

Hudson Pacific Properties, Inc.  
Form S-11  
April 14, 2011  
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As filed with the Securities and Exchange Commission on April 14, 2011

Registration No. 333-

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, DC 20549**

**FORM S-11**

*FOR REGISTRATION UNDER THE  
SECURITIES ACT OF 1933 OF SECURITIES  
OF CERTAIN REAL ESTATE COMPANIES*

**Hudson Pacific Properties, Inc.**

(Exact Name of Registrant as Specified in Its Governing Instruments)

**11601 Wilshire Blvd., Suite 1600, Los Angeles, California 90025**

**(310) 445-5700**

(Address, Including Zip Code and Telephone Number, Including Area Code,  
of Registrant's Principal Executive Offices)

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**Victor J. Coleman**

**Chief Executive Officer**

**Hudson Pacific Properties, Inc.**

**11601 Wilshire Blvd., Suite 1600, Los Angeles, California 90025**

**(310) 445-5700**

(Name, Address, Including Zip Code and Telephone Number, Including Area Code, of Agent for Service)

*Copies to:*

**Julian T.H. Kleindorfer, Esq.**

**Bradley A. Helms, Esq.**

**Latham & Watkins LLP**

**355 South Grand Ave.**

**Los Angeles, California 90071**

**(213) 485-1234**

**David W. Bonser, Esq.**

**Samantha S. Gallagher, Esq.**

**Hogan Lovells US LLP**

**555 Thirteenth Street, NW**

**Washington, D.C. 20004**

**(202) 637-5600**

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the Securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box:

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement of the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box.

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

Large accelerated filer   
 Non-accelerated filer   
 (Do not check if a smaller reporting company)

Accelerated filer   
 Smaller reporting company

**CALCULATION OF REGISTRATION FEE**

Title Of Securities Being Registered	Proposed Maximum Aggregate Offering Price <sup>(1)</sup>	Amount Of Registration Fee
Common Stock, par value \$.01 per share	\$ 106,925,175	\$ 12,414

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended. Includes shares of common stock that the underwriters have the option to purchase solely to cover overallocments, if any.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment that specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to Completion,

Preliminary Prospectus dated April 14, 2011

**PROSPECTUS**

**Shares**

**Common Stock**

Hudson Pacific Properties, Inc. is 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. We are offering \_\_\_\_\_ shares of our common stock, \$0.01 par value per share. Concurrently with the completion of this offering, funds affiliated with Farallon Capital Management, L.L.C. will purchase \_\_\_\_\_ shares of our common stock at a price per share equal to the public offering price and without payment by us of any underwriting discount or commission.

We are organized and conduct our operations in a manner that will allow us to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes. 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 common stock.

Our common stock is listed on the New York Stock Exchange, or NYSE, under the symbol HPP. On April 13, 2011, the last reported sale price of our common stock on the NYSE was \$14.25 per share.

See **Risk Factors** beginning on page 14 of this prospectus for certain risks relevant to an investment in our common stock.

	Per Share	Total
Public offering price	\$	\$
Underwriting discount	\$	\$
Proceeds, before expenses, to us	\$	\$

We have granted the underwriters an option to purchase up to \_\_\_\_\_ additional shares of our common stock at the public offering price, less underwriting discounts, within 30 days after the date of this prospectus to cover overallotments, if any.

**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 shares of common stock sold in this offering will be ready for delivery on or about \_\_\_\_\_, 2011.

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

**KeyBanc Capital Markets**

The date of this prospectus is \_\_\_\_\_, 2011

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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.

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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 common 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 December 31, 2010 and assumes (1) that the underwriters' over-allotment option is not exercised and (2) the consummation of the concurrent private placement of shares of our common stock to funds affiliated with Farallon Capital Management, L.L.C., or Farallon. Additionally, unless otherwise indicated, portfolio property data as of December 31, 2010 relating to square feet, tenants, leasing, rents, commissions, credits and allowances and lease expirations includes the totals of such data for the Rincon Center property, in which we currently own a 51% joint venture interest and which is consolidated in our financial statements.*

**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 12 wholly owned properties and a 51% interest in the joint venture that owns the Rincon Center property, which collectively total approximately 4.0 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 continue to capitalize on the current market opportunity.

We focus our investment strategy on office and media and entertainment properties located in high barrier-to-entry 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 and media and entertainment sectors positions us to improve cash flow in our portfolio, as well as any newly acquired properties, as the recovery in the California economy and the real estate markets takes hold.

Our portfolio includes 11 office properties, including the Rincon Center property in which we currently own a 51% joint venture interest, comprising an aggregate of approximately 3.1 million square feet, and two state-of-the-art media and entertainment properties, comprising approximately 544,763 square feet of office and

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support space and approximately 312,669 square feet of sound-stage production facilities. As of December 31, 2010, our office properties were approximately 87.7% leased to approximately 170 tenants and our media and entertainment properties were approximately 72.6% leased to approximately 72 tenants. We also own 1.85 acres of undeveloped land adjacent to our media and entertainment properties, 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 ended 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. As of December 31, 2010, we owned approximately 89.6% 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. The remaining 10.4% limited partnership interest in our operating partnership as of December 31, 2010 was owned by certain of our executive officers and directors, certain of their affiliates, and other outside investors, including funds affiliated with Farallon, or the Farallon Funds.

## **Recent Developments**

### **8.375% Series B Preferred Stock Offering**

In December 2010, we completed an offering of 3,500,000 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 (including 300,000 shares sold pursuant to the partial exercise of the underwriters' overallotment option), at an offering price of \$25.00 per share. We received net proceeds from the sale of our series B preferred stock (including the underwriters' partial exercise of their overallotment option) of approximately \$84.7 million after deducting underwriting discounts and commissions (before other transaction costs).

### **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 8, 2010, we acquired 222 Kearny, a 148,797 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 property (excluding the 180 Sutter building) is subject to a long-term ground lease expiring June 14, 2054. At the time of our acquisition of the 222 Kearny property, it was only 79.2% leased. By employing aggressive leasing strategies, leveraging our extensive tenant relationships and focusing on tenant retention, we have increased the percentage of the property under lease to approximately 94.1% as of April 12, 2011.



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On December 16, 2010, we acquired 1455 Market, a 1,012,012 square foot office property located in San Francisco, California for \$92.9 million in cash (before prorations) in a sale/leaseback transaction, which was funded with a combination of borrowings under our secured revolving credit facility and available cash.

On December 16, 2010, we acquired a 51% joint venture interest in the Rincon Center property, a 580,850 square foot, two-building office property located in San Francisco, California, from an unrelated third party for \$40.3 million in cash (before prorations), which was funded with a combination of borrowings under our secured revolving credit facility and available cash. We acquired the 51% interest in the Rincon Center property subject to project-level financing of \$106.0 million. On February 24, 2011, we exercised our call right to purchase the remaining 49% interest in the Rincon Center property from our joint venture partner at a purchase price of approximately \$38.7 million (before prorations). The transaction is expected to close in the second quarter of 2011, subject to the completion of various closing conditions. However, we cannot assure you that the acquisition will be consummated on the anticipated schedule or at all. For a summary of certain risks related to our acquisition of the remaining 49% interest in the Rincon Center property, see Risk Factors Risks Related to Our Properties and Our Business. Our acquisition of the remaining 49% interest in the Rincon Center property from our joint venture partner is subject to closing conditions that could delay or prevent the acquisition of such interest and a failure to complete such acquisition could result in the loss of our current 51% interest in the property. If we complete the acquisition of the remaining 49% interest in the Rincon Center property, we will dissolve the joint venture entity and our operating partnership will own the property through a single-member limited liability company. In addition, we will repay or refinance the \$106.0 million loan on the property.

On December 22, 2010, we acquired 10950 Washington, a 158,873 square foot office property located in Culver City, California, from an unrelated third party for \$46.0 million in cash (before prorations), which was funded with borrowings under our secured revolving credit facility. The \$46.0 million acquisition included the assumption of a \$30.0 million loan.

## **Leasing Activities**

We have signed new and renewal leases totaling approximately 143,086 square feet during the first quarter of 2011. These leases include approximately 38,315 square feet at our 222 Kearny property, 29,053 square feet at our Rincon Center property and 33,252 square feet at our 875 Howard Street property.

## **Distributions**

On March 10, 2011, we declared a quarterly dividend to common stockholders of record and our operating partnership declared a quarterly distribution to holders of record of common units, in each case as of March 21, 2011, totaling \$3,132,846, or \$0.125 per share of common stock and common unit. This quarterly rate represents a 31.6% increase from the prior quarter. The dividend and distribution were paid on March 31, 2011.

On March 10, 2011, our operating partnership declared a quarterly distribution to holders of record of its 6.25% Cumulative Redeemable Convertible Series A Preferred Units, or series A preferred units, as of March 21, 2011, totaling \$194,915, or \$0.3906 per series A preferred unit. The distribution was paid on March 31, 2011.

On March 10, 2011, we declared a dividend to series B preferred stockholders of record and our operating partnership declared a distribution to us, as holders of record of series B preferred units, in each case as of March 21, 2011, totaling \$1,832,040, or \$0.52344 per share of series B preferred stock and series B preferred unit. The dividend and distribution were paid on March 31, 2011.

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### **Secured Term Loan**

On February 11, 2011, we closed a five-year term loan totaling \$92.0 million with Wells Fargo Bank, N.A., secured by our Sunset Gower and Sunset Bronson media and entertainment properties. The loan bears interest at a rate equal to one-month LIBOR plus 3.50%. \$37.0 million of the loan is currently subject to an interest rate contract, which swaps one-month LIBOR to a fixed rate of 0.75% through April 30, 2011. On March 16, 2011, we purchased an interest rate cap in order to cap one-month LIBOR at 3.715% with respect to \$50.0 million of the loan through its maturity on February 11, 2016. Proceeds from the loan were used to fully refinance a \$37.0 million mortgage loan secured by our Sunset Bronson property that was scheduled to mature on April 30, 2011. The remaining proceeds were used to partially pay down our secured revolving credit facility. As a result, as of April 12, 2011, we had approximately \$46.5 million drawn on our secured revolving credit facility.

### **Amendment to Secured Revolving Credit Facility**

On April 4, 2011, we amended our \$200 million secured revolving credit facility. As a result of the amendment, the secured revolving credit facility now bears interest at a rate per annum equal to LIBOR plus 250 basis points to 325 basis points (down from 325 basis points to 400 basis points), depending on our leverage ratio, and is no longer subject to a LIBOR floor of 1.50%. The secured revolving credit facility continues to include an accordion feature that allows us to increase the availability by \$50.0 million, to \$250.0 million, under specified circumstances. The amount available for us to borrow under the secured revolving credit facility remains subject to the lesser of a percentage of the appraisal value of our properties that form the borrowing base of the secured revolving credit facility and a minimum implied debt service coverage ratio. Through the amendment, the loan-to-value threshold for office properties has been increased to 60% (up from 55%) and the debt service coverage ratio for office properties has been reduced to 1.50x (down from 1.60x). The annual fee charged against the unused portion of the secured revolving credit facility has also been reduced to 40 basis points (down from 50 basis points). Our ability to borrow under the secured revolving credit facility remains subject to ongoing compliance with a number of customary restrictive covenants. For more information regarding our secured revolving credit facility, see Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Consolidated Indebtedness Secured Revolving Credit Facility.

As a result of the amendment to our secured revolving credit facility, the current amount available for us to borrow under such facility is \$139.8 million, of which we have drawn approximately \$46.5 million as of April 12, 2011.

### **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](http://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 and media and entertainment 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. Since our initial public offering on June 29, 2010, we have acquired six new properties aggregating a total of 2,072,016 square feet, including our joint venture interest in the Rincon Center property, for an aggregate of approximately \$401.4 million.

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***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, upon completion of this offering and the concurrent private placement, our senior management team will own approximately % of our common stock on a fully diluted basis, thereby aligning management's interests with those of our stockholders.

***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 have an extensive network of long-standing relationships with real estate developers, individual and institutional real estate owners, national and regional lenders, brokers, tenants and other participants in the California real estate market. We believe these relationships have provided us with access to attractive acquisition opportunities, including off-market acquisition opportunities. We believe these relationships will continue to provide us access to an ongoing pipeline of attractive acquisition opportunities and potential joint venture partners, both of which may not be available to our competitors.

***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 a manageable debt maturity schedule, which allows our management to focus on our business and growth strategies rather than balance sheet repair.

***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' 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 14 of this prospectus prior to deciding whether to invest in our common 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.

Upon completion of this offering and the concurrent private placement, the Farallon Funds will own an approximate % beneficial common interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company.

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

As of December 31, 2010, we had approximately \$342.1 million of indebtedness outstanding. Our debt service obligations with respect to our indebtedness will reduce cash available for distribution, including cash available to pay dividends on our securities, including our common stock, and expose us to the risk of default.



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Our acquisition of the remaining 49% interest in the Rincon Center property from our joint venture partner is subject to closing conditions that could delay or prevent the acquisition of such interest and a failure to complete such acquisition could result in the loss of our current 51% interest in the property.

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 securities, including our common stock, and the per share trading price of our securities.

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 market price and trading volume of our common stock may be volatile following this offering.

**Table of Contents****Our Properties****Our Portfolio**

As of December 31, 2010, our portfolio consisted of 12 wholly owned properties and a 51% consolidated joint venture investment in the Rincon Center property, which properties are located in eight California submarkets, containing a total of approximately 4.0 million square feet, and which we refer to as our portfolio. The following table presents an overview of our portfolio, based on information as of December 31, 2010. Rental data presented in the table below for office properties reflects annualized base rent on leases in place as of December 31, 2010 and does not reflect actual cash rents historically received because such data does not reflect abatements or 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 year ended December 31, 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 2011 or 2012.

Property	City	Year Built/ Renovated	Square Feet <sup>(1)</sup>	Percent Leased <sup>(2)</sup>	Annualized Base Rent/ Rent <sup>(3)</sup>	Annualized	Annualized
						Base Rent/ Rent Per Square Foot <sup>(4)</sup>	Net Effective Base Rent Per Square Foot <sup>(5)</sup>
<b>OFFICE PROPERTIES</b>							
1455 Market	San Francisco	1977	1,012,012	92.1%	\$ 13,293,602	\$ 14.26	\$ 14.55
Rincon Center <sup>(6)</sup>	San Francisco	1985	580,850	81.1	17,405,916	36.96	37.11
City Plaza	Orange	1969/99	333,922	93.7	7,794,151	24.90	26.95
875 Howard Street	San Francisco	Various	286,270	65.6	2,858,829	15.21	11.49
First Financial	Encino (LA)	1986	222,423	84.8	6,314,462	33.49	35.52
10950 Washington	Culver City (LA)	Various	158,873	99.5	4,282,389	27.09	29.53
222 Kearny <sup>(7)</sup>	San Francisco	Various	148,797	76.9	4,157,584	36.34	38.28
Technicolor Building	Hollywood (LA)	2008	114,958	100.0	4,103,173	35.69	39.04
Del Amo Office <sup>(8)</sup>	Torrance	1986	113,000	100.0	3,069,070	27.16	28.38
Tierrasanta	San Diego	1985	104,234	96.8	1,580,915	15.67	16.09
9300 Wilshire Boulevard <sup>(9)</sup>	Beverly Hills	1965/2001	58,484	90.5	2,238,706	42.30	42.42
<b>Total/Weighted Average Office Properties:</b>			<b>3,133,823</b>	<b>87.7%</b>	<b>\$ 67,098,796</b>	<b>\$ 24.43</b>	<b>\$ 25.10</b>
<b>MEDIA &amp; ENTERTAINMENT PROPERTIES</b>							
Sunset Gower <sup>(10)</sup>	Hollywood (LA)	Various	543,709	70.9%	\$ 11,670,642	\$ 30.27	
Sunset Bronson	Hollywood (LA)	Various	313,723	75.5	9,520,517	40.18	
<b>Total/Weighted Average Media &amp; Entertainment Properties:</b>			<b>857,432</b>	<b>72.6%</b>	<b>\$ 21,191,159</b>	<b>\$ 34.04</b>	
<b>Portfolio Total:</b>			<b>3,991,255</b>				
<b>LAND</b>							
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				
<b>Total Land Assets:</b>			<b>1,447,049</b>				

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- (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.



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- (2) Percent leased for office properties is calculated as (i) square footage under commenced leases as of December 31, 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 December 31, 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 December 31, 2010, by (ii) 12. Total abatements with respect to the office properties for leases in effect as of December 31, 2010 for the 12 months ending December 31, 2011 are \$844,336 pursuant to leases in effect. Annualized base rent, net of abatements, as of December 31, 2010 is \$7,583,452 for City Plaza, \$6,234,180 for First Financial, \$3,926,224 for the Technicolor Building, \$2,609,147 for 875 Howard Street and \$2,111,982 for 9300 Wilshire Boulevard. There are no abatements associated with the leases in place as of December 31, 2010 at the Del Amo Office, Tierrasanta, 222 Kearny, 1455 Market, Rincon Center and 10950 Washington properties. Total annualized base rent, net of abatements, for our office properties is \$66,254,460 as of December 31, 2010. Annual base rent for media and entertainment properties reflects actual base rent for the 12 months ended December 31, 2010, excluding tenant reimbursements. Our leases at our 9300 Wilshire, 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. Some or all of the leases at our 1455 Market, Rincon Center, 222 Kearny, 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 as of December 31, 2010 is \$24,227,599 for 1455 Market, \$18,107,199 for Rincon Center, \$4,389,220 for 222 Kearny, \$5,388,866 for the Technicolor Building, \$2,097,558 for Tierrasanta, \$3,799,559 for 875 Howard Street, and \$4,595,849 for 10950 Washington. We estimate that the full service gross equivalent annual base rent as of December 31, 2010 is \$11,707,435 for Sunset Gower and \$10,837,258 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 December 31, 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 December 31, 2010, excluding tenant reimbursements, divided by (ii) average square feet under lease for the 12 months ended December 31, 2010. We estimate that the full service gross equivalent annualized base rent per leased square foot as of December 31, 2010 is \$25.98 for 1455 Market, \$38.45 for Rincon Center, \$38.36 for 222 Kearny, \$46.88 for the Technicolor Building, \$20.79 for Tierrasanta, \$20.22 for 875 Howard Street and \$29.08 for 10950 Washington, and the full service gross equivalent annual base rent per leased square foot as of December 31, 2010 is \$30.36 for Sunset Gower and \$45.74 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 December 31, 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 December 31, 2010. Our leases at our 9300 Wilshire, 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. Some or all of the leases at our 1455 Market, Rincon Center, 222 Kearny, 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, 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 as of December 31, 2010 is \$26.23 for 1455 Market, \$39.02 for Rincon Center, \$40.31 for 222 Kearny, \$49.98 for the Technicolor Building, \$21.07 for Tierrasanta, \$15.49 for 875 Howard Street and \$31.48 for 10950 Washington.
- (6) Data represents 100% of the Rincon Center property. We currently own a 51% joint venture interest in this property. On February 24, 2011, we exercised our call right to purchase the remaining 49% interest in the Rincon Center property from our joint venture partner at a purchase price of approximately \$38.7 million (before prorations). The transaction is expected to close in the second quarter of 2011, subject to the completion of various closing conditions. We cannot assure you that the acquisition will be consummated on the anticipated schedule or at all. For a summary of certain risks related to our acquisition of the remaining 49% interest in the Rincon Center property, see Risk Factors Risks Related to Our Properties and Our Business Our acquisition of the remaining 49% interest in the Rincon Center property from our joint venture partner is subject to closing conditions that could delay or prevent the acquisition of such interest and a failure to complete such acquisition could result in the loss of our current 51% interest in the property.
- (7) A portion representing approximately 64% of the building area of this property (excluding the 180 Sutter building) is subject to a ground lease that expires June 14, 2054; the remaining portion is owned in fee.
- (8) This property is subject to a ground sublease that expires June 30, 2049.
- (9) This property is subject to a ground lease that expires August 14, 2032.
- (10) 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**

Common stock offered by us	shares (plus up to an additional shares of our common stock that we may issue and sell upon the exercise of the underwriters' overallotment option in full)
Concurrent private placement of common stock by us	shares to be purchased by the Farallon Funds at a price per share equal to the public offering price and without payment by us of any underwriting discounts or commissions
Common stock to be outstanding after this offering and the concurrent private placement	shares <sup>(1)</sup>
Common stock and common units to be outstanding after this offering and the concurrent private placement	shares and common units <sup>(1)(2)</sup>
Use of proceeds	We estimate that the net proceeds from this offering, after deducting underwriting discounts and commissions and estimated expenses, will be approximately \$ million (\$ million if the underwriters exercise their overallotment option in full). We estimate that the proceeds we will receive from the concurrent private placement will be approximately \$ million. We will contribute the net proceeds of this offering and the concurrent private placement to our operating partnership. Our operating partnership intends to use the net proceeds of this offering and the concurrent private placement to repay indebtedness under our secured revolving credit facility, to fund future acquisitions, including potentially the acquisition of the remaining 49% interest in the Rincon Center property that we do not currently own, and for general working capital purposes, including capital expenditures, tenant improvements, leasing commissions, post-closing offering expenses and, potentially, paying distributions.
Risk factors	Investing in our common stock involves a high degree of risk. You should carefully read and consider the information set forth under the heading "Risk Factors" beginning on page 14 and other information included in this prospectus before investing in our common stock.
New York Stock Exchange symbol	HPP

- <sup>(1)</sup> Includes shares of our common stock to be issued to the Farallon Funds in the concurrent private placement. Excludes (i) shares of our common stock issuable upon the exercise of the underwriters' overallotment option in full, (ii) shares of common stock issuable upon exchange of our series A preferred units, with an aggregate liquidation preference of approximately \$12.5 million, which are convertible or redeemable after June 29, 2013 and (iii) 1,159,558 shares of our common stock available for issuance in the future under our equity incentive plan.
- <sup>(2)</sup> Includes 2,610,941 common units held by limited partners of our operating partnership, which units may, subject to certain limitations, be redeemed for cash or, at our option, exchanged for shares of common stock on a one-for-one basis.



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**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 ended 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.

**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 for the periods prior to the completion of our initial public offering 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 and 875 Howard Street. The entities owning those properties have been recorded at historical cost in our historical financial statements. Our financial statements also include: (i) 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 (ii) the operations of the following entities or properties that we acquired subsequent to our initial public offering: Del Amo Fashion Center Operating Company, LLC, 9300 Wilshire, 222 Kearny Street, 1455 Market, Rincon Center joint venture and 10950 Washington for periods subsequent to the acquisitions of such entities or properties on August 13, 2010, August 24, 2010, October 8, 2010, December 16, 2010, December 16, 2010 and December 22, 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 December 31, 2010 and 2009 and the consolidated statements of operations information for each of the years ended December 31, 2010, 2009 and 2008 have been derived from our historical audited consolidated or combined financial statements included elsewhere in this prospectus.

Our unaudited selected pro forma consolidated financial statements and operating information as of and for the year ended December 31, 2010 assumes the completion of this offering and the concurrent private placement 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 the acquisition of the remaining 49% interest in the Rincon Center property and certain acquisitions completed by us since our initial public offering, along with any related financing transactions and certain refinancing transactions, as if those acquisitions, financing transactions and certain refinancing 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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	Year Ended December 31,			
	Pro Forma Consolidated 2010	2010	Historical Consolidated or Combined 2009	2008
(In thousands, except per share data)				
<b>Statement of Operations Data:</b>				
<b>REVENUES</b>				
Office				
Rental	\$ 67,342	\$ 22,247	\$ 11,046	\$ 8,235
Tenant recoveries	27,666	4,023	2,024	1,504
Other	2,554	233	252	41
<b>Total office revenues</b>	<b>97,562</b>	<b>26,503</b>	<b>13,322</b>	<b>9,780</b>
Media & Entertainment				
Rental	20,931	20,931	19,916	22,075
Tenant recoveries	1,517	1,517	1,792	1,544
Other property-related revenue	11,397	11,397	9,427	13,509
Other	238	238	64	92
<b>Total media &amp; entertainment revenues</b>	<b>34,137</b>	<b>34,137</b>	<b>31,199</b>	<b>37,220</b>
<b>Total revenues</b>	<b>131,699</b>	<b>60,640</b>	<b>44,521</b>	<b>47,000</b>
<b>OPERATING EXPENSES</b>				
Office operating expenses	48,331	10,212	6,242	3,003
Media & entertainment operating expenses	19,415	19,815	19,545	23,881
General and administrative	7,402	4,493		
Depreciation and amortization	39,376	15,912	10,908	9,693
<b>Total operating expenses</b>	<b>114,524</b>	<b>50,432</b>	<b>36,695</b>	<b>36,577</b>
<b>Income from operations</b>	<b>17,175</b>	<b>10,208</b>	<b>7,826</b>	<b>10,423</b>
<b>OTHER EXPENSE (INCOME)</b>				
Interest expense	16,903	8,831	8,792	12,029
Interest income	(59)	(59)	(19)	(48)
Unrealized loss (gain) on interest rate contracts	(347)	(347)	(400)	835
Sale of lot				208
Acquisition-related expenses	4,273	4,273		
Other expense	392	192	97	21
<b>Total other expense (income)</b>	<b>21,162</b>	<b>12,890</b>	<b>8,470</b>	<b>13,045</b>
<b>Net loss</b>	<b>\$ (1,474)</b>	<b>\$ (2,682)</b>	<b>\$ (644)</b>	<b>\$ (2,622)</b>
Less: Net income attributable to preferred stock and units	(8,108)	(817)		
Less: Net income attributable to restricted shares	(244)	(50)		
Add: Net loss (income) attributable to non-controlling members in consolidated real estate entities		(119)	29	81
Add: Net loss attributable to unitholders in the Operating Partnership	1,312	418		
<b>Net loss attributable to Hudson Pacific Properties, Inc. shareholders / controlling member s equity</b>	<b>\$ (11,027)</b>	<b>\$ (3,250)</b>	<b>\$ (615)</b>	<b>\$ (2,541)</b>
Net loss attributable to shareholders per share basic and diluted				
Weighted average shares of common stock outstanding basic and diluted				
Dividends declared per common share	\$	\$ 0.095	\$	\$

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<b>Balance Sheet Data (at period end):</b>				
Investment in real estate, net	\$ 838,777	\$ 838,777	\$ 412,085	\$ 409,192
Total assets	1,038,497	1,004,576	448,234	446,037
Notes payable (including secured revolving credit facility)	285,943	342,060	189,518	185,594
Total liabilities	334,126	390,243	221,646	224,306
6.25% Series A Cumulative Redeemable Preferred units of the Operating Partnership	12,475	12,475		
Redeemable non-controlling interest in consolidated real estate entity		40,328		
Series B Cumulative Redeemable Preferred Stock	87,500	87,500		
Members / stockholders equity	538,712	408,346	223,240	218,449
Non-controlling partnership / members interest	65,684	65,684	3,348	3,282
Total equity	691,896	561,530	226,588	221,731

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	Pro Forma Consolidated 2010	Year Ended December 31, Historical Consolidated or Combined		
		2010	2009	2008
(In thousands, except per share data)				
<b>Other Data:</b>				
Pro forma funds from operations <sup>(1)</sup>	\$ 27,281			
Pro forma funds from operations per share, diluted				
Cash flows from:				
Operating activities		\$ 7,619	\$ 4,538	\$ 20,049
Investing activities		(242,156)	(15,457)	(178,526)
Financing activities		279,718	8,800	163,794

- (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/premiums) 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 Year Ended December 31, 2010 (In thousands)
Net loss	\$(3,987)
Adjustments:	
Net income attributable to preferred stock and units	(8,108)
Real estate depreciation and amortization	39,376
Funds from operations before common non-controlling interests	\$27,281

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### **RISK FACTORS**

*Investing in our common stock involves risks. In addition to other information contained in this prospectus, you should carefully consider the following factors before acquiring shares of our common 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 common 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 to our stockholders, the per share trading price of our securities 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 primarily 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 media and entertainment 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



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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, cash available for distribution to our stockholders and the per share trading price of our securities.

*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 Sunset Gower property and a portion representing 64% of the building area of the 222 Kearny 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, the per share trading price of our securities and our 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 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.

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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, and the per share trading price of our securities 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.

If we cannot operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow, cash available for distribution and the per share trading price of our securities 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.

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*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 Internal Revenue Code of 1986, as amended, or 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 necessary to maintain our qualification as a REIT.

***As of December 31, 2010, we had approximately \$342.1 million of indebtedness outstanding. Our debt service obligations with respect to our indebtedness will reduce cash available for distribution, including cash available to pay dividends on our securities, including our common stock, and expose us to the risk of default.***

Our total consolidated indebtedness, as of December 31, 2010, was approximately \$342.1 million, of which \$148.1 million (or approximately 43.3%) was variable rate debt, \$37.0 million of which has been fully hedged pursuant to an interest rate contract, and we may incur significant additional debt to finance future acquisition and development activities.

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;

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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;

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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, cash available for distribution and the per share trading price of our securities 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.

### ***The terms of our debt agreements restrict 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.

In addition, the loan agreement for our secured term loan includes customary financial covenants, including a maximum ratio of total indebtedness to total assets, a minimum ratio of earnings before interest, taxes, depreciation and amortization to fixed charges, and a minimum level of net worth. 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, the per share trading price of our securities and our ability to satisfy our debt obligations. In addition, failure to meet any of these covenants, including the financial



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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.

*Our acquisition of the remaining 49% interest in the Rincon Center property from our joint venture partner is subject to closing conditions that could delay or prevent the acquisition of such interest and a failure to complete such acquisition could result in the loss of our current 51% interest in the property.*

On February 24, 2011, we exercised our call right to purchase the remaining 49% interest in the Rincon Center property from our joint venture partner at a purchase price of approximately \$38.7 million (before prorations). The transaction is expected to close in the second quarter of 2011, subject to the completion of various closing conditions. We cannot assure you that the acquisition will be consummated on the anticipated schedule or at all.

If we fail to complete the acquisition of the remaining 49% joint venture interest in the Rincon Center property, we will be obligated to pay a termination fee of \$17.5 million and our joint venture partner may elect to either purchase our interest or pursue a forced sale of the property, except in limited circumstances. In either case, we will lose our interest in the property and will receive a payment for our 51% interest in the Rincon Center property net of the \$17.5 million termination fee. In addition, there is no guarantee that we will be able to redeploy the capital from our investment in the Rincon Center property in an investment with similar expected returns or at all, which could have an adverse effect on our financial condition, results of operations, cash flow, cash available for distribution, the per share trading price of our securities and our ability to satisfy our debt obligations.

*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 and the per share trading price of our securities.*

Our business may be affected by market and economic challenges experienced by the U.S. economy or real estate industry as a whole, including dislocations in the credit markets. These conditions may adversely affect our financial condition, results of operations, cash flow, cash available for distribution, and the per share trading price of our securities 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.

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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 our financial condition, results of operations, cash flow, cash available for distribution and the per share trading price of our securities.***

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 risks, 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 our financial condition, results of operations, cash flow, cash available for distribution, and the per share trading price of our securities. 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, Derivatives 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 office portfolio consists of 11 properties, including the Rincon Center property owned through a joint venture interest, which properties are located throughout California and contain a total of approximately 3.1 million net rentable square feet. Our 1455 Market and 10950 Washington properties and our Rincon Center joint venture interest were purchased in December 2010, and our Del Amo Office, 9300 Wilshire Boulevard and 222 Kearny 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. 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.

***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. 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, the per share trading price of our



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securities and our 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 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 distribution and the per share trading price of our securities 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 December 31, 2010, the ten largest tenants in our office portfolio represented approximately 62.2% 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. As of December 31, 2010, our largest tenant was Bank of America, which accounted for 14.8% of our annualized base rent and therefore represented a significant credit concentration. If Bank of America 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 distribution and the per share trading price of our securities.

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, 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 \$3.1 million for 2014 and approximately \$1.9 million for 2016. As of December 31, 2010, the Saatchi & Saatchi lease comprised approximately 4.6% 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 distribution and the per share trading price of our securities 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 December 31, 2010, approximately 12.1% of the square footage of the office properties in our portfolio was available for lease (taking into account uncommenced leases signed as of December 31, 2010), and leases representing an additional 6.3% of the square footage of the office properties in our portfolio are scheduled to expire in 2011. For the month of December 2010, approximately 21.3% of the square footage of the media and entertainment properties in our portfolio was available for lease. Furthermore, substantially all of the square

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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 2011 and 2012. 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 distribution, including cash available for payment of dividends on our securities, and the per share trading price of our securities 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 and per share trading price of our securities 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 and the per share trading price of our securities.

***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 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,

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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 and the per share trading price of our securities.

***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 susceptible 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.

***Future terrorist activity or engagement in war by the U.S. may have an adverse effect on our financial condition and operating results.***

Terrorist attacks in the U.S. and other acts of terrorism or war may result in declining economic activity, which could harm the demand for and the value of our properties. A decrease in demand could make it difficult for us to renew or re-lease our properties at these sites at lease rates equal to or above historical rates. Terrorist activities also could directly impact the value of our properties through damage, destruction, or loss, and the availability of insurance for these acts may be less, and cost more, which could adversely affect our financial condition. To the extent that our tenants are impacted by future attacks, their businesses similarly could be adversely affected, including their ability to continue to honor their existing leases.

Terrorist attacks and engagement in war by the U.S. also may adversely affect the markets in which our securities trade and may cause further erosion of business and consumer confidence and spending and may result in increased volatility in national and international financial markets and economies. Any one of these events may cause a decline in the demand for our office and media and entertainment leased space, delay the time in which our new or renovated properties reach stabilized occupancy, increase our operating expenses, such as those attributable to increased physical security for our properties, and limit our access to capital or increase our cost of raising capital. Any such event described above could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our securities.

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***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, the per share trading price of our securities and our 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 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, the per share trading price of our securities and our 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 currently own a 51% joint venture interest in the Rincon Center property. We may co-invest in the future with other 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

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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 securities.

### **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 and the per share trading price of our securities.

*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

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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 and the per share trading price of our securities.

***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 and the per share trading price of our securities.

Environmental laws also govern the presence, maintenance and removal of hazardous materials in building materials (e.g., asbestos and lead), 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 hazardous materials (and employers in such buildings) to properly manage and maintain certain hazardous materials, adequately notify or train those who may come into contact with certain hazardous materials, and undertake special precautions, including removal or other abatement, if certain hazardous materials would be disturbed during renovation or demolition of a building. Some of our properties contain hazardous materials 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 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, which are subject to regulation, as part of their operations at our properties. 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.

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We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our stockholders 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 and the per share trading price of our securities. 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 securities.

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 and the per share trading price of our securities.

***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



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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 and the per share trading price of our securities.

### **Risks Related to Our Organizational Structure**

*Upon completion of this offering and the concurrent private placement, the Farallon Funds will own an approximate        % beneficial common interest in our company on a fully diluted basis and have the ability to exercise significant influence on our company.*

Upon completion of this offering and the concurrent private placement, the Farallon Funds will own an approximate        % 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 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.