Oviatt Ryan W
Form 4
March 04, 2019

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Oviatt Ryan W

(Last) (First) (Middle)

321 SOUTH 1250 WEST, SUITE 1

(Street)

LINDON, UT 84042

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PROFIRE ENERGY INC [PFIE]

3. Date of Earliest Transaction (Month/Day/Year)
02/28/2019

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Chief Financial Officer

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	02/28/2019		A		29,767 (1)	A	$ 1.83 (2)	73,964	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Oviatt Ryan W 321 SOUTH 1250 WEST, SUITE 1 LINDON, UT 84042			Chief Financial Officer	

Signatures

/s/Todd Fugal, attorney-in-fact for Ryan Oviatt	03/04/2019
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The shares of Common Stock represent the amount awarded pursuant to the Issuer's 2018 Executive Annual Incentive Plan previously filed with the SEC.

(2) The price per share reflects the weighted average share price for the five days prior to the grant of the award. This calculation is in accordance with the executive's Annual Incentive Plan as previously filed with the SEC.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. tRef="number" contextRef="i24d85c9e56f14d7986c52a44143a3269_I20181231" decimals="4" name="us-gaap:DebtInstrumentInterestRateEffectivePercentage" scale="-2" id="id3VybDovL2RvY3MudjEvZG9jOjkyMzRlMjgxODc3NjRjYzU4NGI1ZDNmOGM2ZGJkYWUxL3NlYzo5MjM0ZTI4M
D notes 150,000 150,000 3.98% 7/6/2026Registered senior notes 400,000 400,000 3.95% 11/1/2027Series C notes 56,000 56,000 4.79% 12/16/2027**Total unsecured debt 2,275,000 1,975,000** Secured debt
Sunset Gower Studios/Sunset Bronson Studios(9)
5,001 5,001 LIBOR + 2.25%3/4/2019
(4)
Met Park North(10)
64,500 64,500 LIBOR + 1.55%8/1/2020
10950 Washington(11)
26,880 27,418 5.32% 3/11/2022Element LA 168,000 168,000 4.59% 11/6/2025
Hill7(12)

101,000 101,000 3.38% 11/6/2028Rincon Center — 98,392 5.13% N/A**Total secured debt 365,381 464,311 Total unsecured and secured debt 2,640,381 2,439,311**
Unamortized deferred financing costs/loan discounts(13)
(16,546)(17,931)**TOTAL UNSECURED AND SECURED DEBT, NET $2,623,835 $2,421,380**
IN-SUBSTANCE DEFEASED DEBT(14)
$138,223 $— 4.47% 10/1/2022
JOINT VENTURE PARTNER DEBT (15)
$66,136 $— 4.50% 10/9/2028

1.Interest rate with respect to indebtedness is calculated on the basis of a 360-day year for the actual days elapsed. Interest rates are as of December 31, 2018, which may be different than the interest rates as of December 31, 2017 for corresponding indebtedness.
2.The Company has the option to make an irrevocable election to change the interest rate depending on the Company's credit rating or a specified base rate plus an applicable margin. As of December 31, 2018, no such election had been made.
3.The Company has a total capacity of $600.0 million under its unsecured revolving credit facility.
4.The maturity date may be extended once for an additional one-year term.
5.The interest rate on the outstanding balance of the term loan was effectively fixed at 2.65% to 3.06% per annum through the use of two interest rate swaps. See Note 6 for details.
6.The maturity date may be extended twice, each time for an additional one-year term.
7.The interest rate on the outstanding balance of the term loan was effectively fixed at 2.96%% to 3.46% per annum through the use of two interest rate swaps. See Note 6 for details.
8.The interest rate on the outstanding balance of the term loan was effectively fixed at 2.63% to 3.13% per annum through the use of an interest rate swap. See Note 6 for details.
9.The Company has the ability to draw up to $257.0 million under its construction loan, subject to lender required submissions. This loan is also secured by the Company's ICON and CUE properties.
10.Interest on the full loan amount has been effectively fixed at 3.71% per annum through use of an interest rate swap. See Note 6 for details.
11.Monthly debt service includes annual debt amortization payments based on a 30-year amortization schedule with a balloon payment at maturity.
12.The Company owns 55% of the ownership interest in the consolidated joint venture that owns the Hill7 property. The full amount of the loan is shown. This loan bears interest only at 3.38% until November 6, 2026, at which time the interest rate will increase and monthly debt service will include principal payments with a balloon payment at maturity.
13.Excludes deferred financing costs related to establishing the Company's unsecured revolving credit facility, which are reflected in prepaid and other assets, net line item in the Consolidated Balance Sheets. See Note 2 for details.

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

14.The Company owns 75% of the ownership interest in the joint venture that owns the One Westside and 10850 Pico properties. The full amount of the loan is shown. Monthly debt service includes annual debt amortization payments based on a 10-year amortization schedule with a balloon payment at maturity.

15.This amount relates to debt due to Allianz, the Company's partner in the joint venture that owns the Ferry Building property. The maturity date may be extended twice for an additional two-year term each.

Current Year Activity

In 2018, the outstanding borrowings on the unsecured revolving credit facility increased by $300.0 million, net of paydowns. The Company uses the unsecured revolving credit facility 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.

On February 1, 2018, the Company paid in full the debt secured by its Rincon Center property, which was due to mature in May 2018.

On March 13, 2018, the operating partnership entered into the amended and restated credit agreement with various financial institutions. The amended and restated credit agreement modifies the operating partnership's unsecured revolving credit facility and its term loans as discussed under the Term Loan and Credit Facility section below.

On August 31, 2018, a trust subsidiary of the consolidated joint venture that owns the One Westside and 10850 Pico properties purchased $149.2 million of U.S. Government securities and assumed $139.0 million of debt. The securities are intended to generate cash flows to fund loan obligations through the early prepayment date of the loan. This transaction does not qualify as an extinguishment of debt, since the Company will be responsible if there is a shortfall in the assets deposited into the trust.

On October 9, 2018, the Company acquired the Ferry Building property through a consolidated joint venture. The Company's joint venture partner loaned $66.1 million to the joint venture to purchase the asset.

Indebtedness

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

Loan agreements include events of default that the Company believes are usual for loan and transactions of this type. As of the date of this filing, there have been no events of default associated with the Company's loans.

The following table provides information regarding the Company's future minimum principal payments due on the Company's debt (before the impact of extension options, if applicable) as of December 31, 2018:

For the Year Ended December 31,	Unsecured and Secured Debt		In-Substance Defeased Debt		Joint Venture Partner Debt	
2019	$	5,569	$	3,193	$	—
2020	440,095		3,323		—	
2021	632		3,494		—	

2022	900,085	128,213	—
2023	160,000	—	—
Thereafter	1,134,000	—	66,136
TOTAL	**$ 2,640,381**	**$ 138,223**	**$ 66,136**

Unsecured debt

Registered Senior Notes

On October 2, 2017, our operating partnership completed an underwritten public offering of $400.0 million in senior notes due November 1, 2027. The notes were issued at 99.815% of par, with a coupon of 3.95% and an effective interest rate of 3.97%. The notes are fully and unconditionally guaranteed by the Company.

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)
Term Loan Agreement and Credit Facility

On March 13, 2018, the operating partnership entered into a third amended and restated credit agreement (the "Amended and Restated Credit Agreement") with various financial institutions. The Amended and Restated Credit Agreement amends, restates and replaces (i) the operating partnership's existing second amended and restated credit agreement, entered into on March 31, 2015, which governed its $400.0 million unsecured revolving credit facility, $300.0 million unsecured 5-year term loan facility and $350.0 million unsecured 7-year term loan facility, and (ii) the operating partnership's term loan credit agreement, entered into on November 17, 2015, which governed its $75.0 million unsecured 5-year term loan facility and $125.0 million unsecured 7-year term loan facility.

The Amended and Restated Credit Agreement provides for (i) the increase of the operating partnership's unsecured revolving credit facility to $600.0 million and the extension of the term to March 13, 2022 and (ii) term loans in amount and tenor equal to the term loans outstanding under the previous agreements ($300.0 million term loan A maturing April 1, 2020, $350.0 million term loan B maturing April 1, 2022, $75.0 million term loan C maturing November 17, 2020 and $125.0 million term loan D maturing November 17, 2022).

The following table summarizes the balance and key terms of the unsecured revolving credit facility as of:

	December 31, 2018	**December 31, 2017**
Outstanding borrowings	$ 400,000	$ 100,000
Remaining borrowing capacity	200,000	300,000
TOTAL BORROWING CAPACITY	**$ 600,000**	**$ 400,000**
Interest rate(1)(2)	LIBOR + 1.05% to 1.50%	LIBOR + 1.15% to 1.85%
Annual facility fee rate(1)	0.15% or 0.30%	0.20% or 0.35%
Contractual maturity date(3)	3/13/2022	4/1/2019

1.The rate is based on the operating partnership's leverage ratio. The Company has the option to make an irrevocable election to change the interest rate depending on the Company's credit rating. As ofDecember 31, 2018, no such election had been made.
2.The Company has the option to make an irrevocable election to change the interest rate depending on the Company's specified base rate plus an applicable margin. As of December 31, 2018, no such election had been made.
3.The maturity date may be extended once for an additional one-year term.

Subject to the satisfaction of certain conditions and lender commitments, the operating partnership may increase the commitments held under the Amended and Restated Credit Agreement so long as the aggregate commitments do not exceed $2.0 billion.

The operating partnership continues to be the borrower under the Amended and Restated Credit Facility Agreement, and the Company and all subsidiaries that own unencumbered properties will continue to provide guarantees unless the Company obtains and maintains a credit rating of at least BBB- from S&P or Baa3 from Moody's, in which case such guarantees are not required except under limited circumstances.

Note Purchase Agreements

On November 16, 2015, the operating partnership entered into a note purchase agreement with various purchasers, which provides for $425.0 million of guaranteed senior notes by the operating partnership, of which (i) $110.0 million are designated as 4.34% series A guaranteed senior notes due January 2, 2023 (the "Series A Notes"), (ii) $259.0 million are designated as 4.69% series B guaranteed senior notes due December 16, 2025 (the "Series B Notes") and (iii) $56.0 million are designated as 4.79% series C guaranteed senior notes due December 16, 2027 (the "Series C Notes").

On July 6, 2016, the Company entered into a note purchase agreement of debt for $150.0 million of 3.98% guaranteed senior notes due July 6, 2026 (the "Series D Notes"). Upon issuance, the notes pay interest semi-annually on the 6th day of January and July in each year until maturity. The Company also secured an additional $50.0 million of funds from a note purchase agreement of 3.66% guaranteed senior notes due September 15, 2023 (the "Series E Notes"), which were drawn on September 15, 2016.

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

The operating partnership may prepay at any time all or, from time to time, any part of the note purchase agreements in an amount not less than 5% of the aggregate principal amount of any series of note purchase agreements then outstanding in the case of a partial prepayment, at 100% of the principal amount so prepaid plus a make-whole premium.

The operating partnership's obligations under note purchase agreements will be fully and unconditionally guaranteed by the Company. Subsidiaries of the Company will also issue unconditional guarantees upon the occurrence of certain conditions, including such subsidiaries providing guarantees under the Amended and Restated Credit Facility Agreement, by and among the operating partnership, the financial institutions party thereto, and Wells Fargo Bank, National Association as administrative agent.

Debt Covenants

The operating partnership's ability to borrow under its unsecured loan arrangements remains subject to ongoing compliance with financial and other covenants as defined in their respective agreements. Certain financial covenant ratios are subject to change in the occurrence of material acquisitions as defined in the respective agreements. Other covenants include certain limitations on dividend payouts and distributions, limits on certain types of investments outside of the operating partnership's primary business and other customary affirmative and negative covenants.

The following table summarizes existing covenants and their covenant levels related to our unsecured revolving credit facility, term loans and note purchase agreements, when considering the most restrictive terms:

Covenant Ratio	Covenant Level
Total liabilities to total asset value	≤ 60%
Unsecured indebtedness to unencumbered asset value	≤ 60%
Adjusted EBITDA to fixed charges	≥ 1.5x
Secured indebtedness to total asset value	≤ 45%
Unencumbered NOI to unsecured interest expense	≥ 2.0x

The following table summarizes existing covenants and their covenant levels related to our registered senior notes:

Covenant Ratio	Covenant Level
Debt to total assets	≤ 60%
Total unencumbered assets to unsecured debt	≥ 150%

Consolidated income available for debt service to annual debt service charge	≥ 1.5x
Secured debt to total assets	≤ 45%

The operating partnership was in compliance with its financial covenants as of December 31, 2018.

Repayment Guarantees

Registered Senior Notes

The Company has fully and unconditionally guaranteed the operating partnership's registered senior notes of $400.0 million due November 1, 2027.

Sunset Gower Studios and Sunset Bronson Studios Loan

In connection with the loan secured by the Sunset Gower Studios and Sunset Bronson Studios properties, the Company has guaranteed in favor of and promised to pay to the lender 19.5% of the principal payable under the loan in the event the borrower, a wholly-owned entity of the operating partnership, does not do so. At December 31, 2018, the outstanding balance was $5.0 million, which results in a maximum guarantee amount for the principal under this loan of $1.0 million. Furthermore, the Company agreed to guarantee the completion of the construction improvements, including tenant improvements, as defined in the agreement, in the event of any default of the borrower. If the borrower fails to complete the remaining required work, the guarantor agrees to perform timely all of the completion obligations, as defined in the agreement. As of the date of this filing, there has been no event of default associated with this loan.

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

Other Loans

Although the rest of the operating partnership’s loans are secured and non-recourse, the operating partnership provides limited customary secured debt guarantees for items such as voluntary bankruptcy, fraud, misapplication of payments and environmental liabilities.

Interest Expense

The following table represents a reconciliation from the gross interest expense to the amount on the interest expense line item in the Consolidated Statements of Operations:

	Year Ended December 31,		
	2018	**2017**	**2016**
Gross interest expense(1)	$ 92,017	$ 94,660	$ 82,887
Capitalized interest	(14,815)	(10,655)	(11,307)
Amortization of deferred financing costs and loan discount, net	5,965	6,032	4,464
INTEREST EXPENSE	**$ 83,167**	**$ 90,037**	**$ 76,044**

1.Includes interest on the Company’sdebt and hedging activities and loan extinguishment costs of $421 thousand and $1.1 million during the years ended December 31, 2018 and 2017, respectively.

6. Derivatives

The Company enters into derivatives in order to hedge interest rate risk. The Company had six interest rate swaps with aggregate notional amounts of $839.5 million as of December 31, 2018 and 2017. These derivatives were designated as effective cash flow hedges for accounting purposes. There is no impact on the Company’s Consolidated Statements of Cash Flows.

The Company has agreements with its derivative counterparties that contain a provision where the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company’s default on the indebtedness.

The Company’s derivatives are classified as Level 2 and their fair values are derived from estimated values obtained from observable market data for similar instruments.

The fair market value of derivatives is presented on a gross basis on the Consolidated Balance Sheets. The following table summarizes the Company’s derivative instruments as of December 31, 2018 and December 31, 2017:

Underlying Debt Instrument	# Hedges	Notional Amount	Effective Date	Maturity Date	Interest Rate Range(1)		Fair Value Asset/(Liabilities)	
					Low	**High**	**2018**	**2017**
Met Park North	1	64,500	August 2013	August 2020	3.71%	3.71%	$ 350	$ (265)

Term loan A(2)	2		300,000	July 2016	April 2020	2.65%	3.06%		4,038	3,520
Term loan B(3)	2		350,000	April 2015	April 2022	2.96%	3.46%		7,543	4,960
Term loan D(4)	1		125,000	June 2016	November 2022	2.63%	3.13%		4,756	4,106
TOTAL	**6**	**$**	**839,500**					**$**	**16,687**	**$ 12,321**

1.The rate is based on the fixed rate from the swap and the spread based on the operating partnership's leverage ratio as of December 31, 2018.

2.On March 13, 2018, the underlying debt instrument that was hedged was amended. Prior to the amendment, the interest rate was effectively fixed at 2.75% to 3.65%.

3.On March 13, 2018, the underlying debt instrument that was hedged was amended. Prior to the amendment, the interest rate was effectively fixed at 3.36% to 4.31%.

4.On March 13, 2018, the underlying debt instrument that was hedged was amended. Prior to the amendment, the interest rate was effectively fixed at 3.03% to 3.98%.

On January 1, 2018, the Company early adopted ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* ("ASU 2017-12"). As a result of the adoption, the Company is no longer recognizing unrealized gains or losses related to ineffective portions of its derivatives. The Company recognized a $231 thousand cumulative-effect adjustment to other comprehensive income, with a corresponding adjustment to the opening balance of retained earnings (accumulated deficit). The Company recognized an unrealized loss of $70 thousand and $1.4 million during the years

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

ended December 31, 2017 and 2016, respectively, reflected in the unrealized loss on ineffective portion of derivatives line item on the Consolidated Statements of Operations.

The Company reclassifies into earnings in the same period during which the hedged forecasted transaction affects earnings. As of December 31, 2018, the Company expects $7.9 million of unrealized gain included in accumulated other comprehensive income will be reclassified as a reduction to interest expense in the next 12 months.

7. Future Minimum Base Rents and Lease Payments

The Company's properties are leased to tenants under operating leases with initial term expiration dates ranging from 2019 to 2034.

The following table summarizes the future minimum base rents (excluding tenant reimbursements for operating expenses and termination fees related to tenants exercising early termination options) for properties as of December 31, 2018:

Year ended	**Non-cancellable**		**Subject to early termination options**		**Total**(1)	
2019	$	524,376	$	5,610	$	529,986
2020	503,957		14,744		518,701	
2021	481,430		25,058		506,488	
2022	425,034		39,451		464,485	
2023	373,786		41,363		415,149	
Thereafter	1,360,511		71,212		1,431,723	
TOTAL	**$**	**3,669,094**	**$**	**197,438**	**$**	**3,866,532**

1.Excludes rents under leases at the Company's studio properties with terms of one year or less.

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)
Future Minimum Lease Payments

The following table summarizes the Company’s ground lease terms related to properties that are held subject to long-term non-cancellable ground lease obligations as of December 31, 2018:

Property	Expiration Date	Notes
3400 Hillview	10/31/2040	The ground rent is the greater of the minimum annual rent or percentage annual rent. The minimum annual rent until October 31, 2017 is the lesser of 10% of Fair Market Value (“FMV”) of the land or $1.0 million grown at 75% of the cumulative increases in consumer price index (“CPI”) from October 1989. Thereafter, minimum annual rent, which resets annually, is the lesser of 10% of FMV of the land or the minimum annual rent as calculated as of November 1, 2017 plus 75% of subsequent cumulative CPI changes. The minimum annual rent cannot be less than a set amount. Percentage annual rent is gross income multiplied by

		24.125%.
Clocktower Square	9/26/2056	The ground rent is minimum annual rent (adjusted every 10 years) plus 25% of adjusted gross income (“AGI”). Minimum rent adjustments adds 60% of the average annual participation rent payable over five years. Annual participation is the excess of 25% of AGI over the minimum annual rent for a given lease year.
Del Amo	6/30/2049	Rent under the ground sublease is $1.00 per year, with the sublessee being responsible for all impositions, insurance premiums, operating charges, maintenance charges, construction costs and other charges, costs and expenses that arise or may be contemplated under any provisions of the ground sublease.
Ferry Building	Various	The land on which the building is situated is subject to a ground lease agreement which expires on April 1,

		2067. The minimum annual rent (adjusted every 5 years) is the prior year's minimum annual rent plus cumulative increase in CPI with a floor of 10% and a cap of 20%. Additionally, the parking lot is subject to a separate ground lease agreement that expires on April 1, 2023. The minimum annual rent adjusts each year for changes in CPI with a floor of 2% and a cap of 4%. The parking lot is subject to automatic renewals for 10-year periods at market.
Foothill Research Center	6/30/2039	The ground rent is the greater of the minimum annual rent or percentage annual rent. The minimum annual rent, which resets annually, is the lesser of 10% of FMV of the land or the previous year's minimum annual rent plus 75% of CPI increase. The minimum annual rent cannot be less than a set amount. Percentage annual rent is gross income

		multiplied by 24.125%.
3176 Porter	7/31/2040	The ground rent is the greater of the minimum annual rent or percentage annual rent. The minimum annual rent, which resets annually, is the lesser of 10% of FMV of the land or the previous year's minimum annual rent plus 75% of CPI increase. Percentage annual rent is Lockheed's base rent multiplied by 24.125%. The minimum annual rent cannot be less than a set amount.
Metro Center	4/29/2054	Every 10 years rent adjusts to 7.233% of FMV of the land (since 2008) and adjusts to reflect the change in CPI from the preceding FMV adjustment date (since 2013). The CPI adjustment has a floor of the previous minimum rent. The Company has an option to extend the ground lease for four additional periods of 11 years each.
Page Mill Center	11/30/2041	The ground rent is minimum annual rent

		(adjusted on January 1, 2019 and January 1, 2029) plus 25% of AGI, less minimum annual rent. Minimum rent adjustments adds 60% of the average annual participation rent payable over five years. Annual participation is the excess of 25% of AGI over the minimum annual rent for a given lease year.
Page Mill Hill	11/17/2049	The ground rent is minimum annual rent (adjusted every 10 years) plus 60% of the average of the percentage annual rent for the previous 7 lease years. Minimum rent adjustments add 60% of the average annual percentage rent for the previous 7 years.
Palo Alto Square	11/30/2045	The ground rent is minimum annual rent (adjusted every 10 years starting January 1, 2022) plus 25% of AGI less minimum annual rent. The minimum annual rent adjustments add 50% of the average annual percentage rent from the

		previous 5 years.
Sunset Gower Studios	3/31/2060	Every 7 years rent adjusts to 7.5% of FMV of the land.
Techmart	5/31/2053	Rent subject to a 10% increase every 5 years. The Company has an option to extend the ground lease for two additional periods of 10 years each.

Contingent rental expense is recorded in the period in which the contingent event becomes probable. The following table summarizes rental expense for ground leases and a corporate office lease:

	For the Year Ended December 31,		
	2018	**2017**	**2016**
Contingent rental expense	$ 10,740	$ 8,775	$ 8,651
Minimum rental expense	$ 15,906	$ 12,412	$ 12,085

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

The following table provides information regarding the Company's future minimum lease payments for its ground leases (before the impact of extension options, if applicable) as of December 31, 2018:

For the Year Ended December 31,	**Ground Leases**(1)	
2019	$	17,137
2020	17,137	
2021	17,137	
2022	17,137	
2023	17,215	
Thereafter	485,607	
TOTAL	**$**	**571,370**

1.In situations where ground lease obligation adjustments are based on third-party appraisals of fair market land value, CPI adjustments and/or percentage of gross income that exceeds the minimum annual rent, the future minimum lease amounts above include the lease rental obligations in effect as of December 31, 2018.

8. Fair Value of Financial Instruments

The Company's financial assets and liabilities measured and reported at fair value on a recurring basis include the following as of:

	December 31, 2018												**December 31, 2017**			
	Level 1		**Level 2**		**Level 3**		**Total**		**Level 1**		**Level 2**		**Level 3**		**Total**	
Derivative assets (1)	$	—	$	16,687	$	—	$	16,687	$	—	$	12,586	$	—	$	12,586
Derivative liabilities(2)	$	—	$	—	$	—	$	—	$	—	$	265	$	—	$	265
Non-real estate investment(1)(3)	$	—	$	2,713	$	—	$	2,713	$	—	$	—	$	—	$	—

1.Included in the prepaid expenses and other assets, net line item in the Consolidated Balance Sheets.
2.Included in the accounts payable, accrued liabilities and other line item on the Consolidated Balance Sheets.
3.Related to our investment in shares in a non-public company. Pursuant to our adoption of ASU 2016-01 during 2018, the Company marked the investment to fair value during the second quarter of 2018. The investment was not fair valued in 2017 and was accounted for under the cost method.

Other Financial Instruments

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities are reasonable estimates of fair value, using Level 1 inputs, because of the short-term nature of these instruments. Fair value for investment in U.S. Government securities are estimates based on Level 1 inputs. Fair values for debt are estimates based on rates currently prevailing for similar instruments of similar maturities using Level 2 inputs.

The table below represents the carrying value and fair value of the Company's investment in securities and debt as of:

December 31, 2018			**December 31, 2017**
Carrying Value	**Fair Value**	**Carrying Value**	**Fair Value**

Assets								
U.S. Government securities	$	146,880	$	147,686	$	—	$	—
Liabilities								
Unsecured debt(1)(2)	$	2,274,352	$	2,227,265	$	1,974,278	$	1,960,560
Secured debt(1)	$	365,381	$	354,109	$	464,311	$	458,441
In-substance defeased debt	$	138,223	$	135,894	$	—	$	—
Joint venture partner debt	$	66,136	$	66,136	$	—	$	—

1.Amounts represent debt excluding net deferred financing costs.

2.The $400.0 million registered senior notes were issued at a discount. The discount, net of amortization was $648 thousand and $722 thousand at December 31, 2018 and December 31, 2017, respectively, and is included within unsecured debt.

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

The following table summarizes the carrying value and fair value of our U.S. Government securities by the contractual maturity date:

	Carrying Value		Fair Value	
Due in 1 year	$	6,175	$	6,187
Due in 1 year through 5 years	140,705		141,499	
TOTAL	**$**	**146,880**	**$**	**147,686**

9. Stock-Based Compensation

The Company's 2010 Incentive Plan permits the Company's board of directors (the "Board") to grant, among other things, restricted stock, restricted stock units, operating partnership performance units and performance-based awards. As of December 31, 2018, 2.5 million common shares were available for grant under the 2010 Plan. The calculation of shares available for grant is determined after taking into account unvested restricted stock, unvested operating partnership performance units, unvested RSUs, awards under our one-time retention performance-based awards, and awards under our outstanding outperformance programs, assuming the maximum bonus pool eligible ultimately is earned and based on a stock price of $29.06.

The Board awards restricted shares to non-employee Board members on an annual basis as part of such Board members' annual compensation and to newly elected non-employee board members in accordance with the Non-Employee Director Compensation Program. The time-based awards are generally issued in the second quarter, in conjunction with the director's election to the Board and the individual share awards vest in equal annual installments over the applicable service vesting period, which is three years.

The Board awards time-based restricted shares or time-based operating partnership performance units to certain employees on an annual basis as part of the employees' annual compensation. These time-based awards are generally issued in the fourth quarter, and vest in equal annual installments over the applicable service vesting period, which is generally three years. Additionally, certain awards are subject to a mandatory holding period upon vesting if the grantee is a named executive officer.

The compensation committee of our Board (the "Compensation Committee") annually adopts a Hudson Pacific Properties, Inc. Outperformance Program ("OPP Plan") under our 2010 Plan. With respect to OPP Plan awards granted through 2016, to the extent an award is earned following the completion of a three-year performance period, 50% of the earned award will vest in full at the end of the three-year performance period and 50% of the earned award will vest in equal annual installments over the two years thereafter, subject to the participant's continued employment. OPP Plan awards are settled in common stock and in the case of certain executives, awards are settled in performance units in our operating partnership. Commencing with our 2017 OPP Plan, the two-year post performance vesting period was replaced with a two-year mandatory holding period upon vesting. In February 2018, the Compensation Committee adopted the 2018 OPP Plan. The 2018 OPP Plan is substantially similar to the previous OPP Plans except for (i) the performance period is January 1, 2018 to December 31, 2020, (ii) the maximum bonus pool is $25.0 million, (iii) the relative comparison index is the SNL US Office REIT index, (iv) the absolute TSR hurdle will be 21% (or 7% per annum) and (v) adjusted the sliding scale low return factor so that relative TSR pool can only be reduced by 75% under this feature.

In December 2015, the Compensation Committee of the Board awarded a one-time special retention award to certain executives. The grants consist of time-based awards and performance-based awards. The time-based awards vest in equal 25% installments over a four-year period, subject to the participant's continued employment. The performance-based awards vest over a four-year period, subject to the achievement of applicable performance goals and the participant's continued employment.

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)
Time-Based Awards

The stock-based compensation is valued based on the quoted closing price of the Company's common stock on the applicable grant date and discounted for the hold restriction in accordance with ASC 718. The stock-based compensation is amortized through the final vesting period on a straight-line basis. Forfeitures of awards are recognized as they occur.

Performance-Based Awards

OPP Plan

An award under the OPP Plan is ultimately earned to the extent the Company outperforms a predetermined total shareholder return ("TSR") goal and/or achieves goals with respect to the outperformance of its peers in a particular REIT index. The ultimate aggregate award cannot exceed the predetermined maximum bonus pool. The following table outlines key components of the 2018 and 2017 OPP Plans:

	2018 OPP Plan	**2017 OPP Plan**
Maximum bonus pool, in millions	$25.0	$20.0
Performance period	1/1/2018 to 12/31/2020	1/1/2017 to 12/31/2019

The stock-based compensation costs of the OPP Plans were valued in accordance with ASC 718, utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The stock-based compensation is amortized through the final vesting period under a graded vesting expense recognition schedule. Forfeitures of awards are recognized as they occur.

The per unit fair value of OPP award granted was estimated on the date of grant using the following assumptions in the Monte Carlo valuation:

	2018	**2017**	**2016**
Expected price volatility for the Company	20.00%	24.00%	24.00%
Expected price volatility for the particular REIT index	18.00%	17.00%	17.00%
Risk-free rate	2.37%	1.47%	1.09%
Dividend yield	2.90%	2.30%	2.40%

One-Time Retention Awards

At the end of each year in the four-year performance period and over the four-year performance period, the ultimate award is earned if the Company outperforms a predetermined TSR goal and/or achieves goals with respect to its outperformance of its peers in a particular REIT index.

The stock-based compensation costs were valued in accordance with ASC 718, utilizing a Monte Carlo simulation to estimate the probability of the performance vesting conditions being satisfied. The stock-based compensation is amortized through the final vesting period under a graded vesting expense recognition schedule. Forfeitures of awards are recognized as they occur.

The per unit fair value of one-time retention award granted was estimated on the date of grant using the following assumptions in the Monte Carlo valuation:

	Assumptions
Expected price volatility for the Company	23.00%
Expected price volatility for the particular REIT index	18.00%
Risk-free rate	1.63%
Dividend yield	3.20%

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)
Summary of Unvested Share Activity

The following table summarizes the activity and status of all unvested stock awards:

	2018		2017		2016	
	Shares	**Weighted-Average Grant-Date Fair Value**	**Shares**	**Weighted-Average Grant-Date Fair Value**	**Shares**	**Weighted-Average Grant-Date Fair Value**
Unvested at January 1	1,087,186	$ 33.64	887,179	$ 31.09	827,950	$ 28.92
Granted	190,557	29.53	918,884	34.37	489,826	30.95
Vested	(571,481)	32.14	(705,508)	31.42	(430,597)	26.75
Canceled	(2,466)	33.38	(13,369)	32.14	—	—
Unvested at December 31	703,796	$ 32.93	1,087,186	$ 33.64	887,179	$ 31.09

Year Ended December 31,	**Non-Vested Shares Issued**	**Weighted Average Grant-Date Fair Value**	**Vested Shares**	**Total Vest-Date Fair Value (in thousands)**
2018	190,557	$ 29.53	(571,481)	$ 16,735
2017	918,884	34.37	(705,508)	24,155
2016	489,826	30.95	(430,597)	14,736

During 2018, the Company granted 318,549 time-based restricted operating partnership performance units with a weighted-average grant-date fair value of $28.41. There have been no other operating partnership performance units granted, vested or canceled.

Share-based Compensation Recorded

The following table presents the classification and amount recognized for stock-based compensation related to the Company's awards:

	For the Year Ended December 31,		
	2018	**2017**	**2016**
Expensed stock compensation(1)	$ 17,028	$ 15,079	$ 14,144
Capitalized stock compensation(2)	1,097	836	510
Total stock compensation(3)	$ 18,125	$ 15,915	$ 14,654

1. Amounts are recorded in general and administrative expenses in the Consolidated Statements of Operations.
2. Amounts are recorded in deferred leasing costs and lease intangible assets, net and investment in real estate, at cost in the Consolidated Balance Sheets.
3. Amounts are recorded in additional paid-in capital and non-controlling interest—units in the operating partnership in the Consolidated Balance Sheets.

As of December 31, 2018, total unrecognized compensation cost related to unvested share-based payments was $32.2 million, and is expected to be recognized over a weighted-average period of three years.

10. Earnings Per Share

Hudson Pacific Properties, Inc.

The Company calculates basic earnings per share by dividing the net income available to common stockholders for the period by the weighted average number of common shares outstanding during the period. The Company calculates diluted earnings per share by dividing the diluted net income (loss) available to common stockholders for the period by the weighted average number of common shares and dilutive instruments outstanding during the period using the treasury stock method or the if-converted method, whichever is more dilutive. Unvested time-based restricted stock awards and unvested OPP RSUs that contain nonforfeitable rights to dividends are participating securities and are included in the computation of earnings per share pursuant to the two-class method.

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

The following table reconciles the numerator and denominator in computing the Company's basic and diluted earnings per share for net income available to common stockholders:

	For the Year Ended December 31,					
	2018	**2017**		**2016**		
Numerator:						
Basic net income available to common stockholders	$	98,090	$	67,587	$	27,218
Effect of dilutive instruments	—		—		451	
Diluted net income available to common stockholders	$	98,090	$	67,587	$	27,669
Denominator:						
Basic weighted average common shares outstanding	155,445,247		153,488,730		106,188,902	
Effect of dilutive instruments(1)	251,239		394,084		4,180,153	
DILUTED WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	**155,696,486**		**153,882,814**		**110,369,055**	
Basic earnings per common share	$	0.63	$	0.44	$	0.26
Diluted earnings per common share	$	0.63	$	0.44	$	0.25

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1.The Company includes unvested awards and convertible common and participating units as contingently issuable shares in the computation of diluted earnings per share once the market criteria are met, assuming that the end of the reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted earnings per share calculation.

Hudson Pacific Properties, L.P.

The Company calculates basic earnings per share by dividing the net income available to common unitholders for the period by the weighted average number of common units outstanding during the period. The Company calculates diluted earnings per share by dividing the diluted net income available to common unitholders for the period by the weighted average number of common units and dilutive instruments outstanding during the period using the treasury stock method or the if-converted method, whichever is more dilutive. Unvested time-based restricted stock awards, unvested time-based performance unit awards and unvested OPP RSUs that contain nonforfeitable rights to dividends are participating securities and are included in the computation of earnings per unit pursuant to the two-class method.

The following table reconciles the numerator and denominator in computing the Company's basic and diluted earnings per unit for net income available to common unitholders:

	For the Year Ended December 31,					
	2018	**2017**		**2016**		
Numerator:						
	$	98,448	$	67,962	$	33,066

Basic and diluted net income available to common unitholders						
Effective of dilutive instruments	—		—		451	
Diluted net income available to common unitholders	$	98,448	$	67,962	$	33,517
Denominator:						
Basic weighted average common units outstanding	156,014,292		154,276,773		145,595,246	
Effect of dilutive instruments(1)	251,239		394,084		1,144,000	
DILUTED WEIGHTED AVERAGE COMMON UNITS OUTSTANDING	**156,265,531**		**154,670,857**		**146,739,246**	
Basic earnings per common unit	$	0.63	$	0.44	$	0.23
Diluted earnings per common unit	$	0.63	$	0.44	$	0.23

1.The operating partnership includes unvested awards as contingently issuable units in the computation of diluted earnings per unit once the market criteria are met, assuming that the end of the reporting period is the end of the contingency period. Any anti-dilutive securities are excluded from the diluted earnings per unit calculation.

11. Redeemable Non-Controlling Interest

Redeemable preferred units of the operating partnership

As of December 31, 2018, there were 407,066 series A preferred units of partnership interest in the operating partnership, or series A preferred units, which are not owned by the Company. On April 16, 2018, 14,468 series A preferred units of partnership

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

interest were redeemed for cash at a redemption price of $25.00 per share, plus accrued and unpaid dividends to, but not including, the date of redemption.

These series A preferred units are entitled to preferential distributions at a rate of 6.25% per annum on the liquidation preference of $25.00 per unit and became convertible at the option of the holder into common units or redeemable into cash or, at the Company's election, exchangeable for registered shares of common stock after June 29, 2013.

Redeemable non-controlling interest in consolidated real estate entities

The Company has a 75% interest in the joint venture that owns the One Westside and 10850 Pico properties. The Company has a put right, after a specified time, to sell its interest at fair market value. Macerich has a put right to sell its interest at fair market value, which is a redemption right that is not solely within the control of the Company. The put right is not currently redeemable. Therefore, the non-controlling interest related to this joint venture is included as temporary equity. Once the redemption is probable, the carrying amount will be marked to market with the change in value reflected in additional paid-in capital.

The Company has a 55% interest in the joint venture that owns the Ferry Building property. The Company has a put right, if certain events occur, to sell its interest at fair market value. Allianz has a put right, if certain events occur, to sell its interest at fair market value, which is a redemption right that is not solely within the control of the Company. The put right is not currently redeemable. Therefore, the non-controlling interest related to this joint venture is included as temporary equity. Once the redemption is probable, the carrying amount will be marked to market with the change in value reflected in additional paid-in capital.

The following table reconciles the beginning and ending balances of redeemable non-controlling interests:

	Series A Redeemable Preferred Units		**Consolidated Entities**	
Balance at December 31, 2017	**$**	**10,177**	**$**	**—**
Contributions	—		112,972	
Declared dividend	(618)		—	
Net income	618		169	
Redemption of preferred units	(362)		—	
BALANCE AT DECEMBER 31, 2018	**$**	**9,815**	**$**	**113,141**

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)
12. Equity

The table below presents the effect of the Company’s derivatives on accumulated other comprehensive income (“OCI”):

	Hudson Pacific Properties, Inc. Stockholder’s Equity		Non-controlling interests		Total Equity	
Balance at January 1, 2016	**$**	**(1,081)**	**$**	**1,017**	**$**	**(64)**
Unrealized loss (gain) recognized in OCI	4,122		(6,989)		(2,867)	
Loss reclassified from OCI into income(1)	6,455		2,354		8,809	
Net change in OCI	**10,577**		**(4,635)**		**5,942**	
Balance at December 31, 2016	**9,496**		**(3,618)**		**5,878**	
Unrealized loss recognized in OCI	3,011		18		3,029	
Loss reclassified from OCI into income(1)	4,342		27		4,369	
Net change in OCI	**7,353**		**45**		**7,398**	
Reclassification related to redemption of common units in the operating partnership	(3,622)		3,622		—	
Balance at December 31, 2017	**13,227**		**49**		**13,276**	
Unrealized gain recognized in OCI	7,331		27		7,358	
Gain reclassified from OCI into income(1)	(3,287)		(13)		(3,300)	
Net change in OCI	**4,044**		**14**		**4,058**	
Cumulative adjustment related to adoption of ASU 2017-12	230		1		231	
BALANCE AT DECEMBER 31, 2018	**$**	**17,501**	**$**	**64**	**$**	**17,565**

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1.The gains and losses on the Company’s derivatives are reportedin the interest expense line item on the Consolidated Statements of Operations. Interest expense was $83.2 million, $90.0 million and $76.0 million for the years ended December 31, 2018, December 31, 2017 and December 31, 2016, respectively.

Non-controlling Interests

Common units in the operating partnership

Common units of the operating partnership and shares of common stock of the Company have essentially the same economic characteristics, as they share equally in the total net income or loss distributions of the operating partnership. Investors who own common units have the right to cause the operating partnership to repurchase any or all of their common units for cash equal to the then-current market value of one share of common stock or, at the Company’s election, issue shares of the Company’s common stock in exchange for common units on a one-for-one basis.

The following table summarizes the ownership of common units, excluding unvested restricted units as of:

	December 31, 2018	**December 31, 2017**	**December 31, 2016**
Company-owned common units in the operating partnership	154,371,538	155,602,508	136,492,235
Company’s ownership interest percentage	99.6%	99.6%	93.5%
Non-controlling common units in the operating partnership(1)	569,045	569,045	9,450,620
Non-controlling ownership interest percentage(1)	0.4%	0.4%	6.5%

1.Represents common units held by certain of the Company’s executive officers and directors, certain of their affiliates and other outside investors.

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

The following table summarizes the common unit redemptions in 2016 and 2017:

Redemption Date	Common Units
May 16, 2016	10,117,223
July 21, 2016	19,195,373
November 28, 2016	17,533,099
January 10, 2017	8,881,575

For each of the redemptions above, the common unitholders requested the operating partnership repurchase common units and the Company elected, in accordance with the limited partnership agreement of the operating partnership, to settle in cash to satisfy the redemption. The Company funded the redemptions using the proceeds from registered underwritten public offering of common stock.

Performance units are partnership interests in the operating partnership. Each performance unit awarded will be deemed equivalent to an award of one share of common stock under the 2010 Plan, reducing the availability for other equity awards on a one-for-one basis. Under the terms of the performance units, the operating partnership will revalue its assets for tax purposes upon the occurrence of certain specified events, and any increase in valuation from the time of grant until such event will be allocated first to the holders of performance units to equalize the capital accounts of such holders with the capital accounts of common unitholders. Subject to any agreed upon exceptions, once vested and having achieved parity with common unitholders, performance units are convertible into common units in the operating partnership on a one-for-one basis.

Common Stock Activity

The Company has not completed any common stock offerings in 2018. The following table summarizes the common stock offerings in 2016 and 2017:

Offering Date	Common Shares
May 16, 2016(1)	10,117,223
July 21, 2016(1)	19,195,373
November 28, 2016(1)	17,533,099
January 10, 2017(1)	8,881,575
March 3, 2017(2)	9,775,000

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1.Proceeds from the offering were used to repurchase common units in the operating partnership.

2.Represents a common stock offering of 9,775,000 shares of common stock. Proceeds from the offering were used to fully repay a $255.0 million balance outstanding under its unsecured revolving credit facility.

The Company's ATM program permits sales of up to $125.0 million of common stock. A cumulative total of $20.1 million has been sold as of December 31, 2018.

The following table summarizes the ATM activity:

	2018	2017	2016
Shares of common stock sold during the period	—	—	165,000
Common stock price ranges	N/A	N/A	$33.54 to $33.95

Share repurchase program

On March 8, 2018, the Board increased the authorized share repurchase program to a total of $250.0 million. In November 2018, the Company repurchased 1.6 million shares for a weighted average price of $30.48 per share for $50.0 million. The Company may make repurchases under the program at any time in its discretion, subject to market conditions, applicable legal requirements and other factors.

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)
Dividends

The Board declared dividends on a quarterly basis and the Company paid the dividends during the quarters in which the dividends were declared. The following table summarizes dividends declared and paid for the periods presented:

	For the Year Ended December 31,		
	2018	**2017**	**2016**
Common stock(1)	$ 1.00	$ 1.00	$ 0.80
Common units (1)	$ 1.00	$ 1.00	$ 0.80
Series A preferred units (1)	$ 1.5625	$ 1.5625	$ 1.5625

1.The fourth quarter 2018 dividends were paid on December 27, 2018 to shareholders and unitholders of record on December 17, 2018.

Taxability of Dividends

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

The Company's dividends related to its common stock will be classified for U.S. federal income tax purposes as follows (unaudited):

			Ordinary Dividends				
Record Date	**Payment Date**	**Distributions Per Share**	**Total**	**Non-qualified(1)**	**Qualified**	**Capital Gain Distributions(2)**	**Return of Capital**
3/19/2018	3/29/2018	$ 0.25000	$ 0.15113	$ 0.15113	$ —	$ 0.07595	$ 0.02292
6/19/2018	6/29/2018	0.25000	0.15113	0.15113	—	0.07595	0.02292
9/18/2018	9/28/2017	0.25000	0.15113	0.15113	—	0.07595	0.02292
12/17/2018	12/27/2018	0.25000	0.15113	0.15113	—	0.07595	0.02292
	TOTALS	**$ 1.00000**	**$ 0.60452**	**$ 0.60452**	**$ —**	**$ 0.30380**	**$ 0.09168**
		100.00%	60.45%			30.38 %	9.17 %

1.On December 22, 2017, the Tax Cuts and Jobs Act enacted Section 199A that generally allows a deduction for non-corporate taxpayers equal to 20% of ordinary dividends distributed by a REIT (excluding capital gain dividends and qualified dividend income). Ordinary dividends eligible for the Section 199A benefit are a subset of, and included in, the taxable ordinary dividend amount. All of the non-qualified dividends listed above are eligible for the Section 199A benefit.
2.$0.02240 of the $0.07595 capital gain distributions should be characterized as unrecaptured Section 1250 gain.

13. Segment Reporting

The Company's reporting segments are based on the Company's method of internal reporting, which classifies its operations into two reporting segments: (i) office properties and (ii) studio properties. The Company evaluates performance based upon net operating income of the combined properties in each segment. General and administrative expenses and interest expense are not included in segment profit as our internal reporting addresses these items on a corporate level. Asset information by segment is not reported because the Company does not use this measure to assess performance or make decisions to allocate resources, therefore, depreciation and amortization expense is not allocated among segments.

Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

The table below presents the operating activity of our reportable segments:

	Year Ended December 31,		
	2018	**2017**	**2016**
Office segment			
Total office revenues	$ 652,517	$ 667,110	$ 593,236
Office expenses	(226,820)	(218,873)	(202,935)
Office segment profit	**425,697**	**448,237**	**390,301**
Studio segment			
Total studio revenues	75,901	61,029	46,403
Studio expenses	(40,890)	(34,634)	(25,810)
Studio segment profit	**35,011**	**26,395**	**20,593**
TOTAL SEGMENT PROFIT	**$ 460,708**	**$ 474,632**	**$ 410,894**
Total revenues	$ 728,418	$ 728,139	$ 639,639
Total segment expenses	(267,710)	(253,507)	(228,745)
TOTAL SEGMENT PROFIT	**$ 460,708**	**$ 474,632**	**$ 410,894**

The table below is a reconciliation of the total profit from all segments to net income attributable to common stockholders:

	Year Ended December 31,		
	2018	**2017**	**2016**
Total profit from all segments	**$ 460,708**	**$ 474,632**	**$ 410,894**
General and administrative	(61,027)	(54,459)	(52,400)
Depreciation and amortization	(251,003)	(283,570)	(269,087)
Interest expense	(83,167)	(90,037)	(76,044)
Interest income	1,718	97	260
Unrealized gain on non-real estate investment	928	—	—
Unrealized gain on ineffective portion of derivative	—	(70)	(1,436)

instrument			
Transaction-related expenses	(535)	(598)	(376)
Other income	822	2,992	1,558
Gains on sale of real estate	43,337	45,574	30,389
Net income	**111,781**	**94,561**	**43,758**

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)
14. Related Party Transactions

Employment Agreements

The Company has entered into employment agreements with certain executive officers, effective January 1, 2016, that provide for various severance and change in control benefits and other terms and conditions of employment.

Lease and Subsequent Purchase of Corporate Headquarters from Blackstone

On July 26, 2006, the Company's predecessor, Hudson Capital, LLC, entered into a lease agreement and subsequent amendments with landlord Trizec Holdings Cal, LLC (an affiliate of Blackstone) for the Company's corporate headquarters at 11601 Wilshire. The Company amended the lease to increase its occupancy to 40,120 square feet commencing on September 1, 2015. On December 16, 2015, the Company entered into an amendment of that lease to expand the space to approximately 42,370 square feet and to extend the term by an additional 3 years, to a total of ten years, through August 31, 2025. On July 1, 2016, the Company purchased the 11601 Wilshire property from affiliates of Blackstone for $311.0 million (before credits, prorations and closing costs). Michael Nash, a director on the Board, is a senior managing director of an affiliate of Blackstone.

Ferry Building Acquisition from Certain Affiliates of Blackstone

On October 9, 2018, the Company entered into a joint venture with Allianz to purchase the Ferry Building from certain affiliates of Blackstone for $291.0 million before credits, prorations and closing costs. Michael Nash, a director on the Board, is a senior managing director of an affiliate of Blackstone.

Disposal of Pinnacle I and Pinnacle II to certain affiliates of Blackstone

On November 16, 2017, the consolidated joint venture that owned Pinnacle I and Pinnacle II sold the properties to certain affiliates of Blackstone for $350.0 million, before credits, prorations and closing costs, including the assumption of $216.0 million of secured debt. Michael Nash, a director on the Board, is a senior managing director of an affiliate of Blackstone.

Disposal of 222 Kearny to certain affiliates of Farallon Funds

On February 14, 2017, the Company sold its 222 Kearny property to a joint venture, a partner of which is an affiliate of the Farallon Funds for $51.8 million, before credits, prorations and closing costs. Richard B. Fried, a director on the Board, is a managing member of the Farallon Funds.

JMG Capital Lease at 11601 Wilshire

JMG Capital Management LLC leases approximately 6,638 square feet at the Company's 11601 Wilshire property pursuant to an eight-year lease at an aggregate rate of approximately $279 thousand annualized rent per year. Jonathan M. Glaser, a director on the Board, is the founder and managing member of JMG Capital Management LLC. JMG Capital Management LLC was a tenant of the property at the time it was purchased by the Company in 2016.

During 2017, JMG Capital Management LLC assigned the lease to a third party and as a result is no longer a lessee at our 11601 Wilshire property.

Agreement Related to EOP Acquisition

On April 1, 2015, the Company completed the EOP Acquisition from certain affiliates of Blackstone, which consisted of 26 high-quality office assets totaling approximately 8.2 million square feet and two development parcels located throughout the Northern California region. The total consideration paid for the EOP Acquisition before certain credits, prorations and closing costs included a cash payment of $1.75 billion and an aggregate of 63,474,791 shares of common stock of Hudson Pacific Properties, Inc. and common units in the operating partnership. In connection with the EOP Acquisition, the Company, the operating partnership and Blackstone entered into a stockholders agreement, which conferred Blackstone certain rights, including the right to nominate up to three of the Company’s directors. Additionally, the Company entered into a registration rights agreement with Blackstone providing for customary registration rights with respect to the equity consideration paid in the EOP Acquisition. Following a common stock offering and common unit repurchase on January 10, 2017, the stockholders agreement and the registration rights agreement automatically terminated on that date.

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)
Common Stock Offerings and Common Unit Redemptions

On January 10, 2017, the Company, Blackstone and the Farallon Funds completed a public offering of 18,673,808 shares of common stock, consisting of 8,881,575 shares offered by the Company and 9,792,233 shares offered by the selling stockholders. The offering generated net proceeds for the Company and the selling stockholders of approximately $310.9 million and $342.7 million, respectively, before expenses. The Company used the net proceeds that it received from the offering to redeem 8,881,575 common units held by Blackstone and the Farallon Funds.

The Company did not receive any proceeds from the sale of the common stock by the selling stockholders in the offerings described above but it paid approximately half of the expenses of the offerings with respect to the shares of common stock sold by the Farallon Funds and all of the expenses with respect to the shares of common stock sold by Blackstone, in each case, other than underwriting discounts, which were borne by the selling stockholders.

15. Commitments and Contingencies

On October 5, 2018, the Company entered into an agreement to invest in a real estate technology venture capital fund. The Company is committed to funding up to $20.0 million. The Company has not yet contributed to the fund.

Legal

From time to time, the Company is party to various lawsuits, claims and other legal proceedings arising out of, or incident to, the ordinary course of business. Management believes, based in part upon consultation with legal counsel, that the ultimate resolution of all such claims will not have a material adverse effect on the Company's results of operations, financial position or cash flows. As of December 31, 2018, the risk of material loss from such legal actions impacting the Company's financial condition or results from operations has been assessed as remote.

Concentrations

As of December 31, 2018, the Company's office properties were located in Northern and Southern California and the Pacific Northwest. The Company's studio properties were located in Hollywood in Southern California. 90.1% of the Company's properties were located in California, which exposes the Company to greater economic risks than if it owned a more geographically dispersed portfolio.

A significant portion of the Company's rental revenue is derived from tenants in the media and entertainment and technology industries. As of December 31, 2018, approximately 19.6% and 30.2% of rentable square feet were related to the tenants in the media and entertainment and technology industries, respectively.

As of December 31, 2018, the Company's 15 largest tenants represented approximately 29.1% of its rentable square feet and no single tenant accounted for more than 10%.

As of December 31, 2018, no single tenant in the Company's office and studio segments had rental revenues representing more than 10% of the segment's total revenue.

Letters of Credit

As of December 31, 2018, the Company has outstanding letters of credit totaling approximately $2.6 million under the unsecured revolving credit facility. The letters of credit are primarily related to utility company security deposit requirements.

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

16. Supplemental Cash Flow Information

Supplemental cash flow information is included as follows:

	Year Ended December 31,		
	2018	**2017**	**2016**
Cash paid for interest, net of capitalized interest	78,495	77,234	82,491
Non-cash investing and financing activities			
Accounts payable and accrued liabilities for real estate investments	(13,431)	(19,587)	(37,364)
Reclassification of investment in unconsolidated entities for real estate investments	—	7,835	—
Assumption of debt in connection with property acquisitions	139,003	—	—
Redeemable non-controlling interest in consolidated real estate entities	12,749	—	—
Relief of debt in conjunction with sale of real estate	—	(216,000)	—
Proceeds from sale of real estate	—	216,000	—

17. Quarterly Financial Information (unaudited)

The tables below present selected quarterly information for 2018 and 2017 for the Company:

	For the Three Months Ended(1)			
	December 31, 2018	**September 30, 2018**	**June 30, 2018**	**March 31, 2018**
Total revenues	$ 198,433	$ 180,698	$ 175,169	$ 174,118
Total operating expenses	$ (157,021)	$ (144,310)	$ (139,388)	$ (139,021)
Net income	$ 19,257	$ 20,270	$ 19,691	$ 52,563

Net income attributable to the Company's stockholders	$ 15,944	$ 17,367	$ 16,202	$ 48,577
Net income attributable to common stockholders' per share—basic	$ 0.10	$ 0.11	$ 0.10	$ 0.31
Net income attributable to common stockholders' per share—diluted	$ 0.10	$ 0.11	$ 0.10	$ 0.31

	For the Three Months Ended(1)			
	December 31, 2017	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**
Total revenues	$ 189,333	$ 190,021	$ 180,500	$ 168,285
Total operating expenses	$ (145,501)	$ (153,861)	$ (152,392)	$ (139,782)
Net income	$ 48,944	$ 14,510	$ 6,954	$ 24,153
Net income attributable to the Company's stockholders	$ 32,455	$ 11,064	$ 3,553	$ 20,515
Net income attributable to common stockholders' per share—basic	$ 0.21	$ 0.07	$ 0.02	$ 0.14
Net income attributable to common stockholders' per share—diluted	$ 0.21	$ 0.07	$ 0.02	$ 0.14

1.The summation of the quarterly financial data may not equal the annual number reported on the consolidated statements of operations due to rounding.

18. Subsequent Event

Hudson Pacific Properties, Inc. 2019 Outperformance Program

On February 12, 2019, the Compensation Committee adopted the 2019 Outperformance Program ("2019 OPP") under the 2010 Plan. The 2019 OPP authorizes grants of incentive awards linked to the absolute and relative TSR over the performance period beginning on January 1, 2019 and ending on the earlier to occur of December 31, 2021 or the date on which the Company experience a change in control. Each 2019 OPP award confers a percentage participation right in a dollar-denominated bonus pool that is settled in either Company common stock or performance units of the operating partnership, as well as certain dividend equivalent or distribution rights.

Upon adoption of the 2019 OPP, the Compensation Committee granted Victor J. Coleman, Mark T. Lammas, Alex Vouvalides, Christopher Barton and Josh Hatfield, each of whom is a named executive officer, OPP awards of 24%, 13.75%, 9.15%, 6.4% and 6.4% respectively. The awards for each were granted in the form of performance units.

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Hudson Pacific Properties, Inc. and Hudson Pacific Properties, L.P.
Notes to Consolidated Financial Statements—(Continued)
(Tables in thousands, except square footage and share data)

Under the 2019 OPP, a bonus pool of up to (but not exceeding) $28.0 million will be determined at the end of the performance period as the sum of: (i) 3% of the amount by which the TSR during the performance period exceeds 7% simple annual TSR (the absolute TSR component), plus (ii) 3% of the amount by which the TSR performance exceeds that of the SNL US Office REIT Index (on a percentage basis) over the performance period (the relative TSR component), except that the relative TSR component will be reduced on a linear basis from 100% to 25% for absolute TSR performance ranging from 7% to 0% simple annual TSR over the performance period. In addition, the relative TSR component may be a negative value equal to 3% of the amount by which the Company underperform the SNL US Office REIT Index by more than 3% per year during the performance period (if any). The target bonus pool is equal to $3.971 million, which would be attained if the Company achieves during the performance period (i) a TSR is equal to that of the SNL US Office REIT Index and (ii) a 8% simple annual TSR.

At the end of the three-year performance period, named executive officers who remain employed with the Company will vest in a number of performance units based on their percentage interest in the bonus pool (and determined based on the value of the common stock at the end of the performance period), and such vested performance units and will continue to be subject to an additional two-year holding (i.e., no-transfer) period. However, if the performance period is terminated prior to December 31, 2021 in connection with a change in control, 2019 OPP awards will be paid entirely in fully vested performance units immediately prior to the change in control.

In addition to these performance units, each 2019 OPP award entitles its holder to a cash payment equal to the aggregate distributions or dividends that would have been paid during the performance period on the total number of performance units that performance-vest had such performance units been outstanding throughout the performance period. The cash payment will be reduced by the aggregate amount of the distributions received during the performance period on the total number of performance units granted.

If a participant's employment is terminated without "cause," for "good reason" or due to the participant's death or disability during the performance period (referred to as qualifying terminations), the participant will be paid his or her 2019 OPP award at the end of the performance period entirely in fully vested performance units (except for the performance period distribution/dividend equivalent, which will be paid in cash at the end of the performance period). Any such payment will be pro-rated in the case of a termination without "cause" or for "good reason" by reference to the participant's period of employment during the performance period.

Hudson Pacific Properties, Inc. And Hudson Pacific Properties, L.P.

Schedule III—Real Estate and Accumulated Depreciation

December 31, 2018

(In thousands)

		Initial Costs			Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount					
Property name	**Encumbrances**	**Land**	**Building & Improvements**	**Improvements**	**Carrying Costs**	**Land**	**Building & Improvements**	**Total**	**Accumulated Depreciation(1)**	**Year Built / Renovated**	**Year Acquired**
Office											
875 Howard, San Francisco Bay Area, CA	$ —	$ 18,058	$ 41,046	$ 20,353	$ 1,936	$ 18,058	$ 63,335	$ 81,393	$ (17,001)	Various	2007
6040 Sunset, Los Angeles, CA	—	6,599	27,187	25,032	3,088	6,599	55,307	61,906	(21,694)	2008	2008
ICON, Los Angeles, CA	—	—	—	145,136	5,497	—	150,633	150,633	(10,677)	2017	2008
CUE, Los Angeles, CA	—	—	—	43,708	1,716	—	45,424	45,424	(1,477)	Ongoing	2008
EPIC, Los Angeles, CA	—	—	—	84,887	3,156	—	88,043	88,043	—	Ongoing	2008
Del Amo, Los Angeles, CA	—	—	18,000	2,513	—	—	20,513	20,513	(5,521)	1986	2010
1455 Market, San Francisco Bay Area, CA	—	41,226	34,990	87,437	298	41,226	122,725	163,951	(32,494)	1976	2010
Rincon Center, San Francisco Bay Area, CA(2)(3)	—	58,251	110,656	35,151	—	58,251	145,807	204,058	(29,856)	1940/1989	2010
10950 Washington, Los Angeles, CA(3)	26,880	17,979	25,110	1,408	—	17,979	26,518	44,497	(5,879)	1957/1974	2010
604 Arizona, Los	—	5,620	14,745	3,895	484	5,620	19,124	24,744	(3,263)	1950/2005	2011

Angeles, CA											
275 Brannan, San Francisco Bay Area, CA	—	4,187	8,063	14,029	1,115	4,187	23,207	27,394	(7,732)	1905	2011
625 Second, San Francisco Bay Area, CA	—	10,744	42,650	2,790	—	10,744	45,440	56,184	(9,244)	1906/1999	2011
6922 Hollywood, Los Angeles, CA	—	16,608	72,392	15,784	—	16,608	88,176	104,784	(15,347)	1967	2011
10900 Washington, Los Angeles, CA	—	1,400	1,200	736	—	1,400	1,936	3,336	(812)	1973	2012
901 Market, San Francisco Bay Area, CA	—	17,882	79,305	15,929	—	17,882	95,234	113,116	(18,353)	1912/1985	2012
Element LA, Los Angeles, CA(3)	168,000	79,769	19,755	85,432	10,391	79,769	115,578	195,347	(13,949)	1949	2012, 2013
3401 Exposition, Los Angeles, CA	—	14,120	11,319	11,044	1,028	14,120	23,391	37,511	(3,789)	1961	2013
505 First, Greater Seattle, WA	—	22,917	133,034	4,383	—	22,917	137,417	160,334	(22,173)	Various	2013
83 King, Greater Seattle, WA	—	12,982	51,403	7,634	—	12,982	59,037	72,019	(9,972)	Various	2013
Met Park North, Greater Seattle, WA(3)	64,500	28,996	71,768	730	—	28,996	72,498	101,494	(12,357)	2000	2013
Northview Center, Greater Seattle, WA	—	4,803	41,191	1,945	—	4,803	43,136	47,939	(7,379)	1991	2013
411 First,	—	27,684	29,824	15,462	—	27,684	45,286	72,970	(7,552)	Various	2014

Greater Seattle, WA											
450 Alaskan, Greater Seattle, WA	—	—	—	81,250	3,391	—	84,641	84,641	(2,522)	Various	2014
95 Jackson, Greater Seattle, WA	—	—	—	16,738	1,102	—	17,840	17,840	(799)	Various	2014
Palo Alto Square, San Francisco Bay Area, CA	—	—	326,033	31,399	—	—	357,432	357,432	(45,678)	1971	2015
3400 Hillview, San Francisco Bay Area, CA	—	—	159,641	2,514	—	—	162,155	162,155	(27,367)	1991	2015

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Property name	Encumbrances	Initial Costs: Land	Initial Costs: Building & Improvements	Cost Capitalized Subsequent to Acquisition: Improvements	Cost Capitalized Subsequent to Acquisition: Carrying Costs	Gross Carrying Amount: Land	Gross Carrying Amount: Building & Improvements	Gross Carrying Amount: Total	Accumulated Depreciation(1)	Year Built / Renovated	Year Acquired
Foothill Research Center, San Francisco Bay Area, CA	—	—	133,994	2,349	—	—	136,343	136,343	(22,236)	1991	2015
Page Mill Center, San Francisco Bay Area, CA	—	—	147,625	6,927	—	—	154,552	154,552	(26,855)	1970/2016	2015
Clocktower Square, San Francisco Bay Area, CA	—	—	93,949	3,369	—	—	97,318	97,318	(9,295)	1983	2015
3176 Porter, San Francisco Bay Area, CA	—	—	34,561	676	—	—	35,237	35,237	(5,195)	1991	2015
Towers at Shore Center, San Francisco Bay Area, CA	—	72,673	144,188	12,825	—	72,673	157,013	229,686	(18,271)	2001	2015
Skyway Landing, San Francisco Bay Area, CA	—	37,959	63,559	3,818	—	37,959	67,377	105,336	(8,662)	2001	2015
Shorebreeze, San Francisco Bay Area, CA	—	69,448	59,806	12,145	—	69,448	71,951	141,399	(8,870)	1985/1989	2015
555 Twin Dolphin, San Francisco Bay Area, CA	—	40,614	73,457	5,960	—	40,614	79,417	120,031	(9,064)	1989	2015
333 Twin Dolphin, San Francisco Bay Area, CA	—	36,441	64,892	11,500	—	36,441	76,392	112,833	(9,089)	1985	2015
Metro Center, San Francisco Bay Area, CA	—	—	313,683	50,740	—	—	364,423	364,423	(43,568)	Various	2015
Concourse, San	—	45,085	224,271	22,919	—	45,085	247,190	292,275	(31,641)	Various	2015

Francisco Bay Area, CA											
Gateway, San Francisco Bay Area, CA	—	33,117	121,217	39,312	—	33,117	160,529	193,646	(20,863)	Various	2015
Metro Plaza, San Francisco Bay Area, CA	—	16,038	106,156	18,254	—	16,038	124,410	140,448	(13,789)	1986	2015
1740 Technology, San Francisco Bay Area, CA	—	8,052	49,486	2,391	—	8,052	51,877	59,929	(5,549)	1985	2015
Skyport Plaza, San Francisco Bay Area, CA	—	16,521	153,844	(3,226)	—	16,521	150,618	167,139	(14,540)	2000/2001	2015
Cloud10, San Francisco Bay Area, CA		12,512	—	77	177	12,512	254	12,766	—	N/A	2015
Techmart, San Francisco Bay Area, CA	—	—	66,660	16,143	—	—	82,803	82,803	(11,525)	1986	2015
Campus Center, San Francisco Bay Area, CA	—	29,636	79,604	12,118	4,158	29,636	95,880	125,516	(5,916)	N/A	2015
Campus Center—Development, San Francisco Bay Area, CA		29,824	—	513	—	29,824	513	30,337	—	N/A	2015
Fourth & Traction, Los Angeles, CA	—	12,140	37,110	42,248	7,881	12,140	87,239	99,379	(1,642)	Various	2015
Maxwell, Los Angeles, CA	—	13,040	26,960	35,259	6,365	13,040	68,584	81,624	—	Various	2015
11601 Wilshire, Los Angeles, CA	—	28,978	321,273	33,293	—	28,978	354,566	383,544	(26,049)	1983	2016, 2017
Hill7, Greater Seattle, WA(3)	101,000	36,888	137,079	16,540	—	36,888	153,619	190,507	(10,756)	2015	2016
Page Mill Hill, San	—	—	131,402	5,996	—	—	137,398	137,398	(9,904)	1975	2016

Francisco Bay Area, CA											
Harlow, Los Angeles, CA	—	—	—	23,794	741	—	24,535	24,535	—	N/A	2017

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		Initial Costs			Cost Capitalized Subsequent to Acquisition	Gross Carrying Amount					
Property name	**Encumbrances**	**Land**	**Building & Improvements**	**Improvements**	**Carrying Costs**	**Land**	**Building & Improvements**	**Total**	**Accumulated Depreciation(1)**	**Year Built / Renovated**	**Year Acquired**
One Westside, Los Angeles, CA(4)	—	110,438	35,011	8,224	1,019	110,438	44,254	154,692	(680)	1985	2018
10850 Pico, Los Angeles, CA(4)	—	34,682	16,313	(2,604)	—	34,682	13,709	48,391	(243)	1985	2018
Ferry Building, San Francisco Bay Area, CA(5)	—	—	268,292	2,066	—	—	270,358	270,358	(2,230)	1898/2003	2018
Studio											
Sunset Gower Studios, Los Angeles, CA(6)	5,001	79,320	64,697	35,709	342	79,320	100,748	180,068	(26,646)	Various	2007, 2011, 2012
Sunset Bronson Studios, Los Angeles, CA(6)	—	77,698	32,374	28,831	422	77,698	61,627	139,325	(14,275)	Various	2008
Sunset Las Palmas Studios, Los Angeles, CA	—	141,943	104,392	1,706	—	141,943	106,098	248,041	(5,391)	Various	2017, 2018
TOTAL	**$ 365,381**	**$ 1,372,872**	**$ 4,425,167**	**$ 1,207,191**	**$ 54,307**	**$ 1,372,872**	**$ 5,686,665**	**$ 7,059,537**	**$ (695,631)**		

1.The Company computes depreciation using the straight-line method over the estimated useful lives over the shorter of the ground lease term or 39 years for building and improvements, 15 years for land improvements and over the shorter of asset life or life of the lease for tenant improvements.
2.The loan was paid in full on February 1, 2018.
3.These properties are encumbered under our unsecured revolving credit facility, which, as of December 31, 2018, had an outstanding balance of $400.0 million.
4.These properties have $138.2 million debt secured by U.S. Government securities. See description of the in-substance defeased debt in Part IV, Item 15(a) “Financial Statement and Schedules—Note 5 to the Consolidated Financial Statements-Debt.”
5.This property has $66.1 million due to our joint venture partner. See description of joint venture partner debt in Part IV, Item 15(a) “Financial Statement and Schedules—Note 5 to the Consolidated Financial Statements-Debt.”
6.The encumbrance amount relates to both Sunset Gower Studios and Sunset Bronson Studios. See description of secured and unsecured debt in Part IV, Item 15(a) “Financial Statement and Schedules—Note 5 to the Consolidated Financial Statements-Debt.”

The aggregate gross cost of property included above for federal income tax purposes approximated $6.5 billion, unaudited as of December 31, 2018.

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Explanation of Responses:

The following table reconciles the historical cost of total real estate held for investment and accumulated depreciation from January 1, 2016 to December 31, 2018:

	Year Ended December 31,					
	2018		**2017**		**2016**	
Total investment in real estate, beginning of year	$	6,644,249	$	6,507,484	$	5,976,526
Additions during period:						
Acquisitions	505,257		255,848		597,751	
Improvements, capitalized costs	364,721		330,809		296,399	
Total additions during period	869,978		586,657		894,150	
Deductions during period						
Disposal (fully depreciated assets and early terminations)	(27,821)		(41,337)		(27,451)	
Cost of property sold	(426,869)		(408,555)		(335,741)	
Total deductions during period	(454,690)		(449,892)		(363,192)	
Ending balance, before reclassification to assets associated with real estate held for sale	7,059,537		6,644,249		6,507,484	
Reclassification to assets associated with real estate held for sale	—		(424,888)		(629,004)	
Total investment in real estate, end of year	$	7,059,537	$	6,219,361	$	5,878,480
Total accumulated depreciation, beginning of year	$	(549,411)	$	(423,950)	$	(272,724)
Additions during period:						
Depreciation of real estate	(203,347)		(206,838)		(182,219)	
Total additions during period	(203,347)		(206,838)		(182,219)	
Deductions during period:						
Deletions	27,410		37,925		25,622	
Write-offs due to sale	29,717		43,452		5,371	
Total deductions during period	57,127		81,377		30,993	
Ending balance, before	(695,631)		(549,411)		(423,950)	

reclassification to assets associated with real estate held for sale						
Reclassification to assets associated with real estate held for sale	—		28,041		48,743	
Total accumulated depreciation, end of year	$	(695,631)	$	(521,370)	$	(375,207)

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