Hudson Pacific Properties, Inc.
Form S-11/A
June 22, 2010
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**As filed with the Securities and Exchange Commission on June 22, 2010**

**Registration No. 333-164916**

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# Amendment No. 7

# to

# Form S-11

# REGISTRATION STATEMENT

***UNDER***

***THE SECURITIES ACT OF 1933***

# 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)**

**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)**

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**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 ¨ | Accelerated filer ¨ |
| Non-accelerated filer x<br>(Do not check if a smaller reporting company) | Smaller reporting company ¨ |

**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 June 22, 2010

PROSPECTUS

# 12,800,000 Shares

# Common Stock

This is the initial public offering of Hudson Pacific Properties, Inc. We are selling 12,800,000 shares of our common stock.

We currently expect the initial public offering price of our common stock to be between $17.00 and $19.00 per share. Currently, no public market exists for our shares. Our common stock has been approved for listing on the New York Stock Exchange under the symbol HPP, subject to official notice of issuance. We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a real estate investment trust for federal income tax purposes commencing with our taxable year ending December 31, 2010.

As described herein, concurrently with this offering, we will complete the formation transactions, pursuant to which we will acquire from Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively, investment funds affiliated with Farallon Capital Management, L.L.C., and an investment vehicle whose general partner is owned by investment funds managed by Morgan Stanley, all of the interests in our historical operating companies and entities that own our initial properties, in exchange for cash, shares of our common stock, common units and/or series A preferred units of partnership interest in our operating partnership. In addition, concurrently with the completion of this offering, Victor J. Coleman and certain investment funds affiliated with Farallon Capital Management, L.L.C. will purchase $20.0 million in shares of common stock at a price per share equal to the initial public offering price and without payment by us of any underwriting discount or commission. Upon completion of this offering, the concurrent private placement and the formation transactions, funds affiliated with or managed by Farallon Capital Management, L.L.C., together with our directors and officers, will beneficially own an approximate 41.8% interest in our company on a fully diluted basis. We will use a portion of the net proceeds from this offering to pay the cash consideration due in the formation transactions.

**See Risk Factors beginning on page 22 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 1,920,000 additional shares of our common stock from us, at the initial public offering price, less the underwriting discount, within 30 days from 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 , 2010.

**BofA Merrill Lynch** **Barclays Capital** **Morgan Stanley**

**Wells Fargo Securities** **BMO Capital Markets** **KeyBanc Capital Markets**

The date of this prospectus is , 2010

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

**We use market data and industry forecasts and projections throughout this prospectus, and in particular in the sections entitled Industry Background and Market Opportunity and Business and Properties. We have obtained substantially all of this information from a market study prepared for us in connection with this offering by Rosen Consulting Group, or RCG, a nationally recognized real estate consulting firm. We have paid RCG a fee of $40,000 for such services. We have also included industry data relating to television networks, programming and new media. We have obtained substantially all of this data from a report prepared for us by Kagan Media Appraisals, a global market research firm, for which we paid a fee of $9,995. Such information is included in this prospectus in reliance on RCG s and Kagan Media Appraisals authority as experts on such matters. See Experts. In addition, we have obtained certain market**

**and industry data from publicly available industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but that the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers experience in the industry, and there is no assurance that any of the projected amounts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information. Any forecasts prepared by RCG or Kagan Media Appraisals are based on data (including third party data), models and experience of various professionals, and are based on various assumptions, all of which are subject to change without notice.**

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**This prospectus includes certain information regarding total return to investors achieved by Arden Realty, Inc. during the period in which Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively, served as President and Chief Operating Officer and Senior Vice President and Chief Investment Officer, respectively, of Arden Realty, Inc. The information regarding total return is not a guarantee or prediction of the returns that we may achieve in the future, and we can offer no assurance that we will replicate these returns.**

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

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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 after giving effect to the formation transactions described in this prospectus, 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. Our promoters are Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively. Unless otherwise indicated, the information contained in this prospectus is as of March 31, 2010 and assumes (1) that the underwriters overallotment option is not exercised, (2) the consummation of the concurrent private placement of $20.0 million of common stock to Victor J. Coleman and funds affiliated with Farallon Capital Management, L.L.C., (3) the consummation of the formation transactions described in this prospectus (after giving effect to closing prorations and adjustments as of June 9, 2010), including our acquisition of the Del Amo Office property, the timing and completion of which is uncertain, (4) the common stock to be sold in this offering is sold at $18.00 per share, which is the mid-point of the range indicated on the front cover of this prospectus, and (5) the initial value of the common units of partnership interest in our operating partnership, or common units, to be issued in the concurrent private placement and formation transactions is equal to the public offering price of our common stock as set forth on the front cover of this prospectus.*

### 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. Upon the consummation of this offering and the formation transactions, we will own eight properties totaling approximately 2.0 million square feet, 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. Mr. Coleman co-founded Arden Realty, Inc., or Arden, in 1990 and served as President, Chief Operating Officer and Director after taking the company public on the New York Stock Exchange in 1996. Arden was a publicly traded real estate investment trust, or REIT, engaged in owning, acquiring, managing, leasing, developing and renovating office properties located in Southern California. Mr. Stern, while serving as Senior Vice President and Chief Investment Officer at Arden, was responsible, together with other Arden personnel, for all acquisition, disposition, development and new investment activities. As senior members of Arden s management team, Messrs. Coleman and Stern were instrumental in helping Arden become one of the largest owners of office properties in Southern California.

We believe current events in the financial markets, the credit crisis and the scarcity of available capital for commercial real estate have created significant market dislocation, thereby fostering a favorable acquisition environment. We have access to and are actively pursuing a pipeline of potential acquisitions consistent with our investment strategy. We believe Mr. Coleman s and Mr. Stern s successful history of operating a publicly traded real estate company, significant expertise in operating in the California office sector and extensive, long-term relationships with real estate owners, developers and lenders, coupled with our conservative capital structure and access to capital, will allow us to capitalize on the current market opportunity.

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

Upon consummation of this offering, the concurrent private placement and the formation transactions, our initial portfolio will consist of six office properties totaling approximately 1.2 million square feet, which were approximately 79.1% leased as of March 31, 2010 (or 85.7% giving effect to leases signed but not commenced as of that date), and two state-of-the-art media and entertainment properties comprising 544,763 square feet of office and support space and approximately 312,669 square feet of sound-stage production facilities. We also own 1.85 acres of undeveloped land adjacent to our media and entertainment properties, 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.

Our initial portfolio consists of assets contributed by entities owned by Hudson Capital, LLC; investment funds affiliated with Farallon Capital Management, L.L.C., or Farallon, which we refer to as the Farallon Funds; an investment vehicle whose general partner is owned by investment funds managed by Morgan Stanley, which we refer to as the Morgan Stanley Investment Partnership; and third parties. We believe our long-standing relationships with our contributors, as well as with other real estate companies, financial institutions and local operators, will enhance our access to capital and ability to source leasing and acquisition opportunities. In addition, we expect our tenant relationships with leading media, entertainment, professional and financial services firms, such as NBC/Universal, CBS Studios, ABC Studios, 20th Century Fox, Technicolor Creative Services USA, Inc., or Technicolor, Saatchi & Saatchi North America, Inc., or Saatchi & Saatchi, Bank of America Merrill Lynch and U.S. Bank will allow us to maintain above average occupancy levels as compared to others in our target markets.

We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes, commencing with our taxable year ending December 31, 2010. We will conduct substantially all of our business through our operating partnership, of which we will serve as the sole general partner and own approximately 87.8% of the outstanding common units.

## Industry Background and Market Opportunity

### Overview

We believe the current dislocation in the real estate markets caused by the credit crunch and subsequent recession presents an attractive investment environment for well-capitalized buyers with solid operating expertise and strong industry relationships due to the following factors identified by RCG:

- First, upcoming debt maturities and poor property performance will force undercapitalized owners to sell over-leveraged assets in order to pay down their debt and to avoid significant, future property-level capital expenditures.

- Second, weak operating fundamentals on over-leveraged assets will result in asset-level operating distress. Accordingly, a growing number of owners who are unable to satisfy their debt service

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obligations and repay upcoming debt maturities will likely force lenders to foreclose on properties. We believe lenders will seek to sell these real estate assets quickly following transfer of title.

Third, competition for real estate acquisitions has diminished as many prospective buyers have exited the market due to capital constraints and/or a focus on managing legacy assets. Also, many investment funds that were responsible for a disproportionate share of acquisition activity in the 2003-2007 period are now seeking liquidity as the lives of their investment vehicles expire.

**California Opportunity**

We believe that California s dynamic, diversified and cyclical economy, coupled with the current weakness in the California real estate market, will create attractive opportunities to acquire properties at significant discounts to intrinsic value. According to RCG, California had the highest number of distressed properties of any state in September 2009. Furthermore, RCG expects the number of distressed assets for sale to peak in 2010, with opportunities persisting for the next several years. While California is currently experiencing weak economic conditions, RCG believes that its economy is well positioned over the long term to outpace the national economy given its mix of innovative industries and strong demographics. The strengthening economy will in turn positively impact the demand for office space, real estate market fundamentals and, ultimately, real estate valuations. Improved real estate market conditions will also be supported by a limited supply of new commercial real estate, which is constrained in California due to limited availability of land, restrictive local entitlement processes and high building costs. We believe we are well positioned to capitalize on this opportunity due to our management team s strong industry relationships and our existing presence in many of California s major markets.

## Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners and operators of office properties and will 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. While working together at Arden, they helped the company grow significantly from its initial public offering in October 1996 to its eventual sale to GE Real Estate, a division of General Electric Capital Corporation, in 2006, near the peak of the real estate market.

***Committed and Incentivized Management Team.*** Our senior management team will be dedicated to our successful operation and growth, with no real estate business interests outside of our company. Additionally, upon completion of this offering and consummation of the concurrent private placement and the formation transactions, our senior management team will own approximately 3.9% 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 will primarily focus 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.

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***Long-Standing Relationships that Provide Access to an Extensive Pipeline of Investment and Leasing Opportunities.*** We believe our experience, in-depth market knowledge and extensive network of long-standing relationships with real estate developers, real estate owners, national and regional lenders, brokers, tenants and other market participants will drive our ability to identify and capitalize on attractive acquisition opportunities and enhance our leasing efforts. For example, we believe our relationships with two leading investment management firms, Farallon and Morgan Stanley, will provide us with critical market intelligence, an ongoing acquisition pipeline and potential joint venture partners.

***Growth-Oriented, Flexible and Conservative Capital Structure.*** We believe our flexible and conservative capital structure provides us with an advantage over many of our private and public competitors. Upon completion of this offering, we will have no legacy balance sheet issues and limited near-term maturities, which will allow management to focus on our business and growth strategies rather than balance sheet repair. In addition, we will have an initial debt-to-market capitalization ratio (counting series A preferred units as debt) of approximately 20.7%, which is substantially lower than many of our office REIT peers.

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

**Business and Growth Strategies**

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

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

***Focus on High Barrier-to-Entry Markets.*** We will 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 22 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, the concurrent private placement and the formation transactions, the Farallon Funds will own an approximate 37.7% beneficial interest in our company on a fully diluted basis and will have the ability to exercise significant influence on our company.

- The purchase of the Del Amo Office property is subject to closing conditions that could delay or prevent the acquisition of the property.

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

- We expect to have approximately $94.3 million of indebtedness outstanding following this offering, which may expose us to interest rate fluctuations and the risk of default under 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 and per share trading price of our common stock.

- 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 have no operating history as a REIT or a publicly traded company and may not be able to successfully operate as a REIT or a publicly traded company.

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

In certain instances, the amount of consideration we will pay to acquire properties in connection with the formation transactions was not negotiated on an arm s length basis and management s estimate of fair market value may exceed the appraised fair market value of these properties and assets.

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 common stock.

There has been no public market for our common stock prior to this offering and an active trading market for our common stock may not develop following this offering.

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

## Our Properties

### Our Initial Portfolio

Upon completion of this offering and consummation of the formation transactions, we will own eight properties located in six California submarkets, containing a total of approximately 2.0 million square feet, which we refer to as our initial portfolio. The following table presents an overview of our initial portfolio, based on information as of March 31, 2010. Rental data presented in the table below for office properties reflects base rent on leases in place as of March 31, 2010 and does not reflect actual cash rents historically received because such data does not reflect abatements or, in the case of triple net or modified gross leases, tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Rental data presented in the table below for media and entertainment properties reflects actual cash base rents, excluding tenant reimbursements, received during the 12 months ended March 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 2010 or 2011.

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| Property | City | Year Built/ Renovated | Square Feet(1) | Percent Leased(2) | Annualized Base Rent/ Annual Base Rent(3) | Annualized Base Rent/ Annual Base Rent Per Leased Square Foot(4) | Annualized Net Effective Base Rent Per Leased Square Foot(5) |
|---|---|---|---|---|---|---|---|
| **OFFICE PROPERTIES** | | | | | | | |
| **Operating Properties** | | | | | | | |
| City Plaza | Orange | 1969/99 | 333,922 | 92.1%(6) | $ 7,779,694 | $ 25.30 | $ 24.07 |
| First Financial | Encino (LA) | 1986 | 222,423 | 89.4 | 6,661,152 | 33.48 | 32.37 |
| Del Amo Office(7) | Torrance | 1986 | 113,000 | 100.0 | 3,069,070 | 27.16 | 26.40 |
| Technicolor Building | Hollywood (LA) | 2008 | 114,958 | 100.0 | 3,945,359 | 34.32 | 39.04 |
| Tierrasanta | San Diego | 1985 | 104,234 | 96.8 | 1,428,252 | 14.15 | 15.07 |
| **Total/Weighted Average Operating Properties:** | | | **888,537** | **94.0%** | **$ 22,883,527** | **$ 27.40** | **$ 27.34** |
| **Redevelopment Properties** | | | | | | | |
| 875 Howard Street(8) | San Francisco | Various | 286,270 | 33.0% | $ 614,351 | $ 6.50 | $ 6.50 |
| **Total/Weighted Average Office Properties:** | | | **1,174,807** | **79.1%(9)** | **$ 23,497,878** | **$ 25.27** | **$ 25.22** |
| **MEDIA & ENTERTAINMENT PROPERTIES** | | | | | | | |
| Sunset Gower(10) | Hollywood (LA) | Various | 543,709 | 66.1% | $ 10,782,170 | $ 30.02 | |
| Sunset Bronson | Hollywood (LA) | Various | 313,723 | 68.4 | 8,970,830 | 41.80 | |
| **Total/Weighted Average Media & Entertainment Properties:** | | | **857,432** | **66.9%** | **$ 19,753,000** | **$ 34.42** | |
| **LAND** | | | | | | | |
| Sunset Bronson Lot A | Hollywood (LA) | N/A | 273,913 | | | | |
| Sunset Bronson Redevelopment | Hollywood (LA) | N/A | 389,740 | | | | |
| Sunset Gower Redevelopment | Hollywood (LA) | N/A | 423,396 | | | | |
| City Plaza | Orange | N/A | 360,000 | | | | |
| **Total Land Assets:** | | | **1,447,049** | | | | |
| **Portfolio Total:** | | | **3,479,288** | | | | |

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

(2) Percent leased for office properties is calculated as (i) square footage under commenced leases as of March 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 March 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 March 31, 2010, by (ii) 12. Total abatements with respect to the office properties for leases in effect as of March 31, 2010 for the 12 months ending March 31, 2011 are $2,430,797. Annualized base rent, net of abatements, is $5,626,679 for City Plaza, $6,554,336 for First Financial and $3,774,393 for the Technicolor Building. There are no abatements associated with the leases in place as of March 31, 2010 at the Del Amo Office, Tierrasanta and 875 Howard Street properties. Total annualized base rent, net of abatements, for our office properties is $21,067,081. Annualized base rent data for our office properties is as of

March 31, 2010 and does not reflect scheduled lease expirations for the 12 months ending March 31, 2011. Calculating total office properties annualized base rent to reflect the impact of scheduled lease expirations for the 12 months ending March 31, 2011 (by including in annualized base rent, for leases with a term of less than one year, only amounts through the expiration of the lease) would reduce total office properties annualized base rent by $660,251 to $22,837,627. For lease expiration data, see Business and Properties Lease Expirations of Office

Portfolio. Annual base rent for media and entertainment properties reflects actual base rent for the 12 months ended March 31, 2010, excluding tenant reimbursements. Our leases at our City Plaza, First Financial, and Del Amo Office properties are full service gross leases, and annualized base rent data for these properties does not reflect tenant reimbursements in excess of the base year expense stop. The leases at our Technicolor, Tierrasanta and 875 Howard Street properties, as well as the KTLA lease at the Sunset Bronson property, are either triple net leases or modified gross leases pursuant to which the tenant reimburses the landlord or directly pays for some operating expenses, such as real estate taxes, insurance, common area and other operating expenses, and annualized base rent for these properties does not reflect such amounts. We estimate that the full service gross equivalent annualized base rent for these properties is $5,231,052 for the Technicolor Building, $2,346,562 for Tierrasanta and $1,181,699 for 875 Howard Street. We estimate that the full service gross equivalent annual base rent is $10,818,963 for Sunset Gower and $10,380,340 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 March 31, 2010. Annualized base rent, net of abatements, per leased square foot is $18.30 for City Plaza, $32.94 for First Financial and $32.83 for the Technicolor Building. There are no abatements associated with the leases in place as of March 31, 2010 at the Del Amo Office, Tierrasanta and 875 Howard Street properties. Total annualized base rent per leased square foot, net of abatements, for our office properties is $22.66. 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 March 31, 2010, excluding tenant reimbursements, divided by (ii) average square feet under lease for the 12 months ended March 31, 2010. We estimate that the full service gross equivalent annualized base rent per leased square foot is $45.50 for the Technicolor Building, $23.25 for Tierrasanta and $12.50 for 875 Howard Street, and the full service gross equivalent annual base rent per leased square foot is $30.12 for Sunset Gower and $48.36 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 March 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 March 31, 2010. Our leases at our City Plaza, First Financial, and Del Amo Office properties are full service gross leases, and annualized net effective base rent data for these properties does not reflect tenant reimbursements in excess of the base year expense stop. The leases at our Technicolor, Tierrasanta and 875 Howard Street properties, as well as the KTLA lease at the Sunset Bronson property, are either triple net leases or modified gross leases pursuant to which the tenant reimburses the landlord or directly pays for some operating expenses, and annualized net effective base rent for these properties does not reflect such amounts. We estimate that the full service gross equivalent annualized net effective base rent per leased square foot for these properties is $50.22 for the Technicolor Building, $24.17 for Tierrasanta and $12.50 for 875 Howard Street.

(6) Does not include 3,531 square feet that will be leased to our subsidiary for property management offices.

(7) Our acquisition of this property is subject to closing conditions that may not be in our control. See Risk Factors Risks Related to Our Properties and Our Business The purchase of the Del Amo Office property is subject to closing conditions that could delay or prevent the acquisition of the property. This property is subject to a ground sublease that expires June 30, 2049.

(8) 875 Howard Street consists of two buildings, a retail building of approximately 95,000 square feet that is 100% leased and an office building of approximately 191,000 square feet that underwent redevelopment, which was completed on April 1, 2010. As of March 31, 2010, we had entered into two leases with respect to our 875 Howard Street property that had not commenced as of March 31, 2010. The following table sets forth certain data with respect to the uncommenced leases.

| | Uncommenced Leases | | | |
|---|---|---|---|---|
| **Property** | **Leased Square Feet Under Uncommenced Leases**[(a)] | **Annualized Base Rent, Net of Abatements, Under Uncommenced Leases**[(b)] | **Annualized Base Rent, Net of Abatements, Per Leased Square Foot Under Uncommenced Leases**[(c)] | **Annualized Net Effective Base Rent Per Leased Square Foot Under Uncommenced Leases**[(d)] |
| 875 Howard Street | 76,872 | $ 871,617 | $ 11.34 | $ 30.89 |

(a) One of the uncommenced leases, which commenced on April 1, 2010, is a seven-year lease expiring on March 31, 2017 and affords the tenant a complete abatement of rent for the first year of the lease term. The other uncommenced lease, which commences on December 14, 2010, is a ten-year lease expiring on December 14, 2020, and contains no rent abatements. See Business and Properties Uncommenced Leases.

(b) Annualized base rent, net of abatements, under uncommenced leases is calculated by multiplying (i) base rental payments (defined as cash base rents (net of abatements)) for the first full month under the respective uncommenced leases, by (ii) 12. Total abatements under uncommenced leases entered into as of March 31, 2010 for the 12 months ending March 31, 2011 are $998,730. Annualized base rent under uncommenced leases, before abatements, is $1,870,347.

(c) Annualized base rent, net of abatements, per leased square foot under uncommenced leases is calculated as (i) annualized base rent, net of abatements, under uncommenced leases, divided by (ii) leased square feet under uncommenced leases. Annualized base rent under uncommenced leases, before abatements, per leased square foot is $24.33.

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

(9) After giving effect to uncommenced leases signed as of March 31, 2010, the total percent leased for office properties would have been 85.7% as of March 31, 2010.

(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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## Structure and Formation of Our Company

### Our Operating Entities

*Our Operating Partnership*

Following the completion of this offering and the formation transactions, our operating partnership will, directly or indirectly through its wholly owned subsidiaries, hold substantially all of our assets and conduct substantially all of our operations. We will contribute the net proceeds from this offering and the concurrent private placement to our operating partnership in exchange for common units. As the sole general partner of our operating partnership, we will generally have the exclusive power under the partnership agreement to manage and conduct its business, subject to limited approval and voting rights of the limited partners described more fully under Description of the Partnership Agreement of Hudson Pacific Properties, L.P.

*Our Services Company*

As part of the formation transactions, we formed Hudson Pacific Services, Inc., a Maryland corporation that is wholly owned by our operating partnership and that we refer to as our services company. We will elect with our services company to treat it as a taxable REIT subsidiary for federal income tax purposes. Our services company generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT.

### Formation Transactions

Each property that will be owned by us, directly by our operating partnership or indirectly by one of its wholly owned subsidiaries, upon the completion of this offering is currently owned by a partnership or limited liability company, or property entity, in which Hudson Capital, LLC, the Farallon Funds, the Morgan Stanley Investment Partnership and/or other third parties own a direct or indirect interest. Pursuant to the formation transactions described below, the following have occurred or will occur concurrently with or prior to the completion of this offering. All monetary, share and unit amounts are based on the mid-point of the range set forth on the cover page of this prospectus. For a discussion of amounts based on other prices within the range, see Pricing Sensitivity Analysis.

- Hudson Pacific Properties, Inc. was formed as a Maryland corporation on November 9, 2009. We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2010.

- Our operating partnership was formed as a Maryland limited partnership on January 15, 2010.

- Our services company was formed as a Maryland corporation on February 12, 2010. We will elect with our services company to treat it as a taxable REIT subsidiary for federal income tax purposes.

- We will sell 12,800,000 shares of our common stock in this offering and 1,920,000 additional shares if the underwriters exercise their overallotment option in full, and we will contribute the net proceeds from this offering to our operating partnership in exchange for common units.

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Pursuant to separate contribution agreements, each dated as of February 15, 2010, our operating partnership will, directly or indirectly through its wholly owned subsidiaries, acquire a 100% ownership interest in the entities that own all of our initial properties (other than the Del Amo Office property) in exchange for an aggregate of 5,818,625 shares of our common stock, 2,785,141 common units, 499,010 series A preferred units and $7.2 million in cash, as set forth in greater detail below:

Victor J. Coleman and Howard S. Stern will contribute to our operating partnership their entire interests in Hudson Capital, LLC in exchange for (i) common units with a value of $9.0 million and (ii) an additional 90,568 common units. Hudson Capital, LLC owns (i) an approximate 1.6% interest in the property entity that owns the Sunset Gower property and the Technicolor Building, (ii) an approximate 1.0% interest in the property entity that owns the Sunset Bronson property, and (iii) an approximate 0.9% interest in the property entity that owns the City Plaza property, and is the entity through which our predecessor carried on the property management business that we will continue after the consummation of this offering.

In exchange for their contribution to our operating partnership of the property entities that own 100% of the First Financial and Tierrasanta properties, the Morgan Stanley Investment Partnership and certain of its limited partners will receive 499,010 series A preferred units of limited partnership interest in our operating partnership, or series A preferred units, with an aggregate liquidation preference of approximately $12.5 million, common units with an aggregate value of approximately $3.0 million and approximately $7.2 million in cash. In connection with this contribution, our operating partnership will make up to approximately $55.1 million (and, under certain circumstances, up to approximately $70.0 million) of debt available for guarantee by the Morgan Stanley Investment Partnership or certain of its owners, which may assist the Morgan Stanley Investment Partnership or such owners in deferring taxes in connection with the formation transactions. In addition, pursuant to a tax protection agreement, we have agreed to make certain tax indemnity payments if we dispose of any interest with respect to such properties in a taxable transaction during the period from the closing of the offering through certain specified dates ranging from 2017 to 2027.

In exchange for the contribution to our operating partnership of (i) their approximate 98.4% interest in the property entity that owns the Sunset Gower property and the Technicolor Building, (ii) their approximate 99.0% interest in the property entity that owns the Sunset Bronson property, (iii) their approximate 99.1% interest in the property entity that owns the City Plaza property and (iv) their approximate 94.0% interest in the property entity that owns the 875 Howard Street property, the Farallon Funds, as nominees of the contributors, will receive 5,795,930 shares of our common stock and 2,020,460 common units, with an aggregate value of $140.7 million. Affiliates of the Farallon Funds also will contribute approximately $14.8 million in cash (subject to adjustments based on credits to such affiliates for payments made prior to closing) for prepaid rents, outstanding tenant improvement costs and outstanding infrastructure costs. Prior to the consummation of this offering, cash, cash equivalents and restricted cash relating to the Sunset Gower property, the Technicolor Building, the Sunset Bronson property and the City Plaza property will be distributed to their owners, including the Farallon Funds.

In exchange for the contribution to our operating partnership of their interests in the entity that owns the 875 Howard Street property, the Farallon Funds, as the nominees of the third party that owns the remaining interests in such entity, will receive common stock and common units with a value of approximately $0.5 million.

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- The current management team of Hudson Capital, LLC will become our executive management team, and the current employees of Hudson Capital, LLC will become our employees.

- Our operating partnership will use a portion of the net proceeds of this offering and the concurrent private placement to repay (i) in full $115.0 million of mortgage indebtedness secured by the Sunset Gower and Technicolor Building properties and (ii) in full approximately $42.2 million of the mortgage indebtedness secured by the 875 Howard Street property. See Use of Proceeds.

- Each of the contributors in our formation transactions has entered into a contribution agreement, and each other recipient of cash or equity consideration has entered into a representation, warranty and indemnity agreement. These agreements provide for limited representations and warranties by the respective contributors or their nominees regarding the entities and assets being contributed in the formation transactions, and entitle us and our operating partnership to indemnification for breaches of those representations and warranties on a several but not joint basis by each contributor or its nominee, subject to a deductible of 1% of the aggregate total consideration received by them under their respective contribution agreement, and up to a maximum of 10% of their aggregate total consideration under their respective contribution agreement.

In addition, following completion of this offering, our operating partnership or a subsidiary of our operating partnership will acquire, directly or indirectly through a wholly owned subsidiary, a 100% ownership interest in the Del Amo Office property ground subleasehold interest and improvements for $27.5 million (before closing costs and prorations) in cash. The Farallon Funds will receive $4.3 million (before prorations) of this cash in their capacity as indirect owners of the limited partners of the entity that owns the Del Amo Office property ground subleasehold interest and improvements.

The acquisition of the Del Amo Office property is subject to conditions that could prevent or delay our acquisition of the property. See Risk Factors Risks Related to Our Properties and Our Business The purchase of the Del Amo Office property is subject to closing conditions that could delay or prevent the acquisition of the property.

**Concurrent Private Placement**

Concurrently with the completion of this offering, Mr. Coleman and the Farallon Funds will purchase $20.0 million in shares of common stock at a price per share equal to the initial public offering price and without payment by us of any underwriting discount or commission. The proceeds will be contributed to our operating partnership in exchange for common units.

**Benefits of the Formation Transactions and Concurrent Private Placement to Related Parties**

In connection with this offering, the formation transactions and the concurrent private placement, the Farallon Funds and certain of our executive officers and directors will receive material benefits, including the following. Amounts below are based on the mid-point of the range set forth on the cover page of this prospectus. For a discussion of amounts based on other prices within the range, see Pricing Sensitivity Analysis.

*Victor J. Coleman*

- Mr. Coleman, our Chairman and Chief Executive Officer, will purchase $2.0 million in shares of our common stock in the concurrent private placement at a price equal to the initial public offering price.

- In exchange for the contribution of his interest in Hudson Capital, LLC (in which he holds a 65% ownership interest), Mr. Coleman will receive (i) common units with a value of approximately $5.8 million and (ii) an additional 58,869 common units. In addition, Mr. Coleman will receive a

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restricted stock grant consisting of a number of shares determined by dividing $2.0 million by our initial public offering price. As a result, including the shares of common stock purchased by him in the concurrent private placement, Mr. Coleman will own an approximate 2.6% interest in our company on a fully diluted basis, or an approximate 2.4% on a fully diluted basis if the underwriters overallotment option is exercised in full.

In connection with Mr. Coleman s contribution, our operating partnership is obligated to use commercially reasonable efforts to make up to $3.0 million of indebtedness of our operating partnership (or a subsidiary thereof) available to Mr. Coleman and Mr. Stern together for guarantee, which may allow Mr. Coleman to defer the recognition of gain in connection with the formation transactions.

*Howard S. Stern*

In exchange for the contribution of his interest in Hudson Capital, LLC (in which he holds a 35% ownership interest), Mr. Stern, our President and one of our directors, will receive (i) common units with a value of approximately $3.2 million and (ii) an additional 31,699 common units. In addition, Mr. Stern will receive a restricted stock grant consisting of a number of shares determined by dividing $910,000 by our initial public offering price. As a result, Mr. Stern will own an approximate 1.1% interest in our company on a fully diluted basis, or an approximate 1.0% on a fully diluted basis if the underwriters overallotment option is exercised in full.

In connection with his contribution, our operating partnership is obligated to use commercially reasonable efforts to make up to $3.0 million of indebtedness of our operating partnership (or a subsidiary thereof) available to Mr. Stern and Mr. Coleman together for guarantee, which may allow Mr. Stern to defer the recognition of gain in connection with the formation transactions.

*Richard B. Fried and The Farallon Funds*

Richard B. Fried, a Managing Member and co-head of the real estate group at Farallon Capital Management, L.L.C., will serve as one of our directors.

The Farallon Funds will purchase $18.0 million in shares of our common stock in the concurrent private placement at a price equal to the initial public offering price.

In exchange for the contribution by affiliates of the Farallon Funds of their interests in the property entities that own each of the Sunset Gower property, the Technicolor Building, the Sunset Bronson property, the City Plaza property and the 875 Howard Street property and the contribution of approximately $14.8 million in cash (subject to adjustments based on credits to such affiliates for payments made prior to closing) for prepaid rents, outstanding tenant improvement costs and outstanding infrastructure costs, the Farallon Funds will receive (i) 5,795,930 shares of our common stock and (ii) 2,020,460 common units. The Farallon Funds, as nominees of the third party that owns the remaining interests in the 875 Howard Street property, will also receive common stock and common units with a value of approximately $0.5 million. As a result, including the shares of common stock purchased by the Farallon Funds in the concurrent private placement, the Farallon Funds will own an approximate 37.7% interest in our company on a fully diluted basis, or an approximate 34.8% on a fully diluted basis if the underwriters overallotment option is exercised in full. Prior to the consummation of this offering, cash, cash equivalents and restricted cash relating to the Sunset Gower property, the Technicolor Building, the Sunset Bronson property and the City Plaza property will be distributed to their owners, including the Farallon Funds.

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In connection with our acquisition of a 100% ownership interest in the Del Amo Office property ground subleasehold interest and improvements, the Farallon Funds will receive $4.3 million (before prorations) in cash in their capacity as indirect owners of the limited partners of the entity that owns the Del Amo Office property subleasehold interest and improvements.

*Employment Agreements*

We have entered into employment agreements with our executive officers that will become effective as of the closing of this offering, which provide for salary, bonus and other benefits, including awards of restricted stock upon closing of this offering, accelerated equity vesting upon a change in control and severance upon a termination of employment under certain circumstances. The material terms of the agreements with our named executive officers are described under Executive Compensation Narrative Disclosure to Summary Compensation Table and Executive Compensation Potential Payments Upon Termination or Change in Control.

*Indemnification Agreements*

We also expect to enter into indemnification agreements with our directors and executive officers at the closing of this offering, providing for procedures for indemnification by us to the fullest extent permitted by law and advancements by us of certain expenses and costs relating to claims, suits or proceedings arising from their service to us or, at our request, service to other entities, as officers or directors.

*Registration Rights Agreement*

We have entered into a registration rights agreement with the various persons receiving shares of our common stock and/or common units in the formation transactions or the concurrent private placement, including the Farallon Funds, the Morgan Stanley Investment Partnership and certain of our executive officers. Under the registration rights agreement, subject to certain limitations, commencing not later than 14 months after the date of this offering, we will file one or more registration statements covering the resale of the shares of our common stock issued in the formation transactions and the concurrent private placement, and the resale of the shares of our common stock issued or issuable, at our option, in exchange for common units issued in the formation transactions. We may, at our option, satisfy our obligation to prepare and file a resale registration statement by filing a registration statement registering the issuance by us of shares of our common stock registered under the Securities Act of 1933, as amended, or the Securities Act, to the holders of units upon redemption of such units and, to the extent such shares constitute restricted securities, their resale. Commencing on the date that is 180 days following completion of this offering, the Farallon Funds have the right, on one occasion, to require us to register shares of our common stock issued in the formation transactions and the concurrent private placement for resale in an underwritten offering registered pursuant to the Securities Act; provided, such registration shall be limited to a number of shares of common stock representing up to 25% of the aggregate number of shares of our common stock and common units issued to the Farallon Funds and their affiliates in the formation transactions and the concurrent private placement. Commencing upon our filing of a resale registration statement not later than 14 months after the date of this offering, under certain circumstances, we are also required to undertake an underwritten offering upon the written request of holders of at least 10% in the aggregate of the securities originally issued in the formation transactions, provided that we are not obligated to effect more than two such underwritten offerings in addition to the demand registration. See Shares Eligible for Future Sale Registration Rights.

**Consequences of this Offering, the Concurrent Private Placement and the Formation Transactions**

The completion of this offering and the concurrent private placement and formation transactions will have the following consequences. All amounts are based on the mid-point of the range set forth on the cover page of this prospectus. For a discussion of amounts based on other prices within the range, see Pricing Sensitivity Analysis.

Through our interest in our operating partnership and its wholly owned subsidiaries, we will indirectly own a fee simple or ground subleasehold interest in and operate all of the properties in our initial portfolio.

We will indirectly own our services company through our operating partnership, which will own 100% of its common stock.

We will be the sole general partner of our operating partnership and will own 87.8% of the outstanding common units therein.

Purchasers of our common stock in this offering will own 64.0% of our outstanding common stock, or 54.6% on a fully diluted basis, assuming the exchange of all outstanding common and series A preferred units for shares of our common stock.

The continuing investors, including Messrs. Coleman and Stern, the Farallon Funds and the Morgan Stanley Investment Partnership, that elected to receive common stock and/or common or series A preferred units in the formation transactions and/or purchased shares in the concurrent private placement will own 35.5% of our outstanding common stock, or 45.0% on a fully diluted basis, assuming the exchange of all common and series A preferred units for shares of our common stock. If the underwriters overallotment option is exercised in full, the continuing investors, including Messrs. Coleman and Stern, the Farallon Funds and the Morgan Stanley Investment Partnership, will own 32.4% of our outstanding common stock, or 41.6% on a fully diluted basis.

We expect to have total consolidated indebtedness of approximately $94.3 million.

Each common unit owned by us and the limited partners in our operating partnership is intended to have economic rights that are substantially identical to one share of our common stock. The series A preferred units will be entitled to preferential distributions at a rate of 6.25% per annum on the liquidation preference of $25.00 per unit and will be convertible at the option of the holder into common units or redeemable into cash or, at our option, exchangeable for registered shares of common stock, in each case after an initial holding period of not less than three years from the consummation of this offering. See Description of the Partnership Agreement of Hudson Pacific Properties, L.P. Material Terms of Our Series A Preferred Units for a description of the conversion and redemption rights of series A preferred units.

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The following diagram depicts our expected ownership structure and the expected ownership structure of our operating partnership upon completion of this offering and the formation transactions (assuming no exercise by the underwriters of their overallotment option). All monetary, share and unit amounts and percentages are based on the mid-point of the pricing range set forth on the cover page of this prospectus. For a discussion of amounts based on other prices within the range, see Pricing Sensitivity Analysis.

(1) Reflects shares of our common stock acquired by the Farallon Funds in the concurrent private placement and formation transactions.
(2) Reflects shares of our common stock acquired by Victor J. Coleman in the concurrent private placement and shares of restricted stock to be granted to Victor J. Coleman, other members of management and directors concurrently with the completion of this offering.
(3) Reflects approximately $12.5 million in liquidation preference of series A preferred units that may be converted into common units commencing three years after the consummation of this offering.
(4) Our acquisition of this property is subject to closing conditions. See Risk Factors Risks Related to Our Properties and Our Business The purchase of the Del Amo Office property is subject to closing conditions that could delay or prevent the acquisition of the property.

**Restrictions on Transfer**

Under the partnership agreement, unitholders do not have redemption or exchange rights, except under limited circumstances, for a period of 14 months (or three years in the case of series A preferred units), and may not otherwise transfer their units, except under certain limited circumstances, for a period of 14 months from the completion of this offering. After the expiration of this 14-month period, transfers of units by limited partners

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and their assignees are subject to various conditions, including our right of first refusal, described under Description of the Partnership Agreement of Hudson Pacific Properties, L.P. Transfers and Withdrawals. In addition, each of our contributors, senior officers and directors has agreed not to sell or otherwise transfer or encumber any shares of our common stock or securities convertible or exchangeable into our common stock (including common units) owned by them at the completion of this offering or thereafter acquired by them for a period of 180 days after the completion of this offering (or, in the case of the Farallon Funds, 365 days; *provided*, that, commencing on the date that is 180 days after the consummation of this offering, the Farallon Funds may (i) sell shares of common stock representing up to 25% of the aggregate number of shares of our common stock and common units issued to the Farallon Funds in the formation transactions and the concurrent private placement pursuant to a demand registration statement or (ii) distribute such amount of shares to their limited partners, members or stockholders) without the written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated.

**Restrictions on Ownership of Our Stock**

Due to limitations on the concentration of ownership of REIT stock imposed by the Internal Revenue Code of 1986, as amended, or the Code, our charter generally prohibits any person from actually, beneficially or constructively owning more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 9.8% in value of the aggregate outstanding shares of all classes and series of our stock. We refer to these restrictions as the ownership limits. Our charter permits our board of directors, in its sole and absolute discretion, to exempt a person, prospectively or retroactively, from one or both of the ownership limits if, among other limitations, the person s ownership of our stock in excess of the ownership limits could not cause us to fail to qualify as a REIT. Our board of directors will grant to certain Farallon Funds and certain of their affiliates, which we refer to collectively as the Farallon excepted holders, an exemption from the ownership limits, subject to various conditions and limitations, as described under Description of Stock Restrictions on Ownership and Transfer.

**Distribution Policy**

We intend to pay cash dividends to holders of our common stock. We intend to pay a pro rata distribution with respect to the period commencing on the completion of this offering and ending June 30, 2010, based on $0.095 per share for a full quarter. On an annualized basis, this would be $0.38 per share, or an annual distribution rate of approximately 2.1%, based on the initial public offering price of $18.00 per share, which is the mid-point of the range set forth on the cover page of this prospectus. We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. We intend to make distributions that will enable us to meet the distribution requirements applicable to REITs and to eliminate or minimize our obligation to pay income and excise taxes. Distributions declared by us will be authorized by our board of directors in its sole discretion out of funds legally available for such and will depend upon a number of factors, including restrictions under applicable law and the requirements for our qualification as a REIT for federal income tax purposes. We do not intend to reduce the expected distribution per share if the underwriters overallotment option is exercised.

**Our Tax Status**

We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2010. We believe that our organization and proposed method of operation will enable us to meet the requirements for qualification and taxation as a REIT. 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

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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.

**Corporate Information**

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

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## The Offering

| | |
|---|---|
| Common stock offered by us | 12,800,000 shares (plus up to an additional 1,920,000 shares of our common stock that we may issue and sell upon the exercise of the underwriters overallotment option in full). |
| Common stock to be outstanding after this offering | 19,985,292 shares[(1)] |
| Common stock and common units to be outstanding after this offering | 22,770,433 shares and common units[(1)] [(2)] |
| Use of proceeds | We estimate that the net proceeds of this offering, after deducting the underwriting discount and commissions and estimated expenses, will be approximately $202.4 million ($234.5 million if the underwriters exercise their overallotment option in full). The net proceeds we will receive in the concurrent private placement of our common stock will be $20.0 million. We will contribute the net proceeds of the concurrent private placement and this offering to our operating partnership. Our operating partnership intends to use the net proceeds of this offering and the concurrent private placement as follows:<br><br>$115.0 million to repay in full that certain mortgage indebtedness secured by our Sunset Gower and Technicolor Building properties;<br><br>approximately $42.2 million to repay in full that certain mortgage indebtedness secured by our 875 Howard Street property;<br><br>approximately $7.2 million to acquire interests in the First Financial and Tierrasanta properties;<br><br>approximately $27.5 million to acquire the Del Amo Office property;<br><br>up to $11.0 million (determined as of June 9, 2010) to fund the build-out and lease-up of the 875 Howard Street property; and<br><br>the remaining approximately $19.6 million for general working capital purposes, including funding future acquisitions, capital expenditures, tenant improvements, leasing commissions 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 22 and other information included in this prospectus before investing in our common stock. |

| | |
|---|---|
| New York Stock Exchange symbol | HPP |

(1) Includes (a) 1,111,111 shares of our common stock to be issued to Victor J. Coleman and the Farallon Funds in the concurrent private placement, (b) 222,226 shares of restricted stock to be granted to our executive officers and certain other employees concurrently with the completion of this offering, and (c) 33,330 shares of restricted stock to be granted to our non-employee directors concurrently with the completion of this offering. Excludes (i) 1,920,000 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 expected to be issued in the formation transactions, with an aggregate liquidation preference of approximately $12.5 million, which are convertible or redeemable after the third anniversary of this offering, and (iii) 1,394,445 shares of our common stock available for issuance in the future under our equity incentive plan.

(2) Includes 2,785,141 common units expected to be issued to limited partners in the formation transactions, 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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**Summary Selected Financial Data**

The following table sets forth summary selected financial and operating data on (i) a pro forma basis for our company and (ii) a combined historical basis for the Hudson Pacific Predecessor. The Hudson Pacific Predecessor is comprised of the real estate activity and holdings of the entities that own the following properties being contributed to us in the formation transactions: Sunset Gower; the Technicolor Building; Sunset Bronson; and City Plaza. We have not presented historical information for Hudson Pacific Properties, Inc. because we have not had any corporate activity since our formation other than the issuance of 100 shares of common stock to Victor J. Coleman in connection with our initial capitalization and because we believe that a discussion of the results of Hudson Pacific Properties, Inc. would not be meaningful.

You should read the following summary 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 combined balance sheet information as of March 31, 2010 of the Hudson Pacific Predecessor and the combined statements of operations for the three months ended March 31, 2010 and 2009 of the Hudson Pacific Predecessor have been derived from the historical unaudited combined financial statements included elsewhere in this prospectus and includes all adjustments, consisting of normal recurring adjustments, which management considers necessary for a fair presentation of the historical financial statements for such periods. The historical combined balance sheet information as of December 31, 2009 and 2008 of the Hudson Pacific Predecessor and the combined statements of operations information for each of the periods ended December 31, 2009, 2008 and 2007 of the Hudson Pacific Predecessor have been derived from the historical audited combined financial statements included elsewhere in this prospectus.

Our unaudited summary selected pro forma consolidated financial statements and operating information as of and for the three months ended March 31, 2010 and for the year ended December 31, 2009 assumes completion of this offering, the concurrent private placement and the formation transactions as of the beginning of the periods 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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**The Company (Pro Forma) and the Hudson Pacific Predecessor (Historical)**

| | Three Months Ended March 31, | | | Year Ended December 31, | | | |
|---|---|---|---|---|---|---|---|
| | Pro Forma Consolidated 2010 (Unaudited) | Historical Combined 2010 (Unaudited) | 2009 (Unaudited) | Pro Forma Consolidated 2009 (Unaudited) | Historical Combined 2009 | 2008 | 2007 |
| | (In thousands, except per share data) | | | | | | |
| **Statement of Operations Data:** | | | | | | | |
| REVENUES | | | | | | | |
| Rental | $ 10,961 | $ 7,891 | $ 7,382 | $ 41,392 | $ 28,970 | $ 25,866 | $ 4,215 |
| Tenant recoveries | 814 | 579 | 674 | 3,994 | 2,870 | 2,293 | 58 |
| Other property related revenue | 1,972 | 1,653 | 1,901 | 8,662 | 7,419 | 7,296 | 2,683 |
| Other | 19 | 19 | 25 | 78 | 78 | 133 | 7 |
| Total revenues | 13,766 | 10,142 | 9,982 | 54,126 | 39,337 | 35,588 | 6,963 |
| OPERATING EXPENSES | | | | | | | |
| Property operating expenses | 5,163 | 3,995 | 4,262 | 22,786 | 17,691 | 15,651 | 2,710 |
| Other property related expense | 591 | 528 | 401 | 1,647 | 1,397 | 1,689 | 1,337 |
| General and administrative | 1,935 | 290 | 302 | 7,231 | 1,049 | 1,023 | 363 |
| Management fees | 30 | 251 | 305 | 120 | 1,169 | 1,073 | 255 |
| Depreciation and amortization | 3,748 | 2,498 | 2,449 | 15,650 | 9,980 | 6,599 | 741 |
| Total operating expenses | 11,467 | 7,562 | 7,719 | 47,434 | 31,286 | 26,035 | 5,406 |
| Income from operations | 2,299 | 2,580 | 2,263 | 6,692 | 8,051 | 9,553 | 1,557 |
| OTHER EXPENSE (INCOME) | | | | | | | |
| Interest expense | 2,024 | 2,052 | 2,097 | 8,190 | 8,352 | 10,244 | 3,860 |
| Interest income | (3) | (3) | (3) | (17) | (17) | (45) | (43) |
| Unrealized loss (gain) on interest rate collar | (207) | (207) | (18) | (410) | (410) | 835 | |
| Loss on sale of lot | | | | | | 208 | |
| Other | | | 90 | 95 | 95 | 21 | |
| Total other expense (income) | 1,814 | 1,842 | 2,166 | 7,858 | 8,020 | 11,263 | 3,817 |
| Net income (loss) | $ 485 | $ 738 | $ 97 | $ (1,166) | $ 31 | $ (1,710) | $ (2,260) |
| Less: Net income attributable to preferred non-controlling partnership interest | (195) | | | $ (780) | | | |
| Less: Net income attributable to restricted shares | (24) | | | (97) | | | |
| Less: Net income (loss) attributable to common non-controlling partnership interest | (33) | | | 253 | | | |
| Income (loss) attributable to the company | $ 233 | | | $ (1,790) | | | |
| **Balance Sheet Data (at period end):** | | | | | | | |
| Investment in real estate, net | $ 508,158 | $ 352,727 | | | $ 353,505 | $ 353,024 | |
| Total assets | 610,480 | 386,554 | | | 384,615 | 386,702 | |
| Notes payable | 93,740 | 152,000 | | | 152,000 | 152,000 | |
| Total liabilities | 127,359 | 169,904 | | | 169,686 | 177,305 | |
| Preferred non-controlling partnership interest | 12,475 | | | | | | |
| Non-controlling partnership interest | 74,668 | | | | | | |
| Members /stockholders equity | 395,978 | 216,650 | | | 214,929 | 209,397 | |
| Total equity | 470,646 | 216,650 | | | 214,929 | 209,397 | |
| **Per Share Data:** | | | | | | | |
| Pro forma basic and diluted earnings (loss) per share | $ 0.01 | | | $ (0.09) | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pro forma weighted average common shares outstanding basic and diluted | 19,730 | | | 19,730 | | | |
| **Other Data:** | | | | | | | |
| Pro forma funds from operations[1] | $ 4,014 | | | $ 13,607 | | | |
| Pro forma diluted funds from operations per share | $ 0.18 | | | $ 0.60 | | | |
| Cash flows from: | | | | | | | |
| Operating activities | | $ 1,927 | $ 1,690 | | $ (88) | $ 19,832 | $ (4,910) |
| Investing activities | | (654) | (1,932) | | (7,537) | (178,424) | (192,321) |
| Financing activities | | 983 | 2,609 | | 4,926 | 163,451 | 197,327 |

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(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 depreciation and amortization of real estate assets (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because, in excluding real estate related 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 not be considered as an alternative to net income available to common stockholders (determined in accordance with GAAP) as an indicator of our financial performance. FFO should not be used as a measure of our liquidity, nor is it necessarily indicative of sufficient cash flow to fund all of our cash needs, including our ability to service indebtedness or make distributions. 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 | |
|---|---|---|
| | **Three Months Ended March 31, 2010 (In thousands)** | **Year Ended December 31, 2009 (In thousands)** |
| Net income (loss) | $ 485 | $ (1,166) |
| Adjustments: | | |
| Distribution to preferred non-controlling partnership interest | (195) | (780) |
| Distribution to restricted shares | (24) | (97) |
| Real estate depreciation and amortization | 3,748 | 15,650 |
| Funds from operations before non-controlling interest | $ 4,014 | $ 13,607 |

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

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***The purchase of the Del Amo Office property is subject to closing conditions that could delay or prevent the acquisition of the property.***

We have entered into a definitive agreement to acquire the Del Amo Office property and its related ground sublease from the current ground tenant. The acquisition is subject to closing conditions, including consent to the assignment of the ground sublease, which could delay or prevent the acquisition of the property. If we are unable to complete the acquisition of the Del Amo Office property or experience significant delays in executing the acquisition of the property, our revenues will not include the approximately $3.1 million of annualized base rent from this property. In addition, we will have no specific designated use for the net proceeds from this offering allocated to the purchase of the property and investors will be unable to evaluate in advance the manner in which we will invest, or the economic merits of the properties we may ultimately acquire with, such proceeds.

***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, the Company may lose its 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, the failure of the Company to have any non-disturbance rights from the fee owner may impair the Company s ability to obtain financing for the Del Amo Office building.

***The Del Amo Office property is not currently located on its own tax parcel, which could result in a tax lien and/or foreclosure of the Del Amo Office property.***

The Del Amo Office property is not currently located on its own tax parcel. While we intend to file all necessary documents with the applicable governmental authorities to segregate the real estate tax liability for the Del Amo Office property from the real estate tax liability for the larger tax parcel of which it is a part, if we are unable to segregate such real estate tax liability for the Del Amo Office property from the larger tax parcel, then the failure of the ground tenant under the ground lease or the fee owner to pay real property taxes on the larger tract could result in a tax lien and/or foreclosure of the Del Amo Office property. In the event of a foreclosure of the Del Amo Office property, the Company may lose its 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, the failure of the Del Amo Office property to be a separate tax parcel may impair the Company s 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

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- 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 subject to customary conditions to closing, including the satisfactory completion of our due diligence investigations; and
- we may be unable to finance the acquisition on favorable terms or at all.

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

***Our future acquisitions may not yield the returns we expect.***

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

- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;
- we may acquire properties that are not accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- our cash flow may be insufficient to meet our required principal and interest payments;
- we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisitions of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and
- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean-up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow and per share trading price of our common stock could be adversely affected.

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

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

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

In order to maintain our qualification as a REIT, we are required under the Code, among other things, to 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.

***We expect to have approximately $94.3 million of indebtedness outstanding following this offering, which may expose us to interest rate fluctuations and the risk of default under our debt obligations.***

Upon completion of this offering and consummation of the formation transactions, we anticipate that our total consolidated indebtedness will be approximately $94.3 million, of which $37.0 million (or approximately 39.2%) is variable rate debt, and we may incur significant additional debt to finance future acquisition and development activities. Concurrently with the completion of this offering, we expect to enter into a secured credit facility.

Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties or to pay the dividends currently contemplated or necessary to maintain our REIT

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qualification. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following:

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

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

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

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

***Our secured credit facility will restrict our ability to engage in some business activities.***

We anticipate that our secured credit facility will contain 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;

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

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

***Adverse economic and geopolitical conditions and dislocations in the credit markets could have a material adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.***

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

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

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

***Failure to hedge effectively against interest rate changes may adversely affect financial condition, results of operations, cash flow and per share trading price of our common stock.***

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

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

Upon completion of the offering and consummation of the formation transactions, we will own eight properties located throughout California, containing a total of approximately 2.0 million net rentable square feet. Four of the properties have not been under our management. These properties may have characteristics or deficiencies unknown to us that could affect such properties valuation or revenue potential. In addition, there can be no assurance that the operating performance of the properties will not decline under our management. We cannot assure you that we will be able to operate our business successfully or implement our business strategies as described in this prospectus. Furthermore, we can provide no assurance that our senior management team will replicate its success in its previous endeavors, and our investment returns could be substantially lower than the returns achieved by their previous endeavors.

***We have no operating history as a REIT or a publicly traded company and may not be able to successfully operate as a REIT or a publicly traded company.***

We have no operating history as a REIT or 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 Securities and Exchange Commission, or SEC, and comply with the Sarbanes-Oxley Act of 2002. Upon completion of this offering, we will be required to develop and implement control systems and procedures in order to qualify and maintain our qualification as a REIT and satisfy our periodic and current reporting requirements under applicable SEC regulations and comply with New York Stock Exchange, or NYSE, listing standards, and this transition could place a significant strain on our management systems, infrastructure and other resources. Failure to operate successfully as a public company or maintain our qualification as a REIT would have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock. See Risks Related to Our Status as a REIT Failure to qualify as a REIT would have significant adverse consequences to us and the value of our common stock.

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

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

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

As of March 31, 2010, the 20 largest tenants in our office portfolio represented approximately 79.6% of the total annualized base rent generated by our office properties. The inability of a significant tenant to pay rent or the bankruptcy or insolvency of a significant tenant may adversely affect the income produced by our properties. If a tenant becomes bankrupt or insolvent, federal law may prohibit us from evicting such tenant based solely upon such bankruptcy or insolvency. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease with us. Any claim against such tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. For the 12 months ended March 31, 2010, our largest tenant was Technicolor, which accounted for 10.9% of our pro forma consolidated total revenues and therefore represented a significant credit concentration. If Technicolor were to experience a downturn in its business or a weakening of its financial condition resulting in its failure to make timely rental payments or causing it to default under its lease, we may experience delays in enforcing our rights as landlord and may incur substantial costs in protecting our investment. Any such event could have an adverse effect on our financial condition, results of operations, cash flow and the per share trading price of our common stock.

Furthermore, Saatchi & Saatchi leases 100% of the Del Amo Office property under the terms of an office lease that permits Saatchi & Saatchi to terminate the lease as to all of the leased premises prior to the stated lease expiration on December 31, 2011, December 31, 2014 and December 31, 2016, in each case upon nine months prior notice and in exchange for payment of an early termination fee estimated to be approximately $5.0 million for 2011, approximately $3.1 million for 2014 and approximately $1.9 million for 2016. As of March 31, 2010, the Saatchi & Saatchi lease comprised approximately 13.1% 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 and per share trading price of our common stock could be adversely affected if any of our significant tenants were to become unable to pay their rent or become bankrupt or insolvent.

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

As of March 31, 2010, leases representing 3.1% of the square footage of the office properties in our initial portfolio will expire in the remainder of 2010, and an additional 14.3% of the square footage of the office properties in our initial portfolio was available (taking into account uncommenced leases signed as of March 31, 2010). Furthermore, substantially all of the square footage of the media and entertainment properties in our initial portfolio (other than the KTLA lease of the KTLA building) will expire in the remainder of 2010. 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 and per share trading price of our common stock could be adversely affected.

***We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, causing our financial condition, results of operations, cash flow and per share trading price of our common stock to be adversely affected.***

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

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

As a result of various factors, including competitive pricing pressure in our submarkets, adverse conditions in the Northern or Southern California real estate markets, a general economic downturn, such as the current global economic downturn, and the desirability of our properties compared to other properties in our submarkets, we may be unable to realize the asking rents across the properties in our initial 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 initial 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 initial portfolio, from time to time rental rates for expiring leases may be higher than starting rental rates for new leases.

***The value we ascribed to the properties and assets to be acquired by us in the formation transactions may exceed the aggregate fair market value of such properties and assets.***

We have not obtained any third-party appraisals of the properties and other assets to be acquired by us from certain of our affiliates and from unaffiliated third parties in connection with this offering or the formation transactions, nor any independent third-party valuations or fairness opinions in connection with the formation transactions. The amount of consideration that we will pay is based on management s estimate of fair market value, including an analysis of market sales comparables, market capitalization rates for other properties and assets and general market conditions for such properties and assets. In certain instances, the amount of consideration we will pay was not negotiated on an arm s length basis and management s estimate of fair market value may exceed the appraised fair market value of these properties and assets.

***The value of common units and shares of our common stock we will issue as consideration for the properties and assets to be acquired by us in the formation transactions may exceed the aggregate fair market value of such properties and assets.***

The value of the common units and shares of our common stock that we will issue as consideration for the properties and assets that we will acquire will increase or decrease if the per share trading price of our common stock increases or decreases. The initial public offering price of our common stock will be determined in consultation with the underwriters. Among the factors that will be considered are our record of operations, our management, our estimated net income, our estimated funds from operations, our estimated cash available for distribution, our anticipated dividend yield, our growth prospects, the current market valuations, financial performance and dividend yields of publicly traded companies considered by us and the underwriters to be comparable to us and the current state of the commercial real estate industry and the economy as a whole. The initial public offering price does not necessarily bear any relationship to our book value of our properties and assets. As a result, the equity consideration to be given in exchange by us for the contribution of properties and other assets in the formation transactions may exceed the fair market value of these properties and assets.

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

Our continued success and our ability to manage anticipated future growth depend, in large part, upon the efforts of key personnel, particularly Victor J. Coleman and Howard S. Stern, who have extensive market knowledge and relationships and exercise substantial influence over our operational, financing, acquisition and disposition activity. Among the reasons that they are important to our success is that each has a national or regional industry reputation that attracts business and investment opportunities and assists us in negotiations with lenders, existing and potential tenants and industry personnel. If we lose their services, our relationships with such personnel could diminish.

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

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

Upon completion of this offering and consummation of the formation transactions, we will carry commercial property (including earthquake), liability and terrorism coverage on all the properties in our initial 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 will select 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 will 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, will be insured subject to limitations involving large deductibles or co-payments and policy limits that may not be sufficient to cover losses, which could effect certain of our properties that are located in areas particularly susceptible to natural disasters. All of the properties we currently own are located in California, an area especially subject to earthquakes. While we will carry earthquake insurance on our properties, the amount of our earthquake insurance coverage may not be sufficient to fully cover losses from earthquakes. In addition, we may discontinue earthquake**,** terrorism or other insurance on some or all of our properties in the future if the cost of premiums for any such policies exceeds, in our judgment, the value of the coverage discounted for the risk of loss. As a result, we may be required to incur significant costs in the event of adverse weather conditions and natural disasters.

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

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

***We may become subject to litigation, which could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.***

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 and per share trading price of our common stock. Certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flows, expose us to increased risks that would be uninsured, and/or adversely impact our ability to attract officers and directors.

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

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

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

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

**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 and per share trading price of our common stock.

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

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

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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 forego or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our initial 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 and per share trading price of our common stock.

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

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

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

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

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

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

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

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

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

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

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 initial 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 and per share trading price of our common stock.

***We are exposed to risks associated with property development.***

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

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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 and per share trading price of our common stock.

**Risks Related to Our Organizational Structure**

***Upon completion of this offering, the concurrent private placement and the formation transactions, the Farallon Funds will own an approximate 37.7% beneficial interest in our company on a fully diluted basis and will have the ability to exercise significant influence on our company.***

Upon completion of this offering, the concurrent private placement and the formation transactions, the Farallon Funds will own an approximate 37.7% beneficial interest in our company on a fully diluted basis. Consequently, the Farallon Funds may be able to significantly influence the outcome of matters submitted for stockholder action, including the election of our board of directors and approval of significant corporate transactions, including business combinations, consolidations and mergers. In addition, one member of our initial board of directors is a managing member of Farallon. As a result, the Farallon Funds have substantial influence on us and could exercise their influence in a manner that conflicts with the interests of other stockholders.

***The series A preferred units that will be issued to some contributors in exchange for the contribution of their properties will have certain preferences, which could limit our ability to pay dividends or other distributions to the holders of our common stock or engage in certain business combinations, recapitalizations or other fundamental changes.***

In exchange for the contribution of properties to our initial portfolio pursuant to the formation transactions, some contributors will receive series A preferred units in our operating partnership, which units will have a preference as to distributions and upon liquidation that could limit our ability to pay a dividend or make another distribution to the holders of our common stock. Our series A preferred units are senior to any other class of securities our operating partnership may issue in the future without the consent of the holders of series A preferred units. As a result, we will be unable to issue partnership units in our operating partnership senior to the series A preferred units without the consent of the holders of series A preferred units. Any preferred stock in our company that we issue will be structurally junior to the series A preferred units.

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

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

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

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

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

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

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

***Our charter contains certain ownership limits.*** Our charter contains various provisions that are intended to preserve our qualification as a REIT and, subject to certain exceptions, authorize our directors to take such actions as are necessary or appropriate to preserve our qualification as a REIT. For example, our charter prohibits the actual, beneficial or constructive ownership by any person of more than 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 9.8% in value of the aggregate outstanding shares of all classes and series of our stock. Our board of directors, in its sole and

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absolute discretion, may exempt a person, prospectively or retroactively, from these ownership limits if certain conditions are satisfied. In connection with the formation transactions and this offering, our board of directors will grant to the Farallon excepted holders an exemption from the ownership limits, subject to various conditions and limitations. See Description of Stock Restrictions on Ownership and Transfer. The restrictions on ownership and transfer of our stock may:

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

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

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

***Certain provisions of Maryland law could inhibit changes in control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interest.*** Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

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

- control share provisions that provide that control shares of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of issued and outstanding control shares ) have no voting rights except to the extent approved by our stockholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

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

Certain provisions of the MGCL permit our board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. These provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring or preventing a change in control of us under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we elect, at such time as we become eligible to do so, to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on our board of directors. See Material Provisions of Maryland Law and of Our Charter and Bylaws.

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

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

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

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

Our investment and financing policies are exclusively determined by our board of directors. Accordingly, our stockholders do not control these policies. Further, our organizational documents do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our board of directors may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged which could result in an increase in our debt service. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regards to the foregoing could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

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

Upon completion of this offering, as permitted by Maryland law, our charter will eliminate the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from:

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

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

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

In connection with the formation transactions, we will enter into tax protection agreements with certain third-party contributors that provide that if we dispose of any interest with respect to the First Financial or Tierrasanta properties in a taxable transaction during the period from the closing of the offering through certain specified dates ranging until 2027, we will indemnify the third-party contributors for their tax liabilities attributable to their share of the greater of the built-in gain that exists with respect to such property interest as of the time of this offering and the built-in gain that existed with respect to such property interests when held by the Morgan Stanley Investment Partnership (and, in either case, tax liabilities incurred as a result of the reimbursement payment). Certain contributors rights under the tax protection agreement with respect to these properties will, however, expire at various times (depending on the rights of such partner) during the period beginning in 2017 and prior to the expiration, in 2027, of the maximum period for indemnification. The First Financial and Tierrasanta properties represented 34.4% of our initial office portfolio s annualized base rent as of March 31, 2010. We have no present intention to sell or otherwise dispose of the properties or interest therein in taxable transactions during the restriction period. If we were to trigger the tax protection provisions under these agreements, we would be required to pay damages in the amount of the taxes owed by these contributors (plus additional damages in the amount of the taxes incurred as a result of such payment). In addition, although it may otherwise be in our stockholders best interest that we sell one of these properties, it may be economically prohibitive for us to do so because of these obligations.

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

Our tax protection agreements will provide that during the period from the closing of the offering through certain specified dates ranging from 2017 to 2027, our operating partnership will offer certain holders of units who continue to hold the units received in respect of the formation transactions the opportunity to guarantee debt. If we fail to make such opportunities available, we will be required to indemnify such holders for their tax liabilities resulting from our failure to make such opportunities available to them (and any tax liabilities incurred as a result of the indemnity payment). See Structure and Formation of Our Company Benefits of the Formation Transactions and Concurrent Private Placement to Related Parties Tax Protection Agreement. We agreed to these provisions in order to assist certain contributors in deferring the recognition of taxable gain as a result of and after the formation transactions. These obligations may require us to maintain more or different indebtedness than we would otherwise require for our business.

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

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

***Our operating partnership may issue additional common units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our operating partnership and would have a dilutive effect on the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders.***

After giving effect to this offering, we will own 87.8% of the outstanding common units and we may, in connection with our acquisition of properties or otherwise, issue additional common units to third parties. Such issuances would reduce our ownership percentage in our operating partnership and affect the amount of distributions made to us by our operating partnership and, therefore, the amount of distributions we can make to our stockholders. Because you will not directly own common units, you will not have any voting rights with respect to any such issuances or other partnership level activities of our operating partnership.

***We may assume unknown liabilities in connection with our formation transactions.***

As part of our formation transactions, we will acquire entities and assets that are subject to existing liabilities, some of which may be unknown or unquantifiable at the time this offering is completed. These liabilities might include liabilities for cleanup or remediation of undisclosed environmental conditions, claims by tenants, vendors or other persons dealing with our predecessor entities (that had not been asserted or threatened prior to this offering), tax liabilities and accrued but unpaid liabilities incurred in the ordinary course of business. While in some instances we may have the right to seek reimbursement against an insurer, any recourse against third parties, including the contributors of our assets, for certain of these liabilities will be limited. There can be no assurance that we will be entitled to any such reimbursement or that ultimately we will be able to recover in respect of such rights for any of these historical liabilities.

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**Risks Related to Our Status as a REIT**

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

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

- we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at regular corporate rates;
- we also could be subject to the federal alternative minimum tax and possibly increased state and local taxes; and
- unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified.

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

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

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

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

We believe that our operating partnership will be treated as a partnership for federal income tax purposes. As a partnership, our operating partnership will not be subject to federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its

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

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

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

A REIT s ownership of securities of a taxable REIT subsidiary is not subject to the 5% or 10% asset tests applicable to REITs. Not more than 25% of our total assets may be represented by securities (including securities of one or more taxable REIT subsidiaries), other than those securities includable in the 75% asset test. We anticipate that the aggregate value of the stock and securities of our taxable REIT subsidiaries and other nonqualifying assets will be less than 25% of the value of our total assets, and we will monitor the value of these investments to ensure compliance with applicable ownership limitations. In addition, we intend to structure our transactions with our taxable REIT subsidiaries to ensure that they are entered into on arm s length terms to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 25% limitation or to avoid application of the 100% excise tax discussed above.

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

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

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times, or at all, which may cause us to curtail our investment activities and/or to dispose of assets at inopportune times, and could adversely affect our financial condition, results of operations, cash flow and per share trading price of our common stock.

***We may in the future choose to pay dividends in our own stock, in which case you may be required to pay tax in excess of the cash you receive.***

We may distribute taxable dividends that are payable in our stock. Under recent IRS guidance, up to 90% of any such taxable dividend with respect to calendar years 2008 through 2011, and in some cases declared as late as December 31, 2012, could be payable in our stock. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. For more information on the tax consequences of distributions with respect to our common stock, see Federal Income Tax Considerations Federal Income Tax Considerations for Holders of Our Common Stock. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our stock in order to pay taxes owed on dividends, such sales may have an adverse effect on the per share trading price of our common stock.

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

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

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

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

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

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

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

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

**Risks Related to this Offering**

***There has been no public market for our common stock prior to this offering and an active trading market for our common stock may not develop following this offering.***

Prior to this offering, there has not been any public market for our common stock, and there can be no assurance that an active trading market will develop or be sustained or that shares of our common stock will be resold at or above the initial public offering price. Our common stock has been approved for listing on the NYSE under the symbol HPP, subject to official notice of issuance. The initial public offering price of our common stock has been determined by agreement among us and the underwriters, but there can be no assurance that our common stock will not trade below the initial public offering price following the completion of this offering. See Underwriting. The market value of our common stock could be substantially affected by general market conditions, including the extent to which a secondary market develops for our common stock following the completion of this offering, the extent of institutional investor interest in us, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), our financial performance and general stock and bond market conditions.

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

Our estimated initial annual distributions represent 64.8% of our estimated initial cash available for distribution to our common stockholders for the 12 months ending March 31, 2011, as calculated in Distribution Policy. Accordingly, we may be unable to pay our estimated initial annual distribution to stockholders out of cash available for distribution. If sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital, borrow to provide funds for such distributions, or reduce the amount of such distributions. If cash available for distribution generated by our assets is less than our current estimate, or if such cash available for distribution decreases in future periods from expected levels, our inability to make the expected distributions could result in a decrease in the market price of our common stock. In the event the underwriters overallotment option is exercised, pending investment of the proceeds therefrom, our ability to pay such distributions out of cash from our operations may be further materially adversely affected.

Our ability to make distributions may also be limited by our secured revolving credit facility. Under the anticipated terms of our credit facility, our distributions may not exceed the greater of (i) 95.0% of our FFO or

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(ii) the amount required for us to qualify and maintain our status as a REIT. If a default or event of default occurs and is continuing, we may be precluded from making certain distributions (other than those required to allow us to qualify and maintain our status as a REIT).

All distributions will be made at the discretion of our board of directors and will be based upon, among other factors, our historical and projected results of operations, financial condition, cash flows and liquidity, maintenance of our REIT qualification and other tax considerations, capital expenditure and other expense obligations, debt covenants, contractual prohibitions or other limitations and applicable law and such other matters as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future. In addition, some of our distributions may include a return of capital. To the extent that we decide to make distributions in excess of our current and accumulated earnings and profits, such distributions would generally be considered a return of capital for federal income tax purposes to the extent of the holder s adjusted tax basis in its shares, and thereafter as gain on a sale or exchange of such shares. See Federal Income Tax Considerations Federal Income Tax Considerations for Holders of Our Common Stock. If we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been.

***Victor J. Coleman, Howard S. Stern and the Farallon Funds will receive benefits in connection with this offering, which create a conflict of interest because they have interests in the successful completion of this offering that may influence their decisions affecting the terms and circumstances under which the offering and formation transactions are completed.***

In connection with this offering, the concurrent private placement and the formation transactions, Victor J. Coleman, Howard S. Stern and the Farallon Funds will own approximately 9,708,841 shares of our common stock and common units, representing a 41.4% beneficial interest on a fully diluted basis. In addition, the Farallon Funds would receive approximately $4.3 million (before prorations) in cash in connection with our purchase of the Del Amo Office property. These transactions create a conflict of interest because Victor J. Coleman, Howard S. Stern and the Farallon Funds have interests in the successful completion of this offering. These interests may influence their decisions and the decisions of Richard B. Fried, a director of our company and a managing member of Farallon, affecting the terms and circumstances under which this offering and the formation transactions are completed. For more information concerning benefits to be received by Victor J. Coleman, Howard S. Stern and the Farallon Funds in connection with this offering, see Structure and Formation of Our Company Benefits of the Formation Transactions and Concurrent Private Placement to Related Parties and Certain Relationships and Related Transactions.

***Affiliates of our underwriters will receive benefits in connection with this offering.***

The Morgan Stanley Investment Partnership, whose general partner is owned by investment funds managed by an affiliate of Morgan Stanley & Co. Incorporated, one of our underwriters, will contribute properties to us in the formation transactions and therefore will receive benefits from this offering and the formation transactions, specifically cash, common units and series A preferred units, in addition to customary underwriting discounts and commissions. Additionally, we expect that affiliates of our underwriters, including Barclays Capital Inc., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Morgan Stanley & Co. Incorporated, Wells Fargo Securities, LLC, BMO Capital Markets Corp. and KeyBanc Capital Markets Inc., will participate as lenders under our $200 million secured credit facility. We expect that, under this facility, an affiliate of Barclays Capital Inc. will act as administrative agent and joint arranger, and affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated will act as syndication agent and joint arranger. These transactions create potential conflicts of interest because the underwriters have an interest in the successful completion of this offering beyond the underwriting discounts and commissions they will receive. These interests may influence the decision regarding the terms and circumstances under which the offering and formation transactions are completed.

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

Even if an active trading market develops for our common stock, the per share trading price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. If the per share trading price of our common stock declines significantly, you may be unable to resell your shares at or above the public offering price. We cannot assure you that the per share trading price of our common stock will not fluctuate or decline significantly in the future.

Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include:

- actual or anticipated variations in our quarterly operating results or dividends;
- changes in our funds from operations or earnings estimates;
- publication of research reports about us or the real estate industry;
- increases in market interest rates that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- adverse market reaction to any additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- the realization of any of the other risk factors presented in this prospectus;
- the extent of investor interest in our securities;
- the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate-based companies;
- our underlying asset value;

investor confidence in the stock and bond markets, generally;

changes in tax laws;

future equity issuances;

failure to meet earnings estimates;

failure to meet and maintain REIT qualifications;

changes in our credit ratings; and

general market and economic conditions.

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In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management s attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and per share trading price of our common stock.

***We may use a portion of the net proceeds from this offering to make distributions to our stockholders, which would, among other things, reduce our cash available to acquire properties and may reduce the returns on your investment in our common stock.***

Prior to the time we have fully invested the net proceeds of this offering, we may fund distributions to our stockholders out of the net proceeds of these offerings, which would reduce the amount of cash we have available to acquire properties and may reduce the returns on your investment in our common stock. The use of these net proceeds for distributions to stockholders could adversely affect our financial results. In addition, funding distributions from the net proceeds of this offering may constitute a return of capital to our stockholders, which would have the effect of reducing each stockholder s tax basis in our common stock.

***Market interest rates may have an effect on the value of our common stock.***

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

***The number of shares of our common stock available for future issuance or sale could adversely affect the per share trading price of our common stock.***

We are offering 12,800,000 shares of our common stock as described in this prospectus. Upon completion of this offering and consummation of the concurrent private placement and the formation transactions, the Farallon Funds will beneficially own 6,818,625 shares of our common stock and Messrs. Coleman and Stern, together with our directors and management, will beneficially own 366,667 shares of our common stock. Each of the contributors and our executive officers and directors may sell the shares of our common stock that they acquire in the formation transactions or are granted in connection with the offering at any time following the expiration of the lock-up period for such shares, which expires 180 days after the date of this prospectus (or, in the case of the Farallon Funds, 365 days; *provided*, that, commencing on the date that is 180 days after the consummation of this offering, the Farallon Funds may (i) sell 2,211,374 shares of common stock, representing up to 25% of the aggregate number of shares of our common stock and common units issued to the Farallon Funds in the formation transactions and the concurrent private placement pursuant to a demand registration statement or (ii) distribute such amount of shares to their limited partners, members or stockholders), or earlier with the prior written consent of Merrill Lynch, Pierce, Fenner & Smith Incorporated, Barclays Capital Inc. and Morgan Stanley & Co. Incorporated.

We cannot predict whether future issuances or sales of shares of our common stock or the availability of shares for resale in the open market will decrease the per share trading price per share of our common stock. The per share trading price of our common stock may decline significantly when the restrictions on resale by certain of our stockholders lapse or upon the registration of additional shares of our common stock pursuant to registration rights granted in connection with this offering and the concurrent private placement. In particular, we will enter into a registration rights agreement with the Farallon Funds in connection with which we will be obligated to register a number of shares of common stock representing up to 25% of the aggregate number of shares of our common stock and common units issued or issuable to the Farallon Funds pursuant to the formation transactions and the concurrent private placement pursuant to a demand for registration that may be made at any

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time on or after the date that is 180 days after the consummation of this offering, in addition to other registration rights granted to the Farallon Funds and the various persons receiving shares of our common stock and/or units in the formation transactions. The shares of common stock that may be registered 180 days after the consummation of this offering on behalf of the Farallon Funds, as described above, represent approximately 11.1% of the total number of outstanding shares of our common stock upon completion of this offering. As a result, a substantial number of shares may be sold pursuant to the registration rights granted to the Farallon Funds. The sale of such shares by the Farallon Funds, or the perception that such a sale may occur, could materially and adversely affect the per share trading price of our common stock.

The issuance of substantial numbers of shares of our common stock in the public market, or upon exchange of units, or the perception that such issuances might occur could adversely affect the per share trading price of the shares of our common stock.

The exercise of the underwriters overallotment option, the exchange of units for common stock, the exercise of any options or the vesting of any restricted stock granted to certain directors, executive officers and other employees under our equity incentive plan, the issuance of our common stock or units in connection with future property, portfolio or business acquisitions and other issuances of our common stock could have an adverse effect on the per share trading price of our common stock, and the existence of units, options, shares of our common stock reserved for issuance as restricted shares of our common stock or upon exchange of units may adversely affect the terms upon which we may be able to obtain additional capital through the sale of equity securities. In addition, future issuances of shares of our common stock may be dilutive to existing stockholders.

***Future offerings of debt or equity securities, which would be senior to our common stock upon liquidation, and/or preferred equity securities which may be senior to our common stock for purposes of dividend distributions or upon liquidation, may adversely affect the per share trading price of our common stock.***

In the future, we may attempt to increase our capital resources by making additional offerings of debt or equity securities (or causing our operating partnership to issue debt securities), including medium-term notes, senior or subordinated notes and classes or series of preferred stock. Upon liquidation, holders of our debt securities and shares of preferred stock and lenders with respect to other borrowings will be entitled to receive our available assets prior to distribution to the holders of our common stock. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. Holders of our common stock are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on dividend payments that could limit our ability pay dividends to the holders of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, our stockholders bear the risk of our future offerings reducing the per share trading price of our common stock and diluting their interest in us.

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## FORWARD-LOOKING STATEMENTS

We make statements in this prospectus that are forward-looking statements within the meaning of the federal securities laws. In particular, statements pertaining to our capital resources, portfolio performance and results of operations contain forward-looking statements. Likewise, our pro forma financial statements and all of our statements regarding anticipated growth in our funds from operations and anticipated market conditions, demographics and results of operations are forward-looking statements. You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, e anticipates or the negative of these words and phrases or similar words or phrases which are predictions of or indicate future events or trends and which do not relate solely to historical matters. You can also identify forward-looking statements by discussions of strategy, plans or intentions.

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

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

- financial market fluctuations;
- changes in real estate and zoning laws and increases in real property tax rates; and
- other factors affecting the real estate industry generally.

While forward-looking statements reflect our good faith beliefs, they are not guarantees of future performance. We disclaim any obligation to publicly update or revise any forward-looking statement to reflect changes in underlying assumptions or factors, of new information, data or methods, future events or other changes. For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled Risk Factors.

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## USE OF PROCEEDS

We are offering shares of our common stock at the anticipated public offering price of $18.00 per share. After deducting the underwriting discount and commissions and estimated expenses of this offering and the formation transactions, we expect net proceeds from this offering of approximately $202.4 million, or approximately $234.5 million if the underwriters overallotment option is exercised in full. The net proceeds we will receive in the concurrent private placement of our common stock will be $20.0 million. We will contribute the net proceeds of this offering and the concurrent private placement to our operating partnership in exchange for common units, and our operating partnership will use the proceeds as described below:

- $115.0 million to repay in full mortgage indebtedness (including principal and related accrued interest) secured by our Sunset Gower and Technicolor Building properties, which bears interest at the London Interbank Offered Rate, or LIBOR, plus 3.50% (subject to a cap on the LIBOR portion of the interest rate of 4.75%), and was scheduled to mature on March 14, 2010 (management has executed a term sheet with the current lenders to extend the maturity under this loan through March 14, 2011);

- approximately $42.2 million to repay in full mortgage indebtedness (including principal and related accrued interest) secured by the 875 Howard Street property, which bears interest at LIBOR plus 1.75% (subject to a cap on the LIBOR portion of the interest rate of not greater than 6.25%), and is scheduled to mature on February 13, 2011, with a one-year extension option;

- approximately $7.2 million to acquire interests in the First Financial and Tierrasanta properties;

- approximately $27.5 million to acquire the Del Amo Office property; and

- up to $11.0 million (determined as of June 9, 2010) to fund the build-out and lease-up of the 875 Howard Street property.

We expect to have approximately $19.6 million of remaining unapplied net proceeds upon completion of this offering and the concurrent private placement and consummation of the formation transactions (or $51.7 million if the underwriters overallotment option is exercised in full). In addition, to the extent we are unable to consummate the acquisition of the Del Amo Office property, we will have an additional $27.5 million of unapplied net proceeds. Any remaining net proceeds will be used for general working capital purposes, including funding capital expenditures, tenant improvements, leasing commissions, future acquisitions and, potentially, paying distributions and post-closing cash prorations. Pending application of cash proceeds, we will invest the net proceeds in interest-bearing accounts and short-term, interest-bearing securities in a manner that is consistent with our intention to qualify for taxation as a REIT.

See our pro forma financial statements contained elsewhere in this prospectus.

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## DISTRIBUTION POLICY

We intend to pay regular quarterly dividends to holders of our common stock. We intend to pay a pro rata initial dividend with respect to the period commencing on the completion of this offering and ending June 30, 2010, based on $0.095 per share for a full quarter. On an annualized basis, this would be $0.38 per share (of which we currently estimate 36.7% may represent a return of capital for tax purposes), or an annual distribution rate of approximately 2.1%, based on an estimated initial public offering price at the mid-point of the range set forth on the cover of this prospectus. We estimate that this initial annual distribution rate will represent approximately 64.8% of estimated cash available for distribution to our common stockholders for the 12 months ending March 31, 2011. Our intended initial annual distribution rate has been established based on our estimate of cash available for distribution for the 12 months ending March 31, 2011, which we have calculated based on adjustments to our pro forma net income for the 12 months ended March 31, 2010 (after giving effect to the offering and the formation transactions). This estimate was based on our pro forma operating results and does not take into account our growth strategy, nor does it take into account any unanticipated expenditures we may have to make or any debt we may have to incur. In estimating our cash available for distribution for the 12 months ending March 31, 2011, we have made certain assumptions as reflected in the table and footnotes below.

Our estimate of cash available for distribution does not include the effect of any changes in our working capital resulting from changes in our working capital accounts. Our estimate also does not reflect the amount of cash estimated to be used for investing activities for acquisition and other activities, other than a reserve for recurring capital expenditures, and amounts estimated for leasing commissions and tenant improvements for renewing space. It also does not reflect the amount of cash estimated to be used for financing activities, other than scheduled loan principal payments on mortgage and other indebtedness that will be outstanding upon completion of this offering. None of the indebtedness outstanding upon completion of this offering will mature during the 12 months ending March 31, 2011. The $37.0 million mortgage loan secured by our Sunset Bronson property was scheduled to mature on May 30, 2010, but we have executed an agreement with the current lenders to extend the maturity date of this loan to April 30, 2011. The $43.0 million and $14.3 million mortgage loans secured by our First Financial and Tierrasanta properties, respectively, will mature on December 1, 2011. Any such investing and/or financing activities may have a material effect on our estimate of cash available for distribution. Because we have made the assumptions set forth above in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or our liquidity, and we have estimated cash available for distribution for the sole purpose of determining the amount of our initial annual distribution rate. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to pay dividends or make other distributions. In addition, the methodology upon which we made the adjustments described below is not necessarily intended to be a basis for determining future dividends or other distributions.

We intend to maintain our initial distribution rate for the 12-month period following completion of this offering unless actual results of operations, economic conditions or other factors differ materially from the assumptions used in our estimate. Dividends and other distributions made by us will be authorized by our board of directors in its sole discretion out of funds legally available for distribution to our stockholders and will be dependent upon a number of factors, including restrictions under applicable law, the requirements for our qualification as a REIT for federal income tax purposes and other factors described below. We believe that our estimate of cash available for distribution constitutes a reasonable basis for setting the initial distribution rate; however, we cannot assure you that the estimate will prove accurate, and actual distributions may therefore be significantly different from the expected distributions. We do not intend to reduce the expected dividends per share if the underwriters overallotment option is exercised; however, this could require us to pay dividends from net offering proceeds.

We anticipate that, at least initially, our distributions will exceed our then current and accumulated earnings and profits as determined for federal income tax purposes due to the write-off of prepayment fees paid with offering proceeds and non-cash expenses, primarily depreciation and amortization charges that we expect to

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incur. Therefore, we anticipate that a portion of these distributions will represent a return of capital for federal income tax purposes. The percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits, if any, may vary substantially from year to year. For a discussion of the tax treatment of distributions to holders of our common stock, see Federal Income Tax Considerations.

We cannot assure you that our estimated dividends will be made or sustained or that our board of directors will not change our distribution policy in the future. Any dividends or other distributions we pay in the future will depend upon our actual results of operations, economic conditions, debt service requirements and other factors that could differ materially from our expectations. Our actual results of operations will be affected by a number of factors, including the revenue we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see Risk Factors.

Federal income tax law requires that a REIT distribute annually at least 90% of its REIT taxable income excluding net capital gains, and that it pay tax at regular corporate rates to the extent that it annually distributes less than 100% of its REIT taxable income including capital gains. In addition, a REIT will be required to pay a 4% nondeductible excise tax on the amount, if any, by which the distributions it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years. For more information, please see Federal Income Tax Considerations. We anticipate that our estimated cash available for distribution will be sufficient to enable us to meet the annual distribution requirements applicable to REITs and to avoid or minimize the imposition of corporate and excise taxes. However, under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements or to avoid or minimize the imposition of tax and we may need to borrow funds to make some distributions.

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The following table describes our pro forma net income for the 12 months ended March 31, 2010, and the adjustments we have made thereto in order to estimate our initial cash available for distribution for the 12 months ending March 31, 2011 (amounts in thousands except share data, per share data, square footage data, per square foot data and percentages):

| | |
|---|---|
| **Pro forma net loss for the year ended December 31, 2009** | $ (1,166) |
| Less: Pro forma net income for the three months ended March 31, 2009 | (37) |
| Add: Pro forma net income for the three months ended March 31, 2010 | 485 |
| **Pro forma net loss for the 12 months ended March 31, 2010** | (718) |
| Add: pro forma real estate depreciation and amortization | 15,284 |
| Add: amortization of trade name intangible | 102 |
| Add: non-cash interest expense(1) | 1,762 |
| Less: unrealized gain on interest rate collar | (599) |
| Less: net effect of straight-line rents and above (below) market lease intangible amortization(2) | (1,418) |
| Add: net increases in contractual rent income for office properties(3) | 1,559 |
| Less: net decreases in contractual rent income due to lease expirations for office properties, assuming no renewals(4) | (866) |
| Add: non-cash compensation expense(5) | 1,633 |
| **Estimated cash flow from operating activities for the 12 months ending March 31, 2011** | $ 16,739 |
| Estimated cash flows used in investing activities | |
| Less: contractual obligations for tenant improvements and leasing commissions(6) | $ (941) |
| Less: contractual obligations for remaining tenant improvements under Technicolor lease and City Plaza leases(7) | (3,806) |
| Add: contribution from affiliates of the Farallon Funds for remaining tenant improvement obligations under Technicolor lease and City Plaza leases(8) | 3,806 |
| Less: estimated annual provision for recurring office property capital expenditures(9) | (141) |
| Less: estimated annual provision for recurring media and entertainment property capital expenditures(10) | (1,521) |
| Total estimated cash flows used in investing activities | (2,603) |
| **Estimated cash available for distribution for the 12 months ending March 31, 2011** | $ 14,136 |
| Distribution to preferred non-controlling partnership interests(11) | $ 780 |
| Our share of estimated cash available for distribution(12) | 11,722 |
| Non-controlling partnership interests share of estimated cash available for distribution | 1,634 |
| **Total estimated initial annual distribution to stockholders** | $ 7,594 |
| Estimated initial annual distribution per share(13) | $ 0.38 |
| Payout ratio based on our share of estimated cash available for distribution(14) | 64.8% |

(1) Includes (i) $494 representing one year of amortization of deferred financing costs associated with the debt on Sunset Bronson, (ii) $827 representing one year of amortization of the $2,480 origination fee associated with the secured credit facility, amortized over a three-year period and (iii) $441 of amortization of the fair value adjustment related to the debt on GLB Encino, LLC and Glenborough Tierrasanta, LLC.

(2) Represents the conversion of estimated rental revenues on in-place leases for the 12 months ended March 31, 2010 from a GAAP basis to a cash basis of recognition. Includes approximately $(1,831) of straight-line rent adjustment for the office properties. Also includes approximately $413 of net above market lease intangible amortization for office properties.

(3) Represents the net increase in contractual rental income net of abatements from existing leases and from new leases and renewals that were not in effect for the full 12 months ended March 31, 2010 or that will go into effect during the 12 months ending March 31, 2011, based upon leases entered into through March 31, 2010.

(4) Assumes no lease renewals or new leases (other than month-to-month leases) unless a new or renewal lease has been entered into by March 31, 2010.

(5) Represents non-cash compensation expense related to restricted stock granted to our executive officers and to six non-employee directors, that vests ratably over a three year period.

(6) Reflects contractual obligations for tenant improvements and leasing commissions for the 12 months ending March 31, 2011 for the First Financial property. As of March 31, 2010, there were no contractual obligations for tenant improvements and leasing commissions for the Del Amo and Tierrasanta properties, or the media and entertainment properties. Of the $941 in contractual obligations for tenant improvements and leasing commissions, $706 can be utilized by the tenant at any point in time between March 31, 2010 and January 31, 2019, and $32 must be used by December 31,

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2011. In connection with the leasing of 875 Howard Street, we expect to incur approximately $11,000 (determined as of June 9, 2010) for tenant improvements and leasing commissions related to first generation tenant improvements and other non-recurring development costs. We plan to fund such expenditures with available proceeds under our secured credit facility or from the proceeds of this offering.

(7) Pursuant to the Technicolor lease, as of March 31, 2010, we had $2,743 of remaining obligations for first generation tenant improvements in connection with the development of the building. Under five leases at the City Plaza property, we had $1,063 of remaining obligations for tenant improvements as of March 31, 2010.

(8) Affiliates of the Farallon Funds will contribute $3,806 to us pursuant to their contribution agreement in connection with the formation transactions for the funding of outstanding tenant improvement obligations under the Technicolor lease and the City Plaza leases.

(9) For the 12 months ending March 31, 2011, the estimated cost of recurring building improvements (excluding costs of tenant improvements) at our office properties is approximately $141 based on the weighted average annual capital expenditures of $0.12 per square foot during the three months ended March 31, 2010 and the years ended December 31, 2009, 2008 and 2007 with respect to First Financial, Tierrasanta and Del Amo Office, and for the period since our acquisition in 2008 with respect to City Plaza, multiplied by 1,174,807 square feet in our office portfolio. We do not intend to make any material capital expenditures for recurring building improvements with respect to the Technicolor Building during the 12 months ending March 31, 2011. Because the Technicolor Building was placed into service in June 2008 and the 875 Howard Street redevelopment has been only recently completed, meaningful historical data relating to the cost of recurring building improvements for such buildings is not available. The following table sets forth certain information regarding historical recurring capital expenditures at First Financial, Tierrasanta, City Plaza and Del Amo Office through March 31, 2010.

| | Year Ended December 31, | | | | Weighted Average |
|---|---|---|---|---|---|
| | 2007 | 2008 | 2009 | Three Months Ended March 31, 2010 | January 1, 2007- March 31, 2010 |
| Recurring capital expenditures | $ 40 | $ 103 | $ 151 | $ 9 | |
| Total square feet of office properties | 439,657 | 773,579 | 773,579 | 773,579 | |
| Recurring capital expenditures per square foot | $ 0.09 | $ 0.13 | $ 0.19 | $ 0.01 | $ 0.12 |

(10) Represents the actual average annual capital expenditures at our media and entertainment properties for the three months ended March 31, 2010 and the years ended December 31, 2009 and 2008, which amount we believe is indicative of the capital expenditures we will incur for the 12 months ending March 31, 2011.

(11) Represents the preferential distributions at a rate of 6.25% per annum on the series A preferred units with an aggregate liquidation preference of $12,475.

(12) Our estimated cash available for distribution and estimated initial annual cash distributions to our stockholders is based on an estimated ownership by us of approximately 87.8% of the outstanding common units in our operating partnership.

(13) Based on a total of 19,985,292 shares of our common stock expected to be outstanding after this offering, including shares to be sold in this offering.

(14) Calculated as estimated initial annual distribution per share divided by our share of estimated cash available for distribution per share for the 12 months ending March 31, 2011.

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## CAPITALIZATION

The following table sets forth the historical combined capitalization of our Hudson Pacific Predecessor as of March 31, 2010 and our pro forma consolidated capitalization as of March 31, 2010, adjusted to give effect to this offering, the concurrent private placement and the formation transactions, and use of the net proceeds as set forth in Use of Proceeds. You should read this table in conjunction with Use of Proceeds, Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes appearing elsewhere in this prospectus.

| | As of March 31, 2010 | |
|---|---|---|
| | Historical Combined | Pro Forma Consolidated |
| | (In thousands, except share amounts) | |
| Notes payable and other secured loans[1] | $ 152,000 | $ 93,740 |
| Preferred non-controlling partnership interest | | 12,475 |
| Non-controlling partnership interest | | 74,668 |
| Stockholders equity: | | |
| Preferred stock, $.01 par value per share, 10,000,000 shares authorized, none issued or outstanding | | |
| Common stock, $.01 par value per share, 490,000,000 shares authorized, 19,985,292 shares issued and outstanding on a pro forma basis[2] | | 200 |
| Additional paid in capital | | 395,778 |
| Members equity | 216,650 | |
| Total equity | 216,650 | 395,978 |
| **Total capitalization** | $ 368,650 | $ 576,861 |

(1) We also expect to enter into a $200,000 secured credit facility, which we expect to be undrawn at the closing of this offering.

(2) Pro forma common stock outstanding includes (a) 13,911,111 shares of our common stock to be issued in this offering and the concurrent private placement, (b) 222,226 shares of restricted stock to be granted to our executive officers and certain other employees concurrently with the completion of this offering, (c) 33,330 shares of restricted stock to be granted to our non-employee directors concurrently with the completion of this offering and (d) 5,818,625 shares of common stock issued to the Farallon Funds, and excludes (i) 1,920,000 shares issuable upon exercise of the underwriters overallotment option in full, (ii) 1,394,445 additional shares of common stock available for future issuance under our equity incentive plan, (iii) 2,785,141 shares that may be issued, at our option, upon exchange of common units to be issued in the formation transactions, and (iv) shares of common stock that may be issued pursuant to the terms of the series A preferred units to be issued in connection with the formation transactions, which are convertible into common units based upon the trading price of our common stock at the time of conversion or redeemable for cash or, at our option, exchangeable for registered shares of common stock with a value equal to the redemption price, in each case after the third anniversary of this offering.

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## DILUTION

Purchasers of shares of our common stock offered in this prospectus will experience an immediate and substantial increase in the net tangible book value per share of our common stock from the initial public offering price. As of March 31, 2010, we had a combined net tangible book value of approximately $199.2 million, or $26.74 per share of our common stock held by continuing investors in the Hudson Pacific Predecessor, assuming the exchange of common units into shares of our common stock on a one-for-one basis. After giving effect to the sale of the shares of our common stock offered hereby, including the use of proceeds as described under Use of Proceeds, and the concurrent private placement and the formation transactions, and the deduction of underwriting discounts and commissions and estimated offering and formation expenses, the pro forma net tangible book value as of March 31, 2010 attributable to common stockholders would have been $439.7 million, or $19.31 per share of our common stock, assuming the exchange of common units into shares of our common stock on a one-for-one basis. This amount represents an immediate decrease in net tangible book value of $7.43 per share to continuing investors in the Hudson Pacific Predecessor and an immediate increase in pro forma net tangible book value of $1.31 per share to new public investors. The following table illustrates this per share increase:

| | | |
|---|---|---|
| Assumed initial public offering price per share | | $ 18.00 |
| Net tangible book value per share before the concurrent private placement and formation transactions and this offering(1) | $ 26.74 | |
| Net decrease in pro forma net tangible book value per share attributable to the concurrent private placement and formation transactions and this offering | 7.43 | |
| Pro forma net tangible book value per share after the concurrent private placement and formation transactions and this offering (2) | | 19.31 |
| Increase in pro forma net tangible book value per share to new investors(3) | | $ 1.31 |

(1) Net tangible book value per share of our common stock before the concurrent private placement and formation transactions and this offering is determined by dividing net tangible book value based on March 31, 2010 net book value of the tangible assets (consisting of members equity less intangible assets, which are comprised of deferred financing and leasing costs, acquired above-market leases net of acquired below-market leases, acquired in-place lease value and tradename) of the Hudson Pacific Predecessor of $199.2 million by the 7,450,982 shares of our common stock that will be held by continuing investors in the Hudson Pacific Predecessor after this offering, assuming the exchange for shares of our common stock on a one-for-one basis of the common units to be issued in connection with the formation transactions.

(2) Based on pro forma net tangible book value of approximately $439.7 million divided by the sum of 22,770,433 shares of our common stock and common units to be outstanding after this offering (excluding common units held by us), not including (i) 1,920,000 shares of our common stock issuable upon exercise of the underwriters overallotment option, (ii) shares of common stock that may be issued pursuant to the terms of the series A preferred units to be issued in connection with the formation transactions, which are convertible into common units, based upon the trading price of our common stock at the time of conversion or redeemable for cash or, at our option, exchangeable for registered shares of common stock with a value equal to the redemption price, in each case after the third anniversary of this offering, and (iii) 1,394,445 shares of our common stock available for issuance in the future under our equity incentive plan.

(3) Dilution is determined by subtracting pro forma net tangible book value per share of our common stock after giving effect to the concurrent private placement, the formation transactions and this offering from the initial public offering price paid by a new investor for a share of our common stock.

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## SELECTED FINANCIAL DATA

The following table sets forth summary selected financial and operating data on (i) a pro forma basis for our company and (ii) a combined historical basis for the Hudson Pacific Predecessor. The Hudson Pacific Predecessor is comprised of the real estate activity and holdings of the entities that own the following properties being contributed to us in the formation transactions: Sunset Gower; the Technicolor Building; Sunset Bronson; and City Plaza. We have not presented historical information for Hudson Pacific Properties, Inc. because we have not had any corporate activity since our formation other than the issuance of 100 shares of common stock to Victor J. Coleman in connection with our initial capitalization and because we believe that a discussion of the results of Hudson Pacific Properties, Inc. would not be meaningful.

You should read the following summary 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 combined balance sheet information as of March 31, 2010 of the Hudson Pacific Predecessor and the combined statements of operations for the three months ended March 31, 2010 and 2009 of the Hudson Pacific Predecessor have been derived from the historical unaudited combined financial statements included elsewhere in this prospectus and includes all adjustments, consisting of normal recurring adjustments, which management considers necessary for a fair presentation of the historical financial statements for such periods. The historical combined balance sheet information as of December 31, 2009 and 2008 of the Hudson Pacific Predecessor and the combined statements of operations information for each of the periods ended December 31, 2009, 2008 and 2007 of the Hudson Pacific Predecessor have been derived from the historical audited combined financial statements included elsewhere in this prospectus.

Our unaudited summary selected pro forma consolidated financial statements and operating information as of and for the three months ended March 31, 2010 and for the year ended December 31, 2009 assumes completion of this offering, the concurrent private placement and the formation transactions as of the beginning of the periods 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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**The Company (Pro Forma) and the Hudson Pacific Predecessor (Historical)**

| | Three Months Ended March 31, | | | Year Ended December 31, | | | |
|---|---|---|---|---|---|---|---|
| | Pro Forma Consolidated | Historical Combined | | Pro Forma Consolidated | Historical Combined | | |
| | 2010 | 2010 | 2009 | 2009 | 2009 | 2008 | 2007 |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | | | |
| | (In thousands, except per share data) | | | | | | |
| **Statement of Operations Data:** | | | | | | | |
| REVENUES | | | | | | | |
| Rental | $ 10,961 | $ 7,891 | $ 7,382 | $ 41,392 | $ 28,970 | $ 25,866 | $ 4,215 |
| Tenant recoveries | 814 | 579 | 674 | 3,994 | 2,870 | 2,293 | 58 |
| Other property related revenue | 1,972 | 1,653 | 1,901 | 8,662 | 7,419 | 7,296 | 2,683 |
| Other | 19 | 19 | 25 | 78 | 78 | 133 | 7 |
| Total revenues | 13,766 | 10,142 | 9,982 | 54,126 | 39,337 | 35,588 | 6,963 |
| OPERATING EXPENSES | | | | | | | |
| Property operating expenses | 5,163 | 3,995 | 4,262 | 22,786 | 17,691 | 15,651 | 2,710 |
| Other property related expense | 591 | 528 | 401 | 1,647 | 1,397 | 1,689 | 1,337 |
| General and administrative | 1,935 | 290 | 302 | 7,231 | 1,049 | 1,023 | 363 |
| Management fees | 30 | 251 | 305 | 120 | 1,169 | 1,073 | 255 |
| Depreciation and amortization | 3,748 | 2,498 | 2,449 | 15,650 | 9,980 | 6,599 | 741 |
| Total operating expenses | 11,467 | 7,562 | 7,719 | 47,434 | 31,286 | 26,035 | 5,406 |
| Income from operations | 2,299 | 2,580 | 2,263 | 6,692 | 8,051 | 9,553 | 1,557 |
| OTHER EXPENSE (INCOME) | | | | | | | |
| Interest expense | 2,024 | 2,052 | 2,097 | 8,190 | 8,352 | 10,244 | 3,860 |
| Interest income | (3) | (3) | (3) | (17) | (17) | (45) | (43) |
| Unrealized loss (gain) on interest rate collar | (207) | (207) | (18) | (410) | (410) | 835 | |
| Loss on sale of lot | | | | | | 208 | |
| Other | | | 90 | 95 | 95 | 21 | |
| Total other expense (income) | 1,814 | 1,842 | 2,166 | 7,858 | 8,020 | 11,263 | 3,817 |
| Net income (loss) | $ 485 | $ 738 | $ 97 | $ (1,166) | $ 31 | $ (1,710) | $ (2,260) |
| Less: Net income attributable to preferred non-controlling partnership interest | $ (195) | | | $ (780) | | | |
| Less: Net income attributable to restricted shares | (24) | | | (97) | | | |
| Less: Net income (loss) attributable to common non-controlling partnership interest | (33) | | | 253 | | | |
| Income (loss) attributable to the company | $ 233 | | | $ (1,790) | | | |
| **Balance Sheet Data (at period end):** | | | | | | | |
| Investment in real estate, net | $ 508,158 | $ 352,727 | | | $ 353,505 | $ 353,024 | |
| Total assets | 610,480 | 386,554 | | | 384,615 | 386,702 | |
| Notes payable | 93,740 | 152,000 | | | 152,000 | 152,000 | |
| Total liabilities | 127,359 | 169,904 | | | 169,686 | 177,305 | |
| Preferred non-controlling partnership interest | 12,475 | | | | | | |
| Non-controlling partnership interest | 74,668 | | | | | | |
| Members /stockholders equity | 395,978 | 216,650 | | | 214,929 | 209,397 | |
| Total equity | 470,646 | 216,650 | | | 214,929 | 209,397 | |
| **Per Share Data:** | | | | | | | |
| Pro forma basic and diluted earnings (loss) per share | $ 0.01 | | | $ (0.09) | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Pro forma weighted average common shares outstanding basic and diluted | 19,730 | | | 19,730 | | | |
| **Other Data:** | | | | | | | |
| Pro forma funds from operations[(1)] | $ 4,014 | | | $ 13,607 | | | |
| Pro forma diluted funds from operations per share | $ 0.18 | | | $ 0.60 | | | |
| Cash flows from: | | | | | | | |
| Operating activities | | $ 1,927 | $ 1,690 | | $ (88) | $ 19,832 | $ (4,910) |
| Investing activities | | (654) | (1,932) | | (7,537) | (178,424) | (192,321) |
| Financing activities | | 983 | 2,609 | | 4,926 | 163,451 | 197,327 |

(1) We calculate 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 GAAP), excluding gains (or losses) from sales of depreciable operating property, plus depreciation and amortization of real estate assets (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures. FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because, in excluding real estate related 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 not be considered as an alternative to net income available to common stockholders (determined in accordance with GAAP) as an indicator of our financial performance. FFO should not be used as a measure of our liquidity, nor is it necessarily indicative of sufficient cash flow to fund all of our cash needs, including our ability to service indebtedness or make distributions. 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 | |
|---|---|---|
| | **Three Months Ended March 31, 2010 (In thousands)** | **Year Ended December 31, 2009 (In thousands)** |
| Net income (loss) | $ 485 | $ (1,166) |
| Adjustments: | | |
| Distribution to preferred non-controlling partnership interest | (195) | (780) |
| Distribution to restricted shares | (24) | (97) |
| Real estate depreciation and amortization | 3,748 | 15,650 |
| Funds from operations before non-controlling interest | $ 4,014 | $ 13,607 |

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## MANAGEMENT S DISCUSSION AND ANALYSIS

## OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion should be read in conjunction with selected combined financial data, the audited combined financial statements of the Hudson Pacific Predecessor as of December 31, 2009 and 2008 and for the periods ended December 31, 2009, 2008 and 2007, and the unaudited combined financial statements of the Hudson Pacific Predecessor as of March 31, 2010 and for the three months ended March 31, 2010 and 2009, and related notes thereto, appearing elsewhere in this prospectus. Where appropriate, the following discussion includes analysis of the effects of the concurrent private placement and the formation transactions, certain other transactions and this offering. These effects are reflected in the pro forma combined financial statements located elsewhere in this prospectus. As used in this section, unless the context otherwise requires, we, us, our and our company mean the Hudson Pacific Predecessor for the periods presented and Hudson Pacific Properties, Inc. and its consolidated subsidiaries upon consummation of this offering, the concurrent private placement and the formation transactions.*

### Overview

#### *Our Company*

Hudson Pacific Properties, Inc. is a Maryland corporation formed in 2009 to acquire the entities owning various real estate assets and to succeed the business of Hudson Capital, LLC, a Los Angeles-based real estate investment firm founded by Victor J. Coleman and Howard S. Stern, our Chief Executive Officer and President, respectively. Hudson Pacific Properties, Inc. has not had any corporate activity since its formation, other than the issuance of 100 shares of its common stock to Victor J. Coleman in connection with the initial capitalization of the company and activities in preparation for this offering, the concurrent private placement and the formation transactions. Accordingly, we believe that a discussion of the results of Hudson Pacific Properties, Inc. would not be meaningful, and we have therefore set forth below a discussion regarding the historical operations of the Hudson Pacific Predecessor only. The Hudson Pacific Predecessor is comprised of the real estate activity and holdings of SGS Realty II, LLC, Sunset Bronson Entertainment Properties, LLC and HFOP City Plaza, LLC, which are a subset of the entities contributing properties to our initial portfolio in the formation transactions. Collectively, these entities own the Sunset Gower, Technicolor Building, Sunset Bronson and City Plaza properties. The Hudson Pacific Predecessor does not include: GLB Encino, LLC, a Delaware limited liability company, which we refer to as the First Financial entity; Glenborough Tierrasanta, LLC, a Delaware limited liability company, which we refer to as the Tierrasanta entity; Del Amo Fashion Center Operating Company, L.L.C., a Delaware limited liability company which we refer to as the Del Amo Office entity; and Howard Street Associates, LLC, a Delaware limited liability company which we refer to as the 875 Howard Street entity; collectively, we refer to these entities as the non-predecessor entities. For periods after consummation of this offering and the formation transactions, our operations will include their operations. We have not included a separate discussion of the financial condition and results of operations of the First Financial entity, the Tierrasanta entity, the Del Amo Office entity or the 875 Howard Street entity because we believe that a discussion of our predecessor is more meaningful for investors. Elsewhere in this prospectus, we have included the audited statements of revenues and certain expenses of the First Financial entity and the Tierrasanta entity for the year ended December 31, 2009, the audited statements of revenues and certain expenses of the 875 Howard Street entity for the periods ended December 31, 2009, 2008 and 2007, and the unaudited statements of revenues and certain expenses for those same entities for the three months ended March 31, 2010 and 2009.

#### *Formation Transactions*

Concurrently with this offering, we will complete the formation transactions, pursuant to which we will acquire, through a series of purchase and contribution transactions, the entities that own interests in seven properties in our initial portfolio. We also entered into a definitive agreement to acquire the Del Amo Office property, which acquisition is subject to certain closing conditions, including consent to the assignment of the ground sublease. To acquire the interests in the entities that own the properties to be included in our initial portfolio from the holders thereof, or the prior investors, we will issue to the prior investors an aggregate of 5,818,625 shares of our common stock and 2,785,141 common units, approximately $12.5 million in liquidation preference of our series A preferred units, and we will also pay $7.2 million in cash to the Morgan Stanley Investment Partnership, which will be provided from the net proceeds of this offering. In addition, we intend to use approximately $27.5 million in cash (before closing costs and prorations) in connection with our acquisition of the Del Amo Office property, which is subject to certain closing conditions, see Risk Factors Risks Related to Our Properties and Our Business The purchase of the Del Amo Office property is subject to closing conditions that could delay or prevent the acquisition of the property.

We have determined that one of the entities comprising the Hudson Pacific Predecessor, SGS Realty II, LLC, is the acquirer for accounting purposes. In addition, we have concluded that any interests contributed by the members of the other entities comprising the Hudson Pacific Predecessor (Sunset Bronson Entertainment Properties, LLC and HFOP City Plaza, LLC), as well as the contribution of the members interests in the 875 Howard Street entity, is a transaction between entities under common control since the Farallon Funds own a controlling interest in each of the entities comprising the Hudson Pacific Predecessor and the 875 Howard Street entity prior to the completion of this offering, the concurrent private placement and the formation transactions. As a result, the contribution of interests in each of the entities comprising the Hudson Pacific Predecessor and the 875 Howard Street entity will be recorded at historical cost. The contribution or acquisition of interests other than those owned by the Hudson Pacific Predecessor and other than the 875 Howard Street entity in the formation transactions will be accounted for as an acquisition under the acquisition method of accounting and recognized at the estimated fair value of acquired assets and assumed liabilities on the date of such contribution or acquisition. The fair values of tangible assets acquired are determined on an as-if-vacant basis. The as-if-vacant fair value of tangible assets will be allocated to land, building and improvements, tenant improvements and furniture and fixtures based on our own market knowledge and published market data, including current rental rates, expected downtime to lease up vacant space, tenant improvement construction costs, leasing commissions and recent sales on a per square foot basis for comparable properties in our submarkets. The estimated fair value of intangible assets consisting of acquired in-place at-market leases are the costs we would have incurred to lease the property to the occupancy level of the property at the date of acquisition. Such estimates include the fair value of leasing commissions and legal costs that would be incurred to lease this property to this occupancy level. Additionally, we evaluate the time period over which such occupancy level would be achieved and include an estimate of the net operating costs (primarily real estate taxes, insurance and utilities) incurred during the lease-up period, which generally ranges up to 6-12 months. Above-market and below-market in-place lease values are recorded as an asset or liability based on the present value (using an interest rate that reflects the risks associated with the leases acquired) of the difference between the contractual amounts to be paid pursuant to the in-place leases and our estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining non-cancelable term of the lease for above-market leases and the remaining non-cancelable term plus the term of any below-market fixed rate renewal options for below-market leases. The fair value of the debt assumed was determined using current market interest rates for comparable debt financings.

Upon consummation of this offering and the formation transactions, we expect our operations to be carried on through our operating partnership, which we formed on January 15, 2010, and subsidiaries of our operating partnership, including our taxable REIT subsidiary. Consummation of the formation transactions will enable us to (i) consolidate our asset management, property management, property development, leasing, tenant improvement construction, acquisition and financing businesses into our operating partnership; (ii) consolidate the ownership of our initial property portfolio under our operating partnership; (iii) facilitate this offering; and (iv) qualify as a real estate investment trust for U.S. federal income tax purposes commencing with the taxable year ending December 31, 2010. As a result, we expect to be a fully integrated, self-administered and self-managed real estate company (excepting only certain limited third party construction management and leasing arrangements at our 875 Howard Street property), with approximately 60 employees providing substantial in-house expertise in asset management, property management, property development, leasing, tenant improvement construction, acquisitions, repositioning, redevelopment and financing.

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***Concurrent Private Placement***

Concurrently with the completion of this offering, Victor J. Coleman and the Farallon Funds will purchase $20.0 million in shares of common stock at a price per share equal to the initial public offering price and without payment by us of any underwriting discount or commission. The proceeds will be contributed to our operating partnership in exchange for common units.

***Secured Revolving Credit Facility***

The lead arrangers for our secured credit facility have secured commitments allowing borrowings of up to $200 million, of which we expect approximately $77 million to be available to us upon consummation of this offering. For additional information regarding the secured credit facility, please refer to Liquidity and Capital Resources below.

***Revenue Base***

Upon consummation of this offering and the formation transactions, we will acquire from our predecessor and the non-predecessor entities an aggregate of eight properties comprised of approximately 1.2 million square feet of office and approximately 857,432 square feet of media and entertainment space. As of March 31, 2010, the office properties to be acquired were approximately 79.1% leased (or 85.7%, giving effect to uncommenced leases), and the average trailing 12-month percent leased of the media and entertainment properties was 66.9%. All of these properties are located in California.

*Office Leases*. Historically, the Hudson Pacific Predecessor primarily leased its office properties to tenants on a full-service gross or net lease basis, and we expect to continue to do so in the future. A full-service gross lease has a base year expense stop, whereby the tenant pays a stated amount of expenses as part of the rent payment, while future increases (above the base year stop) in property operating expenses are billed to the tenant based on such tenant s proportionate square footage in the property. The property operating expenses are reflected in operating expenses, but only the increased property operating expenses above the base year stop recovered from tenants are reflected as tenant recoveries in the statements of income. In a net lease, the tenant is responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expenses, but rather all such expenses are billed to the tenant. The full amount of the expenses for this lease type is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries. The tenants in City Plaza have full-service gross leases, and the tenant in the Technicolor Building has a net lease.

*Media and Entertainment Leases*. Historically, the Hudson Pacific Predecessor primarily leased its media and entertainment properties to tenants on a full-service gross or net lease basis, and we expect to continue to do so in the future. Under the full-service gross leases in our media and entertainment properties, the tenant pays a full-service gross rent amount and an additional amount for property related items, which are often required to make effective use of the leased space, such as rental of lighting, equipment rental, parking, power, HVAC and telecommunications (telephone and internet). Lighting revenue is recognized on a net basis. In a net lease in our media and entertainment properties, the tenant is responsible for all property taxes and operating expenses. As such, the base rent payment does not include any operating expense, but rather all such expenses are billed to the tenant. The full amount of the expenses for this lease type is reflected in operating expenses, and the reimbursement is reflected in tenant recoveries. Expenses associated with provision of lighting rental, equipment rental, parking, power, HVAC and telecommunications (telephone and internet) are reflected in other property-related expense. All of the tenants in Sunset Gower and Sunset Bronson have full-service gross leases, other than KTLA, which has a net lease.

*Interest Rate Contracts*. Any change in fair value of interest rate contracts of the Hudson Pacific Predecessor was recorded as a gain or loss in the statement of operations because such contracts did not qualify as effective hedges under FASB ASC Topic 815, as discussed in more detail below under Interest Rate Risk.

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We intend to enter into or transfer existing interest rate contracts that will effectively hedge in part our variable rate debt from future changes in interest rates. We expect these interest rate contracts to qualify for cash flow hedge accounting treatment under FASB ASC Topic 815, and as such, all future changes in fair value of the new interest rate contracts for periods after this offering will be recognized in other comprehensive income until the hedged item is recognized in earnings. Any ineffective portion of the new or transferred interest rate contracts change in fair value is immediately recognized in earnings.

**Factors That May Influence Our Operating Results**

*Business and Strategy*. We plan to focus our investment strategy on office properties located in submarkets with growth potential as well as on underperforming properties or portfolios that provide opportunities to implement a value-add strategy to increase occupancy rates and cash flow. 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. Our strategy also includes active management, aggressive leasing efforts, focused capital improvement programs, the reduction and containment of operating costs and an emphasis on tenant satisfaction, which we believe will minimize turnover costs and improve occupancy.

From the acquisition of our first property in August 2007 through January 2010, we have acquired or developed four real estate properties containing an aggregate 1.3 million net rentable square feet. We intend to pursue acquisitions of additional properties as a key part of our growth strategy, often including properties that may have substantial vacancy, which enables us to increase cash flow through lease-up. We expect to continue to acquire properties subject to existing mortgage financing and other indebtedness or to incur indebtedness in connection with acquiring or refinancing these properties. Debt service on such indebtedness will have a priority over any dividends with respect to our common stock.

*Rental Revenue*. The amount of net rental revenue generated by the properties in our initial portfolio depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space and space that becomes available from lease terminations. As of March 31, 2010, the percent leased for the office properties that will comprise our initial portfolio was approximately 79.1% (or 85.7% giving effect to uncommenced leases), and the percent leased for the media and entertainment properties (based on 12-month trailing average) that will comprise our initial portfolio was approximately 66.9%. The amount of rental revenue generated by us also depends on our ability to maintain or increase rental rates at our properties. We believe that the average rental rates for our office properties generally are equal to or slightly above the current average quoted market rate, with the exception of our lease of 94,505 square feet to Burlington Coat Factory at our 875 Howard Street property, which we believe to be substantially below market rates. We believe the average rental rates for our media and entertainment properties are generally equal to current average quoted market rates. Negative trends in one or more of these factors could adversely affect our rental revenue in future periods. Future economic downturns or regional downturns affecting our submarkets or downturns in our tenants industries that impair our ability to renew or re-let space and the ability of our tenants to fulfill their lease commitments, as in the case of tenant bankruptcies, could adversely affect our ability to maintain or increase rental rates at our properties. In addition, growth in rental revenue will also partially depend on our ability to acquire additional properties that meet our investment criteria.

*Conditions in Our Markets.* The properties in our initial portfolio are all located in California submarkets. Positive or negative changes in economic or other conditions in California, including the state budgetary shortfall, employment rates, natural hazards and other factors, may impact our overall performance.

*Operating Expenses.* Our operating expenses generally consist of utilities, property and ad valorem taxes, insurance and site maintenance costs. Increases in these expenses over tenants base years are generally passed on to tenants in our full-service gross leased properties and are generally paid in full by tenants in our net lease properties. As a public company, we estimate our annual general and administrative expenses will increase due to increased legal, insurance, accounting and other expenses related to corporate governance, SEC reporting and other compliance matters, compared to the Hudson Pacific Predecessor s operations. In addition, we expect the properties in our portfolio to be reassessed after the consummation of this offering. We believe the amount of property taxes we pay in the future will decrease due to the expected downward reassessment of many of our properties following the completion of the formation transactions. Given the uncertainty of the amounts involved, we have not included the impact of any anticipated property tax decrease in our pro forma financial statements.

*Taxable REIT Subsidiary*. As part of the formation transactions, on February 12, 2010, we formed Hudson Pacific Services, Inc., a Maryland corporation that is wholly owned by our operating partnership and which we refer to as our services company. We will elect, together with our services company, to treat our services company as a taxable REIT subsidiary for federal income tax purposes. Our services company generally may provide non-customary and other services to our tenants and engage in activities that we may not engage in directly without adversely affecting our qualification as a REIT. We anticipate that our services company or one or more of its wholly owned subsidiaries will provide a number of services to certain tenants at our media and entertainment properties or other properties. See Federal Income Tax Considerations Taxation of Our Company Income Tests. In addition, our operating partnership may contribute some or all of its interests in certain wholly owned subsidiaries or their assets to our services company. We also anticipate that we will lease space to our services company at one or more of our media and entertainment properties. We may form additional taxable REIT subsidiaries in the future. Any income earned by our taxable REIT subsidiaries will not be included in our taxable income for purposes of the 75% or 95% gross income tests, except to the extent such income is distributed to us as a dividend, in which case such dividend income will qualify under the 95%, but not the 75%, gross income test. See Federal Income Tax Considerations Taxation of Our Company Income Tests. Because a taxable REIT subsidiary is subject to federal income tax, and state and local income tax (where applicable), as a regular corporation, the income earned by our taxable REIT subsidiaries generally will be subject to an additional level of tax as compared to the income earned by our other subsidiaries.

**Critical Accounting Policies**

Our discussion and analysis of the historical financial condition and results of operations of the Hudson Pacific Predecessor are based upon its combined financial statements, which have been prepared in accordance with GAAP. The preparation of these financial statements in conformity with GAAP requires management to make estimates and assumptions in certain circumstances that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses in the reporting period. Actual amounts may differ from these estimates and assumptions. We have provided a summary of our significant accounting policies in the notes to the combined financial statements of the Hudson Pacific Predecessor included elsewhere in this prospectus. We have summarized below those accounting policies that require material subjective or complex judgments and that have the most significant impact on our financial conditions and results of operations. We evaluate these estimates on an ongoing basis, based upon information currently available and on various assumptions that we believe are reasonable as of the date hereof. Other companies in similar businesses may use different estimation policies and methodologies, which may impact the comparability of our results of operations and financial conditions to those of other companies.

***Investment in Real Estate Properties***

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

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

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

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

***Impairment of Long-Lived Assets***

We assess the carrying value of real estate assets and related intangibles whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable in accordance with GAAP. Impairment losses are recorded on real estate assets held for investment when indicators of impairment are present and the future undiscounted cash flows estimated to be generated by those assets are less than the assets carrying amount. We recognize impairment losses to the extent the carrying amount exceeds the fair value of the properties. Properties held for sale are recorded at the lower of cost or estimated fair value less cost to sell.

***Cash and Cash Equivalents***

Cash and cash equivalents are defined as cash on hand and in banks, plus all short term investments with a maturity of three months or less when purchased. We maintain some of our cash in bank deposit accounts, which, at times, may exceed the federally insured limit. No losses have been experienced related to such accounts.

***Restricted Cash***

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

***Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable are comprised of amounts due for monthly rents and other charges. We maintain an allowance for doubtful accounts, including an allowance for straight-line rent receivables, for estimated losses resulting from tenant defaults or the inability of tenants to make contractual rent and tenant recovery payments. We monitor the liquidity and creditworthiness of our tenants and operators on an ongoing basis. This evaluation considers industry and economic conditions, property performance, credit enhancements and other factors. For straight-line rent amounts, our assessment is based on amounts estimated to be recoverable over the term of the lease. At December 31, 2009 and 2008, we believe that the collectability of straight-line rent balances are reasonably assured; accordingly, no allowance was established against straight-line rent receivables. We evaluate the collectability of accounts receivable based on a combination of factors. The allowance for doubtful accounts is based on specific identification of uncollectible accounts and our historical collection experience. We recognize an allowance for doubtful accounts based on the length of time the receivables are past due, the current business environment and our historical experience. Historical experience has been within our expectations.

***Revenue Recognition***

We recognize rental revenue from tenants on a straight-line basis over the lease term when collectability is reasonably assured and the tenant has taken possession or controls the physical use of the leased asset. For assets acquired subject to leases, we recognize revenue upon acquisition of the asset provided the tenant has taken possession or controls the physical use of the leased asset. If the lease provides for tenant improvements, we determine whether the tenant improvements are owned, for accounting purposes, by the tenant or us. When we are the owner of the tenant improvements, the tenant is not considered to have taken physical possession or have control of the physical use of the leased asset until the tenant improvements are substantially completed. When the tenant is the owner of the tenant improvements, any tenant improvement allowance that is funded is treated as a lease incentive and amortized as a reduction of revenue over the lease term.

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

Other property related revenue is revenue that is derived from the tenants use of lighting, equipment rental, parking, power, HVAC and telecommunications (telephone and internet) at our Sunset Gower and Sunset Bronson properties. Other property related revenue is recognized when these items are provided.

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

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

***Deferred Financing Costs***

Deferred financing costs are amortized over the term of the respective loan on the straight-line method, which approximates the effective interest method.

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***Derivative Financial Instruments***

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

We held one interest rate collar instrument and one interest rate cap instrument for the year ended December 31, 2008. We did not use hedge accounting for these instruments.

***Fair Value of Assets and Liabilities***

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

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

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

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

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

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

We consider the following factors to be indicators of an inactive market: (i) there are few recent transactions; (ii) price quotations are not based on current information; (iii) price quotations vary substantially either over time or among market makers (for example, some brokered markets); (iv) indexes that previously were highly correlated with the fair values of the asset or liability are demonstrably uncorrelated with recent indications of fair value for that asset or liability; (v) there is a significant increase in implied liquidity risk premiums, yields or performance indicators (such as delinquency rates or loss severities) for observed

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transactions or quoted prices when compared with our estimate of expected cash flows, considering all available market data about credit and other nonperformance risk for the asset or liability; (vi) there is a wide bid-ask spread or significant increase in the bid-ask spread; (vii) there is a significant decline or absence of a market for new issuances (that is, a primary market) for the asset or liability or similar assets or liabilities; and (viii) little information is released publicly (for example, a principal-to-principal market).

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

**Results of Operations**

The following table identifies each of the properties in our initial portfolio acquired through March 31, 2010 and their date of acquisition.

| Acquired Properties | Acquisition/Completion Date | Square Feet |
|---|---|---|
| Sunset Gower | 08/17/2007 | 543,709 |
| Sunset Bronson | 01/30/2008 | 313,723 |
| Technicolor Building | 06/01/2008 | 114,958 |
| City Plaza | 08/26/2008 | 333,922 |
| **Total** | | 1,306,312 |

For analytical presentation, all percentages used in this discussion of our results of operations are calculated using the numbers presented in the financial statements contained in this prospectus.

***Comparison of the three months ended March 31, 2010 to the three months ended March 31, 2009***

*Revenue*

*Total Revenue*. Total revenue consists of rental revenue, tenant recoveries, other property related revenue and other revenue. Total revenues remained relatively flat at $10.1 million for the three months ended March 31, 2010 compared to $10.0 million for the three months ended March 31, 2009. The period over period changes in the items that comprise total revenue are attributable primarily to the factors discussed below.

*Rental Revenue*. Rental revenue includes rental revenues from our office and media and entertainment properties, percentage rent on retail space contained within our properties, and lease termination income. Total rental revenue increased $0.5 million, or 7%, to $7.9 million for the three months ended March 31, 2010 compared to $7.4 million for the three months ended March 31, 2009. The increase in rental revenues was primarily due to an increase in average occupancy year-over-year for our office properties and an increase in stage-related and control room rental revenues, partially offset by a decrease in office rental revenues for our media and entertainment properties.

*Tenant Recoveries*. Total tenant recoveries decreased $0.1 million, or 14%, to $0.6 million for the three months ended March 31, 2010 compared to $0.7 million for the three months ended March 31, 2009, primarily due to lower property operating expenses for the three months ended March 31, 2010 compared to the three months ended March 31, 2009.

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*Other Property Related Revenue*. Other property related revenue is revenue that is derived from the tenants rental of lighting and other equipment, parking, power, HVAC and telecommunications (telephone and internet). Total other property related revenue decreased $0.2 million, or 13%, to $1.7 million for the three months ended March 31, 2010 compared to $1.9 million for the three months ended March 31, 2009. The decrease was primarily due to a decrease in lighting equipment rental revenue, utility revenue, and parking revenue.

*Operating Expenses*

*Total Operating Expenses*. Total operating expenses consist of property operating expenses, as well as general and administrative expenses, other property related expenses, management fees and depreciation and amortization. Total operating expenses decreased by $0.2 million, or 2%, to $7.6 million for the three months ended March 31, 2010 compared to $7.7 million for the three months ended March 31, 2009. This decrease in total operating expenses is attributable primarily to the factors discussed below.

*Property Operating Expenses*. Property operating expenses decreased $0.3 million, or 6%, to $4.0 million for the three months ended March 31, 2010 compared to $4.3 million for the three months ended March 31, 2009. The decrease in property operating expenses was primarily due to the reduction of a bad debt expense reserve established for certain outstanding tenant receivables in connection with the collection of rents against such tenant receivables and the application of another tenant s improvement allowance towards its rent receivable, in both cases during the three months ended March 31, 2010. In addition, we experienced cost savings related to security contract services and a decrease of various expenses at our media and entertainment properties (including maintenance, janitorial services and valet parking) as a result of lower office rental activity for our media and entertainment properties.

*Other Property Related Expense*. Other property related expense increased $0.1 million, or 32%, to $0.5 million for the three months ended March 31, 2010 compared to $0.4 million for the three months ended March 31, 2009. The increase was primarily due to an increase in third party lighting equipment rental expense, together with an increase in control room-related equipment rental expense associated with increased usage of control rooms at our Sunset Bronson property.

*General and Administrative Expenses*. General and administrative expenses remained relatively flat for the three months ended March 31, 2010 compared to the three months ended March 31, 2009. These expenses include accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items.

*Management Fees*. Management fees reflect amounts historically paid to an affiliated external manager and a third party manager. Upon completion of this offering and the formation transactions, we will be internally managed (other than with respect to the 875 Howard Street property), the third party management agreement (other than with respect to the 875 Howard Street property) will be terminated and these management fees will generally be eliminated in consolidation. Management fee expense remained relatively flat at $0.3 million for the three months ended March 31, 2010 compared to the three months ended March 31, 2009.

*Depreciation and Amortization*. Depreciation and amortization expense remained relatively flat at $2.5 million for the three months ended March 31, 2010 compared to $2.4 million for the three months ended March 31, 2009.

*Other Expense (Income)*

*Interest Expense*. Interest expense remained relatively flat at $2.1 million for the three months ended March 31, 2010 and the three months ended March 31, 2009.

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*Unrealized Gain on Interest Rate Collar*. For the three months ended March 31, 2010, there was unrealized gain on interest rate collar of $(0.2) million. There was a de minimus unrealized loss for the three months ended March 31, 2009.

*Net Income*

Net income for the three months ended March 31, 2010 was $0.7 million compared to net income of $0.1 million for the three months ended March 31, 2009. The net increase was due to an increase in rental revenues, a decrease in property operating expenses, and an unrealized gain on interest rate collar, all as described in more detail above.

***Comparison of year ended December 31, 2009 to year ended December 31, 2008***

*Revenue*

*Total Revenue*. Total revenue consists of rental revenue, tenant recoveries, other property related revenue and other revenue. Total revenues increased by $3.7 million, or 11%, to $39.3 million for the year ended December 31, 2009 compared to $35.6 million for the year ended December 31, 2008. The increase in total revenue is attributable primarily to the factors discussed below.

*Rental Revenue*. Rent includes rental revenues from our office and media and entertainment properties, percentage rent on retail space contained within our properties, and lease termination income. Total rental revenue increased by $3.1 million, or 12%, to $29.0 million for the year ended December 31, 2009 compared to $25.9 million for the year ended December 31, 2008. Total rental revenues were primarily impacted by our acquisition activity during 2008 and the completion of the Technicolor Building. First, we acquired City Plaza on August 26, 2008, resulting in the inclusion of approximately four months of operations in the year ended December 31, 2008, compared to 12 months of operations in the year ended December 31, 2009. Second, the Technicolor Building was placed into service and the related lease commenced on June 1, 2008, which resulted in the inclusion of seven months of operations in the year ended December 31, 2008, compared to twelve months of operations in the year ended December 31, 2009. Third, we acquired the Sunset Bronson property on January 30, 2008, which resulted in the inclusion of 11 months of operations in the year ended December 31, 2008 compared to 12 months of operations in the year ended December 31, 2009. The increase in rental revenues due to the timing of the acquisition and construction activity referred to above was partially offset by a decline in rental revenues at Sunset Bronson, due in part to seismic retrofitting and retrofitting of control room facilities with high-definition technology in the year ended December 31, 2009, which caused portions of the property to be unavailable for lease during the retrofitting.

*Tenant Recoveries*. Total tenant recoveries increased by $0.6 million, or 25%, to $2.9 million for the year ended December 31, 2009 compared to $2.3 million for the year ended December 31, 2008, primarily due to the timing of the acquisition and construction activity referred to above.

*Other Property Related Revenue*. Other property related revenue is revenue that is derived from the tenants   rental of lighting, equipment rental, parking, power, HVAC and telecommunications (telephone and internet). Total other property related revenue increased by $0.1 million, or 2%, to $7.4 million for the year ended December 31, 2009 compared to $7.3 million for the year ended December 31, 2008.

*Operating Expenses*

*Total Operating Expenses*. Total operating expenses consist of property operating expenses, as well as general and administrative expenses, other property related expenses, management fees and depreciation and amortization. Total operating expenses increased by $5.3 million, or 20%, to $31.3 million for the year ended December 31, 2009 compared to $26.0 million for the year ended December 31, 2008. This increase in total operating expenses is attributable primarily to the factors discussed below.

*Property Operating Expenses*. Property operating expenses increased by $2.0 million, or 13%, to $17.7 million for the year ended December 31, 2009 compared to $15.7 million for the year ended December 31, 2008. The change in property operating expenses was due to our acquisition activity and the completion of the Technicolor Building referred to above.

*Other Property Related Expense*. Other property related expense decreased $0.3 million, or 17%, to $1.4 million for the year ended December 31, 2009 compared to $1.7 million for the year ended December 31, 2008. The decrease was primarily due to a reduction in third party equipment rental expense.

*General and Administrative Expenses*. General and administrative expenses remained relatively flat at $1.0 million for the year ended December 31, 2009 compared to the year ended December 31, 2008. These expenses include accounting, legal and other professional services, office supplies, entertainment, travel, and automobile expenses, telecommunications and computer-related expenses, and other miscellaneous items.

*Management Fees*. Management fees reflect amounts historically paid to an affiliated external manager and a third party manager. Upon completion of this offering and the formation transactions, we will be internally managed (other than with respect to the 875 Howard Street property), the third party management agreement (other than with respect to the 875 Howard Street property) will be terminated and these management fees will generally be eliminated in consolidation. Management fee expense increased $0.1 million, or 9%, to $1.2 million for the year ended December 31, 2009 compared to $1.1 million for the year ended December 31, 2008. The increase was primarily due to the timing of the acquisition and construction activity referred to above.

*Depreciation and Amortization*. Depreciation and amortization expense increased $3.4 million, or 51%, to $10.0 million for the year ended December 31, 2009 compared to $6.6 million for the year ended December 31, 2008. The increase was primarily due to the timing of the acquisition and construction activity referred to above.

*Other Expense (Income)*

*Interest Expense*. Interest expense decreased $1.9 million, or 18%, to $8.4 million for the year ended December 31, 2009 compared to $10.2 million for the year ended December 31, 2008. The decrease was primarily due to a decrease in the LIBOR rate on our floating rate loans and the repayment of approximately $23.9 million of the Sunset Gower loan in May 2008. This decrease was partially offset by the increased interest expense on debt obtained on the Sunset Bronson property in May 2008 and the commencement of recognition of interest expense upon completion of the Technicolor Building in June 2008.

*Unrealized Gain on Interest Rate Collar*. For the year ended December 31, 2009, there was unrealized gain on interest rate collar of $(0.4) million. There was an unrealized loss of $0.8 million for the year ended December 31, 2008.

*Loss on Sale of Lot.* For the year ended December 31, 2009, there was no gain or loss on sale of lot. For the year ended December 31, 2008 there was a $0.2 million loss on the sale of a lot.

*Net Income (Loss)*

Net income for the year ended December 31, 2009 was $31,000 compared to a net loss of $1.7 million for the year ended December 31, 2008. A net decrease in income from operations of $1.5 million was offset by a decrease in non-operating expenses of $3.2 million, or 29%, to $8.0 million for the year ended December 31, 2009, compared to $11.3 million for the year ended December 31, 2008. The decrease in non-operating expenses was primarily due to a decrease in interest expense and an unrealized gain on interest rate collar.

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***Comparison of year ended December 31, 2008 to period ended December 31, 2007***

*Revenue*

*Total Revenue*. Total revenues increased by $28.6 million, or 411%, to $35.6 million for the year ended December 31, 2008 compared to $7.0 million for the period ended December 31, 2007. The increase in total revenue is attributable primarily to the factors discussed below.

*Rental Revenue*. Total rental revenue increased by $21.7 million, or 514%, to $25.9 million for the year ended December 31, 2008 compared to $4.2 million for the period ended December 31, 2007. Rental revenue was primarily impacted by our acquisition activity during 2008 and the completion of the Technicolor Building. First, we acquired City Plaza on August 26, 2008, resulting in the inclusion of approximately four months of operations in the year ended December 31, 2008, whereas there were no operations in the period ended December 31, 2007. Second, the Technicolor Building was placed into service and the related lease commenced on June 1, 2008, which resulted in the inclusion of seven months of operations in the year ended December 31, 2008, whereas there were no operations in the period ended December 31, 2007. Third, we acquired the Sunset Bronson property on January 30, 2008, which resulted in the inclusion of 11 months of operations in the year ended December 31, 2008, whereas there were no operations in the period ended December 31, 2007.

*Tenant Recoveries*. Tenant recoveries increased by $2.2 million, or 3,853%, to $2.3 million for the year ended December 31, 2008 compared to $58,000 for the period ended December 31, 2007, primarily due to the timing of the acquisition and construction activity referred to above.

*Other Property Related Revenue*. Total other property related revenue increased by $4.6 million, or 172%, to $7.3 million for the year ended December 31, 2008 compared to $2.7 million for the period ended December 31, 2007, primarily due to the timing of the acquisition and construction activity referred to above.

*Operating Expenses*

*Total Operating Expenses*. Total operating expenses increased by $20.6 million, or 382%, to $26.0 million for the year ended December 31, 2008 compared to $5.4 million for the period ended December 31, 2007. This increase in operating expense is attributable primarily to the factors discussed below.

*Property Operating Expenses*. Total property operating expenses increased by $12.9 million, or 478%, to $15.7 million for the year ended December 31, 2008 compared to $2.7 million for the period ended December 31, 2007, primarily due to the timing of the acquisition and construction activity referred to above.

*Other Property Related Expense*. Other property related expense increased $0.4 million, or 26%, to $1.7 million for the year ended December 31, 2008 compared to $1.3 million for the period ended December 31, 2007. The increase was primarily due to the timing of the acquisition and construction activity referred to above.

*General and Administrative Expenses*. General and administrative expenses increased by $0.7 million, or 182%, to $1.0 million for the year ended December 31, 2008 compared to $0.4 million for the period ended December 31, 2007, primarily due to the timing of the acquisition and construction activity referred to above.

*Management Fees*. Management fees reflect amounts historically paid to an affiliated external manager and a third party manager. Upon completion of this offering and the formation transactions, we will be internally managed (other than with respect to the 875 Howard Street property), the third party management agreement will be terminated (other than with respect to the 875 Howard Street property) and these management fees will generally be eliminated in consolidation. Management fees increased $0.8 million, or 321%, to $1.1 million for the year ended December 31, 2008 compared to $0.3 million for the period ended December 31, 2007. The increase was primarily due to the timing of the acquisition and construction activity referred to above.

*Depreciation and Amortization*. Depreciation and amortization expense increased $5.9 million, or 791%, to $6.6 million for the year ended December 31, 2008 compared to $0.7 million for the period ended December 31, 2007. The increase was primarily due to the timing of the acquisition and construction activity referred to above.

*Other Expense (Income)*

*Interest Expense*. Interest expense increased $6.4 million, or 165%, to $10.2 million for the year ended December 31, 2008 compared to $3.9 million for the period ended December 31, 2007. The increase was primarily due to the acquisition and construction activity referred to above. First, the Technicolor Building was placed into service in June 2008, which resulted in the commencement of recognition of interest expense upon its completion in June 2008. Second, we obtained debt on the Sunset Bronson property as of May 2008 (which resulted in the inclusion of approximately eight months of interest expense in the year ended December 31, 2008, whereas there was no interest expense in the period ended December 31, 2007). These increases are in part offset by the decrease in the LIBOR rate on our floating rate loans and the repayment of approximately $23.9 million of the Sunset Gower loan in May 2008.

*Unrealized Loss on Interest Rate Collar*. For the year ended December 31, 2008, there was unrealized loss on interest rate collar of $0.8 million. There was no such unrealized loss for the period ended December 31, 2007, as the loan for our Sunset Bronson property, which is subject to the interest rate collar, was not obtained until May 2008.

*Loss on Sale of Lot.* There was a loss on sale of lot of $0.2 million in the year ended December 31, 2008, with no comparable activity in the period ended December 31, 2007.

*Net Loss*

Net loss for the year ended December 31, 2008 was $1.7 million compared to $2.3 million for the period ended December 31, 2007. A net increase in income from operations of $8.0 million attributable primarily to our acquisition activity during 2008 and the completion of the Technicolor Building was offset by an increase in non-operating expenses of $7.4 million, or 195%, to $11.3 million for the year ended December 31, 2008 compared to $3.8 million for the period ended December 31, 2007. The increase in non-operating expenses was primarily due to an increase in interest expense on debt obtained on the Sunset Bronson property in May 2008 and the commencement of recognition of interest expense upon completion of the Technicolor Building in June 2008. We experienced a net loss in both periods primarily due to expenses exceeding revenues, as described above, and largely driven by interest expense and depreciation and amortization.

**Liquidity and Capital Resources**

*Analysis of Liquidity and Capital Resources*

We believe that this offering, the concurrent private placement and the formation transactions will improve our financial performance through changes in our capital structure, including a reduction in our leverage. After completion of this offering, the concurrent private placement and the formation transactions, we expect our ratio of debt to total market capitalization to be approximately 20.7% (counting series A preferred units as debt). Our total market capitalization is defined as the sum of the market value of our outstanding common stock (which may decrease, thereby increasing our debt to total capitalization ratio), including restricted stock that we may issue to certain of our directors and executive officers, plus the aggregate value of common units not owned by us, plus the liquidation preference of outstanding series A preferred units, plus the book value of our total consolidated indebtedness. Upon completion of this offering, the concurrent private placement and the formation transactions, we expect to have approximately $19.6 million of available cash (excluding $11.0 million in reserves relating to the build-out and lease-up of the 875 Howard Street property, determined as

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of June 9, 2010, and assuming no exercise of the underwriters overallotment option). In addition, the lead arrangers for our secured credit facility have secured commitments that will allow borrowings of up to $200 million, of which we expect approximately $77 million to be available to us upon consummation of this offering. We intend to use the secured credit facility, among other things, to finance the acquisition of other properties, to provide funds for tenant improvements and capital expenditures and to provide for working capital and other corporate purposes.

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

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

We believe that, upon the completion of this offering, and as a publicly traded REIT, we will have access to multiple sources of capital to fund our long-term liquidity requirements, including the incurrence of additional debt and the issuance of additional equity. However, as a new public company, we cannot assure you that this will be the case. Our ability to incur additional debt will be dependent on a number of factors, including our degree of leverage, the value of our unencumbered assets and borrowing restrictions that may be imposed by lenders. Our ability to access the equity capital markets will be dependent on a number of factors as well, including general market conditions for REITs and market perceptions about our company.

***Consolidated Indebtedness to be Outstanding after this Offering***

Upon completion of this offering, the concurrent private placement and the formation transactions, we expect to have approximately $94.3 million of outstanding consolidated indebtedness, of which we expect approximately $37.0 million, or 39.2%, will be variable rate debt, subject to an interest rate swap on the LIBOR portion of the interest rate to a fixed rate of 0.75%.

The following table sets forth information as of March 31, 2010 (on a pro forma basis and not including fair value adjustments) with respect to the indebtedness that we expect will be outstanding upon completion of this offering and the formation transactions.

| Debt | Pro Forma Amount Outstanding | Interest Rate[(1)] | Annual Debt Service | Maturity Date | Balance at Maturity |
|---|---|---|---|---|---|
| Mortgage loan secured by Sunset Bronson | $ 37,000,000 | LIBOR + 3.65% | $ 2,325,860 | 05/30/10[(2)] | $ 37,000,000 |
| Mortgage loan secured by First Financial | $ 43,000,000 | 5.34% | $ 2,328,090 | 12/01/11 | $ 43,000,000 |
| Mortgage loan secured by Tierrasanta | $ 14,300,000 | 5.62% | $ 814,820 | 12/01/11 | $ 14,300,000 |
| Secured Revolving Credit Facility | 0 | LIBOR + 3.25% 4.00% | | / /13 | |

(1) Interest with respect to the indebtedness is calculated on the basis of a 360-day year for the actual days elapsed. The indebtedness encumbering the Sunset Bronson property is floating rate indebtedness, subject to a collar on the LIBOR portion of the interest rate of not less than 2.55% and no greater than 3.87% until June 1, 2010. Its interest rate above is calculated based on one-month LIBOR of 2.55%, which exceeded the one-month LIBOR as of March 31, 2010 of 0.25%. From and after June 1, 2010, the applicable interest rate must be at least 5.90% per annum, unless a hedge arrangement is entered into in connection with the extension of the loan. We entered into a new secured hedge arrangement in connection with the extension of the Sunset Bronson loan, which swapped one-month LIBOR to a fixed rate of 0.75%.

(2) Management has executed an agreement with the current lenders to extend the maturity date under this loan to April 30, 2011, conditioned upon the completion of this offering and certain other customary conditions with respect to loan transactions, including the payment of an extension fee.

*Description of Certain Debt*

The following is a summary of the material provisions of the loan agreements evidencing our material debt to be outstanding upon the closing of this offering and the consummation of the formation transactions. The following is only a summary and it does not include all of the provisions of such agreements, copies of which are filed as exhibits to the registration statement of which this prospectus is a part. See Where You Can Find More Information.

*Mortgage Loan Secured by Sunset Bronson*

The Sunset Bronson property (other than the Sunset Bronson Lot A land asset) will be subject to senior mortgage debt in a principal amount of $37.0 million, which is currently held by Wachovia Bank, National Association.

*Maturity and Interest*. Management has executed an agreement with the current lenders to extend the maturity date under this loan to April 30, 2011, conditioned upon the completion of this offering and certain other customary conditions with respect to loan transactions, including the payment of an extension fee. The maturity date may be further extended by up to an initial period of 13 months and a subsequent period of 12 months, in each case upon the satisfaction of certain conditions (including the satisfaction of a debt service ratio of at least 1.35 to 1.00 and a loan-to-value ratio based on appraisal value of not greater than 48%) and the payment of an extension fee for each extension equal to 0.25% of the sum of the outstanding loans and undisbursed commitment amount. The loan bears interest at a rate per annum equal to the 30-day LIBOR, plus 3.65%. Currently, the loan is subject to a collar on the LIBOR portion of the interest rate of no greater than 3.87% or less than 2.55% until June 1, 2010. From and after June 1, 2010, the applicable interest rate must be at least 5.90% per annum, unless a hedge arrangement is entered into in connection with the extension of the loan. We entered into a new secured hedge arrangement in connection with the extension of the Sunset Bronson loan, swapping one-month LIBOR to a fixed rate of 0.75%. The interest rate swap is secured by the mortgage on the Sunset Bronson property.

*Security*. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust lien on the Sunset Bronson property (other than the Sunset Bronson Lot A land asset), a security interest in all personal property used in connection with that property and an assignment of all leases and rents relating to the property. The loan is guaranteed by Hudson Sunset Gower, LLC, a Delaware limited liability company, for customary non-recourse carve-out purposes. We expect to replace Hudson Sunset Gower, LLC as the guarantor in connection with the closing of this offering and the consummation of the formation transactions.

*Prepayment*. The loan may be voluntarily prepaid without penalty or premium in minimum aggregate amounts of $1.0 million.

*Events of Default*. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing and securing the loan, cross defaults to other material debt and bankruptcy or other insolvency events, as well as termination of the parking lot lease with respect to the Sunset Bronson Lot A land asset. We expect to hold (directly or indirectly through our operating partnership s wholly owned subsidiaries) the lessor and lessee interests under this parking lot lease in connection with the closing of this offering and the consummation of the formation transactions.

*Mortgage Loan Secured by First Financial*

The First Financial Plaza property is subject to senior mortgage debt in a principal amount of $43.0 million, which is currently held by SunAmerica Life Insurance Company.

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*Maturity and Interest*. The loan has a maturity date of December 1, 2011, which date may be extended for an additional five years upon modified terms at the option of the lender if the borrower fails to repay all amounts due at maturity. The loan bears interest at a fixed rate per annum of 5.34%.

*Security*. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust lien on the First Financial Plaza property, a security interest in all personal property used in connection with the First Financial Plaza property and an assignment of all leases and rents relating to the property. In the event that the debt service coverage of the borrower falls below a defined threshold, the borrower will become subject to a cash management and lockbox arrangement.

*Prepayment*. The loan may be voluntarily prepaid in full upon 30 days advance notice with a prepayment premium equal to the greater of (i) 1% of the outstanding principal amount or (ii) the present value of all scheduled payments of principal and interest remaining under the promissory note, discounted at a rate, when compounded monthly, equal to the semi-annual yield on U.S. Treasuries with maturities equivalent to the maturity of the loan, less the amount of principal being prepaid, calculated as of the prepayment date. The prepayment premium does not apply to payments made during the 90-day period immediately prior to the maturity date. Partial voluntary prepayments are not permitted.

*Events of Default*. The promissory note contains customary events of default, including defaults in the payment of principal or interest and defaults in compliance with the covenants contained in the documents evidencing and securing the loan. We, the borrower and the operating partnership are furthermore prohibited from consummating certain transfers and/or transactions without the consent of the lender unless certain conditions are satisfied, including the condition that the individuals comprising a majority of the board of directors are continuing directors, i.e., either those individuals who were (i) members of our board of directors, as of the closing of this offering, or (ii) were nominated for membership on the board of directors or affirmatively endorsed for membership on the board of directors by at least a majority of the then continuing directors (including any director that qualifies as such pursuant to this clause (ii)).

*Mortgage Loan Secured by Tierrasanta*

The Tierrasanta property is subject to senior mortgage debt in a principal amount of $14.3 million, which is securitized debt that is currently held by Wells Fargo Bank, N.A., as Trustee for the Registered Holders of CD 2007-CD4 Commercial Mortgage Pass-Through Certificates.

*Maturity and Interest*. The loan has a maturity date of December 1, 2011, and bears interest at a rate per annum of 5.62%.

*Security*. The loan was made to a single borrower subsidiary, and is secured by a first-priority deed of trust lien on the Tierrasanta property, a security interest in all personal property used in connection with the Tierrasanta property and an assignment of all leases, rents and security deposits relating to the property.

*Prepayment*. The loan may be voluntarily defeased in whole or in part, subject to satisfaction of customary defeasance requirements in effect for a prepayment prior to June 1, 2011, at which time the loan may be voluntarily prepaid without penalty or premium.

*Events of Default*. The loan agreement contains customary events of default, including defaults in the payment of principal or interest, defaults in compliance with the covenants contained in the documents evidencing the loan and bankruptcy or other insolvency events.

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*Secured Revolving Credit Facility*

A group of lenders for which an affiliate of Barclays Capital Inc. will act as administrative agent and joint lead arranger and affiliates of Merrill Lynch, Pierce, Fenner & Smith Incorporated will act as syndication agent and joint lead arranger have provided commitments for a secured revolving credit facility allowing borrowings of up to $200 million. We expect the facility to have a term of three years. We also expect the facility to have an accordion feature that may allow us, during the first two years of the term, to increase the availability thereunder by $50 million to $250 million. We intend to use this facility principally to refinance existing debt, fund acquisitions, redevelop and expand current properties and for other general corporate purposes. We expect approximately $77 million to be available to us under the secured revolving credit facility upon consummation of this offering.

The secured revolving credit facility is expected to bear interest at the rate of LIBOR plus a margin of 325 basis points to 400 basis points, depending on our leverage ratio, provided that LIBOR is subject to a floor of 1.50%. The amount available for us to borrow under the facility will be subject to the lesser of a percentage of the appraisal value of our properties that form the borrowing base of the facility and a minimum implied debt service coverage ratio.

Our operating partnership s ability to borrow under this secured revolving credit facility will be subject to our ongoing compliance with a number of customary restrictive covenants, including:

- a maximum leverage ratio (defined as consolidated total indebtedness to total asset value) of 0.60 : 1.00,
- a minimum fixed charge coverage ratio (defined as consolidated earnings before interest, taxes, depreciation and amortization to consolidated fixed charges) of 1.75 : 1.00,
- a maximum consolidated floating rate debt ratio (defined as consolidated floating rate indebtedness to total asset value) of 0.25 : 1.00,
- a maximum recourse debt ratio (defined as recourse indebtedness other than indebtedness under the revolving credit facility but including unsecured lines of credit to total asset value) of 0.15 : 1.00, and
- a minimum tangible net worth equal to at least 85% of our tangible net worth at the closing of this offering plus 75% of the net proceeds of any additional equity issuances.

Under the secured revolving credit facility, our distributions may not exceed the greater of (i) 95.0% of our FFO or (ii) the amount required for us to qualify and maintain our status as a REIT. If a default or event of default occurs and is continuing, we may be precluded from making certain distributions (other than those required to allow us to qualify and maintain our status as a REIT).

We expect that we and certain of our subsidiaries will guarantee the obligations under the revolving credit facility and that we and certain of our subsidiaries will pledge specified assets (including real property), stock and other interests as collateral for the revolving credit facility obligations.

The commitments are subject to closing conditions that are expected to include, among other things, satisfactory review by lenders of appraisals, environmental reports, engineering reports and seismic reports, successful completion of this offering, absence of material adverse effect, payment of fees, and the negotiation, execution and delivery of definitive documentation satisfactory to Barclays Bank PLC and the other lenders. There can be no assurance that all of the closing conditions will be satisfied.

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**Contractual Obligations**

The following table provides information with respect to our commitments at December 31, 2009 on a pro forma basis to reflect the obligations we expect to have upon completion of this offering and the formation transactions, including any guaranteed or minimum commitments under contractual obligations. The table does not reflect available debt extensions.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| **Contractual Obligation** | **Total** | **Less than 1 year** | **1-3 years** | **3-5 years** | **More than 5 years** |
| Principal payments on mortgage loans[1] | $ 94,300,000 | $ 37,000,000[2] | $ 57,300,000 | $ | $ |
| Interest payments[1][3] | 13,970,599 | 5,468,770 | 5,206,861 | 3,294,968 | |
| Operating leases | 611,635 | 383,771 | 211,632 | 16,232 | |
| Tenant-related commitments | 2,295,919 | 2,295,919 | | | |
| Ground leases[4] | 9,105,340 | 181,201 | 362,402 | 362,402 | 8,199,335 |
| **Total:** | $ 120,283,493 | $ 45,329,661 | $ 63,080,895 | $ 3,673,602 | $ 8,199,335 |

(1) Does not include potential payments of principal or interest under our secured credit facility, as no amounts were outstanding as of December 31, 2009 or are expected to be drawn as of the offering.

(2) Management has executed an agreement with the current lenders to extend the maturity date under this loan to April 30, 2011, conditioned upon the completion of this offering and certain other customary conditions with respect to loan transactions, including the payment of an extension fee.

(3) Interest with respect to the indebtedness is calculated on the basis of a 360-day year for the actual days elapsed. The indebtedness encumbering the Sunset Bronson property is floating rate indebtedness, subject to a collar on the LIBOR portion of the interest rate of not less than 2.55% and no greater than 3.87% until June 1, 2010. Its interest above is calculated based on one-month LIBOR floor of 2.55%, which exceeded the one-month LIBOR as of December 31, 2010 of 0.23%. From and after June 1, 2010, the applicable interest rate must be at least 5.90% per annum, unless a hedge arrangement is entered into in connection with the extension of the loan. We entered into a new secured hedge arrangement in connection with the extension of the Sunset Bronson loan, swapping one-month LIBOR to a fixed rate of 0.75%.

(4) Reflects current annual base rents of $181,200 and $1 under the Sunset Gower and Del Amo Office ground leases expiring March 31, 2060, and June 30, 2049, respectively. Assumes Sunset Gower ground rent is fixed at the current rent, although such ground rent is subject to periodic fair market value adjustments.

**Off Balance Sheet Arrangements**

At March 31, 2010, we did not have any off-balance sheet arrangements.

**Interest Rate Risk**

FASB ASC Topic 815, Derivative and Hedging, requires us to recognize all derivatives on the balance sheet at fair value. Derivatives that do not qualify as hedges must be adjusted to fair value and the changes in fair value must be reflected as income or expense. If the derivative qualifies as a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income, which is a component of stockholders equity. The ineffective portion of a derivative s change in fair value is immediately recognized in earnings. As of March 31, 2010, our existing investments in interest rate collar and interest rate cap contracts do not qualify as effective hedges, and as such, the changes in such contracts fair market values are being recorded in earnings. Our predecessor recognized gains relating to the fair market value change of their interest rate contracts of $(0.2) million and $(0.4) million, respectively, for the three months ended March 31, 2010 and the year ended December 31, 2009.

We intend to enter into or transfer existing interest rate contracts that will effectively hedge in part our variable rate debt from future changes in interest rates. We expect these interest rate contracts to qualify for cash flow hedge accounting treatment under FASB ASC Topic 815, and as such, all future changes in fair value of the new interest rate contracts for periods after this offering will be recognized in other comprehensive income until

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the hedged item is recognized in earnings. Any ineffective portion of the new interest rate contracts change in fair value is immediately recognized in earnings.

As of March 31, 2010, we had $152.0 million of debt subject to interest rate contracts with a net fair value of $(0.2) million.

Subsequent to March 31, 2010, we entered into an interest rate swap with respect to $37.0 million notional principal amount of indebtedness, swapping one-month LIBOR to a fixed rate of 0.75%. The interest rate swap is secured by the mortgage on the Sunset Bronson property.

**Cash Flows**

***Comparison of three months ended March 31, 2010 to three months ended March 31, 2009***

Cash and cash equivalents were $4.5 million and $7.3 million at March 31, 2010 and 2009, respectively.

Net cash provided by operating activities increased by $0.2 million to $1.9 million for the three months ended March 31, 2010 compared to $1.7 million provided by operating activities for the three months ended March 31, 2009. The increase was primarily due to the increase in net income for the three months ended March 31, 2010 compared to net income for the three months ended March 31, 2009 and an increase in prepaid expenses and accrued liabilities, which was partially offset by a decrease in accounts payable and accrued liabilities.

Net cash used in investing activities decreased $1.2 million to $0.7 million for the three months ended March 31, 2010 compared to $1.9 million for three months ended March 31, 2009. The decrease was primarily due to a decrease in investments in real estate, primarily as a result of capital investments associated with the Technicolor Building in the three months ended March 31, 2009, with less comparable activity during the three months ended March 31, 2010.

Net cash provided by financing activities decreased $1.6 million to $1.0 million for the three months ended March 31, 2010 compared to $2.6 million for the three months ended March 31, 2009. The decrease was due to a decrease in net contributions by members of $1.6 million for capital investments associated with the Technicolor Building.

***Comparison of year ended December 31, 2009 to year ended December 31, 2008***

Cash and cash equivalents were $2.3 million and $5.0 million at December 31, 2009 and 2008, respectively.

Net cash used in operating activities increased by $19.9 million to $0.1 million for the year ended December 31, 2009 compared to $19.8 provided by operating activities for the year ended December 31, 2008. The increase was primarily due to (i) the receipt of $16.3 million of pre-paid rent from KTLA in the year ended December 31, 2008 with no comparable activity in the year ended December 31, 2009, and (ii) an increase in accounts payable and accrued liabilities primarily associated with the placing into service of the Technicolor Building in June 2008.

Net cash used in investing activities decreased $170.9 million to $7.5 million for the year ended December 31, 2009 compared to $178.4 million for the year ended December 31, 2008. The decrease was primarily due to (i) $192.5 million of additions to investments in real estate properties in the year ended December 31, 2008 as a result of the acquisition of Sunset Bronson and City Plaza properties compared to $7.6 million of additions to investments in real estate in the year ended December 31, 2009 primarily as a result of capital investments associated with the Technicolor Building, (ii) $11.4 million of proceeds from sale of lot in the year ended December 31, 2008 with no comparable activity in the year ended December 31, 2009, and

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(iii) restricted cash inflow of $2.6 million in the year ended December 31, 2008 as a result of the reduction of the restricted cash required for the Sunset Bronson Note payable, with no comparable activity in the year ended December 31, 2009.

Net cash provided by financing activities decreased $158.5 million to $4.9 million for the year ended December 31, 2009 compared to $163.5 million for the year ended December 31, 2008. The decrease was primarily due to (i) decrease in net contributions by members of $142.4 million from $147.9 million for the year ended December 31, 2008 as a result of the acquisition of Sunset Bronson and City Plaza properties compared to $5.5 million for the year ended December 31, 2009 primarily as a result of capital investments associated with the Technicolor Building, (ii) proceeds from notes payable of $41.6 million for Sunset Bronson and net repayments of notes payable of $23.9 million for Sunset Gower in the year ended December 31, 2008 with no comparable activity during the year ended December 31, 2009, and (iii) payment of $0.6 million of loan costs associated with the extension of the note payable on Sunset Gower in the year ended December 31, 2009 compared to $2.2 million of loan costs associated with the Sunset Bronson note payable in the year ended December 31, 2008.

***Comparison of year ended December 31, 2008 to period ended December 31, 2007***

Cash and cash equivalents were $5.0 million and $0.1 million, at December 31, 2008 and 2007, respectively.

Net cash provided by operating activities increased $24.7 million to $19.8 million for the year ended December 31, 2008 compared to $4.9 million used in operating activities for the period ended December 31, 2007. The increase was primarily due to (i) the receipt of $16.3 million of pre-paid rent from KTLA in the year ended December 31, 2008 with no comparable activity in the period ended December 31, 2007, (ii) partially offset with an increase in cash interest payments for the year ended December 31, 2008 largely due to the financing of Sunset Bronson in May 2008, and (iii) fluctuations in operating assets and liabilities and due to the fact that the period ended December 31, 2007 reflect five months of operations compared to a full year for 2008.

Net cash used in investing activities decreased $13.9 million to $178.4 million for the year ended December 31, 2008 compared to $192.3 million for the period ended December 31, 2007. The decrease was primarily due to (i) $192.5 million of additions to investments in real estate properties in the year ended December 31, 2008 as a result of the acquisition of Sunset Bronson and City Plaza properties as well as the development costs related to the Technicolor Building compared to $192.3 million of additions to investments in real estate in the period ended December 31, 2007 as a result of the acquisition of Sunset Gower in August 2007, (ii) $11.4 million of proceeds from sale of lot in the year ended December 31, 2008 with no comparable activity in the period ended December 31, 2007, and (iii) an increase in restricted cash inflow of $2.6 million in the year ended December 31, 2008 as a result of the reduction of the restricted cash required for the Sunset Bronson Note payable, with no comparable activity in the period ended December 31, 2007.

Net cash provided by financing activities decreased $33.9 million to $163.5 million for the year ended December 31, 2008 compared to $197.3 million for the period ended December 31, 2007. The decrease was primarily due to (i) proceeds from notes payable of $41.6 million for Sunset Bronson and net payments of notes payable of $23.9 million for Sunset Gower in the year ended December 31, 2008, compared to $134.3 million of proceeds from notes payable in connection with the August 2007 acquisition of Sunset Gower for the period ended December 31, 2007, (ii) partially offset by an increase in net contributions by members of $82.4 million to $147.9 million for the year ended December 31, 2008 compared to $65.5 million for the period ended December 31, 2007.

**Funds from Operations**

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

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by NAREIT as net income (loss) (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciable operating property, plus depreciation and amortization of real estate assets (excluding amortization of deferred financing costs), and after adjustments for unconsolidated partnerships and joint ventures.

FFO is a supplemental non-GAAP financial measure. Management uses FFO as a supplemental performance measure because it believes that FFO is beneficial to investors as a starting point in measuring our operational performance. Specifically, in excluding real estate related depreciation and amortization and gains and losses from property dispositions, which do not relate to or are not indicative of our operating performance, FFO 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. In addition, 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 not be considered as an alternative to net income available to common stockholders (determined in accordance with GAAP) as an indicator of our financial performance. While management believes that FFO is an important supplemental non-GAAP financial measure, management believes it is also important to stress that FFO should not be considered as an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity. Further, FFO is not necessarily indicative of sufficient cash flow to fund all of our cash needs, including our ability to service indebtedness or make distributions.

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 | |
|---|---|---|
| | Three Months Ended March 31, 2010 | Year Ended December 31, 2009 |
| | (In thousands) | |
| Net income | $ 485 | $ (1,166) |
| Adjustments: | | |
| Distribution to preferred non-controlling partnership interest | (195) | (780) |
| Distribution to restricted shares | (24) | (97) |
| Real estate depreciation and amortization | 3,748 | 15,650 |
| Funds from operations before non-controlling interest | $ 4,014 | $ 13,607 |

**Inflation**

Substantially all of our office leases provide for separate real estate tax and operating expense escalations. In addition, most of the leases provide for fixed rent increases. We believe that inflationary increases may be at least partially offset by the contractual rent increases and expense escalations described above.

**Recent Accounting Pronouncements**

In April 2009, the FASB issued additional disclosure provisions of ASC 825-10, *Financial Instruments Overall*, or ASC 825-10 (previously Statement of Financial Accounting Standards, or SFAS, 161). ASC 825-10 requires disclosures about fair value of financial instruments for interim reporting periods of

publicly traded companies in addition to the annual financial statements. ASC 825-10 is effective for interim periods ending after June 15, 2009. Prior period presentation is not required for comparative purposes at initial adoption. The adoption of ASC 825-10 on June 30, 2009 did not have a material impact on our consolidated financial position or results of operations.

In May 2009, the FASB issued ASC 855, *Subsequent Events*, or ASC 855 (previously SFAS 165). ASC 855 provides general guidelines to account for the disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. These guidelines are consistent with current accounting requirements, but clarify the period, circumstances, and disclosures for properly identifying and accounting for subsequent events. ASC 855 is effective for interim periods and fiscal years ending after June 15, 2009. The adoption of ASC 855 on June 30, 2009 did not have a material impact on our combined financial position or results of operations.

In June 2009, the FASB Accounting Standards Codification, or the Codification, was issued in the form of ASC 105, *Generally Accepted Accounting Principles*, or ASC 105 (previously SFAS 168). Upon issuance, the Codification became the single source of authoritative, nongovernmental GAAP. The Codification reorganized GAAP pronouncements into accounting topics, which are displayed using a single structure. Certain SEC guidance is also included in the Codification and will follow a similar topical structure in separate SEC sections. ASC 150 is effective for interim periods and fiscal years ending after September 15, 2009. The adoption of the Codification on September 30, 2009 did not have a material impact on our combined financial position or results of operations.

**Quantitative and Qualitative Disclosures about Market Risk**

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

As of March 31, 2010, we had an interest rate collar in place with respect to the $37.0 million loan relating to the Sunset Bronson property. The interest rate collar had a LIBOR floor of 2.55%. As of March 31, 2010, LIBOR was 0.25%. Therefore, if LIBOR were to either increase or decrease by 10%, or approximately 2.5 basis points as of March 31, 2010, the resulting increase or decrease in interest expense would have had no impact on our future earnings and cash flows as the resulting LIBOR would have remained below the 2.55% floor under the interest rate collar in effect through May 31, 2010. From and after June 1, 2010, the applicable interest rate must be at least 5.90% per annum or LIBOR plus 365 basis points, unless a hedge arrangement is entered into in connection with the extension of the Sunset Bronson loan. We recently entered into a new secured hedge arrangement in connection with the extension of the Sunset Bronson loan pursuant to which we swapped one-month LIBOR to a fixed rate of 0.75%, which effectively results in a 4.40% fixed rate on the Sunset Bronson loan.

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

As of March 31, 2010, on a pro forma basis, our total outstanding debt was approximately $94.3 million, which was comprised of $37.0 million of variable rate secured mortgage loans subject to the interest rate collar described above and $57.3 million of fixed rate secured mortgage loans. As of March 31, 2010, the fair value of our pro forma fixed rate secured mortgage loans was approximately $56.7 million.

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## INDUSTRY BACKGROUND AND MARKET OPPORTUNITY

*Unless otherwise indicated, all information in this Industry Background and Market Opportunity section is derived from the market studies prepared by RCG.*

### Overview

We believe that the current dislocation in the commercial real estate capital markets and corresponding depressed real estate operating fundamentals will provide us with an opportunity to acquire assets in our target markets that generate attractive risk-adjusted returns and expand our initial portfolio.

Prior to the summer of 2007, real estate values increased dramatically, fueled by improving operating fundamentals as well as readily available and historically inexpensive debt and equity capital. Asset level debt financing, principally in the form of mortgages that were ultimately sold in the commercial mortgage backed securities market, was widely accessible at historically attractive terms and high loan-to-value ratios, or LTVs. Unprecedented levels of transaction activity ensued, as investors aggressively pursued transactions with the expectation that strong underlying operating performance and access to inexpensive debt and equity capital would be sustainable in the long term. According to RCG, $502.3 billion of transactions occurred nationally at the peak of the real estate cycle in 2007, representing the purchase and sale of 19,446 properties. This included over $206.2 billion of office transactions, with a disproportionate share of institutional quality deals being transacted by financial sponsors utilizing high leverage to finance the acquisitions.

The onset of the credit crunch in the summer of 2007 and subsequent deterioration in operating fundamentals caused significant disruption within the commercial real estate capital markets. As a result of the substantial contraction in the credit market, there are fewer lenders making commercial real estate loans than before, and such lenders are charging higher interest rates and invoking stricter lending standards in the form of lower LTVs and higher debt service coverage ratios. In addition, property fundamentals have deteriorated due to the recent recession, resulting in decreased property level cash flow. The combination of these factors has resulted in a challenging refinancing environment, lower asset valuations and significantly lower asset transaction volumes, all of which have created stress on property owners, many of whom borrowed prior to the credit crunch. According to RCG, transaction volume for 2009 was $53.7 billion, down from over $502.3 billion in 2007. Office transactions for 2009 totaled only $15.6 billion and the volume of distressed commercial assets across property types grew to $181.9 billion by the end of 2009, marking a more than two and a half times increase year-over-year. Office properties comprised 15.3% of the volume of distressed assets, or $27.5 billion.

We believe current market conditions will present an attractive investment environment for well-capitalized buyers for the next several years. First, upcoming debt maturities and property-level capital expenditures will force undercapitalized owners to sell over-leveraged assets. RCG estimates that approximately $195 billion in commercial mortgages will mature in 2010, increasing to approximately $220 billion in 2011 and peaking at approximately $225 billion in each of 2012 and 2013. Second, weak operating fundamentals on over-leveraged assets will result in asset-level operating distress and subsequent foreclosures by lenders. According to RCG, Fitch Ratings reported a delinquency rate of 6.3% in February 2010 in its U.S. CMBS portfolio, representing $28.5 billion in unpaid principal balances. Additionally, the delinquency rate on bank debt, primarily construction and development loans, rose to 15.6% as of December 2009 as compared to 8.8% a year earlier. We believe lenders will seek to monetize these real estate assets quickly following transfer of title. Third, competition for real estate acquisitions has diminished as many prospective buyers have exited the market due to capital constraints and a focus on managing legacy assets. Also, many investment funds that were responsible for a disproportionate share of acquisition activity in the 2003-2007 period, are now seeking liquidity as the lives of their investment vehicles expire. Finally, given the capital-intensive nature of operating office properties, we believe well-capitalized owners will have an advantage in attracting new tenants relative to owners with higher leverage, which will result in superior operating results.

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***California Opportunity***

We believe that California s dynamic, diversified and cyclical economy, coupled with the current weakness in the California real estate market, creates attractive opportunities to acquire properties at significant discounts to intrinsic value and benefit from the anticipated economic recovery.

According to RCG, California s economy produced $1.8 trillion in goods and services in 2008, making it the world s eighth largest economy, ahead of entire countries such as Russia, Spain, Brazil and Canada. The state s non-farm labor force totaled more than 13.8 million people as of December 2009, accounting for more than one out of every ten jobs in the country. California s economy is anchored by a strong mix of innovative industries, including high technology, media and entertainment, bio technology, clean energy and healthcare, which RCG believes will drive a strong recovery. According to RCG, California is a global leader in the technology industry with more than one million jobs and many of the leading technology companies headquartered in the state. Additionally, California is a worldwide center for entertainment employment, with more than 228,500 people employed in the motion picture, sound and broadcasting industries and as independent artists, writers and performers as of 2008. Furthermore, a strong venture capital industry in California helps drive innovation and growth in all of the state s key sectors. According to RCG, California received approximately $2.5 billion of venture capital investments in the fourth quarter of 2009, or approximately 50% of all venture capital investment in the United States over that period.

According to RCG, California s employment will stabilize in 2010, with payrolls expected to remain virtually flat, and the growth rate expanding thereafter with 681,100 jobs created by 2014. Gross state product, or GSP, is expected to grow along with employment, with GSP expected to remain flat in 2010, to increase 1.5% in 2011 and achieve growth of 2.5% by 2014. According to RCG, the California economy is well-positioned over the longer term to outpace national gross domestic product, or GDP, growth as the California economy has historically outperformed the national economy following periods of recession or economic downturn, while its educated and entrepreneurial workforce, highly accredited university system, innovative industry clusters and temperate weather will lead to continued economic and population growth.

We believe that California presents a particularly unique and compelling market to capitalize on the dislocation in the commercial real estate markets. According to RCG, California had the highest number of distressed properties of any state in the country in September 2009, with 10,239 properties in distress, while RCG reported nearly $19.0 billion of distressed assets in the state, nearly $4.2 billion of which were office properties.

However, RCG believes that improving economic conditions will ultimately positively impact the demand for office space and result in improving commercial real estate market fundamentals. The recovery will also be supported by a limited supply of new commercial real estate, which is constrained in California due to limited availability of land, restrictive local entitlement processes and high building costs. Specifically, within our target markets of Silicon Valley, the East Bay, San Francisco, Los Angeles County, Orange County and San Diego County, RCG reports only 28 million square feet of new office space having been developed since 2005, out of an aggregate of 529 million square feet of office space, representing a 1.3% annual growth rate. We expect limited ground-up and rehabilitative office development in the next several years. RCG estimates new stock through 2014 will be limited to six million square feet, equating to a 0.7% cumulative growth rate and a 0.2% annual growth rate.

**Our Target Markets**

We will primarily target high-barrier-to-entry, in-fill locations in California markets with favorable, long-term supply-demand characteristics. Accordingly, our target markets include the largest metropolitan markets in California, specifically Los Angeles, Orange County, San Diego, San Francisco, Silicon Valley and the East Bay. Set forth below is a description of each of the aforementioned target markets.

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*Los Angeles*

*Economy.* We define the Los Angeles market as consisting solely of Los Angeles County. As of August 2009, this market had an estimated population of 10.2 million and supported approximately 3.9 million jobs. Los Angeles s diversified economy generated $513.6 billion of GDP in 2008, making it one of the largest economies in the world. Several industries are clustered in Los Angeles, including media and entertainment, trade and tourism. In particular, Los Angeles is the center of the entertainment industry for both film and television production in the United States. One out of 12 workers in Los Angeles County is tied to the entertainment industry. Additionally, media and new media businesses, such as video games and other forms of digital content production, are vital and growing elements of the local economy that leverage the proximity to the center of the traditional entertainment business for creative talent and financing. Wholesale trade is also a significant industry in the Los Angeles area, which is home to the largest port in the United States, the Long Beach and Los Angeles port complex, supporting a combined 496,000 jobs in the Southern California region.

Los Angeles has been affected by the recession as much as other cities and regions in the United States the unemployment rate exceeded 12.5% as of December 2009. However, the economy is expected to stabilize and begin to recover in 2010. RCG expects job declines to continue through 2010 at a decelerating pace, with employment gains resuming in 2011, accelerating from 0.8% to 1.6% in 2014.

*Overall Office Market.* The Los Angeles office market totals more than 180 million square feet. Office market conditions have softened throughout the region largely as a result of job losses that have reduced demand for office space and increased vacancies. However, recent construction activity remained subdued relative to the last upturn an average of 1.7 million square feet was delivered annually between 2007 and 2009 compared to an average of 2.6 million square feet from 1999 to 2002. Accordingly, operating fundamentals should recover more quickly than in previous recessions. The overall vacancy rate was approximately 17.0% as of the fourth quarter of 2009, below the peak in the prior two recessions. RCG projects vacancy rates to increase slightly in 2010 to 17.6% before decreasing to 13.4% in 2014. Additionally, rents declined approximately 6.9% during 2009 and RCG projects continued declines in 2010. However, RCG projects rents to increase an average of 3.4% per year from 2011 to 2014.

*Orange County*

*Economy*. Orange County is located directly south of Los Angeles County. It is the smallest county in Southern California and the most densely populated with a population of approximately 3.0 million and an employment base of more than 1.4 million as of December 2009. Several industries are concentrated in Orange County, including professional business and financial services. In addition, Orange County is a top tourist destination owing to the presence of the Disneyland theme park and a large number of beaches. Orange County

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has been and remains a highly desirable place to live and work, thereby attracting an affluent and highly educated workforce. According to RCG, more than 35% of the population of Orange County has a bachelor s degree, exceeding the national average of 28%.

Although the local economy has historically weathered economic downturns better than that of other economies in Southern California, Orange County was at the epicenter of the subprime mortgage industry. As a result, the market s economy suffered significantly from the housing downturn and the ensuing credit crisis and recession. As of December 2009, the unemployment rate was 9.8%, well above the local average of 4.7% since 1990. However, the economy has begun to stabilize, and RCG expects job growth to remain flat in 2010, but increase to the mid-1% range in 2012 and to 2.0% in 2014. RCG projects the unemployment rate to fall to 5.8% by 2013.

*Overall Office Market.* The Orange County office market is comprised of approximately 81 million square feet, with a majority of the space constructed after 1980 as low-to mid-rise buildings. The market has experienced weak demand given the soft economic conditions that prevail in the market. Additionally, more than 5.3 million square feet of space was constructed, much of it speculative, from 2006 to 2008 as the local economy grew rapidly in response to the housing boom. As a result, vacancy increased to 16.6% by December 2008 and vacancy has since increased to 20.2% as of December 2009, while rents declined 15.3% from the end of 2008 through December 2009. RCG projects that vacancy will increase to 21.1% in 2010 before decreasing to 15.6% by 2014. Meanwhile, RCG projects rental rates to decline by 5.3% in 2010 before beginning to increase in 2011, reaching a 6.0% annual growth rate by 2014. Overall, RCG believes that the Orange County office market will strengthen over the long term given the limited amount of developable land and continued population and economic growth.

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*San Diego*

*Economy.* San Diego has a diversified economy that supports approximately 1.2 million jobs. The biotechnology and high technology industries are important drivers of the local economy. According to RCG, San Diego possesses the most geographically dense cluster of biotechnology firms in the world, and ranked second in the nation for scientific research and development services in 2009. Additionally, the United States military, the government sector and aerospace and defense companies play a significant role in the San Diego economy. The military maintains 12 Navy and Marine bases in the region, which generated approximately 375,000 jobs and an estimated economic impact of $24.6 billion. During 2008, San Diego was estimated to have received the highest level of Department of Defense spending of any region in the United States.

San Diego s economy has historically outperformed the nation in terms of job creation, due to the diversified nature of the economy and continued population growth. Workers and employers alike are attracted to San Diego by its temperate weather, high quality of life and renowned research institutions and universities. However, similar to most markets in the country, the local economy was affected by the housing bust and recession, albeit less severely than other markets. RCG expects the economy to stabilize in 2010 with employment growth resuming in 2011, with an average annual increase of 1.6% from 2011 through 2014.

*Overall Office Market*. The San Diego office market totals approximately 55.9 million square feet, with approximately 9.6 million located downtown and the remaining 46.3 million located in the suburban submarkets. The weak economic conditions have led to soft operating fundamentals, which have been exacerbated by the construction of approximately 7.4 million square feet that occurred largely in the suburbs from 2005 through 2008. As a result, vacancy has increased to 21.3% by December 2009, with a 22.3% vacancy rate in the suburbs and a 16.6% vacancy rate downtown. RCG projects that vacancy will rise to 21.8% by December 2010 before decreasing to 12.2% by 2014. Meanwhile, RCG projects rental rates to decline by 3.5% in 2010 before resuming annual growth in 2011. RCG projects average annual rent growth of 4.4% from 2011 to 2014. Overall, RCG believes that the demand for office space in San Diego will remain healthy over the long term, driven by the diversified and high tech economy as well as the desirability of the region as a place to live and work.

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*San Francisco*

*Economy*. The San Francisco market, consisting of the City of San Francisco, together with San Mateo and Marin counties, had a population of approximately 1.8 million and a job base of approximately 934,000 as of December 2009. The economy is driven by professional services and an array of innovative growth industries, including high technology, biotechnology, clean technology, software development and multimedia design and production. The San Francisco region contains approximately 23.6% of the greater Bay Area s high technology employment, while the South San Francisco and Mission Bay submarkets have concentrations of biotechnology firms and research institutions including Amgen, Genentech, UC San Francisco and California Institute of Regenerative Medicine. Additionally, San Francisco is a major finance center on the West Coast, home to the San Francisco branch of the Federal Reserve, Wells Fargo and numerous other financial institutions.

San Francisco s economy has been affected by the credit crisis and national recession, although the region only began to feel the full effects in late 2008. A total of 44,000 jobs, or 4.6% of total employment, were lost in 2009. However, RCG believes that the economy stabilized as of late 2009 and job growth will begin again in 2010 with a projected 0.5% increase in employment. Thereafter, RCG projects a modest increase in job growth, averaging 1.3% annually from 2011 through 2014.

*Overall Office Market.* The San Francisco office market totals approximately 107.4 million square feet and consists of three primary submarkets: the central business district or CBD, the non-CBD and the Peninsula. The recession has led to significant job losses and a cutback in consumer spending in the region, which in turn has led to weakened office market fundamentals. However, despite the weak demand environment, the San Francisco office market has experienced limited new construction in recent years. As a result of high construction costs, limited availability of land and a regulatory regime that is relatively hostile to developers, only approximately 3.7 million square feet of new office space was constructed in the CBD over the past 15 years, while only 872,000 square feet was completed annually from 2005 to 2008 in the non-CBD submarkets. The limited new supply should help mitigate downturns and foster recoveries. As of December 2009, the vacancy rate was 15.5%, a 2.3% increase from December 2008, while asking rental rates had declined by approximately 25.9% over the same period. RCG projects that vacancy will decrease to 14.8% by the end of 2010, before gradually decreasing to 10.4% by 2014. Meanwhile, RCG projects asking rental rates to decline by 4.0% in 2010 before resuming annual growth in 2011, followed by an average annual rent growth of 5.4% from 2011 through 2014. Overall, RCG believes that the San Francisco office market will remain healthy over the long term, driven by limited new supply and expansion of employment in high-growth industries.

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*Silicon Valley*

*Economy.* The Silicon Valley market had a population of approximately 1.9 million as of 2009 and a job base of over 900,000 as of August 2009. According to RCG, Silicon Valley is the largest center of high technology employment in North America. The presence of world-class research institutions, such as Stanford University and University of California, Berkeley, combined with a vibrant venture capital industry, has fueled decades of innovation and growth, spawning many major technology companies, including Cisco Systems, Google, Intel, Hewlett-Packard, Oracle Sun Microsystems, and Yahoo, all of which continue to be based in the area.

The Silicon Valley economy is highly cyclical given its dependence on the high technology sector. Accordingly, the region experienced the adverse effects of the recent recession, which reduced consumer and corporate demand for high technology products and services. A total of 35,200 non-farm jobs, or 3.9% of total employment, were lost during 2009. However, RCG believes that the economy will generate 0.8% job growth in 2010, followed by a 1.1% increase in 2011 and continued modest increases through 2013. RCG believes that the Silicon Valley economy will perform well over the medium to long term given the confluence of several critical factors that have made the area an engine of innovation and growth, including its highly educated work force, proximity to several top tier research universities, robust venture capital industry and high quality of life.

*Overall Office Market.* The Silicon Valley office market features approximately 43.4 million square feet, the majority of which consists of low- and mid-rise buildings located in suburban submarkets geared toward high technology tenants. The major submarkets for high technology companies include suburban San Jose, Sunnyvale, Cupertino, Santa Clara and Mountain View. The weak economy has resulted in soft market fundamentals, which have been somewhat exacerbated by the 1.5 million square feet that was added to the inventory in 2009. As of December 2009, the vacancy rate was 22.8%. RCG projects that office market conditions will remain weak in the short term, given the estimated delivery of approximately 854,000 additional square feet during 2010. Vacancy is projected to increase to 22.4% in 2010, before gradually decreasing to 13.7% by 2014. Additionally, RCG projects asking rental rates to decline by 4.9% in 2010 before increasing by 1.5% in 2011, reaching 4.1% annual rent growth by 2014. In general, RCG has a positive outlook on the Silicon Valley office market over the long term, given continued support from federal government incentives and a robust venture capital industry that will finance growth in new businesses.

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*The East Bay*

*Economy.* The East Bay market is comprised of Alameda and Contra Costa counties and, as of 2009, had a population of approximately 2.5 million and an employment base of over 977,000. The East Bay has historically been a lower cost alternative to the San Francisco market with an economy driven by trade, government, and educational and health services. University of California, Berkeley, Kaiser Permanente, Safeway, the State of California and Alameda County are the five largest employers and, combined, employ approximately 7.0% of the East Bay s workforce. Additionally, the Port of Oakland, the fifth largest port in the United States, supports and generates, directly and indirectly, approximately 55,000 jobs and $7 billion of economic activity, respectively. Finally, the East Bay possesses several clusters of high growth businesses, including biotechnology firms such as Genentech and digital media firms such as Pixar.

The East Bay economy has historically performed relatively well during recessions given its large educational, government and healthcare sectors, which tend to be less prone to cyclical trends than high technology and other sectors that are prevalent in the greater Bay Area. However, the region has lost approximately 9.0% of its employment base between January 2008 and December 2009. As of December 2009, the area had an unemployment rate of 11.8%. RCG believes that the economy will begin to grow in 2010, with job growth accelerating to an average annual growth rate of 1.2% from 2011 to 2014. RCG believes that the East Bay economy is well positioned over the medium to long term given its diversified economic base together with its proximity to large clusters of high growth industries in Silicon Valley and San Francisco.

*Overall Office Market.* The East Bay office market contains approximately 59 million square feet. The market has historically been a lower cost alternative to San Francisco where a number of companies have housed their back-office operations. However, several large corporations maintain headquarters in the market, including Chevron, Clorox, Kaiser Permanente and Safeway. The contraction in employment in the region resulted in an increase in the vacancy rate to 18.7% as of December 2009, and a 12.1% decline in asking rental rates during 2009. RCG projects the vacancy rate to decrease to 18.5% by the end of 2010 and continue to decline through 2014. RCG projects a slow recovery in the East Bay office market as high growth companies seek lower cost space and a rebound in consumer and business spending lead to increased activity at the port. RCG projects that vacancy will decrease to 15.1% and annual rent growth to increase to 3.7% annually by 2014.

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## BUSINESS AND PROPERTIES

### Overview

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. Upon consummation of this offering and the formation transactions, we will own eight properties totaling approximately 2.0 million square feet, 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. Mr. Coleman co-founded Arden Realty, Inc. (NYSE: ARI), or Arden, in 1990 and served as President, Chief Operating Officer and Director after taking the company public on the NYSE in 1996. Arden was a publicly traded real estate investment trust, or REIT, engaged in owning, acquiring, managing, leasing, developing and renovating office properties located in Southern California. Mr. Stern, while serving as Senior Vice President and Chief Investment Officer of Arden, oversaw the expansion of the company s portfolio from 12 million square feet to approximately 20 million square feet and was responsible, together with other Arden personnel, for all acquisition, disposition, development and new investment activities. As senior members of Arden s management team, Messrs. Coleman and Stern were instrumental in helping Arden become one of the largest owners of office properties in Southern California. In May 2006, Arden was sold to GE Real Estate, a division of General Electric Capital Corporation, for $4.8 billion in total enterprise value, compared to an enterprise value of $583 million at the time of its initial public offering. An investment in the common stock of Arden at the time of its initial public offering until its final sale generated a total return to stockholders of approximately 338% per share for each share purchased at the initial public offering price of $20.00 per share (assuming reinvestment of all cash dividends since the initial public offering in 1996) compared to a total return of 263% for the MSCI US REIT Index over the same period.

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 identify and capitalize on attractively priced investment opportunities in the current distressed environment. We believe the current conditions of the financial markets have created significant dislocation between market and intrinsic value in office properties, thereby producing a favorable environment to acquire office properties. Specifically, we believe that given the current scarcity of available capital for commercial real estate, many California real estate owners will encounter increasing distress as they are required to refinance debt and may be forced to sell certain assets to remain solvent. In addition, we believe our senior management team s experience in the California office sector will position us to improve occupancy rates and operating performance in our initial portfolio, as well as at any newly acquired properties, as the California economy and the real estate markets begin to recover.

We plan to focus our investment strategy on office properties located in submarkets with growth potential as well as on underperforming properties or portfolios 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.

Upon consummation of this offering and the formation transactions, our initial portfolio will consist of six office properties totaling approximately 1.2 million square feet, which were approximately 79.1% leased as of March 31, 2010 (or 85.7%, giving effect to leases signed but not commenced as of that date), and two

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state-of-the-art media and entertainment properties comprising approximately 544,763 square feet of office and support space and approximately 312,669 square feet of sound-stage production facilities. We also own 1.85 acres of undeveloped land adjacent to our media and entertainment properties, which together with redevelopment opportunities at our media and entertainment properties, could support over one million square feet of additional office and support space. In addition, our City Plaza property is subject to a development agreement that, subject to the payment of certain fees and the satisfaction of other conditions, permits the development of an additional 360,000 square foot building and parking structure. 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.

Our initial portfolio consists of assets contributed by entities owned by Hudson Capital, LLC, the Farallon Funds, the Morgan Stanley Investment Partnership and third parties. We believe our long-standing relationships with our contributors, as well as with other real estate companies, financial institutions and local operators, will enhance our access to capital and ability to source leasing and acquisition opportunities. We have access to and are actively pursuing a pipeline of potential acquisitions consistent with our investment strategy. In addition, we expect our tenant relationships with leading media, entertainment, professional and financial services firms, such as NBC/Universal, CBS Studios, ABC Studios, 20th Century Fox, Technicolor, Saatchi & Saatchi, Bank of America Merrill Lynch and U.S. Bank will allow us to maintain above average occupancy levels as compared to others in our target markets.

We intend to elect to be taxed and to operate in a manner that will allow us to qualify as a REIT for federal income tax purposes commencing with our taxable year ending December 31, 2010. We will conduct substantially all of our business through our operating partnership, of which we will serve as the sole general partner and own approximately 87.8% of the outstanding common units therein.

## Our Competitive Strengths

We believe the following competitive strengths distinguish us from other owners and operators of office properties and will 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 the commercial real estate industry, with a focus dedicated exclusively to owning, acquiring, developing, operating, financing and selling office properties in California. In particular, Messrs. Coleman and Stern, who have worked together for approximately 10 years through all stages of the real estate market cycle, have overseen the acquisition and operation of more than 20 million square feet, with an aggregate purchase price in excess of $10 billion. A significant portion of our senior management team s experience was acquired while operating Arden, which they helped grow from an enterprise value of approximately $583 million at its initial public offering in October 1996 to approximately $4.8 billion in 2006, when Arden was sold to GE Real Estate, a division of General Electric Capital Corporation, near the peak of the real estate market.

- ***Committed and Incentivized Management Team***. Our senior management team will be dedicated to our successful operation and growth, with no real estate business interests outside of our company. Additionally, upon completion of this offering and consummation of the concurrent private placement and the formation transactions, our senior management team will own approximately 3.9% 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 will primarily focus on acquiring and managing office properties in Northern and Southern California, where our senior management has significant expertise and relationships. According to RCG, California has historically experienced strong rebounds in its real estate market after prior recessions, as demand for commercial real estate in California is driven by its dynamic, innovative and diversified economy that RCG believes will continue to grow and create demand for office space over the long term. California outpaced the rate of national job creation during several cycles, including the periods following the mid-1970s recession, the late 1980s recession, and during the late 1990s. Additionally, many of California s leading markets are supply-constrained as a result of the scarcity of available land, high construction costs and restrictive entitlement processes, which we believe have helped drive strong rebounds in the California real estate market after prior recessions. We believe our experience, in-depth market knowledge and meaningful industry relationships with brokers, tenants, landlords, lenders and other market participants enhances our ability to identify and capitalize on attractive acquisition opportunities, particularly those that arise in California.

***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 will provide us access to an ongoing pipeline of attractive acquisition opportunities and additional growth capital, both of which may not be available to our competitors. For example, our relationships with two leading investment management firms, Farallon, affiliates of which are contributing assets in conjunction with this offering, and Morgan Stanley, which manages certain funds that own the general partner of an investment vehicle that is likewise contributing assets in conjunction with this offering, will provide us with critical market intelligence, future acquisition opportunities and potential joint venture partners. Additionally, we focus on establishing strong relationships with our tenants in order to understand their long-term business needs, which we believe will enhance our ability to retain quality tenants, facilitate our leasing efforts and maximize cash flows from our properties.

***Growth-Oriented, Flexible and Conservative Capital Structure***. We expect to be well-capitalized following the completion of this offering and the concurrent private placement. We will have cash on hand and expect to enter into a $200 million secured credit facility, which together with our available cash, should give us a significant amount of capital to pursue acquisitions and execute our growth strategy. Upon completion of this offering and the concurrent private placement, we will have approximately $94.3 million of debt outstanding, with approximately $57.3 million maturing in 2011, which will permit management to focus on our business and growth strategies rather than on balance sheet repair. Upon the completion of this offering and the concurrent private placement, we will have an initial debt-to-market capitalization ratio (counting series A preferred units as debt) of approximately 20.7%, which is substantially lower than that of many of our office REIT peers. We believe our flexible and conservative capital structure provides us with an advantage over many of our private and public competitors, as the combined adverse effects of many of our competitors highly leveraged capital structures and declines in the operating performance of their existing properties will constrain their ability to make acquisitions.

***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. These facilities, which are situated on approximately 15.6 and 10.6 acres, respectively, were originally built in the 1920s as the headquarters of Columbia Pictures and Warner Brothers and represent a unique and irreplaceable assemblage of land in densely populated Los Angeles. We are the largest owner and operator of independent media and entertainment properties in Los Angeles and possess large, modern sound stages, plentiful office space with state-of-the-art telecommunications and data network infrastructure. Our properties are important facilities for major film and television companies and independent producers, most of which outsource a portion of their productions to independent media and entertainment properties. We believe our media and entertainment properties are attractively located and benefit from high barriers to entry, with a limited supply of readily developable land. In addition, there are substantial costs associated with acquiring and developing suitable land and extensive knowledge required to develop and operate such facilities. As a result of these high barriers to entry, there is effectively no new supply of media and entertainment space in the urban core of Los Angeles. We believe the limited supply of media and entertainment properties, coupled with the continued demand for such properties in Los Angeles, which remains the center of the entertainment industry in the United States, will help ensure that these assets remain critical to the industry.

**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 our success implementing this strategy is exemplified by our recent acquisition of City Plaza, a 333,922 square foot Class-A office building located in Orange, California. Our predecessor acquired the loan on the City Plaza property in August 2008 at a substantial discount and subsequently obtained title to the property. Our acquisition of City Plaza illustrates how our relationships with other real estate owners, lenders, joint venture partners and tenants can create a competitive advantage to capitalize on new acquisition opportunities. In that case, long-standing ties to the existing owner and their project lender and our record of performance facilitated that acquisition through a joint venture with Farallon. We believe that our extensive relationships with real estate owners, developers and lenders, together with our strong balance sheet and access to liquidity, will allow us to capitalize on similar value-add opportunities.

***Focus on High Barrier-to-Entry Markets***. We will 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 are focused on extending lease durations at our media and entertainment properties to provide greater visibility and less volatility in cash flows. We believe our successful leasing of the City Plaza property illustrates our proactive asset management. At the time of its acquisition in August 2008, the property was only approximately 38% leased. By employing aggressive leasing strategies, leveraging our extensive tenant relationships and focusing on tenant retention, we have increased the leased square footage of the property to approximately 92.1% as of March 31, 2010. We believe that we will be able to apply our management and leasing expertise to newly acquired, underperforming properties in order to similarly maximize the performance of such properties.

We have also targeted ways to improve net operating income through controlling or reducing operating costs. For example, the close proximity of our two Hollywood media and entertainment properties has enabled us to proactively cut various operating costs. Leveraging our economies of scale, we restructured our security staffing at these locations to eliminate certain redundancies in personnel. We also reduced costs by consolidating service contracts, such as elevator maintenance services, fire life safety maintenance, pest control services and lot sweeping services.

***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. Our media and entertainment properties encompass approximately 26 acres in the heart of Hollywood one of the largest land holdings under common control in the market. In addition, we control two land parcels adjacent to our Sunset Bronson property that are available for new ground-up developments in a supply and land-constrained market. We believe our media and entertainment properties and undeveloped land offer significant growth potential, with over one million square feet of potential incremental development and redevelopment space. We believe the limited supply of media and entertainment space in the market, as well as the aging of much of the existing inventory, creates a unique opportunity to reshape this asset class. We also have a fully-entitled development agreement for our City Plaza property that allows for a new 360,000 square foot building and parking structure to be developed on our 11.5 acre site that we believe could be a valuable long-term asset. Our senior management team s development and redevelopment experience includes:

- the development of Technicolor s worldwide headquarters, a six-story, build-to-suit, 114,958 square foot office and production building at our Sunset Gower property;

- the development of the Howard Hughes Center, a 70-acre development located adjacent to Interstate 405 near Los Angeles International Airport, which involved the master planning, development and construction of a business park with four Class-A, multi-story office buildings totaling approximately 972,000 square feet and structured parking totaling approximately 2,700 stalls. We also obtained entitlements to build 600 residential units on vacant parcels throughout the center; and

- the redevelopment of the Westwood Center, a 328,515 square foot, Class-A office building located in West Los Angeles, which involved the complete redesign and reconstruction of building exterior curtain walls, structural systems, elevators, common areas, tenant areas and mechanical, electrical and plumbing systems, or MEP.

***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 whose 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. Our management team has a demonstrated history of selling assets and reinvesting proceeds in acquisition, development and redevelopment opportunities with higher returns in target submarkets.

**Acquisition Pipeline**

We have an extensive network of long-standing relationships with real estate developers, individual and institutional real estate owners and national and regional lenders in the California and West Coast real estate markets. We believe our network of relationships will provide us access to an ongoing pipeline of attractive acquisition opportunities, which may not be available to our competitors. Our network of relationships is evident

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from the composition of our initial portfolio, which is comprised of assets contributed by two leading investment management firms, Farallon and Morgan Stanley. Our relationships with these firms provide us with valuable market intelligence, as well as potential future acquisition opportunities from additional assets within their respective portfolios.

We are currently in discussions regarding a number of acquisition opportunities in our target markets that have come to our attention through our network of relationships. As of June 11, 2010, we were tracking and evaluating acquisition opportunities that include approximately 17 single-asset and portfolio transactions located throughout California with an estimated aggregate purchase price of approximately $1.3 billion and approximately 5.0 million total square feet. Approximately two-thirds of the potential property acquisitions we are evaluating are off-market transactions sourced through our network of relationships. Although we are continuing to engage in discussions and preliminary negotiations with sellers and have commenced the process of conducting diligence on some of these assets or have submitted non-binding indications of interest, in light of our pending initial public offering, we have not agreed upon terms relating to, or entered into binding commitments with respect to, any of these potential acquisition opportunities. As such, there can be no assurance that we will complete any of the potential acquisitions we are currently evaluating.

**Our Initial Portfolio**

Upon completion of this offering and consummation of the formation transactions, we will own eight properties located in six California submarkets, containing a total of approximately 2.0 million square feet, which we refer to as our initial portfolio. The following table presents an overview of our initial portfolio, based on information as of March 31, 2010. Rental data presented in the table below for office properties reflects base rent on leases in place as of March 31, 2010 and does not reflect actual cash rents historically received because such data does not reflect abatements or, in the case of triple net or modified gross leases, tenant reimbursements for real estate taxes, insurance, common area or other operating expenses. Rental data presented in the table below for media and entertainment properties reflects actual cash base rents, excluding tenant reimbursements, received during the 12 months ended March 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 2010 or 2011.

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| Property | City | Year Built/ Renovated | Square Feet(1) | Percent Leased(2) | Annualized Base Rent/ Annual Base Rent(3) | Annualized Base Rent/ Annual Base Rent Per Leased Square Foot(4) | Annualized Net Effective Base Rent Per Leased Square Foot(5) |
|---|---|---|---|---|---|---|---|
| **OFFICE PROPERTIES** | | | | | | | |
| **Operating Properties** | | | | | | | |
| City Plaza | Orange | 1969/99 | 333,922 | 92.1%(6) | $ 7,779,694 | $ 25.30 | $ 24.07 |
| First Financial | Encino (LA) | 1986 | 222,423 | 89.4 | 6,661,152 | 33.48 | 32.37 |
| Del Amo Office(7) | Torrance | 1986 | 113,000 | 100.0 | 3,069,070 | 27.16 | 26.40 |
| Technicolor Building | Hollywood (LA) | 2008 | 114,958 | 100.0 | 3,945,359 | 34.32 | 39.04 |
| Tierrasanta | San Diego | 1985 | 104,234 | 96.8 | 1,428,252 | 14.15 | 15.07 |
| **Total/Weighted Average Operating Properties:** | | | **888,537** | | | | |