

## Report of Organizational Actions Affecting Basis of Securities

▶ See separate instructions.

**Part I Reporting Issuer**

<b>1</b> Issuer's name  <b>KILROY REALTY CORPORATION</b>		<b>2</b> Issuer's employer identification number (EIN)  <b>95-4598246</b>	
<b>3</b> Name of contact for additional information  <b>MICHAEL STAUFFER</b>	<b>4</b> Telephone No. of contact  <b>310-481-8400</b>	<b>5</b> Email address of contact  <b>MSTAUFFER@KILROYREALTY.COM</b>	
<b>6</b> Number and street (or P.O. box if mail is not delivered to street address) of contact  <b>12200 W. OLYMPIC BLVD., SUITE 200</b>		<b>7</b> City, town, or post office, state, and Zip code of contact  <b>LOS ANGELES, CA 90064</b>	
<b>8</b> Date of action  <b>JANUARY 30, 2014</b>		<b>9</b> Classification and description  <b>COMMON STOCK</b>	
<b>10</b> CUSIP number  <b>49427F108</b>	<b>11</b> Serial number(s)	<b>12</b> Ticker symbol  <b>KRC</b>	<b>13</b> Account number(s)

**Part II Organizational Action** Attach additional statements if needed. See back of form for additional questions.

**14** Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **DURING 2013, KILROY REALTY CORPORATION (THE "COMPANY") PAID CASH DIVIDENDS OF \$0.35/SHARE TO ITS COMMON SHAREHOLDERS ON JANUARY 15TH, APRIL 17TH, JULY 17TH AND OCTOBER 16TH TO ALL COMMON SHAREHOLDERS OF RECORD ON DECEMBER 31, 2012, MARCH 28, 2013, JUNE 28, 2013 AND SEPTEMBER 30, 2013, RESPECTIVELY. ON JANUARY 30TH, 2014, THE COMPANY DETERMINED THAT A PORTION OF EACH OF THESE DISTRIBUTIONS REPRESENTS A RETURN OF CAPITAL TO THE SHAREHOLDERS. CONSEQUENTLY, EACH COMMON SHAREHOLDER WHO WAS A SHAREHOLDER OF RECORD ON THOSE DATES AND WHO RECEIVED A CASH DISTRIBUTION WOULD BE AFFECTED BY THIS ORGANIZATIONAL ACTION. SHAREHOLDERS WHO OWN SHARES OF THE COMPANY'S PREFERRED STOCK ARE NOT AFFECTED BY THIS ORGANIZATIONAL ACTION.**

**15** Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **FOR EACH CASH DISTRIBUTION PAID TO COMMON SHAREHOLDERS BY THE COMPANY DURING 2013, 44.2917% OF THE DISTRIBUTION REPRESENTS A RETURN OF CAPITAL. ACCORDINGLY, EACH COMMON SHAREHOLDER SHOULD TREAT 44.2917% OF THE DISTRIBUTIONS AS A NONTAXABLE DIVIDEND AND REDUCE THE TAX BASIS OF THEIR STOCK ACCORDINGLY.**

**16** Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **ON JANUARY 30, 2014, THE COMPANY COMPLETED ITS ANNUAL CALCULATION OF ITS CURRENT EARNINGS & PROFITS FOR THE YEAR ENDED DECEMBER 31, 2013. BASED ON THAT CALCULATION, THE COMPANY DETERMINED THAT 44.2917% OF ITS 2013 COMMON DISTRIBUTIONS REPRESENT A RETURN OF CAPITAL.**

**Part II Organizational Action** (continued)

**17** List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ►  
 INTERNAL REVENUE CODE SECTION 316 DEFINES A "DIVIDEND" GENERALLY AS ANY DISTRIBUTION OF PROPERTY MADE BY A CORPORATION TO ITS SHAREHOLDERS OUT OF EARNINGS & PROFITS (AS DEFINED BY INTERNAL REVENUE CODE SECTION 312 AND THE REGULATIONS THEREUNDER). PURSUANT TO INTERNAL REVENUE CODE SECTION 301(C)(2), THE PORTION OF THE DISTRIBUTION WHICH IS NOT A DIVIDEND SHALL BE APPLIED AGAINST AND REDUCE THE ADJUSTED TAX BASIS OF THE STOCK. UNDER INTERNAL REVENUE CODE SECTION 301(C)(3), A DISTRIBUTION WHICH IS NOT A DIVIDEND, TO THE EXTENT THAT IT EXCEEDS THE SHAREHOLDER'S ADJUSTED TAX BASIS OF THE STOCK, SHALL BE TREATED AS GAIN FROM THE SALE OR EXCHANGE OF PROPERTY.

**18** Can any resulting loss be recognized? ► THE ORGANIZATIONAL ACTION REPORTED HEREIN DOES NOT RESULT IN ANY LOSSES.

**19** Provide any other information necessary to implement the adjustment, such as the reportable tax year ►  
 THE AMOUNT OF NONTAXABLE DISTRIBUTIONS ON THE DATES MENTIONED ABOVE EITHER (I) REDUCES THE SHAREHOLDER'S ADJUSTED TAX BASIS IN HIS/HER STOCK OR (II) TO THE EXTENT THAT IT EXCEEDS THE SHAREHOLDER'S ADJUSTED TAX BASIS IN HIS/HER STOCK ON THE DATES OF THE DISTRIBUTIONS, IS TREATED AS GAIN FROM THE SALE OR EXCHANGE OF PROPERTY IN 2013.

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

**Sign Here**

Signature ► Michael Stauffer Date ► 1/30/14  
 Print your name ► MICHAEL STAUFFER Title ► VICE PRESIDENT, TAXES

**Paid Preparer Use Only**

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
JAMES P. DE BREE, JR.	<u>James P. De Bree, Jr. CPA</u>	<u>1/30/2014</u>		P00361056
Firm's name ► DEL OITTE TAX LLP	Firm's EIN ► 86-1065772		Phone no. 213-688-0800	
Firm's address ► 350 S. GRAND AVE. SUITE 200, LOS ANGELES, CA 90071				