

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 2018.

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 ► /s/ MICHAEL STAUFFER (original signature is on file) Date ► JAN 16, 2019

Print your name ► MICHAEL STAUFFER Title ► SENIOR VICE PRESIDENT, TAXES

Paid Preparer Use Only	Print/Type preparer's name <u>FRANKY C LOW</u>	Preparer's signature <u>/s/ FRANKY LOW</u>	Date <u>1/16/2019</u>	Check <input type="checkbox"/> if self-employed	PTIN <u>P01257650</u>
	Firm's name ► <u>ERNST & YOUNG U.S. LLP</u>	Firm's EIN ► <u>34-6565596</u>		Phone no. <u>213-977-3200</u>	
	Firm's address ► <u>725 SOUTH FIGUEROA STREET, LOS ANGELES, CA 90017</u>				

KILROY REALTY CORPORATION

FORM 8937 REPORT OF ORGANIZATION ACTIONS AFFECTING BASIS OF SECURITIES

TAX YEAR 2018

FEIN: 95-4598246

PART II, LINE 14

DURING 2018, KILROY REALTY CORPORATION (THE "COMPANY") PAID CASH DIVIDENDS TO ITS COMMON SHAREHOLDERS ON JANUARY 12TH, APRIL 18TH, JULY 18TH, AND OCTOBER 17TH TO ALL COMMON SHAREHOLDERS OF RECORD ON DECEMBER 29, 2017, MARCH 29, 2018, JUNE 29, 2018 AND SEPTEMBER 28, 2018, RESPECTIVELY.

ON JANUARY 12, 2018 AND APRIL 18, 2018, THE COMPANY PAID CASH DIVIDENDS OF \$0.425 PER SHARE TO ITS COMMON SHAREHOLDERS. ON JULY 18, 2018 AND OCTOBER 17, 2018, THE COMPANY PAID CASH DIVIDENDS OF \$0.455 PER SHARE TO ITS COMMON SHAREHOLDERS.

ON JANUARY 16, 2019, THE COMPANY DETERMINED THAT A PORTION OF EACH OF THE CASH DISTRIBUTIONS PAID AND TREATED AS PAID IN 2018 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.

STATEMENT 1