KILROY REALTY CORP
Form S-4
July 21, 2014
Table of Contents

As filed with the Securities and Exchange Commission on July 21, 2014

Registration No. 333-

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM S-4

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

KILROY REALTY CORPORATION

(Exact name of registrant as specified in its charter)

Maryland	**6798**	**95-4598246**
(State or other jurisdiction of incorporation or organization)	**(Primary Standard Industrial Classification Code Number)**	**(IRS Employer Identification Number)**

12200 West Olympic Boulevard, Suite 200

Los Angeles, California 90064

(310) 481-8400

(Address, including zip code, and telephone number, including area code, of registrant s principal executive offices)

Tyler H. Rose

Executive Vice President and Chief Financial Officer

Kilroy Realty Corporation

12200 West Olympic Boulevard, Suite 200

Los Angeles, California 90064

(310) 481-8400

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

James P. Beaubien

David M. Wheeler

Latham & Watkins LLP

355 South Grand Avenue

Los Angeles, CA 90071-1560

Telephone: (213) 485-1234

Facsimile: (213) 891-8763

Angelo Stagnaro, Jr.

President

San Francisco Flower Growers Association

644 Brannan Street

San Francisco, California 94107

Telephone: (415) 781-8410

Facsimile: (415) 495-7510

Roger S. Mertz

Clark H. Libenson

Allen Matkins Leck Gamble Mallory & Natsis LLP

Three Embarcadero Center

12th Floor

San Francisco, California 94111

Telephone: (415) 837-1515

Facsimile: (415) 837-1516

Approximate date of commencement of proposed sale of the securities to the public: As soon as practicable after this registration statement becomes effective.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box: ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering: ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if smaller reporting company)	Smaller reporting company ¨

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Amount to be registered(1)	Proposed maximum offering price per share	Proposed maximum aggregate offering price(2)	Amount of registration fee(3)
Common Stock, $0.01 par value per share	400,000	N/A	$3,403,843	$438.42

(1) Represents the maximum number of shares of Kilroy Realty Corporation common stock estimated to be issued in the transaction described herein. Pursuant to Rule 416 under the Securities Act of 1933, as amended (the Securities Act), there are also being registered such additional shares of common stock that may be issued because of events such as recapitalizations, stock dividends, stock splits and reverse stock splits, and similar transactions.

(2) Based on the sum of the aggregate book value of San Francisco Flower Growers Association equity securities to be cancelled in the transaction described herein as of June 30, 2014, the latest practicable date prior to the date of

filing of this registration statement, in accordance with Rule 457(f)(2) of the Securities Act. San Francisco Flower Growers Association is a private company and no market exists for its equity securities.

(3) Based on 0.0001288 of the proposed maximum aggregate offering price calculated as described in note 2 above.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

The information in this document is not complete and may be changed. We may not sell the securities offered by this document until the registration statement filed with the Securities and Exchange Commission is effective. This document is not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED JULY 21, 2014

San Francisco Flower Growers Association **Kilroy Realty Corporation**

PROXY STATEMENT OF SAN FRANCISCO FLOWER GROWERS ASSOCIATION

PROSPECTUS OF KILROY REALTY CORPORATION

Merger Proposal Your Vote Is Important

We are pleased to report that the board of directors of San Francisco Flower Growers Association, a California Corporation, which we refer to as SFFGA, has approved a merger involving SFFGA and KR SFFGA, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Kilroy Realty Corporation, a Maryland corporation, which we refer to as Kilroy Realty. Before we can complete the merger we must obtain the approval of the shareholders of SFFGA. We are sending you this proxy statement-prospectus to invite you to attend a special meeting of the shareholders of SFFGA, which will be held on [ ], 2014, at 4:00 P.M. Pacific time, at [ ].

At the special meeting, you will be asked to adopt the merger agreement between Kilroy Realty, KR SFFGA, LLC, SFFGA and the SFFGA Representative, that provides for Kilroy Realty s acquisition of SFFGA through the merger of SFFGA with and into KR SFFGA, LLC, which we refer to as the merger, and approve the principal terms of the merger. If the merger is completed, each share of common stock of SFFGA, no par value per share, which we refer to as SFFGA common stock, will be converted into the right to receive shares of common stock of Kilroy Realty, $0.01 par value per share, which we refer to as Kilroy Realty common stock, based on the calculation described in Description of the Merger Agreement Consideration to be Received in the Merger in this proxy statement-prospectus.

The aggregate merger consideration to be paid by Kilroy Realty to all of SFFGA s shareholders is expected to be approximately $22.0 million (subject to adjustment as described herein). Subject to the payment of cash in lieu of fractional shares, Kilroy Realty will pay 100% of the merger consideration in shares of Kilroy Realty common stock.

A portion of the aggregate merger consideration equal to $2.5 million in Kilroy Realty common stock, which we refer to as the escrowed merger consideration, will be withheld from payment to the SFFGA shareholders at closing and contributed to an escrow account to support certain indemnification and reimbursement obligations of the SFFGA shareholders under the merger agreement. Shares of Kilroy Realty common stock will be released from the escrow account in accordance with the terms and conditions set forth in the merger agreement and an escrow agreement to be entered into at the closing. We refer to the remaining merger consideration (the shares of Kilroy Realty common stock not delivered to the escrow account) which you shall receive in common stock, as the closing merger consideration.

The exchange ratio used to determine the number of shares of Kilroy Realty common stock to be received for each share of SFFGA common stock will be determined based on the average closing price per share of Kilroy Realty common stock on the New York Stock Exchange, as reported by the Wall Street Journal during the 10 trading day period ending on the second trading day prior to completion of the merger, which we refer to as the reference period and the average closing price during such period is referred to as the reference price. **The merger consideration is subject to proration and adjustment as described in this proxy statement-prospectus, and the exchange ratio will not be determined until after the date of the special meeting. Therefore, at the time of the special meeting, you will not know the precise value of the merger consideration you may receive on the date the merger is completed.**

Assuming (i) no adjustment to the aggregate merger consideration approximated above, (ii) the 540.88 shares of SFFGA common stock currently outstanding remain unchanged at the closing, based upon a reference price of $62.30, which is equal to the reference price if it were calculated as of July 15, 2014, the latest practicable date prior to the date of this proxy statement-prospectus and (iii) that the SFFGA shareholders are entitled to receive the full amount of the escrowed merger consideration, the merger consideration that a SFFGA shareholder would be entitled to receive for each share of SFFGA common stock, would be 652.9783 shares of Kilroy Realty common stock for each share of SFFGA common stock. Assuming no adjustment to the aggregate merger consideration and a reference price of $62.30, we estimate that Kilroy Realty may issue up to 353,182.8834 shares of Kilroy Realty common stock to SFFGA shareholders as contemplated by the merger agreement.

Kilroy Realty common stock is traded on the New York Stock Exchange under the symbol KRC. The closing price of Kilroy Realty common stock on July 15, 2014 was $62.97 per share.

The merger cannot be completed unless the holders of at least a majority of the outstanding shares of SFFGA common stock entitled to vote adopt the merger agreement and approve the principal terms of the merger. **Your board of directors has adopted the merger agreement and recommends that you vote FOR the adoption of the merger agreement and the approval of the principal terms of the merger at the special meeting. Your board of directors also recommends that you vote FOR the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares entitled to vote are present in person or by proxy to adopt the merger agreement and approve the principal terms of the merger.**

Additional information regarding the merger, the merger agreement, the sale of the investment properties, SFFGA and Kilroy Realty is set forth in the attached proxy statement-prospectus. We urge you to read this entire document carefully, including the section entitled Risk Factors beginning on page 18.

Neither the Securities and Exchange Commission nor any state securities regulatory body has approved or disapproved of the securities to be issued by Kilroy Realty in connection with the merger or determined if this proxy statement-prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

YOUR VOTE IS IMPORTANT

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE COMPLETE, SIGN, DATE, AND RETURN THE ACCOMPANYING PROXY CARD IN THE ENCLOSED POSTAGE-PAID ENVELOPE

This proxy statement-prospectus is dated [ ], 2014, and is first being mailed to the SFFGA shareholders on or about [ ], 2014.

Table of Contents

San Francisco Flower Growers Association

644 Brannan Street

San Francisco, California 94107

Notice of Special Meeting of Shareholders

Date: [ ], 2014

Time: 4:00 P.M., Pacific time

Place: [ ]

TO SAN FRANCISCO FLOWER GROWERS ASSOCIATION SHAREHOLDERS:

NOTICE IS HEREBY GIVEN that San Francisco Flower Growers Association will hold a special meeting of shareholders on [ ], 2014 at 4:00 P.M., Pacific time, at [ ]. The purpose of the meeting is to consider and vote on the following matters:

- a proposal to adopt the Agreement and Plan of Merger, dated as of July 11, 2014, by and among Kilroy Realty Corporation, a Maryland corporation, KR SFFGA, LLC, a wholly-owned subsidiary of Kilroy Realty, San Francisco Flower Growers Association and the SFFGA Representative, and approve the principal terms of the merger contemplated thereby. A copy of the merger agreement is included as Annex A to the proxy statement-prospectus accompanying this notice; and

- the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares entitled to vote are present in person or by proxy to adopt the merger agreement and approve the principal terms of the merger.

Holders of record of SFFGA common stock at the close of business on [ ], 2014 are entitled to receive this notice and to vote at the special meeting and any adjournments or postponements thereof. Adoption of the merger agreement and the approval of the principal terms of the merger requires the affirmative vote at the special meeting of holders of at least a majority of the outstanding shares of SFFGA common stock entitled to vote. If the merger agreement is adopted and the principal terms of the merger contemplated thereby are approved by the required vote of SFFGA shareholders, holders of shares of SFFGA common stock who do not vote to adopt the merger agreement and approve the principal terms of the merger may be entitled to dissenter s rights and receive cash for the fair market value of their shares of SFFGA common stock. A summary of the dissenter s rights that may be available to you pursuant to Sections 1300 through 1313 of the California General Corporation Law is provided in the section entitled The Merger SFFGA Shareholder Dissenter s Rights on page 50.

Approval of the proposal to adjourn the special meeting, if necessary, requires the affirmative vote of holders of at least a majority of the shares of SFFGA common stock entitled to vote, present in person or by proxy, if a quorum is present. In the absence of a quorum, the holders of a majority of the shares of SFFGA common stock entitled to vote present in person or by proxy may adjourn the special meeting.

The board of directors of SFFGA recommends that you vote FOR the adoption of the merger agreement and the approval of the principal terms of the merger. The board of directors also recommends that you vote FOR the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares entitled to vote are present in person or by proxy to adopt the merger agreement and approve the principal terms of the merger.

Your vote is important. To ensure that your shares are voted at the special meeting, please promptly complete, sign and return the proxy form in the enclosed prepaid envelope whether or not you plan to attend the meeting in person. Stockholders who attend the special meeting may revoke their proxies and vote in person, if they so desire.

San Francisco, California

[ ], 2014

By Order of the Board of Directors

/s/ Angelo Stagnaro, Jr.

President

Table of Contents

ADDITIONAL INFORMATION

This proxy statement-prospectus incorporates important business and financial information about Kilroy Realty from documents that are not included in or delivered with this proxy statement-prospectus. You can obtain the documents incorporated by reference in this proxy statement-prospectus without charge through the Securities and Exchange Commission, or SEC, website (*http://www.sec.gov*) or upon written or oral request to Kilroy Realty as follows:

Attention: Investor Relations

Kilroy Realty Corporation

12200 West Olympic Boulevard, Suite 200

Los Angeles, California 90064

(310) 481-8400

To obtain information in time for the special meeting, your request should be received by [ ], 2014.

For additional details about where you can find information about Kilroy Realty or SFFGA, see Where You Can Find More Information on page 98.

You should rely only on the information contained or incorporated by reference in this proxy statement-prospectus. We have not authorized anyone to provide you with different information. This proxy statement-prospectus is dated [ ], 2014. You should not assume that information contained or incorporated by reference in this proxy statement-prospectus is accurate as of any date other than that date. Neither the mailing of this proxy statement-prospectus to the SFFGA shareholders nor the issuance by Kilroy Realty of its common stock in the merger will create any implication to the contrary.

SFFGA has supplied all information relating to SFFGA contained in this proxy statement-prospectus, and Kilroy Realty has supplied all information relating to Kilroy Realty contained or incorporated by reference in this proxy statement-prospectus.

Information on the Internet websites of Kilroy Realty or SFFGA is not part of this proxy statement-prospectus. You should not rely on that information in deciding how to vote on the proposal to approve the merger agreement unless that information is in this proxy statement-prospectus or has been incorporated by reference into this proxy statement-prospectus.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

QUESTIONS AND ANSWERS ABOUT THE MERGER

Q: What am I being asked to vote on? What is the proposed transaction?

A: You are being asked to vote on the adoption of a merger agreement that provides for Kilroy Realty Corporation s, or Kilroy Realty s, acquisition of San Francisco Flower Growers Association, or SFFGA, through the merger of SFFGA with and into KR SFFGA, LLC, a wholly-owned subsidiary of Kilroy Realty, which we refer to as the merger sub, and the approval of the principal terms of such merger. As a result of the merger, following the effective time of the merger, you will become a shareholder of Kilroy Realty.

Q: What will SFFGA shareholders be entitled to receive in the merger?

A: If the merger is completed, the shares of SFFGA common stock that you own of record immediately prior to the effective time of the merger will be converted into the right to receive shares of Kilroy Realty common stock. The aggregate merger consideration to be paid by Kilroy Realty to the SFFGA shareholders is expected to be approximately $22.0 million in Kilroy Realty common stock. A portion of the aggregate merger consideration equal to $2.5 million in Kilroy Realty common stock will be withheld from payment to the SFFGA shareholders at closing and contributed to an escrow account that supports certain indemnification and reimbursement obligations of the SFFGA shareholders under the merger agreement. Shares of Kilroy Realty common stock will be released from the escrow account in accordance with the terms and conditions set forth in the merger agreement and an escrow agreement to be entered into at the closing. See Description of the Merger Agreement Consideration to be Received in the Merger on page 53 and Description of the Merger Agreement Escrowed Merger Consideration on page 55. We refer to the remaining merger consideration (the shares of Kilroy Realty common stock not delivered to the escrow account), which you shall receive in common stock, as the closing merger consideration.

For each share of SFFGA common stock you hold, you will receive the per share merger consideration to be calculated as set forth in the merger agreement. The exchange ratio used to determine the number of shares of Kilroy Realty common stock that you will be entitled to receive for each share of SFFGA common stock which you hold will be determined based upon the average closing price per share of Kilroy Realty common stock on the New York Stock Exchange, or NYSE, as reported by the Wall Street Journal, during the 10 trading day period ending on the second trading day prior to completion of the merger, which we refer to as the reference period. We refer to the average closing price calculated during such period as the reference price. Assuming (i) no adjustment to the aggregate merger consideration approximated above, (ii) the 540.88 shares of SFFGA common stock currently outstanding remain unchanged at the closing, based upon a reference price of $62.30, which is equal to the reference price if it were calculated as of July 15, 2014, the latest practicable date prior to the date of this proxy statement-prospectus and (iii) that the SFFGA shareholders are entitled to receive the full amount of the escrowed merger consideration, the merger consideration that a SFFGA shareholder would be entitled to receive for each share of SFFGA common stock, would be 652.9783 shares of Kilroy Realty common stock for each share of SFFGA common stock. Assuming no adjustment to the aggregate merger consideration and a reference price of $62.30, we estimate that Kilroy Realty may issue up to 353,182.8834 shares of Kilroy Realty common stock to the SFFGA shareholders as contemplated by the merger agreement. For a description of how the per share merger consideration will be calculated, see Description of the Merger Agreement Consideration to be Received in the Merger.

The aggregate merger consideration is determined by taking $27.0 million and adjusting it downward by (i) the sum of (A) any outstanding principal balance of the indebtedness on the SFFGA property, plus all accrued and unpaid interest thereon on and as of the closing date of the merger, plus any prepayment fees or other amounts payable in connection therewith, (B) the proration amounts debited to SFFGA, and (C) the SFFGA expenses assumed by Kilroy Realty, (ii) further adjusting downward by any expenses of SFFGA which were not taken into account in calculating the merger consideration and (iii) adjusting upward to the extent of any proration amounts credited to SFFGA and the cash amount reserved for the payment of certain taxes arising from the sale of the investment properties (in the approximate amount of $[ ]). Pursuant to the

Table of Contents

merger agreement, the outstanding indebtedness on the SFFGA property (in the approximate amount of $4.6 million) will be deducted from the amount paid by Kilroy Realty in the merger and will be paid in full at closing. The aggregate merger consideration of approximately $22.0 million is net of the retirement or assumption of such indebtedness. For a description of the possible adjustment of the merger consideration, see Description of the Merger Agreement Adjustment to Merger Consideration on page 54.

Q. How can I sell my shares of Kilroy Realty common stock?

A: Kilroy Realty shares of common stock will be listed on the New York Stock Exchange and may be sold through any licensed stock broker.

Q: Why do SFFGA and Kilroy Realty want to engage in the merger?

A: The board of directors of SFFGA believes that the merger will provide SFFGA shareholders with substantial economic benefits (including liquidity for their ownership position), and Kilroy Realty believes that the merger will further its development plans for the San Francisco South of Market area. To review the reasons for the merger in more detail, see The Merger SFFGA s Reasons for the Merger and Recommendation of the Board of Directors on page 29.

Q: What does the SFFGA board of directors recommend?

A: The SFFGA board of directors recommends that you vote FOR the adoption of the merger agreement and the approval of the principal terms of the merger, FOR the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares entitled to vote are present in person or by proxy to adopt the merger agreement and approve the principal terms of the merger. The SFFGA board of directors has determined that the merger agreement and the merger are in the best interests of SFFGA and its shareholders. To review the background and reasons for the merger in greater detail, see pages 26 to 29.

Q: What vote is required to adopt the merger agreement?

A: Holders of at least a majority of the outstanding shares of SFFGA common stock entitled to vote must vote in favor of the adoption of the merger agreement and the approval of the principal terms of the merger. Abstentions have the effect of votes against the adoption of the merger agreement and the approval of the principal terms of the merger. Kilroy Realty s stockholders are not required and will not be voting on the merger agreement or any of the other transactions contemplated thereby.

Q: What vote is required to approve the proposal to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares entitled to vote are present in person or by proxy to

adopt the merger agreement and approve the principal terms of the merger?

A: The proposal to adjourn the special meeting, if necessary or appropriate to solicit additional proxies, requires the affirmative vote of at least a majority of the shares of SFFGA common stock outstanding, present in person or by proxy at the special meeting. In the absence of a quorum, holders of a majority of the shares of SFFGA common stock present in person or by proxy at the special meeting may adjourn the special meeting. Abstentions have the effect of votes against the proposal.

Q: What vote is required to approve the sale of the investment properties?

A: The sale of SFFGA s interest in each of (a) SFFGA Kernersville, LLC, (b) SFFGA Winston-Salem, LLC, (c) SFFGA VA, LLC, and (d) SFFGA Rhode Island, LLC, which we refer to collectively as the investment properties, and all of the assets, liabilities, obligations, properties and business of each such investment properties, to Flair Diversified Properties, LLC, or Flair, has been approved by the board of directors of SFFGA. Approval of the outstanding shares of SFFGA common stock is not required in connection with the sale of the investment properties.

Q: Why is my vote important?

A: SFFGA shareholders are being asked to adopt the merger agreement and approve the principal terms of the merger. If you do not submit your proxy by mail or vote in person at the special meeting, it will be more

Table of Contents

difficult for SFFGA to obtain the necessary quorum to hold the special meeting. Your failure to submit your proxy or attend the special meeting will have the same effect as a vote against the proposal and will make it more difficult to adopt the merger agreement and approve the principal terms of the merger. In addition, Kilroy Realty is not required to complete the merger unless holders of not more than 10% of the total shares of SFFGA common stock are, or have the ability to become, dissenting shares pursuant to the California General Corporation Law, or the CGCL, meaning that holders of shares representing at least 90% of the shares of SFFGA common stock outstanding immediately prior to the effective time of the merger have voted to adopt the merger agreement and approve the principal terms of the merger, allowed their dissenter s rights to lapse under California law or otherwise do not have dissenter s rights because such shares were not issued and outstanding as of the record date for the special meeting of the SFFGA shareholders.

Q: What do I need to do now? How do I vote?

A: You may vote at the special meeting or by proxy if you own shares of SFFGA common stock at the close of business on [ ], 2014, the record date for the special meeting. After you have carefully read and considered the information contained in this proxy statement-prospectus, please complete, sign, date and mail your proxy form, in the enclosed prepaid return envelope as soon as possible. This will enable your shares to be represented at the special meeting even if you are not in attendance. You may also vote in person at the special meeting. If you do not return a properly executed proxy form or you do not vote in person at the special meeting, it will have the same effect as a vote against the adoption of the merger agreement and the approval of the principal terms of the merger.

Q: How will my proxy be voted?

A: If you complete, sign, date and mail your proxy form, your proxy will be voted in accordance with your instructions. If you sign, date and send in your proxy form, but you do not indicate how you want your proxy to be voted, your proxy will be voted as recommended by the board of directors, FOR the adoption of the merger agreement, the approval of the principal terms of the merger and FOR the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares entitled to vote are present in person or by proxy to adopt the merger agreement and approve the principal terms of the merger.

Q: Can I revoke my proxy and change my vote?

A: You may change your vote or revoke your proxy prior to the special meeting by filing with the secretary of SFFGA a duly executed revocation of proxy or submitting a new proxy form with a later date. You may also revoke a prior proxy by voting in person at the special meeting.

Q: What if I oppose the merger? Do I have dissenter s rights?

A:

Any SFFGA shareholder who does not vote in favor of adoption of the merger agreement and approval of the principal terms of the merger and otherwise complies with all of the procedures of Sections 1300 through 1313 of the CGCL may be entitled to receive payment in cash for the fair value of their shares of SFFGA common stock as ultimately determined under the statutory process. This value could be more than the per share merger consideration otherwise received under the terms of the merger, but could also be less. A copy of Sections 1300 through 1313 of the CGCL is attached to this proxy statement-prospectus as *Annex B*. Failure to follow precisely any of the statutory procedures set forth in *Annex B* may result in the loss or waiver of dissenter s rights under California law.

Q: What will SFFGA shareholders receive from the sale of the investment properties?

A: Upon completion of the purchase by Flair of the investment properties, SFFGA received a cash payment in the approximate amount of $20.0 million, which we refer to as the investment properties purchase price. A portion of the investment properties purchase price was applied to pay outstanding indebtedness on the investment properties (in the approximate amount of $10.6 million), including loan pre-payment fees, and a portion of the purchase price was applied for brokerage commissions and expenses of sale (in the approximate amount of $0.75 million). A portion of the investment properties purchase price in an amount

Table of Contents

equal to $0.4 million in cash, which we refer to as the escrowed investment properties consideration, will be contributed to the escrow account to support certain indemnification and reimbursement obligations of SFFGA under the Agreement of Purchase and Sale. The escrowed investment properties consideration will be released from the escrow account and paid to the SFFGA shareholders in accordance with the terms of the escrow agreement. In addition, SFFGA intends to establish reserves for taxes arising from the sale of the investment properties (in the approximate amount of $[ ] million). SFFGA intends to pay a dividend, in one or more installments, to the SFFGA shareholders from the remaining cash available from the sale, to the extent not needed for other corporate purposes, in the approximate aggregate amount of $[ ] million, or approximately $[ ] per share of SFFGA common stock. SFFGA s directors have declared an initial dividend of [ ] per share payable July 28, 2014 to shareholders of record on July 23, 2014.

At the effective time of the merger, following the sale of the investment properties (and subsequent distribution of a portion of the proceeds therefrom) and completion of other actions to be taken by SFFGA under the terms of the merger agreement (including distribution of any remaining cash other than the reserve established for the payment of taxes arising from the sale of the investment properties), the only material asset of SFFGA will consist of the 1.9 acre land site in Central SOMA on which a portion of the San Francisco Flower Mart is currently situated. At such time, all other assets and liabilities of SFFGA will be immaterial to the transaction and SFFGA will effectively only own the land site. There will be no employees, employee related costs, or employee benefit plans transferring in connection with the merger. The merger transaction was structured to allow the SFFGA shareholders to defer a portion of the U.S. federal income tax that would have otherwise resulted from a taxable sale of the 1.9 acre land site followed by a distribution of the proceeds of the sale to the SFFGA shareholders.

Q: What are the tax consequences to me of the merger?

A: SFFGA and Kilroy Realty intend that the merger of SFFGA with and into merger sub will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, or the Code. Assuming the merger qualifies as a reorganization, if you are a U.S. holder (as defined in The Merger Material U.S. Federal Income Tax Consequences of the Merger), you will not recognize gain or loss for U.S. federal income tax purposes upon receipt of Kilroy Realty common stock, including any escrowed shares of Kilroy Realty common stock, in exchange for your SFFGA common stock in the merger. However, you will recognize gain or loss with respect to any cash that you receive in lieu of fractional shares of Kilroy Realty s common stock. In the event that you exercise your dissenter s rights, you will recognize gain or loss on the cash payment you receive for your shares of SFFGA common stock. In addition, you generally will recognize gain (but not loss) with respect to the cash placed in the escrow and on certain other cash payments made in connection with the merger. You should consult your tax advisor for the specific tax consequences of the merger to you. See The Merger Material U.S. Federal Income Tax Consequences of the Merger on page 30.

Q: What are the tax consequences to me of the dividend from the sale of the investment properties?

A: For U.S. federal income tax purposes, it is intended that the sale of the investment properties will be treated as a taxable sale by SFFGA and any cash distribution will be treated as a dividend distribution to holders of shares of SFFGA common stock to the extent of SFFGA s current and accumulated earnings and profits. Any such amounts distributed in excess of SFFGA s current and accumulated earnings and profits will first be applied against, and reduce, a U.S. holder s basis in such shareholder s SFFGA stock and any remaining amount of such distributions

will be treated as gain from the sale or exchange of such stock. Notwithstanding the intended U.S. federal income tax treatment described above, the federal income tax treatment of the sale of the investment properties and the distribution of any cash to you is not entirely clear. It is possible that the Internal Revenue Service, or IRS, could treat all or a portion of the cash that you receive from the sale of the investment properties as additional cash consideration in the merger. You

Table of Contents

should consult with your tax advisor for the specific tax consequences of the dividend to you. See The Merger Material U.S. Federal Income Tax Consequences of the Merger Tax Consequences of the Dividend from the investment properties on page 30.

Q: Why was the transaction structured as a merger?

A: The transaction was structured as a merger that qualified as a reorganization within the meaning of Section 368(a) of the Code at the request of SFFGA to allow the SFFGA shareholders to defer a portion of the U.S. federal income tax that would have otherwise resulted from a taxable sale of the real property followed by a distribution of the proceeds of the sale to the SFFGA shareholders.

Q: When and where is the special meeting?

A: The special meeting of the SFFGA shareholders will take place on [ ], 2014, at 4:00 P.M. Pacific time, at [ ].

Q: Who may attend the meeting?

A: Only SFFGA shareholders of record on [ ], 2014, the record date, are entitled to vote at the special meeting or by proxy on the proposals. If you are a SFFGA shareholder of record as of the record date, you will need to present the proxy card that you received or a valid proof of identification to be admitted into the special meeting, unless otherwise approved by SFFGA.

Q: Should I send in my stock certificates now?

A: No. Do not send in your stock certificates with your proxy form. Shortly after the effective time of the merger, the exchange agent for the merger will send you a letter of transmittal with instructions informing you how to send in your stock certificates to the exchange agent. You should use the letter of transmittal to exchange your SFFGA stock certificates for the shares of Kilroy Realty common stock to be issued in connection with the merger (and any cash in lieu of fractional shares).

Q: When is the merger expected to be completed?

A: Kilroy Realty and SFFGA intend to complete the merger as soon as reasonably practicable. Before that happens, the SFFGA shareholders must vote to adopt the merger agreement and approve the principal terms of the merger. In addition, prior to the closing of the merger other necessary approvals and other conditions to the closing described in the merger agreement must be satisfied or waived. It is anticipated that the merger will close in the third quarter of 2014 or early in the fourth quarter of 2014. Kilroy Realty may, under certain circumstances, delay the closing for up to 30 days. See Description of the Merger Agreement Conditions to the Merger on page 60.

Q: Is completion of the merger subject to any conditions besides shareholder approval?

A: Yes, there are other closing conditions described in the merger agreement that must be waived or satisfied prior to the closing of the merger. See Description of the Merger Agreement Conditions to the Merger on page 60.

Q: Are there risks I should consider in deciding to vote on the adoption of the merger agreement?

A: Yes, in evaluating the proposal to adopt the merger agreement and approve the principal terms of the merger, you should read this proxy statement-prospectus and the other documents incorporated herein by reference carefully, including the factors discussed in the section titled Risk Factors beginning on page 18.

Q: Who can answer my other questions?

A: If you have more questions about the merger or how to submit your proxy, or if you need additional copies of this proxy statement-prospectus or the enclosed proxy form, you should contact either Angelo Stagnaro or Ronald Chiappari, SFFGA s President and Corporate Secretary, respectively, at (415) 781-8410.

Table of Contents

SUMMARY

This summary highlights the material information from this proxy statement-prospectus. It does not contain all of the information that may be important to you. You should carefully read this the entire document and the documents to which it refers to fully understand the merger. See Where You Can Find More Information on page 98.

Information about Kilroy Realty Corporation and San Francisco Flower Growers Association (See page 64)

Kilroy Realty Corporation

12200 W. Olympic Boulevard, Suite 200

Los Angeles, California 90064

(310) 481-4800

Kilroy Realty Corporation, a Maryland corporation, or Kilroy Realty, was incorporated in 1996. Kilroy Realty is a self-administered real estate investment trust, or REIT, that owns, develops, acquires and manages real estate assets, consisting primarily of Class A real estate properties in the coastal regions of Los Angeles, Orange County, San Diego County, San Francisco Bay Area, and greater Seattle. Kilroy Realty s portfolio has in excess of 100 office properties. Kilroy Realty owns its interests in all its properties directly or indirectly through Kilroy Realty, L.P. and Kilroy Realty Finance Partnership, L.P. Unless otherwise expressly stated or the context otherwise requires, in this proxy statement-prospectus Kilroy Realty refers collectively to Kilroy Realty and its subsidiaries, including Kilroy Realty, L.P. and Kilroy Realty Finance Partnership, L.P.

As of March 31, 2014, Kilroy Realty had total assets of approximately $5.1 billion, total liabilities of approximately $2.5 billion, and total shareholders equity of approximately $2.6 billion.

Kilroy Realty common stock is traded on NYSE under the ticker symbol KRC.

KR SFFGA, LLC

c/o *Kilroy Realty Corporation*

12200 W. Olympic Boulevard, Suite 200

Los Angeles, California 90064

(310) 481-4800

KR SFFGA, LLC, a Delaware limited liability company, is a wholly-owned subsidiary of Kilroy Realty and was formed solely for the purpose of consummating the merger, and has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the merger.

San Francisco Flower Growers Association

644 Brannan Street

San Francisco, California 94107

(415) 781-8410

San Francisco Flower Growers Association, a California corporation, is headquartered in San Francisco, California. SFFGA was incorporated in 1923 as a cooperative organized by local flower and fern growers. Its primary business is to own and operate a portion of the real estate on which the San Francisco Flower Mart is situated. SFFGA and an adjacent property owner occupy two contiguous sites to the northeast fronting Brannan Street near Sixth Street in San Francisco. The combined operations are commonly referred to as the San Francisco Flower Mart. Together they represent the largest wholesale flower distributorship operation in San Francisco.

Table of Contents

As of June 30, 2014, SFFGA had total assets of approximately $6.8 million, liabilities of $6.3 million and shareholders equity of $0.5 million. SFFGA is not a public company and, accordingly, there is no established trading market for SFFGA s common stock.

The Sale of the Investment Properties (see page 64)

In 2006, following the sale of the Villa dei Fiori project, a mixed use rental project located adjacent to the existing San Francisco Flower Mart property that was developed by SFFGA, SFFGA acquired four investment properties with the proceeds from the sale. Two of the properties are in North Carolina, one in Virginia and one in Rhode Island. We refer to these properties as the Kernersville Property, the Winston-Salem Property, the VA Property and the RI Property, and collectively, as the investment properties. The VA Property, the Kernersville Property, and the Winston-Salem properties are leased to Walgreens and the RI Property is leased to Lowe s.

SFFGA considered various strategic options with respect to the investment properties: a spin-off of the properties to a new entity, a distribution of the investment properties to the shareholders, retention of the properties by SFFGA, and the sale of some or all of the investment properties. In connection with the structuring of the merger, SFFGA determined that all of the investment properties would have to be sold or distributed to the shareholders because Kilroy Realty was unwilling to acquire the investment properties in the merger because ownership of the investment properties would not be consistent with Kilroy Realty s business objectives. SFFGA determined that, in part due to the potential tax implications of a distribution of the investment properties to the shareholders, which would cause SFFGA to recognize taxable gain and the shareholders to recognize dividend income, in each case with no cash proceeds from which to pay such taxes, it was preferable to sell the investment properties. In March 2014, Capital Pacific, a third-party real estate broker, commenced an extensive nationwide marketing effort for the investment properties on behalf of SFFGA.

On July 18, 2014, pursuant to an Agreement of Purchase and Sale and Joint Escrow Instructions entered into June 3, 2014 with Flair Diversified Properties, LLC, a California limited liability company, which we refer to as Flair, Flair purchased from the Company the four investment properties for an aggregate purchase price in cash of approximately $20.0 million. SFFGA intends to utilize a portion of the purchase price for the investment properties to retire outstanding indebtedness (in the approximate amount of $10.6 million), including loan pre-payment fees) and a portion of the purchase price for brokerage commissions and expenses of sale (in the approximate amount of $0.75). A portion of the investment properties purchase price in an amount equal to $0.4 million in cash, which we refer to as the escrowed investment properties consideration, will be contributed to an escrow account to support certain indemnification and reimbursement obligations of SFFGA under the Agreement of Purchase and Sale. The escrowed investment properties consideration will be released from the escrow account and distributed to the SFFGA shareholders in accordance with the terms of an escrow agreement. In addition, SFFGA intends to use approximately $[ ] million of the proceeds to establish a reserve for taxes associated with the sale of the investment properties. SFFGA intends to pay a dividend, in one or more installments, to the SFFGA shareholders from the remaining cash available from the sale, to the extent not needed for other corporate purposes, in the approximate aggregate amount of $[ ] million, or approximately $[ ] per share of SFFGA common stock. SFFGA s directors have declared an initial dividend of $[ ] per share payable July 28, 2014 to shareholders of record on July 23, 2014. The cash for the reserve for taxes will be left in SFFGA following the merger and will be included in the calculation of the aggregate merger consideration.

At the effective time of the merger, following the sale of the investment properties (and subsequent distribution of a portion of the proceeds therefrom) and completion of other actions to be taken by SFFGA under the terms of the merger agreement (including distribution of any remaining cash other than the reserve established for the payment of taxes arising from the sale of the investment properties), the only material asset of SFFGA will consist of the 1.9 acre

land site in Central SOMA on which a portion of the San Francisco Flower Mart is currently situated. At such time, all other assets and liabilities of SFFGA will be immaterial to the transaction and SFFGA will effectively only own the land site. There will be no employees, employee related

Table of Contents

costs, or employee benefit plans transferring in connection with the merger. The merger transaction was structured to allow the SFFGA shareholders to defer a portion of the U.S. federal income tax that would have otherwise resulted from a taxable sale of the 1.9 acre land site followed by a distribution of the proceeds of the sale to the SFFGA shareholders.

The Merger and the Merger Agreement (See pages 25 and 53)

Kilroy Realty s acquisition of SFFGA is governed by a merger agreement. The merger agreement provides that, if all of the conditions set forth in the merger agreement are satisfied or waived, SFFGA will be merged with and into merger sub and SFFGA will cease to exist. After the consummation of the merger, merger sub will continue as the surviving entity and remain a wholly-owned subsidiary of Kilroy Realty. The merger agreement is included as *Annex A* to this proxy statement-prospectus and is incorporated by reference herein. We urge you to read the merger agreement carefully and fully, as it is the legal document that governs the merger.

What SFFGA Shareholders will Receive in the Merger (See page 53)

If the merger is completed, the shares of SFFGA common stock that you own immediately prior to the effective date of the merger will be automatically cancelled and converted into the right to receive shares of Kilroy Realty common stock and cash in lieu of any fractional shares. The aggregate merger consideration to be paid by Kilroy Realty to the SFFGA shareholders is expected to be approximately $22.0 million (subject to adjustment). In addition, a portion of the aggregate merger consideration equal to $2.5 million in Kilroy Realty common stock will be withheld from payment at closing and contributed to an escrow account to support certain indemnification and reimbursement obligations of the SFFGA shareholders under the merger agreement. Each holder of SFFGA common stock immediately prior to the effective time of the merger shall have the right to receive such holder s pro rata interest of such escrowed shares if and when such shares are released from the escrow account. Shares of Kilroy Realty common stock will be released from the escrow account in accordance with the terms and conditions set forth in the merger agreement and an escrow agreement to be entered into at the closing. See Description of the Merger Agreement Consideration to be Received in the Merger on page 53 and Description of the Merger Agreement Escrowed Merger Consideration on page 55.

For each share of SFFGA common stock you hold, you will receive the per share merger consideration to be calculated as set forth in the merger agreement. The exchange ratio used to determine the number of shares of Kilroy Realty common stock that you will be entitled to receive for each share of SFFGA common stock which you hold will be determined based upon the average closing price per share of Kilroy Realty common stock on the NYSE as reported by the Wall Street Journal, during the 10 trading day period ending on the second trading day prior to completion of the merger, which we refer to as the reference period. We refer to the average closing price calculated during such period as the reference price. Assuming (i) no adjustment to the aggregate merger consideration approximated above, (ii) the 540.88 shares of SFFGA common stock currently outstanding remain unchanged at the closing, based upon a reference price of $62.30, which is equal to the reference price if it were calculated as of July 15, 2014, the latest practicable date prior to the date of this proxy statement-prospectus and (iii) that the SFFGA shareholders are entitled to receive the full amount of the escrowed merger consideration, the merger consideration that a SFFGA shareholder would be entitled to receive for each share of SFFGA common stock, would be 652.9783 shares of Kilroy Realty common stock for each share of SFFGA common stock. Assuming no adjustment to the aggregate merger consideration and a reference price of $62.30, we estimate that Kilroy Realty may issue up to 353,182.8834 shares of Kilroy Realty common stock to SFFGA shareholders as contemplated by the merger agreement. For a description of how the per share merger consideration will be calculated, see Description of the Merger Agreement Consideration to be Received in the Merger

The aggregate merger consideration is determined by taking $27.0 million and adjusting it downward by (i) the sum of (A) any outstanding principal balance of the indebtedness on the SFFGA property, plus all accrued

Table of Contents

and unpaid interest thereon on and as of the closing date of the merger, plus any prepayment fees or other amounts payable in connection therewith, (B) the proration amounts debited to SFFGA, and (C) the SFFGA expenses assumed by Kilroy Realty, (ii) further adjusting downward by any expenses of SFFGA which were not taken into account in calculating the merger consideration and (iii) adjusting upward to the extent of any proration amounts credited to SFFGA and the cash amount reserved for the payment of certain taxes arising from the sale of the investment properties (in the approximate amount of $[ ] million). Pursuant to the merger agreement, the outstanding indebtedness on the SFFGA property (in the approximate amount of $4.6 million) will be deducted from the amount paid by Kilroy Realty in the merger and will be paid in full by Kilroy Realty at closing. The aggregate merger consideration of approximately $22.0 million is net of the retirement or assumption of such indebtedness. For a description of the possible adjustment of the merger consideration, see Description of the Merger Agreement Adjustment to Merger Consideration on page 54.

SFFGA shareholders will not receive fractional shares of Kilroy Realty common stock and instead, they will receive a cash payment for any fractional share based on the reference price of the Kilroy Realty common stock.

Exchange of Certificates (See page 56)

Once the merger is complete, Computershare Trust Company, N.A., the exchange agent for the merger, will mail you a letter of transmittal and instructions for exchanging your SFFGA stock certificates for shares of Kilroy Realty common stock to be issued by Kilroy Realty s transfer agent in book-entry form. You should not send in your SFFGA stock certificates with your completed proxy card, and should wait until you receive the transmittal letter and other materials and instructions from the exchange agent.

Material U.S. Federal Income Tax Consequences of the Merger (See page 30)

SFFGA and Kilroy Realty intend that the merger of SFFGA with and into merger sub will qualify as a reorganization within the meaning of Section 368(a) of the Code. Assuming the merger qualifies as a reorganization, if you are a U.S. holder (as defined in The Merger Material U.S. Federal Income Tax Consequences of the Merger), you generally will not recognize gain or loss for U.S. federal income tax purposes upon receipt of Kilroy Realty common stock in exchange for your SFFGA common stock in the merger (including any escrowed shares of Kilroy Realty common stock). However, you will recognize gain or loss on any cash that you receive in lieu of fractional shares of Kilroy Realty common stock or on the cash payment you receive if you exercise your dissenter s rights. In addition, you generally will recognize gain (but not loss) with respect to the cash placed in the escrow and on certain other cash payments made in connection with the merger. See The Merger Material U.S. Federal Income Tax Consequences of the Merger on page 30. **You are urged to consult your tax advisor for a full understanding of the federal, state, local and foreign tax consequences of the merger to you.**

Structure (See page 30)

The transaction was structured as a merger that qualified as a reorganization within the meaning of Section 368(a) of the Code at the request of SFFGA to allow the SFFGA shareholders to defer a portion of the U.S. federal income tax that would have otherwise resulted from a taxable sale of the real property followed by a distribution of the proceeds of the sale to the SFFGA shareholders.

Accounting Treatment (See page 49)

Kilroy Realty intends to account for the transaction as an asset acquisition, and it will allocate the purchase price to the acquired assets and liabilities based on their relative fair values. As discussed above, the SFFGA

Table of Contents

assets, liabilities and San Francisco Flower Mart operations excluding the land being acquired are immaterial and inconsequential to the overall transaction. Kilroy Realty s intent is to acquire the land site for future development opportunities.

Reasons for the Merger (See page 29)

SFFGA s board of directors believes that the merger is in the best interests of SFFGA and its shareholders. The SFFGA board has adopted the merger agreement and recommends that its shareholders vote FOR the adoption of the merger agreement and approval of the principal terms of the merger.

In its deliberations and in making its determination, SFFGA s board of directors considered numerous factors, including the following:

- the value to be received by the SFFGA shareholders in the merger as compared to shareholder value projected for SFFGA as an independent entity;
- the perceived risks and uncertainties attendant to SFFGA as an independent real estate operator;
- the favorable tax treatment of shares of Kilroy Realty common stock received in the merger as compared to receiving a cash distribution from a taxable sale of SFFGA s property;
- information with respect to the business, earnings, operations, financial condition, and prospects of Kilroy Realty;
- the market value of Kilroy Realty common stock prior to the execution of the merger agreement and the prospects for future appreciation as a result of Kilroy Realty s strategic real estate initiatives; and
- the fact that Kilroy Realty is publicly held and the merger would provide liquidity through the access to a public trading market for SFFGA s shareholders whose investments currently are in a privately held company.

Board Recommendation to SFFGA s Shareholders (See page 29)

SFFGA s board of directors believes that the merger of SFFGA with Kilroy Realty is in the best interests of SFFGA and its shareholders. SFFGA s board of directors recommends that you vote FOR the adoption of the merger agreement and the approval of the principal terms of the merger.

SFFGA Shareholders will have Dissenter s Rights in Connection with the Merger (See page 50)

SFFGA shareholders may dissent from the merger and, upon complying with the requirements of the CGCL, receive cash in the amount of the fair value of their shares instead of the shares of Kilroy Realty common stock.

A copy of the sections of the CGCL pertaining to the dissenter s rights is attached as *Annex B* to this proxy statement-prospectus. You should read the statute carefully and consult with your legal counsel if you intend to exercise these rights. A dissenting shareholder of SFFGA must follow the appropriate procedures under California law or the shareholder will lose such rights.

The Merger and the Performance of Kilroy Realty Subsequent to the Merger are Subject to a Number of Risks (See page 18)

There are a number of risks relating to the merger and to the business of Kilroy Realty following the merger. See the Risk Factors beginning on page 18 of this proxy statement-prospectus for a discussion of these and other risks and see also the documents that Kilroy Realty has filed with the SEC and which we have incorporated by reference into this proxy statement-prospectus.

Table of Contents

SFFGA Shareholder Approval will be Required to Complete the Merger and Approve the Other Proposals Set Forth in the Shareholder Notice (See page 50)

To approve the merger, at least a majority of the outstanding shares of SFFGA common stock entitled to vote must vote in favor of the adoption of the merger agreement and the approval of the principal terms of the merger at the special meeting of the SFFGA shareholders. In addition, Kilroy Realty is not required to complete the merger unless holders of not more than 10% of the total shares of SFFGA common stock are, or have the ability to become, dissenting shares pursuant to the CGCL, meaning that holders of shares representing at least 90% of the shares of SFFGA common stock outstanding immediately prior to the effective time of the merger have voted to adopt the merger agreement and approve the principal terms of the merger, allowed their dissenter s rights to lapse under California law or otherwise do not have dissenter s rights because such shares were not issued and outstanding as of the record date for the special meeting of the SFFGA shareholders.

Approval of the proposal to adjourn the special meeting, if necessary, requires the affirmative vote of holders of at least a majority of the shares of SFFGA common stock entitled to vote, present in person or by proxy, if a quorum is present. In the absence of a quorum, the holders of a majority of the shares of SFFGA common stock present in person or by proxy may adjourn the special meeting. To satisfy the quorum requirements set forth in SFFGA s bylaws, shareholders holding at least a majority of the voting power of the outstanding shares of SFFGA common stock entitled to vote at the special meeting must be present in person or by proxy at the special meeting. The SFFGA shareholders may vote their shares in person at the special meeting or by signing and returning the enclosed proxy form.

SFFGA Special Meeting (See page 22)

The special meeting of the SFFGA shareholders will be held at [ ] on [ ], 2014 at 4:00 P.M., Pacific time. The SFFGA board of directors is soliciting proxies for use at the special meeting. At the special meeting, the SFFGA shareholders will be asked to vote on a proposal to adopt the merger agreement and approve the principal terms of the merger.

Record Date for the Special Meeting; Revocability of Proxies (See pages 22 and 23)

You may vote at the special meeting if you are the record holder of shares of SFFGA common stock at the close of business on [ ], 2014, the record date established by the SFFGA board of directors. You will have one vote for each share of SFFGA common stock you owned on the record date. You may change your vote or revoke your proxy prior to the special meeting by filing with the secretary of SFFGA a duly executed revocation of proxy or submitting a new proxy form with a later date. You may also vote in person at the special meeting.

Conditions to the Merger (See page 60)

Pursuant to the merger agreement, various conditions are required to be met before Kilroy Realty and/or SFFGA is obligated to complete the merger. These conditions are customary and include:

- adoption of the merger and approval of the principal terms of the merger by the SFFGA shareholders;
- absence of any order restraining or enjoining the merger;

the Form S-4, of which this proxy statement-prospectus is a part, shall have been declared effective by the SEC;

listing on the NYSE of the Kilroy Realty common stock to be issued to the SFFGA shareholders in connection with the merger;

Table of Contents

continued accuracy as of the closing of the merger of Kilroy Realty s and SFFGA s representations and warranties;

performance in all material respects by Kilroy Realty and SFFGA of their respective obligations under the merger agreement;

receipt by Kilroy Realty and SFFGA of tax opinions from their respective counsel, dated the closing date of the merger, substantially to the effect that, for federal income tax purposes, the merger will constitute a reorganization within the meaning of Section 368(a) of the Code;

receipt by SFFGA of all requisite consents, authorizations, approvals and releases;

the sale by SFFGA of the Kernersville Property, Winston-Salem Property, VA Property and RI Property;

delivery by SFFGA and Kilroy Realty of certain real property related deliverables;

holders of not more than 10% of the outstanding shares of SFFGA common stock have exercised or have the continued right to exercise appraisal, dissenter s or similar rights; and

the absence since signing of the merger agreement of any changes which have had or might reasonably be expected to have a material adverse effect (as defined in the merger agreement) on SFFGA.

Termination of the Merger Agreement (See page 61)

The merger agreement may be terminated at any time prior to the completion of the merger by:

mutual written consent of SFFGA and Kilroy Realty; or

either SFFGA or Kilroy Realty if:

the merger has not been completed within six months of the date the merger agreement was executed, which we refer to the outside date, but this termination right is not available to a party whose failure to materially comply with the merger agreement resulted in the failure to complete the merger on or before that date; or

a court or governmental authority of competent jurisdiction has issued a final order restraining, enjoining or otherwise prohibiting the transactions contemplated by the merger agreement; or

the approval of SFFGA s shareholders have not been obtained at a duly held meeting, but this termination right is not available to SFFGA if the failure to obtain such approval was primarily due to SFFGA s failure to perform any of its obligations under the merger agreement; or

by SFFGA if Kilroy Realty has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements set forth in the merger agreement, which breach or failure cannot be cured by the outside date or if curable, has not been cured within 20 days after receipt of written notice by SFFGA; or

by Kilroy Realty if SFFGA has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements set forth in the merger agreement, which breach or failure cannot be cured by the outside date or if curable, has not been cured within 20 days after receipt of written notice by Kilroy Realty.

Expense Reimbursement (See page 61)

SFFGA may be required to reimburse Kilroy Realty for its out-of-pocket costs and expenses in the event that Kilroy Realty terminates the merger agreement as a result of SFFGA s breach of its non-solicitation obligation under the merger agreement.

Table of Contents

Effect of Termination (See page 61)

If the merger agreement is terminated, the merger agreement will be void, except that for certain designated provisions, including with respect to notices, third-party beneficiaries, governing law, consent to jurisdiction, and waiver of jury trial, and nothing will relieve either party from liability for any willful breach of the merger agreement prior to termination.

Certain Differences in Kilroy Realty Shareholder Rights and SFFGA Shareholder Rights (See page 81)

Kilroy Realty is a Maryland corporation and SFFGA is a California corporation. SFFGA shareholder rights under California law and Kilroy Realty shareholder rights under Maryland law are different. In addition, Kilroy Realty s Articles of Restatement, as supplemented and as may be supplemented from time to time, and Kilroy Realty s Second Amended and Restated Bylaws, as amended and as may be amended from time to time, contain provisions that are different from SFFGA s articles of incorporation and bylaws as currently in effect. After completion of the merger, the SFFGA shareholders who receive shares of Kilroy Realty common stock in exchange for their shares of SFFGA common stock will become shareholders of Kilroy Realty and their rights will be governed by Kilroy Realty s charter and bylaws, in addition to rules and regulations that apply to public companies.

Kilroy Realty Shares of Common Stock are Listed on the NYSE (See page 66)

The shares of Kilroy Realty common stock to be issued pursuant to the merger will be listed on the NYSE under the symbol KRC.

Table of Contents

SUMMARY SELECTED FINANCIAL DATA

The following selected financial information is to aid you in understanding certain financial aspects of Kilroy Realty, together with its subsidiaries, including Kilroy Realty, L.P., the operating partnership for which Kilroy Realty is the sole general partner. Unless otherwise expressly stated or the context otherwise requires, in this proxy statement-prospectus Kilroy Realty refers collectively to Kilroy Realty and its subsidiaries, including the operating partnership. The annual historical information for Kilroy Realty set forth below is derived from its audited consolidated financial statements as of and for each of the fiscal years ended December 31, 2009 through 2013. The information for Kilroy Realty as of and for the three months ended March 31, 2013 and March 31, 2014 that is set forth below is derived from its unaudited consolidated interim financial statements. The unaudited financial statements include all adjustments, consisting of normal recurring adjustments, that management of Kilroy Realty considers necessary for fair presentation of the financial position and results of operations for such periods in accordance with accounting principles generally accepted in the United States, or GAAP.

The information regarding Kilroy Realty that is set forth below is only a summary and should be read with Kilroy Realty s historical consolidated financial statements and related notes. Kilroy Realty s historical consolidated financial statements and related notes are contained in its Annual Report on Form 10-K/A for the year ended December 31, 2013 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, as well as other information filed by Kilroy Realty with the SEC. See Where You Can Find More Information on page 98.

Pursuant to SEC rules, Kilroy Realty s merger with SFFGA will not require Kilroy Realty to file financial information with the SEC on SFFGA as a significant subsidiary since none of the financial criteria conditions under SEC Regulation S-X Rule 3-05 will be met at the 20% level.

The historical results set forth below and elsewhere in this proxy solicitation-prospectus are not necessarily indicative of the future performance of Kilroy Realty.

Table of Contents

	Three Months Ended March 31,		Year Ended December 31, (in thousands)				
	2014	2013	2013	2012	2011	2010	2009
Statements of Operations Data:							
Total revenues from continuing operations	$ 125,785	$ 110,964	$ 465,098	$ 381,000	$ 310,424	$ 232,683	$ 206,587
Income (loss) from continuing operations	11,440	186	15,837	(3,505)	(15,584)	(6,729)	7,709
Income from discontinued operations	90,492	2,202	28,728	280,606	83,073	26,615	30,306
Net income (loss) available to common stockholders	96,532	(903)	30,630	249,826	50,819	4,512	21,794
Per-Share Data:							
Weighted average shares of common stock outstanding basic	82,124,538	74,977,240	77,343,853	69,639,623	56,717,121	49,497,487	38,705,101
Weighted average shares of common stock outstanding diluted	84,140,070	74,977,240	79,108,878	69,639,623	56,717,121	49,497,487	38,732,126
Income (loss) from continuing operations available to common stockholders per share of common stock basic	$ 0.09	$ (0.05)	$ 0.01	$ (0.37)	$ (0.55)	$ (0.45)	$ (0.22)
Income (loss) from continuing operations available to common stockholders per share of common stock diluted	$ 0.09	$ (0.05)	$ 0.01	$ (0.37)	$ (0.55)	$ (0.45)	$ (0.22)
Net income available to common stockholders per	$ 1.17	$ (0.02)	$ 0.37	$ 3.56	$ 0.87	$ 0.07	$ 0.53

share basic							
Net income available to common stockholders per share diluted	$ 1.14	$ (0.02)	$ 0.36	$ 3.56	$ 0.87	$ 0.07	$ 0.53
Dividends declared per common share	$ 0.35	$ 0.35	$ 1.40	$ 1.40	$ 1.40	$ 1.40	$ 1.63
Book value per share (1)	29.11	27.08	28.29	27.27	19.25	17.62	15.96
Balance Sheet Data:							
Total real estate held for investment, before accumulated depreciation and amortization	$ 5,434,024	$ 5,016,590	$ 5,264,947	$ 4,757,394	$ 3,798,690	$ 3,216,871	$ 2,520,083
Total assets	5,114,543	4,755,287	5,111,028	4,616,084	3,446,795	2,816,565	2,084,281
Total debt	2,157,691	2,166,578	2,204,938	2,040,935	1,821,286	1,427,776	972,016
Series A redeemable, noncontroling interest, preferred units (2)					73,638	73,638	73,638
Total preferred stock	192,411	192,411	192,411	192,411	121,582	121,582	121,582
Total equity (3)	2,585,610	2,232,540	2,516,160	2,235,933	1,327,482	1,117,730	883,838
Other Data:							
Funds From Operations (4) (5)	$ 57,221	$ 49,086	$ 218,621	$ 165,455	$ 136,173	$ 106,639	$ 107,159
Cash flows provided by (used in):							
Operating activities	$ 45,081	$ 56,499	$ 240,576	$ 180,724	$ 138,256	$ 119,827	$ 124,965
Investing activities	97,278	43,447	(506,520)	(706,506)	(634,283)	(701,774)	(50,474)
Financing activities	(82,202)	19,030	284,621	537,705	485,964	586,904	(74,161)
Office Property Data: (6)							
Rentable square footage	13,305,145	13,570,059	12,736,099	13,249,780	11,421,112	10,395,208	8,708,466
Occupancy	92.4%	90.3%	93.4%	92.8%	90.1%	87.5%	80.6%

(1) Kilroy Realty calculates the book value per share as total equity less the sum of (i) total preferred stock and (ii) Series A redeemable, noncontrolling interest preferred units divided to the total outstanding common shares.

(2) Represents the redemption value, less issuance costs of Kilroy Realty s 1,500,000 7.45% Series A Cumulative Preferred Units, or Series A Preferred Units. The Series A Preferred Units were redeemed in 2012.

(3)

Includes the noncontrolling interest of the common units of Kilroy Realty, L.P. and Redwood City Partners, LLC (a consolidated subsidiary created on June 27, 2013.

(4) Kilroy Realty calculates Funds From Operations, or FFO, in accordance with the White Paper on FFO approved by the Board of Governors of NAREIT. The White Paper defines FFO as net income or loss calculated in accordance with GAAP, excluding

Table of Contents

extraordinary items, as defined by GAAP, gains and losses from sales of depreciable real estate and impairment write-downs associated with depreciable real estate, plus real estate-related depreciation and amortization (excluding amortization of deferred financing costs and depreciation of non-real estate assets), and after adjustment for unconsolidated partnerships and joint ventures. Kilroy Realty s calculation of FFO includes the amortization of deferred revenue related to tenant-funded tenant improvements and excludes the depreciation of the related tenant improvement assets.

Kilroy Realty believes that FFO is a useful supplemental measure of its operating performance. The exclusion from FFO of gains and losses from the sale of operating real estate assets allows investors and analysts to readily identify the operating results of the assets that form the core of its activity and assists in comparing those operating results between periods. Also, because FFO is generally recognized as the industry standard for reporting the operations of REITs, it facilitates comparisons of operating performance to other REITs. However, other REITs may use different methodologies to calculate FFO, and accordingly, Kilroy Realty s FFO may not be comparable to all other REITs.

Implicit in historical cost accounting for real estate assets in accordance with GAAP is the assumption that the value of real estate assets diminishes predictably over time. Since real estate values have historically risen or fallen with market conditions, many industry investors and analysts have considered presentations of operating results for real estate companies using historical cost accounting alone to be insufficient. Because FFO excludes depreciation and amortization of real estate assets, Kilroy Realty believes that FFO along with the required GAAP presentations provides a more complete measurement of its performance relative to its competitors and a more appropriate basis on which to make decisions involving operating, financing, and investing activities than the required GAAP presentations alone would provide.

However, FFO should not be viewed as an alternative measure of Kilroy Realty s operating performance because it does not reflect either depreciation and amortization costs or the level of capital expenditures and leasing costs necessary to maintain the operating performance of Kilroy Realty s properties, which are significant economic costs and could materially impact Kilroy Realty s results from operations.

Noncash adjustments to arrive at FFO were as follows: noncontrolling interest in earnings of the Kilroy Realty, L.P., depreciation and amortization of real estate assets, and net gain (loss) from dispositions of operating properties.

(5) FFO includes amortization of deferred revenue related to tenant-funded tenant improvements of $10.7 million, $9.1 million, $9.3 million, $9.7 million and $9.8 million for the years ended December 31, 2013, 2012, 2011, 2010 and 2009, respectively and $2.4 million for the three months ended March 31, 2014 and 2013, respectively.

(6) Occupancy percentages and total square feet reported are based on Kilroy Realty s stabilized office portfolio for the periods presented.

The following table presents a reconciliation of FFO to net income for the years ended December 31, 2013, 2012, 2011, 2010 and 2009 and the three months ended March 31, 2014 and 2013:

Three months ended March 31,		Year ended December 31,				
2014	2013	2013	2012	2011	2010	2009
		(in thousands)				
$ 96,532	$ (903)	$ 30,630	$ 249,826	$ 50,819	$ 4,512	$ 21,794

Net income available to common stockholders							
Adjustments:							
Net income attributable to noncontrolling common units of the operating partnership	2,087	(22)	685	6,187	1,474	178	1,025
Depreciation and amortization of real estate assets	48,717	50,011	199,558	168,687	135,467	102,898	86,825
Net gain on dispositions of discontinued operations	90,115		(12,252)	(259,245)	(51,587)	(949)	(2,485)
Funds From Operations (1)	$ 57,221	$ 49,086	$ 218,621	$ 165,455	$ 136,173	$ 106,639	$ 107,159

(1) Includes amortization of deferred revenue related to tenant-funded tenant improvements of $10.7 million, $9.1 million, $9.3 million, $9.7 million and $9.8 million for the years ended December 31, 2013, 2012, 2011, 2010 and 2009, respectively, and $2.4 million for the three months ended March 31, 2014 and March 31, 2013, respectively. Reported amounts are attributable to common stockholders and common unitholders.

Table of Contents

Market Values of Kilroy Realty s Common Equity

Kilroy Realty common stock is listed and traded on the NYSE under the symbol KRC. As of the date this proxy statement-prospectus was filed, there were approximately 58 registered holders of Kilroy Realty common stock. The following table illustrates the high, low, and closing prices by quarter, as well as dividends declared, during 2014, 2013 and 2012 as reported on the NYSE.

2014	High	Low	Close	Per Share Common Stock Dividends Declared
First quarter	$ 59.53	$ 49.72	$ 58.58	$ 0.3500
Second quarter	62.88	57.29	62.28	0.3500

2013	High	Low	Close	Per Share Common Stock Dividends Declared
First quarter	$ 53.99	$ 47.86	$ 52.40	$ 0.3500
Second quarter	59.58	50.11	53.01	0.3500
Third quarter	55.80	47.73	49.95	0.3500
Fourth quarter	54.04	48.89	50.18	0.3500

2012	High	Low	Close	Per Share Common Stock Dividends Declared
First quarter	$ 46.61	$ 37.92	$ 46.61	$ 0.3500
Second quarter	48.58	44.84	48.41	0.3500
Third quarter	49.88	44.78	44.78	0.3500
Fourth quarter	47.52	42.47	47.37	0.3500

On July 15, 2014, the most recent practicable date prior to the printing of this proxy solicitation-prospectus, the last reported sale price of Kilroy Realty common stock on the NYSE was $62.97. We urge you to obtain current stock price quotations for Kilroy Realty common stock from a newspaper, the Internet or your broker.

Kilroy Realty historically pays distributions to the holders of its common stock quarterly each January, April, July and October, at the discretion of the Kilroy Realty board of directors. Distribution amounts depend on Kilroy Realty s FFO, financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code, and such other factors as the board of directors deems relevant.

There is no established public trading market for SFFGA s common stock.

Table of Contents

RISK FACTORS

Before deciding whether to vote for the adoption of the merger agreement and the approval of the principal terms of the merger, you should carefully consider the following risk factors, in addition to the other information contained or incorporated by reference in this proxy statement-prospectus, including the discussion under Risk Factors in Kilroy Realty s Annual Report on Form 10-K/A for the year ended December 31, 2013, as such discussion may be updated in Kilroy Realty s subsequent Quarterly Reports on Form 10-Q. See Where You Can Find More Information on page 98.

Risks Relating to the Merger

Because the aggregate merger consideration is subject to adjustment, the value of the merger consideration you may receive in the merger may be less than you expect.

The merger consideration to be received by the SFFGA shareholders following the effective time of the merger is subject to downward adjustment as provided in the merger agreement. Consequently, the value of the merger consideration you may receive in the merger may be less than you expect and you will not know the exact value of the merger consideration you will receive at the time of the special meeting of the SFFGA shareholders. For a description of the possible adjustment of the merger consideration, see Description of the Merger Agreement Adjustment to Merger Consideration on page 54.

SFFGA shareholders may not receive the escrowed merger consideration or the escrowed investment properties consideration.

A portion of the aggregate merger consideration equal to $2.5 million in Kilroy Realty common stock will be deposited at the closing with the escrow agent to serve as security for the benefit of Kilroy Realty against the indemnification afforded Kilroy Realty in the merger agreement and to reimburse Kilroy Realty for certain fees and expenses that were not able to be calculated at the closing of the merger. An amount equal to $0.5 million in Kilroy Realty common stock of the $2.5 million in escrowed merger consideration will be held by the escrow agent for a period of 36 months from the closing to serve as security for the benefit of Kilroy Realty in respect of indemnification claims arising out of environmental matters. The balance of the escrowed merger consideration (in the amount equal to $2.0 million in Kilroy Realty common stock) will be held for a period of 18 months from the closing. If any payment is required to be made from the escrow account to Kilroy Realty, the SFFGA shareholders as of the closing date of the merger will not be entitled to receive such shares of Kilroy Realty common stock, and because this portion of the merger consideration is contingent upon the determination of any indemnification claims against the SFFGA shareholders, there are no assurances of the number of shares of Kilroy Realty common stock, if any, beyond the closing merger consideration payable at the closing that SFFGA shareholders will receive for their SFFGA common stock. In addition, the price per share of Kilroy Realty common stock on the date of distribution from the escrow account may be more or less than the reference price. As a result, SFFGA shareholders will not know the amount of escrowed merger consideration, if any, that may be payable to SFFGA shareholders until approximately 36 months after the effective time of the merger.

A portion of the investment properties consideration equal to $0.4 million in cash will be deposited at the closing with the escrow agent to serve as security for the benefit of Kilroy Realty in respect of indemnification obligations arising under the Agreement of Purchase and Sale in connection with the sale of the investment properties to Flair. This amount, which we refer to as the escrowed investment properties consideration, will be held by the escrow agent for a period of four months from the July 18, 2014 closing of the sale of the investment properties to Flair. If any portion of the escrowed investment properties consideration is required to be disbursed to Kilroy Realty (as a result of the

satisfaction by Kilroy Realty of indemnification claims asserted by Flair), the SFFGA shareholders as of the closing date of the merger will not be entitled to receive the portion of the escrowed investment properties consideration disbursed to Kilroy Realty. As a result, SFFGA shareholders will not know the amount of escrowed investment properties consideration, if any, that may be payable to SFFGA shareholders until the date approximately four months from the July 18, 2014 closing of the sale of the investment properties.

Table of Contents

The SFFGA Representative will have the ability to take actions in connection with the merger and the merger agreement on behalf of the SFFGA shareholders without further notice to or approval by the SFFGA shareholders.

In connection with the adoption of the merger agreement and approval of the principal terms of the merger by the SFFGA shareholders, Angelo Stagnaro, Jr. and Ronald Chiappari and any successors thereto will be appointed as the SFFGA shareholders exclusive agent and attorney-in-fact, or the SFFGA Representative, with respect to any actions specified or contemplated by the merger agreement and the escrow agreement. The appointment of the SFFGA Representative will constitute the authorization by each holder of SFFGA common stock, even if a SFFGA shareholder did not vote to approve the merger and thereby appoint the SFFGA Representative. The SFFGA Representative may take action or decline to do so as he may determine in his sole discretion without any notice to or further approval by the SFFGA shareholders, and will be indemnified by the SFFGA shareholders in taking or declining to take such action. For example, the SFFGA Representative may settle indemnification claims pursuant to the merger agreement and the escrow agreement, which would reduce the escrowed merger consideration to be received by the SFFGA shareholders. SFFGA will establish an escrow account (independent of the escrow established with respect to the escrowed merger consideration) into which SFFGA will deposit an amount reasonably anticipated to be necessary to cover the costs and expenses of the SFFGA Representative subsequent to the closing of the merger. Any amounts remaining after termination of the duties of the SFFGA Representative will be distributed to the SFFGA shareholders on a pro rata basis.

Because there is no public market for the SFFGA common stock, it is difficult to determine how the fair value of SFFGA common stock compares with the merger consideration being paid by Kilroy Realty in connection with the merger.

The outstanding shares of SFFGA common stock are privately held and are not traded in any public market. This lack of a public market makes it difficult to determine the fair value of the outstanding SFFGA common stock. Although the SFFGA board of directors has received advice from its financial advisor and obtained appraisals of the real property comprising the SFFGA property, the board of directors did not obtain a formal opinion from a financial advisor regarding the fairness, from a financial point of view, of the merger consideration being received by the holders of SFFGA common stock. Because the merger consideration was determined based on negotiations between SFFGA and Kilroy Realty, it may not be more or less than the fair value of the shares of SFFGA common stock.

SFFGA s shareholders will not control Kilroy Realty s future operations.

Currently, SFFGA s shareholders own 100% of SFFGA and have the power to approve or reject any matters requiring shareholder approval under California law and SFFGA s articles of incorporation and bylaws. After the merger, SFFGA shareholders are expected to become owners of less than 0.5% of the outstanding shares of Kilroy Realty common stock. Even if all former SFFGA shareholders voted together on all matters presented to Kilroy Realty s stockholders, from time to time, the former SFFGA shareholders would not have an impact on the approval or rejection of future Kilroy Realty proposals submitted to a vote of the Kilroy Realty stockholders.

Because the market price of Kilroy Realty s stock will fluctuate, the SFFGA shareholders cannot be certain of the price of Kilroy Realty common stock after completion of the merger.

The exchange ratio used to determine the number of shares of Kilroy Realty common stock that you will be entitled to receive for each share of SFFGA common stock which you hold will be determined based upon the average closing price per share of Kilroy Realty common stock on the NYSE, as reported by the Wall Street Journal, which we refer to as the reference price, during the 10 trading day period ending on the second trading day prior to completion of the

merger. As such, the reference price will likely differ from the price at which shares of Kilroy Realty common stock will trade on the date of the special meeting of the SFFGA shareholders, on the closing date or on the date you receive the closing merger consideration. The value of the closing merger

Table of Contents

consideration will not be adjusted to reflect any changes in the market price of Kilroy Realty common stock prior to the closing date and the number of shares of Kilroy Realty common stock issued in the merger may be higher or lower than what would be issued had the merger occurred on a different date. In addition, because the price of Kilroy Realty common stock will continue to fluctuate after completion of the merger, the aggregate value of Kilroy Realty common stock received by you may, at any particular time, be higher or lower than the closing merger consideration.

There is no assurance when or even if the merger will be completed.

Completion of the merger is subject to satisfaction or waiver of a number of conditions. See Description of the Merger Agreement Conditions to the Merger on page 60. There can be no assurance that Kilroy Realty and SFFGA will satisfy or waive the closing conditions or that closing conditions beyond their control will be satisfied or waived. Kilroy Realty and SFFGA can agree at any time to terminate the merger agreement, even if SFFGA shareholders have already voted to approve the merger agreement. Kilroy Realty and SFFGA can also terminate the merger agreement under other specified circumstances.

The merger agreement limits SFFGA s ability to pursue alternative transactions to the merger.

The merger agreement prohibits SFFGA and its affiliates, directors, officers, representatives, and agents from soliciting, initiating, encouraging, facilitating or inducing any inquiry with respect to any offer or proposal reasonably expected to lead to any alternative competing transaction. The prohibition limits SFFGA s ability to pursue offers from other possible acquirers that may be superior from a financial point of view to the merger with Kilroy Realty.

The rights of SFFGA shareholders who become Kilroy Realty shareholders in the merger will be governed by Maryland law and by Kilroy Realty s Articles of Restatement, as supplemented, and Second Amended and Restated Bylaws, as amended.

The SFFGA shareholders who receive shares of Kilroy Realty common stock in the merger will become Kilroy Realty stockholders. Kilroy Realty currently is a corporation formed under the laws of Maryland. As a result, the SFFGA shareholders who become shareholders of Kilroy Realty will be governed by the Maryland General Corporation Law and Kilroy Realty s Articles of Restatement, as supplemented and as may be supplemented from time to time, and Kilroy Realty s Second Amended and Restated Bylaws, as amended and as may be amended from time to time, rather than being governed by the CGCL and the SFFGA s articles of incorporation and SFFGA s bylaws. There may be material differences between the current rights of the SFFGA shareholders, as compared to the rights they will have as stockholders of Kilroy Realty. For more information, see Comparison of Shareholder Rights beginning on page 81 of this proxy statement-prospectus.

Table of Contents

FORWARD-LOOKING STATEMENTS

This proxy statement-prospectus, including the documents incorporated by reference, contain, and documents Kilroy Realty subsequently files with the SEC and incorporate by reference, may contain, certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (referred to as the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the Exchange Act. Forward-looking statements can be identified by the use of words such as believes, expects, projects, may, will, should, seeks approximately, intends, plans, pro forma, estimates or anticipates and the negative of these words and phrases similar expressions that do not relate to historical matters. Forward-looking statements are based on Kilroy Realty s and SFFGA s current expectations, beliefs and assumptions, and are not guarantees of future performance. Forward-looking statements are inherently subject to uncertainties, risks, changes in circumstances, trends and factors that are difficult to predict, many of which are outside of Kilroy Realty s and SFFGA s control. Accordingly, actual performance, results and events may vary materially from those indicated in the forward-looking statements, and you should not rely on the forward-looking statements as predictions of future performance, results or events.

The factors included in this proxy statement-prospectus, including the documents incorporated by reference, and documents Kilroy Realty subsequently files with the SEC and incorporates by reference, are not exhaustive. For a discussion of additional risk factors that could adversely affect Kilroy Realty s and SFFGA s business and financial performance, see the factors included under the caption Risk Factors in this proxy statement-prospectus, and in Kilroy Realty s Annual Report on Form 10-K/A for the year ended December 31, 2013 and in Kilroy Realty s subsequent Quarterly Reports on Form 10-Q and the documents incorporated by reference in each. All forward-looking statements are based on information that was available, and speak only, as of the date on which they were made. Neither Kilroy Realty nor SFFGA assumes any obligation to update any forward-looking statement that becomes untrue because of subsequent events, new information or otherwise.

Table of Contents

INFORMATION ABOUT THE SPECIAL MEETING OF SFFGA STOCKHOLDERS

The SFFGA board of directors is using this proxy statement-prospectus to solicit proxies from the holders of SFFGA common stock for use at the special meeting of the SFFGA shareholders.

Date, Time and Place of the Special Meeting

The special meeting will be held at [ ], on [ ], 2014 at 4:00 P.M., Pacific time.

Purpose of the Special Meeting

At the special meeting, SFFGA board of directors will ask you to vote upon the following:

- a proposal to adopt the merger agreement and approve the principal terms of the merger; and
- the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares entitled to vote are present in person or by proxy to adopt the merger agreement and approve the principal terms of the merger.

Record Date and Voting Rights for the Special Meeting

The SFFGA board of directors has set the close of business on [ ], 2014, as the record date for determining the holders of its common stock entitled to notice of and to vote at the special meeting. Only the SFFGA shareholders of record at the close of business on the record date are entitled to notice of and to vote at the special meeting. As of the record date, there were 540.88 shares of SFFGA common stock outstanding and entitled to vote at the special meeting.

Quorum

The presence in person or by proxy of at least a majority of SFFGA s shares issued and outstanding and entitled to vote at the special meeting is required for a quorum to be present at the special meeting. Abstentions will count toward the establishment of a quorum.

Vote Required

Adoption of the merger agreement and approval of the principal terms of the merger requires the affirmative vote of at least a majority of SFFGA s outstanding shares entitled to vote. In addition, Kilroy Realty is not required to complete the merger unless holders of not more than 10% of the total shares of SFFGA common stock are, or have the ability to become, dissenting shares pursuant to the CGCL, meaning that holders of shares representing at least 90% of the shares of SFFGA common stock outstanding immediately prior to the effective time of the merger have voted to adopt the merger agreement and approve the principal terms of the merger, allowed their dissenter s rights to lapse under California law or otherwise do not have dissenter s rights because such shares were not issued and outstanding as of the record date for the special meeting of the SFFGA shareholders.

Approval of the proposal to adjourn the special meeting, if necessary, requires the affirmative vote of holders of at least a majority of the shares of SFFGA common stock entitled to vote, present in person or by proxy, if a quorum is present. In the absence of a quorum, the holders of a majority of the shares of SFFGA common stock present in person

or by proxy may adjourn the special meeting. To satisfy the quorum requirements set forth in SFFGA s bylaws, shareholders holding at least a majority of the voting power of the outstanding shares of SFFGA common stock entitled to vote at the special meeting must be present in person or by proxy at the special meeting. The SFFGA shareholders may vote their shares in person at the special meeting or by signing and returning the enclosed proxy form.

Table of Contents

The failure of a SFFGA shareholder to vote will have the same effect as voting against the proposals to adopt the merger agreement and approve the principal terms of the merger and to approve the meeting adjournment proposal. For purposes of the shareholder vote, an abstention, which occurs when a shareholder attends a meeting, either in person or by proxy, but abstains from voting, will have the same effect as voting against the proposals to adopt the merger agreement and approve the principal terms of the merger and to adjourn the special meeting.

The sale of the investment properties to Flair has been approved by the board of directors of SFFGA. Approval of the outstanding shares of SFFGA common stock is not required in connection with the sale of the investment properties.

Ownership of Directors and Officers

As of the record date, SFFGA s directors and executive officers and their affiliates beneficially owned a total of [ ] shares of SFFGA common stock (excluding shares issuable upon the exercise of outstanding options), representing approximately [ ]% of the outstanding shares of SFFGA common stock entitled to vote at the special meeting.

How to Vote

You may vote in person at the special meeting or by proxy. To ensure your representation at the special meeting, we recommend you vote by proxy even if you plan to attend the special meeting. You can always change your vote at the meeting.

Voting instructions are included on your proxy form, which should be returned in the enclosed prepaid envelope. If you properly complete and timely submit your proxy, your shares will be voted as you have directed. You may vote for, against, or abstain with respect to the approval of the merger and the other proposals. If you are the record holder of your shares and submit your proxy without specifying a voting instruction, your shares will be voted as the SFFGA board of directors recommends and will be voted **FOR** the adoption of the merger agreement and the approval of the principal terms of the merger, **FOR** the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares entitled to vote are present in person or by proxy to adopt the merger agreement and the approve of the principal terms of the merger.

Revocability of Proxies

You may revoke your proxy at any time before it is voted by:

- filing with SFFGA s secretary a duly executed revocation of proxy;
- submitting a new proxy with a later date; or
- voting in person at the special meeting.

Attendance at the special meeting will not, in and of itself, constitute a revocation of a proxy. All written notices of revocation and other communication with respect to the revocation of proxies should be addressed to: San Francisco Flower Growers Association, 644 Brannan Street, San Francisco, CA 94107, Attention: Angelo Stagnaro, Jr.

Proxy Solicitation

In addition to this mailing, proxies may be solicited by directors, officers or employees of SFFGA in person or by telephone or electronic transmission. None of such directors, officers or employees will be directly compensated for such services. SFFGA will pay the costs associated with the solicitation of proxies for the special meeting.

Table of Contents

Other Business; Adjournments

SFFGA is not currently aware of any other business to be acted upon at the SFFGA special meeting. If, however, other matters are properly brought before the special meeting, or any adjournment or postponement thereof, your proxies include discretionary authority on the part of the individuals appointed to vote your shares to act on those matters according to their best judgment.

Adjournments may be made for the purpose of, among other things, soliciting additional proxies. Any adjournment may be made from time to time by the affirmative vote of the holders of a majority of the shares of SFFGA common stock present in person or by proxy at the special meeting, whether or not a quorum is present, without further notice other than by announcement at the special meeting.

Table of Contents

THE MERGER

This section of the proxy statement-prospectus describes material aspects of the merger. While Kilroy Realty and SFFGA believe that the description covers the material terms of the merger and the related transactions, this summary may not contain all of the information that is important to you. You should carefully read this entire proxy statement-prospectus, the attached Annexes, and the other documents to which this proxy statement-prospectus refers for a more complete understanding of the merger. The agreement and plan of merger attached hereto as Annex A, not this summary, is the legal document which governs the merger.

General

The SFFGA board of directors is using this proxy statement-prospectus to solicit proxies from the holders of SFFGA common stock for use at the SFFGA special meeting, at which the SFFGA shareholders will be asked to vote on the adoption of the merger agreement and approve the principal terms of the merger. When the merger is consummated, SFFGA will merge with and into KR SFFGA, LLC, a wholly-owned subsidiary of Kilroy Realty, which we refer to as merger sub and SFFGA will cease to exist. Merger sub will survive the merger and remain a wholly-owned subsidiary of Kilroy Realty. At the effective time of the merger, shares of SFFGA common stock will be cancelled and the holders of such shares immediately prior to the effective time of the merger will be exchanged for shares of Kilroy Realty common stock. The exact number of shares of Kilroy Realty common stock comprising the merger consideration cannot be determined until two trading days before completion of the merger and will be based on the calculation of the aggregate merger consideration. See Description of the Merger Agreement Consideration to be Received in the Merger for a detailed description of the method for determining the per share merger consideration.

SFFGA shareholders will not receive fractional shares of Kilroy Realty common stock and instead, they will receive a cash payment for any fractional share based on the reference price of the Kilroy Realty common stock. Shares of SFFGA common stock held by SFFGA shareholders who properly elect to exercise their dissenter s rights will not be converted into merger consideration.

The Companies

Kilroy Realty Corporation

Kilroy Realty Corporation, a Maryland corporation, or Kilroy Realty, was incorporated in 1996. Kilroy Realty is a self-administered real estate investment trust, or REIT, that owns, develops, acquires and manages real estate assets, consisting primarily of Class A real estate properties in the coastal regions of Los Angeles, Orange County, San Diego County, San Francisco Bay Area, and greater Seattle. Kilroy Realty s portfolio has in excess of 100 office properties. Kilroy Realty owns its interests in all its properties directly or indirectly through Kilroy Realty, L.P. and Kilroy Realty Finance Partnership, L.P. Unless otherwise expressly stated or the context otherwise requires, in this proxy statement-prospectus Kilroy Realty refers collectively to Kilroy Realty and its subsidiaries, including Kilroy Realty, L.P. and Kilroy Realty Finance Partnership, L.P.

As of March 31, 2014, Kilroy Realty had total assets of approximately $5.1 billion, total liabilities of $2.5 billion, and total shareholders equity of approximately $2.6 billion.

Kilroy Realty common stock is traded on the NYSE under the ticker symbol KRC.

Financial and other information relating to Kilroy Realty, including information relating to Kilroy Realty s current directors and executive officers, is set forth in Kilroy Realty s 2013 Annual Report on Form 10-K/A, Kilroy Realty s

Proxy Statement for its 2014 Annual Meeting of Stockholders filed with the SEC on April 11, 2014 and Kilroy Realty s Quarterly Reports on Form 10-Q and Current Reports on Form 8-K filed during 2014, which are incorporated by reference to this proxy statement-prospectus. Copies of these documents may be obtained from Kilroy Realty as indicated under Where You Can Find More Information on page 98.

Table of Contents

KR SFFGA, LLC

KR SFFGA, LLC, a Delaware limited liability company, is a wholly-owned subsidiary of Kilroy Realty and was formed solely for the purpose of consummating the merger, and has not carried on any activities to date, except for activities incidental to its formation and activities undertaken in connection with the merger.

San Francisco Flower Growers Association

San Francisco Flower Growers Association, a California corporation, is headquartered in San Francisco, California. SFFGA was incorporated in 1923 as a cooperative organized by local flower and fern growers. Its primary business is to own and operate a portion of the real estate on which the San Francisco Flower Mart is situated. SFFGA and an adjacent property owner occupy two contiguous sites to the northeast fronting Brannan Street near Sixth Street in San Francisco. The combined operations are commonly referred to as the San Francisco Flower Mart. Together they represent the largest wholesale flower distributorship operation in San Francisco.

As of June 30, 2014, SFFGA had total assets of approximately $6.8 million, liabilities of $6.3 million and shareholders equity of $0.5 million. SFFGA is not a public company and, accordingly, there is no established trading market for SFFGA s common stock.

In 2006, following the sale of the Villa dei Fiori project, a mixed use rental project located adjacent to the existing San Francisco Flower Mart property that was developed by SFFGA, SFFGA acquired four investment properties with the proceeds from the sale. Two of the properties are in North Carolina, one in Virginia and one in Rhode Island. We refer to these properties as the Kernersville Property, the Winston-Salem Property, the VA Property and the RI Property, and collectively, as the investment properties. The VA Property, the Kernersville Property, and the Winston-Salem properties are leased to Walgreens and the RI Property is leased to Lowe s. SFFGA anticipates that the sale of the investment properties will occur on or about July 18, 2014.

At the effective time of the merger, following the sale of the investment properties (and subsequent distribution of a portion of the proceeds therefrom) and completion of other actions to be taken by SFFGA under the terms of the merger agreement (including distribution of any remaining cash other than the reserve established for the payment of taxes arising from the sale of the investment properties), the only material asset of SFFGA will consist of the 1.9 acre land site in Central SOMA on which a portion of the San Francisco Flower Mart is currently situated. At such time, all other assets and liabilities of SFFGA will be immaterial to the transaction and SFFGA will effectively only own the land site. There will be no employees, employee related costs, or employee benefit plans transferring in connection with the merger. The merger transaction was structured to allow the SFFGA shareholders to defer a portion of the U.S. federal income tax that would have otherwise resulted from a taxable sale of the 1.9 acre land site followed by a distribution of the proceeds of the sale to the SFFGA shareholders.

SFFGA s Proposals

At the SFFGA special meeting, SFFGA s shareholders will be asked to vote on the adoption of the merger agreement and the approval of the principal terms of the merger. **The merger will not be completed unless the holders of a majority of the outstanding SFFGA common stock vote to adopt the merger agreement and approve the principal terms of the merger.**

Background of the Merger

The board of directors of SFFGA regularly reviews SFFGA s performance, future growth prospects and overall strategic direction and considers potential opportunities to enhance shareholder value. These reviews have included, from time to time, consideration of potential transactions with third parties involving the sale of the SFFGA property, and the potential benefits and risks of those transactions.

In particular, over the years a number of potential developers expressed an interest in acquiring the SFFGA property. However, the applicable zoning for the SFFGA property limited the use of the SFFGA property to service, arts and light industrial uses and prevented any high density office development. This limited the interest by potential purchasers in the SFFGA property.

Table of Contents

In June 2012, representatives of a group, which we refer to as Party A, invited representatives of SFFGA to a meeting with San Francisco political and administrative officials and other adjacent landowners to discuss issues related to the development of the numerous properties being used for the distribution of flowers and related products and services as part of the large San Francisco Flower Mart complex.

Party A and SFFGA thereafter continued to discuss development issues related to the various adjacent properties. Party A on several occasions expressed an interest in acquiring the SFFGA property for $15.5 million in cash. Subsequently, verbal offers were received at $17.0 million and eventually $20.0 million, but no evidence of financing was provided and no firm offer was ever received by SFFGA.

In December 2012, SFFGA retained James Reuben and the law firm of Reuben, Junius & Rose, LLP to advise SFFGA with respect to ongoing efforts by the City and County of San Francisco to rezone areas along and nearby the 4th Street transportation corridor to encourage additional commercial development, such rezoning referred to as the Central SoMa Plan. Mr. Reuben has previously worked with SFFGA on the development of the Villa dei Fiori project.

In early 2013, representatives of SFFGA, including its legal counsel, were invited to a meeting at the offices of a local development firm, which we refer to as Party B, to discuss development of the SFFGA property and adjacent properties including the property owned by Party A.

Discussions between Party B and SFFGA continued into 2013 and in August 2013 SFFGA received a written letter of intent from Party B to purchase the SFFGA property for a cash purchase price of $19.5 million, subsequently increased to $20.0 million. Because of the uncertainty of Party B s financing, the SFFGA board of directors determined that the offer was not acceptable.

In the third quarter of 2013, SFFGA was introduced to Kilroy Realty by Mr. Reuben. As a result of conversations between SFFGA and representatives from Kilroy Realty, in November 2013, SFFGA received a draft offer to purchase the SFFGA property for $22.0 million in cash. In evaluating the offer, the SFFGA board of directors determined that a substantial tax savings to SFFGA and its shareholders could potentially be achieved if the transaction were structured as a tax free reorganization. On January 13, 2014, SFFGA and its legal advisors met with representatives of Kilroy Realty to discuss the potential issues related to structuring the transaction in a tax free manner.

On January 17, 2014, SFFGA entered into a Confidentiality Agreement with Kilroy Realty and thereafter provided to Kilroy Realty certain information concerning SFFGA.

On February 19, 2014, SFFGA received a draft letter of intent from Kilroy Realty offering to purchase SFFGA by means of a merger with a wholly-owned subsidiary of Kilroy Realty in a tax free transaction for an aggregate consideration of $22.0 million. Thereafter the parties proceeded to negotiate a definitive letter of intent. A condition of the transaction was that all of SFFGA s assets, other than the SFFGA property, be distributed to the SFFGA shareholders prior to closing.

On February 26, 2014, SFFGA retained Fabbro, Moore & Associates, a real estate appraisal firm to update an earlier appraisal related to the SFFGA property. On February 24, 2014 SFFGA retained Cabrillo Advisors, LLC, to advise the board of directors of SFFGA regarding the proposed structure of the transaction, including advantages and disadvantages, and general information regarding Kilroy Realty. On April 26, 2014, SFFGA retained an appraisal firm to advise the board of directors of SFFGA regarding the value of the SFFGA property taking into account the ongoing City and County of San Francisco Central SoMa Plan.

During this period, SFFGA, in conjunction with its legal and accounting advisors, proceeded to evaluate the financial and tax implications of the proposed Kilroy Realty offer.

Table of Contents

On March 3, 2014, SFFGA and Kilroy Realty entered into a Cooperation Agreement pursuant to which the parties agreed to cooperate with respect to planning matters to ensure that the City and County of San Francisco Central SoMa Plan incorporates elements beneficial to both parties.

On March 4, 2014, SFFGA received a revised letter of intent reflecting the results of certain negotiations between counsel for SFFGA and Kilroy Realty, but containing terms the board of directors of SFFGA did not agree with related to the reimbursement to Kilroy Realty of substantial amounts in the event the transaction was not approved by SFFGA s shareholders.

On March 6, 2014, SFFGA received a further revised draft letter of intent addressing a number of issues that the board of directors of SFFGA had indicated were objectionable.

On March 7, 2014, SFFGA s board of directors met to review the March 6, 2014 draft letter of intent from Kilroy Realty. In the course of the meeting, the board of directors was advised that one of the directors had again been approached by Party B and Party A regarding the possible acquisition of the SFFGA property. He recommended that the board of directors of SFFGA meet with Party B before taking any further action with respect to the proposal from Kilroy Realty.

On March 10, 2014, SFFGA s board of directors and its legal counsel, Roger Mertz, met with representatives of Party B to review a presentation by Party B. In connection with that meeting, Party B s representatives presented a $25.0 million all-cash offer to SFFGA, including the alternative of making the offer directly to SFFGA s shareholders, which could potentially eliminate any taxes at the corporate level. The directors proceeded to consider the offer and requested Mr. Mertz, to contact Kilroy Realty s representatives and indicate that it was not prepared to accept the $22.0 million offer.

On March 13, 2014, Kilroy Realty representatives provided to SFFGA a revised offer from Kilroy Realty increasing the purchase price from $22.0 million to $27.0 million with deductions only for existing debt and a portion of normal real estate closing costs associated with the sale of commercial real property in San Francisco. They indicated that the transaction would be structured as a tax free reorganization such that the SFFGA would not incur any taxes on the sale of SFFGA. Upon receipt of the revised offer, SFFGA management discussed the terms with each of the directors. The directors also informally reviewed the sale process.

Thereafter, Kilroy Realty requested an in person meeting with SFFGA s board of directors to formally present the offer. On March 14, 2014, the board of directors of SFFGA met with John Kilroy, Jr. and Mike Sanford of Kilroy Realty and thoroughly discussed the offer. Following this presentation, the board of directors carefully considered the revised offer of Kilroy Realty, in light of the other existing offers for the SFFGA property.

On March 14, 2014, SFFGA entered into a letter of intent with Kilroy Realty pursuant to which all of the outstanding shares of SFFGA would be acquired by Kilroy Realty in a tax free transaction for an aggregate consideration of $27.0 million in Kilroy Realty common stock, with the value determined immediately prior to the closing of the merger.

On April 14, 2014, SFFGA entered into an agreement with California Pacific Real Estate Brokerage Company to sell all four of its investment properties. SFFGA had previously entered into an agreement with California Pacific to sell its Rhode Island investment property.

On May 21, 2014, SFFGA received the report and presentation from David P. Rhoades of David P. Rhoades & Associates, Inc. indicating that the fair market value was not more than $27.0 million (taking into consideration the current status of the Central SoMa Plan) and on June 25, 2014, SFFGA received a report from Cabrillo Advisors

evaluating the structure, financial and tax implications of the transaction and reporting on the transaction.

On June 25, 2014, the board of directors of SFFGA held a meeting. The members of the board of directors reviewed the Rhoades report and the investment advisor s report and discussed several considerations with

Table of Contents

respect to the merger agreement and the proposed transaction with Kilroy Realty including: the current significantly appreciated value of SFFGA s property; the ability of SFFGA s shareholders to receive consideration for their SFFGA shares in a tax free transaction; the value of the proposed cash dividend from the sale of SFFGA s investment properties; the value of Kilroy Realty s common stock and the fact that it is traded on the NYSE and would offer SFFGA shareholders liquidity; and the advice received from Fabbro Moore & Co., David P. Rhoades & Associates, Inc. and Cabrillo Advisors, LLC. Following the discussion, the board of directors approved the merger with Kilroy Realty, authorized the officers to enter into a definitive merger agreement on substantially the terms set forth in the March 14, 2014 letter of intent with such modifications as they approve, and directed that a proposal to approve and adopt the Merger Agreement be submitted to a vote at a special meeting of the holders of SFFGA s common stock.

SFFGA s Reasons for the Merger and Recommendation of the Board of Directors

The SFFGA board of directors has concluded that the merger offers the SFFGA shareholders an attractive opportunity to achieve the SFFGA board of directors strategic business objectives, including increasing shareholder value, and enhancing liquidity for the SFFGA shareholders.

In deciding to adopt the merger agreement and approve the principal terms of the merger, the SFFGA board of directors consulted with SFFGA s management, as well as its appraisal firms, financial advisor and legal counsel, and considered numerous factors, including the following:

- the value to be received by the SFFGA shareholders in the merger as compared to shareholder value projected for SFFGA as an independent entity;
- the perceived risks and uncertainties attendant to SFFGA as an independent real estate operator;
- the favorable tax treatment of shares of Kilroy Realty common stock received in the merger as compared to receiving a cash distribution from a taxable sale of SFFGA s property;
- information with respect to the business, earnings, operations, financial condition, and prospects of Kilroy Realty;
- the market value of Kilroy Realty common stock prior to the execution of the merger agreement and the prospects for future appreciation as a result of Kilroy Realty s strategic real estate initiatives; and
- the fact that Kilroy Realty is publicly held and the merger would provide liquidity through access to a public trading market for the SFFGA shareholders whose investments currently are in a privately held company.

The above discussion of the information and factors considered by the SFFGA board of directors is not intended to be exhaustive, but includes a description of the material factors considered by the SFFGA board of directors. In view of the wide variety of factors considered by the SFFGA board of directors in connection with its evaluation of the merger, the SFFGA board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered. In considering the factors described above, individual

directors may have given differing weights to different factors. The SFFGA board of directors collectively made its determination with respect to the merger based on the conclusion reached by its members, based on the factors that each of them considered appropriate, that the merger is in the best interests of the SFFGA shareholders.

The SFFGA board of directors believes that the merger is fair to, and in the best interests of, SFFGA and its shareholders. The SFFGA board of directors approved the merger agreement and recommends that shareholders vote FOR the adoption of the merger agreement and the approval of the principal terms of the merger. The SFFGA board of directors also recommends that shareholders vote FOR the approval to adjourn the special meeting to permit further solicitation in the event that an insufficient number of shares entitled to vote are present in person or by proxy to adopt the merger agreement and approve the principal terms of the merger.

Table of Contents

Structure

The transaction was structured as a merger that qualified as a reorganization within the meaning of Section 368(a) of the Code at the request of SFFGA to allow the SFFGA shareholders to defer a portion of the U.S. federal income tax that would have otherwise resulted from a taxable sale of the real property followed by a distribution of the proceeds of the sale to the SFFGA shareholders.

Material U.S. Federal Income Tax Consequences of the Merger

The following summary describes the material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of SFFGA common stock and of the ownership and disposition of Kilroy Realty common stock received in the merger. The summary is based upon the Code, legislative history of the Code, applicable Treasury Regulations, judicial decisions and administrative rulings and practice, all as in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. This summary does not address any tax consequences of the merger under state, local or foreign laws, or any federal laws other than those pertaining to income tax, and does not discuss any tax reporting requirements.

For purposes of this discussion, the term U.S. holder means a beneficial owner of shares of SFFGA common stock (or, following the effective time of the merger, of Kilroy Realty common stock) that is: an individual who is a citizen or resident of the United States; a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions; a trust that (1) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (2) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or an estate that is subject to U.S. federal income taxation on its income regardless of its source.

This discussion addresses only those holders of SFFGA common stock that hold their SFFGA common stock, and will hold their shares of Kilroy Realty common stock received in the merger, as a capital asset within the meaning of Section 1221 of the Code and does not address all the U.S. federal income tax consequences that may be relevant to particular holders of SFFGA common stock, or Kilroy Realty common stock received in the merger, in light of their individual circumstances or to holders of SFFGA common stock or Kilroy Realty common stock received in the merger that are subject to special rules, including, but not limited to:

- investors in pass-through entities;
- tax-exempt persons;
- dealers in securities or foreign currencies;
- persons whose functional currency is not the U.S. dollar;
- persons who hold SFFGA common stock or the Kilroy Realty common stock received in the merger as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated

investment;

persons who hold SFFGA common stock or the Kilroy Realty common stock received in the merger pursuant to the exercise of any employee stock option or otherwise as compensation;

persons who are not citizens or residents of the United States; and

persons who are subject to alternative minimum tax.

If a partnership (or other entity or arrangement that is treated as a partnership for federal income tax purposes) holds SFFGA common stock or Kilroy Realty common stock received in the merger, the tax treatment of a partner in that partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in partnerships should consult their tax advisors regarding the tax consequences of the merger and the ownership and disposition of Kilroy Realty common stock to them.

Table of Contents

The parties intend for the merger to be treated as a reorganization for U.S. federal income tax purposes. It is a condition to SFFGA s obligation to complete the merger that SFFGA receive an opinion from Allen Matkins Leck Gamble Mallory and Natsis LLP, counsel to SFFGA, dated the closing date of the merger, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code. It is a condition to Kilroy Realty s obligation to complete the merger that Kilroy Realty receive an opinion from Latham & Watkins, LLP, counsel to Kilroy Realty, dated the closing date of the merger, to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based upon representation letters provided by Kilroy Realty and SFFGA and upon customary factual assumptions. Neither Kilroy Realty nor SFFGA has sought, and neither of them will seek, any ruling from the IRS regarding any matters relating to the merger, and the opinion described above will not be binding on the IRS or any court. Consequently, there can be no assurance that the IRS will not assert, or that a court would not sustain, a position contrary to any of the conclusions set forth below. In addition, if any of the representations or assumptions upon which the opinion is based are inconsistent with the actual facts, the U.S. federal income tax consequences of the merger could be adversely affected.

The actual tax consequences of the merger to you may be complex and will depend upon your specific situation and upon factors that are not within the control of Kilroy Realty or SFFGA. We urge you to consult your tax advisor as to the tax consequences of the merger and the ownership and disposition of Kilroy Realty common stock received in the merger in light of your particular circumstances, including the applicability and effect of other federal tax laws, such as estate and gift tax laws, the Medicare tax on unearned income and the alternative minimum tax as well as any state, local, foreign or other tax laws and any tax reporting requirements.

Tax Consequences of the Merger Generally. Assuming the merger constitutes a reorganization within the meaning of Section 368(a) of the Code, the material U.S. federal income tax consequences of the merger will be as follows:

No gain or loss will be recognized by Kilroy Realty or SFFGA as a result of the merger.

Gain (but not loss) will be recognized by a U.S. holder who receives shares of Kilroy Realty common stock (including any escrowed shares of Kilroy Realty common stock) and cash in exchange for shares of SFFGA common stock pursuant to the merger in an amount equal to the lesser of (1) the amount by which the sum of the fair market value of the Kilroy Realty common stock and cash received by a U.S. holder (excluding cash received in lieu of a fractional share of Kilroy Realty common stock, but as described further below including any escrowed cash, any cash distributed by SFFGA in respect of the costs and expenses of the shareholders agent and any cash distributions received after the closing of the merger), exceeds such U.S. holder s basis in its SFFGA common stock and (2) the amount of cash received by such U.S. holder (other than cash received in lieu of a fractional share of Kilroy Realty common stock).

Gain recognized generally will be capital gain, provided that any cash received in the merger does not have the effect of the distribution of a dividend within the meaning of Section 356(a)(2) of the Code (including through the application of Section 302 of the Code). Such capital gain will be long-term capital gain if the shares of SFFGA common stock exchanged were held for more than one year. Whether or not the cash received by any stockholder in the merger could be considered essentially equivalent to, or having the effect of, a dividend will depend on the stockholder s particular situation. Each U.S. holder should consult its tax advisor as to the applicability of these rules to them.

The aggregate basis of the Kilroy Realty common stock received by a U.S. holder in the merger (including any escrowed shares of Kilroy Realty common stock and fractional shares of Kilroy Realty common stock deemed received and redeemed as described below) will be the same as the aggregate basis of the SFFGA common stock for which it is exchanged, decreased by the amount of cash received in the merger or after the closing of the merger (other than cash received in lieu of a fractional share in Kilroy Realty common stock), and increased by the amount of gain recognized on the exchange, other than with respect to cash received in lieu of a fractional share in Kilroy Realty common stock.

Table of Contents

If a U.S. holder acquired different blocks of shares of SFFGA common stock at different times or different prices, Treasury Regulations provide guidance on how such holder may allocate its tax basis to shares of Kilroy Realty common stock received in the merger. U.S. holders that hold multiple blocks of shares of SFFGA common stock should consult their tax advisors regarding the proper allocation of their basis among shares of Kilroy Realty common stock received in the merger under these Treasury Regulations.

The holding period of Kilroy Realty common stock received in exchange for shares of SFFGA common stock (including fractional shares of Kilroy Realty common stock deemed received and redeemed as described below) will include the holding period of the SFFGA common stock for which it is exchanged. If the merger were not treated as a reorganization within the meaning of Section 368(a) of the Code, it would be a fully taxable transaction to SFFGA and all SFFGA shareholders, and each SFFGA shareholder would recognize capital gain or loss in an amount equal to the difference between (i) the sum of the fair market value of the Kilroy Realty common stock and any cash received pursuant to the merger and (ii) the SFFGA shareholder s tax basis in its shares of SFFGA common stock. In that event, the aggregate tax basis of the Kilroy Realty common stock received by an SFFGA shareholder in connection with the merger would be equal to the fair market value of such Kilroy Realty common stock and the holding period of that Kilroy Realty stock would begin on the day after the merger.

Receipt of Cash Instead of a Fractional Share of Kilroy Realty Common Stock. A U.S. holder of SFFGA common stock who receives cash in lieu of a fractional share of Kilroy Realty common stock will be treated as having received the fractional share pursuant to the merger and then as having exchanged the fractional share for cash in a redemption by Kilroy Realty. As a result, such U.S. holder of SFFGA common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above. The gain or loss recognized by the U.S. holders described in this paragraph will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the U.S. holder s holding period for the relevant shares is greater than one year. The deductibility of capital losses is subject to limitations.

Tax Consequences of the Escrow Account. Pursuant to the terms of the escrow agreement, for U.S. federal income tax purposes, former SFFGA shareholders will be treated as the owners of the cash and Kilroy Realty common stock placed into escrow at the closing of the merger. At the closing of the merger, an SFFGA shareholder will be treated as receiving his or her pro rata share of the Kilroy Realty common stock and cash placed into escrow in exchange for his or her shares of SFFGA common stock. Such cash or Kilroy Realty common stock will generally be taxable to a U.S. holder at the closing of the merger and in the manner described above under *Tax Consequences of the Merger Generally.* U.S. holders should consult their tax advisors regarding the tax treatment of the escrow, including in the event the amount of cash or Kilroy Realty common stock released to a U.S. holder from the escrow is less than the amount included in such holder s income in connection with the closing of the merger. In addition, pursuant to the terms of the escrow agreement, each former SFFGA shareholder will be taxed on his or her proportionate share of any interest income earned on the escrow account in a given taxable year and will be required to report such interest on its U.S. federal income tax return, regardless of whether such holder ever receives any distributions from the escrow account. The former SFFGA shareholders will be entitled to receive any distributions paid by Kilroy Realty with respect to the Kilroy Realty common stock held in the escrow account. Any such distributions received by U.S. holders will generally be taxable to the shareholders of SFFGA in the manner described below under Material U.S. Federal Income Tax Considerations Applicable to Holders of Kilroy Realty Common Stock Taxation of Taxable U.S. holder of Kilroy Realty Common Stock Distributions Generally.

Certain Other Cash Amounts. Pursuant to the merger agreement, at the closing of the merger, SFFGA is required to transfer $350,000 to an account designated by the shareholders agent to pay the costs and expenses

of the shareholders agent subsequent to the closing of the merger. Kilroy Realty and SFFGA intend to take the position that a U.S. holder will be treated as receiving his or her pro rata share of such cash in exchange for his or her shares of SFFGA common stock, and that such cash will generally be taxable to a U.S. holder at the closing of the merger and in the manner described above under Tax Consequences of the Merger Generally. Notwithstanding the discussion in this paragraph, the federal income tax treatment of the cash amount reserved to pay the costs and expenses of the shareholders agent is not entirely clear, and U.S. holders should consult their tax advisors regarding the tax treatment of such cash amount, including with respect to the payment of some or all of such cash as a fee to the shareholders agent.

Former holders of SFFGA common stock may receive cash distributions after the closing of the merger in respect of any tax refunds for a Pre-Closing Period or any excess reserves for taxes arising from the sale of the investment properties. A former holder of SFFGA common stock who receives a cash distribution as a result of a tax refund for a Pre-Closing Period or from any excess reserve for taxes will generally be treated as having received such distribution in exchange for his or her shares of SFFGA common stock, and such amount shall generally be taxable to a U.S. holder, if and when it is received, in the manner described above under Tax Consequences of the Merger Generally. A portion of any such distribution may also be treated as interest income to such U.S. holder, taxable at ordinary income tax rates. U.S. holders should consult their tax advisors regarding the tax treatment of any cash they receive after the closing of the merger.

Receipt of Cash Upon Exercise of Dissenter s Rights. SFFGA shareholders who receive cash for their SFFGA common stock as a result of exercising statutory dissenter s rights will generally be treated as having received a distribution and redemption of their stock subject to Section 302 of the Code. Assuming the requirements of Section 302 are satisfied, a shareholder exercising dissenter s rights will recognize capital gain (or capital loss), measured by the difference between the cash payment received by such shareholder and such shareholder s tax basis in his or her shares of SFFGA common stock. In general, such shareholder should also be able to reduce the capital gain (or increase the capital loss) by the amount of any expenses the shareholder incurred in pursuing or prosecuting dissenter s rights. Dissenting shareholders should consult their tax advisors regarding the tax consequences of exercising statutory dissenter s rights, including the application of Section 302.

Backup Withholding and Information Reporting. Payments of cash to a U.S. holder of SFFGA common stock pursuant to the merger may, under certain circumstances, be subject to information reporting and backup withholding unless the holder provides proof of an applicable exemption or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional tax and generally will be allowed as a refund or credit against the U.S. holder s U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Tax Consequences of the Dividend from the investment properties. It is intended that the distributions of the after-tax cash proceeds from the sale of the investment properties will be treated as distributions to a U.S. holder from SFFGA. In such case, such distribution will generally be treated, for U.S. federal income tax purposes, as follows:

- to the extent such distributions are paid from SFFGA s current or accumulated earnings and profits, they will be taxable to a U.S. holder as dividends;

the remaining amount of such distributions, if any, will first be applied against, and reduce, a U.S. holder s basis in such shareholder s SFFGA stock, but not below zero; and

any remaining amount of such distributions will be treated as gain from the sale or exchange of such stock. Gain recognized by a U.S. holder will be a long-term capital gain if, as of the date of receipt of such distributions, the U.S. holder s holding period for the relevant shares is greater than one year. Dividend income

Table of Contents

that satisfies the definition of qualified dividend income (as defined in the Code) and long-term capital gain are taxed to non-corporate U.S. holders of SFFGA common stock at a maximum U.S. federal income tax rate of 20%.

Notwithstanding the intended U.S. federal income tax treatment described above, the proper federal income tax treatment of the sale of the investment properties and the distribution of proceeds from the sale to SFFGA shareholders is not entirely clear. It is possible that the IRS could treat the distribution as additional cash consideration in the merger. The consequences upon a recharacterization of the distribution as additional merger consideration would generally be as described under Tax Consequences of the Merger Generally treating the amount of such distribution as cash received in the merger and not as a distribution by SFFGA.

Medicare Tax on Unearned Income. A U.S. holder that is an individual is subject to a 3.8% tax on the lesser of (i) his or her net investment income for the relevant taxable year or (ii) the excess of his or her modified gross income for the taxable year over a certain threshold (between $125,000 and $250,000 depending on the individual s U.S. federal income tax filing status). A similar regime applies to estates and trusts. Net investment income generally would include any capital gain incurred in connection with the merger (including any gain treated as a dividend or any dividends received in respect of the investment properties as described above under *Tax Consequences of the Dividend from the investment properties*).

Material U.S. Federal Income Tax Considerations Applicable to Holders of Kilroy Realty Common Stock

This section summarizes the material U.S. federal income tax consequences generally resulting from the election of Kilroy Realty to be taxed as a REIT and the ownership of Kilroy Realty common stock. The sections of the Code and the corresponding Treasury Regulations that relate to qualification and operation as a REIT are highly technical and complex. The following sets forth the material aspects of the sections of the Code that govern the U.S. federal income tax treatment of a REIT and the holders of certain of its common stock under current law. This summary is qualified in its entirety by the applicable Code provisions, relevant rules and regulations promulgated under the Code, and administrative and judicial interpretations of the Code and these rules and regulations. Kilroy Realty has not sought and does not plan to seek any rulings from the IRS that it qualifies as a REIT, or otherwise regarding the matters discussed below. In addition, the administrative interpretations and practices of the IRS include its practices and policies as expressed in private letter rulings that are not binding on the IRS except with respect to the particular taxpayers who requested and received those rulings. Future legislation, Treasury regulations, administrative interpretations and practices and/or court decisions may adversely affect the tax considerations contained in this discussion. Any such change could apply retroactively in a manner that could adversely affect a holder of Kilroy Realty common stock. Thus, Kilroy Realty can provide no assurance that the tax considerations contained in this summary will not be challenged by the IRS or will be sustained by a court if so challenged.

U.S. holders are urged to consult their tax advisors regarding the tax consequences to them of:

- the ownership and sale or other disposition of Kilroy Realty common stock, including the U.S. federal, state, local, foreign and other tax consequences;
- Kilroy Realty s election to be taxed as a REIT for U.S. federal income tax purposes; and
- potential changes in the applicable tax laws.

Taxation of Kilroy Realty in General

Kilroy Realty elected to be taxed as a REIT under Sections 856 through 860 of the Code, commencing with its taxable year ended December 31, 1997. Kilroy Realty believes it has been organized and has operated in a manner which will allow it to qualify for taxation as a REIT under the Code commencing with its taxable year

ended December 31, 1997, and Kilroy Realty intends to continue to be organized and operate in this manner. However, qualification and taxation as a REIT depend upon Kilroy Realty s ability to meet the various qualification tests imposed under the Code, including through actual annual operating results, asset composition, distribution levels and diversity of stock ownership. Accordingly, no assurance can be given that Kilroy Realty has been organized and has operated, or will continue to be organized and operate, in a manner so as to qualify or remain qualified as a REIT. See Failure to Qualify.

Provided Kilroy Realty qualifies for taxation as a REIT, it generally will not be required to pay U.S. federal corporate income taxes on its net income that is currently distributed to Kilroy Realty s stockholders. This treatment substantially eliminates the double taxation that ordinarily results from investment in a C corporation. A C corporation is a corporation that is generally required to pay tax at the corporate-level. Double taxation generally means taxation that occurs once at the corporate level when income is earned and once again at the stockholder level when the income is distributed. Kilroy Realty will be required to pay U.S. federal income tax, however, as follows:

Kilroy Realty will be required to pay tax at regular corporate tax rates on any undistributed REIT taxable income, including undistributed net capital gains.

Kilroy Realty may be required to pay the alternative minimum tax on its items of tax preference under some circumstances.

If Kilroy Realty has (1) net income from the sale or other disposition of foreclosure property which is held primarily for sale to customers in the ordinary course of business or (2) other nonqualifying income from foreclosure property, Kilroy Realty will be required to pay tax at the highest corporate rate on this income. Foreclosure property is generally defined as property Kilroy Realty acquired through foreclosure or after a default on a loan secured by the property or a lease of the property.

Kilroy Realty will be required to pay a 100% tax on any net income from prohibited transactions. Prohibited transactions are, in general, sales or other taxable dispositions of property, other than foreclosure property, held as inventory or primarily for sale to customers in the ordinary course of business.

If Kilroy Realty fails to satisfy the 75% gross income test or the 95% gross income test, as described below, but has otherwise maintained its qualification as a REIT because certain other requirements are met, Kilroy Realty will be required to pay a tax equal to (1) the greater of (A) the amount by which 75% of its gross income exceeds the amount qualifying under the 75% gross income test, and (B) the amount by which 95% of its gross income exceeds the amount qualifying under the 95% gross income test, multiplied by (2) a fraction intended to reflect Kilroy Realty s profitability.

If Kilroy Realty fails to satisfy any of the REIT asset tests (other than a *de minimis* failure of the 5% and 10% asset tests), as described below, due to reasonable cause and Kilroy Realty nonetheless maintains its REIT qualification because of specified cure provisions, Kilroy Realty will be required to pay a tax equal to the greater of $50,000 or the highest corporate tax rate multiplied by the net income generated by the

nonqualifying assets that caused it to fail such test.

If Kilroy Realty fails to satisfy any provision of the Code that would result in its failure to qualify as a REIT (other than a violation of the REIT gross income tests or certain violations of the asset tests described below) and the violation is due to reasonable cause, Kilroy Realty may retain its REIT qualification but will be required to pay a penalty of $50,000 for each such failure.

Kilroy Realty will be required to pay a 4% excise tax to the extent it fails to distribute during each calendar year at least the sum of (1) 85% of its REIT ordinary income for the year, (2) 95% of its REIT capital gain net income for the year, and (3) any undistributed taxable income from prior periods.

If Kilroy Realty acquires any asset from a corporation which is or has been a C corporation in a transaction in which the basis of the asset in Kilroy Realty s hands is less than the fair market value of

Table of Contents

the asset, in each case determined at the time Kilroy Realty acquired the asset, and Kilroy Realty subsequently recognizes gain on the disposition of the asset during the 10-year period beginning on the date on which it acquired the asset, then Kilroy Realty will be required to pay tax at the highest regular corporate tax rate on this gain to the extent of the excess of (1) the fair market value of the asset over (2) Kilroy Realty s adjusted basis in the asset, in each case determined as of the date on which Kilroy Realty acquired the asset. The results described in this paragraph with respect to the recognition of gain assume that the necessary parties make or refrain from making the appropriate elections under the applicable Treasury regulations then in effect. The IRS recently issued final Treasury regulations which exclude from the application of this built-in gains tax any gain from the sale of property acquired by Kilroy Realty in an exchange under Section 1031 (a like kind exchange) or 1033 (an involuntary conversion) of the Code.

Kilroy Realty will be required to pay a 100% tax on any redetermined rents, redetermined deductions or excess interest. In general, redetermined rents are rents from real property that are overstated as a result of services furnished by Kilroy Realty s taxable REIT subsidiary to any of its tenants. See Penalty Tax. Redetermined deductions and excess interest generally represent amounts that are deducted by Kilroy Realty s taxable REIT subsidiary for amounts paid to Kilroy Realty that are in excess of the amounts that would have been deducted based on arm s length negotiations.

Kilroy Realty may be subject to a variety of taxes other than U.S. federal income tax, including payroll taxes and state, local and foreign income, property and other taxes on its assets and operations.

Requirements for Qualification as a REIT. The Code defines a REIT as a corporation, trust or association:

1) that is managed by one or more trustees or directors;

2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;

3) that would be taxable as a domestic corporation but for special Code provisions applicable to REITs;

4) that is not a financial institution or an insurance company within the meaning of certain provisions of the Code;

5) that is beneficially owned by 100 or more persons;

6) not more than 50% in value of the outstanding stock of which is owned, actually or constructively, by five or fewer individuals, including specified entities, during the last half of each taxable year; and

7) that meets other tests, described below, regarding the nature of its income and assets and the amount of its distributions.

The Code provides that conditions (1) to (4), inclusive, must be met during the entire taxable year and that condition (5) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and (6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. For purposes of condition (6), the term individual generally includes a supplemental unemployment compensation benefit plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes, but does not include a qualified pension plan or profit sharing trust.

Kilroy Realty believes that it has been organized, has operated and has issued sufficient shares of capital stock with sufficient diversity of ownership to allow it to satisfy conditions (1) through (7) inclusive, during the relevant time periods. In addition, Kilroy Realty s charter with respect to its common stock, and the articles

supplementary with respect to preferred stock that Kilroy Realty may issue from time to time, provide for restrictions regarding the ownership and transfer of Kilroy Realty s shares which are intended to assist it in continuing to satisfy the share ownership requirements described in conditions (5) and (6) above. These stock ownership and transfer restrictions with respect to Kilroy Realty s common stock are described in Article IV of its charter. These restrictions, however, may not ensure that Kilroy Realty will, in all cases, be able to satisfy the share ownership requirements described in conditions (5) and (6) above. If Kilroy Realty fails to satisfy these share ownership requirements, except as provided in the next sentence, its status as a REIT will terminate. If, however, Kilroy Realty complies with the rules contained in applicable Treasury regulations that require it to ascertain the actual ownership of its shares and Kilroy Realty does not know, or would not have known through the exercise of reasonable diligence, that it failed to meet the requirement described in condition (6) above, Kilroy Realty will be treated as having met this requirement. See Failure to Qualify.

In addition, Kilroy Realty may not maintain its status as a REIT unless its taxable year is the calendar year. Kilroy Realty has and will continue to have a calendar taxable year.

Ownership of Interests in Partnerships, Limited Liability Companies and Qualified REIT Subsidiaries. Kilroy Realty owns and operates one or more properties through partnerships and limited liability companies. Treasury regulations generally provide that, in the case of a REIT which is a partner in a partnership or a member in a limited liability company that is treated as a partnership for U.S. federal income tax purposes, the REIT will be deemed to own its proportionate share of the assets of the partnership or limited liability company, as the case may be, based on its interest in partnership capital, subject to special rules relating to the 10% REIT asset test described below. Also, pursuant to Treasury regulations, the REIT will be deemed to be entitled to its proportionate share of the income of that entity. The assets and gross income of the partnership or limited liability company retain the same character in the hands of the REIT, including for purposes of satisfying the gross income tests and the asset tests. In addition, for these purposes, the assets and items of income of any partnership or limited liability company treated as a partnership or disregarded entity for U.S. federal income tax purposes in which Kilroy Realty directly or indirectly owns an interest include such entity s share of assets and items of income of any partnership or limited liability company in which it owns an interest. See Tax Aspects of the Operating Partnership, the Subsidiary Partnerships and Limited Liability Companies below.

Kilroy Realty has direct control of the operating partnership and certain subsidiary partnerships and limited liability companies and it intends to continue to operate them in a manner consistent with the requirements for Kilroy Realty s qualification as a REIT. From time to time, Kilroy Realty may be a limited partner or non-managing member in certain partnerships and limited liability companies. If any such partnership or limited liability company were to take actions that could jeopardize Kilroy Realty s status as a REIT or require it to pay tax, Kilroy Realty could be forced to dispose of its interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause Kilroy Realty to fail a REIT income or asset test, and that Kilroy Realty would not become aware of such action in time to dispose of its interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, Kilroy Realty could fail to qualify as a REIT unless it was entitled to relief, as described below. See Failure to Qualify below.

Kilroy Realty may from time to time own and operate certain properties through wholly-owned subsidiaries that it intends to be treated as qualified REIT subsidiaries under the Code. A corporation will qualify as a qualified REIT subsidiary if a REIT owns 100% of the corporation s outstanding stock and does not elect with the corporation to treat it as a taxable REIT subsidiary, as described below. A qualified REIT subsidiary is not treated as a separate corporation, and all assets, liabilities and items of income, gain, loss, deduction and credit of Kilroy Realty s qualified REIT subsidiaries will be treated as Kilroy Realty s assets, liabilities and such items, for all purposes of the Code, including the REIT qualification tests. Thus, in applying the U.S. federal tax requirements described in this discussion,

any corporations in which Kilroy Realty owns a 100% interest (other than any taxable REIT subsidiaries) are ignored, and all assets, liabilities and items of income, gain, loss, deduction and credit of such corporations are treated as Kilroy Realty s assets, liabilities, and items of income,

gain, loss, deduction and credit. A qualified REIT subsidiary is not required to pay U.S. federal income tax, and Kilroy Realty s ownership of the stock of a qualified REIT subsidiary does not violate the restrictions on ownership of securities, as described below under Asset Tests.

Ownership of Interests in Taxable REIT Subsidiaries. A taxable REIT subsidiary is a corporation other than a REIT in which a REIT directly or indirectly holds stock and that has made a joint election with the REIT to be treated as a taxable REIT subsidiary. A taxable REIT subsidiary also includes any corporation other than a REIT with respect to which a taxable REIT subsidiary owns securities possessing more than 35% of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to tenants of its parent REIT. A taxable REIT subsidiary is subject to income tax as a regular C corporation. In addition, a taxable REIT subsidiary may be prevented from deducting interest on debt that the parent REIT directly or indirectly funds if certain tests regarding the taxable REIT subsidiary s debt-to-equity ratio and interest expense are satisfied. Kilroy Realty s ownership of securities of its taxable REIT subsidiaries will not be subject to the 10% or 5% asset tests described below. See Asset Tests. Kilroy Realty currently own interests in Kilroy Realty TRS, Inc., and it has jointly elected with Kilroy Realty TRS, Inc. to have it be treated as a taxable REIT subsidiary. Kilroy Realty may acquire interests in additional taxable REIT subsidiaries in the future.

Income Tests. Kilroy Realty must satisfy two gross income requirements annually to maintain its qualification as a REIT. First, in each taxable year Kilroy Realty must derive directly or indirectly at least 75% of its gross income, excluding gross income from prohibited transactions, certain hedging transactions entered into after July 30, 2008, and certain foreign currency gains recognized after July 30, 2008, from (a) investments relating to real property or mortgages on real property, including rents from real property and, in certain circumstances, interest, or (b) certain types of temporary investments. Second, in each taxable year Kilroy Realty must derive at least 95% of its gross income, excluding gross income from prohibited transactions, certain hedging transactions entered into on or after January 1, 2005, and certain foreign currency gains recognized after July 30, 2008, from the real property investments described above or dividends, interest and gain from the sale or disposition of stock or securities, or from any combination of the foregoing.

For these purposes, the term interest generally does not include any amount received or accrued, directly or indirectly, if the determination of all or some of the amount depends in any way on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term interest solely by reason of being based on a fixed percentage or percentages of receipts or sales.

Rents that Kilroy Realty receives from a tenant will qualify as rents from real property for the purpose of satisfying the gross income requirements for a REIT described above only if all of the following conditions are met:

The amount of rent must not be based in any way on the income or profits of any person. However, an amount Kilroy Realty receives or accrues generally will not be excluded from the term rents from real property solely because it is based on a fixed percentage or percentages of receipts or sales;

Kilroy Realty, or an actual or constructive owner of 10% or more of its stock, must not actually or constructively own 10% or more of the interests in the tenant, or, if the tenant is a corporation, 10% or more of the voting power or value of all classes of stock of the tenant. Rents Kilroy Realty receives from such a tenant that is its taxable REIT subsidiary, however, will not be excluded from the definition of rents from

real property as a result of this condition if at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are substantially comparable to rents paid by Kilroy Realty s other tenants for substantially comparable space. Whether rents paid by Kilroy Realty s taxable REIT subsidiary are substantially comparable to rents paid by Kilroy Realty s other tenants is determined at the time the lease with the

Table of Contents

taxable REIT subsidiary is entered into, extended, and modified, if such modification increases the rents due under such lease. Notwithstanding the foregoing, however, if a lease with a controlled taxable REIT subsidiary is modified and such modification results in an increase in the rents payable by such taxable REIT subsidiary, any such increase will not qualify as rents from real property. For purposes of this rule, a controlled taxable REIT subsidiary is a taxable REIT subsidiary in which Kilroy Realty owns stock possessing more than 50% of the voting power or more than 50% of the total value of the outstanding stock of such taxable REIT subsidiary;

Rent attributable to personal property, leased in connection with a lease of real property, is not greater than 15% of the total rent received under the lease. If this condition is not met, then the portion of the rent attributable to personal property will not qualify as rents from real property ; and

Kilroy Realty generally must not operate or manage the property or furnish or render services to its tenants, subject to a 1% *de minimis* exception and except as provided below. Kilroy Realty may, however, perform services that are usually or customarily rendered in connection with the rental of space for occupancy only and are not otherwise considered rendered to the occupant of the property. Examples of these services include the provision of light, heat, or other utilities, trash removal and general maintenance of common areas. In addition, Kilroy Realty may employ an independent contractor from whom it derives no revenue to provide customary services, or a taxable REIT subsidiary, which may be wholly or partially owned by Kilroy Realty, to provide both customary and non-customary services to Kilroy Realty s tenants without causing the rent Kilroy Realty receives from those tenants to fail to qualify as rents from real property. Any amounts Kilroy Realty receives from a taxable REIT subsidiary with respect to the taxable REIT subsidiary s provision of non-customary services will, however, be nonqualifying income under the 75% gross income test and, except to the extent received through the payment of dividends, the 95% REIT gross income test.

Kilroy Realty generally does not intend, and as a general partner of the operating partnership does not intend to permit the operating partnership, to take actions it believes will cause Kilroy Realty to fail to satisfy the rental conditions described above. However, Kilroy Realty may intentionally fail to satisfy some of these conditions to the extent such failure will not, based on the advice of its tax counsel, jeopardize Kilroy Realty s tax status as a REIT. In addition, with respect to the limitation on the rental of personal property, Kilroy Realty has not obtained appraisals of the real property and personal property leased to tenants. Accordingly, there can be no assurance that the IRS will agree with Kilroy Realty s determinations of value.

Income Kilroy Realty receives that is attributable to the rental of parking spaces at its properties will constitute rents from real property for purposes of the REIT gross income tests if certain services provided with respect to the parking facilities are performed by independent contractors from whom Kilroy Realty derives no income, either directly or indirectly, or by a taxable REIT subsidiary, and certain other conditions are met. Kilroy Realty believes that the income it receives that is attributable to parking facilities meets these tests and, accordingly, will constitute rents from real property for purposes of the REIT gross income tests.

From time to time, Kilroy Realty may enter into hedging transactions with respect to one or more of its assets or liabilities. The term hedging transaction generally means any transaction Kilroy Realty enters into in the normal course of its business primarily to manage risk of (1) interest rate changes or fluctuations with respect to borrowings made or to be made by Kilroy Realty to acquire or carry real estate assets, or (2) for hedging transactions entered into after July 30, 2008, currency fluctuations with respect to an item of qualifying income under the 75% or 95% gross income test. The hedging activities may include entering into interest rate swaps, caps and floors, options to purchase these items, and futures and forward contracts. Income Kilroy Realty derives from a hedging transaction, including

gain from the sale or disposition thereof, that is clearly identified as a hedging transaction as specified in the Code will not constitute gross income and thus will be exempt from the 95% gross income test to the extent such a hedging transaction is entered into on or after January 1, 2005, and will not constitute gross income and thus will be exempt from the 75% gross income test to the extent such hedging transaction is entered into after July 30, 2008.

Table of Contents

Income and gain from a hedging transaction, including gain from the sale or disposition of such a transaction, entered into on or prior to July 30, 2008 will be treated as nonqualifying income for purposes of the 75% gross income test. Income and gain from a hedging transaction, including gain from the sale or disposition of such a transaction, entered into prior to January 1, 2005, will be qualifying income for purposes of the 95% gross income test. To the extent that Kilroy Realty does not properly identify such transactions as hedges or it hedges with other types of financial instruments, the income from those transactions is not likely to be treated as qualifying income for purposes of the gross income tests. Kilroy Realty intends to structure any hedging transactions in a manner that does not jeopardize its status as a REIT.

To the extent Kilroy Realty s taxable REIT subsidiary, Kilroy Realty TRS, Inc., pays dividends, Kilroy Realty generally will derive its allocable share of such dividend income through its interest in the operating partnership. Such dividend income will qualify under the 95%, but not the 75%, REIT gross income test.

Kilroy Realty will monitor the amount of the dividend and other income from its taxable REIT subsidiaries and will take actions intended to keep this income, and any other nonqualifying income, within the limitations of the REIT income tests. While Kilroy Realty expects these actions will prevent a violation of the REIT income tests, it cannot guarantee that such actions will in all cases prevent such a violation. If Kilroy Realty fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may nevertheless qualify as a REIT for the year if it is entitled to relief under certain provisions of the Code. Kilroy Realty generally may avail itself of the relief provisions if:

following its identification of the failure to meet the 75% or 95% gross income tests for any taxable year, Kilroy Realty files a schedule with the IRS setting forth each item of its gross income for purposes of the 75% or 95% gross income tests for such taxable year in accordance with Treasury regulations to be issued; and

Kilroy Realty s failure to meet these tests was due to reasonable cause and not due to willful neglect.

It is not possible, however, to state whether in all circumstances Kilroy Realty would be entitled to the benefit of these relief provisions. For example, if Kilroy Realty fails to satisfy the gross income tests because nonqualifying income that it intentionally accrued or received exceeds the limits on nonqualifying income, the IRS could conclude that Kilroy Realty s failure to satisfy the tests was not due to reasonable cause. If these relief provisions do not apply to a particular set of circumstances, Kilroy Realty will not qualify as a REIT. As discussed above in Taxation of Kilroy Realty in General, even if these relief provisions apply, and Kilroy Realty retains its status as a REIT, a tax would be imposed with respect to Kilroy Realty s nonqualifying income. Kilroy Realty may not always be able to comply with the gross income tests for REIT qualification despite periodic monitoring of its income.

Prohibited Transaction Income. Any gain that Kilroy Realty realizes on the sale of property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business, including Kilroy Realty s share of any such gain realized by the operating partnership, either directly or through its subsidiary partnerships and limited liability companies, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. This prohibited transaction income may also adversely affect Kilroy Realty s ability to satisfy the income tests for qualification as a REIT. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. Kilroy Realty intends to hold its properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning properties and to make occasional sales of its properties consistent with its investment objectives. Kilroy Realty does not intend to enter into

any sales that are prohibited transactions. However, the IRS may successfully contend that some or all of the sales made by Kilroy Realty or by Kilroy Realty s subsidiary partnerships or limited liability companies are prohibited transactions. Kilroy Realty would be required to pay the 100% penalty tax on its allocable share of the gains from any such sales.

Table of Contents

Penalty Tax. Any redetermined rents, redetermined deductions or excess interest Kilroy Realty generates will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of any services furnished to any of Kilroy Realty s tenants by one of Kilroy Realty s taxable REIT subsidiaries, and redetermined deductions and excess interest represent any amounts that are deducted by a taxable REIT subsidiary for amounts paid to Kilroy Realty that are in excess of the amounts that would have been deducted based on arm s length negotiations. Rents Kilroy Realty receives will not constitute redetermined rents if they qualify for certain safe harbor provisions contained in the Code.

Kilroy Realty believes that, in all instances in which Kilroy Realty TRS, Inc. provides services to Kilroy Realty s tenants, the fees paid to Kilroy Realty TRS, Inc. for such services are at arm s-length rates, although the fees paid may not satisfy the safe-harbor provisions contained in the Code. These determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, Kilroy Realty would be required to pay a 100% penalty tax on the excess of an arm s-length fee for tenant services over the amount actually paid.

Asset Tests. At the close of each quarter of Kilroy Realty s taxable year, Kilroy Realty must also satisfy four tests relating to the nature and diversification of its assets.

First, at least 75% of the value of Kilroy Realty s total assets, including assets held by its qualified REIT subsidiaries and its allocable share of the assets held by the operating partnership and its subsidiary partnerships and other entities treated as partnerships for U.S. federal income tax purposes, must be represented by real estate assets, cash, cash items and government securities. For purposes of this test, the term real estate assets generally means real property (including interests in real property and interests in mortgages on real property) and shares (or transferable certificates of beneficial interest) in other REITs, as well as any stock or debt instrument attributable to investment of the proceeds of a stock offering or a public offering of debt with a term of at least five years, but only for the one-year period beginning on the date Kilroy Realty receives such proceeds.

Second, not more than 25% of the value of Kilroy Realty s total assets may be represented by securities, other than those securities includable in the 75% asset test.

Third, of the investments included in the 25% asset class, and except for investments in other REITs, Kilroy Realty s qualified REIT subsidiaries and its taxable REIT subsidiaries, the value of any one issuer s securities may not exceed 5% of the value of Kilroy Realty s total assets and Kilroy Realty may not own more than 10% of the total vote or value of the outstanding securities of any one issuer, except, in the case of the 10% value test, securities satisfying the straight debt safe-harbor. Certain types of securities that Kilroy Realty may own are disregarded as securities solely for purposes of the 10% value test, including but not limited to, any loan to an individual or an estate, any obligation to pay rents from real property and any security issued by a REIT. In addition, solely for purposes of the 10% value test, the determination of Kilroy Realty s interest in the assets of a partnership or limited liability company in which it owns an interest will be based on Kilroy Realty s proportionate interest in any securities issued by the partnership or limited liability company, excluding for this purpose, certain securities described in the Code.

Fourth, not more than 25% (20% for taxable years beginning before January 1, 2009) of the value of Kilroy Realty s total assets may be represented by the securities of one or more taxable REIT subsidiaries.

The operating partnership owns 100% of the outstanding stock of Kilroy Realty TRS, Inc. Kilroy Realty TRS, Inc. elected, together with Kilroy Realty, to be treated as a taxable REIT subsidiary. So long as Kilroy Realty TRS, Inc. qualifies as Kilroy Realty s taxable REIT subsidiary, Kilroy Realty will not be subject to the 5% asset test, the 10% voting securities limitation or the 10% value limitation with respect to its ownership of securities in Kilroy Realty

TRS, Inc. Kilroy or Kilroy Realty TRS, Inc. may acquire securities in other taxable

Table of Contents

REIT subsidiaries in the future. Kilroy Realty believes that the aggregate value of its taxable REIT subsidiaries will not exceed 25% (or 20% for taxable years beginning before January 1, 2009) of the aggregate value of its gross assets. With respect to each issuer in which Kilroy Realty currently owns an interest that does not qualify as a REIT, a qualified REIT subsidiary or a taxable REIT subsidiary, Kilroy Realty believes that its ownership of the securities of any such issuer has complied with the 5% asset test, the 10% voting securities limitation, 10% value limitation, and the 75% asset test. No independent appraisals have been obtained to support these conclusions. In addition, there can be no assurance that the IRS will not disagree with Kilroy Realty s determinations of value.

The asset tests described above must be satisfied at the close of each calendar quarter of Kilroy Realty s taxable year in which it (directly or through the operating partnership or Kilroy Realty s subsidiary partnerships and limited liability companies) acquires securities in the applicable issuer, and also at the close of each calendar quarter in which Kilroy Realty increases its ownership of securities of such issuer (including as a result of increasing its interest in the operating partnership or in its subsidiary partnerships and limited liability companies). For example, Kilroy Realty s indirect ownership of securities of each issuer will increase as a result of its capital contributions to the operating partnership and as limited partners exercise their redemption/exchange rights. After initially meeting the asset tests at the close of any quarter, Kilroy Realty will not lose its status as a REIT for failure to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values. If Kilroy Realty fails to satisfy an asset test because it acquired securities or other property during a quarter (including as a result of an increase in its interests in the operating partnership or in its subsidiary partnerships and limited liability companies), Kilroy Realty may cure this failure by disposing of sufficient nonqualifying assets within 30 days after the close of that quarter. Kilroy Realty believes that it has maintained and it intends to maintain adequate records of the value of its assets to ensure compliance with the asset tests. In addition, Kilroy Realty intends to take such actions within 30 days after the close of any quarter as may be required to cure any noncompliance.

Certain relief provisions may be available to Kilroy Realty if it fails to satisfy the asset tests described above after the 30 day cure period. Under these provisions, Kilroy Realty will be deemed to have met the 5% and 10% REIT asset tests if the value of its nonqualifying assets (i) does not exceed the lesser of (a) 1% of the total value of its assets at the end of the applicable quarter or (b) $10,000,000, and (ii) Kilroy Realty disposes of the nonqualifying assets or otherwise satisfies such asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury regulations to be issued. For violations of any of the asset tests due to reasonable cause and not due to willful neglect and that are, in the case of the 5% and 10% asset test, in excess of the *de minimis* exception described above, Kilroy Realty may avoid disqualification as a REIT, after the 30 day cure period, by taking steps including (i) the disposition of sufficient nonqualifying assets, or the taking of other actions, which allow Kilroy Realty to meet the asset tests within (a) six months after the last day of the quarter in which the failure to satisfy the asset tests is discovered or (b) the period of time prescribed by Treasury regulations to be issued, and (ii) disclosing certain information to the IRS. In such case, Kilroy Realty will be required to pay a tax equal to the greater of (a) $50,000 or (b) the highest corporate tax rate multiplied by the net income generated by the nonqualifying assets.

Although Kilroy Realty believes that it has satisfied the asset tests described above and plans to take steps to ensure that it satisfies such tests for any quarter with respect to which retesting is to occur, there can be no assurance that it will always be successful, or will not require a reduction in the operating partnership s overall interest in an issuer (including in a taxable REIT subsidiary). If Kilroy Realty fails to cure any noncompliance with the asset tests in a timely manner, and the relief provisions described above are not available, Kilroy Realty would cease to qualify as a REIT. See Failure to Qualify below.

Table of Contents

Annual Distribution Requirements. To maintain Kilroy Realty s qualification as a REIT, it is required to distribute dividends, other than capital gain dividends, to its stockholders in an amount at least equal to the sum of:

90% of its REIT taxable income ; and

90% of its after tax net income, if any, from foreclosure property; minus

the excess of the sum of certain items of non-cash income over 5% of the REIT taxable income.

For these purposes, Kilroy Realty s REIT taxable income is computed without regard to the dividends paid deduction and Kilroy Realty s net capital gain. In addition, for purposes of this test, non-cash income means income attributable to leveled stepped rents, original issue discount, cancellation of indebtedness or a like-kind exchange that is later determined to be taxable.

Also, Kilroy Realty s REIT taxable income will be reduced by any taxes Kilroy Realty is required to pay on any gain it recognizes from the disposition of any asset it acquired from a corporation which is or has been a C corporation in a transaction in which Kilroy Realty s basis in the asset is less than the fair market value of the asset, in each case determined at the time Kilroy Realty acquired the asset, within the 10-year period following its acquisition of such asset. See General above.

Kilroy Realty generally must pay, or be treated as paying, the distributions described above in the taxable year to which they relate. At Kilroy Realty s election, a distribution for a taxable year may be declared before it timely files its tax return for such year and paid on or before the first regular dividend payment after such declaration, provided such payment is made during the 12-month period following the close of such year. These distributions generally are taxable to Kilroy Realty s stockholders, other than tax-exempt entities, in the year in which paid. This is so even though these distributions relate to the prior year for purposes of the 90% distribution requirement. The amount distributed must not be preferential (i.e., every stockholder of the class of stock to which a distribution is made must be treated the same as every other stockholder of that class, and no class of stock may be treated other than in according to its dividend rights as a class). To the extent that Kilroy Realty does not distribute all of its net capital gain or distribute at least 90%, but less than 100%, of its REIT taxable income, as adjusted, it will be required to pay tax on the undistributed amount at regular corporate tax rates. Kilroy Realty believes it has made, and intends to continue to make, timely distributions sufficient to satisfy these annual distribution requirements and to minimize its corporate tax obligations. In this regard, the partnership agreement of the operating partnership authorizes Kilroy Realty, as general partner of the operating partnership, to take such steps as may be necessary to cause the operating partnership to distribute to its partners an amount sufficient to permit Kilroy Realty to meet these distribution requirements.

Kilroy Realty expects that its REIT taxable income will be less than its cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, Kilroy Realty anticipates that it will generally have sufficient cash or liquid assets to enable it to satisfy the distribution requirements described above. However, from time to time, Kilroy Realty may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses, and the inclusion of income and deduction of expenses in arriving at its taxable income. If these timing differences occur, Kilroy Realty may be required to borrow funds to pay cash dividends or to pay dividends in the form of taxable stock dividends in order to meet the distribution requirements, while preserving its cash. In addition, Kilroy Realty may decide to retain its cash, rather than distribute it, in order to repay debt or for other

reasons.

Under some circumstances, Kilroy Realty may be able to rectify an inadvertent failure to meet the 90% distribution requirement for a year by paying deficiency dividends to its stockholders in a later year, which may be included in Kilroy Realty s deduction for dividends paid for the earlier year. Thus, Kilroy Realty may be able to avoid being taxed on amounts distributed as deficiency dividends, subject to the 4% excise tax described below. However, Kilroy Realty will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends.

Table of Contents

Furthermore, Kilroy Realty will be required to pay a 4% excise tax to the extent it fails to distribute during each calendar year, at least the sum of 85% of its REIT ordinary income for such year, 95% of its REIT capital gain net income for the year and any undistributed taxable income from prior periods. Any REIT taxable income and net capital gain on which this excise tax is imposed for any year is treated as an amount distributed during that year for purposes of calculating such tax.

For purposes of the distribution requirements and excise tax described above, dividends declared during the last three months of the taxable year, payable to stockholders of record on a specified date during such period, and paid during January of the following year, will be treated as paid by Kilroy Realty and received by its stockholders on December 31 of the year in which they are declared.

Like-Kind Exchanges. Kilroy Realty has in the past disposed of properties in transactions intended to qualify as like-kind exchanges under the Code, and may continue this practice in the future. Such like-kind exchanges are intended to result in the deferral of gain for U.S. federal income tax purposes. The failure of any such transaction to qualify as a like-kind exchange could subject Kilroy Realty to U.S. federal income tax, possibly including the 100% prohibited transaction tax, depending on the facts and circumstances surrounding the particular transaction.

Failure to Qualify

Specified cure provisions are available to Kilroy Realty in the event that Kilroy Realty discovers a violation of a provision of the Code that would result in its failure to qualify as a REIT. Except with respect to violations of the REIT income tests and asset tests (for which the cure provisions are described above), and provided the violation is due to reasonable cause and not due to willful neglect, these cure provisions generally impose a $50,000 penalty for each violation in lieu of a loss of REIT status.

If Kilroy Realty fails to qualify for taxation as a REIT in any taxable year, and the relief provisions do not apply, Kilroy Realty will be required to pay tax, including any applicable alternative minimum tax, on its taxable income at regular corporate rates. Distributions to stockholders in any year in which Kilroy Realty fails to qualify as a REIT will not be deductible by Kilroy Realty, and Kilroy Realty will not be required to distribute any amounts to its stockholders. As a result, Kilroy Realty anticipates that its failure to qualify as a REIT would reduce the cash available for distribution by it to its stockholders. In addition, if Kilroy Realty fails to qualify as a REIT, all distributions to stockholders will be taxable as regular corporate dividends to the extent of Kilroy Realty s current and accumulated earnings and profits. In this event, corporate distributees may be eligible for the dividends-received deduction. In addition, individuals may be eligible for the preferential rates on qualified dividend income. Unless entitled to relief under specific statutory provisions, Kilroy Realty will also be disqualified from taxation as a REIT for the four taxable years following the year during which it lost its qualification. It is not possible to state whether in all circumstances Kilroy Realty would be entitled to this statutory relief.

Tax Aspects of the Operating Partnership, the Subsidiary Partnerships and Limited Liability Companies

General. Substantially all of Kilroy Realty s investments are held indirectly through the operating partnership. In addition, the operating partnership holds certain of its investments indirectly through subsidiary partnerships and limited liability companies which Kilroy Realty expects will be treated as partnerships or disregarded entities for U.S. federal income tax purposes. In general, entities that are classified as partnerships (or disregarded entities) for U.S. federal income tax purposes are pass-through entities which are not required to pay U.S. federal income tax. Rather, partners or members of such entities are allocated their shares of the items of income, gain, loss, deduction and credit of the entity, and are potentially required to pay tax on this income, without regard to whether the partners or members receive a distribution of cash from the entity. Kilroy Realty will include in its income its proportionate share of the

foregoing items for purposes of the various REIT income tests and in the computation of Kilroy Realty s REIT taxable income. Moreover, as described above

Table of Contents

under Asset Tests, for purposes of the REIT asset tests, Kilroy Realty will generally include its proportionate share of assets held by the operating partnership, including its share of assets held by its subsidiary partnerships and limited liability companies, based on its capital interests. See Taxation of Kilroy Realty in General.

Entity Classification. Kilroy Realty s interests in the operating partnership and its subsidiary partnerships and limited liability companies involve special tax considerations, including the possibility that the IRS might challenge the status of any of these entities as a partnership (or disregarded entity), as opposed to an association taxable as a corporation for U.S. federal income tax purposes. If the operating partnership, a subsidiary partnership or a limited liability company were treated as an association, it would be taxable as a corporation and would be required to pay an entity-level tax on its income. In this situation, the character of Kilroy Realty s assets and items of gross income would change and could preclude Kilroy Realty from satisfying the asset tests and possibly the income tests (see Taxation of Kilroy Realty in General Asset Tests and Income Tests). This, in turn, could prevent Kilroy Realty from qualifying as a REIT. See Failure to Qualify for a discussion of the effect of Kilroy Realty s failure to meet these tests for a taxable year. In addition, a change in the operating partnership s, a subsidiary partnership s or a subsidiary limited liability company s status for tax purposes might be treated as a taxable event. If so, Kilroy Realty might incur a tax liability without any related cash distributions.

Kilroy Realty believes the operating partnership and each of its other partnerships and limited liability companies will be classified as partnerships or disregarded entities for U.S. federal income tax purposes.

Allocations of Income, Gain, Loss and Deduction. A partnership or limited liability company agreement will generally determine the allocation of income and losses among partners or members. These allocations, however, will be disregarded for tax purposes if they do not comply with the provisions of Section 704(b) of the Code and the related Treasury regulations. Generally, Section 704(b) of the Code and the related Treasury regulations require that partnership and limited liability company allocations respect the economic arrangement of the partners or members.

The partnership agreement of the operating partnership provides for preferred distributions of cash and preferred allocations of income to the holders of its preferred units. Preferred units have been issued to Kilroy Realty in connection with its issuance of preferred stock. Upon Kilroy Realty s issuance of additional shares of preferred stock for cash or other consideration, Kilroy Realty will contribute the net proceeds or other consideration from such issuance to the operating partnership in exchange for additional preferred units with similar terms. In general, all remaining items of income and loss will be allocated to the holders of common units in proportion to the number of common units held by each unit holder. Some limited partners have agreed to guarantee debt of the operating partnership, either directly or indirectly through an agreement to make capital contributions to the operating partnership under limited circumstances. As a result, and notwithstanding the above discussion of allocations of income and loss to holders of common units, these limited partners could under limited circumstances be allocated a disproportionate amount of net loss of the operating partnership or a disproportionate amount of net income of the operating partnership to offset any such allocations of net loss.

If an allocation is not recognized by the IRS for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners or members interests in the partnership or limited liability company. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners or members with respect to such item. The operating partnership s allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Code and the Treasury regulations promulgated thereunder.

Tax Allocations with Respect to Contributed Properties. Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership or limited liability

company in exchange for an interest in the partnership or limited liability company, must be allocated in a manner so that the contributing partner or member is charged with the unrealized gain, or benefits

Table of Contents

from the unrealized loss, associated with the property at the time of the contribution, as adjusted from time to time. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value or book value and the adjusted tax basis of the property at the time of contribution. These allocations are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners or members. The operating partnership was formed by way of contributions of appreciated property (i.e., property having an adjusted tax basis less than its fair market value at the time of contribution). Moreover, subsequent to the formation of the operating partnership, additional appreciated property has been contributed to the operating partnership in exchange for interests in the operating partnership. The partnership agreement requires that these allocations be made in a manner consistent with Section 704(c) of the Code.

Treasury regulations issued under Section 704(c) of the Code provide partnerships and limited liability companies with a choice of several methods of accounting for book-tax differences, including retention of the traditional method or the election of certain methods which would permit any distortions caused by a book-tax difference to be entirely rectified on an annual basis or with respect to a specific taxable transaction such as a sale. Kilroy Realty and the operating partnership have determined to use the traditional method for accounting for book-tax differences for the properties initially contributed to the operating partnership and for certain assets contributed subsequently. Kilroy Realty and the operating partnership have not yet decided what method will be used to account for book-tax differences for properties acquired by the operating partnership in the future.

In general, the partners of the operating partnership who acquired their limited partnership interests through a contribution of appreciated property will be allocated depreciation deductions for tax purposes that are lower than such deductions would have been if they had been determined on a pro rata basis. In addition, in the event of the disposition of any of the contributed assets which have such a book-tax difference, all income attributable to such book-tax difference (as adjusted) generally will be allocated to the contributing partners. These allocations will tend to eliminate the book-tax difference over the life of the operating partnership. However, under the traditional method, the special allocation rules of Section 704(c) of the Code do not always entirely eliminate the book-tax difference on an annual basis or with respect to a specific taxable transaction such as a sale. Thus, the carryover basis of the contributed assets in the hands of the operating partnership may cause Kilroy Realty or other partners to be allocated lower depreciation and other deductions, and possibly an amount of taxable income in the event of a sale of such contributed assets in excess of the economic or book income allocated to Kilroy Realty or other partners as a result of the sale. Such an allocation might cause Kilroy Realty or other partners to recognize taxable income in excess of cash proceeds, which might adversely affect Kilroy Realty s ability to comply with the REIT distribution requirements. See Taxation of Kilroy Realty in General Requirements for Qualification as a Real Estate Investment Trust and Annual Distribution Requirements.

Any property acquired by the operating partnership in a taxable transaction will initially have a tax basis equal to its fair market value, and Section 704(c) of the Code will not apply.

Material U.S. Federal Income Tax Consequences for Holders of Kilroy Realty Common Stock

The following discussion is a summary of certain U.S. federal income tax consequences of owning and disposing of Kilroy Realty common stock received in the merger.

THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT INTENDED AS TAX ADVICE. SFFGA SHAREHOLDERS WHO RECEIVE KILROY COMMON STOCK IN THE MERGER SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF KILROY COMMON

STOCK ARISING UNDER OTHER U.S. FEDERAL TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS), UNDER THE LAWS OF ANY STATE, LOCAL OR NON-UNITED STATES TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

Table of Contents

Taxation of Taxable U.S. Holders of Kilroy Realty Common Stock

Distributions Generally. Distributions out of Kilroy Realty s current or accumulated earnings and profits, other than capital gain dividends and certain amounts previously subject to corporate level taxation as discussed below, will constitute dividends taxable to Kilroy Realty s taxable U.S. holders as ordinary income when actually or constructively received. See Tax Rates below. As long as Kilroy Realty qualifies as a REIT, these distributions will not be eligible for the dividends-received deduction in the case of U.S. holders that are corporations or, except to the extent provided in Tax Rates below, the preferential rates on qualified dividend income applicable to individuals. For purposes of determining whether distributions to holders of Kilroy Realty s stock are out of current or accumulated earnings and profits, Kilroy Realty s earnings and profits will be allocated first to its outstanding preferred stock and then to its outstanding common stock.

To the extent that Kilroy Realty makes distributions on its common stock in excess of its current and accumulated earnings and profits, these distributions will be treated first as a tax-free return of capital to a U.S. holder. This treatment will reduce the U.S. holder s adjusted tax basis in its shares of Kilroy Realty common stock by the amount of the distribution, but not below zero. Distributions in excess of Kilroy Realty s current and accumulated earnings and profits and in excess of a U.S. holder s adjusted tax basis in its shares will be taxable as capital gain. Such gain will be taxable as long-term capital gain if the shares have been held for more than one year. Dividends Kilroy Realty declares in October, November, or December of any year and which are payable to a stockholder of record on a specified date in any of these months will be treated as both paid by Kilroy Realty and received by the stockholder on December 31 of that year, provided Kilroy Realty actually pay the dividend on or before January 31 of the following year. U.S. holders may not include in their own income tax returns any of Kilroy Realty s net operating losses or capital losses.

U.S. holders who receive taxable stock dividends, as described above under Taxation of Kilroy Realty in General Annual Distribution Requirements, including dividends partially payable in Kilroy Realty common stock and partially payable in cash, would be required to include the full amount of the dividend (i.e., the cash and the stock portion) as ordinary income (subject to limited exceptions) to the extent of Kilroy Realty s current and accumulated earnings and profits for U.S. federal income tax purposes, as described above. The amount of any dividend payable in Kilroy Realty common stock generally is equal to the amount of cash that could have been received instead of the common stock. Depending on the circumstances of a U.S. holder, the tax on the distribution may exceed the amount of the distribution received in cash, in which case such a U.S. holder would have to pay the tax using cash from other sources. If a U.S. holder sells the common stock it receives as a dividend in order to pay this tax and the sales proceeds are less than the amount required to be included in income with respect to the dividend, such U.S. holder could have a capital loss with respect to the common stock sale that could not be used to offset such dividend income. A U.S. holder that receives common stock pursuant to a distribution generally has a tax basis in such common stock equal to the amount of cash that could have been received instead of such common stock as described above, and has a holding period in such common stock that begins on the day immediately following the payment date for the distribution.

Capital Gain Dividends. Dividends that Kilroy Realty properly designates as capital gain dividends will be taxable to taxable U.S. holders as a gain from the sale or disposition of a capital asset, to the extent that such gain does not exceed Kilroy Realty s actual net capital gain for the taxable year. If Kilroy Realty properly designates any portion of a dividend as a capital gain dividend then, except as otherwise required by law, Kilroy Realty presently intends to allocate a portion of the total capital gain dividends paid or made available to holders of all classes of its common stock for the year to the holders of each class of its common stock in proportion to the amount that Kilroy Realty s total dividends, as determined for U.S. federal income tax purposes, paid or made available to the holders of each such class of stock for the year bears to the total dividends, as determined for U.S. federal income tax purposes, paid or

made available to holders of all classes of Kilroy Realty common stock for the year.

Table of Contents

Retention of Net Capital Gains. Kilroy Realty may elect to retain, rather than distribute as a capital gain dividend, all or a portion of its net capital gains. If Kilroy Realty makes this election, it would pay tax on its retained net capital gains. In addition, to the extent Kilroy Realty so elect, a U.S. holder generally would:

include its pro rata share of Kilroy Realty s undistributed net capital gains in computing its long-term capital gains in its return for its taxable year in which the last day of Kilroy Realty s taxable year falls, subject to certain limitations as to the amount that is includable;

be deemed to have paid the capital gains tax imposed on Kilroy Realty on the designated amounts included in the U.S. holder s long-term capital gains;

receive a credit or refund for the amount of tax deemed paid by it;

increase the adjusted basis of its common stock by the difference between the amount of includable gains and the tax deemed to have been paid by it; and

in the case of a U.S. holder that is a corporation, appropriately adjust its earnings and profits for the retained capital gains in accordance with Treasury regulations to be issued.

Passive Activity Losses and Investment Interest Limitations. Distributions Kilroy Realty makes and gain arising from the sale or exchange by a U.S. holder of Kilroy Realty common stock will not be treated as passive activity income. As a result, U.S. holders generally will not be able to apply any passive losses against this income or gain. A U.S. holder may elect to treat capital gain dividends, capital gains from the disposition of stock and qualified dividend income as investment income for purposes of computing the investment interest limitation, but in such case, the stockholder will be taxed at ordinary income rates on such amount. Other distributions made by Kilroy Realty, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation.

Dispositions of Kilroy Realty Common stock. If a U.S. holder sells or disposes of shares of common stock to a person other than Kilroy Realty, it will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder s adjusted tax basis in the shares for tax purposes. This gain or loss, except as provided below, will be long-term capital gain or loss if the holder has held the common stock for more than one year at the time of such sale or disposition. However, if a U.S. holder recognizes loss upon the sale or other disposition of Kilroy Realty common stock that it has held for six months or less, after applying certain holding period rules, the loss recognized will be treated as a long-term capital loss to the extent the U.S. holder received distributions from Kilroy Realty which were required to be treated as long-term capital gains.

Backup Withholding. Kilroy Realty reports to its U.S. holders and the IRS the amount of dividends paid during each calendar year, and the amount of any tax withheld. Under the backup withholding rules, a U.S. holder may be subject to backup withholding with respect to dividends paid unless the U.S. holder is a corporation or comes within certain other exempt categories and, when required, demonstrates this fact, or provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with applicable requirements of

the backup withholding rules. A U.S. holder that does not provide Kilroy Realty with its correct taxpayer identification number may also be subject to penalties imposed by the IRS. Backup withholding is not an additional tax. Any amount paid as backup withholding will be creditable against the U.S. holder s U.S. federal income tax liability, provided the required information is timely furnished to the IRS. In addition, Kilroy Realty may be required to withhold a portion of capital gain distributions to any holders who fail to certify their non-foreign status.

Tax Rates

The maximum tax rate for non-corporate taxpayers for capital gains, including certain capital gain dividends, is generally 20% (although depending on the characteristics of the assets that produced these gains and on designations made, certain capital gain dividends may be taxed at a 25% rate). Capital gain dividends paid

Table of Contents

by a REIT will only be eligible for the rates described above to the extent they are properly designated by the REIT as capital gain dividends. The maximum tax rate for non-corporate taxpayers for income that a REIT properly designates as qualified dividend income is generally 20%. However, dividends payable by REITs are not eligible for the 20% tax rate on qualified dividend income, except to the extent that certain holding requirements have been met and the REIT s dividends are attributable to dividends received from taxable corporations (such as its taxable REIT subsidiaries) or to income that was subject to tax at the corporate/REIT level (for example, if the REIT distributed taxable income that it retained and paid tax on in the prior taxable year). In addition, U.S. holders that are corporations may be required to treat up to 20% of some capital gain dividends as ordinary income.

Medicare Tax on Unearned Income. Certain U.S. holders that are individuals, estates or trusts are required to pay an additional 3.8% tax on, among other things, dividends on and capital gains from the sale or other disposition of, stock. U.S. holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership and disposition of Kilroy Realty common stock.

Foreign Accounts

Withholding taxes may apply to certain types of payments made to foreign financial institutions (as defined in the Code) and certain other non-United States entities (including payments to U.S. holders who hold shares of Kilroy Realty common stock through such a foreign financial institution or non-United States entity). Specifically, a 30% withholding tax may be imposed on dividends on, and gross proceeds from the sale or other disposition of, Kilroy Realty common stock paid to a foreign financial institution or to a non-financial foreign entity, unless (1) the foreign financial institution undertakes certain diligence and reporting, (2) the non-financial foreign entity either certifies it does not have any substantial United States owners or furnishes identifying information regarding each substantial United States owner, or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in clause (1) above, in order to avoid the imposition of such withholding, it generally must undertake to identify accounts held by certain United States persons or United States-owned foreign entities, annually report certain information about such accounts to the IRS (or, in some cases, local tax authorities), and withhold 30% on payments it makes to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing these withholding and reporting requirements may be subject to different rules.

The IRS issued final Treasury regulations and additional guidance providing that the withholding provisions described above will generally apply to payments of dividends made on or after July 1, 2014 and to payments of gross proceeds from a sale or other disposition of common stock on or after January 1, 2017. Because Kilroy Realty may not know the extent to which a distribution is a dividend for U.S. federal income tax purposes at the time it is made, for purposes of these withholding rules it may treat the entire distribution as a dividend. Prospective investors should consult their tax advisors regarding these withholding provisions.

Other Tax Consequences

State, local and foreign income tax laws may differ substantially from the corresponding U.S. federal income tax laws, and this discussion does not purport to describe any aspect of the tax laws of any state, local or foreign jurisdiction. U.S. holders should consult their tax advisors regarding the effect of state, local and foreign tax laws with respect to Kilroy s tax treatment as a REIT and on an investment in Kilroy common stock.

Accounting Treatment

Kilroy Realty intends to account for the transaction as an asset acquisition, and it will allocate the purchase price to the acquired assets and liabilities based on their relative fair values. As discussed above, the SFFGA

Table of Contents

assets, liabilities and San Francisco Flower Mart operations excluding the land being acquired are immaterial and inconsequential to the overall transaction. Kilroy Realty s intent is to acquire the land site for future development opportunities.

Approvals and Consents

The merger cannot proceed without obtaining all requisite third party consents and approvals. Kilroy Realty and SFFGA have agreed to take all appropriate actions necessary to obtain such approvals and consents.

No Restrictions on Resale of Kilroy Realty Common Stock

The shares of Kilroy Realty common stock to be issued in connection with the merger will be registered under the Securities Act, and will be freely transferable by the recipients of such shares.

Release of SFFGA Officers and Directors

Concurrent with the approval of the merger, each holder of shares of SFFGA common stock voting in favor of the merger will be required to release each director and officer of SFFGA for any and all actions taken by those individuals prior to the effective time of the merger.

SFFGA Shareholder Dissenter s Rights

Any shares of SFFGA common stock that are issued and outstanding immediately prior to the effective time of the merger and that have not approved the merger (or with respect to which the holder has not otherwise waived his rights under Chapter 13 of the CGCL), and with respect to which a demand for payment and appraisal has been properly made in accordance with Chapter 13 of the CGCL, will not be converted into the right to receive the merger consideration otherwise payable with respect to such shares of SFFGA common stock, except as set forth in the following discussion. The record holders of SFFGA common stock that are eligible to, and do, exercise their dissenter s rights with respect to the merger are referred to herein as dissenting shareholders, and the shares with respect to which they exercise dissenter s rights are referred to herein as dissenting shares.

The following discussion is not a complete statement of the law pertaining to dissenter s rights under the CGCL and is qualified in its entirety by reference to Sections 1300 through 1313 of the CGCL, the full text of which are attached to this proxy statement-prospectus as Annex B and incorporated herein by reference. Annex B should be reviewed carefully by any SFFGA shareholder who wishes to exercise dissenter s rights or who wishes to preserve the right to do so, since failure to comply with the procedures of the relevant statute will result in the loss of dissenter s rights.

ANY HOLDER OF SFFGA COMMON STOCK WISHING TO EXERCISE DISSENTER S RIGHTS IS URGED TO CONSULT LEGAL COUNSEL BEFORE ATTEMPTING TO EXERCISE SUCH RIGHTS.

Shares of SFFGA common stock must satisfy each of the following requirements to qualify as dissenting shares under California law:

- the shares of SFFGA common stock must have been outstanding on [ ], 2014;

the shares of SFFGA stock must not have approved the merger;

the holder of such shares of SFFGA stock must make a written demand that SFFGA repurchase such shares of SFFGA common stock at fair market value (as described below); and

the holder of such shares of SFFGA common stock must submit certificates for endorsement (as described below).

Refusal to approve the merger does not in and of itself constitute a demand for appraisal under California law.

Table of Contents

Pursuant to Sections 1300 through 1313 of the CGCL, holders of dissenting shares may require SFFGA to repurchase their dissenting shares at a price equal to the fair market value of such shares determined as of the day before the first announcement of the terms of the merger, excluding any appreciation or depreciation as a consequence of the proposed merger, but adjusted for any stock split, reverse stock split or stock dividend that becomes effective thereafter.

Within 10 days following approval of the merger by the SFFGA shareholders, SFFGA is required to mail a dissenter s notice to each person who did not vote in favor of the merger. The dissenter s notice must contain the following:

a notice of the approval of the merger;

a statement of the price determined by SFFGA to represent the fair market value of dissenting shares (which shall constitute an offer by SFFGA to purchase such dissenting shares at such stated price unless such shares lose their status as dissenting shares under Section 1309 of the CGCL);

a brief description of the procedure for such holders to exercise their rights as dissenting shareholders; and

a copy of Sections 1300 through 1304 of Chapter 13 of the CGCL.

Within 30 days after the date on which the notice of the approval of the merger by the outstanding shares is mailed to dissenting shareholders, a dissenting shareholder must:

demand that SFFGA repurchase such shareholder s dissenting shares;

include in that demand the number and class of dissenting shares held of record by such dissenting shareholder that the dissenting shareholder demands that SFFGA purchase;

include in that demand a statement of what such dissenting shareholder claims to be the fair market value of the dissenting shares as of the day before the announcement of the proposed merger. The statement of fair market value constitutes an offer by the dissenting shareholder to sell the dissenting shares at such price; and

submit to SFFGA certificates representing any dissenting shares that the dissenting shareholder demands SFFGA purchase, so that such dissenting shares may either be stamped or endorsed with the statement that the shares are dissenting shares or exchanged for certificates of appropriate denomination so stamped or endorsed. The demand, statement and SFFGA certificates should be delivered to:

San Francisco Flower Growers Association

c/o Kilroy Realty Corporation

12200 W. Olympic Boulevard, Suite 200

Los Angeles, California 90064

Attention: Secretary

If upon the dissenting shareholder s surrender of the certificates representing the dissenting shares, SFFGA and a dissenting shareholder agree upon the price to be paid for the dissenting shares and agree that such shares are dissenting shares, then the agreed price is required by law to be paid (with interest thereon at the legal rate on judgments from the date of the agreement) to the dissenting shareholder within the later of 30 days after the date of such agreement or 30 days after any statutory or contractual conditions to the completion of the merger are satisfied.

If SFFGA and a dissenting shareholder disagree as to the price for such dissenting shares or disagree as to whether such shares are entitled to be classified as dissenting shares, such holder has the right to bring an action in California Superior Court of the proper county, within six months after the date on which the notice of the

Table of Contents

shareholders approval of the merger is mailed, to resolve such dispute. In such action, the court will determine whether the shares of SFFGA common stock held by such shareholder are dissenting shares, and the fair market value of such shares of SFFGA common stock.

In determining the fair market value for the dissenting SFFGA shares, the court may appoint one or more impartial appraisers to make the determination. Within a time fixed by the court, the appraiser, or a majority of them, will make and file a report with the court. If the appraisers cannot determine the fair market value within 10 days of their appointment, or within a longer time determined by the court, or the court does not confirm their report, then the court will determine the fair market value. The costs of the appraisal action, including reasonable compensation to the appraisers appointed by the court, will be allocated between SFFGA and dissenting shareholder(s) as the court deems equitable. However, if the appraisal of the fair market value of SFFGA shares exceeds the price offered by SFFGA in the notice of approval, then SFFGA shall pay the costs. If the fair market value of the shares awarded by the court exceeds 125% of the price offered by SFFGA, then the court may in its discretion impose additional costs on SFFGA, including attorneys fees, fees of expert witnesses and interest.

SFFGA shareholders considering whether to exercise dissenter s rights should consider that the fair market value of their SFFGA common stock determined under Chapter 13 of the CGCL could be more than, the same as or less than the value of merger consideration to be paid in connection with the merger, as set forth in the merger agreement. Also, SFFGA reserves the right to assert in any appraisal proceeding that, for purposes thereof, the fair market value of SFFGA common stock is less than the value of the merger consideration to be issued and paid in connection with the merger, as set forth in the merger agreement. SFFGA shareholders considering whether to exercise dissenter s rights should consult with their tax advisors for the specific tax consequences of the exercise of dissenter s rights.

Strict compliance with certain technical prerequisites is required to exercise dissenter s rights. SFFGA shareholders wishing to exercise dissenter s rights should consult with their own legal counsel in connection with compliance with Chapter 13 of the CGCL. Any SFFGA shareholder who fails to comply with the requirements of Chapter 13 of the CGCL, attached as *Annex B* to this proxy statement-prospectus, will forfeit the right to exercise dissenter s rights and will, instead, receive the merger consideration to be issued and paid in connection with the merger, as set forth in the merger agreement.

SFFGA shareholders should be aware that California law provides, among other things, that a dissenting shareholder may not withdraw the demand for payment of the fair market value of dissenting shares unless SFFGA consents to such request for withdrawal.

Table of Contents

DESCRIPTION OF THE MERGER AGREEMENT

The following is a summary of the material terms of the merger agreement. While Kilroy Realty and SFFGA believe this summary covers all material terms of the merger agreement, this summary may not cover topics important to you. This summary does not purport to describe all the terms of the merger agreement and is qualified by reference to the complete text of the merger agreement which is attached as Annex A to this proxy statement-prospectus and is incorporated by reference into this proxy statement-prospectus. You should read the merger agreement completely and carefully as it, rather than this description, is the legal document that governs the merger.

General

The merger agreement provides that upon the consummation of the merger, SFFGA will be merged with and into merger sub and SFFGA will cease to exist. After the consummation of the merger, merger sub will continue as the surviving entity and remain a wholly-owned subsidiary of Kilroy Realty.

Closing and Effective Time

The closing of the merger will take place on the third business day following the satisfaction of the conditions to closing set forth in the merger agreement, or at another time that both parties mutually agree upon; provided that Kilroy Realty may elect to delay the closing of the merger for up to 30 calendar days. See Conditions to the Merger below for a more complete description of the conditions that must be satisfied prior to closing. The completion of the merger sometimes is referred to in this proxy statement-prospectus as the closing date.

The merger will become effective on the date when the certificate of merger filed by the parties is duly filed by the California and Delaware Secretaries of State, or at such later date and time specified in such filing as the parties mutually agree upon. The time at which the merger becomes effective is sometimes referred to in this proxy statement-prospectus as the effective time.

Consideration to be Received in the Merger

If the merger is completed, the shares of SFFGA common stock that you own immediately prior to the effective date of the merger will be automatically cancelled and converted into the right to receive shares of Kilroy Realty common stock and cash in lieu of any fractional shares. The aggregate merger consideration paid by Kilroy Realty to SFFGA shareholders is expected to be approximately $22.0 million (subject to adjustment). In addition, a portion of the merger consideration equal to $2.5 million in Kilroy Realty common stock, which we refer to as the escrowed merger consideration, will be withheld from payment at closing and contributed to an escrow account to secure certain indemnification and reimbursement obligations of the SFFGA shareholders under the merger agreement, as described below under Escrowed Merger Consideration. We refer to the remaining merger consideration (the shares of Kilroy Realty common stock not delivered to the escrow account), which you shall receive in common stock, as the closing merger consideration.

The following table illustrates the per share value of merger consideration that SFFGA s shareholders will receive in the merger based on a range of reference prices, assuming (i) no downward adjustment to the merger consideration, (ii) that the currently outstanding 540.88 shares of SFFGA common stock remain unchanged as of immediately prior to the effective time of the merger and (iii) that shareholders are entitled to receive the full amount of the escrowed merger consideration. The table is for illustrative purposes only. The exchange ratio used to determine the number of shares of Kilroy Realty common stock that you will be entitled to receive for each share of SFFGA common stock will be determined based upon the average closing price per share of Kilroy Realty common stock on the NYSE, as

reported by the Wall Street Journal, during the 10 trading day period

Table of Contents

ending on the second trading day prior to completion of the merger. The actual prices at which Kilroy Realty common stock trades during the reference period will establish the actual reference price and therefore the actual aggregate share amount. The table assumes that the closing price of Kilroy Realty s common stock on the date of the merger is the same as the reference price during the reference period. The actual trading price of Kilroy Realty common stock is subject to market fluctuations, and SFFGA shareholders will not be entitled to receive additional shares in the merger if the trading price of Kilroy Realty s common stock on the closing date of the merger is less than the average price during the reference period nor will they receive fewer shares in the merger if the trading price of Kilroy Realty s common stock on the closing date is greater than the average price during the reference period.

Reference Price	Per Share Closing Consideration	Per Share Escrowed Consideration	Total Per Share Consideration
$57.00	632.6273 shares	81.0894 shares	713.7167 shares
$57.50	627.1262 shares	80.3843 shares	707.5105 shares
$58.00	621.7199 shares	79.6913 shares	701.4112 shares
$58.50	616.4061 shares	79.0102 shares	695.4163 shares
$59.00	611.1823 shares	78.3406 shares	689.5229 shares
$59.50	606.0463 shares	77.6823 shares	683.7286 shares
$60.00	600.9959 shares	77.0350 shares	678.0309 shares
$60.50	596.0290 shares	76.3983 shares	672.4273 shares
$61.00	591.1435 shares	75.7721 shares	666.9156 shares
$61.50	586.3375 shares	75.1561 shares	661.4935 shares
$62.00	581.6089 shares	74.5500 shares	656.1589 shares
$62.50	576.9561 shares	73.9536 shares	650.9096 shares
$63.00	572.3771 shares	73.3666 shares	645.7437 shares
$63.50	567.8701 shares	72.7889 shares	640.6591 shares
$64.00	563.4337 shares	72.2203 shares	635.6539 shares
$64.50	559.0660 shares	71.6604 shares	630.7264 shares
$65.00	554.7655 shares	71.1092 shares	625.8746 shares
$65.50	550.5306 shares	70.5664 shares	621.0970 shares
$66.00	546.3599 shares	70.0318 shares	616.3917 shares
$66.50	542.2519 shares	69.5052 shares	611.7572 shares
$67.00	538.2053 shares	68.9865 shares	607.1918 shares
$67.50	534.2186 shares	68.4755 shares	602.6941 shares
$68.00	530.2905 shares	67.9720 shares	598.2625 shares

Adjustment to Merger Consideration

The aggregate merger consideration is determined by taking $27.0 million and adjusting it downward by (i) the sum of (A) any outstanding principal balance of the indebtedness on the SFFGA property, plus all accrued and unpaid interest thereon on and as of the closing date of the merger, plus any prepayment fees or other amounts payable in connection therewith, (B) the proration amounts debited to SFFGA, and (C) the SFFGA expenses assumed by Kilroy Realty, (ii) further adjusting downward by any expenses of SFFGA which were not taken into account in calculating the merger consideration and (iii) adjusting upward to the extent of any proration amounts credited to SFFGA and the cash amount reserved for the payment of certain taxes arising from the sale of the investment properties (in the approximate amount of $[ ] million). Pursuant to the merger agreement, the outstanding indebtedness on the SFFGA property (in the approximate amount of $4.6 million) will be deducted from the amount paid by Kilroy Realty in the

merger and will be paid in full by Kilroy Realty at closing. The aggregate merger consideration of approximately $22.0 million is net of the retirement or assumption of such indebtedness.

Table of Contents

Escrowed Merger Consideration

A portion of the aggregate merger consideration equal to $2.5 million in Kilroy Realty common stock, which we refer to as the escrowed merger consideration, will be withheld from the merger consideration deliverable to SFFGA shareholders on the closing date, to serve as security for the benefit of Kilroy Realty against the indemnification afforded Kilroy Realty in the merger agreement and to reimburse Kilroy Realty for certain fees and expenses that were not able to be calculated at the closing of the merger. On the closing date, the escrowed merger consideration will be deposited by Kilroy Realty with Computershare Trust Company, N.A., which we refer to as the escrow agent, in an escrow account, established in accordance with the escrow agreement to be entered into among Kilroy Realty, the escrow agent and the SFFGA Representative. If any payment is required to be made to Kilroy Realty from the escrow account, Kilroy Realty and the SFFGA Representative will promptly provide written instructions to the escrow agent to deliver to Kilroy Realty out of the escrow account.

Eighteen months following the closing date, Kilroy Realty will provide written instructions to the escrow agent to deliver to the SFFGA shareholders agent for the benefit of the former SFFGA shareholders the remaining escrowed merger consideration in the escrow account, except for (i) an amount equal to $0.5 million in Kilroy Realty common stock, which amount shall be withheld for an additional 18 months as security for the benefit of Kilroy Realty in respect of indemnification claims arising out of environmental matters; and (ii) amounts subject to claims for indemnification or reimbursement by Kilroy Realty. Amounts distributed by the escrow agent, whether on the day 18 months following the closing date or on the date 36 months following the closing date (with respect to the $0.5 million in Kilroy Realty common stock withheld in respect of indemnification claims arising out of environmental matters) are referred to herein as the escrow disbursement. The exchange agent will distribute any escrow disbursement to the former SFFGA shareholders on a pro rata basis, calculated by dividing the total escrow disbursement by the number of shares of SFFGA common stock issued and outstanding immediately prior to the effective time of the merger, which we refer to as the per share escrowed merger consideration. Pursuant to the merger agreement, shares of Kilroy Realty common stock paid from the escrow account in satisfaction of indemnification claims, will be valued at a price per share equal to the reference price as of the closing of the merger. The former SFFGA shareholders will be entitled to receive any distributions paid by Kilroy Realty with respect to the Kilroy Realty common stock held in the escrow account and such shareholders shall be entitled to vote such shares on any matters submitted to a vote of the holders of Kilroy Realty common stock.

A portion of the investment properties consideration equal to $0.4 million in cash will be deposited at the closing with the escrow agent to serve as security for the benefit of Kilroy Realty in respect of indemnification obligations arising under the Agreement of Purchase and Sale in connection with the sale of the investment properties to Flair. This amount, which we refer to as the escrowed investment properties consideration, will be held by the escrow agent for a period of four months from the July 18, 2014 closing of the sale of the investment properties to Flair. The escrowed investment properties consideration will be released from the escrow account in accordance with the terms of the escrow agreement. If any portion of the escrowed investment properties consideration is required to be disbursed to Kilroy Realty (as a result of the satisfaction by Kilroy Realty of indemnification plans asserted by Flair), the SFFGA shareholders as of the closing date of the merger will not be entitled to receive such portion of the escrowed investment properties consideration disbursed to Kilroy Realty. As a result, SFFGA shareholders will not know the amount of escrowed investment properties consideration, if any, that may be payable to SFFGA shareholders until the date approximately four months from the July 18, 2014 closing of the sale of the investment properties.

Fractional Shares

No fractional shares of Kilroy Realty common stock will be issued in the merger. Instead, Kilroy Realty will pay to each holder of SFFGA common stock who would otherwise be entitled to a fractional share of Kilroy Realty common

stock an amount in cash (without interest) rounded to the nearest whole cent, determined by multiplying the reference price by such fraction of a share of Kilroy Realty common stock to which such SFFGA shareholder would otherwise be entitled.

Table of Contents

Appointment of Shareholder Representative

By virtue of the adoption of the merger agreement and approval of the principal terms of the merger, each of Angelo Stagnaro, Jr. and Ronald Chiappari will be constituted and appointed as the shareholders exclusive agent and attorney-in-fact, or the SFFGA Representative, with respect to taking any and all actions specified or contemplated by the merger agreement or as provided under the escrow agreement.

The actions of the SFFGA Representative pursuant to the merger agreement and the escrow agreement will bind each SFFGA shareholder, and no notice to or approval by the SFFGA shareholders of such action will be required. Kilroy Realty will be entitled to rely on any action taken by either Mr. Stagnaro, Jr. or Mr. Ronald Chiappari in his capacity as the SFFGA Representative for the benefit of all SFFGA shareholders. The SFFGA Representative will be fully protected, held harmless and indemnified by SFFGA s shareholders in exercising, or in declining to exercise, a power provided for or contemplated by the merger agreement or as provided for in the escrow agreement for the benefit of all SFFGA shareholders, as he shall determine, whether upon consultation with the SFFGA shareholders or in his sole discretion, to be in the interests of all SFFGA shareholders. SFFGA will establish an account (independent of the escrow established with respect to the escrowed merger consideration) into which SFFGA will deposit an amount reasonably anticipated to be necessary to cover the costs and expenses of the SFFGA Representative subsequent to the closing of the merger. Any amounts remaining after termination of the duties of the SFFGA Representative will be distributed to the SFFGA shareholders. In the event of death or disability of the SFFGA representative or his resignation, a successor representative will be elected by a majority of the former shareholders of SFFGA.

Exchange of Certificates

Kilroy Realty has engaged Computershare Trust Company, N.A. to act as its exchange agent to handle the exchange of SFFGA common stock for the merger consideration and the payment of cash for any fractional shares. Within three business days after the effective time, the exchange agent will send to each SFFGA shareholder a letter of transmittal for use in the exchange with instructions explaining how to surrender SFFGA common stock certificates to the exchange agent in exchange for the applicable portion of the closing merger consideration. The SFFGA shareholders that surrender their certificates to the exchange agent, together with a properly completed letter of transmittal, will receive the applicable portion of the closing merger consideration. SFFGA shareholders that do not exchange their SFFGA common stock will not be entitled to receive the closing merger consideration or any dividends or other distributions by Kilroy Realty until their certificates are surrendered. After surrender of the certificates representing SFFGA shares, any unpaid dividends or distributions with respect to the Kilroy Realty common stock represented by the certificates will be paid without interest.

Representations and Warranties

The merger agreement contains various representations and warranties by SFFGA and/or Kilroy Realty. SFFGA is making representations and warranties concerning, among other things:

- corporate existence, qualification to conduct business, and corporate standing and power;
- ownership and certain activities of subsidiaries;

capitalization;

corporate authority to enter into, and to carry out the obligations under, the merger agreement and the enforceability of the merger;

conflicts with or breaches or violations of organizational documents, material agreements, applicable laws, judgments or orders as a result of the merger;

governmental and third party consents and approvals;

permits and licenses, and compliance with laws;

financial statements;

Table of Contents

absence of undisclosed liabilities;

real property, personal property and other material assets;

accuracy of information provided;

absence of material adverse changes;

employee benefit plans;

labor and other employment matters;

contracts, commitments, leases, and other agreements;

absence of pending or threatened litigation or proceedings;

intellectual property;

certain tax matters;

insurance;

related party transactions;

votes required to approve the merger

broker/finder fees;

Investment Company Act;

no existing discussions;

no unlawful payments;

compliance with anti-money laundering laws;

prohibited persons and transactions;

zoning;

environmental matters;

improvements;

tenant leases;

third party rights;

property indebtedness;

condemnation;

personal property;

monetary liens; and

full disclosure.

Kilroy Realty is making representations and warranties concerning, among other things:

corporate existence, qualification to conduct business, and corporate standing and power;

capitalization;

corporate authority to enter into, and to carry out the obligations under, the merger agreement and the enforceability of the merger;

conflicts with or breaches or violations of organizational documents, material agreements, applicable laws, judgments or orders as a result of the merger;

governmental and third party consents and approvals;

Table of Contents

compliance with laws;

financial statements and internal accounting controls;

filings with the SEC and other governmental agencies;

accuracy of information provided;

absence of pending or threatened litigation or proceedings;

broker/finder fees; and

certain tax matters.

The representations and warranties of each of SFFGA and Kilroy Realty have been made solely for the benefit of the other party and such representations and warranties should not be relied on by any other person. In addition, such representations and warranties:

have been qualified by information set forth in confidential disclosure schedules exchanged by the parties in connection with signing the merger agreement the information contained in these schedules modifies, qualifies and creates exceptions to the representations and warranties in the merger agreement;

may be intended not as statements of fact, but rather as a way of allocating the risk to one of the parties to the merger agreement if those statements turn out to be inaccurate;

are subject to the materiality standard described in the merger agreement which may differ from what may be viewed as material by you; and

were made only as of the date of the merger agreement or such other date as is specified in the merger agreement.

Covenants

The merger agreement has a number of covenants and agreements that govern the actions of SFFGA and Kilroy Realty pending completion of the merger. Some of the more significant covenants and agreements are summarized below.

No Solicitation of Competing Transactions. The merger agreement contains provisions prohibiting SFFGA from seeking or discussing an alternative proposal to the merger. SFFGA has agreed that it will not, directly or indirectly

solicit, encourage or facilitate any proposal or any inquiry or proposal or enter into any negotiations or discussions with any person or entity concerning any proposed acquisition of SFFGA, or furnish any information to any person or entity proposing or seeking such an acquisition.

Disposition of Assets. The merger agreement contains provisions requiring SFFGA to sell the investment properties, retaining reserves for taxes in connection with the sale and paying other expenses associated with the sale of such properties, including costs, commissions and the retirement payments of indebtedness served by the properties (together with prepayment fees in connection therewith).

Recommendation of Merger Agreement by SFFGA Board. SFFGA has agreed that its board of directors will recommend that SFFGA shareholders vote to approve the merger agreement and the principal terms of the merger and use its best efforts to solicit shareholder proxies in favor of the approval of the merger agreement and the approval of the principal terms of the merger.

Conduct of Business Pending Closing of the Merger. SFFGA will, except as otherwise permitted or required by the merger agreement, or as otherwise agreed to in writing by Kilroy Realty:

Conduct its business in all material respects in the ordinary course and in a manner consistent with past practice, in a manner that will ensure that SFFGA has no undistributed earnings and profits as of the closing of the merger (as determined for U.S. Federal income tax purposes);

Table of Contents

use commercially reasonable efforts to maintain its assets and properties in their current condition;

maintain the general character of its business;

preserve intact in all material respects its current business organization, goodwill, ongoing businesses and relationships with third parties and maintain all SFFGA insurance policies;

cause its property to be maintained in compliance with applicable law and the ordinary and usual course of business and perform, or cause to be performed, in a timely manner all of its or its affiliates obligations under contracts, permits, leases and other agreements affecting its property; and

keep in full force and effect all existing insurance policies related to its property and keep in effect all existing permits.

Except as otherwise permitted or required by the merger agreement, or as otherwise agreed to in writing by Kilroy Realty, until the effective date of the merger, SFFGA will not:

enter into any new leases or contracts or terminate or amend any existing leases and contracts (other than disapproved contracts that are to be terminated pursuant to the merger agreement);

issue, sell, pledge, dispose of, grant, transfer, encumber, or authorize the issuance, sale, pledge, disposition, grant, transfer or encumbrance of any SFFGA common stock;

sell, pledge, dispose of, transfer, sell and leaseback, license, guarantee, securitize or create any lien, or authorize the sale, pledge, disposition, transfer, sale and leaseback, license, guarantee, securitization of or creation of any lien on, its property or interest therein of SFFGA;

enter into any agreement with respect to the voting of SFFGA common stock, split, combine, subdivide or reclassify any of the SFFGA common stock or purchase, redeem or otherwise acquire any of the SFFGA common stock;

directly or indirectly acquire by merging or consolidating with, or by purchasing assets of, or by any other manner, any person or division, business or equity interest of any person;

incur any indebtedness or guarantee indebtedness, issue or sell any debt securities or warrants, or assume, guarantee or endorse, or otherwise become responsible for, the obligations of any person, or enter into any keep well or other agreement to maintain any financial statement condition of another person, or make or authorize any loan, advance or capital contributions to, or investments in, any other person;

adopt or enter into any benefit plan or collective bargaining or other labor agreement or indemnification arrangement; or hire or engage any person as an employee or independent contractor or make any offers of employment to any person;

accelerate or delay collection of notes or rents receivable in advance of or beyond their regular due dates or the dates when the same would have been collected in the ordinary course of business consistent with past practice;

delay or accelerate payment of any account payable in advance of its due date or the date such liability would have been paid in the ordinary course of business consistent with past practice;

cancel, discharge or adversely modify the terms of any indebtedness owed to SFFGA or waive, release, assign, settle or compromise any material claims, or any material litigation or arbitration;

make any change in accounting policies or procedures;

make or change any material tax election, settle or compromise any claim, notice, audit report or assessment in respect of taxes, change any tax accounting period, adopt or change any method of tax accounting, file any material tax return or amended material tax return, enter into any tax allocation agreement, tax sharing agreement, tax indemnity agreement or closing agreement relating to any material tax, surrender any right to claim a material tax refund, or consent to any extension or waiver of the statute of limitations period applicable to any material tax claim or assessment;

Table of Contents

take any action to render inapplicable, or to exempt any person from any other state takeover law or state law that purports to limit or restrict business combinations or the ability to acquire or vote shares, in each case, other than the merger;

enter into any strategic alliance, affiliate agreement or joint marketing arrangement or agreement;

take any action that would bind SFFGA or its property, or would otherwise obligate SFFGA to take any action, or to refrain from taking action;

take any action that is intended or would reasonably be expected to result in any of the representations and warranties discussed above to become untrue; or

authorize or enter into any agreement or otherwise make any commitment to do any of the foregoing.

Directors and Officers Insurance. SFFGA has agreed that after the merger it will obtain and fully pay for tail insurance policies with respect to directors and officers liability insurance with a claims period of at least six years from the closing date in an amount and scope at least as favorable as SFFGA s existing policies.

Registration of Shares. Kilroy Realty has filed a registration statement on Form S-4 to register with the SEC the issuance in the merger of the Kilroy Realty common stock. Kilroy Realty and SFFGA have agreed that they will use their reasonable best efforts to have the Form S-4 declared effective, ensure that the Form S-4 compiles in all material respects with the applicable provisions of the Exchange Act or Securities Act and keep the Form S-4 effective for so long as necessary to complete the merger.

Conditions to the Merger

Under the merger agreement, various conditions are required to be met before Kilroy Realty or SFFGA is obligated to complete the merger. These conditions are customary and include:

approval of the merger by the SFFGA shareholders;

absence of any order restraining or enjoining the merger;

the Form S-4 shall have been declared effective by the SEC;

listing on the NYSE of the Kilroy Realty common stock to be delivered to the SFFGA shareholders in connection with the merger;

continued accuracy as of the completion of the merger of Kilroy Realty s and SFFGA s representations and warranties;

performance in all material respects by Kilroy Realty and SFFGA of their respective obligations under the merger agreement;

receipt by Kilroy Realty and SFFGA of a tax opinion from their respective counsel, dated the closing date of the merger, substantially to the effect that, for federal income tax purposes, the merger will constitute a reorganization within the meaning of Section 368(a) of the Code;

receipt by SFFGA of all requisite consents, authorizations, approvals and releases;

the sale by SFFGA of the investment properties;

delivery by SFFGA and Kilroy Realty of certain real property related deliverables;

holders of not more than 10% of the outstanding shares of SFFGA common stock have exercised or have the continued right to exercise appraisal, dissenter s or similar rights; and

the absence since signing of the merger agreement of any changes which have had or might reasonably be expected to have a material adverse effect (as defined in the merger agreement) on SFFGA.

Table of Contents

Termination of the Merger Agreement

The merger agreement may be terminated at any time prior to the completion of the merger by:

mutual written consent of SFFGA and Kilroy Realty; or

either SFFGA or Kilroy Realty if:

the merger has not been completed within six months of the date the merger agreement was executed, which we refer to the outside date, but this termination right is not available to a party whose failure to materially comply with the merger agreement resulted in the failure to complete the merger on or before that date; or

a court or governmental authority of competent jurisdiction has issued a final order restraining, enjoining or otherwise prohibiting the transactions contemplated by the merger agreement; or

the approval of SFFGA s shareholders have not been obtained at a duly held meeting, but this termination right is not available to SFFGA if the failure to obtain such approval was primarily due to SFFGA s failure to perform any of its obligations under the merger agreement; or

by SFFGA if Kilroy Realty has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements set forth in the merger agreement, which breach or failure cannot be cured by the outside date or if curable, has not been cured within 20 days after receipt of written notice by SFFGA; or

by Kilroy Realty if SFFGA has breached or failed to perform in any material respect any of its representations, warranties, covenants or other agreements set forth in the merger agreement, which breach or failure cannot be cured by the outside date or if curable, has not been cured within 20 days after receipt of written notice by Kilroy Realty.

Expense Reimbursement

SFFGA may be required to reimburse Kilroy Realty for its out-of-pocket costs and expenses in the event that Kilroy Realty terminates the merger agreement as a result of SFFGA s breach of its non-solicitation obligation under the merger agreement.

Effect of Termination

If the merger is terminated as described in the section entitled Termination of the Merger Agreement above, the merger agreement will be void, except that for certain designated provisions of the merger agreement, including with respect to notices, third-party beneficiaries, governing law, consent to jurisdiction, and waiver of jury trial, and

nothing will relieve either party from liability for any willful breach of the merger agreement prior to termination.

Waiver and Amendment

Either Kilroy Realty or SFFGA may waive any inaccuracies in the representations and warranties of the other party or compliance by the other party with any of the covenants or conditions contained in the merger agreement, unless applicable law requires the condition to be met.

Kilroy Realty or SFFGA can amend the merger agreement at any time before the merger is completed; however, the merger agreement prohibits them from amending the merger agreement after SFFGA shareholders approve the merger agreement if the amendment would change in a manner adverse to SFFGA shareholders the consideration to be received by SFFGA shareholders in the merger.

Table of Contents

Expenses

The costs and expenses incurred in connection with or incident to the merger are allocated between Kilroy Realty and SFFGA as specified in the merger agreement. All costs and expenses not specifically described in the merger agreement shall be paid by the party incurring the same.

Regulatory Matters

Kilroy Realty is not aware of any U.S. federal or state regulatory approvals that must be obtained in connection with the merger. SFFGA is also not aware of any U.S. federal or state regulatory approvals that must be obtained in connection with the merger.

Table of Contents

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT OF SFFGA

As of June 20, 2014, no person beneficially owns more than 5% of SFFGA s outstanding common stock. SFFGA s directors and officers, as a group, own 12.2% of SFFGA s outstanding common stock.

Table of Contents

THE COMPANIES

Kilroy Realty Corporation

Kilroy Realty is a self-administered REIT active in premier office submarkets along the West Coast. Kilroy Realty owns, develops, acquires and manages real estate assets, consisting primarily of Class A properties in the coastal regions of Los Angeles, Orange County, San Diego, the San Francisco Bay Area and greater Seattle, which Kilroy Realty believes have strategic advantages and strong barriers to entry. Kilroy Realty is a Maryland corporation organized to qualify as a REIT under the Internal Revenue Code of 1986, as amended, which owns its interests in all of its properties directly or indirectly through Kilroy Realty, L.P., or the operating partnership, and Kilroy Realty Finance Partnership, L.P. Kilroy Realty common stock trades on the NYSE under the symbol KRC. Kilroy Realty s principal executive offices are located at 12200 W. Olympic Boulevard, Suite 200 Los Angeles, California 90064. Kilroy Realty s telephone number at that location is (310) 481-8400.

Financial and other information about Kilroy Realty is set forth in Kilroy Realty s Annual Report on Form 10-K/A for the year ended December 31, 2013. Information regarding the names, ages, positions, and business backgrounds of the executive officers and directors of Kilroy Realty, as well as additional information, including executive compensation, security ownership of certain beneficial owners and management, and certain relationships and related transactions, is set forth in or incorporated by reference into Kilroy Realty s Annual Report on Form 10-K/A for the year ended December 31, 2013, and Kilroy Realty s Proxy Statement for its 2014 Annual Meeting of Stockholders. See Where You Can Find More Information on page 98.

San Francisco Flower Growers Association

San Francisco Flower Growers Association, a California corporation, is headquartered in San Francisco, California. SFFGA was incorporated in 1923 as a cooperative organized by local flower and fern growers. Its primary business is to own and operate a portion of the real estate on which the San Francisco Flower Mart is situated. SFFGA and an adjacent property owner occupy two contiguous sites to the northeast fronting Brannan Street near Sixth Street in San Francisco. The combined operations are commonly referred to as the San Francisco Flower Mart. Together they represent the largest wholesale flower distributorship operation in San Francisco.

As of June 30, 2014, SFFGA had total assets of approximately $6.8 million, liabilities of $6.3 million and shareholders equity of $0.5 million. SFFGA is not a public company and, accordingly, there is no established trading market for SFFGA s common stock.

In 2006, following the sale of the Villa dei Fiori project, a mixed use rental project located adjacent to the existing San Francisco Flower Mart property that was developed by SFFGA, SFFGA acquired four investment properties with the proceeds from the sale. Two of the properties are in North Carolina, one in Virginia and one in Rhode Island. We refer to these properties as the Kernersville Property, the Winston-Salem Property, the VA Property and the RI Property, and collectively, as the investment properties. The VA Property, the Kernersville Property, and the Winston-Salem properties are leased to Walgreens and the RI Property is leased to Lowe s. SFFGA anticipates that the sale of the investment properties will closed July 18, 2014.

SFFGA considered various strategic options with respect to the investment properties: a spin-off of the properties to a new entity, a distribution of the investment properties to the shareholders, retention of the properties by SFFGA, and the sale of some or all of the investment properties. In connection with the structuring of the merger, SFFGA determined that all of the investment properties would have to be sold or distributed to the shareholders because Kilroy Realty was unwilling to acquire the investment properties in the merger because ownership of the investment

properties would not be consistent with Kilroy Realty s business objectives. SFFGA determined that, in part due to the potential tax implications of a distribution of the investment properties to the shareholders, which would cause SFFGA to recognize taxable gain and the shareholders to recognize dividend income, in each case with no cash proceeds from which to pay such taxes, it was preferable to sell the investment properties. In March 2014, Capital Pacific, a third-party real estate broker, commenced an extensive nationwide marketing effort for the investment properties on behalf of SFFGA.

Table of Contents

On July 18, 2014, pursuant to an Agreement of Purchase and Sale and Joint Escrow Instructions entered into June 3, 2014 with Flair Diversified Properties, LLC, a California limited liability company, which we refer to as Flair, Flair purchased from the Company the four investment properties for an aggregate purchase price in cash of approximately $20.0 million. SFFGA intends to utilize a portion of the purchase price for the investment properties to retire outstanding indebtedness (in the approximate amount of $10.6 million), including loan pre-payment fees) and a portion of the purchase price for brokerage commissions and expenses of sale (in the approximate amount of $0.75). A portion of the investment properties purchase price in an amount equal to $0.4 million in cash, which we refer to as the escrowed investment properties consideration, will be contributed to an escrow account to support certain indemnification and reimbursement obligations of SFFGA under the Agreement of Purchase and Sale. The escrowed investment properties consideration will be released from the escrow account and distributed to the SFFGA shareholders in accordance with the terms of an escrow agreement. In addition, SFFGA intends to use approximately $[ ] million of the proceeds to establish a reserve for taxes associated with the sale of the investment properties. SFFGA intends to pay a dividend, in one or more installments, to the SFFGA shareholders from the remaining cash available from the sale, to the extent not needed for other corporate purposes, in the approximate aggregate amount of $[ ] million, or approximately $[ ] per share of SFFGA common stock. SFFGA s directors have declared an initial dividend of $[ ] per share payable July 28, 2014 to shareholders of record on July 23, 2014. The cash for the reserve for taxes will be left in SFFGA following the merger and will be included in the calculation of the aggregate merger consideration.

At the effective time of the merger, following the sale of the investment properties (and subsequent distribution of a portion of the proceeds therefrom) and completion of other actions to be taken by SFFGA under the terms of the merger agreement, the only material asset of SFFGA will consist of the 1.9 acre land site in Central SOMA on which a portion of the San Francisco Flower Mart is currently situated. At such time, all other assets and liabilities of SFFGA will be immaterial to the transaction and SFFGA will effectively only own the land site. There will be no employees, employee related costs, or employee benefit plans transferring in connection with the merger. The merger transaction was structured to allow the SFFGA shareholders to defer a portion of the U.S. federal income tax that would have otherwise resulted from a taxable sale of the 1.9 acre land site followed by a distribution of the proceeds of the sale to the SFFGA shareholders.

Table of Contents

KILROY REALTY CORPORATION CAPITAL STOCK

The following is a summary of some of the terms and provisions of the capital stock of Kilroy Realty. The following description does not purport to be complete and is subject to, and qualified in its entirety by reference to, the provisions of Kilroy Realty s charter (including, without limitation, the articles supplementary (the Articles Supplementary) establishing the terms of Kilroy Realty s 6.875% Series G Cumulative Redeemable Preferred Stock (the Series G preferred stock) and 6.375% Series H Cumulative Redeemable Preferred Stock (the Series H preferred stock)) incorporated by reference to Kilroy Realty s SEC filings. See Where You Can Find More Information.

COMMON STOCK

General

Kilroy Realty s charter authorizes it to issue 150,000,000 shares of common stock, par value $.01 per share. As of July 15, 2014, Kilroy Realty had 83,098,880 shares of common stock outstanding. The number of outstanding shares of common stock excludes the following as of July 15, 2014 (i) 1,169,000 shares of common stock issuable upon exercise of options granted under Kilroy Realty s equity compensation plans; (ii) [ ] additional shares of common stock reserved and available for issuance under Kilroy Realty s equity compensation plans; (iii) 1,452,334 shares of common stock underlying restricted stock units awarded under Kilroy Realty s stock award deferral program; (iv) 1,804,200 shares of common stock issuable upon redemption of common units of the operating partnership outstanding; (v) 5,038,947 shares (subject to certain anti-dilution and other potential adjustments) of common stock potentially issuable upon the exchange of Kilroy Realty s 4.250% Exchangeable Senior Notes due 2014, calculated using the maximum exchange rate; and (vi) a total of up to 8,000,000 shares of Kilroy Realty s common stock (subject to certain anti-dilution and other potential adjustments) issuable upon conversion of Kilroy Realty s Series G preferred stock and Series H preferred stock following a Change of Control (as defined in the terms of the Series G preferred stock and Series H preferred stock, respectively) of Kilroy Realty.

Shares of Kilroy Realty s common stock:

- are entitled to one vote per share on all matters presented to stockholders generally for a vote, including the election of directors, with no right to cumulative voting;
- do not have any conversion rights;
- do not have any exchange rights;
- do not have any sinking fund rights;
- do not have any redemption rights;

do not generally have any appraisal rights;

do not have any preemptive rights to subscribe for any of Kilroy Realty s securities; and

are subject to restrictions on ownership and transfer.

Kilroy Realty may pay distributions on shares of Kilroy Realty s common stock, subject to the preferential rights of Kilroy Realty s Series G preferred stock, Kilroy Realty s Series H preferred stock and any other series or class of capital stock that Kilroy Realty may issue in the future with rights to dividends and other distributions senior to Kilroy Realty s common stock. However, Kilroy Realty may only pay distributions when the board of directors (in its sole discretion) authorizes a distribution out of legally available funds.

Kilroy Realty s board of directors may:

reclassify any unissued shares of Kilroy Realty s common stock into other classes or series of capital stock;

Table of Contents

establish the number of shares in each of these classes or series of capital stock;

establish any preference rights, conversion rights and other rights, including voting powers, of each of these classes or series of capital stock;

establish restrictions, such as limitations and restrictions on ownership, dividends or other distributions of each of these classes or series of capital stock; and

establish qualifications and terms or conditions of redemption for each of these classes or series of capital stock.

Certain Provisions of the Maryland General Corporation Law

Under the Maryland General Corporation Law, or the MGCL, Kilroy Realty s stockholders are generally not liable for Kilroy Realty s debts or obligations. If Kilroy Realty liquidates, it will first pay all debts and other liabilities, including debts and liabilities arising out of Kilroy Realty s status as general partner of the operating partnership, and, second, any preferential distributions on any outstanding shares of Kilroy Realty s preferred stock. Each holder of Kilroy Realty s common stock then will share ratably in Kilroy Realty s remaining assets. All shares of Kilroy Realty s common stock have equal distribution, liquidation and voting rights, and have no preference or exchange rights, subject to the ownership limits in Kilroy Realty s charter or as permitted by the board of directors pursuant to executed agreements waiving these ownership limits with respect to specific stockholders.

Under the MGCL, Kilroy Realty generally requires approval by Kilroy Realty s stockholders by the affirmative vote of at least two-thirds of the votes entitled to vote before it can:

dissolve;

amend Kilroy Realty s charter;

merge;

sell all or substantially all of Kilroy Realty s assets;

engage in a share exchange; or

engage in similar transactions outside the ordinary course of business.

Because the term substantially all of a company s assets is not defined in the MGCL, it is subject to Maryland common law and to judicial interpretation and review in the context of the unique facts and circumstances of any particular transaction. Although the MGCL allows Kilroy Realty s charter to establish a lesser percentage of affirmative votes by

Kilroy Realty s stockholders for approval of those actions, Kilroy Realty s charter does not include such a provision.

PREFERRED STOCK

Kilroy Realty s charter authorizes Kilroy Realty to issue 30,000,000 shares of preferred stock, par value $.01 per share. Of the 30,000,000 authorized shares of preferred stock, Kilroy Realty has classified and designated 4,600,000 shares as Series G preferred stock and 4,000,000 shares as Series H preferred stock. As of July 15, 2014, 4,000,000 shares of Kilroy Realty s Series G preferred stock are issued and outstanding and 4,000,000 shares of Series H preferred stock are issued and outstanding.

Kilroy Realty may classify, designate and issue additional shares of currently authorized shares of preferred stock, in one or more classes or series, as authorized by the board of directors without the prior consent of Kilroy Realty s stockholders. The board of directors may grant the holders of preferred stock of any class or series preferences, powers and rights voting or otherwise senior to the rights of holders of shares of Kilroy Realty s common stock. The board of directors can authorize the issuance of currently authorized shares of preferred

Table of Contents

stock with terms and conditions that could have the effect of delaying or preventing a change of control transaction that might involve a premium price for holders of shares of Kilroy Realty s common stock or otherwise be in their best interest. All shares of preferred stock which are issued and are or become outstanding are or will be fully paid and non-assessable. Before Kilroy Realty may issue any shares of preferred stock of any class or series, the MGCL and Kilroy Realty s charter require the board of directors to determine the following with respect to such class or series:

- the designation;
- the terms;
- preferences with respect to distributions and in the event of Kilroy Realty s liquidation, dissolution or winding-up;
- conversion and other rights, if any;
- voting powers;
- restrictions;
- limitations as to distributions;
- qualifications; and
- terms or conditions of redemption, if any.

6.875% SERIES G CUMULATIVE REDEEMABLE PREFERRED STOCK

General

Of Kilroy Realty s 30,000,000 authorized preferred shares, 4,600,000 shares have been classified and designated as 6.875% Series G Cumulative Redeemable Preferred Stock. Of these shares, as of July 15, 2014, 4,000,000 are issued and outstanding.

Dividends

Each share of Series G preferred stock is entitled to receive, when, as, and if authorized by Kilroy Realty s board of directors and declared by Kilroy Realty, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 6.875% of the $25.00 per share liquidation preference per annum (equivalent to $1.71875 per annum per share), payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year.

Except as provided in the immediately following paragraph, unless full cumulative dividends for all past dividend periods on the Series G preferred stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment, no dividends (other than in shares of Kilroy Realty s common stock or shares of any other class or series of stock of Kilroy Realty ranking junior to the Series G preferred stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of Kilroy Realty) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made on Kilroy Realty s common stock or any other class or series of stock of Kilroy Realty ranking junior to or on a parity with the Series G preferred stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of Kilroy Realty, nor shall any shares of Kilroy Realty s common stock or any other class or series of stock of Kilroy Realty ranking junior to or on a parity with the Series G preferred stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of Kilroy Realty be redeemed, purchased or otherwise acquired for any consideration (or any amounts be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by Kilroy Realty (except by conversion into or exchange for shares of Kilroy Realty s common stock or shares of any other class or series of stock of Kilroy Realty ranking junior to the Series G preferred stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of Kilroy Realty); provided,

Table of Contents

however, that the foregoing shall not prevent the purchase or acquisition of shares of Kilroy Realty s stock to preserve Kilroy Realty s status as a real estate investment trust, or REIT, for federal and/or state income tax purposes. With respect to the Series G preferred stock, all references to past dividend periods shall mean, as of any date, dividend periods ending on or prior to such date, and with respect to shares of any other class or series of stock ranking on a parity as to dividends with the Series G preferred stock , past dividend periods shall mean, as of any date, dividend periods with respect to such other class or series of stock ending on or prior to such date.

When full cumulative dividends for all past dividend periods are not paid in full (or a sum sufficient for the full payment is not set apart) upon the shares of Series G preferred stock and when full cumulative dividends for all past dividend periods are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the shares of any other class or series of Kilroy Realty s stock ranking on a parity as to dividends with the Series G preferred stock, then all dividends declared on shares of Series G preferred stock and any other outstanding classes or series of Kilroy Realty s stock ranking on a parity as to dividends with the Series G preferred stock shall be declared pro rata so that the amount of dividends declared per share on the Series G preferred stock and such other classes or series of stock ranking on a parity as to dividends with the Series G preferred stock shall in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of Series G preferred stock and such other classes or series of stock ranking on a parity as to dividends with the Series G preferred stock (which, in the case of any such other class or series of stock ranking on a parity as to dividends with the Series G preferred stock, shall not include any accumulation in respect of unpaid dividends for past dividend periods if such other class or series of stock ranking on a parity as to dividends with the Series G preferred stock does not have a cumulative dividend) bear to each other.

Ranking

The Series G preferred stock will, with respect to dividends and rights upon the distribution of assets upon Kilroy Realty s voluntary or involuntary liquidation, dissolution or winding-up, rank:

- senior to Kilroy Realty s common stock and all other classes or series of Kilroy Realty s stock designated as ranking junior to Series G preferred stock;
- on parity with all other classes or series of stock designated as ranking on a parity with the Series G preferred stock (including, without limitation, the Series H preferred stock); and
- junior to all other classes or series of Kilroy Realty s stock designated as ranking senior to the Series G preferred stock.

Redemption

The Series G preferred stock will not be redeemable before March 27, 2017, except to preserve Kilroy Realty s status as a REIT for federal and/or state income tax purposes and except as described below upon the occurrence of a Series G Change of Control (as defined below). On and after March 27, 2017, Kilroy Realty may, at its option, redeem any or all of the shares of the Series G preferred stock, for cash, at $25.00 per share plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption.

Upon the occurrence of a Series G Change of Control, Kilroy Realty may, at its option, at any time or from time to time, redeem any or all of the shares of Series G preferred stock, within 120 days after the first date on which such

Series G Change of Control occurred, for cash, at $25.00 per share plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. If, prior to the Series G Change of Control Conversion Date (as defined below), Kilroy Realty has provided or will provide notice of its election to redeem some or all of the shares of Series G preferred stock (whether pursuant to Kilroy Realty s optional redemption right described in the paragraph above or the special optional redemption right described in this paragraph), the holders of Series G preferred stock will not have the conversion right described below under Conversion Rights with respect to the shares of Series G preferred stock called for redemption.

Table of Contents

A Series G Change of Control is when the following have occurred and are continuing:

- the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of stock of Kilroy Realty entitling that person to exercise more than 50% of the total voting power of all stock of Kilroy Realty entitled to vote generally in the election of Kilroy Realty s directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

- following the closing of any transaction referred to in the bullet point above, neither Kilroy Realty nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE Amex, or the NASDAQ, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or the NASDAQ.

The Series G Change of Control Conversion Date is the date the Series G preferred stock is to be converted into Kilroy Realty s common stock, which will be a business day selected by Kilroy Realty that is no fewer than 20 days nor more than 35 days after the date on which Kilroy Realty provides a notice of the occurrence of the Series G Change of Control that describes the resulting Series G Change of Control Conversion Right to the holders of Series G preferred stock.

Conversion Rights

Upon the occurrence of a Series G Change of Control, each holder of Series G preferred stock will have the right, which Kilroy Realty refers to as the Series G Change of Control Conversion Right (unless, prior to the Series G Change of Control Conversion Date, Kilroy Realty has provided notice of its election to redeem some or all of the shares of Series G preferred stock held by such holder pursuant to the redemption provisions describe above under Redemption, in which case such holder will have the right only with respect to shares of Series G preferred stock that are not called for redemption) to convert some or all of the Series G preferred stock held by such holder on the Series G Change of Control Conversion Date, into a number of shares of Kilroy Realty s common stock per share of Series G preferred stock equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series G preferred stock plus the amount of any accrued and unpaid dividends thereon to the Series G Change of Control Conversion Date (unless the Series G Change of Control Conversion Date is after a record date for a Series G preferred stock dividend payment and prior to the corresponding dividend payment date for the Series G preferred stock, in which case no additional amount for such accrued and unpaid dividends will be included in this sum) by (ii) the Series G Common Stock Price (as defined below); and

- 1.0975, which Kilroy Realty refers to as the Series G Share Cap, subject to adjustments to the Series G Share Cap for any splits, subdivisions or combinations of Kilroy Realty s common stock;

subject, in each case, to provisions for the receipt of alternative consideration under specified circumstances as set forth in the Articles Supplementary for the Series G preferred stock.

The Series G Common Stock Price is (i) if the consideration to be received in the Series G Change of Control by the holders of Kilroy Realty s common stock is solely cash, the amount of cash consideration per share of Kilroy Realty s common stock or (ii) if the consideration to be received in the Series G Change of Control by holders of Kilroy Realty s common stock is other than solely cash (x) the average of the closing sale prices per share of Kilroy Realty s common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the 10 consecutive trading days immediately preceding, but not

Table of Contents

including, the date on which such Series G Change of Control occurred as reported on the principal U.S. securities exchange on which Kilroy Realty s common stock is then traded, or (y) the average of the last quoted bid prices for Kilroy Realty s common stock in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the 10 consecutive trading days immediately preceding, but not including, the date on which such Series G Chang of Control occurred, if Kilroy Realty s common stock is not then listed for trading on a U.S. securities exchange.

No Maturity, Sinking Fund or Mandatory Redemption

The Series G preferred stock has no maturity date, and Kilroy Realty is not required to redeem the Series G preferred stock at any time. Accordingly, the shares of Series G preferred stock will remain outstanding indefinitely, unless Kilroy Realty decides, at its option, to exercise its redemption rights or otherwise repurchase them or they become convertible and are converted in the manner set forth in Articles Supplementary for the Series G preferred stock. None of the Series G preferred stock is subject to any sinking fund.

Limited Voting Rights

Holders of Series G preferred stock do not have any voting rights except as set forth below. Whenever dividends on any shares of Series G preferred stock are in arrears for six or more quarterly periods, whether or not consecutive, the holders of Series G preferred stock will have the right to vote as a single class with all other classes or series of stock ranking on parity with the Series G preferred stock upon which like voting rights have been conferred and are exercisable for the election of two additional directors to the board of directors. The election will take place at:

- a special meeting called at the request of the holders of at least 10% of the outstanding shares of Series G preferred stock, or the holders of shares of any other class or series of Kilroy Realty s preferred stock ranking on a parity with the Series G preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series G preferred stock in the election of the two directors, if this request is received 90 or more days before the date fixed for Kilroy Realty s next annual or special meeting of stockholders or, if Kilroy Realty receives the request for a special meeting less than 90 days before the date fixed for Kilroy Realty s next annual or special meeting of stockholders, at such next annual or special meeting of stockholders; and

- each subsequent annual meeting until all dividends accumulated on the Series G preferred stock for all past dividend periods have been fully paid or declared and a sum sufficient for the payment thereof is set aside for payment.

When all of the dividends in arrears have been paid or declared and provided for in full, the right of holders of the Series G preferred stock to elect those two directors will cease and, unless there are one or more other classes or series of Kilroy Realty s preferred stock ranking on a parity with the Series G preferred stock upon which like voting rights have been conferred and are exercisable, the term of office of the two directors shall automatically terminate and the number of directors constituting the board of directors shall be reduced accordingly.

In addition, so long as any shares of Series G preferred stock are outstanding, without the consent or affirmative vote of at least two-thirds of the shares of Series G preferred stock then outstanding, Kilroy Realty may not:

authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of stock ranking senior to the Series G preferred stock with respect to payment of dividends or the distribution of assets on liquidation, dissolution or winding up, or reclassify any of Kilroy Realty s authorized stock into any such shares, or create, authorize or issue any obligation or security convertible into, exchangeable or exercisable for, or evidencing the right to purchase, any such shares;

Table of Contents

amend, alter or repeal any of the provisions of Kilroy Realty s charter, including the Articles Supplementary for the Series G preferred stock, so as to materially and adversely affect any right, preference, privilege or voting power of the Series G preferred stock; or

enter into any share exchange that affects the Series G preferred stock or consolidate with or merge into any other entity, or permit another entity to consolidate with or merge into Kilroy Realty, unless in each such case described in this bullet point each share of Series G preferred stock remains outstanding without a material adverse change to its terms and rights or is converted into or exchanged for preferred stock of the surviving or resulting entity having preferences, rights, dividends, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption substantially identical to and in any event without any material adverse change to those of the Series G preferred stock;

provided that any amendment to Kilroy Realty s charter to increase the number of authorized shares of stock or the creation or issuance of any other class or series of preferred stock or any increase in the number of authorized or outstanding shares of Series G preferred stock or any other class or series of stock, in each case ranking on a parity with or junior to the Series G preferred stock with respect to payment of dividends and the distribution of assets upon liquidation, dissolution and winding up, shall not be deemed to materially and adversely affect any right, preference, privilege or voting power of the Series G preferred stock.

On each matter on which holders of Series G preferred stock are entitled to vote, each share of Series G preferred stock will be entitled to one vote, except that when shares of any other class or series of Kilroy Realty s preferred stock have the right to vote with the Series G preferred stock as a single class on any matter, the Series G preferred stock and the shares of each such other class or series will have one vote for each $50.00 of liquidation preference (excluding accrued and unpaid dividends), resulting in each share of Series G preferred stock being entitled to on-behalf of a vote under such circumstances.

Except as expressly stated in the Articles Supplementary for the Series G preferred stock, the Series G preferred stock will not have any relative, participating, optional or other special voting rights or powers and the consent of the holders shall not be required for the taking of any corporate action.

The voting provisions above will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required would occur, all outstanding shares of Series G preferred stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been irrevocably deposited in trust to effect the redemption.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding-up of Kilroy Realty, each share of Series G preferred stock is entitled to receive, out of Kilroy Realty s assets legally available for distribution to stockholders, a liquidation distribution of $25.00 per share, plus any accrued but unpaid dividends, in preference to any of Kilroy Realty s common stock or any other class or series of Kilroy Realty s stock ranking junior to the Series G preferred stock, but subject to the preferential rights of any class or series of Kilroy Realty s preferred stock ranking senior to the Series G preferred stock.

6.375% SERIES H CUMULATIVE REDEEMABLE PREFERRED STOCK

General

Of Kilroy Realty s 30,000,000 authorized preferred shares, 4,000,000 shares have been classified and designated as 6.375% Series H Cumulative Redeemable Preferred Stock. Of these shares, as of July 15, 2014, 4,000,000 are issued and outstanding.

Table of Contents

Dividends

Each share of Series H preferred stock is entitled to receive, when, as, and if authorized by Kilroy Realty s board of directors and declared by Kilroy Realty, out of funds legally available for the payment of dividends, cumulative cash dividends at the rate of 6.375% of the $25.00 per share liquidation preference per annum (equivalent to $1.59375 per annum per share), payable quarterly in arrears on February 15, May 15, August 15 and November 15 of each year.

Except as provided in the immediately following paragraph, unless full cumulative dividends for all past dividend periods on the Series H preferred stock have been or contemporaneously are declared and paid or declared and a sum sufficient for the payment thereof is set apart for such payment, no dividends (other than in shares of Kilroy Realty s common stock or shares of any other class or series of stock of Kilroy Realty ranking junior to the Series H preferred stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of Kilroy Realty) shall be declared or paid or set aside for payment nor shall any other distribution be declared or made on Kilroy Realty s common stock or any other class or series of stock of Kilroy Realty ranking junior to or on a parity with the Series H preferred stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of Kilroy Realty, nor shall any shares of Kilroy Realty s common stock or any other class or series of stock of Kilroy Realty ranking junior to or on a parity with the Series H preferred stock as to dividends or as to the distribution of assets upon liquidation, dissolution or winding up of Kilroy Realty be redeemed, purchased or otherwise acquired for any consideration (or any amounts be paid to or made available for a sinking fund for the redemption of any shares of any such stock) by Kilroy Realty (except by conversion into or exchange for shares of Kilroy Realty s common stock or shares of any other class or series of stock of Kilroy Realty ranking junior to the Series H preferred stock as to dividends and as to the distribution of assets upon liquidation, dissolution and winding up of Kilroy Realty); provided, however, that the foregoing shall not prevent the purchase or acquisition of shares of Kilroy Realty s stock to preserve Kilroy Realty s status as a REIT for federal and/or state income tax purposes. With respect to the Series H preferred stock, all references to past dividend periods shall mean, as of any date, dividend periods ending on or prior to such date, and with respect to shares of any other class or series of stock ranking on a parity as to dividends with the Series H preferred stock, past dividend periods shall mean, as of any date, dividend periods with respect to such other class or series of stock ending on or prior to such date.

When full cumulative dividends for all past dividend periods are not paid in full (or a sum sufficient for the full payment is not set apart) upon the shares of Series H preferred stock and when full cumulative dividends for all past dividend periods are not paid in full (or a sum sufficient for such full payment is not so set apart) upon the shares of any other class or series of Kilroy Realty s stock ranking on a parity as to dividends with the Series H preferred stock, then all dividends declared on shares of Series H preferred stock and any other outstanding classes or series Kilroy Realty s stock ranking on a parity as to dividends with the Series H preferred stock shall be declared pro rata so that the amount of dividends declared per share on the Series H preferred stock and such other classes or series of stock ranking on a parity as to dividends with the Series H preferred stock shall in all cases bear to each other the same ratio that accumulated and unpaid dividends per share on the shares of Series H preferred stock and such other classes or series of stock ranking on a parity as to dividends with the Series H preferred stock (which, in the case of any such other class or series of stock ranking on a parity as to dividends with the Series H preferred stock, shall not include any accumulation in respect of unpaid dividends for past dividend periods if such other class or series of stock ranking on a parity as to dividends with the Series H preferred stock does not have a cumulative dividend) bear to each other.

Ranking

The Series H preferred stock will, with respect to dividends and rights upon the distribution of assets upon Kilroy Realty s voluntary or involuntary liquidation, dissolution or winding-up, rank:

senior to Kilroy Realty s common stock and all other classes or series of Kilroy Realty s stock designated as ranking junior to Series H preferred stock;

on parity with all other classes or series of stock designated as ranking on a parity with the Series H preferred stock (including, without limitation, the Series G preferred stock); and

Table of Contents

junior to all other classes or series of Kilroy Realty s stock designated as ranking senior to the Series H preferred stock.

Redemption

The Series H preferred stock will not be redeemable before August 15, 2017, except to preserve Kilroy Realty s status as a REIT for federal and/or state income tax purposes and except as described below upon the occurrence of a Series H Change of Control (as defined below). On and after

August 15, 2017, Kilroy Realty may, at its option, redeem any or all of the shares of the Series H preferred stock, for cash, at $25.00 per share plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption.

Upon the occurrence of a Series H Change of Control, Kilroy Realty may, at its option, at any time or from time to time, redeem any or all of the share of Series H preferred stock, within 120 days after the first date on which such Series H Change of Control occurred for, cash, at $25.00 per share plus, subject to exceptions, any accrued and unpaid dividends to but excluding the date fixed for redemption. If, prior to the Series H Change of Control Conversion Date (as defined below), Kilroy Realty has provided or provide notice of Kilroy Realty s election to redeem some or all of the shares of Series H preferred stock (whether pursuant to Kilroy Realty s optional redemption right described in the paragraph above or the special optional redemption right described in this paragraph), the holders of Series H preferred stock will not have the conversion right described below under Conversion Rights with respect to the shares of Series H preferred stock called for redemption.

A Series H Change of Control is when the following have occurred and are continuing:

the acquisition by any person, including any syndicate or group deemed to be a person under Section 13(d)(3) of the Exchange Act of beneficial ownership, directly or indirectly, through a purchase, merger or other acquisition transaction or series of purchases, mergers or other acquisition transactions of stock of Kilroy Realty entitling that person to exercise more than 50% of the total voting power of all stock of Kilroy Realty entitled to vote generally in the election of Kilroy Realty s directors (except that such person will be deemed to have beneficial ownership of all securities that such person has the right to acquire, whether such right is currently exercisable or is exercisable only upon the occurrence of a subsequent condition); and

following the closing of any transaction referred to in the bullet point above, neither Kilroy Realty nor the acquiring or surviving entity has a class of common securities (or American Depositary Receipts representing such securities) listed on the NYSE, the NYSE Amex, or the NASDAQ, or listed or quoted on an exchange or quotation system that is a successor to the NYSE, the NYSE Amex or the NASDAQ.

The Series H Change of Control Conversion Date is the date the Series H preferred stock is to be converted into Kilroy Realty common stock, which will be a business day selected by Kilroy Realty that is no fewer than 20 days nor more than 35 days after the date on which Kilroy Realty provides a notice of the occurrence of the Series H Change of Control that describes the resulting Series H Change of Control Conversion Right to the holders of Series H preferred stock.

Conversion Rights

Upon the occurrence of a Series H Change of Control, each holder of Series H preferred stock will have the right, which Kilroy Realty refer to as the Series H Change of Control Conversion Right (unless, prior to the Series H Change of Control Conversion Date, Kilroy Realty has provided notice of its election to redeem some or all of the shares of Series H preferred stock held by such holder pursuant to the redemption provisions describe above under Redemption, in which case such holder will have the right only with respect to shares of Series

Table of Contents

H preferred stock that are not called for redemption) to convert some or all of the Series H preferred stock held by such holder on the Series H Change of Control Conversion Date, into number of shares of Kilroy Realty s common stock per share of Series H preferred stock equal to the lesser of:

- the quotient obtained by dividing (i) the sum of the $25.00 liquidation preference per share of Series H preferred stock plus the amount of any accrued and unpaid dividends thereon to the Series H Change of Control Conversion Date (unless the Series H Change of Control Conversion Date is after a record date for a Series H preferred stock dividend payment and prior to the corresponding dividend payment date for the Series H preferred stock, in which case no additional amount for such accrued and unpaid dividends will be included in this sum) by (ii) the Series H Common Stock Price (as defined below); and

- 1.0469, which Kilroy Realty refers to as the Series H Share Cap, subject to adjustments to the Series H Share Cap for any splits, subdivisions or combinations of Kilroy Realty common stock;

subject, in each case, to provisions for the receipt of alternative consideration under specified circumstances as set forth in the Articles Supplementary for the Series H preferred stock.

The Series H Common Stock Price is (i) if the consideration to be received in the Series H Change of Control by the holders of Kilroy Realty common stock is solely cash, the amount of cash consideration per share of Kilroy Realty common stock or (ii) if the consideration to be received in the Series H Change of Control by holders of Kilroy Realty common stock is other than solely cash (x) the average of the closing sale prices per share of Kilroy Realty common stock (or, if no closing sale price is reported, the average of the closing bid and ask prices per share or, if more than one in either case, the average of the average closing bid and the average closing ask prices per share) for the 10 consecutive trading days immediately preceding, but not including, the date on which such Series H Change of Control occurred as reported on the principal U.S. securities exchange on which Kilroy Realty common stock is then traded, or (y) the average of the last quoted bid prices for the Company s common stock in the over-the-counter market as reported by Pink OTC Markets Inc. or similar organization for the 10 consecutive trading days immediately preceding, but not including, the date on which such Series H Change of Control occurred, if Kilroy Realty common stock is not then listed for trading on a U.S. securities exchange.

No Maturity, Sinking Fund or Mandatory Redemption

The Series H preferred stock has no maturity date, and Kilroy Realty is not required to redeem the Series H preferred stock at any time. Accordingly, the shares of Series H preferred stock will remain outstanding indefinitely, unless Kilroy Realty decides, at its option, to exercise its redemption rights or otherwise repurchase them or they become convertible and are converted in the manner set forth in Articles Supplementary for the Series H preferred stock. None of the Series H preferred stock is subject to any sinking fund.

Limited Voting Rights

Holders of Series H preferred stock do not have any voting rights except as set forth below. Whenever dividends on any shares of Series H preferred stock are in arrears for six or more quarterly periods, whether or not consecutive, the holders of Series H preferred stock will have the right to vote as a single class with all other classes or series of stock ranking on parity with the Series H preferred stock upon which like voting rights have been conferred and are exercisable for the election of two additional directors to the board of directors. The election will take place at:

a special meeting called at the request of the holders of at least 10% of the outstanding shares of Series H preferred stock, or the holders of shares of any other class or series of Kilroy Realty s preferred stock ranking on a parity with the Series H preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series H preferred stock in the election of the two directors, if this request is received 90 or more days before the date fixed for Kilroy

Table of Contents

Realty s next annual or special meeting of stockholders or, if Kilroy Realty receives the request for a special meeting less than 90 days before the date fixed for Kilroy Realty s next annual o special meeting of stockholders, at such next annual or special meeting of stockholders; and

each subsequent annual meeting until all dividends accumulated on the Series H preferred stock for all past dividend periods have been fully paid or declared and a sum sufficient for the payment thereof is set aside for payment.

When all of the dividends in arrears have been paid or declared and provided for in full, the right of holders of the Series H preferred stock to elect those two directors will cease and, unless there are one or more other classes or series of Kilroy Realty s preferred stock ranking on a parity with the Series H preferred stock upon which like voting rights have been conferred and are exercisable, the term of office of the two directors shall automatically terminate and the number of directors constituting the board of directors shall be reduced accordingly.

In addition, so long as any shares of Series H preferred stock are outstanding, without the consent or affirmative vote of at least two-thirds of the shares of Series H preferred stock then outstanding, Kilroy Realty may not:

authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of stock ranking senior to the Series H preferred stock with respect to payment of dividends or the distribution of assets on liquidation, dissolution or winding up, or reclassify any of Kilroy Realty s authorized stock into any such shares, or create, authorize or issue any obligation or security convertible into, exchangeable or exercisable for, or evidencing the right to purchase, any such shares;

amend, alter or repeal any of the provisions of Kilroy Realty s charter, including the Articles Supplementary for the Series H preferred stock, so as to materially and adversely affect any right, preference, privilege or voting power of the Series H preferred stock; or

enter into any share exchange that affects the Series H preferred stock or consolidate with or merge into any other entity, or permit another entity to consolidate with or merge into Kilroy Realty, unless in each such case described in this bullet point each share of Series H preferred stock remains outstanding without a material adverse change to its terms and rights or is converted into or exchanged for preferred stock of the surviving or resulting entity having preferences, rights, dividends, voting powers, restrictions, limitations as to dividends, qualifications and terms and conditions of redemption substantially identical to and in any event without any material adverse change to those of the Series H preferred stock;

provided that any amendment to Kilroy Realty s charter to increase the number of authorized shares of stock or the creation or issuance of any other class or series of preferred stock or any increase in the number of authorized or outstanding shares of Series H preferred stock or any other class or series of stock, in each case ranking on a parity with or junior to the Series H preferred stock with respect to payment of dividends and the distribution of assets upon liquidation, dissolution and winding up, shall not be deemed to materially and adversely affect any right, preference, privilege or voting power of the Series H preferred stock.

On each matter on which holders of Series H preferred stock are entitled to vote, each share of Series H preferred stock will be entitled to vote, except that when shares of any other class or series of Kilroy Realty s preferred stock have the right to vote with the Series H preferred stock as a single class on any matter, the Series H preferred stock

and the shares of each such other class or series will have one vote for each $50.00 of liquidation preference (excluding accrued and unpaid dividends), resulting in each share of Series H preferred stock being entitled to on-behalf of a vote under such circumstances.

Except as expressly stated in the Articles Supplementary for the Series H preferred stock, the Series H preferred stock will not have any relative, participating, optional or other special voting rights or powers and the consent of the holders shall not be required for the taking of any corporate action.

Table of Contents

The voting provisions above will not apply if, at or prior to the time when the act with respect to which the vote would otherwise be required would occur, all outstanding shares of Series H preferred stock shall have been redeemed or called for redemption upon proper notice and sufficient funds shall have been irrevocably deposited in trust to effect the redemption.

Liquidation Preference

Upon any voluntary or involuntary liquidation, dissolution or winding-up of Kilroy Realty, each share of Series H preferred stock is entitled to receive, out of Kilroy Realty s assets legally available for distribution to stockholders, a liquidation distribution of $25.00 per share, plus any accrued but unpaid dividends, in preference to any of Kilroy Realty common stock or any other class or series of Kilroy Realty s stock ranking junior to the Series H preferred stock, but subject to the preferential rights of any class or series of Kilroy Realty s preferred stock ranking senior to the Series H preferred stock.

RESTRICTIONS ON OWNERSHIP AND TRANSFER OF KILROY REALTY S CAPITAL STOCK

Internal Revenue Code Requirements

To maintain Kilroy Realty s tax status as a REIT, five or fewer individuals, as that term is defined in the Code, which includes certain entities, may not own, actually or constructively, more than 50% in value of Kilroy Realty s issued and outstanding capital stock at any time during the last half of a taxable year. Constructive ownership provisions in the Code determine if any individual or entity constructively owns Kilroy Realty s capital stock for purposes of this requirement. In addition, 100 or more persons must beneficially own Kilroy Realty s capital stock during at least 335 days of a taxable year or during a proportionate part of a short taxable year. Also, rent from tenants in which Kilroy Realty actually or constructively owns a 10% or greater interest is not qualifying income for purposes of the gross income tests of the Code. To help ensure Kilroy Realty meets these tests, Kilroy Realty s charter restricts the acquisition and ownership of shares of Kilroy Realty s capital stock.

Transfer Restrictions in Kilroy Realty s Charter

Subject to exceptions specified therein, Kilroy Realty s charter provides that no holder may own, either actually or constructively under the applicable constructive ownership provisions of the Code:

- more than 7.0%, by number of shares or value, whichever is more restrictive, of the outstanding shares of Kilroy Realty common stock;
- more than 9.8%, by number of shares or value, whichever is more restrictive, of the outstanding shares of Kilroy Realty Series G preferred stock; or
- more than 9.8%, by number of shares or value, whichever is more restrictive, of the outstanding shares of Kilroy Realty Series H preferred stock.

In addition, because rent from tenants in which Kilroy Realty actually or constructively owns a 10% or greater interest is not qualifying rent for purposes of the gross income tests under the Code, Kilroy Realty s charter provides that no holder may own, either actually or constructively by virtue of the constructive ownership provisions of the Code,

which differ from the constructive ownership provisions used for purposes of the preceding sentence:

more than 9.8%, by number of shares or value, whichever is more restrictive, of the outstanding shares of Kilroy Realty common stock;

more than 9.8%, by number of shares or value, whichever is more restrictive, of the outstanding shares of Kilroy Realty Series G preferred stock; or

more than 9.8%, by number of shares or value, whichever is more restrictive, of the outstanding shares of Kilroy Realty Series H preferred stock.

Table of Contents

Kilroy Realty refers to the limits described in this paragraph and the preceding paragraph, together, as the ownership limits.

The constructive ownership provisions set forth in the Code are complex, and may cause shares of Kilroy Realty s capital stock owned actually or constructively by a group of related individuals and/or entities to be constructively owned by one individual or entity. As a result, the acquisition of shares of Kilroy Realty s capital stock in an amount that does not exceed the ownership limits, or the acquisition of an interest in an entity that actually or constructively owns Kilroy Realty s capital stock, could, nevertheless cause that individual or entity, or another individual or entity, to own constructively shares in excess of the ownership limits and thus violate the ownership limits described above or otherwise permitted by Kilroy Realty s board of directors.

Kilroy Realty s charter permits the board of directors to waive the ownership limits with respect to a particular stockholder if the board of directors:

- determines that the ownership will not jeopardize Kilroy Realty s status as a REIT; and
- otherwise decides that this action would be in Kilroy Realty s best interest.

As a condition of this waiver, Kilroy Realty s board of directors may require opinions of counsel satisfactory to it and/or undertakings or representations from the applicant with respect to preserving Kilroy Realty s REIT status. The board of directors has waived the ownership limit applicable to Kilroy Realty common stock for John B. Kilroy, Sr. and John B. Kilroy, Jr., members of their families and some of their affiliated entities, allowing them to own up to 19.6% of Kilroy Realty common stock. However, the board of directors conditioned this waiver upon the receipt of undertakings and representations from Messrs. Kilroy which it believed were reasonably necessary to conclude that the waiver would not cause Kilroy Realty to fail to qualify and maintain Kilroy Realty s status as a REIT. Kilroy Realty s board of directors has also waived the ownership limits with respect to the initial purchasers and certain of their affiliated entities in the offering of 4.250% Exchangeable Senior Notes due 2014, by Kilroy Realty s operating partnership, allowing each of such initial purchasers and certain of their affiliated entities to beneficially own up to 9.8%, in the aggregate, of Kilroy Realty common stock in connection with hedging of certain capped call transactions relating to those notes.

In addition to the foregoing ownership limits, Kilroy Realty s charter provides that no holder may own, either actually or constructively under the applicable attribution rules of the Code, any shares of any class of Kilroy Realty s capital stock if, as a result of this ownership:

- more than 50% in value of Kilroy Realty s outstanding capital stock would be owned, either actually or constructively under the applicable constructive ownership provisions of the Code, by five or fewer individuals, as defined in the Code;
- Kilroy Realty s capital stock would be beneficially owned by less than 100 persons, determined without reference to any constructive ownership provisions; or

Kilroy Realty would fail to qualify as a REIT.

Under Kilroy Realty s charter, any person who acquires or attempts or intends to acquire actual or constructive ownership of Kilroy Realty s shares of capital stock that violate any of the foregoing restrictions on transferability and ownership must give Kilroy Realty notice immediately and provide Kilroy Realty with any other information that Kilroy Realty may request to determine the effect of the transfer on Kilroy Realty s status as a REIT. The foregoing restrictions on transferability and ownership will not apply if Kilroy Realty s board of directors determines that it is no longer in Kilroy Realty s best interest to attempt to qualify, or to continue to qualify, as a REIT.

Effect of Violation of Ownership Limits and Transfer Restrictions

Kilroy Realty s charter provides that if any attempted transfer of Kilroy Realty s capital stock or any other event would result in any person violating the ownership limits described above, unless otherwise permitted by

Table of Contents

the board of directors, then the purported transfer will be void ab initio and of no force or effect with respect to the attempted transferee as to that number of shares in excess of the applicable ownership limit, and the transferee shall acquire no right or interest in the excess shares. Kilroy Realty s charter further provides that in the case of any event other than a purported transfer, the person or entity holding record title to any of the excess shares shall cease to own any right or interest in the excess shares.

Kilroy Realty s charter provides that if any transfer or other event occurs that, if effective, would result in any person owning shares of Company s capital stock in violation of the ownership limit described above, the number of shares of capital stock that otherwise would cause such person to violate the ownership limit (the excess shares) will be transferred automatically to a trust, the beneficiary of which will be a qualified charitable organization selected by Kilroy Realty or, if for any reason that transfer is not automatically effective, then the transfer of such excess shares shall be void ab initio and the purported transferee will not have any rights in such excess shares. The automatic transfer will be effective as of the close of business on the business day prior to the date of the violative transfer.

The trustee of the charitable trust must:

within 20 days of receiving notice from Kilroy Realty of the transfer of excess shares to the trust,

sell the excess shares to a person or entity who could own the shares without violating the ownership limits or as otherwise permitted by the board of directors, and

distribute to the prohibited transferee or owner, as applicable, an amount equal to the lesser of the price paid by the prohibited transferee or owner for the excess shares (or, if the event which resulted in the transfer to the charitable trust did not involve a purchase of the applicable stock for fair value, the market price of such shares on the day of the event which resulted in such transfer to the charitable trust) or the sales proceeds (net any commissions and other expenses of sale) received by the trust for the excess shares; and

distribute any proceeds in excess of the amount distributable to the prohibited transferee or owner, as applicable, to the charitable organization selected by Kilroy Realty as beneficiary of the trust.

Excess shares transferred to the charitable trust shall be deemed to have been offered for sale to Kilroy Realty at a price per share equal to the lesser of the price paid by the prohibited transferee or owner for the excess shares (or, if the event which resulted in the transfer to the charitable shares did not involve the purchase of the applicable stock for fair value, the market price of such shares on the day of the event which resulted in the transfer of such shares to the charitable trust) and the market price on the date Kilroy Realty accepts such offer. Kilroy Realty will have the right to accept such offer until the charitable trust has sold the excess shares as described above.

The trustee shall be designated by Kilroy Realty and be unaffiliated with Kilroy Realty and any prohibited transferee or owner. Prior to a sale of any excess shares by the trust, the trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by Kilroy Realty with respect to the excess shares, and may also exercise all voting rights with respect to the excess shares.

Kilroy Realty s charter provides that, subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee shall have the authority, at the trustee s sole discretion:

to rescind as void any vote cast by a prohibited transferee or owner, as applicable, prior to Kilroy Realty s discovery that Kilroy Realty s shares have been transferred to the trust; and

to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

Table of Contents

However, if Kilroy Realty has already taken irreversible corporate action, then the trustee may not rescind and recast the vote. Any dividend or other distribution paid to the prohibited transferee or owner, prior to Kilroy Realty s discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand for distribution to the beneficiary of the trust. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable ownership limit or as otherwise permitted by the board of directors, then Kilroy Realty s charter provides that the transfer of the excess shares will be void ab initio.

If shares of capital stock are transferred to any person in a manner which would cause Kilroy Realty to be beneficially owned by fewer than 100 persons, Kilroy Realty s charter provides that the transfer shall be null and void in its entirety, and the intended transferee will acquire no rights to the stock.

If Kilroy Realty s board of directors shall at any time determine in good faith that a person has acquired, intends to acquire or own, has attempted to acquire or own, or may acquire or own Kilroy Realty s capital stock in violation of the limits described above, Kilroy Realty s charter provides that the board of directors shall take actions to refuse to give effect to or to prevent the ownership or acquisition, including, but not limited to:

- in the case of the Series G preferred stock, causing Kilroy Realty to redeem the shares of Series G preferred stock for cash at a redemption price of $25.00 per share plus, subject to exceptions, accrued and unpaid dividends to the date fixed for redemption;

- in the case of the Series H preferred stock, causing Kilroy Realty to redeem the shares of Series H preferred stock for cash at a redemption price of $25.00 per share plus, subject to exceptions, accrued and unpaid dividends to the date fixed for redemption;

- authorizing Kilroy Realty to repurchase stock;

- refusing to give effect to the ownership or acquisition on Kilroy Realty s books; or

- instituting proceedings to enjoin the ownership or acquisition.

All certificates representing shares of Kilroy Realty s capital stock bear a legend referring to the restrictions described above.

All persons who own at least a specified percentage of the outstanding shares of Kilroy Realty s stock must file with Kilroy Realty a completed questionnaire annually containing information about their ownership of the shares, as set forth in the applicable Treasury regulations. Under current Treasury regulations, the percentage is between 0.5% and 5.0%, depending on the number of record holders of Kilroy Realty s shares. In addition, each stockholder may be required to disclose to Kilroy Realty in writing information about the actual and constructive ownership of Kilroy Realty s shares as the board of directors deems necessary to comply with the provisions of the Code applicable to a REIT or to comply with the requirements of any taxing authority or governmental agency.

These ownership limitations could discourage a takeover or other transaction in which holders of some, or a majority, of Kilroy Realty s shares of capital stock might receive a premium for their shares over the then prevailing market price or which stockholders might believe to be otherwise in their best interest.

TRANSFER AGENT AND REGISTRAR FOR SHARES OF CAPITAL STOCK

Computershare Shareowner Services LLC is the transfer agent and registrar for shares of Kilroy Realty s preferred stock and common stock.

Table of Contents

COMPARISON OF SHAREHOLDER RIGHTS

If the merger is completed, SFFGA s shareholders (other than those exercising dissenter s rights) will become shareholders of Kilroy Realty, and their rights as shareholders will then be governed by Kilroy Realty s governing documents and the MGCL, rather than by SFFGA s governing documents and the CGCL. The following is a summary of the material differences between the rights of holders of SFFGA common stock and holders of Kilroy Realty common stock under applicable law and the governing documents of Kilroy Realty and SFFGA. The summary is not a complete statement of the provisions affecting, and the differences between, such rights. An indication that some of the differences in the rights are material does not mean that there are not other equally important differences.

The description of the rights of holders of SFFGA common stock is qualified in its entirety by reference to the CGCL and SFFGA s articles of incorporation and bylaws. The description of the rights of holders of Kilroy Realty common stock is qualified in its entirety by reference to the MGCL and Kilroy Realty s Articles of Restatement, as supplemented and as may be supplemented from time to time, and Second Amended and Restated Bylaws, as amended and as may be amended from time to time. We urge you to read these statutes and documents in their entirety.

Although it is impracticable to compare all aspects in which Maryland law and California law and Kilroy Realty s and SFFGA s governing documents differ with respect to rights of shareholders, the following is a brief discussion summarizing certain differences between them.

Authorized Capital Stock

SFFGA	*Kilroy Realty Corporation*
Authorized:	*Authorized*:
624 shares of common stock.	150,000,000 shares of common stock. 30,000,000 shares of preferred stock, including: 4,600,000 shares of 6.875% Series G Cumulative Redeemable Preferred stock 4,000,000 shares of 6.375% Series H Cumulative Redeemable Preferred stock
Outstanding at July 15, 2014:	*Outstanding at July 15, 2014*:

540.88 shares of common stock.	83,098,880 shares of common stock. 8,000,000 shares of preferred stock, consisting of: 6.875% Series G Cumulative Redeemable Preferred stock, 4,000,000 shares issued and outstanding ($100,000,000 liquidation preference) 6.375% Series H Cumulative Redeemable Preferred stock, 4,000,000 shares issued and outstanding ($100,000,000 liquidation preference)

Table of Contents

Size of Board of Directors

SFFGA	*Kilroy Realty Corporation*
SFFGA s bylaws provide that the number of directors of SFFGA shall be seven until changed by a duly-adopted amendment to the articles of incorporation and the bylaws of SFFGA. The SFFGA Board is not classified.	Kilroy Realty s charter provides that the number of the directors shall be established by its bylaws, but cannot be less than the minimum number required by the MGCL, which is one. Kilroy Realty s bylaws allow the board of directors to fix or change the number to not fewer than three and not more than 13 members. The number of directors is currently fixed at six.

Election of Directors

SFFGA	*Kilroy Realty Corporation*
At each annual meeting of SFFGA s shareholders, the holders of a majority of the shares of SFFGA common stock entitled to vote will be able to elect all of the successors of the directors at that meeting by plurality vote.	Each director is elected by a majority of the votes cast with respect to such director at any meeting of stockholders duly called and at which a quorum is present and directors are to be elected; provided, however, that in a contested election, as defined in the bylaws, directors are elected by a plurality of the votes cast.

Removal of Directors

SFFGA	*Kilroy Realty Corporation*
SFFGA s bylaws provide that directors may be removed from office with or without cause pursuant Sections 302, 303 and 304 of the CGCL. The CGCL defines cause to include fraudulent or dishonest acts or gross abuse of authority or discretion with reference to the Corporation. Under SFFGA s bylaws, no reduction of the authorized number of directors shall have the effect of removing any director before that director s term of office expires.	Kilroy Realty s charter provides that its stockholders may remove a director only for cause and then only by the affirmative vote of at least two-thirds of the shares entitled to vote in the election of directors. The MGCL does not define the term cause. As a result, removal for cause is subject to Maryland common law and to judicial interpretation and review in the context of the unique facts and circumstances of any particular situation.

Filling Vacancies on the Board of Directors

SFFGA	*Kilroy Realty Corporation*
Under SFFGA s bylaws, a vacancy may be filled by a majority of the remaining directors, unless the vacancy is created by the removal of a director by the vote or written consent of the shareholders or by court order, in which case the vacancy may be filled only by: (1) the affirmative vote	A majority of the remaining board of directors may fill any vacancy, other than a vacancy caused by removal. A majority of the board of directors may fill a vacancy resulting from an increase in the number of directors. The stockholders entitled to vote for the election of

of the majority of the shares represented and voting at a duly held meeting at which a quorum is present (and where the affirmative votes constitute a majority of said quorum); or (2) by the written consent of a majority of all shares entitled to vote thereon.

A director elected to fill a vacancy created by removal shall hold office until the next annual meeting of the directors at an annual or special meeting of Kilroy Realty s stockholders may fill a vacancy resulting from the removal of a director; provided, however, that such vacancy may be filled by a majority of the remaining directors, subject to approval by the stockholders at the next annual or special meeting of stockholders called for such purpose.

Table of Contents

SFFGA	*Kilroy Realty Corporation*
shareholders and until a successor has been elected and qualified. A director elected to fill a vacancy not created by removal shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.	

Nomination of Director Candidates by Shareholders

SFFGA	*Kilroy Realty Corporation*
Under SFFGA s bylaws, directors are elected at each annual meeting of the shareholders to hold office until the next annual meeting. Directors are nominated for election by the SFFGA board.	To nominate a candidate for election as a Kilroy Realty director at an annual meeting, a stockholder must (i) provide timely notice in writing and in proper form to the Secretary of Kilroy Realty and (ii) provide any updates or supplements to such notice at the times and in the forms required by the bylaws. To be timely, a stockholder s notice must be delivered to, or mailed and
The CGCL, SFFGA s articles of incorporation and SFFGA s bylaws do not contain specific provisions relating to the procedures for shareholder nomination of directors.	received at, the principal executive offices of Kilroy Realty not less than 90 days and not more than 120 days prior to the one-year anniversary of the preceding year s annual meeting; provided, however, that if the date of the annual meeting is more than 30 days before or more than 60 days after such anniversary date, notice by the stockholder to be timely must be so delivered, or mailed and received, not later than the 90th day prior to such annual meeting or, if later, the 10th day following the day on which public disclosure of the date of such annual meeting was first made.
	The stockholder s notice must set forth:
	the name and address of each nominating person (including, if applicable, the name and address that appear on Kilroy Realty s books and records). A nominating person means (i) the stockholder providing the notice of the nomination proposed to be made at the meeting, (ii) the beneficial owner or beneficial owners, if different, on whose behalf the notice is made, and (iii) any affiliate or associate of such stockholder or beneficial owner;

the class or series and number of shares of Kilroy Realty that are, directly or indirectly, owned of record or beneficially owned by each nominating person;

any derivative, swap or other transaction or series of transactions engaged in by each nominating person, the purpose or effect of which is to give such nominating person economic risk similar to ownership of shares of any class or series of Kilroy Realty (Synthetic

Table of Contents

SFFGA	*Kilroy Realty Corporation*
	Equity Interests), which Synthetic Equity Interests shall be disclosed without regard to whether (x) the derivative, swap or other transactions convey any voting rights in such shares to such nominating person; (y) the derivative, swap or other transactions are required to be, or are capable of being, settled through delivery of such shares; or (z) such nominating person may have entered into other transactions that hedge or mitigate the economic effect of such derivative, swap or other transactions;
	any proxy (other than a revocable proxy or consent given in response to a solicitation made pursuant to, and in accordance with, Section 14(a) of the Exchange Act by way of a solicitation statement filed on Schedule 14A), agreement, arrangement, understanding or relationship pursuant to which each nominating person has or shares a right to vote any shares of any class or series of Kilroy Realty;
	any agreement, arrangement, understanding or relationship, including any repurchase or similar so-called stock borrowing agreement or arrangement, engaged in by each nominating person, the purpose or effect of which is to mitigate loss to, reduce the economic risk (of ownership or otherwise) of shares of any class or series of Kilroy Realty by, manage the risk of share price changes for, or increase or decrease the voting power of, such nominating person with respect to the shares of any class or series of Kilroy Realty, or which provides the opportunity to profit from any decrease in the price or value of the shares of any class or series of Kilroy Realty (Short Interests);
	any rights to dividends on the shares of any class or series of Kilroy Realty owned beneficially by each nominating person that are separated or separable from the underlying shares of Kilroy Realty;

any performance related fees (other than an asset based fee) that each nominating person is entitled to based on any increase or decrease in the price or value of shares of any class or series of Kilroy Realty, or any Synthetic Equity Interests or Short Interests, if any; and

any other information relating to each nominating person that would be required to be

Table of Contents

SFFGA	*Kilroy Realty Corporation*
	disclosed in a proxy statement or other filing required to be made in connection with solicitations of proxies or consents by such nominating person in support of the business proposed to be brought before the meeting pursuant to Section 14(a) of the Exchange Act.
	The stockholder s notice must also set forth as to each person whom the nominating person proposes to nominate for election as a director:
	the name and address of such proposed nominee (including, if applicable, the name and address that appear on Kilroy Realty s books and records);
	the class or series and number of shares of Kilroy Realty that are owned of record or beneficially owned by such proposed nominee;
	all other information with respect to such proposed nominee required to be provided by the nominating person, including without limitation, Synthetic Equity Interests and Short Interests of such proposed nominee;
	all information relating to such proposed nominee that is required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for election of directors in a contested election pursuant to Section 14(a) under the Exchange Act (including such proposed nominee s written consent to being named in the proxy statement as a nominee and to serving as a director if elected);
	a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three years, and any

other material relationships, between or among each nominating person and each proposed nominee and his or her respective affiliates and associates, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 under Regulation S-K if the nominating person were the registrant for purposes of such rule and the proposed nominee were a director or executive officer of such registrant; and

a completed and signed written questionnaire with respect to the background and qualification

Table of Contents

SFFGA	*Kilroy Realty Corporation*
	of such proposed nominee and a written representation and agreement that such proposed nominee (i) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any person or entity as to how such proposed nominee, if elected as a director of Kilroy Realty, will act or vote on any issue or question (a Voting Commitment) that has not been disclosed to Kilroy Realty or (B) any Voting Commitment that could limit or interfere with such proposed nominee s ability to comply, if elected as a director of Kilroy Realty, with such proposed nominee s fiduciary duties under applicable law; (ii) is not, and will not become a party to, any agreement, arrangement or understanding with any person or entity other than Kilroy Realty with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director that has not been disclosed to Kilroy Realty and (iii) in such proposed nominee s individual capacity and on behalf of the stockholder (or the beneficial owner, if different) on whose behalf the nomination is made, would be in compliance, if elected as a director of Kilroy Realty, and will comply with applicable publicly disclosed corporate governance, conflict of interest, confidentiality and stock ownership and trading policies and guidelines of Kilroy Realty.

Cumulative Voting

SFFGA	*Kilroy Realty Corporation*
Under SFFGA s articles of incorporation, each holder of SFFGA s common stock is entitled to one vote for each share held of record. Holders of shares of SFFGA common stock have the right to cumulative voting for the election of directors.	Kilroy Realty holders of shares of Kilroy Realty common stock have no right to cumulative voting for the election of directors.

Table of Contents

Calling Special Meetings of Shareholders

SFFGA	*Kilroy Realty Corporation*
Under SFFGA s bylaws, a special meeting of the shareholders may be called at any time by the President or by one or more shareholders holding shares in the aggregate entitled to cast not less than 10% of the votes at that meeting, by delivering to the President of SFFGA a written request specifying the time and general nature of the business proposed to be transacted at the special meeting.	Kilroy Realty s bylaws provide that special meetings of stockholders may be called by: the president; the board of directors; the chairman of the board; and holders of at least a majority of Kilroy Realty s outstanding common stock entitled to vote by making a written request. In addition, Kilroy Realty s charter provides that special meetings of stockholders may also be called by: holders of 10% of Kilroy Realty s Series G preferred stock for the stockholders of Series G preferred stock and all other classes or series of stock ranking on parity with the Series G preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series G preferred stock in the election of the following two directors, to elect two additional directors to the board of directors if dividends on any shares of Series G preferred stock remain unpaid for six or more quarterly periods, whether or not consecutive; and

holders of 10% of Kilroy Realty s Series H preferred stock for the stockholders of Series H preferred stock and all other classes or series of stock ranking on parity with the Series H preferred stock upon which like voting rights have been conferred and are exercisable and which are entitled to vote as a class with the Series H preferred stock in the election of the following two directors, to elect two additional directors to the board of directors if dividends on any shares of Series H preferred stock remain unpaid for six or more quarterly periods, whether or not consecutive.

Table of Contents

Notice of Shareholder Meetings

SFFGA	*Kilroy Realty Corporation*
Whenever shareholders are required or permitted to take action at a meeting, SFFGA s bylaws require SFFGA to give notice to each shareholder entitled to vote at such meeting not less than 10 or more than 60 days before the date of the meeting.	Whenever stockholders are required or permitted to take any action at a meeting, Kilroy Realty s bylaws require it to give notice to each stockholder entitled to vote at such meeting not less than 10 nor more than 90 days before the date of the meeting.

Shareholder Action at a Meeting

SFFGA	*Kilroy Realty Corporation*
SFFGA s bylaws provide that the holders of a majority of the issued and outstanding shares entitled to vote at any meeting of shareholders, present in person or by proxy, shall constitute a quorum at all meetings of shareholders for the transaction of business, except as otherwise provided by the CGCL, the articles of incorporation or the bylaws. A majority of the votes cast at a meeting of shareholders shall decide any question brought before such meeting, other than elections of directors. In the election of directors, candidates receiving the highest number of votes up to the number of directors to be elected shall be elected.	Kilroy Realty s bylaws provide that when the holders of a majority of the stock issued and outstanding and entitled to vote at any meeting of stockholders are present in person or represented by proxy, a majority of the votes cast at the meeting shall decide any question brought before such meeting, except as otherwise provided with respect to the election of directors, unless the question is one upon which by express provision of the MGCL or the rules of any securities exchange on which the Corporation s capital stock is listed or Kilroy Realty s charter a different vote is required, in which case such express provision shall govern and control the decision of such question. Directors shall be elected by a majority of the votes cast with respect to each director; provided, however, that in a contested election, a plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present shall be sufficient to elect a director.
In the event that one share is owned by two or more persons, the holders of more than a 50% interest in each share shall determine how such share shall be voted.	
SFFGA s shareholders may adopt, amend or repeal bylaws by the vote or written consent of the holders of more than 50% of the outstanding shares entitled to vote; provided, however, that so long as SFFGA s articles of incorporation set forth the number of authorized directors, the number of authorized directors can only be changed by an amendment of the articles.	
SFFGA s board may adopt, amend or repeal bylaws, subject to the rights of the shareholders to do so; provided, however, that the SFFGA board may not adopt, amend or	

repeal a bylaw or an amendment of a bylaw that changes the authorized number of directors nor may the board amend or repeal any provision of the bylaws previous adopted by the shareholders.

Shareholder Action Without a Meeting

SFFGA	*Kilroy Realty Corporation*
Under SFFGA s bylaws any action which may be taken at any annual or special meeting of shareholders may be taken without a meeting and without prior notice if a	The MGCL provides that any action required or permitted to be taken at a meeting of Kilroy Realty s stockholders may be taken without a meeting if a

Table of Contents

SFFGA	*Kilroy Realty Corporation*
consent in writing, setting forth the action so taken, is signed by holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take that action at a meeting at which all shares entitled to vote on that action were present and voted.	unanimous consent which sets forth the action is given in writing or by electronic transmission by each stockholder entitled to vote on the matter.

Amendments to Charter and Bylaws

SFFGA	*Kilroy Realty Corporation*
SFFGA s articles of incorporation may generally be amended by the vote or written consent of the holders of more than 50% of the outstanding shares entitled to vote.	Kilroy Realty s charter may generally be amended only if the amendment is declared advisable by the board of directors and approved by its stockholders by the affirmative vote of at least two-thirds of the shares entitled to vote on the amendment.
SFFGA s shareholders may adopt, amend or repeal bylaws by the vote or written consent of the holders of more than 50% of the outstanding shares entitled to vote; provided, however, that so long as SFFGA s articles of incorporation set forth the number of authorized directors, the number of authorized directors can only be changed by an amendment of the articles.	Kilroy Realty s bylaws may generally be amended by the affirmative vote of a majority of the board of directors or the holders of a majority of Kilroy Realty s shares of capital stock entitled to vote. However, the following bylaw provisions may be amended only by the approval of a majority of Kilroy Realty s shares of capital stock entitled to vote: (i) provisions opting out of the control share acquisition statute, (ii) provisions requiring approval by the independent directors for selection of operators of our properties or of transaction involving John B. Kilroy, Sr. and John B. Kilroy, Jr. and their affiliates and (iii) provisions governing amendment of Kilroy Realty s bylaws.
SFFGA s board may adopt, amend or repeal bylaws, subject to the rights of the shareholders to do so; provided, however, that the SFFGA board may not adopt, amend or repeal a bylaw or an amendment of a bylaw that changes the authorized number of directors nor may the board amend or repeal any provision of the bylaws previous adopted by the shareholders.	

Anti-Takeover Provisions

SFFGA	*Kilroy Realty Corporation*
Neither SFFGA s articles of incorporation nor SFFGA s bylaws contain specific anti-takeover provisions.	**Kilroy Realty is not Subject to the Maryland Business Combination Statute**
Notwithstanding the foregoing, SFFGA s articles of incorporation provide that a person is eligible to be a shareholder of SFFGA only if:	Kilroy Realty has elected not to be subject to the business combination provisions of the MGCL (sections 3-601 through 3-604) and it cannot rescind such election and become subject to these business

combination provisions without the approval of holders of a majority of its shares entitled to vote.

a shareholder of SFFGA as of midnight on December 31, 2006 (an Existing Shareholder); or

In the event that Kilroy Realty decides to be subject to the business combinations provision, business combinations between a Maryland corporation and an interested stockholder or an affiliate of an interested stockholder are generally prohibited for five years after the most recent date on which the interested stockholder becomes an interested

the spouse (or former spouse) of an Existing Shareholder; or

the lineal descendant of an Existing Shareholder (a Lineal Descendant); or

the spouse (or former spouse) of an Lineal Descendant; or

Table of Contents

SFFGA	*Kilroy Realty Corporation*
the sibling (whether by the whole or half-blood), aunt, uncle, nephew, niece, or ancestor of an Existing Shareholder or a Lineal Descendant (a Collateral Descendant); or	stockholder. A business combination includes a merger, consolidation or share exchange.
the spouse (or former spouse) of a Collateral Descendant; or	A business combination may also include an asset transfer or issuance or reclassification of equity securities. An interested stockholder is defined in the MGCL as:
the Lineal Descendant of a Collateral Descendant (a Lineal Collateral Descendant); or	any person who beneficially owns, directly or indirectly, 10 percent or more of the voting power of the corporation s shares; or
the spouse (or former spouse) of a Lineal Collateral Descendant; or	an affiliate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10 percent or more of the voting power of the then outstanding voting stock of the corporation.
the trustee or trustees of a trust in which all shares of SFFGA are held for the benefit, without regard to an unexercised power of appointment, of an Existing Shareholder, or a Lineal Descendant, or a Collateral Descendant, or a Lineal Collateral Descendant, or a spouse of former spouse thereof; or	A person is not an interested stockholder under the business combinations provisions of the MGCL if the board of directors approved in advance the transaction by which such person would otherwise have become an interested stockholder.
any person who qualifies as an heir of an Existing Shareholder under California Probate Code Section 44.	
Under SFFGA s articles of incorporation, no person may own, directly or indirectly, more than 16 shares of the common stock of SFFGA.	At the conclusion of the five-year prohibition, any business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least:
	80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation; and

two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom or with whose affiliate the business combination is to be effected.

These super-majority vote requirements do not apply if the corporation s common stockholders receive a minimum price, as defined under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested stockholder for its shares. None of these provisions of Maryland law will apply, however, to business combinations that are approved or exempted by the board of directors of the corporation prior to the time that the interested stockholder becomes an interested stockholder.

As a result of Kilroy Realty s decision not to be subject to the business combinations statute, an

Table of Contents

SFFGA	*Kilroy Realty Corporation*
	interested stockholder would be able to effect a business combination without complying with the requirements discussed above, which may make it easier for stockholders who become interested stockholders to consummate a business combination involving Kilroy Realty. However, Kilroy Realty cannot assure you that any business combinations will be consummated or, if consummated, will result in a purchase of shares of capital stock from its stockholders at a premium.
	Kilroy Realty is not Subject to the Maryland Control Share Acquisition Statute
	Kilroy Realty has elected in its bylaws not to be subject to the control share acquisition provisions of the MGCL (Sections 3-701 through 3-710). If it wants to be subject to these provisions, its bylaws would need to be amended. Such amendments would require the approval of the holders of a majority of the shares entitled to vote.
	Maryland law provides that control shares of a company acquired in a control share acquisition have no voting rights except to the extent approved by a vote of two-thirds of the votes entitled to vote, excluding shares owned by the acquiror or by officers or directors who are employees of Kilroy Realty. Control shares are voting shares of stock which, if aggregated with all other voting shares of stock previously acquired by the acquiror, or over which the acquiror is able to directly or indirectly exercise voting power, except solely by revocable proxy, would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power:
	one-tenth or more but less than one-third;

one-third or more but less than a majority; or

a majority or more of all voting power.

Control shares do not include shares of stock the acquiring person is entitled to vote having obtained prior stockholder approval. Generally, control share acquisition means the acquisition of control shares.

A person who has made or proposes to make a control share acquisition may compel the board of directors to call a special meeting of stockholders to consider voting rights for the shares. The meeting must be held within 50 days of demand. If no request

Table of Contents

SFFGA	*Kilroy Realty Corporation*
	for a meeting is made, Kilroy Realty may present the question at any stockholders meeting.
	If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to conditions and limitations, the corporation may redeem any or all of the control shares, except those for which voting rights previously have been approved, for fair value. Fair value is determined without regard to the absence of voting rights for control shares, as of the date of the last control share acquisition or of any meeting of stockholders at which the voting rights of control shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of these appraisal rights may not be less than the highest price per share paid in the control share acquisition. Limitations and restrictions otherwise applicable to the exercise of dissenter s rights do not apply in the context of a control share acquisition.
	The control share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if Kilroy Realty is a party to the transaction, or to acquisitions approved or exempted by its charter or bylaws. Because Kilroy Realty is not subject to these provisions, stockholders who acquire a substantial block of Company common stock do not need approval of the other stockholders before exercising full voting rights with respect to their shares on all matters. This may make it easier for any of these control share stockholders to effect a business combination with Kilroy Realty. However, Kilroy Realty cannot assure you that any business combinations will be consummated or, if consummated, will result in a purchase of shares of Company common stock from any stockholder at a premium.

Unsolicited Takeovers

Under certain provisions of the MGCL relating to unsolicited takeovers, a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors may elect to be subject to certain statutory provisions

Table of Contents

SFFGA	*Kilroy Realty Corporation*
	relating to unsolicited takeovers which, among other things, would automatically classify the board of directors into three classes with staggered terms of three years each and vest in its board of directors the exclusive right to determine the number of directors and the exclusive right, by the affirmative vote of a majority of the remaining directors, to fill vacancies on the board of directors, even if the remaining directors do not constitute a quorum. These statutory provisions also provide that any director elected to fill a vacancy shall hold office for the remainder of the full term of the class of directors in which the vacancy occurred, rather than the next annual meeting of directors as would otherwise be the case, and until his successor is elected and qualified.
	An election to be subject to any or all of the foregoing statutory provisions may be made in Kilroy Realty s charter or bylaws, or by resolution of the board of directors. Any such statutory provision to which Kilroy Realty elects to be subject will apply even if other provisions of Maryland law or Kilroy Realty s charter or bylaws provide to the contrary.
	If Kilroy Realty made an election to be subject to the statutory provisions described above, the board of directors would automatically be classified into three classes with staggered terms of office of three years each, and would have the exclusive right to determine the number of directors and the exclusive right to fill vacancies on the board of directors. Moreover, any director elected to fill a vacancy would hold office for the remainder of the full term of the class of directors in which the vacancy occurred.
	In such instance, the classification and staggered terms of office of the directors would make it more difficult for a third party to gain control of the board of directors since at least two annual meetings of stockholders, instead of one, generally would be required to effect a change in the majority of the board of directors.

Kilroy Realty has not elected to become subject to the foregoing statutory provisions relating to unsolicited takeovers. However, Kilroy Realty could by resolutions adopted by the board of directors and without stockholder approval, elect to become subject to some or all of these statutory provisions.

Table of Contents

Shareholder Vote Required for Mergers, Sales of Assets and Other Transactions

SFFGA	*Kilroy Realty Corporation*
The CGCL requires certain mergers and share exchanges to be approved by the holders of a majority of the outstanding shares entitled to vote thereon. The CGCL similarly requires that a sale of all or substantially all of the assets of the corporation be approved by the holders of a majority of the outstanding shares entitled to vote thereon.	Pursuant to the MGCL, certain mergers, consolidations and share exchanges, and a sale of all or substantially all of Kilroy Realty s assets, must be approved by the stockholders by the affirmative vote of two-thirds of all votes entitled to be cast on the matter.
Holders of at least a majority of the voting power of the outstanding shares of SFFGA common stock entitled to vote must vote in favor of the adoption of the merger agreement and the approval of the principal terms of the merger. Abstentions have the effect of votes against the adoption of the merger agreement and the approval of the principal terms of the merger.	

Dissenter s Rights

SFFGA	*Kilroy Realty Corporation*
SFFGA shareholders are entitled to appraisal and dissenter s rights under Sections 1300 through 1313 of the CGCL in connection with the merger. Any SFFGA shareholder who does not vote in favor of adoption of the merger agreement and approval of the principal terms of the merger and otherwise complies with all of the procedures of Sections 1300 through 1313 of CGCL may be entitled to receive payment in cash for the fair value of their shares of SFFGA common stock as ultimately determined under the statutory process. Failure to follow precisely any of the statutory procedures set forth in *Annex B* hereto may result in the loss or waiver of dissenter s rights under California law.	Under the MGCL, because Kilroy Realty common stock is listed on the NYSE, holders of Kilroy Realty common stock generally will not have appraisal rights in connection with a consolidation, merger or share exchange.

Indemnification of Directors and Officers

SFFGA	*Kilroy Realty Corporation*
Under SFFGA s bylaws, SFFGA may indemnify its directors and officers to the full extent permitted under Section 317 of CGCL. Pursuant to the bylaws, SFFGA shall have the right to purchase and maintain insurance on behalf of any such person whether or not SFFGA would have the power	Kilroy Realty s charter and bylaws provide for indemnification of its officers and directors against liabilities to the fullest extent permitted by the MGCL, as amended from time to time.

to indemnify such person against the liability insured against.

The MGCL permits Kilroy Realty to indemnify its directors and officers and other parties against judgments, penalties, fines, settlements, and reasonable expenses actually incurred by them in connection with any proceeding to which they may

Table of Contents

SFFGA	*Kilroy Realty Corporation*
	be made a party by reason of their service in those or other capacities unless it is established that:
	the act or omission of the director or officer was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;
	the director or officer actually received an improper personal benefit in money, property or services; or
	in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.
	Under the MGCL, Kilroy Realty may indemnify its directors or officers against judgments, penalties, fines, settlements and reasonable expenses that they actually incur in connection with the proceeding unless the proceeding is one by Kilroy Realty or in its right and the director or officer has been found to be liable to Kilroy Realty. In addition, Kilroy Realty may not indemnify a director or officer in any proceeding charging improper personal benefit to them if they were found to be liable on the basis that personal benefit was received. The termination of any proceeding by judgment, order or settlement does not create a presumption that the director or officer did not meet the requisite standard of conduct required for indemnification to be permitted. The termination of any proceeding by conviction, or upon a plea of *nolo contendere* or its equivalent, or an entry of any order of probation prior to judgment, creates a rebuttable presumption that the director or officer did not meet the requisite standard of conduct required for indemnification to be permitted.

In addition, the MGCL provides that, unless limited by its charter, a corporation shall indemnify any director or officer who is made a party to any proceeding by reason of service in that capacity against reasonable expenses incurred by the director or officer in connection with the proceeding, in the event that the director or officer is successful, on the merits or otherwise, in the defense of the proceeding. Kilroy Realty s charter contains no such limitation.

The partnership agreement of the operating partnership provides that Kilroy Realty, as general partner, and its officers and directors are indemnified

Table of Contents

SFFGA	*Kilroy Realty Corporation*
	to the same extent its officers and directors are indemnified in its charter.
	Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling Kilroy Realty for liability arising under the Securities Act of 1933, as amended, the Securities Act, Kilroy Realty has been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.
	Kilroy Realty has entered into indemnification agreements with certain of its executive officers and directors. The indemnification agreements provide that:
	Kilroy Realty must indemnify its executive officers and directors to the fullest extent permitted by applicable law and advance to its executive officers and directors all expenses related to the defense of indemnifiable claims against them, subject to reimbursement if it is subsequently determined that indemnification is not permitted;
	Kilroy Realty must indemnify and advance all expenses incurred by executive officers and directors seeking to enforce their rights under the indemnification agreements; and
	to the extent to which Kilroy Realty maintains directors and officers liability insurance, Kilroy Realty must provide coverage under such insurance to its executive officers and directors.

Kilroy Realty s indemnification agreements with its executive officers and directors offer substantially the same scope of coverage afforded by applicable law. In addition, as contracts, these indemnification agreements provide greater assurance to its directors and executive officers that indemnification will be available because they cannot be modified unilaterally in the future by the board of directors or the stockholders to eliminate the rights that they provide.

Table of Contents

Limitations on Directors and Officers Liability

SFFGA	*Kilroy Realty Corporation*
Under SFFGA s bylaws, SFFGA may indemnify its directors and officers to the full extent permitted under Section 317 of CGCL. Pursuant to the bylaws, SFFGA shall have the right to purchase and maintain insurance on behalf of any such person whether or not SFFGA would have the power to indemnify such person against the liability insured against.	As permitted by the MGCL, Kilroy Realty s charter limits the liability of its directors and officers to Kilroy Realty and its stockholders for money damages, subject to specified restrictions. However, the liability of Kilroy Realty s directors and officers to it and its stockholders for money damages is not limited if: it is proved that the director or officer actually received an improper benefit or profit in money, property or services; or a judgment or other final adjudication adverse to the director or officer is entered in a proceeding based on a finding that the director s or officer s action, or failure to act, was the result of active and deliberate dishonesty and was material to the cause of action adjudicated in the proceeding. This provision does not limit Kilroy Realty s ability or its stockholders ability to obtain other relief, such as an injunction or rescission. The partnership agreement of the operating partnership limits Kilroy Realty s liability and the liability of its officers and directors to the operating partnership and its partners to the same extent that its charter limits the liability of its officers and directors to it and its stockholders.

Table of Contents

EXPERTS

The consolidated financial statements, and the related financial statement schedules, incorporated in this proxy statement-prospectus by reference from Kilroy Realty Corporation s Annual Report on Form 10-K/A for the year ended December 31, 2013, and the effectiveness of Kilroy Realty Corporation s internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedules have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

The consolidated financial statements, and the related financial statement schedules, incorporated in this proxy statement-prospectus by reference from Kilroy Realty, L.P. s Annual Report on Form 10-K/A for the year ended December 31, 2013, and the effectiveness of Kilroy Realty, L.P. s internal control over financial reporting have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their reports, which are incorporated herein by reference. Such consolidated financial statements and financial statement schedules have been so incorporated in reliance upon the reports of such firm given upon their authority as experts in accounting and auditing.

LEGAL OPINIONS

Certain legal matters with respect to the validity of shares of Kilroy Realty s capital stock will be passed upon for Kilroy Realty by Ballard Spahr LLP, Baltimore, Maryland.

Latham & Watkins LLP will deliver an opinion concerning certain U.S. federal income tax matters.

WHERE YOU CAN FIND MORE INFORMATION

Registration Statement

Kilroy Realty has filed a registration statement on Form S-4 to register with the SEC the Kilroy Realty common stock to be issued in the merger to SFFGA shareholders. This proxy statement-prospectus is part of that registration statement. The registration statement and the exhibits to the registration statement contain additional important information about Kilroy Realty and its common stock. As allowed by SEC rules, this proxy statement-prospectus does not contain all the information you can find in the registration statement or the exhibits to the registration statement.

Kilroy Realty SEC Filings

Kilroy Realty files proxy statements and annual, quarterly and current reports and other information with the SEC. You may read and copy any document Kilroy Realty files with the SEC at the SEC s public reference room at 100 F Street, N.E. Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC at http://www.sec.gov. You can inspect reports and other information Kilroy Realty files at the offices of the NYSE, 20 Broad Street, New York, New York 10005.

For further information with respect to Kilroy Realty and the securities registered hereby, reference is made to the registration statement, including the exhibits to the registration statement. Statements contained in this proxy

statement-prospectus as to the contents of any contract or other document referred to in, or incorporated by reference in, this proxy statement-prospectus are not necessarily complete and, where that contract is an exhibit to the registration statement or an exhibit to a document incorporated by reference into the registration statement,

Table of Contents

each statement is qualified in all respects by the exhibit to which the reference relates. Copies of the registration statement, including the exhibits and schedules to the registration statement, may be examined at the SEC s public reference room. Copies of all or a portion of the registration statement can be obtained from the public reference room of the SEC upon payment of prescribed fees. The registration statement is also available to you on the SEC s website.

Kilroy Realty SEC Filings (File No. 001-02979)	Annual Report on Form 10-K for the year ended December 31, 2013, filed on February 14, 2014 (as amended on Form 10-K/A June 6, 2014).*
	Proxy Statement on Schedule 14A filed April 11, 2014.
	Quarterly Report on Form 10-Q for the quarter ended March 31, 2014, filed on May 1, 2014.*
	Current Reports on Form 8-K filed March 28, 2014, May 20, 2014, May 23, 2014, and June 27, 2014* (other than the portions of those documents not deemed to be filed).

* Combined report of Kilroy Realty Corporation and Kilroy Realty, L.P.

All documents filed by Kilroy Realty Corporation with the SEC pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Securities Exchange Act of 1934 after the initial filing date of this proxy statement-prospectus and prior to effectiveness of this proxy statement-prospectus are incorporated by reference into this proxy statement-prospectus and are part of this proxy statement-prospectus from the date of filing.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes hereof to the extent that a statement contained herein or in any other subsequently filed document that also is, or is deemed to be, incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part hereof.

Other Documents

Documents that are described in this proxy statement-prospectus but are not incorporated by reference are also available from Kilroy Realty or SFFGA, as the case may be, upon request in writing or by telephone to the appropriate company.

Documents Available Without Charge

Kilroy Realty and SFFGA will provide, without charge, copies of any report incorporated by reference into this proxy statement-prospectus, as well as certain other documents described in this proxy statement-prospectus, excluding exhibits other than those that are specifically incorporated by reference into this proxy statement-prospectus. You may obtain a copy of any document incorporated by reference in this proxy statement-prospectus and any other document described in this proxy statement-prospectus by writing or calling the appropriate company at the following addresses:

Attention: Investor Relations

Kilroy Realty Corporation

12200 West Olympic Boulevard, Suite 200

Los Angeles, California 90064

(310) 481-8400

San Francisco Flower Growers Association
644 Brannan Street
San Francisco, California 94107
(415) 781-8410

Table of Contents

To ensure delivery of the copies in time for the special meeting, your request should be received by [ ], 2014.

You should rely only on the information contained or incorporated by reference in this proxy statement-prospectus. We have not authorized anyone to provide you with different information. This proxy statement-prospectus is dated [ ], 2014. You should not assume that information contained or incorporated by reference in this proxy statement-prospectus is accurate as of any date other than that date. Neither the mailing of this proxy statement-prospectus to SFFGA shareholders nor the issuance by Kilroy Realty of its common stock in the merger will create any implication to the contrary.

Table of Contents

ANNEX A

AGREEMENT AND PLAN OF MERGER

BY AND AMONG

KILROY REALTY CORPORATION,

KR SFFGA, LLC,

SAN FRANCISCO FLOWER GROWERS ASSOCIATION

AND

SFFGA REPRESENTATIVE

DATED AS OF JULY 11, 2014

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

LIST OF EXHIBITS

Table of Contents

AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger dated as of July 11, 2014 (this Agreement), by and among Kilroy Realty Corporation, a Maryland corporation (Parent), KR SFFGA, LLC, a Delaware limited liability company (Merger Sub), and San Francisco Flower Growers Association, a California corporation (the Company) and solely with respect to Article VIII, Articles IX and Article XI, Angelo Stagnaro, Jr. and Ronald Chiappari each as a SFFGA Representative. Capitalized terms used but not otherwise defined herein have the meaning ascribed to such terms in Section 11.12.

RECITALS

WHEREAS, the parties hereto wish to effect a merger transaction in which the Company will be merged with and into Merger Sub, with Merger Sub being the surviving entity (the Merger), and each outstanding share of common stock of the Company, without par value (the Company Common Stock), will be converted into the right to receive the Merger Consideration, upon the terms and subject to the conditions set forth in this Agreement and in accordance with the California Corporations Code (the CCC) and the Delaware Limited Liability Company Act (DLLCA);

WHEREAS, the Board of Directors of the Company (the Company Board) has approved this Agreement, the Merger and the other transactions contemplated by this Agreement and declared that this Agreement, the Merger and the other transactions contemplated by this Agreement are advisable, fair to and in the best interests of the Company s shareholders;

WHEREAS, the Company Board has directed that this Agreement, the Merger and the other transactions contemplated hereby be submitted for consideration at a meeting of the Company s shareholders and has resolved to recommend that the Company s shareholders vote to adopt this Agreement and approve the principal terms of the Merger and the other transactions contemplated by this Agreement;

WHEREAS, Parent has taken all actions required to approve this Agreement, the Merger and the other transactions contemplated by this Agreement and declare that this Agreement, the Merger and the other transactions contemplated by this Agreement are advisable;

WHEREAS, Parent, in its capacity as the sole member of Merger Sub, has taken all actions required for the execution of this Agreement by Merger Sub and to adopt and approve this Agreement and to approve the consummation by Merger Sub of the Merger and the other transactions contemplated by this Agreement;

WHEREAS, as a condition and inducement to Parent s and Merger Sub s willingness to enter into this Agreement, simultaneously with the execution and delivery of this Agreement a majority of the members of the Company Board, have, on their own behalf and on behalf of their applicable Affiliates, executed and delivered to Parent a voting agreement pursuant to which each has agreed to vote to adopt this Agreement and approve the principal terms of the Merger and the other transactions contemplated by this Agreement; and

WHEREAS, each of the Company, Parent and Merger Sub desire to make certain representations, warranties, covenants and agreements in connection with the Merger, and also to prescribe various conditions to the Merger.

Table of Contents

NOW, THEREFORE, in consideration of the foregoing and the mutual representations, warranties and covenants and subject to the conditions herein contained, and intending to be legally bound hereby, the parties hereto hereby agree as follows:

ARTICLE I.

THE MERGER

1.1 Merger. Upon the terms and subject to the conditions of this Agreement, and in accordance with the CCC and the DLLCA, at the Effective Time, the Company shall be merged with and into Merger Sub, whereupon the separate existence of the Company shall cease, and Merger Sub shall continue under the name KR SFFGA, LLC as the surviving entity in the Merger (the Surviving Entity) and shall be governed by the laws of the State of Delaware. The Merger shall have the effects specified in the CCC and the DLLCA.

1.2 Closing. The closing of the Merger (the Closing) shall occur on the third (3rd) Business Day after all of the conditions set forth in Article VII (other than those conditions that by their terms are required to be satisfied or waived at the Closing, but subject to the satisfaction or waiver of such conditions) shall have been satisfied or waived by the party entitled to the benefit of the same or at such other time and date as shall be agreed upon by the parties; provided, however, if the SEC does not review and provide comments to the Form S-4, Parent may delay the Closing for up to thirty (30) calendar days to allow the Closing to occur on the same day as Parent s closing of the acquisition of any real property adjacent to the Property. The date on which the Closing occurs is referred to in this Agreement as the Closing Date. The Closing shall take place at the offices of Latham & Watkins LLP, 505 Montgomery Street, Suite 2000, San Francisco, CA 94111, or at such other place as agreed to by the parties hereto.

1.3 Effective Time. Parent shall prepare and, on the Closing Date, the Company, Parent and Merger Sub shall (i) cause a certificate of merger with respect to the Merger (the CA Certificate) to be duly executed and filed with the Secretary of State of the State of California (the CA Secretary), (ii) cause a certificate of merger with respect to the Merger (the DE Certificate and together with the CA Certificate, the Certificates of Merger) to be duly executed and filed with the Secretary of State of the State of Delaware (the DE Secretary) and (iii) make any other filings, recordings or publications required to be made by the Company or Merger Sub under the CCC or DLLCA in connection with the Merger. The Merger shall become effective upon the acceptance for record of the CA Certificate by the CA Secretary and the acceptance for record of the DE Certificate by the DE Secretary or on such other date and time (not to exceed 30 days from the date the DE Certificate is accepted for record by the DE Secretary) as shall be agreed to by the Company and Parent and specified in the Certificates of Merger (such date and time being hereinafter referred to as the Effective Time). The Merger shall have the effects set forth in the applicable provisions of the CCC, the DLLCA and this Agreement.

1.4 Organizational Documents. At the Effective Time, the certificate of formation and limited liability company agreement of Merger Sub, as in effect immediately prior to the Effective Time, shall be the certificate of formation and limited liability company agreement of the Surviving Entity, until thereafter amended in accordance with applicable Law and the applicable provisions of such certificate of formation and limited liability company agreement.

1.5 Tax Consequences. It is intended that, for U.S. federal income tax purposes, the Merger shall qualify as a reorganization within the meaning of Section 368(a) of the Code, and that this Agreement be, and is hereby adopted as, a plan of reorganization for purposes of Sections 354 and 361 of the Code.

A-2

Table of Contents

ARTICLE II.

MERGER CONSIDERATION; EFFECT OF THE MERGER

2.1 Calculation of Merger Consideration.

(a) Parent shall pay aggregate merger consideration in the form of validly issued, fully paid and non-assessable shares of common stock, par value $0.01 per share of Parent (the Parent Common Stock) in an amount equal to:

(i) $27,000,000; reduced by

(ii) the sum of (A) the outstanding principal balance of the Property Indebtedness, plus all accrued and unpaid interest thereon on and as of the Closing Date, plus any prepayment fees or other amounts payable in connection therewith, (B) the Proration Debit Amount, (C) the Identified Company Expenses, (D) all Unpaid Pre-Closing Taxes and (E) the Unpaid Excluded Assets Taxes;

(iii) further reduced by any Unidentified Company Expenses, to the extent such expenses have not previously been paid by the Company;

(iv) and increased by the sum of the (A) Cash Amount and (B) the Proration Credit Amount.

The foregoing being referred to herein as the Aggregate Merger Consideration.

(b) The number of shares of Parent Common Stock to be issued by Parent (the Merger Shares) will equal the Aggregate Merger Consideration divided by the average closing price per share of Parent Common Stock as reported by the Wall Street Journal (or its equivalent successor if not available) for the ten (10) day trading period ending two (2) trading days prior to the Closing Date (the Parent Share Price).

2.2 Effect on Shares. At the Effective Time, by virtue of the Merger and without any action on the part of the Company, Parent, Merger Sub or the holder of any securities of the Company, Parent or Merger Sub:

(a) Conversion of Company Common Stock. Each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than shares as to which statutory dissenters appraisal rights have been exercised and not withdrawn or forfeited) (the Eligible Shares) shall automatically be converted into the right to receive (i) the Per Share Merger Consideration (including the right, if any, to receive pursuant to Section 2.8, cash in lieu of fractional shares of Parent Common Stock into which such shares of Company Common Stock have been converted) plus (ii) the right to receive its respective allocation of those portions, if any, of the of the Indemnification Escrow Shares distributed to the holders of Eligible Shares (the Holders) in accordance with the Indemnification Escrow Agreement and this Agreement (collectively, the Merger Consideration). All shares of Company Common Stock, when so converted, shall no longer be outstanding and shall automatically be cancelled and retired and shall cease to exist, and each holder of a certificate (a Certificate) that immediately prior to the Effective Time represented shares of Company Common Stock shall cease to have any rights with respect to such Company Common Stock other than the right to receive the Merger Consideration in accordance with this Section 2.2(a), including the right, if any, to receive, pursuant to Section 2.8, cash in lieu of fractional shares of Parent Common Stock into which such shares of Company Common Stock have been converted pursuant to this Section 2.2(a).

(b) Treatment of Merger Sub Membership Interests. All membership interests of Merger Sub (the Merger Sub Interests), issued and outstanding immediately prior to the Effective Time shall remain as membership interests of the

Surviving Entity.

Table of Contents

2.3 Exchange Fund; Exchange Agent.

(a) As soon as practicable following the date of this Agreement, Parent shall appoint Computershare Trust Company, N.A. to act as exchange agent (the "Exchange Agent") for the payment and delivery of the Merger Consideration as provided in Section 2.2(a). On or before the Effective Time, Parent shall deposit, or cause to be deposited, with the Exchange Agent cash in immediately available funds in an amount sufficient to pay the Fractional Share Consideration as provided in Section 2.8 (such cash amounts, the "Exchange Fund"), for the sole benefit of Holders. Parent shall cause the Exchange Agent to make, and the Exchange Agent shall make, payments of the Fractional Share Consideration out of the Exchange Fund in accordance with this Agreement. The Exchange Fund shall not be used for any other purpose. Any and all interest earned on cash deposited in the Exchange Fund shall be paid to the Surviving Entity.

(b) Share Transfer Books. At the Effective Time, the share transfer books of the Company shall be closed, and thereafter there shall be no further registration of transfers of shares of Company Common Stock. From and after the Effective Time, Persons who held Eligible Shares shall cease to have rights with respect to such shares, except as otherwise provided for herein. On or after the Effective Time, any Certificates presented to the Exchange Agent or the Surviving Entity for any reason shall be exchanged for the Merger Consideration with respect to the shares of Company Common Stock formerly represented thereby.

(c) Exchange Procedures.

(i) As promptly as practicable following the Effective Time (but in no event later than three (3) Business Days thereafter), the Surviving Entity shall cause the Exchange Agent to mail (and to make available for collection by hand) to each holder of record of a Certificate (A) a letter of transmittal (a "Letter of Transmittal"), which shall specify that delivery shall be effected, and risk of loss and title to the Certificates shall pass, only upon proper delivery of the Certificates (or affidavits of loss in lieu thereof) to the Exchange Agent, and which Letter of Transmittal shall be in such form and have such other customary provisions as the Company and Parent may reasonably agree upon, and (B) instructions for use in effecting the surrender of the Certificates in exchange for the Merger Consideration into which the number of shares of Company Common Stock previously represented by such Certificate shall have been converted pursuant to this Agreement.

(ii) Upon surrender of a Certificate (or affidavit of loss in lieu thereof) to the Exchange Agent, together with a Letter of Transmittal duly completed and validly executed in accordance with the instructions thereto, and such other documents as may reasonably be required by the Exchange Agent, the Exchange Agent shall issue to the Holder of such Certificate that number of uncertificated shares of Parent Common Stock that such Holder is entitled to receive pursuant to Section 2.2(a) plus a check representing the amount of cash such Holder is entitled to receive in lieu of fractional shares of Parent Common Stock that such Holder has the right to receive pursuant to the provisions of Section 2.8. The Exchange Agent shall accept such Certificates (or affidavits of loss in lieu thereof) upon compliance with such reasonable terms and conditions as the Exchange Agent may impose to effect an orderly exchange thereof in accordance with customary exchange practices. Until surrendered as contemplated by this Section 2.3(c), each Certificate shall be deemed, at any time after the Effective Time, to represent only the right to receive, upon such surrender, the Merger Consideration as contemplated by this Article II. No interest shall be paid or accrued for the benefit of Holders of the Certificates on the Merger Consideration payable upon the surrender of the Certificates.

(iii) In the event of a transfer of ownership of shares of Company Common Stock that is not registered in the transfer records of the Company, it shall be a condition of payment that any Certificate surrendered in accordance with the procedures set forth in this Section 2.3(c) shall be properly endorsed or shall be otherwise in proper form for transfer and that the Person requesting such payment shall have paid any transfer Taxes and other Taxes required by reason of

the payment of the Merger Consideration to a Person other than the registered Holder of the Certificate and shall have established to the reasonable satisfaction of Parent that such Tax either has been paid or is not applicable.

Table of Contents

(d) Dividends with Respect to Parent Common Stock. No dividends or other distributions with respect to Parent Common Stock with a record date after the Effective Time shall be paid to the Holder of any unsurrendered Certificate with respect to the shares of Parent Common Stock issuable hereunder, and all such dividends and other distributions shall be paid by Parent to the Exchange Agent and shall be included in the Exchange Fund, in each case until the surrender of such Certificate (or affidavit of loss in lieu thereof) in accordance with this Agreement. Subject to applicable Laws, following surrender of any such Certificate (or affidavit of loss in lieu thereof) there shall be paid to the Holder thereof, without interest, (i) the amount of dividends or other distributions with a record date after the Effective Time theretofore paid with respect to such shares of Parent C