

**Report of Organizational Actions
 Affecting Basis of Securities**

▶ See separate instructions.

Part I Reporting Issuer

| | | | |
|--|-----------------------------------|---|-----------------------------|
| 1 Issuer's name | | 2 Issuer's employer identification number (EIN) | |
| KILROY REALTY CORPORATION | | 95-4598246 | |
| 3 Name of contact for additional information | 4 Telephone No. of contact | 5 Email address of contact | |
| MICHAEL STAUFFER | 310-481-8400 | MSTAUFFER@KILROYREALTY.COM | |
| 6 Number and street (or P.O. box if mail is not delivered to street address) of contact | | 7 City, town, or post office, state, and Zip code of contact | |
| 12200 W. OLYMPIC BLVD., SUITE 200 | | LOS ANGELES, CA 90064 | |
| 8 Date of action | | 9 Classification and description | |
| JANUARY 15, 2015 | | COMMON STOCK | |
| 10 CUSIP number | 11 Serial number(s) | 12 Ticker symbol | 13 Account number(s) |
| 49427F108 | | KRC | |

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 2014, KILROY REALTY CORPORATION (THE "COMPANY") PAID CASH DIVIDENDS OF \$0.35/SHARE TO ITS COMMON SHAREHOLDERS ON JANUARY 15TH, APRIL 16TH, JULY 16TH AND OCTOBER 15TH TO ALL COMMON SHAREHOLDERS OF RECORD ON DECEMBER 31, 2013, MARCH 31, 2014, JUNE 30, 2014 AND SEPTEMBER 30, 2014, RESPECTIVELY. ON JANUARY 15TH, 2015, 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 2014, 28.4007% OF THE DISTRIBUTION REPRESENTS A RETURN OF CAPITAL. ACCORDINGLY, EACH COMMON SHAREHOLDER SHOULD TREAT 28.4007% 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 15, 2015, THE COMPANY COMPLETED ITS ANNUAL CALCULATION OF ITS CURRENT EARNINGS & PROFITS FOR THE YEAR ENDED DECEMBER 31, 2014. BASED ON THAT CALCULATION, THE COMPANY DETERMINED THAT 28.4007% OF ITS 2014 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 2014.

Sign Here

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.

Signature ▶ /s/ MICHAEL STAUFFER (original signature is on file) Date ▶ JAN. 15, 2015

Print your name ▶ MICHAEL STAUFFER Title ▶ VICE PRESIDENT, TAXES

Paid Preparer Use Only

| | | | | |
|--|--|--------------------------|---|--------------------------|
| Print/Type preparer's name <u>TODD A. LABELLE</u> | Preparer's signature <u>/s/ TODD A. LABELLE</u> <small>(original signature is on file)</small> | Date <u>1/15/2015</u> | Check <input type="checkbox"/> if self-employed | PTIN <u>P00173820</u> |
| Firm's name ▶ <u>DELOITTE TAX LLP</u> | Firm's EIN ▶ <u>86-1065772</u> | | Phone no. <u>213-688-0800</u> | |
| Firm's address ▶ <u>555 WEST 5TH ST., #2700, LOS ANGELES, CA 90013</u> | | | | |