Hudson Pacific Properties, Inc.
Form 10-K
March 02, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2014
Commission File Number 001-34789

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

Hudson Pacific Properties, Inc.	Maryland (State or other jurisdiction of incorporation or organization)	27-1430478 (I.R.S. Employer Identification Number)
Hudson Pacific Properties, L.P.	Maryland (State or other jurisdiction of incorporation or organization)	80-0579682 (I.R.S. Employer Identification Number)

11601 Wilshire Blvd., Sixth Floor, Los Angeles, California 90025
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code: (310) 445-5700

Securities registered pursuant to Section 12(b) of the Act:

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Hudson Pacific Properties, Inc.	Common Stock, $.01 par value	New York Stock Exchange
Hudson Pacific Properties, Inc.	8.375% Series B Cumulative Redeemable Preferred Stock, $.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

Registrant	Title of Each Class	Name of Each Exchange on Which Registered
Hudson Pacific Properties, L.P.	Common Units Representing Limited Partnership Interests	None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Hudson Pacific Properties, Inc. Yes x No o Hudson Pacific Properties, L.P. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Hudson Pacific Properties, Inc. Yes o No x Hudson Pacific Properties, L.P. Yes x No o

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Hudson Pacific Properties, Inc. Yes x No o Hudson Pacific Properties, L.P. Yes o No x

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Hudson Pacific Properties, Inc.
Large accelerated filer x Accelerated filer o Non-accelerated filer o Smaller reporting company o

Hudson Pacific Properties, L.P.
Large accelerated filer o Accelerated filer o Non-accelerated filer x Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.)
Hudson Pacific Properties, Inc. Yes o No x Hudson Pacific Properties, L.P. Yes o No x

As of June 30, 2014, the aggregate market value of common stock held by non-affiliates of the registrant (assuming for these purposes, but without conceding, that all executive officers, directors and funds affiliated with Farallon Capital Management, LLC are “affiliates” of the registrant) was $1.4 billion based upon the last sales price on June 30, 2014 for the registrant’s Common Stock.

There is no public trading market for the common units of limited partnership interest of Hudson Pacific Properties, L.P. As a result, the aggregate market value of the common units of limited partnership interest held by non-affiliates of Hudson Pacific Properties, L.P. cannot be determined.

As of February 25, 2015, the number of shares of common stock outstanding was 79,845,880.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the proxy statement for the registrant’s 2015 Annual Meeting of Stockholders to be held May 20, 2015 are incorporated by reference in Part III of this Annual Report on Form 10-K. The proxy statement will be filed by the registrant with the U.S. Securities and Exchange Commission, or the SEC, not later than 120 days after the end of the registrant’s fiscal year.

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EXPLANATORY NOTE

This report combines the annual reports on Form 10-K for the year ended December 31, 2014 of Hudson Pacific Properties, Inc., a Maryland corporation, and Hudson Pacific Properties, L.P., a Maryland limited partnership. Unless otherwise indicated or unless the context requires otherwise, all references in this report to "we," "us," "our," or "our company" refer to Hudson Pacific Properties, Inc. together with its consolidated subsidiaries, including Hudson Pacific Properties, L.P. Unless otherwise indicated or unless the context requires otherwise, all references to "our operating partnership" refer to Hudson Pacific Properties, L.P. together with its consolidated subsidiaries.

Our company is a real estate investment trust, or REIT, and the sole general partner of our operating partnership. As of December 31, 2014, we owned approximately 96.6% of the outstanding common units of partnership interest in our operating partnership, or common units. The remaining approximately 3.4% of outstanding common units are owned by certain of our executive officers and directors, certain of their affiliates, and other outside investors, including funds affiliated with Farallon Capital Management, LLC. As the sole general partner of our operating partnership, our company has the full, exclusive and complete responsibility for our operating partnership's day-to-day management and control.

We believe combining the annual reports on Form 10-K of our company and our operating partnership into this single report results in the following benefits:

- enhancing investors' understanding of our company and our operating partnership by enabling investors to view the business as a whole in the same manner as management views and operates the business;
- eliminating duplicative disclosure and providing a more streamlined and readable presentation because a substantial portion of the disclosure applies to both our company and our operating partnership; and
- creating time and cost efficiencies through the preparation of one combined report instead of two separate reports.

There are a few differences between our company and our operating partnership, which are reflected in the disclosures in this report. We believe it is important to understand the differences between our company and our operating partnership in the context of how we operate as an interrelated, consolidated company. Our company is a REIT, the only material assets of which are the partnership units of our operating partnership. As a result, our company does not conduct business itself, other than acting as the sole general partner of our operating partnership, issuing equity from time to time and guaranteeing certain debt of our operating partnership. Our company itself does not issue any indebtedness but guarantees some of the debt of our operating partnership. Our operating partnership holds substantially all the assets of our company. Our operating partnership conducts the operations of the business and is structured as a partnership with no publicly traded equity. Except for net proceeds from equity issuances by our company, which are generally contributed to our operating partnership in exchange for units of partnership interest in our operating partnership, our operating partnership generates the capital required by our company's business through our operating partnership's operations, our operating partnership's incurrence of indebtedness or through the issuance of units of partnership interest in our operating partnership.

The presentation of non-controlling interest, stockholders' equity and partners' capital are the main areas of difference between the consolidated financial statements of our company and those of our operating partnership. The common units in our operating partnership are accounted for as partners' capital in our operating partnership's consolidated financial statements and, to the extent not held by our company, as non-controlling interest in our company's consolidated financial statements. The differences between stockholders' equity, partners' capital and non-controlling interest result from the differences in the equity issued by our company and our operating partnership.

To help investors understand the significant differences between our company and our operating partnership, this report presents the consolidated financial statements separately for our company and our operating partnership. All other sections of this report, including "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk," are presented together for our company and our operating partnership.

In order to establish that the Chief Executive Officer and the Chief Financial Officer of each entity have made the requisite certifications and that our company and our operating partnership are compliant with Rule 13a-15 or Rule 15d-15 of the Securities Exchange Act of 1934, or the Exchange Act and 18 U.S.C. §1350, this report also includes

separate “Item 9A. Controls and Procedures” sections and separate Exhibit 31 and 32 certifications for each of our company and our operating partnership.

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HUDSON PACIFIC PROPERTIES, INC.
HUDSON PACIFIC PROPERTIES, L.P.

ANNUAL REPORT ON FORM 10-K

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PART I
Item 1. Business

Company Overview

We are a full-service, vertically integrated real estate company focused on owning, operating and acquiring high-quality office properties and state-of-the-art media and entertainment properties in select growth markets primarily in Northern and Southern California and the Pacific Northwest. Our investment strategy focuses on high barrier-to-entry, in-fill locations with favorable, long-term supply demand characteristics in select markets, including Los Angeles, Orange County, San Diego, San Francisco, Silicon Valley and Seattle, which we refer to as our target markets. As of December 31, 2014, our portfolio included office properties, comprising an aggregate of approximately 5.9 million square feet, and media and entertainment properties, comprising approximately 0.9 million square feet of sound-stage, office and supporting production facilities. We also own undeveloped density rights for approximately 1.4 million square feet of future office space.

We were formed as a Maryland corporation in 2009 to succeed to the business of Hudson Capital, LLC, a Los Angeles-based real estate investment firm founded by Victor J. Coleman, our Chief Executive Officer. On June 29, 2010, we completed our initial public offering. We own our interests in all of our properties and conduct substantially all of our business through our operating partnership, of which we serve as the sole general partner.

Business and Growth Strategies

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

Our Competitive Position

We believe the following competitive strengths distinguish us from other real estate owners and operators and will enable us to capitalize on opportunities in the 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 has an average of over 20 years of experience in the commercial real estate industry, with a focus primarily on owning, acquiring, developing, operating, financing and selling office properties in California and the Pacific Northwest.

- Committed and Incentivized Management Team. Our senior management team is dedicated to our successful operation and growth, with no competing real estate business interests outside of our company. Additionally, as of December 31, 2014, our senior management team owned approximately 2.3% of our common stock on a fully diluted basis, thereby aligning management's interests with those of our stockholders.

- California and Pacific Northwest Focus with Local and Regional Expertise. We are primarily focused on acquiring and managing office properties in Northern and Southern California and the Pacific Northwest, where our senior management has significant expertise and relationships. Our markets are supply-constrained as a result of the scarcity of available land, high construction costs and restrictive entitlement processes. We believe our experience, in-depth market knowledge and meaningful industry relationships with brokers, tenants, landlords, lenders and other market participants enhance our ability to identify and capitalize on attractive acquisition opportunities, particularly those that arise in California and the Pacific Northwest.

- 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 and Pacific Northwest real estate markets. These relationships have historically provided us with access to attractive acquisition opportunities, including opportunities with limited or no prior marketing by sellers. We believe they will continue to 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. Additionally, we focus on establishing strong

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relationships with our tenants in order to understand their long-term business needs, which we believe enhances our ability to retain quality tenants, facilitates our leasing efforts and maximizes cash flows from our properties.

Growth-Oriented, Flexible and Conservative Capital Structure. We have remained well-capitalized since our initial public offering, including through seven offerings (including two public offerings of our 8.375% Series B Cumulative Preferred Stock, four public offerings of our common stock and one private placement of our common stock) and continuous offering under our At-the-Market, or ATM, program for an aggregate total proceeds, of approximately $922.2 million (before underwriters' discounts and transaction costs) as of December 31, 2014. Available cash on hand and our unsecured credit facility provide us with a significant amount of capital to pursue acquisitions and execute our growth strategy, while maintaining a flexible and conservative capital structure. As of December 31, 2014, we had total borrowing capacity of approximately $300.0 million under our unsecured revolving credit facility, $130.0 million of which had been drawn. Based on the closing price of our common stock of $30.06 on December 31, 2014, we had a debt-to-market capitalization ratio (counting series A preferred units as debt) of approximately 30.2%. We believe our access to capital and flexible and conservative capital structure provide us with an advantage over many of our private and public competitors as we look to take advantage of growth opportunities.

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 15.7 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 and 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.

Proposed Target Property Acquisition

Purchase agreement

On December 6, 2014, we entered into an asset purchase agreement, or the purchase agreement, by and among our company, our operating partnership, or collectively the buyer parties, and certain affiliates of The Blackstone Group L.P., or the seller parties, pursuant to which our operating partnership and/or other subsidiaries of our company will acquire a portfolio of 26 high-quality office assets totaling approximately 8.2 million square feet and two development parcels in the San Francisco Peninsula and Silicon Valley, or the Target Properties, from the seller parties in exchange for a combination of cash and equity consideration.

The consideration to be delivered by the buyer parties to the seller parties for the Target Properties at the closing of the transaction, or the closing, consists of the following cash and equity consideration (each subject to adjustment as described in the purchase agreement):

- Cash Consideration. At the closing, our operating partnership will deliver to the seller parties a payment in cash of an aggregate amount equal to $1.75 billion, or the cash consideration.

- Equity Consideration. At the closing, the buyer parties will deliver to the seller parties (or their designated affiliates) an aggregate amount of 63,474,791 newly-issued shares of common stock of our company, and newly-issued common

units in our operating partnership, collectively, the equity consideration. The common stock to be issued will represent approximately 9.8% of the outstanding common stock of our company (after giving effect to the issuance of the issued common stock), and the common units to be issued will be in an amount equal to 63,474,791, less the number of shares of common stock to be issued.

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Our issuance of the equity consideration to the seller parties, or the equity issuance, requires the affirmative vote of a majority of votes cast at a meeting of our company's stockholders, or the requisite stockholder approval, which meeting is currently scheduled to be held on March 5, 2015.

The buyer parties and the seller parties each make certain customary representations, warranties and covenants in the purchase agreement, including, among others, covenants:

- to conduct their respective businesses in the ordinary course consistent with past practice during the period between the December 6, 2014 and the closing;
- that we will convene and hold a meeting of our stockholders to consider and vote upon the equity issuance, and subject to certain exceptions, our board of directors will recommend that our stockholders vote to approve the equity issuance;
- subject to certain exceptions, we will not (i) solicit, initiate, cause or knowingly facilitate the making of any inquiry, proposal or offer that constitutes or would reasonably be expected to lead to any "Buyer Acquisition Proposal" (as defined in the purchase agreement), (ii) engage in or otherwise participate in discussions or negotiations with any person with respect to, or that would reasonably be expected to lead to, any Buyer Acquisition Proposal or (iii) furnish any non-public information or afford any person access to our business, properties, assets or personnel in connection with, or for the purpose of facilitating, a Buyer Acquisition Proposal; and
- that the seller parties cause the release and discharge of certain existing liens and encumbrances on the Target Properties, and use reasonable best efforts to obtain acceptable estoppel certificates from tenants under leases at the Target Properties and lessors underground leases to which any Target Properties are subject.

Subject to the terms and conditions set forth in the purchase agreement, the buyer parties and the seller parties have committed to use their reasonable best efforts to take, or cause to be taken, all actions and to assist and cooperate in doing, all things necessary, proper or advisable under applicable law or pursuant to any contract to consummate the transaction.

The consummation of the transaction is subject to customary conditions, including (i) the receipt of the requisite stockholder approval, (ii) the approval for listing of the issued common stock on the New York Stock Exchange, or NYSE (subject only to official notice of issuance), (iii) the absence of any law or order prohibiting or making illegal the consummation of the transaction, (iv) the issuance of title insurance policies for the underlying land, buildings and other improvements relating to each Target Property (subject to certain qualifications), (v) the receipt of a certain percentage of estoppel certificates from tenants under lease at the Target Properties, (vi) the absence of a material adverse effect on us or the Target Properties, (vii) subject to certain exceptions, the accuracy of the representations and warranties made by the buyer parties and the seller parties, respectively, and compliance by the buyer parties and the seller parties with their respective covenants and (viii) an opinion that our company meets the requirements for qualification and taxation as a REIT under the Internal Revenue Code of 1986, as amended, or the Code.

The purchase agreement may be terminated under certain circumstances by the buyer parties, including, prior to the receipt of the requisite stockholder approval, in order to concurrently enter into a definitive agreement with respect to a "Superior Acquisition Proposal" (as defined in the purchase agreement), so long as the buyer parties comply with certain notice and other requirements set forth in the purchase agreement. In addition, the seller parties may terminate the purchase agreement under certain circumstances and subject to certain restrictions, including if our board of directors effects a "Change of Recommendation" (as defined in the purchase agreement). In the foregoing specified circumstances, the buyer parties would be required to pay the seller parties a termination fee of $60 million, subject to certain adjustments as set forth in the purchase agreement. In addition, the buyer parties would be required to pay the seller parties a termination fee of $120 million, subject to certain adjustments as set forth in the purchase agreement, if the purchase agreement is terminated by the seller parties in circumstances when the conditions to closing are satisfied, the seller parties have irrevocably confirmed to the buyer parties that, among other things, the seller parties are prepared to consummate the closing, and the buyer parties fail to consummate the closing within two business days from the date the closing was required to occur pursuant to the purchase agreement and the seller parties stood ready, willing and able to consummate the closing throughout such two business day period. The purchase agreement contains certain other termination rights for the seller parties, and alternative termination fees and/or expense

reimbursements payable by the buyer parties in connection with those other termination rights of up to $14 million and $60 million, depending on the circumstances.

Pursuant to the purchase agreement, effective as of the closing, among other things, (i) our company, our operating partnership and the seller parties (or their designated affiliates) will enter into a stockholders agreement, or the stockholders agreement; (ii) our company and the seller parties (or their designated affiliates) will enter into a registration rights agreement, or the seller parties registration rights agreement; and (iii) our company will enter into a Third Amended and Restated Limited

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Partnership Agreement of our operating partnership, or Third Amended and Restated Limited Partnership Agreement, each described below.

Voting Agreement Between the Seller Parties and Farallon Funds

Concurrently with the execution of the purchase agreement, on December 6, 2014, Farallon Capital Partners, L.P., Farallon Capital Institutional Partners, L.P. and Farallon Capital Institutional Partners III, L.P., or collectively the Farallon Funds, entered into a voting agreement, or the voting agreement, with the seller parties, pursuant to which each of the Farallon Funds has agreed that, until the termination of the voting agreement, it will vote in favor of the transaction and against any potential competing transaction or any action that could reasonably be expected to adversely affect the transaction. Each of the Farallon Funds further agreed that until the earlier of the termination of the voting agreement and April 1, 2015, it will not transfer any shares of our common stock or common units in our operating partnership or any interests therein, subject to certain exceptions. In addition, until the termination of the voting agreement the Farallon Funds have agreed not to solicit competing transactions. The voting agreement will terminate upon, among other things, the closing of the transactions contemplated by the purchase agreement, the termination of the purchase agreement in accordance with its terms, a change in our board of director's recommendations with respect to the approval of equity issuance and 11:59 p.m. New York time on July 3, 2015.

The Stockholders Agreement

The stockholders agreement will set forth various arrangements and restrictions with respect to governance of our company and certain rights of the seller parties (or their designated affiliates), or the sponsor stockholders, with respect to the equity consideration.

Pursuant to the terms of the stockholders agreement, at closing, our board of directors will expand from nine to 12 directors and will elect three nominees designated by the sponsor stockholders to our board of directors. Subject to certain exceptions, our board of directors will continue to include the sponsor stockholders' nominees in its slate of directors, will continue to recommend such nominees, and will otherwise use its reasonable best efforts to solicit the vote of our stockholders to elect to our board of directors the slate of nominees which includes those nominated by the sponsor stockholders. The sponsor stockholders will have the right to designate three director nominees to our board of directors for so long as the sponsor stockholders continue to beneficially own, in the aggregate, greater than 50% of the equity consideration. If the sponsor stockholders beneficial ownership of equity consideration decreases, then the number of director nominees that the sponsor stockholders will have the right to designate will be reduced (i) to two, if the sponsor stockholders beneficially own greater than or equal 30% but less than or equal to 50% of the equity consideration and (ii) to one, if the sponsor stockholders beneficially own greater than or equal to 15% but less than 30% of the equity consideration. The board of director nomination rights of the sponsor stockholders will terminate at such time as the sponsor stockholders beneficially own less than 15% of the equity consideration or upon written notice of waiver or termination of such rights by the sponsor stockholders. So long as the sponsor stockholders retain the right to designate at least one nominee to our board of directors, our company will not be permitted to increase the total number of directors comprising our board of directors to more than 12 persons.

For so long as the sponsor stockholders have the right to designate at least two director nominees, subject to the satisfaction of applicable NYSE independence requirements, the sponsor stockholders will also be entitled to appoint one such nominee then serving on our board of directors to serve on each committee of our board of directors (other than certain specified committees).

The stockholders agreement will also include: (i) standstill provisions, which will, until such time as the sponsor stockholders beneficially own less than 10% of the total number of issued and outstanding common equity of our company on a fully-diluted basis, restrict the sponsor stockholders and Blackstone Real Estate Advisors L.P. from, among other things, acquiring additional equity or debt securities (other than non-recourse debt and certain other debt) of our company and its subsidiaries without our company's prior written consent; and (ii) transfer restriction provisions, which will restrict the sponsor stockholders from transferring any equity consideration (including shares of common stock of our company that have been exchanged by the sponsor stockholders for common units in our operating partnership) (collectively, the "covered securities") until November 1, 2015, at which time such transfer restrictions will cease to be applicable to 50% of the covered securities. The transfer restrictions applicable to the remaining 50% of the covered securities will cease to be applicable on March 1, 2016 (or, if earlier, 30 days following

written notice of waiver or termination by the sponsor stockholders of their board nomination rights described above). If, prior to November 1, 2015 the sponsor stockholders provide written notice waiving and terminating their board nomination rights described above, the transfer restrictions applicable to all the covered securities will cease to be applicable on November 1, 2015 and, if such written notice of waiver and termination is provided after November 1, 2015, then the transfer restrictions will cease to be applicable 30 days following such written notice.

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In addition, pursuant to the stockholders agreement, during the 24 months following the closing, our company is required to obtain the prior written consent of the seller parties prior to issuances of any common equity securities in excess of 15% of the common equity securities at closing taking into account the equity issuance (subject to certain exceptions). Further, under the terms of the stockholders agreement, our company (in its capacity as the general partner of our operating partnership) will waive the minimum holding period required with respect to future redemptions of the issued common units pursuant to the Third Amended and Restated Limited Partnership Agreement and will grant certain additional rights to the seller parties (or their designated affiliates) in connection with such redemptions.

The Registration Rights Agreement

The seller parties registration rights agreement will provide for customary registration rights with respect to the equity consideration, including the following:

- Shelf Registration. Our company will prepare and file not later than August 1, 2015 a resale shelf registration statement covering the sponsor stockholders' shares of common stock of our company and shares issuable upon redemption of common units in our operating partnership, and our company is required to use its reasonable best efforts to cause such resale shelf registration statement to become effective prior to the termination of the transfer restrictions under the stockholders agreement (as described above).
- Demand Registrations. Beginning November 1, 2015 (or earlier if transfer restrictions under the stockholders agreement are terminated earlier), the sponsor stockholders may cause our company to register their shares, or a demand registration, if the foregoing resale shelf registration statement is not effective or if our company is not eligible to file a shelf registration statement.
- Qualified Offerings. Any registered offerings requested by the sponsor stockholders that are to an underwriter on a firm commitment basis for reoffering and resale to the public, in an offering that is a "bought deal" with one or more investment banks or in a block trade with a broker-dealer will be: (i) no more frequent than once in any 120-day period, (ii) subject to underwriter lock-ups from prior offerings then in effect, and (iii) subject to a minimum offering size of $50 million.
- Piggy-Back Rights. Beginning November 1, 2015 (or earlier if transfer restrictions under the stockholders agreement are terminated earlier), the sponsor stockholder will be permitted to, among other things, participate in offerings for our company's account. If underwriters advise that the success of the proposed offering would be significantly and adversely affected by the inclusion of all securities in an offering for our company's own account, then the securities proposed to be included by the sponsor stockholders are cut back first.

Third Amended and Restated Limited Partnership Agreement

The Third Amended and Restated Limited Partnership Agreement will give effect to the rights of certain limited partners of our operating partnership, including the sponsor stockholders. Pursuant to the Third Amended and Restated Limited Partnership Agreement, prior to the date on which the sponsor stockholders own less than 9.8% of the equity consideration, our company (as general partner) may not consummate certain transactions, or a stockholder vote transaction, with respect to which the holders of shares our company's common stock are entitled to vote, unless the stockholder vote transaction is also approved by the common limited partners of our operating partnership on a "pass through" basis, which generally affords the common limited partners a vote as though the common limited partners held shares of our company's common stock and voted together with the stockholders of our company with respect to such stockholder vote transactions.

Bridge Facility Commitment Letter

Contemporaneously with the execution of the purchase agreement, our company obtained a debt financing commitment for the transactions contemplated by the purchase agreement, the aggregate proceeds of which will be used by our company to pay a portion or all of the cash consideration to consummate the transaction and to pay related fees and expenses.

Wells Fargo Bank, National Association, Wells Fargo Securities, LLC, Bank of America, N.A., Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman Sachs Bank USA, or collectively the bridge facility commitment parties, have committed to provide a 364-day bridge term loan of $1.75 billion, or the bridge loan, to our operating partnership on

the terms and conditions set forth in a commitment letter, or the bridge commitment letter, and fee letter, each dated December 6, 2014. Wells Fargo Bank, National Association, Bank of America, N.A., and Goldman Sachs Bank USA have committed to fund the principal amount of the bridge loan as follows: Wells Fargo Bank, National Association, 50%; Goldman Sachs Bank USA, 25%; Bank of America, N.A., 25%.

The obligation of the bridge facility commitment parties to provide financing under the bridge commitment letter are subject to certain conditions, including, without limitation, (i) the negotiation, execution and delivery of definitive loan

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documentation for the bridge loan consistent with the bridge commitment letter and otherwise reasonably satisfactory to the bridge facility commitment parties, (ii) a condition that there has not been a "Target Property Material Adverse Effect" (as defined in the bridge commitment letter), (iii) the consummation of the transaction in accordance with the purchase agreement (without giving effect to any amendments to the purchase agreement or any waivers thereof that are materially adverse to the bridge facility commitment parties unless consented to by the bridge facility commitment parties) concurrently with the funding of the bridge loan, (iv) the payment of applicable costs, fees and expenses, and (v) the delivery of certain customary closing documents (including, among other things, opinions from legal counsel). The principal amount of the bridge loan may be reduced in connection with certain equity and debt issuances by us and/or our operating partnership, as well as in connection with certain asset sales.
The bridge commitment letter terminates on July 4, 2015.
For more information regarding this transaction and the risks and uncertainties associated therewith, see "Item 1A. Risk Factors," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and Note [15] to our consolidated financial statements.

Competition

We compete with a number of developers, owners and operators of office and commercial real estate, many of which own properties similar to ours in the same markets in which our properties are located and some of which have greater financial resources than we do. In operating and managing our portfolio, we compete for tenants based on a number of factors, including location, rental rates, security, flexibility and expertise to design space to meet prospective tenants' needs and the manner in which the property is operated, maintained and marketed. As leases at our properties expire, we may encounter significant competition to renew or re-let space in light of competing properties within the markets in which we operate. As a result, we may be required to provide rent concessions or abatements, incur charges for tenant improvements and other inducements, including early termination rights or below-market renewal options, or we may not be able to timely lease vacant space. In that case, our financial condition, results of operations and cash flows may be adversely affected.

We also face competition when pursuing acquisition and disposition opportunities. Our competitors may be able to pay higher property acquisition prices, may have private access to acquisition opportunities not available to us and may otherwise be in a better position to acquire a property. Competition may also increase the price required to consummate an acquisition opportunity and generally reduce the demand for commercial office space in our markets. Likewise, competition with sellers of similar properties to locate suitable purchasers may result in us receiving lower proceeds from a sale or in us not being able to dispose of a property at a time of our choosing due to the lack of an acceptable return.

For further discussion of the potential impact of competitive conditions on our business, see "Item 1A: Risk Factors."

Segment and Geographic Financial Information

We report our results of operations through two segments: (i) office properties and (ii) media and entertainment properties. The office properties reporting segment includes 26 properties totaling approximately 5.9 million square feet strategically located in many of our target markets, while the media and entertainment reporting segment includes two properties, the Sunset Gower property (including 6050 and 6060 Sunset) and the Sunset Bronson property, totaling approximately 0.9 million square feet located in the heart of Hollywood, California. For financial information about our two reportable segments, see Note 13 to our consolidated financial statements.

All of our business is conducted in California and the Pacific Northwest. For information about our revenues and long-lived assets and other financial information, see our consolidated financial statements included in this report and "Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of

Operations."

Employees

At December 31, 2014, we had 151 employees. At December 31, 2014, two of our employees were subject to collective bargaining agreements. Both of these employees are on-site employees at the Sunset Bronson property. We believe that