0.7875	$ 2,520,000
Proceeds, before expenses, to us	$ 24.2125	$ 77,480,000

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The series B preferred stock sold in this offering will be ready for delivery in book-entry form through The Depository Trust Company on or about December 10, 2010.

Wells Fargo Securities **BofA Merrill Lynch** **Barclays Capital** **Morgan Stanley**

The date of this prospectus is December 7, 2010

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You should rely only on the information contained in this prospectus, or in any free writing prospectus prepared by us, or information to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus and any free writing prospectus prepared by us is accurate only as of their respective dates or on the date or dates that are specified in these documents. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates.

We use market data and industry forecasts and projections throughout this prospectus, and in particular in the section entitled Business and Properties. We have obtained substantially all of this information from a market study prepared for us by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm. We have paid RCG a fee of $40,000 for such services. See Experts. In addition, we have obtained certain market and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers experience in the industry, and there is no assurance that any of the projected amounts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information. Any forecasts prepared by RCG are based on data (including third party data), models and experience of various professionals, and are based on various assumptions, all of which

are subject to change without notice.

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This prospectus makes reference to the percent leased of the properties in our portfolio. We calculate percent leased as (i) square feet under lease for which rent has commenced, divided by (ii) total square feet, expressed as a percentage.

We are under contract to acquire an office building located at 10950 Washington Boulevard in Culver City, California, which we refer to as the 10950 Washington property. While we believe that we will consummate the acquisition of the 10950 Washington property, we cannot assure you that we will, because consummation of the acquisition remains subject to the satisfaction of customary closing conditions, including the receipt of requisite estoppels and the assumption of indebtedness. Information in this prospectus with respect to the 10950 Washington property, including square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations, has been provided by the sellers of such property and we are still in the process of conducting our due diligence on the property.

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PROSPECTUS SUMMARY

The following summary highlights information contained elsewhere in this prospectus. This summary is not complete and does not contain all of the information that you should consider before investing in our series B preferred stock. You should read the entire prospectus carefully, including the section entitled Risk Factors, as well as our historical and pro forma financial statements and related notes included elsewhere in this prospectus, before making an investment decision. Unless the context suggests otherwise, references in this prospectus to we, our, us and our company are to Hudson Pacific Properties, Inc., a Maryland corporation, together with its consolidated subsidiaries, including Hudson Pacific Properties, L.P., a Maryland limited partnership of which we are the sole general partner and which we refer to in this prospectus as our operating partnership. Unless otherwise indicated, the information contained in this prospectus is as of September 30, 2010 and assumes (i) that the underwriters overallotment option is not exercised and (ii) the completion of our acquisition of the 10950 Washington property, the timing and completion of which is uncertain. Additionally, unless otherwise indicated, portfolio property data as of September 30, 2010 relating to square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations includes such data for 10950 Washington, which we are under contract to acquire.

Hudson Pacific Properties, Inc.

We are a full-service, vertically integrated real estate company focused on owning, operating and acquiring high-quality office properties in select growth markets primarily in Northern and Southern California. Our investment strategy is focused on high barrier-to-entry, in-fill locations with favorable, long-term supply-demand characteristics. These markets include Los Angeles, Orange County, San Diego, San Francisco, Silicon Valley and the East Bay, which we refer to as our target markets. Our portfolio includes ten owned properties and one property under contract, the 10950 Washington property, which collectively total approximately 2.4 million square feet. These properties are strategically located in many of our target markets.

We were formed as a Maryland corporation in 2009 to succeed the business of Hudson Capital, LLC, a Los Angeles-based real estate investment firm founded by Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively. We completed our initial public offering on June 29, 2010.

We have access to and are actively pursuing a pipeline of potential acquisitions consistent with our investment strategy. We believe Mr. Coleman s and Mr. Stern s successful history of operating a publicly traded real estate company, significant expertise in operating in the California office sector and extensive, long-term relationships with real estate owners, developers and lenders, coupled with our conservative capital structure and access to capital, will allow us to capitalize on the current market opportunity.

We focus our investment strategy on office properties located in submarkets with growth potential as well as on underperforming properties that provide opportunities to implement a value-add strategy to increase occupancy rates and cash flow. This strategy includes active management, aggressive leasing efforts, focused capital improvement programs, the reduction and containment of operating costs and an emphasis on tenant satisfaction. We believe our senior management team s experience in the California office sector positions us to improve cash flow in our portfolio, as well as any newly acquired properties, as the California economy and the real estate markets begin to recover.

Our portfolio consists of nine office properties totaling approximately 1.5 million square feet, which were approximately 83.2% leased as of September 30, 2010 (or 87.0%, giving effect to leases signed but not commenced as of that date), and two state-of-the-art media and entertainment properties comprising 544,763 square feet of office and support space and approximately 312,669 square feet of sound-stage production facilities. We also own 1.85 acres of undeveloped land adjacent to our media and entertainment properties,

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which, together with redevelopment opportunities at our media and entertainment properties, could support over one million square feet of additional office and support space. Our properties are concentrated in premier submarkets that have high barriers to entry with limited supply of land, high construction costs and rigorous entitlement processes.

We intend to elect to be taxed as a REIT for federal income tax purposes on our federal income tax return for our taxable year ending December 31, 2010. We believe that we have operated, and we intend to continue operating, in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year. We conduct substantially all of our business through our operating partnership, of which we serve as the sole general partner, and own approximately 89.5% of the outstanding common units of partnership interest in our operating partnership, or common units. See Description of the Partnership Agreement of Hudson Pacific Properties, L.P.

Recent Developments

Our Initial Public Offering

We completed our initial public offering on June 29, 2010, pursuant to which we sold an aggregate of 14,720,000 shares of our common stock (including 1,920,000 shares sold pursuant to the exercise of the underwriters overallotment option in full) at an offering price of $17.00 per share. We received net proceeds from our initial public offering (including the underwriters exercise of their overallotment option in full) of approximately $250.2 million before underwriting discounts and commissions and other offering costs. Concurrently with our initial public offering, we completed a private placement of 1,176,471 shares of our common stock to Victor J. Coleman and funds affiliated with Farallon Capital Management, L.L.C. at the initial public offering price per share of $17.00, which we refer to in this prospectus as the private placement. The total proceeds of the private placement were $20.0 million (no underwriting costs were incurred in connection with the private placement).

Investment Activities

On August 13, 2010, we acquired the Del Amo Office property and its related ground sublease for $27.5 million in cash (before closing costs and prorations), which was paid with a portion of the proceeds of our initial public offering. The Del Amo Office property is subject to a ground sublease expiring June 30, 2049.

On August 24, 2010, we acquired a leasehold interest in 9300 Wilshire Boulevard, a six-story office building located in Beverly Hills, California, for $15.0 million in cash (before prorations). The 9300 Wilshire Boulevard property is subject to a ground lease expiring August 14, 2032.

On October 6, 2010, we became obligated under a definitive asset purchase agreement with an unrelated third party to acquire the 10950 Washington property, an office building located in Culver City, California, for approximately $46.0 million, subject to closing costs and prorations. In addition, the purchase of the 10950 Washington property is subject to the completion of various closing conditions, including the receipt of requisite estoppels and the assumption of an existing $30.0 million loan, which could delay or prevent the acquisition of the property. The closing of the acquisition is expected to take place by December 30, 2010, after all necessary approvals for the loan assumption have been received. We cannot assure you that the acquisition will be consummated on the anticipated schedule or at all. If we fail to close the purchase as required after the satisfaction or waiver of all closing conditions, we will be liable to the sellers for liquidated damages in an amount equal to the $1.0 million deposit made by us pursuant to the asset purchase agreement.

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On October 8, 2010, we acquired 222 Kearny Street, a 144,440 square foot, two-building office property located in San Francisco, California, from an unrelated third party for $34.9 million in cash (before prorations), which was funded with $34.5 million of borrowings under our secured revolving credit facility and the remainder from available cash. A portion representing approximately 64% of the building area of the 222 Kearny Street property (excluding the 180 Sutter building) is subject to a long-term ground lease expiring June 14, 2054.

Distributions

On September 22, 2010, we declared a dividend to common stockholders of record and our operating partnership declared a distribution to holders of record of common units, in each case as of September 30, 2010, totaling $2,410,288, or $0.0971 per common share and common unit. This dividend consisted of a quarterly dividend of $0.095 per common share and common unit for the period from July 1, 2010 through September 30, 2010 and a pro rata dividend of $0.0021 per common share and common unit covering the period from the consummation of our initial public offering on June 29, 2010 through June 30, 2010. The dividend and distribution were paid on October 15, 2010.

On September 22, 2010, our operating partnership declared a distribution to holders of record of its 6.25% Cumulative Redeemable Convertible Series A Preferred Units, or series A preferred units, as of September 30, 2010, totaling $199,206, or $0.3992 per series A preferred unit. This distribution consisted of a quarterly dividend of $0.3906 per series A preferred unit for the period from July 1, 2010 through September 30, 2010 and a pro rata dividend of $0.0086 per series A preferred unit covering the period from the consummation of our initial public offering on June 29, 2010 through June 30, 2010. The distribution was paid on October 15, 2010.

Corporate Information

Our principal executive offices are located at 11601 Wilshire Boulevard, Suite 1600, Los Angeles, California 90025. Our telephone number is 310-445-5700. Our Web site address is www.hudsonpacificproperties.com. The information on, or otherwise accessible through, our Web site does not constitute a part of this prospectus.

Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners and operators of office properties and enable us to capitalize on the general dislocation in the real estate market to successfully expand and operate our portfolio.

Experienced Management Team with a Proven Track Record of Acquiring and Operating Assets and Managing a Public Office REIT. Our senior management team, led by Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively, has an average of over 20 years of experience in owning, acquiring, developing, operating, financing and selling office properties in California.

Committed and Incentivized Management Team. Our senior management team is dedicated to our successful operation and growth, with no real estate business interests outside of our company. Additionally, our senior management team owns approximately 3.9% of our common stock on a fully diluted basis, thereby aligning management s interests with those of our stockholders.

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California Focus with Local and Regional Expertise. We are primarily focused on acquiring and managing office properties in Northern and Southern California, both regions that we believe are well positioned for strong economic recoveries. Additionally, our senior executives have focused their entire real estate careers in California, providing us with a deep knowledge of the major California real estate markets and the local and regional industry participants.

Long-Standing Relationships that Provide Access to an Extensive Pipeline of Investment and Leasing Opportunities. We believe our experience, in-depth market knowledge and extensive network of long-standing relationships with real estate developers, real estate owners, national and regional lenders, brokers, tenants and other market participants drive our ability to identify and capitalize on attractive acquisition opportunities and enhance our leasing efforts. For example, we acquired the 222 Kearny Street property in an off-market transaction that was the result of our long-standing relationship with the lender who had acquired the property through foreclosure. In addition, we believe our relationships with two leading investment management firms, Farallon Capital Management, L.L.C., or Farallon, and Morgan Stanley (investment funds affiliated with which contributed properties to us in connection with our initial public offering), will continue to provide us with critical market intelligence, an ongoing acquisition pipeline and potential joint venture partners.

Growth-Oriented, Flexible and Conservative Capital Structure. We believe our flexible and conservative capital structure provides us with an advantage over many of our private and public competitors. We are free from legacy balance sheet issues and have limited near-term maturities, which allows our management to focus on our business and growth strategies rather than balance sheet repair. In addition, based upon the closing price of our common stock on December 2, 2010, we had a debt-to-market capitalization ratio (counting series A preferred units as debt) of approximately 27.0%, which is substantially lower than many of our office REIT peers.

Irreplaceable Media and Entertainment Assets in a Premier California Submarket. Our Sunset Gower and Sunset Bronson media and entertainment properties are located on Sunset Boulevard, just off of the Hollywood Freeway, in the heart of Hollywood, and serve as important facilities for major film and television companies. We believe these assets will remain critical to the media and entertainment business, one of Los Angeles s most important industries, due to their attractive location, a limited supply of developable land and the extensive knowledge required to develop and operate such facilities.

Business and Growth Strategies

Our primary business objectives are to increase operating cash flows, generate long-term growth and maximize stockholder value. Specifically, we intend to pursue the following strategies to achieve these objectives:

Pursue Acquisitions of Distressed and/or Underperforming Office Properties. We intend to capitalize on the attractive investment environment by acquiring properties at meaningful discounts to our estimates of their intrinsic value. Additionally, we intend to acquire properties or portfolios that are distressed due to near-term debt maturities or underperforming properties where we believe better management, focused leasing efforts and/or capital improvements would improve the property s operating performance and value. We believe that our extensive relationships, coupled with our strong balance sheet and access to capital, will allow us to capitalize on value-add opportunities.

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Focus on High Barrier-to-Entry Markets. We target in-fill, suburban markets and central business districts primarily in California. These markets have historically had favorable long-term supply/demand characteristics and significant institutional ownership of real estate, which we believe have helped support real estate fundamentals and valuations over the long term. We believe that these factors will help preserve our capital during periods of economic decline and generate above average returns during periods of economic recovery and growth.

Proactive Asset and Property Management. We intend to actively manage our portfolio, employ aggressive leasing strategies and leverage our existing tenant relationships to increase the occupancy rates at our properties, attract high quality tenants and maximize tenant retention rates. In addition, we have targeted ways to further improve net operating income through controlling or reducing operating costs.

Repositioning and Development of Properties. We intend to leverage our real estate expertise to reposition and redevelop our existing properties, as well as properties that we acquire in the future, with the objective of increasing occupancy, rental rates and risk-adjusted returns on our invested capital. We believe our media and entertainment properties and undeveloped land offer significant growth potential, with over one million square feet of possible incremental development and redevelopment space.

Value Creation Through Capital Recycling Program. We intend to pursue an efficient asset allocation strategy that maximizes the value of our investments by selectively disposing of properties for which returns appear to have been maximized and redeploying capital into acquisition, development and redevelopment opportunities with higher return prospects, in each case in a manner that is consistent with our qualification as a REIT.

Summary Risk Factors

You should carefully consider the matters discussed in the Risk Factors section beginning on page 17 of this prospectus prior to deciding whether to invest in our series B preferred stock. Some of these risks include:

All of our properties are located in California, and we therefore are dependent on the California economy and are susceptible to adverse local regulations and natural disasters affecting California.

We derive a significant portion of our rental revenue from tenants in the media and entertainment industry, which makes us particularly susceptible to demand for rental space in that industry.

As of September 30, 2010, the Farallon Funds owned an approximate 35.9% beneficial common interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company.

The purchase of the 10950 Washington property is subject to closing conditions that could delay or prevent the acquisition of the property.

We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth.

As of September 30, 2010, we had approximately $94.3 million of indebtedness outstanding, and subsequent to September 30, 2010, we have drawn approximately $34.5 million on our secured revolving credit facility. Our debt service obligations with respect to our indebtedness will reduce cash available for distribution, including cash available to pay dividends on our series B

preferred stock, and expose us to the risk of default.

- Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations.

- We have a limited operating history and may not be able to operate our business successfully or implement our business strategies as described in this prospectus.

- We may be unable to renew leases, lease vacant space or re-let space as leases expire.

- Our success depends on key personnel whose continued service is not guaranteed.

- Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

- Failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.

- The series B preferred stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; our series B preferred stock has no stated maturity date.

- Our series B preferred stock is subordinate to our debt, and your interests could be diluted by the issuance of additional preferred stock, including additional series B preferred stock, and by other transactions.

- The series B preferred stock will be subordinated to the series A preferred units, which were issued in connection with our initial public offering and have an aggregate liquidation preference of approximately $12.5 million.

- We may be unable to make distributions at expected levels and we may be required to borrow funds to make distributions.

Our Properties

Our Portfolio

We currently own, or are under contract to acquire, eleven properties located in eight California submarkets, containing a total of approximately 2.4 million square feet, which properties we refer to as our portfolio. The following table presents an overview of our portfolio, based on information as of September 30, 2010. Rental data presented in the table below for office properties reflects base rent on leases in place as of September 30, 2010 and does not reflect actual cash rents historically received because such data does not reflect abatements or, in the case of triple net or modified gross leases, tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Rental data presented in the table below for media and entertainment properties reflects actual cash base rents, excluding tenant reimbursements, received during the 12 months ended September 30, 2010. Leases at our media and entertainment properties are typically short-term leases of one year or less, and other than the KTLA lease at our Sunset Bronson property, substantially all of the current in-place leases at our media and entertainment properties will expire in 2010 or 2011.

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Property	City	Year Built/ Renovated	Square Feet[1]	Percent Leased[2]	Annualized Base Rent/ Annual Base Rent[3]	Annualized Base Rent/ Annual Base Rent Per Leased Square Foot[4]	Annualized Net Effective Base Rent Per Leased Square Foot[5]
OFFICE PROPERTIES							
City Plaza	Orange	1969/99	333,922	92.4%	$ 7,720,361	$ 25.02	$ 23.76
875 Howard Street[6][7]	San Francisco	Various	286,270	44.6	1,613,081	12.62	12.06
First Financial	Encino (LA)	1986	222,423	84.8	6,276,734	33.29	35.61
10950 Washington[8]	Culver City (LA)	Various	158,873	99.5	4,267,320	27.00	29.93
222 Kearny Street[9]	San Francisco	Various	144,440	79.2	4,154,289	36.31	38.28
Del Amo Office[10]	Torrance	1986	113,000	100.0	3,069,070	27.16	28.38
Technicolor Building	Hollywood (LA)	2008	114,958	100.0	4,103,173	35.69	39.04
Tierrasanta	San Diego	1985	104,234	96.8	1,576,460	15.62	16.44
9300 Wilshire Boulevard[7][11]	Beverly Hills (LA)	1965/2001	58,484	90.5	2,208,098	41.73	42.42
Total/Weighted Average Office Properties:			**1,536,604**	**83.2%[12]**	**$ 34,988,586**	**$ 27.35**	**$ 28.38**
MEDIA & ENTERTAINMENT PROPERTIES							
Sunset Gower[13]	Hollywood (LA)	Various	543,709	67.9%	$ 11,235,379	$ 30.45	
Sunset Bronson	Hollywood (LA)	Various	313,723	71.0	9,018,143	40.48	
Total/Weighted Average Media & Entertainment Properties:			**857,432**	**69.0%**	**$ 20,253,521**	**$ 34.23**	
LAND							
Sunset Bronson Lot A	Hollywood (LA)	N/A	273,913				
Sunset Bronson Redevelopment	Hollywood (LA)	N/A	389,740				
Sunset Gower Redevelopment	Hollywood (LA)	N/A	423,396				
City Plaza	Orange	N/A	360,000				
Total Land Assets:			**1,447,049**				
Portfolio Total:			**3,841,085**				

(1) Square footage for office and media and entertainment properties has been determined by management based upon estimated leasable square feet, which may be less or more than the Building Owners and Managers Association, or BOMA, rentable area. Square footage may change over time due to remeasurement or releasing. Square footage for land assets represents management s estimate of developable square feet, the majority of which remains subject to receipt of entitlement approvals that have not yet been obtained.

(2) Percent leased for office properties is calculated as (i) square footage under commenced leases as of September 30, 2010, divided by (ii) total square feet, expressed as a percentage. Percent leased for media and entertainment properties is the average percent leased for the 12 months ended September 30, 2010. As a result of the short-term nature of the leases into which we enter at our media and entertainment properties, and because entertainment industry tenants generally do not shoot on weekends due to higher costs, we believe stabilized occupancy rates at our media and entertainment properties are lower than those rates achievable at our traditional office assets, where tenants enter into longer-term lease arrangements.

(3) We present rent data for office properties on an annualized basis, and for media and entertainment properties on an annual basis. Annualized base rent for office properties is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the month ended September 30, 2010, by (ii) 12. Total abatements with respect to the office properties for leases in effect as of September 30, 2010 for the 12 months ending September 30, 2011 are $1,441,053 pursuant to leases in effect. Annualized base rent, net of abatements, is $7,200,041 for City Plaza, $6,176,152 for First Financial, $3,926,224 for the Technicolor Building, $1,113,716 for 875 Howard Street and $2,064,260 for 9300 Wilshire Boulevard. There are no abatements associated

with the leases in place as of September 30, 2010 at the Del Amo Office, Tierrasanta, 222 Kearny Street and 10950 Washington properties. Total annualized base rent, net of abatements, for our office properties is $33,547,533. Annual base rent for media and entertainment properties reflects actual base rent for the 12 months ended September 30, 2010, excluding tenant reimbursements. Our leases at our City Plaza, First Financial, and Del Amo Office properties are full service gross leases, and annualized base rent data for these properties does not

reflect tenant reimbursements in excess of the base year expense stop. The leases at our Technicolor, Tierrasanta, 875 Howard Street and 10950 Washington properties, as well as the KTLA lease at the Sunset Bronson property, are either triple net leases or modified gross leases pursuant to which the tenant reimburses the landlord or directly pays for some operating expenses, such as real estate taxes, insurance, common area and other operating expenses, and annualized base rent for these properties does not reflect such amounts. We estimate that the full service gross equivalent annualized base rent for these properties is $5,388,866 for the Technicolor Building, $2,093,104 for Tierrasanta, $2,313,275 for 875 Howard Street, and $4,580,780 for 10950 Washington. We estimate that the full service gross equivalent annual base rent is $11,272,172 for Sunset Gower and $10,395,879 for Sunset Bronson.

(4) Annualized base rent per leased square foot for the office properties is calculated as (i) annualized base rent divided by (ii) square footage under lease as of September 30, 2010. Annual base rent per leased square foot for the media and entertainment properties is calculated as (i) actual base rent for the 12 months ended September 30, 2010, excluding tenant reimbursements, divided by (ii) average square feet under lease for the 12 months ended September 30, 2010. We estimate that the full service gross equivalent annualized base rent per leased square foot is $46.88 for the Technicolor Building, $20.74 for Tierrasanta, $18.10 for 875 Howard Street and $28.98 for 10950 Washington, and the full service gross equivalent annual base rent per leased square foot is $30.55 for Sunset Gower and $46.66 for Sunset Bronson.

(5) Annualized net effective base rent per leased square foot represents (i) the contractual base rent for leases in place as of September 30, 2010, calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) the net rentable square footage under lease as of September 30, 2010. Our leases at our City Plaza, First Financial, and Del Amo Office properties are full service gross leases, and annualized net effective base rent data for these properties does not reflect tenant reimbursements in excess of the base year expense stop. The leases at our Technicolor, Tierrasanta and 875 Howard Street properties, as well as the KTLA lease at the Sunset Bronson property, are either triple net leases or modified gross leases pursuant to which the tenant reimburses the landlord or directly pays for some operating expenses, and annualized net effective base rent for these properties does not reflect such amounts. We estimate that the full service gross equivalent annualized net effective base rent per leased square foot for these properties is $49.98 for the Technicolor Building, $21.56 for Tierrasanta, $17.39 for 875 Howard Street and $31.92 for 10950 Washington.

(6) 875 Howard Street consists of two buildings, a retail building of 94,505 square feet that is 100% leased and an office building of 191,765 square feet that underwent redevelopment, which was completed on April 1, 2010.

(7) As of September 30, 2010, we had entered into two leases with respect to our 875 Howard Street and 9300 Wilshire Boulevard properties that had not commenced. The following table sets forth certain data with respect to the uncommenced leases.

	Uncommenced Leases			
Property	Leased Square Feet Under Uncommenced Leases[a]	Annualized Base Rent Under Uncommenced Leases[b]	Annualized Base Rent Per Leased Square Foot Under Uncommenced Leases[c]	Annualized Net Effective Base Rent Per Leased Square Foot Under Uncommenced Leases[d]
875 Howard Street	55,827	$ 1,116,538	$ 20.00	$ 33.20
9300 Wilshire Boulevard	1,243	$ 18,645	$ 15.00	$ 13.42

(a) The uncommenced lease for the 875 Howard Street property, which commences on December 14, 2010, is a ten-year lease expiring on December 13, 2020, and contains no rent abatements. The uncommenced lease for the 9300 Wilshire Boulevard property, which commences on January 1, 2011, is a five-year lease expiring on December 31, 2015, and total abatements under the uncommenced lease for the 12 months ending September 30, 2011 are $7,769. The uncommenced lease at our 9300 Wilshire Boulevard property represents expansion space that is in addition to 6,171 square feet that is currently leased by one of our tenants. See Business and Properties Uncommenced Leases.

(b) Annualized base rent under uncommenced leases is calculated by multiplying (i) base rental payments (defined as cash base rents (before abatements)) for the first full month under the respective uncommenced leases, by (ii) 12.

(c) Annualized base rent per leased square foot under uncommenced leases is calculated as (i) annualized base rent under uncommenced leases, divided by (ii) leased square feet under uncommenced leases.

(d) Annualized net effective base rent per leased square foot under uncommenced leases represents (i) annualized base rent under uncommenced leases calculated on a straight-line basis to amortize free rent periods and abatements, but without regard to tenant improvement allowances and leasing commissions, divided by (ii) leased square feet under uncommenced leases.

(8) Our acquisition of this property is subject to closing conditions that may not be in our control. See Risk Factors Risks Related to Our Properties and Our Business The purchase of the 10950 Washington property is subject to closing conditions that could delay or prevent the acquisition of the property.

(9) This property was acquired on October 8, 2010. A portion representing approximately 64% of the building area (excluding the 180 Sutter building) is subject to a ground lease that expires June 14, 2054; the remaining portion is owned in fee.

(10) This property is subject to a ground sublease that expires June 30, 2049.

(11) This property is subject to a ground lease that expires August 14, 2032.

(12) After giving effect to uncommenced leases signed as of September 30, 2010, the total percent leased for office properties would have been 87.0% as of September 30, 2010.

(13) Approximately 0.59 acres of this property is subject to a ground lease that expires March 31, 2060; the remaining portion is owned in fee.

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The Offering

The offering terms are summarized below solely for your convenience. For a more complete description of the terms of our series B preferred stock, see Description of Series B Preferred Stock.

Issuer	Hudson Pacific Properties, Inc.
Securities Offered	3,200,000 shares of Series B Cumulative Redeemable Preferred Stock, $0.01 par value per share. We have granted the underwriters an option to purchase up to an additional 400,000 shares of series B preferred stock.
Dividends	Dividends on each share of series B preferred stock will be cumulative from the date of original issue and are payable quarterly in arrears on or about the last calendar day of each March, June, September and December, commencing on or about December 31, 2010, at the rate of 8.375% per annum of its liquidation preference, or $2.09375 per annum per share. The first dividend on our series B preferred stock sold in this offering is payable on December 31, 2010 and will be in the amount of $0.12214 per share.

If 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), holders will be entitled to receive cumulative cash dividends from, and including, 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 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. To see how we define change of control for this purpose, see Description of Series B Preferred Stock Dividends below.

Liquidation Preference	If we liquidate, dissolve or wind up our business and affairs, holders of our series B preferred stock will have the right to receive $25.00 per share, plus an amount per share equal to all accrued and unpaid dividends (whether or not earned or declared) to, but not including, the date of payment, before any payments are made to holders of our common stock or other junior securities.
Maturity	Our series B preferred stock has no maturity date and we are not required to redeem our series B preferred stock. Accordingly, our series B preferred stock will remain outstanding indefinitely, unless we decide to redeem it. We are not required to set aside funds to redeem our series B preferred stock.

Ranking	Our series B preferred stock will rank senior to our common stock and any other junior shares that we may issue in the future, on parity with any parity shares that we may issue in the future, and junior to all of our existing and future indebtedness, in each case with respect to payment of dividends and distribution of assets upon liquidation, dissolution or winding up. In addition, the series B preferred stock will be subordinate to the outstanding series A preferred units, which were issued in connection with our initial public offering and have an aggregate liquidation preference of approximately $12.5 million, in the case of our liquidation, dissolution or winding up.
Conversion	Our series B preferred stock is not convertible into or exchangeable for any property or any other securities.
Optional Redemption	Except in limited circumstances relating to the restrictions on ownership and transfer of our stock intended to assist us in qualifying as a REIT or pursuant to our special optional redemption right discussed below, our series B preferred stock is not redeemable prior to December 10, 2015. On or after December 10, 2015, we may, at our option, 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 (whether or not declared) to, but not including, the date of redemption.
Special Optional 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 (whether or not declared) to, but not including, the redemption date. To see how we define change of control for this purpose, see Description of Series B Preferred Stock Dividends below.
Voting Rights	Holders of our series B preferred stock will generally have no voting rights. However, if dividends on our series B preferred stock are in arrears for six quarterly dividend periods (whether or not consecutive), the holders of our series B preferred stock (voting together as a single class with the holders of any other class or series of parity preferred stock upon which like voting rights have been conferred and are exercisable) will have the right to elect two directors until we pay (or declare and set aside for payment) all such dividends and dividends on our series B preferred stock for the then current quarterly dividend period. In addition, certain amendments to

	our charter that would be material and adverse to the rights of our series B preferred stock cannot be made without the affirmative vote of at least two-thirds of the votes entitled to be cast by holders of outstanding shares of series B preferred stock, voting together as a single class with the holders of all other similarly-affected classes and series of parity preferred stock upon which like voting rights have been conferred.
Information Rights	During any period in which we are not subject to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and any shares of our series B preferred stock are outstanding, we will (i) transmit by mail (or other permissible means under the Exchange Act) to all holders of series B preferred stock, as their names and addresses appear in our record books and without cost to such holders, copies of the annual reports and quarterly reports that we would have been required to file with the Securities and Exchange Commission, or SEC, pursuant to Section 13 or 15(d) of the Exchange Act if we were subject thereto (other than any exhibits that would have been required) and (ii) promptly, upon request, supply copies of such reports to any prospective holder of series B preferred stock. We will mail (or otherwise provide) the information to the holders of series B preferred stock within 15 days after the respective dates by which a periodic report on Form 10-K or Form 10-Q, as the case may be, in respect of such information would have been required to be filed with the SEC, if we were subject to Section 13 or 15(d) of the Exchange Act.
Listing	We have applied to list our series B preferred stock on the NYSE under the symbol HPP Pr B. We expect trading of the shares of series B preferred stock on the NYSE, if listing is approved, to commence within 30 days after the date of the initial delivery of the shares.
Use of Proceeds	We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and estimated expenses, will be approximately $76.4 million ($86.1 million if the underwriters exercise their overallotment option in full). We will contribute the net proceeds of this offering to our operating partnership in exchange for 8.375% Series B Cumulative Redeemable Preferred Units of partnership interest in our operating partnership, or series B preferred units, that will have rights as to distributions and upon liquidation, dissolution or winding up that are substantially similar to those of the series B preferred stock. Our operating partnership intends to use the net proceeds to repay indebtedness under our secured revolving credit facility, to fund future acquisitions, and for general working capital purposes, including funding capital expenditures, tenant improvements, leasing commissions, and potentially, paying distributions and post-closing cash prorations.
Restrictions on Ownership	Our charter contains restrictions on the ownership and transfer of our stock that are intended to assist us in complying with the requirements

	for qualification as a REIT. Among other things, upon completion of this offering, our charter will provide that, subject to certain exceptions, no person or entity may actually or beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code of 1986, as amended, or the Code, more than 9.8% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of our series B preferred stock. See Description of Series B Preferred Stock Restrictions on Ownership and Transfer and Description of Stock Restrictions on Ownership and Transfer.
Settlement	Delivery of the shares of series B preferred stock will be made against payment therefor on or about December 10, 2010.
Form	Our series B preferred stock will be maintained in book-entry form registered in the name of the nominee of The Depository Trust Company, except in limited circumstances.
Risk Factors	Investing in our series B preferred stock involves a high degree of risk and the purchasers of our series B preferred stock may lose their entire investment. See Risk Factors on page 17 for a discussion of risk factors you should carefully consider before deciding to invest in our series B preferred stock.

Our Tax Status

We intend to elect to be taxed as a REIT for federal income tax purposes on our federal income tax return for our taxable year ending December 31, 2010. We believe that we have operated, and we intend to continue operating, in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year. To maintain REIT status, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our taxable income to our stockholders. As a REIT, we generally will not be subject to federal income tax on our taxable income we currently distribute to our stockholders. If we fail to qualify as a REIT in any taxable year, we will be subject to federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some federal, state and local taxes on our income or property. In addition, the income of any taxable REIT subsidiary that we own will be subject to taxation at regular corporate rates. See Federal Income Tax Considerations.

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Summary Selected Financial Data

The following table sets forth selected financial and operating data on a pro forma and historical basis for our company. Our historical financial statements include the real estate activity and holdings of the entities that owned the following properties that were contributed to us in connection with our initial public offering on June 29, 2010: Sunset Gower; the Technicolor Building; Sunset Bronson; City Plaza (which, together, we previously designated as our predecessor) and 875 Howard Street. One of the entities comprising our predecessor, SGS Realty II, LLC (the asset owning entity of the Sunset Gower property and the Technicolor Building) was determined to be the acquirer for accounting purposes. In addition, any interests contributed by the controlling member of the other entities comprising our predecessor and Howard Street Associates, LLC (the asset owning entity of 875 Howard Street) was a transaction of entities under common control. As a result, the contribution of interests in each of these entities has been recorded at historical cost in our historical financial statements. We have changed the presentation in our historical financial statements to include the results of both our predecessor and Howard Street Associates, LLC. The current period financial statements include: (i) the operations of the above entities, (ii) the operations of the following entities that we also acquired in connection with our initial public offering: Glenborough Tierrasanta, LLC, GLB Encino, LLC, and Hudson Capital, LLC, for periods subsequent to our initial public offering; and (iii) the operations of the following entities that we acquired subsequent to our initial public offering: Del Amo Fashion Center Operating Company, LLC and 9300 Wilshire, for periods subsequent to the acquisitions of such entities on August 13, 2010 and August 24, 2010, respectively.

You should read the following selected financial data in conjunction with our combined historical consolidated financial statements and the related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

The historical consolidated balance sheet as of September 30, 2010 and the consolidated statements of operations for the nine months ended September 30, 2010 and 2009 have been derived from the unaudited consolidated financial statements of our company included elsewhere in this prospectus. In the opinion of the management of our company, the historical consolidated statements of operations for the nine months ended September 30, 2010 and 2009 include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the historical financial statements for such periods. The historical combined balance sheets as of December 31, 2009 and 2008 and the combined statements of operations information for each of the periods ended December 31, 2009, 2008 and 2007 have been derived from our historical audited combined financial statements included elsewhere in this prospectus. Our results of operations for the interim periods ended September 30, 2010 and 2009 are not necessarily indicative of the results to be obtained for the full fiscal year.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the nine months ended September 30, 2010 and for the year ended December 31, 2009 assumes the completion of this offering and our intended use of the proceeds therefrom as of the beginning of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements also include the effects of our initial public offering, which closed on June 29, 2010, and the related formation transactions that occurred in conjunction with our initial public offering, as if the resulting debt and equity structure were in place as of the first day of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements also include the effects of certain acquisitions completed by us since our initial public offering, including the acquisition of the 222 Kearny Street property and the expected acquisition by us of the 10950 Washington property, along with any related financing transactions, as if those acquisitions and financing transactions had occurred as of the beginning of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

Hudson Pacific Properties, Inc.

	Nine Months Ended September 30,			Year Ended December 31,			
	Pro Forma Consolidated 2010 (Unaudited)	Historical Consolidated 2010 (Unaudited)	Historical Combined 2009 (Unaudited)	Pro Forma Consolidated 2009 (Unaudited)	Historical Combined 2009	Historical Combined 2008	Historical Combined 2007
	(In thousands, except per share data)						
Statement of Operations Data:							
REVENUES							
Office							
Rental	$ 23,400	$ 12,786	$ 8,349	$ 27,194	$ 11,058	$ 8,235	$ 3,905
Tenant recoveries	4,045	1,915	1,435	5,396	2,029	1,504	620
Other	613	125	152	785	158	41	
Total Office Revenues	28,058	14,826	9,936	33,375	13,245	9,780	4,525
Media & Entertainment							
Rental	15,453	15,453	15,300	19,909	19,909	22,075	4,215
Tenant recoveries	1,179	1,179	1,225	1,463	1,463	1,544	58
Other property-related revenue	7,996	7,996	7,402	7,193	7,193	9,554	2,750
Other	96	96	57	60	60	92	7
Total Media & Entertainment Revenues	24,724	24,724	23,984	28,625	28,625	33,265	7,030
Total revenues	52,782	39,550	33,920	62,000	41,870	43,045	11,555
OPERATING EXPENSES							
Office operating expenses	10,753	5,650	4,328	13,814	6,322	3,003	1,182
Media & entertainment operating expenses	14,983	15,194	14,451	16,069	16,810	19,926	4,732
General and administrative	4,568	2,379		4,376			
Depreciation and amortization	14,008	9,985	8,334	18,805	10,930	9,693	3,592
Total operating expenses	44,312	33,208	27,113	53,064	34,062	32,622	9,506
Income from operations	8,470	6,342	6,807	8,936	7,808	10,423	2,049
OTHER EXPENSE (INCOME)							
Interest expense	7,132	6,196	6,702	12,668	8,774	12,029	6,096
Interest income	(37)	(37)	(9)	(18)	(18)	(48)	(57)
Unrealized loss (gain) on interest rate contracts	(347)	(347)	(208)	(399)	(399)	835	24
Acquisition-related expenses	2,689	2,689				208	
Other expense	(8)	(8)	97	95	95	21	
Total other expense (income)	9,429	8,493	6,582	12,346	8,452	13,045	6,063
Net income (loss)	$ (959)	$ (2,151)	$ 225	$ (3,410)	$ (644)	$ (2,622)	$ (4,014)
Less: Net income attributable to series B cumulative redeemable preferred stock	$ (5,025)	$	$	(6,700)	$	$	$
Less: Net income attributable to preferred non-controlling partnership interest	(585)	(199)		(780)			
Less: Net income attributable to restricted shares	(75)	(25)		(100)			
Add: Net loss (income) attributable to common non-controlling partnership interest		32	(4)		29	81	141
Add: Net loss attributable to Unitholders in the Operating Partnership	706	277		1,168			
(Loss) income attributable to Hudson Pacific Properties, Inc. shareholders / controlling member s equity	$ (5,938)	$ (2,066)	$ 221	$ (9,822)	$ (615)	$ (2,541)	$ (3,873)
	(0.27)			(0.45)			

Net (loss) attributable to shareholders per share basic and diluted				
Weighted average shares of common stock outstanding basic and diluted	21,946,508			21,946,508
Dividends declared per common share	$	$ 0.0971	$	$

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	Nine Months Ended September 30,				Year Ended December 31,		
	Pro Forma Consolidated 2010 (Unaudited)	Historical Consolidated 2010 (Unaudited)	Historical Combined 2009 (Unaudited)	Pro Forma Consolidated 2009 (Unaudited)	Historical Combined 2009	2008	2007
	(In thousands, except per share data)						
Balance Sheet Data (at period end):							
Investment in real estate, net	$ 594,011	$ 515,812	$		$ 412,478	$ 409,192	$ 237,071
Total assets	736,591	623,915			448,234	446,037	264,930
Notes payable	124,349	94,069			189,518	185,594	167,531
Total liabilities	166,339	130,055			221,646	224,306	188,483
Preferred non-controlling partnership interest	12,670	12,670					
Series B preferred stock	80,000						
Non-controlling partnership/members interest	66,322	66,322			3,348	3,282	1,793
Member s/stockholders equity	491,260	414,868			223,240	218,449	74,654
Total equity	557,582	481,190			226,588	221,731	76,447
Other Data:							
Pro forma funds from operations[(1)]	$ 7,439			$ 7,915			
Pro forma funds from operations per share, diluted	$ 0.30			$ 0.32			
Cash flows from:							
Operating activities		$ 3,421	$ 2,250		$ 4,538	$ 20,049	$ (5,433)
Investing activities		(56,667)	(10,112)		(15,457)	(178,526)	(238,903)
Financing activities		90,293	5,754		8,800	163,794	244,832

(1) We calculate funds from operations before non-controlling interest, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO is defined by NAREIT as net income (loss) (computed in accordance with U.S. generally accepted accounting principles, or GAAP), excluding gains (or losses) from sales of depreciable operating property, plus real estate depreciation and amortization (excluding amortization of above (below) market rents for acquisition properties and amortization of deferred financing costs and debt discounts) and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. We use FFO as a supplemental performance measure because, in excluding real estate depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, therefore, our FFO may not be comparable to such other REITs FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends. FFO should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. The following table sets forth a reconciliation of our pro forma net income to pro forma FFO before non-controlling interest for the periods presented:

	Pro Forma	
	Nine Months Ended September 30, 2010 (In thousands)	Year Ended December 31, 2009 (In thousands)
Net loss	$ (959)	$ (3,410)
Adjustments:		
Net income attributable to series B cumulative redeemable preferred stock	(5,025)	(6,700)
Net income attributable to preferred non-controlling partnership interest	(585)	(780)
Real estate depreciation and amortization	14,008	18,805
Funds from operations before common non-controlling interests	$ 7,439	$ 7,915

Ratios of Earnings to Fixed Charges and Preferred Dividends

Our ratios of earnings to fixed charges and earnings to fixed charges and preferred dividends for the periods indicated are as follows:

	Pro Forma Consolidated Nine Months Ended September 30, 2010	Historical Consolidated Nine Months Ended September 30, 2010	Pro Forma Consolidated Year Ended December 31, 2009	Historical Combined Year Ended December 31,		
				2009	2008	2007
Ratio of Earnings to Fixed Charges	0.85x	0.64x	0.71x	0.88x	0.72x	0.29x
Ratio of Earnings to Fixed Charges and Preferred Dividends	0.49x	0.62x	0.45x	0.88x	0.72x	0.29x

Our ratios of earnings to fixed charges are computed by dividing earnings by fixed charges. Our ratios of earnings to fixed charges and preferred dividends are computed by dividing earnings by the sum of fixed charges and preferred dividends. For these purposes, earnings consist of net income (loss) plus fixed charges. Net income (loss) is computed in accordance with GAAP and includes such non-cash items as real estate depreciation and amortization, amortization of above (below) market rents, and amortization of deferred financing costs and loan premium. Net income (loss) in 2010 also includes one-time transactional costs relating to our initial public offering and related formation transactions and acquisitions subsequent to our initial public offering. Fixed charges consist of interest expense, capitalized interest and amortization of deferred financing fees and loan premium, whether expensed or capitalized, interest within rental expense and preference security dividend requirements of consolidated subsidiaries. Interest income is not included in this computation. Preferred dividends consist of the amount of pre-tax earnings required to pay dividends on the series B preferred stock. Our pro forma ratios are prepared on the basis of our pro forma financial statements. See Hudson Pacific Properties, Inc. Pro Forma Condensed Consolidated Financial Statements.

The computation of ratio of earnings to fixed charges indicates that earnings were inadequate to cover fixed charges on the basis of our pro forma financial statements by approximately $1.1 million for the nine months ended September 30, 2010 and by $3.9 million for the year ended December 31, 2009.

The computation of ratio of earnings to fixed charges and preferred dividends indicates that earnings were inadequate to cover fixed charges and preferred dividends on the basis of our pro forma financial statements by approximately $6.7 million for the nine months ended September 30, 2010 and by $11.4 million for the year ended December 31, 2009.

The computation of ratio of earnings to fixed charges indicates that earnings were inadequate to cover fixed charges on the basis of our historical financial statements by approximately $2.3 million for the nine months ended September 30, 2010 and by $1.1 million, $3.6 million, and $5.1 million for the years ended December 31, 2009, 2008, and 2007, respectively.

The computation of ratio of earnings to fixed charges and preferred dividends indicates that earnings were inadequate to cover fixed charges and preferred dividends on the basis of our historical financial statements by approximately $2.5 million for the nine months ended September 30, 2010 and by $1.1 million, $3.6 million, and $5.1 million for the years ended December 31, 2009, 2008, and 2007, respectively.

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RISK FACTORS

Investing in our series B preferred stock involves risks. In addition to other information contained in this prospectus, you should carefully consider the following factors before acquiring shares of our series B preferred stock offered by this prospectus. The occurrence of any of the following risks could materially and adversely affect our business, prospects, financial condition, results of operations and our ability to make cash distributions to our stockholders, which could cause you to lose all or a part of your investment in our series B preferred stock. Some statements in this prospectus, including statements in the following risk factors, constitute forward-looking statements. Please refer to the section entitled Forward-Looking Statements.

Risks Related to Our Properties and Our Business

All of our properties are located in California, and we therefore are dependent on the California economy and are susceptible to adverse local regulations and natural disasters affecting California.

All of our properties are located in California, which exposes us to greater economic risks than if we owned a more geographically dispersed portfolio. Further, our properties are concentrated in certain submarkets, exposing us to risks associated with those specific areas. We are susceptible to adverse developments in the California economic and regulatory environment (such as business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes, costs of complying with governmental regulations or increased regulation), as well as to natural disasters that occur in our markets (such as earthquakes and other events). For example, prior to the acquisition of our City Plaza property located in Orange County, California, the area was impacted significantly by the collapse of the subprime mortgage market, which had a material adverse effect on property values, vacancy rates and rents in the area. Had we owned City Plaza at that time, we would have been exposed to those adverse effects, which were more pronounced in Orange County than in other parts of the state and country. We anticipate that we will be exposed to similar risks related to the geographic concentration of our properties in the future. In addition, the State of California continues to suffer from severe budgetary constraints and is regarded as more litigious and more highly regulated and taxed than many other states, all of which may reduce demand for office space in California. Any adverse developments in the economy or real estate market in California, or any decrease in demand for office space resulting from the California regulatory or business environment, could adversely impact our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, the per share trading price of our common stock and series B preferred stock and our ability to satisfy our debt obligations. We cannot assure you of the growth of the California economy or of our future growth rate.

We derive a significant portion of our rental revenue from tenants in the media and entertainment industry, which makes us particularly susceptible to demand for rental space in that industry.

The Sunset Gower, Sunset Bronson, Technicolor Building and 10950 Washington properties in our portfolio are leased to media and entertainment tenants and a significant portion of our rental revenue is derived from tenants in the media and entertainment industry. Consequently, we are susceptible to adverse developments affecting the demand by media and entertainment tenants for office, production, and support space in Southern California and, more specifically, in Hollywood, such as writer, director and actor strikes, industry slowdowns and the relocation of media and entertainment businesses to other locations. Although our Technicolor Building property and the 10950 Washington property are principally occupied and suitable for general office purposes, portions of such properties may require modifications prior to or at the commencement of a lease term if it were to be released to more traditional office users. Although our Sunset Gower and Sunset Bronson properties contain both sound stages and space suitable for office use, they have historically served the entertainment and media industry and will continue to depend on that sector for future tenancy. In addition, our media and entertainment properties tend to be subject to short-term leases of less than one year. As a result, were there to be adverse developments affecting the demand by media and entertainment tenants for office, production, and support space,

it could affect the occupancy of our media and entertainment properties more quickly than if we had longer term leases. Any adverse development in the media and entertainment industry could adversely affect our financial condition, results of operations, cash flow and the per share trading price of our common stock and series B preferred stock.

The purchase of the 10950 Washington property is subject to closing conditions that could delay or prevent the acquisition of the property.

We have entered into a definitive agreement to acquire the 10950 Washington property. The purchase of the 10950 Washington property is subject to closing conditions, including our receipt of requisite estoppels and our assumption of the existing $30.0 million loan, which could delay or prevent the acquisition of the property. Although we believe that the information in the prospectus with respect to the 10950 Washington property that has been provided to us by the seller of such property, including square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations is accurate, we cannot assure you that this information is accurate or complete. The closing of the acquisition is expected to take place by December 30, 2010 once all necessary approvals for the loan assumption have been received. We cannot assure you that the acquisition will be consummated on the anticipated schedule or at all. In addition, if we fail to close the purchase as required after the satisfaction or waiver of all closing conditions, we will be liable to the seller for liquidated damages in an amount equal to the $1.0 million deposit made by us under the asset purchase agreement.

Some of our properties are subject to ground leases, the termination or expiration of which could cause us to lose our interest in, and the right to receive rental income from, such properties.

The 9300 Wilshire Boulevard property, 0.59 acres of the the Sunset Gower property and a portion representing 64% of the building area of the 222 Kearny Street property (excluding the 180 Sutter building) are subject to ground leases. If any of these ground leases are terminated following a default or expire without being extended, we may lose our interest in the related property and may no longer have the right to receive any of the rental income from such property, which would adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations.

The ground sublease for the Del Amo Office property is subject and subordinate to a ground lease, the termination of which could result in a termination of the ground sublease.

The property on which the Del Amo Office building is located is subleased by Del Amo Fashion Center Operating Company, L.L.C., a Delaware limited liability company, or Del Amo, through a long-term ground sublease. The ground sublease is subject and subordinate to the terms of a ground lease between the fee owner of the Del Amo Office property and the sub-landlord under the ground sublease. The fee owner has not granted to the subtenant under the ground sublease any rights of non-disturbance. Accordingly, a termination of the ground lease for any reason, including a rejection thereof by the ground tenant under the ground lease in a bankruptcy proceeding, could result in a termination of the ground sublease. In the event of a termination of the ground sublease, we may lose our interest in the Del Amo Office building and may no longer have the right to receive any of the rental income from the Del Amo Office building. In addition, our lack of any non-disturbance rights from the fee owner may impair our ability to obtain financing for the Del Amo Office building.

We may be unable to identify and complete acquisitions of properties that meet our criteria, which may impede our growth.

Our business strategy involves the acquisition of underperforming office properties. These activities require us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategies. We continue to evaluate the market of available properties and may attempt to acquire properties when strategic opportunities exist. However, we may be unable to acquire any of

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the properties identified as potential acquisition opportunities under Business and Properties Acquisition Pipeline and elsewhere in this prospectus, or that we may identify in the future. Our ability to acquire properties on favorable terms, or at all, may be exposed to the following significant risks:

- potential inability to acquire a desired property because of competition from other real estate investors with significant capital, including publicly traded REITs, private equity investors and institutional investment funds, which may be able to accept more risk than we can prudently manage, including risks with respect to the geographic proximity of investments and the payment of higher acquisition prices;

- we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete;

- even if we enter into agreements for the acquisition of properties, these agreements are typically subject to customary conditions to closing, including the satisfactory completion of our due diligence investigations; and

- we may be unable to finance the acquisition on favorable terms or at all.

If we are unable to finance property acquisitions or acquire properties on favorable terms, or at all, our financial condition, results of operations, cash flow, cash available for distribution, including cash available for the payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock could be adversely affected. In addition, failure to identify or complete acquisitions of suitable properties could slow our growth.

Our future acquisitions may not yield the returns we expect.

Our future acquisitions and our ability to successfully operate the properties we acquire in such acquisitions may be exposed to the following significant risks:

- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;

- we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;

- our cash flow may be insufficient to meet our required principal and interest payments;

- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;

- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;

- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

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If we cannot operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock could be adversely affected.

We may acquire properties or portfolios of properties through tax deferred contribution transactions, which could result in stockholder dilution and limit our ability to sell such assets.

In the future we may acquire properties or portfolios of properties through tax deferred contribution transactions in exchange for partnership interests in our operating partnership, which may result in stockholder dilution. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and/or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions.

Our growth depends on external sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all.

In order to maintain our qualification as a REIT, we are required to meet various requirements under the Code, including that we distribute annually at least 90% of our net taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our net taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we intend to rely on third-party sources to fund our capital needs. We may not be able to obtain the financing on favorable terms or at all. Any additional debt we incur will increase our leverage and likelihood of default. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market s perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our common stock.

Recently, the credit markets have been subject to significant disruptions. If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders, including our series B preferred stockholders, necessary to maintain our qualification as a REIT.

As of September 30, 2010, we had approximately $94.3 million of indebtedness outstanding, which may expose us to interest rate fluctuations, and our debt service obligations with respect to such indebtedness will reduce cash available for distribution, including cash available to pay dividends on our series B preferred stock, and expose us to the risk of default under our debt obligations.

Our total consolidated indebtedness, as of September 30, 2010, was approximately $94.3 million, of which $37.0 million (or approximately 39.3%) was variable rate debt, which has been fully hedged pursuant to

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an interest rate contract, and we may incur significant additional debt to finance future acquisition and development activities. In addition, as of December 2, 2010, we had drawn approximately $34.5 million under our secured revolving credit facility.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated on our common stock or our series B preferred stock or necessary to maintain our REIT qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

- our cash flow may be insufficient to meet our required principal and interest payments;
- we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs;
- we may be unable to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness;
- because a portion of our debt bears interest at variable rates, increases in interest rates could increase our interest expense;
- we may be forced to dispose of one or more of our properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject;
- we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and
- our default under any loan with cross default provisions could result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow, ability to make distributions on our common stock and our series B preferred stock and per share trading price of our common stock and series B preferred stock could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness.

Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt.

Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure of any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds.

Our secured revolving credit facility restricts our ability to engage in some business activities.

Our secured revolving credit facility contains customary negative covenants and other financial and operating covenants that, among other things:

restrict our ability to incur additional indebtedness;

- restrict our ability to make certain investments;
- restrict our ability to merge with another company;
- restrict our ability to make distributions to stockholders; and
- require us to maintain financial coverage ratios.

These limitations restrict our ability to engage in some business activities, which could adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock. In addition, failure to meet any of these covenants, including the financial coverage ratios, could cause an event of default under and/or accelerate some or all of our indebtedness, which would have a material adverse effect on us. Furthermore, our secured revolving credit facility contains specific cross-default provisions with respect to specified other indebtedness, giving the lenders the right to declare a default if we are in default under other loans in some circumstances.

Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole, including the current dislocations in the credit markets and general global economic downturn. These current conditions, or similar conditions existing in the future, may adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock as a result of the following potential consequences, among others:

- significant job losses in the financial and professional services industries may occur, which may decrease demand for our office space, causing market rental rates and property values to be negatively impacted;
- our ability to obtain financing on terms and conditions that we find acceptable, or at all, may be limited, which could reduce our ability to pursue acquisition and development opportunities and refinance existing debt, reduce our returns from our acquisition and development activities and increase our future interest expense;
- reduced values of our properties may limit our ability to dispose of assets at attractive prices or to obtain debt financing secured by our properties and may reduce the availability of unsecured loans; and
- one or more lenders under our secured revolving credit facility could refuse to fund their financing commitment to us or could fail and we may not be able to replace the financing commitment of any such lenders on favorable terms, or at all.

In addition, the economic downturn has adversely affected, and may continue to adversely affect, the businesses of many of our tenants. As a result, we may see increases in bankruptcies of our tenants and increased defaults by tenants, and we may experience higher vacancy rates and delays in re-leasing vacant space, which could negatively impact our business and results of operations.

Failure to hedge effectively against interest rate changes may adversely affect financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

If interest rates increase, then so will the interest costs on our unhedged or partially hedged variable rate debt, which could adversely affect our cash flow and our ability to pay principal and interest on our debt and our ability to make distributions to our stockholders. Further, rising interest rates could limit our ability to refinance existing debt when it matures. We seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements that involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements, and that these arrangements may not be effective in reducing our exposure to interest rate changes. Failure to hedge effectively against interest rate changes may materially adversely affect financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock. In addition, while such agreements are intended to lessen the impact of rising interest rates on us, they also expose us to the risk that the other parties to the agreements will not perform, we could incur significant costs associated with the settlement of the agreements, the agreements will be unenforceable and the underlying transactions will fail to qualify as highly-effective cash flow hedges under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 815, Derivative and Hedging.

We have a limited operating history and may not be able to operate our business successfully or implement our business strategies as described in this prospectus.

We commenced operations only upon completion of our initial public offering on June 29, 2010. Our portfolio, including the 10950 Washington property (which we are currently under contract to purchase), consists of eleven properties located throughout California, containing a total of approximately 2.4 million net rentable square feet. Our Del Amo Office, 9300 Wilshire Boulevard and 222 Kearny Street properties have only been under our management since they were acquired on August 13, 2010, August 24, 2010 and October 8, 2010, respectively, and three of our other properties have only been under our management since they were acquired in connection with our initial public offering on June 29, 2010. We do not yet own or operate the 10950 Washington property. These properties may have characteristics or deficiencies unknown to us that could affect such properties valuation or revenue potential. In addition, there can be no assurance that the operating performance of the properties will not decline under our management. We cannot assure you that we will be able to operate our business successfully or implement our business strategies as described in this prospectus. Furthermore, we can provide no assurance that our senior management team will replicate its success in its previous endeavors, and our investment returns could be substantially lower than the returns achieved by their previous endeavors.

We have a limited operating history as a REIT and as a publicly traded company and may not be able to successfully operate as a REIT or a publicly traded company.

We have a limited operating history as a REIT and as a publicly traded company. We cannot assure you that the past experience of our senior management team will be sufficient to successfully operate our company as a REIT or a publicly traded company, including the requirements to timely meet disclosure requirements of the SEC and comply with the Sarbanes-Oxley Act of 2002. Since our initial public offering, we have been subject to various requirements related to REITs and publicly traded companies, including requirements to develop and implement control systems and procedures in order to qualify and maintain our qualification as a REIT and satisfy our periodic and current reporting requirements under applicable SEC regulations and comply with New York Stock Exchange, or NYSE, listing standards, and compliance with these requirements could place a significant strain on our management systems, infrastructure and other resources. Failure to operate successfully as a public company or qualify and maintain our qualification as a REIT would have an adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our

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series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations. See Risks Related to Our Status as a REIT Failure to qualify as a REIT would have significant adverse consequences to us and the value of our common stock.

We face significant competition, which may decrease or prevent increases of the occupancy and rental rates of our properties.

We compete with numerous developers, owners and operators of office properties, many of which own properties similar to ours in the same submarkets in which our properties are located. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge or to offer more substantial rent abatements, tenant improvements, early termination rights or below-market renewal options in order to retain tenants when our tenants leases expire. As a result, our financial condition, results of operations, cash flow, cash available for distributions, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock could be adversely affected.

We depend on significant tenants, and many of our properties are single-tenant properties or are currently occupied by single tenants.

As of September 30, 2010, the 20 largest tenants in our office portfolio represented approximately 65.5% of the total annualized base rent generated by our office properties. The inability of a significant tenant to pay rent or the bankruptcy or insolvency of a significant tenant may adversely affect the income produced by our properties. If a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease with us. Any claim against such tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. For the 12 months ended September 30, 2010, our largest tenant was Technicolor, which accounted for 11.7% of our annualized base rent, and therefore represented a significant credit concentration. If Technicolor were to experience a downturn in its business or a weakening of its financial condition resulting in its failure to make timely rental payments or causing it to default under its lease, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. Any such event described above could have an adverse effect on our financial condition, results of operations, cash flow, cash available for distributions, including cash available for payment of dividends on our series B preferred stock, and the per share trading price of our common stock and series B preferred stock.

Furthermore, Saatchi & Saatchi leases 100% of the Del Amo Office property under the terms of an office lease that permits Saatchi & Saatchi to terminate the lease as to all of the leased premises prior to the stated lease expiration on December 31, 2011, December 31, 2014 and December 31, 2016, in each case upon nine months prior notice and in exchange for payment of an early termination fee estimated to be approximately $5.0 million for 2011, approximately $3.1 million for 2014 and approximately $1.9 million for 2016. As of September 30, 2010, the Saatchi & Saatchi lease comprised approximately 8.8% of our annualized office base rent. To the extent that Saatchi & Saatchi exercises its early termination right, our financial condition, results of operations and cash flow will be adversely affected, and we can provide no assurance that we will be able to generate an equivalent amount of net rental revenue by leasing the vacated space to new third party tenants.

Our financial condition, results of operations, cash flow, cash available for distributions, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock could be adversely affected if any of our significant tenants were to become unable to pay their rent or become bankrupt or insolvent.

We may be unable to renew leases, lease vacant space or re-let space as leases expire.

As of September 30, 2010, leases representing 0.6% of the square footage of the office properties in our portfolio, including 10950 Washington, will expire in the remainder of 2010, and an additional 13.0% of the square footage of the office properties in our portfolio was available (taking into account uncommenced leases signed as of September 30, 2010). Furthermore, substantially all of the square footage of the media and entertainment properties in our portfolio (other than the KTLA lease of the KTLA facility at Sunset Bronson) will expire in the remainder of 2010 and in 2011. We cannot assure you that leases will be renewed or that our properties will be re-let at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. If the rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flow, cash available for distributions, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock could be adversely affected.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, causing our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock to be adversely affected.

To the extent adverse economic conditions continue in the real estate market and demand for office space remains low, we expect that, upon expiration of leases at our properties, we will be required to make rent or other concessions to tenants, accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers. Additionally, we may need to raise capital to make such expenditures. If we are unable to do so or capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could cause an adverse effect to our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience lease roll-down from time to time.

As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the Northern or Southern California real estate markets, a general economic downturn, such as the current global economic downturn, and the desirability of our properties compared to other properties in our submarkets, we may be unable to realize the asking rents across the properties in our portfolio. In addition, the degree of discrepancy between our asking rents and the actual rents we are able to obtain may vary both from property to property and among different leased spaces within a single property. If we are unable to obtain rental rates that are on average comparable to our asking rents across our portfolio, then our ability to generate cash flow growth will be negatively impacted. In addition, depending on asking rental rates at any given time as compared to expiring leases in our portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases.

Our success depends on key personnel whose continued service is not guaranteed.

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Victor J. Coleman and Howard S. Stern, who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and

disposition activity. Among the reasons that they are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants and industry personnel. If we lose their services, our relationships with such personnel could diminish.

Many of our other senior executives also have extensive experience and strong reputations in the real estate industry, which aid us in identifying opportunities, having opportunities brought to us, and negotiating with tenants and build-to-suit prospects. The loss of services of one or more members of our senior management team, or our inability to attract and retain highly qualified personnel, could adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry personnel, which could adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

Potential losses, including from adverse weather conditions, natural disasters and title claims, may not be covered by insurance.

We carry commercial property (including earthquake), liability and terrorism coverage on all the properties in our portfolio under a blanket insurance policy, in addition to other coverages, such as trademark and pollution coverage, that may be appropriate for certain of our properties. We have selected policy specifications and insured limits that we believe to be appropriate and adequate given the relative risk of loss, the cost of the coverage and industry practice. However, we do not carry insurance for losses such as loss from riots or war because such coverage is not available or is not available at commercially reasonable rates. Some of our policies, like those covering losses due to terrorism or earthquakes, are insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses, which could affect certain of our properties that are located in areas particularly susceptible to natural disasters. All of the properties we currently own are located in California, an area especially subject to earthquakes. While we carry earthquake insurance on our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. In addition, we may discontinue earthquake**,** terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any such policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. As a result, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters.

If we or one or more of our tenants experiences a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties as well as the anticipated future cash flows from those properties. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future as the costs associated with property and casualty renewals may be higher than anticipated.

In the event that we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications. Further reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements.

We may become subject to litigation, which could have an adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations.

In the future we may become subject to litigation, including claims relating to our operations, offerings, and otherwise in the ordinary course of business. Some of these claims may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. We

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generally intend to vigorously defend ourselves; however, we cannot be certain of the ultimate outcomes of any claims that may arise in the future. Resolution of these types of matters against us may result in our having to pay significant fines, judgments, or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could adversely impact our earnings and cash flows, thereby having an adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, per share trading price of our common stock and series B preferred stock and ability to satisfy our debt obligations. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers financial condition and disputes between us and our co-venturers.

We may co-invest in the future with third parties through partnerships, joint ventures or other entities, acquiring non-controlling interests in or sharing responsibility for managing the affairs of a property, partnership, joint venture or other entity. In such event, we would not be in a position to exercise sole decision-making authority regarding the property, partnership, joint venture or other entity. Investments in partnerships, joint ventures or other entities may, under certain circumstances, involve risks not present were a third party not involved, including the possibility that partners or co-venturers might become bankrupt or fail to fund their share of required capital contributions. Partners or co-venturers may have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives, and they may have competing interests in our markets that could create conflict of interest issues. Such investments may also have the potential risk of impasses on decisions, such as a sale, because neither we nor the partner or co-venturer would have full control over the partnership or joint venture. In addition, prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interests in the joint venture, which would restrict our ability to dispose of our interest in the joint venture. If we become a limited partner or non-managing member in any partnership or limited liability company and such entity takes or expects to take actions that could jeopardize our status as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. Disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business. Consequently, actions by or disputes with partners or co-venturers might result in subjecting properties owned by the partnership or joint venture to additional risk. In addition, we may in certain circumstances be liable for the actions of our third-party partners or co-venturers. Our joint ventures may be subject to debt and, in the current volatile credit market, the refinancing of such debt may require equity capital calls.

If we fail to maintain an effective system of integrated internal controls, we may not be able to accurately report our financial results.

Effective internal and disclosure controls are necessary for us to provide reliable financial reports and effectively prevent fraud and to operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. As part of our ongoing monitoring of internal controls we may discover material weaknesses or significant deficiencies in our internal controls. As a result of weaknesses that may be identified in our internal controls, we may also identify certain deficiencies in some of our disclosure controls and procedures that we believe require remediation. If we discover weaknesses, we will make efforts to improve our internal and disclosure controls. However, there is no assurance that we will be successful. Any failure to maintain effective controls or timely effect any necessary improvement of our internal and disclosure controls could harm operating results or cause us to fail to meet our reporting obligations, which could affect our ability to remain listed with the NYSE. Ineffective internal and disclosure controls could also cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the per share trading price of our common stock.

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Risks Related to the Real Estate Industry

Our performance and value are subject to risks associated with real estate assets and the real estate industry.

Our ability to pay expected dividends to our stockholders depends on our ability to generate revenues in excess of expenses, scheduled principal payments on debt and capital expenditure requirements. Events and conditions generally applicable to owners and operators of real property that are beyond our control may decrease cash available for distribution and the value of our properties. These events include many of the risks set forth above under Risks Related to Our Properties and Our Business, as well as the following:

- local oversupply or reduction in demand for office or media and entertainment-related space;
- adverse changes in financial conditions of buyers, sellers and tenants of properties;
- vacancies or our inability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options, and the need to periodically repair, renovate and re-let space;
- increased operating costs, including insurance premiums, utilities, real estate taxes and state and local taxes;
- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured or underinsured losses;
- decreases in the underlying value of our real estate; and
- changing submarket demographics.

In addition, periods of economic downturn or recession, rising interest rates or declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults under existing leases, which would adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties and harm our financial condition.

The real estate investments made, and to be made, by us are relatively difficult to sell quickly. As a result, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial and investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objectives by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, our ability to dispose of one or more properties within a specific time period is subject to certain limitations imposed by our tax protection agreements, as well as weakness in or even the lack of an established market for a property, changes in the financial condition or prospects of prospective purchasers, changes in national or international economic conditions, such as the current economic downturn, and changes in laws, regulations or fiscal policies of jurisdictions in which the property is located.

In addition, the Code imposes restrictions on a REIT s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of

business, which may cause us to forgo or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms, which may adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

We could incur significant costs related to government regulation and litigation over environmental matters.

Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate, clean up such contamination and liability for harm to natural resources. Such laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence of such contamination, and the liability may be joint and several. These liabilities could be substantial and the cost of any required remediation, removal, fines or other costs could exceed the value of the property and/or our aggregate assets. In addition, the presence of contamination or the failure to remediate contamination at our properties may expose us to third-party liability for costs of remediation and/or personal or property damage or materially adversely affect our ability to sell, lease or develop our properties or to borrow using the properties as collateral. In addition, environmental laws may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property, or adjacent properties, for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. As a result, we could potentially incur material liability for these issues, which could adversely impact our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and the per share trading price of our common stock and series B preferred stock.

Environmental laws also govern the presence, maintenance and removal of asbestos- and lead-containing building materials, or ACBM, and may impose fines and penalties for failure to comply with these requirements or expose us to third-party liability (e.g., liability for personal injury associated with exposure to asbestos). Such laws require that owners or operators of buildings containing ACBM (and employers in such buildings) properly manage and maintain the asbestos and lead, adequately notify or train those who may come into contact with asbestos or lead, and undertake special precautions, including removal or other abatement, if asbestos or lead would be disturbed during renovation or demolition of a building. Some of our properties contain ACBM and we could be liable for such damages, fines or penalties, as described below in Business and Properties Regulation Environmental Matters.

In addition, the properties in our portfolio also are subject to various federal, state and local environmental and health and safety requirements, such as state and local fire requirements. Moreover, some of our tenants routinely handle and use hazardous or regulated substances and wastes as part of their operations at our properties, which are subject to regulation. Such environmental and health and safety laws and regulations could subject us or our tenants to liability resulting from these activities. Environmental liabilities could affect a tenant s ability to make rental payments to us. In addition, changes in laws could increase the potential liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to you or that such costs or other remedial measures will not have an adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common

stock and series B preferred stock. If we do incur material environmental liabilities in the future, we may face significant remediation costs, and we may find it difficult to sell any affected properties.

Our properties may contain or develop harmful mold or suffer from other air quality issues, which could lead to liability for adverse health effects and costs of remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants above certain levels can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants from the affected property or increase indoor ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants or others if property damage or personal injury is alleged to have occurred.

We may incur significant costs complying with various federal, state and local laws, regulations and covenants that are applicable to our properties.

The properties in our portfolio are subject to various covenants and federal, state and local laws and regulatory requirements, including permitting and licensing requirements. Local regulations, including municipal or local ordinances, zoning restrictions and restrictive covenants imposed by community developers may restrict our use of our properties and may require us to obtain approval from local officials or restrict our use of our properties and may require us to obtain approval from local officials of community standards organizations at any time with respect to our properties, including prior to acquiring a property or when undertaking renovations of any of our existing properties. Among other things, these restrictions may relate to fire and safety, seismic or hazardous material abatement requirements. There can be no assurance that existing laws and regulatory policies will not adversely affect us or the timing or cost of any future acquisitions or renovations, or that additional regulations will not be adopted that increase such delays or result in additional costs. Our growth strategy may be affected by our ability to obtain permits, licenses and zoning relief. Our failure to obtain such permits, licenses and zoning relief or to comply with applicable laws could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock and series B preferred stock.

In addition, federal and state laws and regulations, including laws such as the Americans with Disabilities Act, or ADA, impose further restrictions on our properties and operations. Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Some of our properties may currently be in non-compliance with the ADA. If one or more of the properties in our portfolio is not in compliance with the ADA or any other regulatory requirements, we may be required to incur additional costs to bring the property into compliance and we might incur governmental fines or the award of damages to private litigants. In addition, we do not know whether existing requirements will change or whether future requirements will require us to make significant unanticipated expenditures that will adversely impact our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

We are exposed to risks associated with property development.

We may engage in development and redevelopment activities with respect to certain of our properties. To the extent that we do so, we will be subject to certain risks, including the availability and pricing of financing on favorable terms or at all; construction and/or lease-up delays; cost overruns, including construction costs that exceed our original estimates; contractor and subcontractor disputes, strikes, labor disputes or supply disruptions;

failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; and delays with respect to obtaining or the inability to obtain necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken, any of which could have an adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

Risks Related to Our Organizational Structure

As of September 30, 2010 the Farallon Funds owned an approximate 35.9% beneficial common interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company.

Investment funds affiliated with Farallon Capital Management, L.L.C., or Farallon, which we refer to as the Farallon Funds, own an approximate 35.9% beneficial interest in our company on a fully diluted basis. Consequently, the Farallon Funds may be able to significantly influence the outcome of matters submitted for stockholder action, including the election of our board of directors and approval of significant corporate transactions, including business combinations, consolidations and mergers. In addition, one member of our board of directors is a managing member of Farallon. As a result, the Farallon Funds have substantial influence on us and could exercise their influence in a manner that conflicts with the interests of other stockholders.

The series A preferred units that were issued to some contributors in connection with our initial public offering in exchange for the contribution of their properties have certain preferences, which could limit our ability to pay dividends or other distributions to the holders of our series B preferred stock or engage in certain business combinations, recapitalizations or other fundamental changes.

In exchange for the contribution of properties to our portfolio in connection with our initial public offering, some contributors received series A preferred units in our operating partnership, which units have an aggregate liquidation preference of approximately $12.5 million and have a preference as to distributions and upon liquidation that could limit our ability to pay a dividend or make another distribution to the holders of our series B preferred stock. The series A preferred units are senior to any other class of securities our operating partnership may issue in the future without the consent of the holders of the series A preferred units. As a result, we will be unable to issue partnership units in our operating partnership senior to the series A preferred units without the consent of the holders of series A preferred units. Any preferred stock in our company that we issue, including the series B preferred stock offered hereby, will be subordinate to the series A preferred units.

In addition, we may only engage in a fundamental change, including a recapitalization, a merger and a sale of all or substantially all of our assets, as a result of which our common stock ceases to be publicly traded or common units cease to be exchangeable (at our option) for publicly traded shares of our stock, without the consent of holders of series A preferred units if following such transaction we will maintain certain leverage ratios and equity requirements, and pay certain minimum tax distributions to holders of our outstanding series A preferred units. Alternatively, we may redeem all or any portion of the then outstanding series A preferred units for cash (at a price per unit equal to the redemption price). If we choose to redeem the outstanding series A preferred units in connection with a fundamental change, this could reduce the amount of cash available for distribution to holders of our series B preferred stock. In addition, these provisions could increase the cost of any such fundamental change transaction, which may discourage a merger, combination or change of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests.

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Conflicts of interest exist or could arise in the future between the interests of our stockholders and the interests of holders of units in our operating partnership, which may impede business decisions that could benefit our stockholders.

Conflicts of interest exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any partner thereof, on the other. Our directors and officers have duties to our company under applicable Maryland law in connection with their management of our company. At the same time, we, as the general partner of our operating partnership, have fiduciary duties and obligations to our operating partnership and its limited partners under Maryland law and the partnership agreement of our operating partnership in connection with the management of our operating partnership. Our fiduciary duties and obligations as general partner to our operating partnership and its partners may come into conflict with the duties of our directors and officers to our company.

Additionally, the partnership agreement provides that we and our directors and officers will not be liable or accountable to our operating partnership for losses sustained, liabilities incurred or benefits not derived if we, or such director or officer acted in good faith. The partnership agreement also provides that we will not be liable to the operating partnership or any partner for monetary damages for losses sustained, liabilities incurred or benefits not derived by the operating partnership or any limited partner, except for liability for our intentional harm or gross negligence. Moreover, the partnership agreement provides that our operating partnership is required to indemnify us and our directors, officers and employees, officers and employees of the operating partnership and our designees from and against any and all claims that relate to the operations of our operating partnership, except (1) if the act or omission of the person was material to the matter giving rise to the action and either was committed in bad faith or was the result of active and deliberate dishonesty, (2) for any transaction for which the indemnified party received an improper personal benefit, in money, property or services or otherwise, in violation or breach of any provision of the partnership agreement or (3) in the case of a criminal proceeding, if the indemnified person had reasonable cause to believe that the act or omission was unlawful. No reported decision of a Maryland appellate court has interpreted provisions similar to the provisions of the partnership agreement of our operating partnership that modify and reduce our fiduciary duties or obligations as the general partner or reduce or eliminate our liability for money damages to the operating partnership and its partners, and we have not obtained an opinion of counsel as to the enforceability of the provisions set forth in the partnership agreement that purport to modify or reduce the fiduciary duties that would be in effect were it not for the partnership agreement.

We may pursue less vigorous enforcement of terms of the contribution and other agreements with members of our senior management and our affiliates because of our dependence on them and conflicts of interest.

Each of Victor J. Coleman, Howard S. Stern and affiliates of the Farallon Funds are parties to contribution agreements with us pursuant to which we have acquired interests in our properties and assets. In addition, Messrs. Coleman and Stern are parties to employment agreements with us. We may choose not to enforce, or to enforce less vigorously, our rights under these agreements because of our desire to maintain our ongoing relationship with members of our senior management and the Farallon Funds, with possible negative impact on stockholders.

Our charter and bylaws, the partnership agreement of our operating partnership and Maryland law contain provisions that may delay, defer or prevent a change of control transaction, even if such a change in control may be in your interest, and as a result may depress the market price of our common stock and series B preferred stock.

Our charter contains certain ownership limits. Our charter contains various provisions that are intended to preserve our qualification as a REIT and, subject to certain exceptions, authorize our directors to take such actions as are necessary or appropriate to preserve our qualification as a REIT. For example, upon completion of this offering, our charter will prohibit the actual, beneficial or constructive ownership by any

person of more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or our series B preferred stock, or more than 9.8% in value of the aggregate outstanding shares of all classes and series of our stock. Our board of directors, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from these ownership limits if certain conditions are satisfied. In connection with our initial public offering and the formation transactions, our board of directors granted to the Farallon Funds and certain of their affiliates, which we refer to collectively as the Farallon excepted holders, and to certain other persons, exemptions from the ownership limits, subject to various conditions and limitations. See Description of Stock Restrictions on Ownership and Transfer. The restrictions on ownership and transfer of our stock may:

- discourage a tender offer or other transactions or a change in management or of control that might involve a premium price for our common stock or series B preferred stock or that our stockholders otherwise believe to be in their best interests; or

- result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of a charitable beneficiary and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares.

We could increase the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval. Subject to the rights of holders of series B preferred stock to approve the classification or issuance of any class or series of stock ranking senior to the series B preferred stock, our board of directors has the power under our charter to amend our charter to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and set the terms of such newly classified or reclassified shares. See Description of Stock Common Stock and Preferred Stock. Although our board of directors has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our series B preferred stock or that our stockholders otherwise believe to be in their best interest.

Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that our stockholders otherwise believe to be in their best interest. Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could be in the best interest of our series B preferred stockholders, including:

- business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested stockholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10% or more of the voting power of our then outstanding voting stock at any time within the two-year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter impose fair price and/or supermajority and stockholder voting requirements on these combinations; and

- control share provisions that provide that control shares of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of issued and

outstanding control shares) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

As permitted by the MGCL, we have elected, by resolution of our board of directors, to exempt from the business combination provisions of the MGCL, any business combination that is first approved by our disinterested directors and, pursuant to a provision in our bylaws, to exempt any acquisition of our stock from the control share provisions of the MGCL. However, our board of directors may by resolution elect to repeal the exemption from the business combination provisions of the MGCL and may by amendment to our bylaws opt in to the control share provisions of the MGCL at any time in the future.

Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could be in the best interest of our series B preferred stockholders. Our charter contains a provision whereby we have elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors. See Material Provisions of Maryland Law and of Our Charter and Bylaws.

Certain provisions in the partnership agreement of our operating partnership may delay or prevent unsolicited acquisitions of us. Provisions in the partnership agreement of our operating partnership may delay or make more difficult unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others:

- redemption rights of qualifying parties;
- transfer restrictions on units;
- our ability, as general partner, in some cases, to amend the partnership agreement and to cause the operating partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of the limited partners;
- the right of the limited partners to consent to transfers of the general partnership interest and mergers or other transactions involving us under specified circumstances; and
- restrictions on debt levels and equity requirements pursuant to the terms of our series A preferred units, as well as required distributions to holders of series A preferred units of our operating partnership, following certain changes of control of us.

Our charter, bylaws, the partnership agreement of our operating partnership and Maryland law also contain other provisions that may delay, defer or prevent a transaction or a change of control that our stockholders otherwise believe to be in their best interest. See Material Provisions of Maryland Law and of Our Charter and Bylaws Removal of Directors, Control Share Acquisitions, Advance Notice of Director Nominations and New Business and Description of the Partnership Agreement of Hudson Pacific Properties, L.P.

Our board of directors may change our investment and financing policies without stockholder approval and we may become more highly leveraged, which may increase our risk of default under our debt obligations.

Our investment and financing policies are exclusively determined by our board of directors. Accordingly, our stockholders do not control these policies. Further, our organizational documents do not limit

the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

Our rights and the rights of our stockholders to take action against our directors and officers are limited.

Our charter eliminates the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter authorizes us to obligate our company, and our bylaws require us, to indemnify our directors and officers for actions taken by them in those and certain other capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited.

Tax protection agreements could limit our ability to sell or otherwise dispose of certain properties.

In connection with the formation transactions, we entered into tax protection agreements with certain third-party contributors that provide that if we dispose of any interest with respect to the First Financial or Tierrasanta properties in a taxable transaction during the period from the closing of our initial public offering on June 29, 2010 through certain specified dates ranging until 2027, we will indemnify the third-party contributors for their tax liabilities attributable to their share of the greater of the built-in gain that exists with respect to such property interest as of June 29, 2010 and the built-in gain that existed with respect to such property interests when held by an investment vehicle whose general partner is owned by investment funds managed by Morgan Stanley, which we refer to as the Morgan Stanley Investment Partnership (and, in either case, tax liabilities incurred as a result of the reimbursement payment). Certain contributors rights under the tax protection agreement with respect to these properties will, however, expire at various times (depending on the rights of such partner) during the period beginning in 2017 and prior to the expiration, in 2027, of the maximum period for indemnification. The First Financial and Tierrasanta properties represented 22.4% of our office portfolio s annualized base rent (including the 10950 Washington property) as of September 30, 2010. We have no present intention to sell or otherwise dispose of the properties or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under these agreements, we would be required to pay damages in the amount of the taxes owed by these contributors (plus additional damages in the amount of the taxes incurred as a result of such payment). In addition, although it may otherwise be in our stockholders best interest that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations.

Our tax protection agreements may require our operating partnership to maintain certain debt levels that otherwise would not be required to operate our business.

Our tax protection agreements provide that during the period from the closing of our initial public offering on June 29, 2010, through certain specified dates ranging from 2017 to 2027, our operating partnership

will offer certain holders of units who continue to hold the units received in respect of the formation transactions the opportunity to guarantee debt. If we fail to make such opportunities available, we will be required to indemnify such holders for their tax liabilities resulting from our failure to make such opportunities available to them (and any tax liabilities incurred as a result of the indemnity payment). We agreed to these provisions in order to assist certain contributors in deferring the recognition of taxable gain as a result of and after the formation transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

We are a holding company with no direct operations and, as such, we rely on funds received from our operating partnership to pay liabilities, and the interests of our stockholders are structurally subordinated to all liabilities and obligations of our operating partnership and its subsidiaries.

We are a holding company and conduct substantially all of our operations through our operating partnership. We do not have, apart from an interest in our operating partnership, any independent operations. As a result, we rely on distributions from our operating partnership to pay any dividends we might declare on shares of our series B preferred stock. We also rely on distributions from our operating partnership to meet our obligations, including any tax liability on taxable income allocated to us from our operating partnership. In addition, because we are a holding company, your claims as holders of series B preferred stock will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our operating partnership and its subsidiaries and subordinate to the rights of holders of series A preferred units. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our operating partnership and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and our operating partnership s and its subsidiaries liabilities and obligations have been paid in full.

Risks Related to Our Status as a REIT

Failure to qualify as a REIT would have significant adverse consequences to us and the value of our stock.

We intend to elect to be taxed as a REIT for federal income tax purposes on our federal income tax return for our taxable year ending December 31, 2010. We believe that we have operated, and we intend to continue operating, in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with such taxable year. We have not requested and do not plan to request a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT, and the statements in the prospectus are not binding on the IRS or any court. Therefore, we cannot assure you that we will qualify as a REIT, or that we will remain qualified as such in the future. If we lose our REIT status, we will face serious tax consequences that would substantially reduce the funds available for distribution to you for each of the years involved because:

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;

- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and

- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. In addition, if we fail to qualify as a REIT, we will not be required to make distributions to our stockholders. As a result of all these factors, our failure to qualify as a REIT also could impair our ability to expand our business and raise capital, and could materially and adversely affect the value of our common stock and series B preferred stock.

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Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury regulations that have been promulgated under the Code, or the Treasury Regulations, is greater in the case of a REIT that, like us, holds its assets through a partnership. The determination of various factual matters and circumstances not entirely within our control may affect our ability to qualify as a REIT. In order to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and a requirement that at least 95% of our gross income in any year must be derived from qualifying sources, such as rents from real property. Also, we must make distributions to stockholders aggregating annually at least 90% of our net taxable income, excluding net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially adversely affect our investors, our ability to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments.

Even if we qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100% penalty tax, in the event we sell property as a dealer. In addition, our taxable REIT subsidiaries will be subject to tax as regular corporations in the jurisdictions they operate.

If our operating partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences.

We believe that our operating partnership is properly treated as a partnership for federal income tax purposes. As a partnership, our operating partnership is not subject to federal income tax on its income. Instead, each of its partners, including us, is allocated, and may be required to pay tax with respect to, its share of our operating partnership s income. We cannot assure you, however, that the IRS will not challenge the status of our operating partnership or any other subsidiary partnership in which we own an interest as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Our ownership of taxable REIT subsidiaries is subject to certain restrictions, and we will be required to pay a 100% penalty tax on certain income or deductions if our transactions with our taxable REIT subsidiaries are not conducted on arm s length terms.

We currently own an interest in one taxable REIT subsidiary and may acquire securities in additional taxable REIT subsidiaries in the future. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock, and that has made a joint election with such REIT to be treated as a taxable REIT subsidiary. If a taxable REIT subsidiary owns more than 35% of the total voting power or value of the outstanding securities of another corporation, such other corporation will also be treated as a taxable REIT subsidiary. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to federal income tax as a regular C corporation. In addition, a 100% excise tax will be imposed on certain transactions between a taxable REIT subsidiary and its parent REIT that are not conducted on an arm s length basis.

A REIT s ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset tests applicable to REITs. Not more than 25% of our total assets may be represented by securities, including securities of taxable REIT subsidiaries, other than those securities includable in the 75% asset test. We anticipate

that the aggregate value of the stock and securities of any taxable REIT subsidiaries and other nonqualifying assets that we own will be less than 25% of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable ownership limitations. In addition, we intend to structure our transactions with any taxable REIT subsidiaries that we own to ensure that they are entered into on arm s length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% limitation or to avoid application of the 100% excise tax discussed above.

To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions.

To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding net capital gains, and we will be subject to regular corporate income taxes to the extent that we distribute less than 100% of our net taxable income each year. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. These borrowing needs could result from, among other things, differences in timing between the actual receipt of cash and inclusion of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt or amortization payments. These sources, however, may not be available on favorable terms or at all. Our access to third-party sources of capital depends on a number of factors, including the market s perception of our growth potential, our current debt levels, the market price of our common stock, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could adversely affect our financial condition, results of operations, cash flow, cash available for distribution, including cash available for payment of dividends on our series B preferred stock, and per share trading price of our common stock and series B preferred stock.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends.

The maximum tax rate applicable to income from qualified dividends payable to U.S. stockholders that are individuals, trusts and estates has been reduced by legislation to 15% (through the end of 2010). Dividends payable by REITs, however, generally are not eligible for the reduced rates. Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, to the extent that the reduced rates continue to apply to regular corporate qualified dividends, investors who are individuals, trusts and estates may perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including the per share trading price of our common stock and series B preferred stock.

The tax imposed on REITs engaging in prohibited transactions may limit our ability to engage in transactions that would be treated as sales for federal income tax purposes.

A REIT s net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, such characterization is a factual determination and no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors.

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Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; or (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could have an adverse effect on our business results, profitability and ability to execute our business plan. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100% tax on any resulting gain if such sales constitute prohibited transactions.

Legislative or other actions affecting REITs could have a negative effect on us.

The rules dealing with federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Department of the Treasury. Changes to the tax laws, with or without retroactive application, could adversely affect our investors or us. We cannot predict how changes in the tax laws might affect our investors or us. New legislation, Treasury Regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to qualify as a REIT or the federal income tax consequences of such qualification.

Risks Related to this Offering

The series B preferred stock is a new issuance and does not have an established trading market, which may negatively affect its market value and your ability to transfer or sell your shares; series B preferred stock has no stated maturity date.

The shares of series B preferred stock are a new issue of securities with no established trading market. In addition, since the securities have no stated maturity date, investors seeking liquidity will be limited to selling their shares in the secondary market. We have applied to list the series B preferred stock on the NYSE, but there can be no assurance that the NYSE will accept the series B preferred stock for listing. Even if the series B preferred stock is approved for listing by the NYSE, however, an active trading market on the NYSE for the shares may not develop or, even if it develops, may not last, in which case the trading price of the shares could be adversely affected and your ability to transfer your shares of series B preferred stock will be limited. If an active trading market does develop on the NYSE, our series B preferred stock may trade at prices lower than the initial offering price. The trading price of our series B preferred stock would depend on many factors, including:

- prevailing interest rates;
- the market for similar securities;
- general economic and financial market conditions;
- our issuance of debt or preferred equity securities; and
- our financial condition, results of operations and prospects.

We have been advised by the underwriters that they intend to make a market in the shares of our series B preferred stock, but they are not obligated to do so and may discontinue market-making at any time without notice.

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Our series B preferred stock is subordinate to our debt, and your interests could be diluted by the issuance of additional shares of preferred stock, including additional shares of series B preferred stock, and by other transactions.

Our series B preferred stock is subordinate to all of our existing and future debt. Our existing debt restricts, and our future debt may include restrictions on, our ability to pay dividends to preferred stockholders. Our charter currently authorizes the issuance of up to 10,000,0000 shares of preferred stock in one or more classes or series. The issuance of additional preferred stock on parity with or senior to our series B preferred stock would dilute the interests of the holders of our series B preferred stock, and any issuance of preferred stock senior to our series B preferred stock or of additional indebtedness could affect our ability to pay dividends on, redeem or pay the liquidation preference on our series B preferred stock. Other than the increase in the dividend that may occur in a circumstance described under Description of Series B Preferred Stock Dividends below, none of the provisions relating to our series B preferred stock contain any provisions affording the holders of our series B preferred stock protection in the event of a highly leveraged or other transaction, including a merger or the sale, lease or conveyance of all or substantially all our assets or business, that might adversely affect the holders of our series B preferred stock, so long as the rights of our series B preferred stock are not materially and adversely affected.

The series B preferred stock will be subordinated to the series A preferred units, which were issued in connection with our initial public offering and which have an aggregate liquidation preference of approximately $12.5 million.

We conduct substantially all of our business through our operating partnership, and our only significant asset is our interest in our operating partnership. As a result, we depend upon distributions or other payments from our operating partnership in order to meet our financial obligations, including our obligations to pay dividends or liquidation payments to our preferred stockholders. As a result, these obligations are effectively subordinated to existing and future liabilities of the operating partnership, including our obligations to pay preferred distributions on the series A preferred units of our operating partnership. In particular, the series A preferred units rank senior to the series B preferred units and common units of our operating partnership. Accordingly, our operating partnership must satisfy its obligations to make preferred distributions to the series A preferred units before it may make distributions to us. Moreover, in the event of our bankruptcy or the bankruptcy of our operating partnership, holders of series A preferred units will generally be entitled to payment of their liquidation preference from the assets of our operating partnership before those assets are made available for distribution to us. As a result, any right that we have to receive any assets of our operating partnership upon its liquidation or reorganization, and the liquidation preference of the series B preferred stock, will be subordinated to the liquidation preference of the series A preferred units and other liabilities of our operating partnership. In addition, we may not redeem our series B preferred stock unless we have paid distributions on the series A preferred units for all prior distribution periods. As of September 30, 2010, the liquidation preference on the outstanding series A preferred units was approximately $12.5 million.

Market interest rates may have an effect on the value of our series B preferred stock.

One of the factors that will influence the price of our series B preferred stock will be the dividend yield on the series B preferred stock (as a percentage of the price of our series B preferred stock, as applicable) relative to market interest rates. An increase in market interest rates, which are currently at low levels relative to historical rates, may lead prospective purchasers of our series B preferred stock to expect a higher dividend yield and higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the market price of our series B preferred stock to decrease.

As a holder of series B preferred stock you have extremely limited voting rights.

Your voting rights as a holder of series B preferred stock will be extremely limited. Our common stock is the only class or series of our stock carrying full voting rights. Voting rights for holders of series B preferred stock exist primarily with respect to the ability to elect additional directors in the event that dividends for six quarterly dividend periods (whether or not consecutive) payable on our series B preferred stock are in arrears, and with respect to voting on amendments to our charter that materially and adversely affect the rights of the series B preferred stock or create additional classes or series of preferred stock that are senior to our series B preferred stock. See Description of Series B Preferred Stock Voting Rights below. Other than the limited circumstances described in this prospectus, holders of series B preferred stock will not have voting rights.

Our ability to pay dividends is limited by the requirements of Maryland law.

Our ability to pay dividends on our series B preferred stock is limited by the laws of Maryland. Under applicable Maryland law, a Maryland corporation generally may not make a distribution if, after giving effect to the distribution, the corporation would not be able to pay its debts as the debts become due in the usual course of business, or the corporation s total assets would be less than the sum of its total liabilities plus, unless the corporation s charter provides otherwise, the amount that would be needed, if the corporation were dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Accordingly, we generally may not make a distribution on our series B preferred stock if, after giving effect to the distribution, we would not be able to pay our debts as they become due in the usual course of business or our total assets would be less than the sum of our total liabilities plus, unless the terms of such class or series provide otherwise, the amount that would be needed to satisfy the preferential rights upon dissolution of the holders of shares of any class or series of preferred stock then outstanding, if any, with preferences senior to those of our series B preferred stock.

Our secured revolving credit facility prohibits us from redeeming the series B preferred stock and may limit our ability to pay dividends on the series B preferred stock.

Our secured revolving credit facility, which matures in June 2013, prohibits us from redeeming or otherwise repurchasing any shares of our stock, including the series B preferred stock, during the three-year term of the secured revolving credit facility. Under the secured revolving credit facility, our distributions may not exceed the greater of (i) 95.0% of our FFO or (ii) the amount required for us to qualify and maintain our status as a REIT or (iii) the amount required for us to avoid the imposition of income and excise taxes. As a result, if we do not generate sufficient funds from operations (as defined in our secured revolving credit facility) during the 12 months preceding any series B preferred stock dividend payment date, we would not be able to pay all or a portion of the accumulated dividends payable to our series B preferred stockholders on such payment date without causing a default under our secured revolving credit facility. In the event of a default under our secured revolving credit facility, we would be unable to borrow under our secured revolving credit facility and any amounts we have borrowed thereunder could become due and payable.

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FORWARD-LOOKING STATEMENTS

We make statements in this prospectus 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. Likewise, our pro forma financial statements and all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, e anticipates or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which 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 which 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. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled Risk Factors.

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USE OF PROCEEDS

We estimate that the net proceeds from this offering will be approximately $76.4 million, after deducting underwriting discounts and commissions and our expenses, or approximately $86.1 million if the underwriters overallotment option is exercised in full. We will contribute the net proceeds of this offering to our operating partnership in exchange for series B preferred units, and our operating partnership will use the net proceeds to repay indebtedness under our secured revolving credit facility, fund future acquisitions, and for general working capital purposes, including funding capital expenditures, tenant improvements, leasing commissions, and potentially, paying distributions and post-closing cash prorations.

Our secured revolving credit facility matures on June 29, 2013 and bears interest at a rate per annum equal to LIBOR plus 325 basis points to 400 basis points, depending on our leverage ratio; however, LIBOR is subject to a floor of 1.50%.

Pending application of cash proceeds, we will invest the net proceeds in interest-bearing accounts and short-term, interest-bearing securities in a manner that is consistent with our intention to qualify for taxation as a REIT.

See Hudson Pacific Properties, Inc. Pro Forma Condensed Consolidated Financial Statements contained elsewhere in this prospectus.

Affiliates of Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated, the underwriters of this offering, are lenders under our $200 million secured revolving credit facility. To the extent that we use a portion of the net proceeds of this offering to repay borrowings outstanding under our secured revolving credit facility, such affiliates of our underwriters will receive their proportionate shares of any amount of the secured revolving credit facility that is repaid with the net proceeds of this offering.

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RATIOS OF EARNINGS TO FIXED CHARGES AND PREFERRED DIVIDENDS

Our ratios of earnings to fixed charges and earnings to fixed charges and preferred dividends for the periods indicated are as follows:

	Pro Forma Consolidated Nine Months Ended September 30, 2010	Historical Consolidated Nine Months Ended September 30, 2010	Pro Forma Consolidated Year Ended December 31, 2009	Historical Combined Year Ended December 31,		
				2009	2008	2007
Ratio of Earnings to Fixed Charges	0.85x	0.64x	0.71x	0.88x	0.72x	0.29x
Ratio of Earnings to Fixed Charges and Preferred Dividends	0.49x	0.62x	0.45x	0.88x	0.72x	0.29x

Our ratios of earnings to fixed charges are computed by dividing earnings by fixed charges. Our ratios of earnings to fixed charges and preferred dividends are computed by dividing earnings by the sum of fixed charges and preferred dividends. For these purposes, earnings consist of net income (loss) plus fixed charges. Net income (loss) is computed in accordance with GAAP and includes such non-cash items as real estate depreciation and amortization, amortization of above (below) market rents, and amortization of deferred financing costs and loan premium. Net income (loss) in 2010 also includes one-time transactional costs relating to our initial public offering and related formation transactions and acquisitions subsequent to our initial public offering. Fixed charges consist of interest expense, capitalized interest and amortization of deferred financing fees, whether expensed or capitalized, interest within rental expense and preference security dividend requirements of consolidated subsidiaries. Preferred dividends consist of the amount of pre-tax earnings required to pay dividends on the series B preferred stock. Our pro forma ratios are prepared on the basis of our pro forma financial statements. See Hudson Pacific Properties, Inc. Pro Forma Condensed Consolidated Financial Statements.

The computation of ratio of earnings to fixed charges indicates that earnings were inadequate to cover fixed charges on the basis of our pro forma financial statements by approximately $1.1 million for the nine months ended September 30, 2010 and by $3.9 million for the year ended December 31, 2009.

The computation of ratio of earnings to fixed charges and preferred dividends indicates that earnings were inadequate to cover fixed charges and preferred dividends on the basis of our pro forma financial statements by approximately $6.7 million for the nine months ended September 30, 2010 and by $11.4 million for the year ended December 31, 2009.

The computation of ratio of earnings to fixed charges indicates that earnings were inadequate to cover fixed charges on the basis of our historical financial statements by approximately $2.3 million for the nine months ended September 30, 2010 and by $1.1 million, $3.6 million, and $5.1 million for the years ended December 31, 2009, 2008, and 2007, respectively.

The computation of ratio of earnings to fixed charges and preferred dividends indicates that earnings were inadequate to cover fixed charges and preferred dividends on the basis of our historical financial statements by approximately $2.5 million for the nine months ended September 30, 2010 and by $1.1 million, $3.6 million, and $5.1 million for the years ended December 31, 2009, 2008, and 2007, respectively.

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PRICE RANGE OF COMMON STOCK AND DISTRIBUTIONS

Our common stock has been listed on the NYSE since June 24, 2010 and is traded under the symbol HPP. The following table sets forth, for the periods indicated, the high, low and last sale prices in dollars on the NYSE for our common stock and the distributions we declared with respect to the periods indicated.

	High	Low	Last	Distributions
Second quarter[(1)]	$ 17.33	$ 17.25	$ 17.25	$ 0.0021
Third quarter	$ 17.00	$ 15.86	$ 16.37	0.095
Fourth quarter (through December 2, 2010)	$ 16.52	$ 15.26	$ 15.41	

(1) Information is provided only for the period from June 29, 2010 to June 30, 2010, as shares of our common stock did not begin trading publicly until June 29, 2010.

On December 2, 2010, the closing sale price for our common stock, as reported on the NYSE, was $15.41 and there were 17 holders of record of our common stock. This figure does not reflect the beneficial ownership of shares held in nominee name.

We intend to continue to declare quarterly distributions on our common stock. The actual amount and timing of distributions, however, will be at the discretion of our board of directors and will depend upon our financial condition in addition to the requirements of the Code, and no assurance can be given as to the amounts or timing of future distributions.

Subject to the distribution requirements applicable to REITs under the Code, we intend, to the extent practicable, to invest substantially all of the proceeds from sales and refinancings of our assets in real estate-related assets and other assets. We may, however, under certain circumstances, make a distribution of capital or of assets. Such distributions, if any, will be made at the discretion of our board of directors. Distributions will be made in cash to the extent that cash is available for distribution.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and historical consolidated capitalization as of September 30, 2010 and our pro forma cash and cash equivalents and consolidated capitalization as of September 30, 2010, adjusted to give effect to this offering and the use of the net proceeds as set forth in Use of Proceeds. You should read this table in conjunction with Use of Proceeds, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

	As of September 30, 2010	
	Historical Consolidated	Pro Forma Consolidated
	(In thousands, except share amounts)	
Cash and cash equivalents	$ 40,741	$ 66,959
DEBT		
Notes payable and other secured loans[1]	94,069	124,349
6.25% Cumulative Redeemable Convertible Series A Preferred Units of our operating partnership	12,670	12,670
EQUITY		
Hudson Pacific Properties, Inc. stockholders equity:		
Preferred stock, $0.01 par value per share, 10,000,000 shares authorized, 3,200,000 shares issued and outstanding on a pro forma basis at liquidation preference[2]		80,000
Common stock, $0.01 par value per share, 490,000,000 shares authorized, 22,211,799 shares issued and outstanding	222	222
Additional paid-in capital	416,624	413,016
Accumulated other comprehensive loss	(30)	(30)
Accumulated deficit	(1,948)	(1,948)
Total Hudson Pacific Properties, Inc. stockholders equity	414,868	491,260
Non-controlling partnership interests	66,322	66,322
Total equity	481,190	557,582
Total capitalization	$ 587,929	$ 694,601

(1) Does not include any borrowings under our secured revolving credit facility, as no amounts were outstanding as of September 30, 2010. As of December 2, 2010, we had drawn approximately $34,500 on our secured revolving credit facility. We intend to use approximately $34,500 of the net proceeds of this offering to repay amounts outstanding under our secured revolving credit facility, provided that this offering is completed prior to our acquisition of the 10950 property. If this offering is completed after our acquisition of the 10950 Washington property, we intend to use approximately $50,174 of the net proceeds of this offering to repay amounts that we anticipate will be outstanding under our secured revolving credit facility at such time. The pro forma amount set forth above assumes the completion of our acquisition of the 10950 Washington property and includes the anticipated assumption of a $30,000 loan in connection with our expected acquisition of the 10950 Washington property and a related fair market value of debt adjustment of approximately $280. To the extent that this offering is completed prior to our acquisition of the 10950 Washington property, our pro forma cash and cash equivalents would increase by $16,000.

(2) Pro forma series B preferred stock outstanding includes shares to be issued in this offering, and excludes shares issuable upon exercise of the underwriters overallotment option.

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SELECTED FINANCIAL DATA

The following table sets forth selected financial and operating data on a pro forma and historical basis for our company. Our historical financial statements include the real estate activity and holdings of the entities that owned the following properties that were contributed to us in connection with our initial public offering on June 29, 2010: Sunset Gower; the Technicolor Building; Sunset Bronson; City Plaza (which, together, we previously designated as our predecessor) and 875 Howard Street. One of the entities comprising our predecessor, SGS Realty II, LLC (the asset owning entity of the Sunset Gower property and the Technicolor Building) was determined to be the acquirer for accounting purposes. In addition, any interests contributed by the controlling member of the other entities comprising our predecessor and Howard Street Associates, LLC (the asset owning entity of 875 Howard Street) was a transaction of entities under common control. As a result, the contribution of interests in each of these entities has been recorded at historical cost in our historical financial statements. We have changed the presentation in our historical financial statements to include the results of both our predecessor and Howard Street Associates, LLC. The current period financial statements include: (i) the operations of the above entities, (ii) the operations of the following entities that we also acquired in connection with our initial public offering: Glenborough Tierrasanta, LLC, GLB Encino, LLC, and Hudson Capital, LLC, for periods subsequent to our initial public offering; and (iii) the operations of the following entities that we acquired subsequent to our initial public offering: Del Amo Fashion Center Operating Company, LLC and 9300 Wilshire, for periods subsequent to the acquisitions of such entities on August 13, 2010 and August 24, 2010, respectively.

You should read the following selected financial data in conjunction with our combined historical consolidated financial statements and the related notes and with Management s Discussion and Analysis of Financial Condition and Results of Operations, which are included elsewhere in this prospectus.

The historical consolidated balance sheet as of September 30, 2010 and the consolidated statements of operations for the nine months ended September 30, 2010 and 2009 have been derived from the unaudited consolidated financial statements of our company included elsewhere in this prospectus. In the opinion of the management of our company, the historical consolidated statements of operations for the nine months ended September 30, 2010 and 2009 include all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of the historical financial statements for such periods. The historical combined balance sheets as of December 31, 2009 and 2008 and the combined statements of operations information for each of the periods ended December 31, 2009, 2008 and 2007 have been derived from our historical audited combined financial statements included elsewhere in this prospectus. Our results of operations for the interim periods ended September 30, 2010 and 2009 are not necessarily indicative of the results to be obtained for the full fiscal year.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the nine months ended September 30, 2010 and for the year ended December 31, 2009 assumes the completion of this offering and our intended use of the proceeds therefrom as of the beginning of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements also include the effects of our initial public offering, which closed on June 29, 2010, and the related formation transactions that occurred in conjunction with our initial public offering, as if the resulting debt and equity structure were in place as of the first day of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our unaudited selected pro forma consolidated financial statements also include the effects of certain acquisitions completed by us since our initial public offering, including the acquisition of the 222 Kearny Street property and the expected acquisition by us of the 10950 Washington property, along with any related financing transactions, as if those acquisitions and financing transactions had occurred as of the beginning of the earliest period presented for the operating data and as of the stated date for the balance sheet data. Our pro forma financial information is not necessarily indicative of what our actual financial position and results of operations would have been as of the date and for the periods indicated, nor does it purport to represent our future financial position or results of operations.

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Hudson Pacific Properties, Inc.

	Nine Months Ended September 30,			Year Ended December 31,			
	Pro Forma Consolidated 2010 (Unaudited)	Historical Consolidated 2010 (Unaudited)	Historical Combined 2009 (Unaudited)	Pro Forma Consolidated 2009 (Unaudited)	Historical Combined 2009	Historical Combined 2008	Historical Combined 2007
	(In thousands, except per share data)						
Statement of Operations Data:							
REVENUES							
Office							
Rental	$ 23,400	$ 12,786	$ 8,349	$ 27,194	$ 11,058	$ 8,235	$ 3,905
Tenant recoveries	4,045	1,915	1,435	5,396	2,029	1,504	620
Other	613	125	152	785	158	41	
Total Office Revenues	28,058	14,826	9,936	33,375	13,245	9,780	4,525
Media & Entertainment							
Rental	15,453	15,453	15,300	19,909	19,909	22,075	4,215
Tenant recoveries	1,179	1,179	1,225	1,463	1,463	1,544	58
Other property-related revenue	7,996	7,996	7,402	7,193	7,193	9,554	2,750
Other	96	96	57	60	60	92	7
Total Media & Entertainment Revenues	24,724	24,724	23,984	28,625	28,625	33,265	7,030
Total revenues	52,782	39,550	33,920	62,000	41,870	43,045	11,555
OPERATING EXPENSES							
Office operating expenses	10,753	5,650	4,328	13,814	6,322	3,003	1,182
Media & entertainment operating expenses	14,983	15,194	14,451	16,069	16,810	19,926	4,732
General and administrative	4,568	2,379		4,376			
Depreciation and amortization	14,008	9,985	8,334	18,805	10,930	9,693	3,592
Total operating expenses	44,312	33,208	27,113	53,064	34,062	32,622	9,506
Income from operations	8,470	6,342	6,807	8,936	7,808	10,423	2,049
OTHER EXPENSE (INCOME)							
Interest expense	7,132	6,196	6,702	12,668	8,774	12,029	6,096
Interest income	(37)	(37)	(9)	(18)	(18)	(48)	(57)
Unrealized loss (gain) on interest rate contracts	(347)	(347)	(208)	(399)	(399)	835	24
Acquisition-related expenses	2,689	2,689				208	
Other expense	(8)	(8)	97	95	95	21	
Total other expense (income)	9,429	8,493	6,582	12,346	8,452	13,045	6,063
Net income (loss)	$ (959)	$ (2,151)	$ 225	$ (3,410)	$ (644)	$ (2,622)	$ (4,014)
Less: Net income attributable to Series B cumulative redeemable preferred stock	$ (5,025)	$	$	$ (6,700)	$	$	$
Less: Net income attributable to preferred non-controlling partnership interest	(585)	(199)		(780)			
Less: Net income attributable to restricted shares	(75)	(25)		(100)			
Add: Net loss (income) attributable to common non-controlling partnership interest		32	(4)		29	81	141
Add: Net loss attributable to Unitholders in the Operating Partnership	706	277		1,168			
(Loss) income attributable to Hudson Pacific Properties, Inc. shareholders / controlling member s equity	$ (5,938)	$ (2,066)	$ 221	$ (9,822)	$ (615)	$ (2,541)	$ (3,873)

Net (loss) attributable to shareholders per share basic and diluted	(0.27)			(0.45)
Weighted average shares of common stock outstanding basic and diluted	21,946,508			21,946,508
Dividends declared per common share	$	$ 0.0971	$	$

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	Nine Months Ended September 30,				Year Ended December 31,		
	Pro Forma Consolidated 2010 (Unaudited)	Historical Consolidated 2010 (Unaudited)	Historical Combined 2009 (Unaudited)	Pro Forma Consolidated 2009 (Unaudited)	Historical Combined 2009	2008	2007
			(In thousands, except per share data)				
Balance Sheet Data (at period end):							
Investment in real estate, net	$ 594,011	$ 515,812	$		$ 412,478	$ 409,192	237,071
Total assets	736,591	623,915			448,234	446,037	264,930
Notes payable	124,349	94,069			189,518	185,594	167,531
Total liabilities	166,339	130,055			221,646	224,306	188,483
Preferred non-controlling partnership interest	12,670	12,670					
Series B preferred stock	80,000						
Non-controlling partnership/members interest	66,322	66,322			3,348	3,282	1,793
Member s/stockholders equity	491,260	414,868			223,240	218,449	74,654
Total equity	557,582	481,190			226,588	221,731	76,447
Other Data:							
Pro forma funds from operations[1]	$ 7,439			$ 7,915			
Pro forma funds from operations per share diluted	$ 0.30			$ 0.32			
Cash flows from:							
Operating activities		$ 3,421	$ 2,250		$ 4,538	$ 20,049	$ (5,433)
Investing activities		(56,667)	(10,112)		(15,457)	(178,526)	(238,903)
Financing activities		90,293	5,754		8,800	163,794	244,832

(1) We calculate funds from operations before non-controlling interest, or FFO, in accordance with the standards established by the National Association of Real Estate Investment Trusts, or NAREIT. FFO is defined by NAREIT as net income (loss) (computed in accordance with U.S. generally accepted accounting principles, or GAAP), excluding gains (or losses) from sales of depreciable operating property, plus real estate depreciation and amortization (excluding amortization of above (below) market rents for acquisition properties and amortization of deferred financing costs and debt discounts) and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. We use FFO as a supplemental performance measure because, in excluding real estate depreciation and amortization and gains and losses from property dispositions, it provides a performance measure that, when compared year over year, captures trends in occupancy rates, rental rates and operating costs. We also believe that, as a widely recognized measure of the performance of REITs, FFO will be used by investors as a basis to compare our operating performance with that of other REITs. However, because FFO excludes depreciation and amortization and captures neither the changes in the value of our properties that result from use or market conditions nor the level of capital expenditures and leasing commissions necessary to maintain the operating performance of our properties, all of which have real economic effects and could materially impact our results from operations, the utility of FFO as a measure of our performance is limited. Other equity REITs may not calculate FFO in accordance with the NAREIT definition as we do, and, therefore, our FFO may not be comparable to such other REITs FFO. Accordingly, FFO should be considered only as a supplement to net income as a measure of our performance. FFO should not be used as a measure of our liquidity, nor is it indicative of funds available to fund our cash needs, including our ability to pay dividends. FFO should not be used as a supplement to or substitute for cash flow from operating activities computed in accordance with GAAP. The following table sets forth a reconciliation of our pro forma net income to pro forma FFO before non-controlling interest for the periods presented:

	Pro Forma	
	Nine Months Ended September 30, 2010 (In thousands)	Year Ended December 31, 2009 (In thousands)
Net loss	$ (959)	$ (3,410)
Adjustments:		
Net income attributable to series B cumulative redeemable preferred stock	(5,025)	(6,700)
Net income attributable to preferred non-controlling partnership interest	(585)	(780)
Real estate depreciation and amortization	14,008	18,805
Funds from operations before common non-controlling interests	$ 7,439	$ 7,915

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MANAGEMENT S DISCUSSION AND ANALYSIS

OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with Selected Financial Data and the financial statements and related notes thereto appearing elsewhere in this prospectus. Where appropriate, the following discussion includes analysis of the effects of our initial public offering, the private placement of $20.0 million of common stock to Victor J. Coleman and funds affiliated with Farallon Capital Management, L.L.C. concurrently with the consummation of our initial public offering, which we refer to as the private placement, the formation transactions, certain other transactions and this offering. These effects are reflected in the pro forma combined financial statements located elsewhere in this prospectus. For periods prior to June 29, 2010, the results of operations described below were comprised solely of the former real estate activity and holdings of SGS Realty II, LLC, Sunset Bronson Entertainment Properties, LLC, HFOP City Plaza, LLC and Howard Street Associates LLC, which are a subset of the entities that contributed properties to us in the formation transactions.

Overview

Formation Transactions

In connection with our initial public offering, our operating partnershi