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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13A-16 OR 15D-16 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the month of April 2018 (Report No. 1)

Commission File Number: 0-27466

NICE LTD.

(Translation of Registrant's Name into English)

13 Zarhin Street, Box 690, Ra'anana 4310602, Israel

(Address of Principal Executive Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ____

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ____

CONTENTS

This Report on Form 6-K of NICE consists of the following documents, which are attached hereto and incorporated by reference herein:

99.1 Letter to Shareholders, Notice of Annual General Meeting of Shareholders and Proxy Statement, dated April 3, 2018.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

NICE LTD.

By: /s/ Tali Mirsky
Name: Tali Mirsky
Title: General Counsel and Corporate Secretary

Dated: April 3, 2018

EXHIBIT INDEX

99.1 Letter to Shareholders, Notice of Annual General Meeting of Shareholders and Proxy Statement, dated April 3, 2018.

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(1) Total fair value of RSUs vested was calculated based on the quoted closing share price of the Company's common stock on the NYSE on the day of vesting.

Summary of Nonvested Shares

A summary of our nonvested shares activity from January 1, 2012 through June 30, 2012 is presented below:

Nonvested Shares	Shares		Weighted-Average Grant Date Fair Value Per Share
Outstanding at January 1, 2012	83,966		$ 39.83
Granted	62,137		41.84
Vested [(1)]	(35,623	)	37.90

Outstanding as of June 30, 2012	110,480	$ 41.64

(1) The total shares vested include 22,312 shares that were tendered in accordance with the terms of the 2006 Plan to satisfy minimum statutory tax withholding requirements related to the restricted shares that have vested. We accept the return of shares at the current quoted closing share price of the Company's common stock to satisfy tax obligations.

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KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

A summary of our nonvested and vested share activity for the six months ended June 30, 2012 and 2011 is presented below:

	Shares Granted		Shares Vested	
Six Months Ended June 30,	Non-Vested Shares Issued	Weighted-Average Grant Date Fair Value Per Share	Vested Shares	Total Fair Value at Vest Date[(1)] (in thousands)
2012	62,137	$ 41.84	(35,623)	$1,388
2011	68,727	37.83	(9,474)	370

(1) Total fair value of shares vested was calculated based on the quoted closing share price of the Company's common stock on the NYSE on the date of vesting.

Summary of Stock Options

On February 22, 2012, the Executive Compensation Committee of the Company granted non-qualified stock options to certain key members of our senior management team, including our executive officers, to purchase an aggregate 1,550,000 shares of the Company's common stock at an exercise price per share equal to $42.61, the closing price of the Company's common stock on the grant date. The options will vest ratably in annual installments over a five-year period, subject to continued employment through the applicable vesting date. The term of each option is ten years from the date of the grant. Dividends will not be paid on vested or unvested options. The options were granted pursuant to the 2006 Plan.

The fair value of each stock option granted is estimated on the date of grant using the Black-Scholes option pricing model based on the following assumptions for the February 2012 grant.

	February 2012 Option Grant
Fair value of options granted per share	$9.20
Expected stock price volatility	33.00%
Risk-free interest rate	1.35%
Dividend yield	3.80%
Expected life of option	6.5 years

The computation of expected volatility is based on a blend of the historical volatility of our common shares over a time period longer than the expected life of the option and implied volatility data based on the observed pricing of six-month publicly traded options on our common shares. The risk-free interest rate is based on the yield curve on zero-coupon U.S. Treasury STRIP securities in effect at the grant date. The expected dividend yield is estimated by examining the average of the historical dividend yield levels over the expected life of the option and the current dividend yield as of the grant date. The expected life of the options is calculated as the average of the vesting term and the contractual term.

A summary of our stock option activity from January 1, 2012 through June 30, 2012 is presented below:

	Number of Options	Exercise Price	Remaining Contractual Term (years)
Outstanding at January 1, 2012 [(1)]	5,000	$25.77	
Granted	1,550,000	42.61	
Exercised	(5,000)	25.77	
Forfeited	(10,000)	42.61	
Outstanding at June 30, 2012 [(2)(3)]	1,540,000	$42.61	9.7

(1) Stock options outstanding as of December 31, 2011 were granted in 2002 and exercised in 2012 prior to expiration. No stock options were granted during 2003 through 2011.

(2) As of June 30, 2012, none of the outstanding stock options were exercisable.

(3) The total intrinsic value of options outstanding at June 30, 2012 was $8.9 million.

Share-based Compensation Cost Recorded During the Period

The total compensation cost for all share-based compensation programs was $2.4 million and $1.4 million for the three months ended June 30, 2012 and 2011, respectively, and $3.8 million and $2.8 million for the six months ended June 30, 2012 and 2011, respectively. Of the total share-based compensation cost, $0.2 million and $0.3 million was capitalized as part of real estate assets for the three months ended June 30, 2012 and 2011, respectively, and $0.4 million and $0.6 million was capitalized as part of real estate assets for the six months ended June 30, 2012 and 2011, respectively. As of June 30, 2012, there was approximately $30.6 million of total unrecognized compensation cost related to nonvested incentive awards granted under share-based compensation arrangements that is expected to be recognized over a weighted-average period of 2.7 years. The remaining compensation cost related to these nonvested incentive awards had been recognized in periods prior to June 30, 2012.

10. Future Minimum Rent

We have operating leases with tenants that expire at various dates through 2027 and are either subject to scheduled fixed increases or adjustments in rent based on the Consumer Price Index. Generally, the leases grant tenants renewal options. Leases also provide for additional rents based on certain operating expenses. Future contractual minimum rent under operating leases as of June 30, 2012 for future periods is summarized as follows:

Year Ending	(in thousands)
Remaining 2012	$176,516
2013	355,682
2014	328,315
2015	283,224
2016	247,101
Thereafter	741,997
Total	$2,132,835

11. Commitments and Contingencies

Non-refundable Escrow Deposits

As of June 30, 2012, we had $30.0 million in non-refundable escrow deposits related to potential future acquisitions, subject only to the failure of satisfaction of conditions precedent to the closing. The escrow deposits are included in prepaid expenses and other assets, net on the consolidated balance sheets. Of the escrow deposits at June 30, 2012, $25.0 million relate to acquisitions that closed subsequent to June 30, 2012 (see Note 17 for additional information pertaining to these acquisitions).

Ground Leases

The following table summarizes our properties which are held subject to long-term noncancellable ground lease obligations and the respective contractual expiration dates:

Property	Contractual Expiration Date(1)
601 108th Ave NE in Bellevue, Washington	November 2093
701, 801 and 837 N. 34th Street in Seattle, Washington (2)	December 2041
Kilroy Airport Center Phases I, II, and III in Long Beach, California	July 2084
370 3rd Street in San Francisco, California (3)	December 2022

(1) Reflects the contractual expiration date prior to the impact of any extension or purchase options held by the Company.

(2) The Company has three 10-year and one 45-year extension option for this ground lease which if exercised would extend the expiration date to December 2116.

(3) The Company has an option to acquire the land underlying this ground lease during the period from November 2012 through October 2013 for a total estimated purchase price not to exceed $27.5 million.

The future minimum rent commitment under our ground leases as of June 30, 2012 is summarized as follows:

Year Ending	(in thousands)
Remaining 2012	$2,138
2013	3,095
2014	3,095
2015	3,095
2016	3,095
Thereafter	163,019
Total(1)(2)(3)(4)(5)	$177,537

(1) Reflects the minimum ground lease obligations before the impact of ground lease extension options.

(2) One of our ground lease obligations is subject to a fair market value adjustment every five years; however, the lease includes ground rent subprotection and infrastructure rent credits which currently limit our annual rental obligations to $1.0 million. The contractual obligations for that ground lease included above assumes the lesser of $1.0 million or annual lease rental obligation in effect as of June 30, 2012.

(3) One of our ground lease obligations includes a component which is based on the percentage of gross income that exceeds the minimum ground rent. The minimum rent is subject to increases every five years based on 50% of the average annual percentage rent for the previous five years. Currently, gross income does not exceed the threshold requiring us to pay percentage rent. The contractual obligations included above assumes the annual lease rental obligation in effect as of June 30, 2012.

(4) One of our ground lease obligations is subject to a fair market value adjustment every five years based on a combination of CPI adjustments and third-party appraisals limited to maximum increases annually. The contractual obligations included above assumes the annual lease rental obligation in effect as of June 30, 2012.

(5) The contractual obligation included for one of our ground lease obligations assumes that the Company will exercise the land purchase option during 2012. The amount presented above excludes the estimated purchase price which is not to exceed $27.5 million.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

12. Fair Value Measurements and Disclosures

Assets and Liabilities Reported at Fair Value

The only assets and liabilities we record at fair value on a recurring basis on our consolidated financial statements are the marketable securities and corresponding deferred compensation plan liability, both of which are related to our deferred compensation plan. The following table sets forth the fair value of our marketable securities and related deferred compensation plan liability as of June 30, 2012 and December 31, 2011:

	Fair Value (Level 1)(1)	
Description	June 30, 2012	December 31, 2011
	(in thousands)	
Marketable securities (2)	$6,546	$5,691
Deferred compensation plan liability (3)	6,451	5,597

(1) Based on quoted prices in active markets for identical securities.
(2) The marketable securities are held in a limited rabbi trust.
(3) The deferred compensation plan liability is reported on our consolidated balance sheets in accounts payable, accrued expenses, and other liabilities.

We report the change in the fair value of the marketable securities at the end of each accounting period in interest income and other net investment (losses) gains in the consolidated statements of operations. We adjust the deferred compensation plan liability to fair value at the end of each accounting period based on the performance of the benchmark funds selected by each participant, which results in a corresponding increase or decrease to compensation cost for the period. The following table sets forth the related amounts recorded during the three and six months ended June 30, 2012 and 2011:

	Three Months Ended		Six Months Ended	
Description	June 30, 2012	June 30, 2011	June 30, 2012	June 30, 2011
	(in thousands)			
Net (loss) gain on marketable securities	$(155)	$26	$280	$213
Decrease (increase) to compensation cost	155	(26)	(280)	(213)

Financial Instruments Disclosed at Fair Value

The following table sets forth the carrying value and the fair value of our other financial instruments as of June 30, 2012 and December 31, 2011:

	Carrying Value	Fair Value	Carrying Value	Fair Value
	June 30, 2012		December 31, 2011	
	(in thousands)			
Liabilities				
Secured debt (1)	$381,097	$397,843	$351,825	$367,402
Exchangeable senior notes, net (1)	161,844	177,803	306,892	320,919
Unsecured debt, net (2)	1,130,732	1,218,422	980,569	1,011,982
Unsecured line of credit (1)	102,000	102,023	182,000	182,299

(1) Fair value calculated using Level II inputs which are based on model−derived valuations in which significant inputs and significant value drivers are observable in active markets.
(2) Fair value calculated primarily using Level I inputs which are based on quoted prices for identical instruments in active markets. The fair value of the Series B unsecured senior notes and the Unsecured Term Loan Facility are calculated using Level II inputs which are based on model−derived valuations in which significant inputs and significant value drivers are observable in active markets. The carrying value and fair value of these Level II

instruments is $233.0 million and $240.0 million, respectively, as of June 30, 2012. The carrying value and fair value of the Level II instruments, which only included the Series B unsecured senior notes at December 31,2011, was $83.0 million and $88.9 million, respectively.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

13. Segment Disclosure

We have one reportable segment which is our Office Properties segment and we have one non-reportable segment which is our Industrial Properties segment. We also have certain corporate level activities including legal administration, accounting, finance, management information systems, and acquisitions, which are not considered separate operating segments.

We evaluate the performance of our segments based upon Net Operating Income. "Net Operating Income" is defined as operating revenues (rental income, tenant reimbursements, and other property income) less property and related expenses (property expenses, real estate taxes, ground leases, and provisions for bad debts) and excludes other non-property related income and expenses such as interest income and interest expense, depreciation and amortization, acquisition-related expenses and corporate general and administrative expenses. There is no intersegment activity.

Net Operating Income is considered by management to be an important and appropriate supplemental performance measure to net income (loss) because we believe it helps both investors and management to understand the core operations of our properties excluding corporate and financing-related costs and non-cash depreciation and amortization. Net Operating Income is an unlevered operating performance metric of our properties and allows for a useful comparison of the operating performance of individual assets or groups of assets. This measure thereby provides an operating perspective not immediately apparent from GAAP income (loss) from operations or net income (loss). In addition, Net Operating Income is considered by many in the real estate industry to be a useful starting point for determining the value of a real estate asset or group of assets. Other real estate companies may use different methodologies for calculating Net Operating Income, and accordingly, our presentation of Net Operating Income may not be comparable to other real estate companies. Due to the exclusion of the items shown in the reconciliation below, Net Operating Income should only be used as a supplemental measure of our financial performance and not as an alternative to GAAP income (loss) from operations or net income (loss).

The following tables reconcile our reportable segment activity to our consolidated net income for the three and six months ended June 30, 2012 and 2011, and the assets by segment to the consolidated assets as of June 30, 2012 and December 31, 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Reportable Segment - Office Properties				
Operating revenues(1)	$97,510	$81,726	$190,235	$159,022
Property and related expenses	29,004	24,470	53,971	47,215
Net Operating Income	68,506	57,256	136,264	111,807
Non-Reportable Segment - Industrial Properties				
Operating revenues(1)	6,412	6,664	13,097	13,141
Property and related expenses	1,688	1,557	3,449	4,576
Net Operating Income	4,724	5,107	9,648	8,565
Total Segments:				
Operating revenues(1)	103,922	88,390	203,332	172,163
Property and related expenses	30,692	26,027	57,420	51,791
Net Operating Income	$73,230	$62,363	$145,912	$120,372
Reconciliation to Consolidated Net Income:				
Total Net Operating Income for segments	$73,230	$62,363	$145,912	$120,372
Unallocated (expenses) income:				
General and administrative expenses	(9,251)	(7,440)	(18,018)	(14,000)
Acquisition-related expenses	(1,813)	(1,194)	(3,341)	(1,666)
Depreciation and amortization	(40,624)	(31,378)	(77,370)	(59,819)

Interest income and other net investment (losses) gains	(110)	58	374	242
Interest expense	(19,155)	(21,228)	(40,318)	(42,104)
Income from continuing operations	2,277	1,181	7,239	3,025
Income from discontinued operations[2]	—	2,291	73,709	5,314
Net income	$2,277	$3,472	$80,948	$8,339

(1) All operating revenues are comprised of amounts received from third-party tenants.
(2) See Note 14 for the breakdown of income from discontinued operations by segment.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

	June 30, 2012	December 31, 2011
	(in thousands)	
Assets:		
Reportable Segment - Office Properties		
Land, buildings, and improvements, net	$2,770,594	$2,480,338
Undeveloped land and construction in progress	557,657	430,806
Total assets(1)	3,605,101	3,248,661
Non-Reportable Segment - Industrial Properties		
Land, buildings, and improvements, net	142,421	145,043
Total assets(1)	152,391	156,741
Total Segments		
Land, buildings, and improvements, net	2,913,015	2,625,381
Undeveloped land and construction in progress	557,657	430,806
Total assets(1)	3,757,492	3,405,402
Reconciliation to Consolidated Assets:		
Total assets allocated to segments	$3,757,492	$3,405,402
Other unallocated assets:		
Cash and cash equivalents	18,111	4,777
Restricted cash	97	358
Marketable securities	6,546	5,691
Deferred financing costs, net	18,919	18,368
Prepaid expenses and other assets, net	46,357	12,199
Total consolidated assets	$3,847,522	$3,446,795

(1) Includes land, buildings, and improvements, undeveloped land and construction in progress, real estate assets held for sale, current receivables, deferred rent receivables, deferred leasing costs, and acquisition-related intangible assets, all shown on a net basis.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

14. Discontinued Operations

The following table summarizes the properties sold during the six months ended June 30, 2012.

Location	Property Type	Month of Disposition	Number of Buildings	Rentable Square Feet	Sales Price (in millions)
15004 Innovation Drive and 10243 Genetic Center Drive, San Diego, CA (1)	Office	January	2	253,676	$146.1

(1) Properties were classified as held-for-sale on the consolidated balance sheets as of December 31, 2011.

The following table summarizes the components that comprise income from discontinued operations for the three and six months ended June 30, 2012 and 2011.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Revenues:				
Rental income	$—	$3,294	$870	$6,587
Tenant reimbursements	—	380	133	780
Other property income	—	—	—	659
Total revenues	—	3,674	1,003	8,026
Expenses:				
Property expenses	—	227	27	407
Real estate taxes	—	286	70	565
Depreciation and amortization	—	870	6	1,740
Total expenses	—	1,383	103	2,712
Income from discontinued operations before net gain on dispositions of discontinued operations	—	2,291	900	5,314
Net gain on dispositions of discontinued operations	—	—	72,809	—
Total income from discontinued operations	$—	$2,291	$73,709	$5,314

The following table summarizes the total income from discontinued operations within the consolidated statements of operations by segment for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011 (1)	2012	2011 (1)
	(in thousands)			
Reportable Segment				
Office Properties	$—	$1,574	$73,709	$3,883
Non-Reportable Segment				
Industrial Properties	—	717	—	1,431
Total income from discontinued operations	$—	$2,291	$73,709	$5,314

(1) Includes two office and one industrial buildings encompassing 282,611 rentable square feet that were disposed of in 2011.

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KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

15. Net (Loss) Income Available to Common Stockholders Per Share of the Company

The following table reconciles the numerator and denominator in computing the Company's basic and diluted per-share computations for net (loss) income available to common stockholders for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands, except share and per share amounts)			
Numerator:				
Income from continuing operations	$2,277	$1,181	$7,239	$3,025
Loss from continuing operations attributable to noncontrolling common units of the Operating Partnership	20	75	134	136
Preferred distributions and dividends	(3,097)	(3,799)	(12,433)	(7,598)
Allocation to participating securities (nonvested shares and time-based RSUs)	(432)	(327)	(818)	(649)
Numerator for basic and diluted loss from continuing operations available to common stockholders	(1,232)	(2,870)	(5,878)	(5,086)
Income from discontinued operations	—	2,291	73,709	5,314
Income from discontinued operations attributable to noncontrolling common units of the Operating Partnership	—	(65)	(1,909)	(160)
Numerator for basic and diluted net (loss) income available to common stockholders	$(1,232)	$(644)	$65,922	$68
Denominator:				
Basic weighted average vested shares outstanding	68,344,734	57,685,710	65,996,719	55,008,765
Effect of dilutive securities - contingently issuable shares and stock options[(1)]	—	—	—	—
Diluted weighted average vested shares and common share equivalents outstanding	68,344,734	57,685,710	65,996,719	55,008,765
Basic earnings per share:				
Loss from continuing operations available to common stockholders per share	$(0.02)	$(0.05)	$(0.09)	$(0.09)
Income from discontinued operations per common share	0.00	0.04	1.09	0.09
Net (loss) income available to common stockholders per share	$(0.02)	$(0.01)	$1.00	$0.00
Diluted earnings per share:				
Loss from continuing operations available to common stockholders per share	$(0.02)	$(0.05)	$(0.09)	$(0.09)
Income from discontinued operations per common share	0.00	0.04	1.09	0.09
Net (loss) income available to common stockholders per share	$(0.02)	$(0.01)	$1.00	$0.00

(1) Dilutive securities were not included in the current period presentation of the 2011 weighted average shares outstanding because we reported a net loss from continuing operations attributable to common stockholders for the six months ended June 30, 2011 resulting from the reclassification of the revenues and expenses of operating properties that were sold during 2011 and 2012.

The impact of the contingently issuable shares, which consist of the 103,238 market measure-based RSUs and the Exchangeable Notes, and the 1,540,000 stock options, were not considered in our diluted earnings per share calculation for the three and six months ended June 30, 2012 since we reported a loss from continuing operations attributable to common stockholders in the respective period and the effect was anti-dilutive. The impact of stock options and the Exchangeable Notes were not considered in our diluted earnings per share calculation for the three and six months ended June 30, 2011 since we reported a loss from continuing operations attributable to common stockholders and the effect was anti-dilutive. See Note 5 for additional information regarding the Exchangeable Notes and Note 9 for additional information regarding the outstanding stock options and market measure-based RSUs.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

16. Net (Loss) Income Available to Common Unitholders Per Unit of the Operating Partnership
The following table reconciles the numerator and denominator in computing the Operating Partnership's basic and diluted per-unit computations for net (loss) income available to common unitholders for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands, except unit and per unit amounts)			
Numerator:				
Income from continuing operations	$2,277	$1,181	$7,239	$3,025
Income from continuing operations attributable to noncontrolling interests in consolidated subsidiaries	(43)	(32)	(96)	(65)
Preferred distributions	(3,097)	(3,799)	(12,433)	(7,598)
Allocation to participating securities (nonvested units and time-based RSUs)	(432)	(327)	(818)	(649)
Numerator for basic and diluted loss from continuing operations available to common unitholders	(1,295)	(2,977)	(6,108)	(5,287)
Income from discontinued operations	—	2,291	73,709	5,314
Numerator for basic and diluted net (loss) income available to common unitholders	$(1,295)	$(686)	$67,601	$27
Denominator:				
Basic weighted average vested units outstanding	70,062,865	59,407,687	67,714,850	56,731,316
Effect of dilutive securities - contingently issuable shares and stock options (1)	—	—	—	—
Diluted weighted average vested units and common unit equivalents outstanding	70,062,865	59,407,687	67,714,850	56,731,316
Basic earnings per unit:				
Loss from continuing operations available to common unitholders per unit	$(0.02)	$(0.05)	$(0.09)	$(0.09)
Income from discontinued operations per common unit	0.00	0.04	1.09	0.09
Net (loss) income available to common unitholders per unit	$(0.02)	$(0.01)	$1.00	$0.00
Diluted earnings per unit:				
Loss from continuing operations available to common unitholders per unit	$(0.02)	$(0.05)	$(0.09)	$(0.09)
Income from discontinued operations per common unit	0.00	0.04	1.09	0.09
Net (loss) income available to common unitholders per unit	$(0.02)	$(0.01)	$1.00	$0.00

(1) Dilutive securities were not included in the current period presentation of the 2011 weighted average units outstanding because the Operating Partnership reported a net loss from continuing operations attributable to common unitholders for the six months ended June 30, 2011 resulting from the reclassification of the revenues and expenses of operating properties that were sold during 2011 and 2012.

The impact of the contingently issuable units, which consist of the 103,238 market measure-based RSUs and the Exchangeable Notes, and the 1,540,000 stock options, were not considered in our diluted earnings per unit calculation for the three and six months ended June 30, 2012 since the Operating Partnership reported a loss from continuing operations attributable to common unitholders in the respective period and the effect was anti-dilutive. The impact of stock options and the Exchangeable Notes were not considered in our diluted earnings per unit calculation for the three and six months ended June 30, 2011 since the Operating Partnership reported a loss from continuing operations attributable to common unitholders and the effect was anti-dilutive. See Note 5 for additional information regarding the Exchangeable Notes and Note 9 for additional information regarding the outstanding stock options and market measure-based RSUs.

KILROY REALTY CORPORATION AND KILROY REALTY, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

17. Subsequent Events

On July 17, 2012, aggregate dividends, distributions, and dividend equivalents of $25.1 million were paid to common stockholders and common unitholders of record on June 29, 2012 and RSU holders on the payment date.

On July 20, 2012, we completed the acquisition of an office development opportunity in San Francisco, California for a purchase price of approximately $18.5 million. We intend to develop an office project at this site. We are currently in the process of completing the purchase price allocation for this acquisition.

On July 24, 2012, we completed the acquisition of one office building encompassing approximately 416,755 rentable square feet in Bellevue, Washington for a purchase price of approximately $186.1 million. In connection with the acquisition, the Company assumed approximately $83.5 million in mortgage debt with an interest rate of 6.37% per year and a maturity date of April 1, 2013. We are currently in the process of completing the purchase price allocation for this acquisition.

On July 31, 2012, we completed the acquisition of one office building encompassing approximately 321,883 rentable square feet in Los Angeles, California for a purchase price of approximately $79.0 million plus approximately $5.0 million of other accrued liabilities. In connection with the acquisition, the Company issued approximately $5.0 million of common units of the operating partnership and assumed approximately $53.8 million in mortgage debt with an interest rate of 5.23% per year and a maturity date of January 1, 2016. We are currently in the process of completing the purchase price allocation for this acquisition.

18. Pro Forma Results of the Company

The following pro forma consolidated results of operations of the Company for the three and six months ended June 30, 2012 and 2011 assumes that the acquisition of 4100-4700 Bohannon Drive, Menlo Park, CA, was completed as of January 1, 2011. Pro forma data may not be indicative of the results that would have been reported had the acquisitions actually occurred as of January 1, 2011, nor does it intend to be a projection of future results.

	Three Months Ended [1] June 30,		Six Months Ended [1] June 30,	
	2012	2011	2012	2011
	(in thousands except per share amounts)			
Revenues	$103,661	$91,576	$205,210	$178,306
Net (loss) income available to common stockholders[2][3]	$(935)	$(659)	$67,330	$(580)
Net (loss) income available to common stockholders per share - basic[2][3]	$(0.02)	$(0.02)	$1.01	$(0.02)
Net (loss) income available to common stockholders per share - diluted[2][3]	$(0.02)	$(0.02)	$1.01	$(0.02)

(1) The purchase of 4100-4700 Bohannon Drive, Menlo Park, CA, represents the largest acquisition and 53% of the total aggregate purchase price of the operating properties acquired during the six months ended June 30, 2012.

(2) The pro forma results for the three and six months ended June 30, 2012 were adjusted to exclude acquisition-related expenses of approximately $0.1 million and $0.5 million, respectively, incurred in 2012 for the acquisition of 4100-4700 Bohannon Drive, Menlo Park, CA. The pro forma results for the three and six months ended June 30, 2011 were adjusted to include these expenses.

(3) The pro forma results for all periods presented includes incremental interest expense assuming the acquisitions were funded by pro forma borrowings under the Credit Facility. The pro forma interest expense estimate is calculated based on the actual interest rate in effect on the Credit Facility for each respective period. Actual funding of the acquisitions may be from different sources and the pro forma borrowings and related pro forma interest expense estimate assumed herein are not indicative of actual results.

The following table summarizes the results of operations for the property at 4100-4700 Bohannon Drive, Menlo Park, CA, from February 29, 2012, the date of acquisition, through June 30, 2012:

	(in thousands)
Revenues	$4,765
Net income[1]	1,302

(1) Reflects the net operating income less depreciation for these properties and amortization of lease-related intangibles.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

19. Pro Forma Results of the Operating Partnership

The following pro forma consolidated results of operations of the Operating Partnership for the three and six months ended June 30, 2012 and 2011 assumes that the acquisition of 4100-4700 Bohannon Drive, Menlo Park, CA, was completed as of January 1, 2011. Pro forma data may not be indicative of the results that would have been reported had the acquisitions actually occurred as of January 1, 2011, nor does it intend to be a projection of future results.

	Three Months Ended [1] June 30,		Six Months Ended [1] June 30,	
	2012	2011	2012	2011
	(in thousands except per share amounts)			
Revenues	$103,661	$91,576	$205,210	$178,306
Net (loss) income available to common unitholders[2][3]	$(1,001)	$(711)	$69,024	$(659)
Net (loss) income available to common unitholders per unit - basic[2][3]	$(0.02)	$(0.02)	$1.01	$(0.02)
Net (loss) income available to common unitholders per unit - diluted[2][3]	$(0.02)	$(0.02)	$1.01	$(0.02)

(1) The purchase of 4100-4700 Bohannon Drive, Menlo Park, CA, represents the largest acquisition and 53% of the total aggregate purchase price of the operating properties acquired during the six months ended June 30, 2012.

(2) The pro forma results for the three and six months ended June 30, 2012 were adjusted to exclude acquisition-related expenses of approximately $0.1 million and $0.5 million, respectively, incurred in 2012 for the acquisition of 4100-4700 Bohannon Drive, Menlo Park, CA. The pro forma results for the three and six months ended June 30, 2011 were adjusted to include these expenses.

(3) The pro forma results for all periods presented includes incremental interest expense assuming the acquisitions were funded by pro forma borrowings under the Credit Facility. The pro forma interest expense estimate is calculated based on the actual interest rate in effect on the Credit Facility for each respective period. Actual funding of the acquisitions may be from different sources and the pro forma borrowings and related pro forma interest expense estimate assumed herein are not indicative of actual results.

The following table summarizes the results of operations for the property at 4100-4700 Bohannon Drive, Menlo Park, CA, from February 29, 2012, the date of acquisition, through June 30, 2012:

	(in thousands)
Revenues	$4,765
Net income[1]	1,302

(1) Reflects the net operating income less depreciation for these properties and amortization of lease-related intangibles.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion relates to our consolidated financial statements and should be read in conjunction with the financial statements and notes thereto appearing elsewhere in this report. The results of operations discussion is combined for the Company and the Operating Partnership because there are no material differences in the results of operations between the two reporting entities.

Statements contained in this “Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations” that are not historical facts may be forward-looking statements. Forward-looking statements include, among other things, statements or information concerning projected future occupancy and rental rates, lease expirations, debt maturity, potential investments, strategies such as capital recycling, development and redevelopment activity, projected construction costs, dispositions, future incentive compensation, pending, potential or proposed acquisitions and other forward-looking financial data, as well as the discussion below under the captions “-Factors That May Influence Future Results of Operations," “-Liquidity and Capital Resource of the Company," and “-Liquidity and Capital Resources of the Operating Partnership.” 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,” “ “anticipates” and the negative of these words and phrases and similar expressions that do not relate to historical matters. Forward-looking statements are based on our current expectations, beliefs and assumptions, and are not guarantees of future performance, results or events. 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 our 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. Numerous factors could cause actual future performance, results and events to differ materially from those indicated in forward-looking statements. For a discussion of those risk factors, see the discussion below as well as “Item 1A: Risk Factors” and “Item 7: Management's Discussion and Analysis of Financial Condition and Results of Operations” in the Company's and the Operating Partnership's annual report on Form 10-K for the year ended December 31, 2011 and their respective other filings with the SEC. All forward-looking statements are based on currently available information and speak only as of the date of this report. We assume no obligation to update any forward-looking statement that becomes untrue because of subsequent events, new information or otherwise, except to the extent we are required to do so in connection with our ongoing requirements under federal securities laws.

Overview and Background

We are a self-administered REIT active in office and industrial submarkets along the West Coast. We own, develop, acquire and manage real estate assets, consisting primarily of Class A real estate properties in the coastal regions of Los Angeles, Orange County, San Diego County, greater Seattle and the San Francisco Bay Area, which we believe have strategic advantages and strong barriers to entry. We own our interests in all of our properties through the Operating Partnership and the Finance Partnership, and conduct substantially all of our operations through the Operating Partnership. We owned a 97.6%, 97.2% and 97.1% general partnership interest in the Operating Partnership as of June 30, 2012, December 31, 2011 and June 30, 2011, respectively. All our properties are held in fee except for twelve office buildings which are held subject to long−term ground leases for the land (see Note 11 to our consolidated financial statements included in this report for additional information).

Factors That May Influence Future Results of Operations

Acquisitions. During the six months ended June 30, 2012, we acquired ten office buildings in three transactions totaling approximately $307.1 million and one development opportunity for a total purchase price of $84.0 million, which was comprised of a cash purchase price of $74.5 million plus $9.5 million of assumed leasing commissions and other accrued liabilities (see Note 2 to our consolidated financial statements included in this report for more information), and during 2011 we acquired eleven office buildings in eight transactions totaling approximately $637.8 million. As of the date of this report, we have completed the acquisition of two additional office buildings in two transactions with an aggregate purchase price of approximately $265.1 million and one development opportunity with a purchase price of approximately $18.5 million. We generally finance our acquisitions through proceeds from the issuance of debt and equity securities, borrowings under our unsecured line of credit (the "Credit Facility"), proceeds from our capital recycling program and the assumption of existing debt.

As a key component of our growth strategy, we continually evaluate acquisition opportunities (including office properties and undeveloped land) as they arise. As a result, at any point in time we may have one or more potential acquisitions under consideration that are in varying stages of evaluation, negotiation or due diligence review, which may include potential acquisitions under contract. As of the date of this report, we are in various stages of negotiation on potential future acquisition opportunities. We cannot provide assurance that we will acquire these properties. In the future, we may enter into agreements to acquire other properties, either as wholly-owned properties or through joint ventures, and those agreements typically will be subject to the satisfaction of closing conditions. We cannot provide assurance that we will enter into any agreements to acquire proper ties, or that the potential acquisitions contemplated by any agreements we may enter into in the future will be completed. Costs associated with acquisitions are expensed as incurred and we may be unable to complete an acquisition after making a nonrefundable deposit or incurring acquisition–related costs. In addition, acquisitions are subject to various other risks and uncertainties. During the three and six months ended June 30, 2012, we incurred approximately $1.8 million and $3.3 million, respectively, of third-party acquisition costs and we anticipate that we will incur additional third-party acquisition costs throughout 2012 as we pursue other potential acquisitions.

Capital Recycling Program. As part of our current strategy, we intend to evaluate various office and industrial assets for potential disposition and then use the proceeds to fund potential acquisitions, to finance development and redevelopment expenditures, to repay long-term debt and for other general corporate purposes. As part of this strategy, we intend, when practical, to enter into like-kind exchanges under Section 1031 of the Code to defer some or all of the taxable gains on the sales, if any, for federal and state income tax purposes.

In connection with this strategy, during the six months ended June 30, 2012, we disposed of two office buildings in one transaction for approximately $146.1 million. These properties were previously reported as held-for-sale as of December 31, 2011(see Note 14 to our consolidated financial statements included in this report for more information). We were able to successfully complete Section 1031 Exchanges for these properties and were able to reinvest the funds into qualified replacement acquisition properties.

As part of our capital recycling program strategy, we continue to evaluate opportunities for the potential disposition of additional properties, including certain undeveloped land holdings and the potential sale of all or a portion of, or the sale of an equity interest in all or a portion of, our industrial properties. The timing of any potential transactions will depend on market conditions and other factors including but not limited to our capital needs and our ability to defer some or all of the taxable gains on the sales. We cannot assure you that we will dispose of any additional properties, or that future acquisitions and/or dispositions, if any, will qualify as like–kind exchange under Section 1031 of the Code.

Leasing Activity and Changes in Rental Rates. The amount of net rental income generated by our properties depends principally on our ability to maintain the occupancy rates of currently leased space and to lease currently available space, newly developed or redeveloped properties, newly acquired properties with vacant space, and space available from unscheduled lease terminations. The amount of rental income we generate also depends on our ability to maintain or increase rental rates in our submarkets. Negative trends in one or more of these factors could adversely affect our rental income in future periods. The following tables set forth certain information regarding leasing activity during the three and six months ended June 30, 2012.

Information on Leases Commenced and Executed

For Leases That Commenced During the Three Months Ended June 30, 2012

	1st & 2nd Generation(1)				2nd Generation(1)				
	Number of Leases(2)		Rentable Square Feet(2)		TI/LC per Sq. Ft.(3)	Changes in Rents(4)(6)	Changes in Cash Rents(5)	Retention Rates(7)	Weighted Average Lease Term (in months)
	New	Renewal	New	Renewal					
Office Properties	25	14	226,146	143,230	$32.12	12.5 %	8.9 %	29.0 %	67
Industrial Properties	—	2	—	243,133	0.47	(21.4)%	(28.1)%	100.0 %	49
Total portfolio	25	16	226,146	386,363	$17.77	3.3 %	(0.8)%	52.4 %	59

For Leases That Commenced During the Six Months Ended June 30, 2012

	1st & 2nd Generation(1)	2nd Generation(1)

	Number of Leases(2)		Rentable Square Feet(2)		TI/LC per Sq. Ft.(3)	Changes in Rents(4)(6)	Changes in Cash Rents(5)	Retention Rates(7)	Weighted Average Lease Term (in months)
	New	Renewal	New	Renewal					
Office Properties	44	32	391,475	334,222	$29.14	8.1 %	3.4 %	41.4 %	65
Industrial Properties	1	4	5,000	308,814	0.51	(20.9)%	(26.8)%	75.8 %	48
Total portfolio	45	36	396,475	643,036	$19.24	2.0 %	(2.8)%	52.9 %	59

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For Leases Signed During the Three Months Ended June 30, 2012 (8)

	1st & 2nd Generation(1)				2nd Generation(1)			
	Number of Leases(2)		Rentable Square Feet(2)		TI/LC per Sq. Ft.(3)	Changes in Rents(4)(6)	Changes in Cash Rents(5)	Weighted Average Lease Term (in months)
	New	Renewal	New	Renewal				
Office Properties	22	16	301,852	190,431	$37.63	18.8 %	11.7 %	69
Industrial Properties	1	4	15,000	339,155	0.89	(16.0)%	(21.5)%	43
Total portfolio	23	20	316,852	529,586	$22.09	12.8 %	5.9 %	58

For Leases Signed During the Six Months Ended June 30, 2012 (8)

	1st & 2nd Generation(1)				2nd Generation(1)			
	Number of Leases(2)		Rentable Square Feet(2)		TI/LC per Sq. Ft.(3)	Changes in Rents(4)(6)	Changes in Cash Rents(5)	Weighted Average Lease Term (in months)
	New	Renewal	New	Renewal				
Office Properties	39	29	468,602	256,001	$35.74	16.5 %	8.9 %	68
Industrial Properties	2	4	20,000	339,155	0.96	(16.2)%	(21.7)%	43
Total portfolio	41	33	488,602	595,156	$23.62	12.1 %	4.7 %	59

(1) First generation leasing includes space where we have made capital expenditures that result in additional revenue generated when the space is re-leased. Second generation leasing includes space where we have made capital expenditures to maintain the current market revenue stream.

(2) Represents leasing activity for leases that commenced or signed during the period, including first and second generation space, net of month-to-month leases. Excludes leasing on new construction.

(3) Amounts exclude tenant-funded tenant improvements.

(4) Calculated as the change between GAAP rents for new/renewed leases and the expiring GAAP rents for the same space. Excludes leases for which the space was vacant longer than one year, or vacant when the property was acquired.

(5) Calculated as the change between stated rents for new/renewed leases and the expiring stated rents for the same space. Excludes leases for which the space was vacant longer than one year, or vacant when the property was acquired.

(6) Excludes commenced and executed leases of approximately 100,000 and 69,000 rentable square feet, respectively, for which the space was vacant longer than one year or being leased for the first time. Space vacant for more than one year is excluded from our change in rents calculations to provide a meaningful market comparison.

(7) Calculated as the percentage of space either renewed or expanded into by existing tenants or subtenants at lease expiration.

(8) For the three months ended June 30, 2012, 8 leases totaling approximately 69,000 rentable square feet were signed but not commenced as of June 30, 2012. For the six months ended June 30, 2012, 9 leases totaling approximately 118,000 rentable square feet were signed but not commenced as of June 30, 2012.

As of June 30, 2012, we believe that the weighted average cash rental rates for our overall portfolio, including recently acquired properties, are up to 5% above the current average market rental rates, although individual properties within any particular submarket presently may be leased either above, below, or at the current market rates within that submarket, and the average rental rates for individual submarkets may be above, below, or at the average cash rental rate of our portfolio.

In general, rental rates have stabilized in many of our submarkets over the last several quarters. Our rental rates and occupancy are impacted by general economic conditions, including the pace of regional economic growth and access to capital. Therefore, we cannot give any assurance that leases will be renewed or that available space will be re-leased at rental rates equal to or above the current market rates. Additionally, decreased demand and other negative trends or unforeseeable events that impair our ability to timely renew or re-lease space could have further negative effects on our future financial condition, results of operations, and cash flows.

Scheduled Lease Expirations. The following table sets forth certain information regarding our lease expirations for the remainder of 2012 and the next five years.
Lease Expirations[(1)]

Year of Lease Expiration	Number of Expiring Leases	Total Square Feet	% of Total Leased Sq. Ft.		Annualized Base Rent [(2)]	% of Total Annualized Base Rent [(2)]		Annualized Base Rent per Sq. Ft. [(2)]
Office Properties:								
Remainder of 2012	31	182,107	1.3	%	$5,689	1.6	%	$31.24
2013	94	1,167,702	8.4	%	33,047	9.4	%	28.30
2014	92	1,135,182	8.2	%	31,178	8.9	%	27.47
2015	136	2,068,132	14.9	%	63,108	18.1	%	30.51
2016	68	784,087	5.6	%	19,695	5.6	%	25.12
2017	83	1,840,625	13.2	%	53,329	15.2	%	28.97
Total Office	504	7,177,835	51.6	%	$206,046	58.8	%	$28.71
Industrial Properties:								
Remainder of 2012	3	168,133	1.2	%	$971	0.3	%	$5.78
2013	8	426,277	3.1	%	3,074	0.9	%	7.21
2014	17	554,620	4.0	%	4,436	1.3	%	8.00
2015	14	712,351	5.1	%	4,672	1.3	%	6.56
2016	9	426,947	3.1	%	2,952	0.8	%	6.91
2017	4	149,482	1.1	%	888	0.3	%	5.94
Total Industrial	55	2,437,810	17.6	%	$16,993	4.9	%	$6.97
Total	559	9,615,645	69.2	%	$223,039	63.7	%	$23.20

(1) The information presented reflects leasing activity through June 30, 2012. For leases that have been renewed early or space that has been re-leased to a new tenant, the expiration date and annualized base rent information presented takes into consideration the renewed or re-leased lease terms. Excludes space leased under month-to-month leases and vacant space as of June 30, 2012.

(2) Annualized base rent is calculated as the GAAP straight lined rental revenue for the last month of the reporting period multiplied by 12 months. Annualized base rent includes the impact of straight-lining rent escalations and the amortization of free rent periods and excludes the impact of the following: amortization of deferred revenue related tenant-funded tenant improvements, amortization of above/below market rents, amortization for lease incentives due under existing leases, and expense reimbursement revenue. Annualized base rent also excludes month–to–month leases and vacant space as of June 30, 2012. Additionally, the underlying leases contain various expense structures including full service gross, modified gross and triple net. Amounts represent percentage of total portfolio annualized contractual base rental revenue. For additional information on tenant improvement and leasing commission costs incurred by the Company for the current reporting period, please see further discussion under the caption "Information on Leases Commenced and Executed."

In addition to the 1.6 million rentable square feet, or 10.0%, of currently available space in our stabilized portfolio, leases representing approximately 2.5% and 11.5% of the occupied square footage of our stabilized portfolio are scheduled to expire during the remainder of 2012 and in 2013, respectively. The leases scheduled to expire during the remainder of 2012 and in 2013 represent approximately 1.3 million rentable square feet of office space, or 11.0% of our total annualized base rental revenue, and 0.6 million rentable square feet of industrial space, or 1.2% of our total annualized base rental revenue, respectively. We believe that the weighted average cash rental rates are up to 5%

above the current average quoted market rates for leases scheduled to expire during the remainder of 2012 and 2013, although individual properties within any particular submarket presently may be leased either above, below, or at the current quoted market rates within that submarket, and the average rental rates for individual submarkets may be above, below, or at the average cash rental rate of our overall portfolio. Our ability to re-lease available space depends upon both general market conditions and the market conditions in the specific regions in which individual properties are located.

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Development and Redevelopment Programs. We believe that a portion of our long-term future potential growth will continue to come from our development pipeline and redevelopment opportunities both within our existing portfolio and through potential acquisition properties. Redevelopment opportunities are those projects in which we spend significant development and construction costs on existing or acquired buildings pursuant to a formal plan, the intended result of which is a higher economic return on the property. As of June 30, 2012, we had four redevelopment projects and one development project under construction.

In the second quarter of 2012, we acquired a development opportunity in Mountain View, California to develop an approximately 341,000 rentable square foot office building which was 100% pre-leased to a single tenant at the acquisition date. The development project has a total estimated investment of approximately $200 million at completion. The purchase price of $84.0 million is comprised of a cash purchase price of $74.5 million plus $9.5 million of assumed leasing commissions and other net accrued liabilities. Construction began during the second quarter of 2012 and is currently expected to be completed in the first quarter of 2015.

In the fourth quarter of 2011, we commenced redevelopment on one of our acquired properties located in the South of Market District submarket of San Francisco, which encompasses approximately 410,000 rentable square feet. The redevelopment project has a total estimated investment of approximately $147.4 million at completion, including the $88.5 million net carrying value of the project at the commencement of redevelopment. Construction is currently expected to be completed in the fourth quarter of 2012. The building is currently 9% occupied and upon acquisition, we pre-leased an additional 28% by executing an 11-year lease for 114,000 square feet that commences in phases. The first phase encompassing approximately 70,000 rentable square feet commenced in July 2012 and the balance is expected to commence after the completion of construction of the tenant improvements. As of June 30, 2012, the building is approximately 37% leased.

In the third quarter of 2011, we commenced the redevelopment of two of our existing office properties to upgrade and modernize the buildings and adjacent common areas. One office property is located in the Long Beach submarket of Los Angeles and encompasses approximately 98,000 rentable square feet. This property was 50% leased prior to the commencement of redevelopment which was done in two phases. Redevelopment on the half that was leased was completed during the second quarter of 2012 and the tenant is currently occupying this space. Redevelopment of the second half commenced in the second quarter of 2012 and construction is expected to be complete in the fourth quarter of 2012. The redevelopment project has a total estimated investment of approximately $19.7 million at completion, including the $6.3 million net carrying value of the project at the commencement of redevelopment.

The second office redevelopment property on which we commenced redevelopment in the third quarter of 2011 is located in the Sorrento Mesa submarket of San Diego and encompasses approximately 111,000 rentable square feet. The property is 100% pre–leased to a single tenant. As part of the redevelopment, we are incorporating one of our undeveloped land parcels. The redevelopment project has a total estimated investment of approximately $37.4 million at completion, including the $22.2 million net carrying value of the project at the commencement of redevelopment. Construction is currently expected to be completed in the third quarter of 2012.

In the third quarter of 2010, we commenced the redevelopment of one of our buildings in the El Segundo submarket of Los Angeles County which encompasses approximately 299,000 rentable square feet. We are currently upgrading and modernizing the building and adjacent common areas since it was previously occupied by a former tenant for more than 25 years. The redevelopment project has a total estimated investment of approximately $60.3 million at completion, including the $9.1 million net carrying value of the project at the commencement of redevelopment. Construction is currently expected to be completed in the fourth quarter of 2012. The building is 100% pre-leased to DIRECTV and we project that DIRECTV will become our largest tenant based on annualized base rental revenue of $22.3 million. Upon completion of the redevelopment, DIRECTV will lease approximately 630,000 rentable square feet and represent approximately 6.2% of our projected annualized base rental revenue.

As of June 30, 2012, our future development pipeline included 110.2 gross acres of land with an aggregate cost basis of approximately $276.7 million. Although during the past few years we had reduced the scope and delayed the timing of our development program because of the economic environment, we have continued to evaluate development and redevelopment opportunities throughout the West Coast and we have proactively worked to enhance the entitlements for our existing development land pipeline.

We expect that if the economic environment continues to improve and development yields again become economically attractive and accretive to the Company's growth and long term strategic value, which we have seen in selective submarkets, we will continue to evaluate selective development and redevelopment opportunities within our portfolio. An increase in our development and redevelopment activities would increase the average development and redevelopment asset balances qualifying for interest and other carry cost capitalization. During the three and six months ended June 30, 2012, we did not capitalize interest on five of our seven future development pipeline properties with an aggregate cost basis of approximately $137.0 million, as it was determined these projects did not currently qualify for interest and other carry cost capitalization under GAAP. For the three and six months ended June 30, 2012, we capitalized $0.6 million and $1.4 million, respectively, of internal costs to our qualifying development and redevelopment projects. For the three and six months ended June 30, 2011, respectively, we capitalized $0.3

million and $0.8 million of internal costs to our qualifying development and redevelopment projects.
Incentive Compensation. Our Executive Compensation Committee determines compensation, including equity and cash incentive programs, for our executive officers in accordance with the terms and conditions of applicable agreements and incentive award programs. Incentive compensation earned under the 2012 annual bonus program is structured to allow the Executive Compensation Committee to evaluate a variety of key factors and metrics at the end of the year and make a determination of incentive compensation for executive officers based on the Company's and management's overall performance. As a result, accrued incentive compensation and compensation expense for future incentive compensation awards could be affected by our operating and development performance, financial results, total shareholder return, market conditions and other performance conditions. Consequently, we cannot predict the amounts that will be recorded in future periods related to such incentive compensation.
Share-Based Compensation. As of June 30, 2012, there was $30.6 million of total unrecognized compensation cost related to outstanding nonvested shares of restricted common stock, RSUs and stock options issued under share-based compensation arrangements. Those costs are expected to be recognized over a weighted-average period of 2.7 years. The $30.6 million of unrecognized compensation cost does not reflect the future compensation cost for any potential share-based awards that may be issued based on the Company's and management's performance in 2012. Share-based compensation expense for potential future awards could be affected by our operating and development performance, financial results, total shareholder return and market conditions. Consequently, we cannot predict the amounts that will be recorded in future periods for such share-based awards. See Note 9 to our consolidated financial statements for additional information regarding our share-based incentive compensation plan.

Stabilized Portfolio Information
As of June 30, 2012, our stabilized portfolio was comprised of 114 Office Properties encompassing an aggregate of approximately 12.2 million rentable square feet and 39 Industrial Properties encompassing an aggregate of approximately 3.4 million rentable square feet. Our stabilized portfolio includes all of our properties with the exception of undeveloped land, one development and four redevelopment properties currently under construction, "lease–up" properties and properties "held-for-sale". We define lease-up properties as properties recently developed or redeveloped that have not yet reached 95% occupancy and are within one year following cessation of major construction activities. We define redevelopment properties as those projects for which we expect to spend significant development and construction costs on existing or acquired buildings pursuant to a formal plan, the intended result of which is a higher economic return on the property. We had no "lease-up" properties and no held-for-sale properties as of June 30, 2012.
The following table reconciles the changes in the rentable square feet in our stabilized portfolio of operating properties from June 30, 2011 to June 30, 2012:

	Office Properties		Industrial Properties		Total	
	Number of Buildings	Rentable Square Feet	Number of Buildings	Rentable Square Feet	Number of Buildings	Rentable Square Feet
Total as of June 30, 2011	107	11,465,821	40	3,605,407	147	15,071,228
Acquisitions[(1)(2)]	12	1,200,632			12	1,200,632
Properties moved to the redevelopment portfolio	(1)	(111,318)			(1)	(111,318)
Dispositions	(4)	(344,234)	(1)	(192,053)	(5)	(536,287)
Remeasurement		16,366				16,366
Total as of June 30, 2012	114	12,227,267	39	3,413,354	153	15,640,621

(1) Excludes 370 3rd Street in San Francisco, California, which was added to our redevelopment portfolio upon acquisition in December 2011.

(2) Excludes 690 E. Middlefield Road in Mountain View, California, which was added to our development portfolio upon acquisition in May 2012.

Occupancy Information

The following table sets forth certain information regarding our stabilized portfolio:

Stabilized Portfolio Occupancy

Region	Number of Buildings	Rentable Square Feet	Occupancy at[1] 6/30/2012		3/31/2012		12/31/2011	
Office Properties:								
Los Angeles and Ventura Counties	28	2,981,473	88.0	%	87.0	%	83.5	%
San Diego	59	5,184,287	87.5		91.7		92.5	
Orange County	5	540,656	93.6		93.3		93.4	
San Francisco Bay Area	13	2,210,367	91.4		89.2		93.3	
Greater Seattle	9	1,310,484	93.8		90.3		89.9	
	114	12,227,267	89.3		90.0		90.1	
Industrial Properties:								
Orange County	39	3,413,354	92.5		97.0		100.0	
	39	3,413,354	92.5		97.0		100.0	
Total Stabilized Portfolio	153	15,640,621	90.0	%	91.6	%	92.4	%

	Average Occupancy for Three Months Ended June 30,							
	Stabilized Portfolio[1]				Same Store Portfolio[2]			
	2012		2011		2012		2011	
Office Properties	89.3	%	88.1	%	89.0	%	86.8	%
Industrial Properties	95.5		97.0		95.5		96.8	
Total Portfolio	90.7	%	90.2	%	90.7	%	89.4	%

	Average Occupancy for Six Months Ended June 30,							
	Stabilized Portfolio[1]				Same Store Portfolio[2]			
	2012		2011		2012		2011	
Office Properties	89.6	%	88.4	%	89.7	%	88.5	%
Industrial Properties	96.2		95.7		96.2		95.5	
Total Portfolio	91.1	%	90.2	%	91.4	%	90.3	%

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(1) Occupancy percentages reported are based on our stabilized portfolio as of the end of the period presented.

(2) Occupancy percentages reported are based on Office Properties and Industrial Properties owned and stabilized as of January 1, 2011 and still owned and stabilized as of June 30, 2012. See discussion under "Results of Operations" for additional information.

As of June 30, 2012, the Office Properties and Industrial Properties represented approximately 93.7% and 6.3%, respectively, of our total annualized base rental revenue. During the three months ended June 30, 2012, the Office and Industrial Properties represented approximately 93.5% and 6.5%, respectively, of our total Net Operating Income, as defined. During the six months ended June 30, 2012, the Office and Industrial Properties represented approximately 93.4% and 6.6%, respectively, of our total Net Operating Income, as defined.

Current Regional Information

Although real estate fundamentals continue to be challenging in some of our regional submarkets, we have generally seen a modest decrease in vacancy rates and lease concession packages and are starting to see an increase in rental rates.

Los Angeles and Ventura Counties. Our Los Angeles and Ventura Counties stabilized office portfolio of 3.0 million rentable square feet was 88.0% occupied with approximately 356,900 available rentable square feet as of June 30, 2012 compared to 83.5% occupied with approximately 491,300 available rentable square feet as of December 31, 2011. The increase in occupancy is primarily attributable to the commencement of three leases encompassing approximately 92,000 rentable square feet in El Segundo and West Los Angeles.

As of June 30, 2012, leases representing an aggregate of approximately 83,000 and 268,100 rentable square feet are scheduled to expire during the remainder of 2012 and in 2013, respectively, in this region. The aggregate rentable square feet under the leases scheduled to expire in this region during the remainder of 2012 and in 2013 represents approximately 2.5% of our occupied rentable square feet and 2.9% of our annualized base rental revenues in our total stabilized portfolio.

San Diego County. Our San Diego County stabilized office portfolio of 5.2 million rentable square feet was 87.5% occupied with approximately 645,500 available rentable square feet as of June 30, 2012 compared to 92.5% occupied with approximately 391,100 available rentable square feet as of December 31, 2011. The decrease in occupancy is primarily attributable to four leases that expired during the six months ended June 30, 2012. As of June 30, 2012, we have leased 54,600 rentable square feet in this region that was vacant at June 30, 2012 to two tenants. The new leases are scheduled to commence during the third and fourth quarters of 2012.

As of June 30, 2012, leases representing an aggregate of approximately 35,400 and 389,400 rentable square feet are scheduled to expire during the remainder of 2012 in 2013, respectively, in this region. The aggregate rentable square feet under leases scheduled to expire in this region in 2012 and 2013 represents approximately 3.1% of our occupied rentable square feet and 2.8% of our annualized base rental revenues in our total stabilized portfolio.

Orange County. As of June 30, 2012, our Orange County stabilized industrial portfolio of 3.4 million rentable square feet was 92.5% occupied with approximately 255,000 available rentable square feet, compared to 100.0% occupied as of December 31, 2011. The decrease in occupancy is primarily attributable to one tenant early move-out and one lease that expired during the six months ended June 30, 2012.

Our Orange County stabilized office portfolio of approximately 540,700 rentable square feet was 93.6% occupied with approximately 34,400 available rentable square feet as of June 30, 2012 compared to 93.4% occupied with approximately 35,500 available rentable square feet as of December 31, 2011.

As of June 30, 2012, leases representing an aggregate of approximately 196,800 and 486,900 rentable square feet are scheduled to expire during the remainder of 2012 and in 2013, respectively, in this region. The aggregate rentable square feet under leases scheduled to expire in 2012 and 2013 represents approximately 4.9% of our occupied rentable square feet and 1.7% of our annualized base rental revenues in our total stabilized portfolio. Of the 683,700 rentable square feet scheduled to expire in 2012 and 2013, approximately 594,400 rentable square feet, or 1.1% of our annualized base rental revenues in our total stabilized portfolio, is industrial space.

San Francisco Bay Area. As of June 30, 2012, our San Francisco Bay Area stabilized office portfolio of 2.2 million rentable square feet was 91.4% occupied with approximately 189,800 available rentable square feet, compared to 1.8 million rentable square feet at 93.3% occupied with approximately 121,900 available rentable square feet as of December 31, 2011. The decrease in occupancy is primarily attributable to the acquisition of seven office buildings during the six months ended June 30, 2012 encompassing approximately 374,100 rentable square feet that were 77.0% occupied as of June 30, 2012. As of June 30, 2012, we have leased 27,900 rentable square feet in this region that was vacant at June 30, 2012 to three tenants. The new leases are scheduled to commence in the third and fourth quarters of 2012.

As of June 30, 2012, leases representing an aggregate of approximately 32,900 and 308,100 rentable square feet are scheduled to expire during the remainder of 2012 and in 2013, respectively, in this region. The aggregate rentable square feet under leases scheduled to expire in this region during the remainder of 2012 and in 2013 represents approximately 2.4% of our occupied rentable square feet and 3.7% of our annualized base rental revenues in our total stabilized portfolio.

Greater Seattle. As of June 30, 2012, our Greater Seattle stabilized office portfolio of 1.3 million rentable square feet was 93.8% occupied with approximately 81,100 available rentable square feet, compared to 89.9% occupied with approximately 90,300 available rentable square feet as of December 31, 2011. The increase in occupancy is primarily attributable to the acquisition of three office buildings during the six months ended June 30, 2012 encompassing approximately 420,000 rentable square feet that were 99.6% occupied as of June 30, 2012. As of June 30, 2012, we have leased 11,800 rentable square feet in this region that was vacant at June 30, 2012 to one tenant. This new lease is scheduled to commence in the second quarter of 2013.

As of June 30, 2012, leases representing an aggregate of approximately 2,200 and 141,300 rentable square feet are scheduled to expire during the remainder of 2012 and in 2013, respectively. The aggregate rentable square feet under leases scheduled to expire in this region during the remainder of 2012 and in 2013 represents approximately 1.0% of our occupied rentable square feet and 1.1% of our annualized base rental revenues in our total stabilized portfolio.

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Results of Operations

Management internally evaluates the operating performance and financial results of our stabilized portfolio based on Net Operating Income. We define “Net Operating Income” as operating revenues (rental income, tenant reimbursements, and other property income) less operating expenses (property expenses, real estate taxes, provision for bad debts, and ground leases). The Net Operating Income information presented within this Management's Discussion and Analysis of Financial Condition and Results of Operations is the same Net Operating Income information disclosed in our segment information in Note 13 to our consolidated financial statements.

Net Operating Income is considered by management to be an important and appropriate supplemental performance measure to net income (loss) because we believe it helps both investors and management to understand the core operations of our properties excluding corporate and financing-related costs and non-cash depreciation and amortization. Net Operating Income is an unlevered operating performance metric of our properties and allows for a useful comparison of the operating performance of individual assets or groups of assets. This measure thereby provides an operating perspective not immediately apparent from GAAP income (loss) from operations or net income (loss). In addition, Net Operating Income is considered by many in the real estate industry to be a useful starting point for determining the value of a real estate asset or group of assets. Other real estate companies may use different methodologies for calculating Net Operating Income, and accordingly, our presentation of Net Operating Income may not be comparable to other real estate companies. Due to the exclusion of the items shown in the reconciliation below, Net Operating Income should only be used as a supplemental measure of our financial performance and not as an alternative to GAAP income (loss) from operations or net income (loss).

Management further evaluates Net Operating Income from the stabilized portfolio by evaluating the performance from the following property groups:

- Same Store Office Properties - which includes the results of all of the office properties that were owned and included in our stabilized office portfolio as of January 1, 2011 and still owned and and included in the stabilized portfolio as of June 30, 2012;
- Office Acquisitions Properties - which includes the results, from the dates of acquisition through the periods presented, for the ten office buildings we acquired during 2011 and the ten office buildings we acquired during the six months ended June 30, 2012;
- Other Office - which includes the results generated by two buildings that were moved out of the stabilized office portfolio during 2011 to redevelopment since the properties are being repositioned (the “Redevelopment Properties”);
- Same Store Industrial Properties - which includes the results of all the industrial properties that were owned and included in our stabilized industrial portfolio as of January 1, 2011 and still owned and included in the stabilized portfolio as of June 30, 2012.

The following table sets forth certain information regarding the stabilized portfolio as of June 30, 2012:

Property Type	# of Buildings	Rentable Square Feet
Office Properties		
Same Store Office Properties	94	9,860,746
Office Acquisitions Properties	20	2,366,521
Total Office Properties	114	12,227,267
Industrial Properties		
Same Store Industrial Properties	39	3,413,354
Total Industrial Properties	39	3,413,354
Total Stabilized Portfolio	153	15,640,621

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Comparison of the Three Months Ended June 30, 2012 to the Three Months Ended June 30, 2011

The following table reconciles our Net Operating Income, as defined, to our net income for the three months ended June 30, 2012 and 2011.

	Three Months Ended June 30, 2012	2011	Dollar Change	Percentage Change
	($ in thousands)			
Net Operating Income, as defined				
Office Properties	$68,506	$57,256	$11,250	19.6 %
Industrial Properties	4,724	5,107	(383)	(7.5)
Total portfolio	73,230	62,363	10,867	17.4
Reconciliation to Net Income:				
Net Operating Income, as defined for the total portfolio	73,230	62,363	10,867	17.4
Unallocated (expense) income:				
General and administrative expenses	(9,251)	(7,440)	(1,811)	24.3
Acquisition-related expenses	(1,813)	(1,194)	(619)	51.8
Depreciation and amortization	(40,624)	(31,378)	(9,246)	29.5
Interest income and other net investment (losses) gains	(110)	58	(168)	(289.7)
Interest expense	(19,155)	(21,228)	2,073	(9.8)
Income from continuing operations	2,277	1,181	1,096	92.8
Income from discontinued operations	—	2,291	(2,291)	(100.0)
Net income	$2,277	$3,472	$(1,195)	(34.4)%

The following tables summarize the Net Operating Income, as defined, for our stabilized portfolio for the three months ended June 30, 2012 and 2011.

	2012 Same Store Office	Office Acquisitions	Other Office	Same Store Industrial	Total	2011 Same Store Office	Office Acquisitions	Other Office	Same Store Industrial	Total
	(in thousands)					(in thousands)				
Operating revenues:										
Rental income	$71,691	$ 16,333	$844	$ 5,397	$94,265	$70,091	$ 3,932	$362	$ 5,773	$80,158
Tenant reimbursements	5,364	2,708	35	958	9,065	5,285	914	34	897	7,130
Other property income	289	246	—	57	592	1,108	—	—	(6)	1,102
Total	77,344	19,287	879	6,412	103,922	76,484	4,846	396	6,664	88,390
Property and related expenses:										
Property expenses	16,253	3,587	316	1,040	21,196	15,168	886	424	878	17,356
Real estate taxes	6,407	1,533	293	648	8,881	6,697	362	426	642	8,127
Provision for bad debts	—	—	—	—	—	83	—	—	37	120
Ground leases	224	106	285	—	615	330	60	34	—	424
Total	22,884	5,226	894	1,688	30,692	22,278	1,308	884	1,557	26,027

Net Operating Income (Loss), as defined	$54,460	$ 14,061	$(15)	$ 4,724	$73,230	$54,206	$ 3,538	$(488)	$ 5,107	$62,363

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	Three Months Ended June 30, 2012 as compared to the Three Months Ended June 30, 2011							
	Same Store Office		Office Acquisitions		Same Store Industrial		Total	
	Dollar Change	% Change	Dollar Change	% Change	Dollar Change	% Change	Dollar Change	% Change
					($ in thousands)			
Operating revenues:								
Rental income	$1,600	2.3 %	$12,401	315.4 %	$(376)	(6.5)%	$14,107	17.6 %
Tenant reimbursements	79	1.5	1,794	196.3	61	6.8	1,935	27.1
Other property income	(819)	(73.9)	246	100.0	63	(1,050.0)	(510)	(46.3)
Total	860	1.1	14,441	298.0	(252)	(3.8)	15,532	17.6
Property and related expenses:								
Property expenses	1,085	7.2	2,701	304.9	162	18.5	3,840	22.1
Real estate taxes	(290)	(4.3)	1,171	323.5	6	0.9	754	9.3
Provision for bad debts	(83)	(100.0)	—	—	(37)	(100.0)	(120)	100.0
Ground leases	(106)	(32.1)	46	76.7	—	—	191	45.0
Total	606	2.7	3,918	299.5	131	8.4	4,665	17.9
Net Operating Income, as defined	$254	0.5 %	$10,523	297.4 %	$(383)	(7.5)%	$10,867	17.4 %

Net Operating Income increased $10.9 million, or 17.4%, for the three months ended June 30, 2012 as compared to the three months ended June 30, 2011 primarily resulting from:

- An increase of $10.5 million attributable to the Office Acquisition Properties.
- An increase of $0.3 million attributable to the Same Store Office Properties which is primarily comprised of:
  - An increase in rental income of $1.6 million primarily resulting from an increase in average occupancy of 2.2%, from 86.8% for the three months ended June 30, 2011, to 89.0% for the three months ended June 30, 2012; and
  - An offsetting decrease in other property income of $0.8 million primarily as the result of a $0.6 million cash distribution received during the prior year period under a bankruptcy claim related to a former tenant that defaulted on their lease in 2009. Other property income for both periods consist primarily of lease termination fees and other miscellaneous income;
  - An increase in property and related expenses of $0.6 million primarily resulting from:
    - $0.5 million of repairs incurred during the three months ended June 30, 2012 as the result of water damage at one of our properties which we anticipate receiving an insurance reimbursement for later this year; and
    - An increase of $0.5 million in property expenses primarily as a result of an increase in certain recurring operating costs such as property management expenses and janitorial and other service-related costs primarily as a result of an increase in average occupancy, as described above; and
  - An offsetting decrease in real estate taxes of $0.3 million as a result of successful property tax appeals; and
- An offsetting decrease of $0.4 million attributable to the Same Store Industrial Properties primarily resulting from a decrease in average occupancy of 1.3%, from 96.8% for the three months ended June 30, 2011, to 95.5% for the three months ended June 30, 2012; and
- A net operating loss of $0.5 million for the three months ended June 30, 2011 attributable primarily to Other Office generated by the Redevelopment Properties. This net operating loss represented the operating expenses for the Redevelopment Properties for the three months ended June 30, 2011. Operating expenditures for the Redevelopment Properties during the three months ended June 30, 2012 qualified for capitalization and were included as a cost of redevelopment.

Other Expenses and Income

General and Administrative Expenses

General and administrative expenses increased $1.8 million, or 24.3%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011 primarily attributable to an increase in compensation expense related to the February 2012 stock option grants made to our senior management team, higher payroll costs associated with the renegotiation of our Chief Executive Officer's employment agreement and an increase in payroll and administrative costs associated with the growth of the Company.

Depreciation and Amortization

Depreciation and amortization increased by $9.2 million, or 29.5%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011, primarily related to the Office Acquisition Properties.

Interest Expense

The following table sets forth our gross interest expense, including debt discounts/premiums and loan cost amortization, net of capitalized interest, including capitalized debt discounts/premiums and loan cost amortization for the three months ended June 30, 2012 and 2011:

	2012	2011	Dollar Change	Percentage Change
	($ in thousands)			
Gross interest expense	$23,489	$23,293	$196	0.8 %
Capitalized interest	(4,334)	(2,065)	(2,269)	109.9 %
Interest expense	$19,155	$21,228	$(2,073)	(9.8)%

Gross interest expense, before the effect of capitalized interest, increased $0.2 million, or 0.8%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011 resulting from an increase in our average outstanding debt balances offset by a decrease in our weighted average effective interest rate from approximately 6.1% during the three months ended June 30, 2011 to approximately 5.5% during the three months ended June 30, 2012.

Capitalized interest increased $2.3 million, or 109.9%, for the three months ended June 30, 2012 compared to the three months ended June 30, 2011 primarily attributable to an increase in our development and redevelopment activity, which resulted in higher average asset balances qualifying for interest capitalization.

Comparison of the Six Months Ended June 30, 2012 to the Six Months Ended June 30, 2011

The following table reconciles our Net Operating Income, as defined, to our net income for the six months ended June 30, 2012 and 2011.

	Six Months Ended June 30, 2012	2011	Dollar Change	Percentage Change
	($ in thousands)			
Net Operating Income, as defined				
Office Properties	136,264	111,807	24,457	21.9
Industrial Properties	9,648	8,565	1,083	12.6
Total portfolio	145,912	120,372	25,540	21.2
Reconciliation to Net Income:				
Net Operating Income, as defined for the total portfolio	145,912	120,372	25,540	21.2
Unallocated (expense) income:				
General and administrative expenses	(18,018)	(14,000)	(4,018)	28.7
Acquisition-related expenses	(3,341)	(1,666)	(1,675)	100.5
Depreciation and amortization	(77,370)	(59,819)	(17,551)	29.3
Interest income and other net investment gains	374	242	132	54.5
Interest expense	(40,318)	(42,104)	1,786	(4.2)
Income from continuing operations	7,239	3,025	4,214	139.3 %
Income from discontinued operations	73,709	5,314	68,395	1,287.1 %
Net income	$80,948	$8,339	$72,609	870.7 %

The following tables summarize the Net Operating Income, as defined, for our total portfolio for the six months ended June 30, 2012 and 2011.

	2012 Same Store Office	Office Acquisitions	Other Office	Same Store Industrial	Total	2011 Same Store Office	Office Acquisitions	Other Office	Same Store Industrial	Total
	(in thousands)					(in thousands)				
Operating revenues:										
Rental income	$143,475	$ 28,466	$1,612	$10,931	$184,484	$140,564	$ 4,442	$730	$11,419	$157,155
Tenant reimbursements	10,225	4,934	119	2,091	17,369	10,397	974	66	1,715	13,152
Other property income	1,151	253	—	75	1,479	1,818	—	31	7	1,856
Total	154,851	33,653	1,731	13,097	203,332	152,779	5,416	827	13,141	172,163
Property and related expenses:										
Property expenses	29,927	6,167	488	2,149	38,731	29,866	923	810	3,266	34,865
Real estate taxes	12,523	2,835	612	1,300	17,270	13,451	429	852	1,285	16,017
Provision for bad debts	2	—	—	—	2	121	—	—	25	146
Ground leases	449	302	666	—	1,417	632	60	71	—	763
Total	42,901	9,304	1,766	3,449	57,420	44,070	1,412	1,733	4,576	51,791
	$111,950	$ 24,349	$(35)	$9,648	$145,912	$108,709	$ 4,004	$(906)	$8,565	$120,372

Net Operating
Income (Loss), as
defined

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	Six Months Ended June 30, 2012 as compared to the Six Months Ended June 30, 2011							
	Same Store Office		Office Acquisitions		Same Store Industrial		Total	
	Dollar Change	% Change	Dollar Change	% Change	Dollar Change	% Change	Dollar Change	% Change
					($ in thousands)			
Operating revenues:								
Rental income	$2,911	2.1 %	$24,024	540.8 %	$(488)	(4.3)%	$27,329	17.4 %
Tenant reimbursements	(172)	(1.7)	3,960	406.6	376	21.9	4,217	32.1
Other property income	(667)	(36.7)	253	100.0	68	971.4	(377)	(20.3)
Total	2,072	1.4	28,237	521.4	(44)	(0.3)	31,169	18.1
Property and related expenses:								
Property expenses	61	0.2	5,244	568.1	(1,117)	(34.2)	3,866	11.1
Real estate taxes	(928)	(6.9)	2,406	560.8	15	1.2	1,253	7.8
Provision for bad debts	(119)	(98.3)	—	—	(25)	(100.0)	(144)	(98.6)
Ground leases	(183)	(29.0)	242	403.3	—	—	654	85.7
Total	(1,169)	(2.7)	7,892	558.9	(1,127)	(24.6)	5,629	10.9
Net Operating Income, as defined	$3,241	3.0 %	$20,345	508.1 %	$1,083	12.6 %	$25,540	21.2 %

Net Operating Income increased $25.5 million, or 21.2%, for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011 primarily resulting from:

- An increase of $20.3 million attributable to the Office Acquisition Properties;
- An increase of $3.2 million attributable to the Same Store Office Properties which primarily comprised of:
  - An increase in rental income of $2.9 million primarily resulting from an increase in average occupancy of 1.2%, from 88.5% for the six months ended June 30, 2011, to 89.7% for the six months ended June 30, 2012; and
  - A decrease in property and related expenses of $1.2 million primarily resulting from:
    - Receipt of approximately $1.0 million in insurance proceeds during the six months ended June 30, 2012 which were recorded as a reduction of property expenses since the charge for the related property damage was recorded as property expenses in prior periods; and
    - A decrease in real estate taxes of $0.9 million as a result of successful property tax appeals; and
    - An increase of $0.5 million in property expenses primarily as a result of an increase in certain recurring operating costs such as property management expenses and janitorial and other service-related costs primarily as a result of an increase in average occupancy, as described above; and
    - An offsetting increase of $0.5 million for repairs incurred during the six months ended June 30, 2012 attributable to water damage at one of our properties which we anticipate receiving an insurance reimbursement for later this year.
  - An offsetting decrease in other property income of $0.7 million primarily due to a $0.6 million cash distribution received during the prior year period under a bankruptcy claim related to a former tenant that defaulted on their lease in 2009. Other property income for both periods consist primarily of lease termination fees and other miscellaneous income;
- An increase of $1.1 million attributable to the Same Store Industrial Properties primarily resulting from legal fees and consulting costs of $1.3 million incurred during the six months ended June 30, 2011 as compared to the six months ended June 30, 2012, primarily related to a dispute with a former tenant at one of our industrial properties;
- A net operating loss of $0.9 million for the six months ended June 30, 2011 attributable to Other Office generated by the Redevelopment Properties. This net operating loss represented the operating expenses for the Redevelopment

Properties for the six months ended June 30, 2011. Operating expenditures for the Redevelopment Properties during the six months ended June 30, 2012 qualified for capitalization and were included as a cost of redevelopment.

Other Expenses and Income

General and Administrative Expenses

General and administrative expenses increased $4.0 million, or 28.7%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 primarily attributable to an increase in compensation expense related to the February 2012 stock option grants made to our senior management team, higher payroll costs associated with the renegotiation of our Chief Executive Officer's employment agreement and an increase in payroll and administrative costs associated with the growth of the Company.

Depreciation and Amortization

Depreciation and amortization increased by $17.6 million, or 29.3%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011, primarily related to the Office Acquisition Properties.

Interest Expense

The following table sets forth our gross interest expense, including debt discounts/premiums and loan cost amortization, net of capitalized interest, including capitalized debt discounts/premiums and loan cost amortization for the six months ended June 30, 2012 and 2011:

	2012	2011	Dollar Change	Percentage Change
	($ in thousands)			
Gross interest expense	$48,483	$46,148	$2,335	5.1 %
Capitalized interest	(8,165)	(4,044)	(4,121)	101.9 %
Interest expense	$40,318	$42,104	$(1,786)	(4.2)%

Gross interest expense, before the effect of capitalized interest, increased $2.3 million, or 5.1%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 resulting from an increase in our average outstanding debt balances offset by a decrease in our weighted average effective interest rate from approximately 6.2% during the six months ended June 30, 2011 to approximately 5.7% during the three months ended June 30, 2012. Capitalized interest increased $4.1 million, or 101.9%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 primarily attributable to an increase in our development and redevelopment activity, which resulted in higher average asset balances qualifying for interest capitalization.

Liquidity and Capital Resources of the Company
In this "Liquidity and Capital Resources of the Company" section, the term the "Company" refers only to Kilroy Realty Corporation on an unconsolidated basis, and excludes the Operating Partnership and all other subsidiaries.
The Company's business is operated primarily through the Operating Partnership. Distributions from the Operating Partnership are the Company's source of capital. The Company believes the Operating Partnership's sources of working capital, specifically its cash flow from operations and borrowings available under its Credit Facility, are adequate for it to make its distribution payments to the Company and, in turn, for the Company to make its dividend payments to its preferred and common stockholders for the next twelve months. Cash flows from operating activities generated by the Operating Partnership for the three and six months ended June 30, 2012 were sufficient to cover the Company's payment of cash dividends to its stockholders. However, there can be no assurance that the Operating Partnership's sources of capital will continue to be available at all or in amounts sufficient to meet its needs, including its ability to make distributions to the Company. The unavailability of capital could adversely affect the Operating Partnership's ability to make distributions to the Company, which would in turn, adversely affect the Company's ability to pay cash dividends to its stockholders.
The Company is a well-known seasoned issuer and the Company and the Operating Partnership have an effective shelf registration statement that provides for the pubic offering and sale from time to time by the Company of its preferred stock, common stock, debt securities and guarantees of debt securities and by the Operating Partnership of its debt securities, in each case in unlimited amounts. The Company evaluates the capital markets on an ongoing basis for opportunities to raise capital and, as circumstances warrant, the Company and the Operating Partnership may issue securities of all of these types in one or more offerings at any time and from time to time on an opportunistic basis, depending upon, among other things, market conditions, available pricing and capital needs. When the Company receives proceeds from the sales of its preferred or common stock, it is required by the Operating Partnership's partnership agreement to contribute the net proceeds from those sales to the Operating Partnership in exchange for corresponding preferred or common partnership units of the Operating Partnership. The Operating Partnership may use these proceeds and proceeds from the sale of its debt securities to repay debt, including borrowings under its Credit Facility, to develop new or existing properties, to make acquisitions of properties or portfolios of properties, or for general corporate purposes.
As the sole general partner with control of the Operating Partnership, the Company consolidates the Operating Partnership for financial reporting purposes, and the Company does not have significant assets other than its investment in the Operating Partnership. Therefore, the assets and liabilities and the revenues and expenses of the Company and the Operating Partnership are substantially the same on their respective financial statements. The section entitled "Liquidity and Capital Resources of the Operating Partnership" should be read in conjunction with this section to understand the liquidity and capital resources of the Company on a consolidated basis and how the Company is operated as a whole.
Distribution Requirements
The Company is required to distribute 90% of its taxable income (subject to certain adjustments and excluding net capital gain) on an annual basis to maintain qualification as a REIT for federal income tax purposes and is required to pay income tax at regular corporate rates to the extent it distributes less than 100% of its taxable income (including capital gains). As a result of these distribution requirements, the Operating Partnership cannot rely on retained earnings to fund its on−going operations to the same extent as other companies whose parent companies are not REITs. In addition, the Company may be required to use borrowings under the Operating Partnership's Credit Facility, if necessary, to meet REIT distribution requirements and maintain its REIT status. The Company may also need to continue to raise capital in the equity markets to fund the Operating Partnership's working capital needs, as well as potential developments of new or existing properties or acquisitions.
The Company intends to continue to make, but has not committed to make, regular quarterly cash distributions to common stockholders and common unitholders from cash flow from operating activities. All such distributions are at

the discretion of the board of directors. The Company has historically distributed amounts in excess of our taxable income resulting in a return of capital to its stockholders and the Company currently believes it has the ability to maintain distributions at the 2011 levels to meet its REIT requirements for 2012. The Company considers market factors and its performance in addition to REIT requirements in determining our distribution levels. In addition, one of the covenants contained within the Credit Facility and Unsecured Term Loan Facility prohibits the Company from paying dividends in excess of 95% of Funds From Operations ("FFO"). Amounts accumulated for distribution to stockholders are invested primarily in interest–bearing accounts and short–term interest–bearing securities, which are consistent with the Company's intention to maintain its qualification as a REIT. Such investments may include, for example, obligations of the Government National Mortgage Association, other governmental agency securities, certificates of deposit, and interest–bearing bank deposits.

On May 17, 2012, the Board of Directors declared a regular quarterly cash dividend of $0.35 per common share payable on July 17, 2012 to stockholders of record on June 29, 2012 and caused a $0.35 per Operating Partnership unit cash distribution to be paid in respect of the Operating Partnership's common limited partnership interests, including those owned by the Company.

On March 27, 2012, the Company issued 4,000,000 shares of its 6.875% Series G Cumulative Redeemable Preferred Stock ("Series G Preferred Stock") at a public offering price of $25.00 per share, for a total of approximately $96.2 million of net proceeds, after deducting underwriting discounts and other accrued offering-related costs. Dividends on the Series G Preferred Stock will be paid quarterly in arrears on the 15th day of each February, May, August and November, commencing May 15, 2012. On May 17, 2012, the Board of Directors declared a dividend of $0.42969 per share on the Series G Preferred Stock for the period commencing on and including May 15, 2012, and ending on and including August 14, 2012. The dividend will be payable on August 15, 2012, to Series G Preferred stockholders of record on July 31, 2012. The second quarter ended June 30, 2012 was the first full quarter that the Series G Preferred Stock were outstanding, which resulted in quarterly dividend payments for the Series G Preferred stock of approximately $1.7 million. The Company is also required to make quarterly cash distributions to the 7.45% Series A Preferred unitholders of $0.7 million, payable quarterly in arrears on the 15th day of each February, May, August and November.

On April 16, 2012 (the "Redemption Date"), the Company redeemed all 1,610,000 outstanding shares of its 7.80% Series E Cumulative Redeemable Preferred Stock ("Series E Preferred Stock") and all 3,450,000 outstanding shares of its 7.50% Series F Cumulative Redeemable Preferred Stock ("Series F Preferred Stock"). On the Redemption Date, the shares of Series E and Series F Preferred Stock (together, the “Redeemed Preferred Stock”) were redeemed at a redemption price equal to their stated liquidation preference of $25.00 per share plus $2.9 million of dividends, which included $0.5 million of additional dividends attributable to the acceleration of the Series E Preferred Stock and Series F Preferred Stock dividend payment from April 1, 2012 to April 16, 2012 and redemption-related costs.

As a result of the aforementioned transactions, during the second quarter of 2012, our quarterly preferred dividend and distribution payments decreased to a run-rate of $3.1 million per quarter from $3.8 million per quarter in prior periods. The $0.7 million decrease is attributable to the lower rate and reduced number of outstanding shares of Series G Preferred Stock as compared to the Series E Preferred Stock and Series F Preferred Stock.

Capitalization

As of June 30, 2012, our total debt as a percentage of total market capitalization was 33.0% and our total debt and liquidation value of our preferred equity as a percentage of total market capitalization was 36.3%, which was calculated based on the closing price per share of the Company's common stock of $48.41 on June 30, 2012 as shown in the table below.

	Shares/Units at June 30, 2012	Aggregate Principal Amount or $ Value Equivalent	% of Total Market Capitalization
	($ in thousands)		
Debt:			
Credit Facility		$102,000	1.9 %
Unsecured Term Loan Facility		150,000	2.8
4.25% Unsecured Exchangeable Notes due 2014(1)		172,500	3.2
Unsecured Senior Notes due 2014		83,000	1.5
Unsecured Senior Notes due 2015(1)		325,000	6.0
Unsecured Senior Notes due 2018(1)		325,000	6.0
Unsecured Senior Notes due 2020(1)		250,000	4.6
Secured debt(1)		378,776	7.0
Total debt		1,786,276	33.0
Equity and Noncontrolling Interests:			
7.450% Series A Cumulative Redeemable Preferred units(2)	1,500,000	75,000	1.4

6.875% Series G Cumulative Redeemable Preferred stock[3]	4,000,000	100,000	1.9	
Common limited partnership units outstanding[4][5]	1,718,131	83,175	1.5	
Common shares outstanding[5]	68,927,731	3,336,791	62.2	
Total equity and noncontrolling interests		3,594,966	67.0	
Total Market Capitalization		$5,381,242	100.0	%

(1) Represents gross aggregate principal amount due at maturity before the effect of the unamortized discounts and premiums as of June 30, 2012.
(2) Value based on $50.00 per unit liquidation preference.
(3) Value based on $25.00 per share liquidation preference.
(4) Represents common units not owned by the Company.
(5) Value based on closing price per share of our common stock of $48.41 as of June 30, 2012.

Liquidity and Capital Resources of the Operating Partnership

In this "Liquidity and Capital Resources of the Operating Partnership" section, the terms "we," "our," and "us" refer to the Operating Partnership or the Operating Partnership and the Company together, as the context requires.

General

Our primary liquidity sources and uses are as follows:

Liquidity Sources

- Net cash flow from operations;
- Borrowings under the Credit Facility;
- Proceeds from additional secured or unsecured debt financings;
- Proceeds from public or private issuance of debt or equity securities; and
- Proceeds from the disposition of nonstrategic assets through our capital recycling program.

Liquidity Uses

- Property or undeveloped land acquisitions;
- Property operating and corporate expenses;
- Capital expenditures, tenant improvement and leasing costs;
- Debt service and principal payments, including debt maturities;
- Distributions to common and preferred security holders;
- Development and redevelopment costs; and
- Outstanding debt repurchases.

General Strategy

Our general strategy is to maintain a conservative balance sheet with a top credit profile and to maintain a capital structure that allows for financial flexibility and diversification of capital resources. We manage our capital structure to reflect a long−term investment approach and utilize multiple sources of capital to meet our long−term capital requirements. We believe that our current projected liquidity requirements for the next twelve-month period, as set forth above under the caption " —Liquidity Uses," will be satisfied using a combination of the liquidity sources listed above. We believe our conservative leverage and staggered debt maturities provide us with financial flexibility and enhances our ability to obtain additional sources of liquidity if necessary, and, therefore, we are well−positioned to refinance or repay maturing debt and to pursue our strategy of seeking attractive acquisition opportunities, which we may finance, as necessary, with future public and private issuances of debt and equity securities.

Summary of 2012 Funding Transactions

We have been very active in the capital markets, our capital recycling program and loan originations to finance our acquisition activity and our continued desire to improve our debt maturities and lower our overall weighted average cost of capital. This was primarily as a result of the following transactions:

- During the second quarter of 2012, the Operating Partnership acquired two secured mortgage loans with a combined principal balance of $131.0 million and repaid two secured mortgage loans with a combined outstanding principal balance of $101.0 million that were scheduled to mature in August 2012 (see Note 5 to our consolidated financial statements included in this report for additional information). Subsequent to June 30, 2012, the Operating Partnership assumed two secured mortgage loans with a combined principal balance of $137.3 million in connection with two acquisitions (see Note 17 to our consolidated financial statements included in this report for additional information).
- In April 2012, the Company redeemed all 1,610,000 outstanding shares of its Series E Preferred Stock and all 3,450,000 outstanding shares of its Series F Preferred Stock at a redemption price of $25.00 per share plus all accumulated and unpaid dividends up to and including the redemption date of April 16, 2012, for total payment of $129.4 million (see Note 7 to our consolidated financial statements included in this report for additional information).
- In April 2012, the Operating Partnership repaid its 3.25% Exchangeable Notes with an aggregate principal amount of $148.0 million and entered into a new $150.0 million unsecured term loan facility (the "Unsecured Term Loan Facility") in March 2012 (see Note 5 to our consolidated financial statements included in this report for additional

information).

- During the second quarter of 2012 we issued 575,689 shares under our at–the–market stock offering program. The net offering proceeds, after deducting underwriting discounts and commissions, of approximately $26.5 million were contributed to the Operating Partnership (see "— Liquidity Sources" below for additional information).
- In March 2012, the Company issued 4,000,000 shares of its Series G Preferred Stock at a public offering price of $25.00

per share. The net proceeds, after deducting the underwriting discount and other accrued offering-related costs, of $96.2 million were contributed to the Operating Partnership (see Notes 7 and 8 to our consolidated financial statements included in this report for additional information).

- In February 2012, the Company completed an underwritten public offering of 9,487,500 shares of its common stock. The net offering proceeds, after deducting underwriting discounts and commissions and offering expenses, of approximately $382.1 million were contributed to the Operating Partnership (see Notes 7 and 8 to our consolidated financial statements included in this report for additional information).
- In January 2012, the Company completed the sale of two office buildings to an unrelated third party for a cash sales price of approximately $146.1 million (see Note 14 to our consolidated financial statements included in this report for additional information).

Liquidity Sources

Credit Facility

The following table summarizes the balance and terms of our Credit Facility as of June 30, 2012 and December 31, 2011, respectively:

	June 30, 2012	December 31, 2011
	(in thousands)	
Outstanding borrowing	$102,000	$182,000
Remaining borrowing capacity	398,000	318,000
Total borrowing capacity[1]	$500,000	$500,000
Interest rate[2]	2.00 %	2.05 %
Facility fee - annual rate[3]	0.350%	
Maturity date[4]	August 2015	

(1) We may elect to borrow, subject to bank approval, up to an additional $200.0 million under an accordion feature under the terms of the Credit Facility.

(2) The Credit Facility interest rate was calculated based on an annual rate of LIBOR plus 1.750% as of both June 30, 2012 and December 31, 2011.

(3) The facility fee is paid on a quarterly basis and is calculated based on the total borrowing capacity. In addition to the facility fee, we also incurred origination and legal costs of approximately $8.3 million that are currently being amortized through the maturity date of the Credit Facility.

(4) Under the terms of the Credit Facility, we may exercise an option to extend the maturity date by one year.

In March 2012, we amended the Credit Facility to reduce the FMV Cap Rate (as defined in the Credit Facility agreement), which is used to calculate the fair value of our assets for certain covenants under the Credit Facility, from 7.50% to 6.75%. There were no other changes to the terms of the Credit Facility in connection with this amendment.

Capital Recycling Program

As part of our current strategy, we intend to evaluate various office and industrial assets for potential disposition and then use the proceeds to fund potential acquisitions, to finance development and redevelopment expenditures, to repay long-term debt and for other general corporate purposes. As part of this strategy, we intend, when practical, to enter into like-kind exchanges under Section 1031 of the Code to defer some or all taxable gains, if any, on the sales for federal and state income tax purposes. During the six months ended June 30, 2012, we disposed of two office buildings in one transaction for approximately $146.1 million. These properties were previously reported as held-for-sale as of December 31, 2011. We also continue to evaluate opportunities for the potential disposition of additional properties, including the potential sale of all or a portion of, or the sale of an equity interest in all or a portion of, our industrial properties as well as the disposition of certain undeveloped land holdings.

At-The-Market Stock Offering Program

Under our at-the-market stock offering program, which commenced in July 2011, we may offer and sell shares of our common stock having an aggregate gross sales price of up to $200.0 million from time to time in "at the market" offerings. During the three months ended June 30, 2012, we sold 575,689 shares of common stock under the program in exchange for aggregate gross proceeds of approximately $27.0 million and net proceeds of approximately $26.5 million after underwriting discounts and commissions. The proceeds from the sales were used to fund acquisitions and general corporate purposes including repayment of borrowings under the Credit Facility. We did not sell any shares during the first quarter 2012. Since commencement of the program, we have sold 930,994 shares of common stock and, as of June 30, 2012, approximately $160.0 million remains available to be sold under this program. Actual sales will depend upon a variety of factors including but not limited to market conditions, the trading price of the Company's common stock and our capital needs. We have no obligation to sell the remaining shares available for sale under this program.

Shelf Registration Statement

As discussed above under “-Liquidity and Capital Resources of the Company,” the Company is a well-known seasoned issuer and the Company and the Operating Partnership have an effective shelf registration statement that provides for the public offering and sale from time to time by the Company of its preferred stock, common stock, debt securities and guarantees of debt securities and by the Operating Partnership of its debt securities, in each case in unlimited amounts. The Company evaluates the capital markets on an ongoing basis for opportunities to raise capital and, as circumstances warrant, the Company and the Operating Partnership may issue securities of all of these types in one or more offerings at any time and from time to time on an opportunistic basis, depending upon, among other things, market conditions, available pricing and capital needs. When the Company receives proceeds from the sales of its preferred or common stock, it is required by the Operating Partnership's partnership agreement to contribute the net proceeds from those sales to the Operating Partnership in exchange for corresponding preferred or common partnership units of the Operating Partnership. The Operating Partnership may use these proceeds and proceeds from the sale of its debt securities to repay debt, including borrowings under its Credit Facility, to develop new or existing properties, to make acquisitions of properties or portfolios of properties, or for general corporate purposes.

Unsecured Term Loan Facility

In March 2012, we entered into a new Unsecured Term Loan Facility, which is included in unsecured debt, net on our consolidated balance sheets. The Unsecured Term Loan Facility bears interest at an annual rate of LIBOR plus 1.750% and is scheduled to mature on March 29, 2016. Under the terms of the Unsecured Term Loan Facility, we may exercise an option to extend the maturity date by one year. We may elect to borrow up to an additional $100.0 million under an accordion option, subject to bank approval. We used the borrowings under the Unsecured Term Loan Facility to repay the 3.25% Exchangeable Notes in April 2012 upon maturity.

Exchangeable Notes, Unsecured Debt, and Secured Debt

The aggregate principal amount of our 4.25% Exchangeable Notes, unsecured debt, and secured debt of the Operating Partnership outstanding as of June 30, 2012 was as follows:

	Aggregate Principal Amount Outstanding (in thousands)
Unsecured Term Loan Facility due 2016	$150,000
4.25% Exchangeable Notes due 2014 [(1)]	172,500
Unsecured Senior Notes due 2014	83,000
Unsecured Senior Notes due 2015 [(1)]	325,000
Unsecured Senior Notes due 2018 [(1)]	325,000
Unsecured Senior Notes due 2020 [(1)]	250,000
Secured Debt [(1)]	378,776
Total Exchangeable Notes, Unsecured Debt, and Secured Debt	$1,684,276

(1) Represents gross aggregate principal amount before the effect of the unamortized discounts and premiums as of June 30, 2012.

Debt Composition

The composition of the Operating Partnership's aggregate debt balances between secured and unsecured and fixed-rate and variable-rate debt as of June 30, 2012 and December 31, 2011 was as follows:

	Percentage of Total Debt		Weighted Average Interest Rate	
	June 30, 2012	December 31, 2011	June 30, 2012	December 31, 2011

Secured vs. unsecured:				
Unsecured[1]	78.8 %	80.9 %	4.7 %	4.7 %
Secured	21.2	19.1	5.0	5.2
Variable-rate vs. fixed-rate:				
Variable-rate	14.1	9.9	2.0	2.0
Fixed-rate[1]	85.9	90.1	5.2	5.1
Stated rate[1]			4.8	4.8
GAAP effective rate[2]			5.0	5.2
GAAP effective rate including debt issuance costs			5.4 %	5.6 %

(1) Excludes the impact of the amortization of any debt discounts/premiums.
(2) Includes the impact of the amortization of any debt discounts/premiums, excluding debt issuance costs.

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Liquidity Uses

Contractual Obligations

The following table provides information with respect to our contractual obligations as of June 30, 2012. The table: (i) indicates the maturities and scheduled principal repayments of our secured debt, 4.25% Exchangeable Notes, unsecured debt, and Credit Facility; (ii) indicates the scheduled interest payments of our fixed–rate and variable–rate debt as of June 30, 2012; (iii) provides information about the minimum commitments due in connection with our ground lease obligations and other lease and contractual commitments; and (iv) provides estimated redevelopment and development commitments as of June 30, 2012. Note that the table does not reflect our available debt maturity extension options and reflects gross aggregate principal amounts before the effect of unamortized discounts/premiums.

	Payment Due by Period				
	Less than 1 Year (Remainder of 2012)	1–3 Years (2013-2014)	4–5 Years (2015-2016)	More than 5 Years (After 2016)	Total
	(in thousands)				
Principal payments—secured debt [1]	$2,051	$13,316	$75,179	$288,230	$378,776
Principal payments—4.25% Exchangeable Notes [2]	—	172,500	—	—	172,500
Principal payments—unsecured debt [3]	—	83,000	475,000	575,000	1,133,000
Principal payments—Credit Facility	—	—	102,000	—	102,000
Interest payments—fixed-rate debt [4]	39,678	156,335	109,773	130,602	436,388
Interest payments—variable-rate debt [5]	2,520	10,080	7,150	—	19,750
Ground lease obligations [6]	29,638	6,190	6,190	163,019	205,037
Lease and contractual commitments [7]	45,748	4,308	1,835	—	51,891
Redevelopment and development commitments [8]	48,000	104,000	—	—	152,000
Total	$167,635	$549,729	$777,127	$1,156,851	$2,651,342

(1) Represents gross aggregate principal amount before the effect of the unamortized premium of approximately $2.3 million as of June 30, 2012.

(2) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately $10.7 million as of June 30, 2012.

(3) Represents gross aggregate principal amount before the effect of the unamortized discount of approximately $2.2 million as of June 30, 2012.

(4) As of June 30, 2012, 85.9% of our debt was contractually fixed. The information in the table above reflects our projected interest rate obligations for these fixed–rate payments based on the contractual interest rates, interest payment dates, and scheduled maturity dates.

(5) As of June 30, 2012, 14.1% of our debt bore interest at variable rates which was incurred under the Unsecured Term Loan Facility and Credit Facility. The variable interest rate payments are based on LIBOR plus a spread of 1.750% as of June 30, 2012. The information in the table above reflects our projected interest rate obligations for these variable–rate payments based on outstanding principal balances as of June 30, 2012, the scheduled interest payment dates, and the contractual maturity dates.

(6) Reflects minimum lease payments as discussed in Note 11 to our consolidated financial statements, through the contractual lease expiration date before the impact of extension options. This table also assumes that for one of our

ground leases the Company exercises the purchase option at the end of 2012 for an estimated purchase price not to exceed $27.5 million. (See Note 11 to our consolidated financial statements included in this report for additional information).

(7) Amounts represent commitments under signed leases and contracts for operating properties, excluding tenant-funded tenant improvements. The timing of these expenditures may fluctuate.

(8) Amounts represent contractual commitments for redevelopment and development projects under construction at June 30, 2012. The timing of these expenditures may fluctuate based on the ultimate progress of construction.

Other Potential Liquidity Uses

In 2011 we acquired eleven buildings for approximately $603.3 million in cash and through June 30, 2012 we have acquired ten buildings for approximately $272.3 million in cash, all of which we funded through various capital raising activities, and in selected instances, the assumption of existing indebtedness. In addition, during the second quarter of 2012, we acquired a development opportunity for approximately $84.0 million, which was comprised of a cash purchase price of $74.5 million plus $9.5 million of assumed leasing commissions and other accrued liabilities. The development project is expected to encompass approximately 341,000 rentable square feet upon completion, and is 100% pre-leased to a single tenant. We continually evaluate acquisition and development opportunities as they arise. In addition to ongoing and potential acquisitions of office properties, we have increased our focus on the acquisition of undeveloped land, development and redevelopment opportunities. The pursuit of these opportunities may increase, perhaps substantially, when compared to the level of similar acquisitions over the last two years.

As of the filing date, we have closed on two additional office property acquisitions and one additional office development opportunity and are in various stages of negotiation on other potential future acquisition opportunities including potential joint venture opportunities. We expect that any material acquisitions or development activities will be funded with borrowings under our Credit Facility, the public or private issuance of debt or equity securities, or through the disposition of assets under our capital recycling program.

In addition, the amounts we are required to spend on tenant improvements and leasing costs we ultimately incur will depend on actual leasing activity. Tenant improvements and leasing costs generally fluctuate in any given period depending on factors such as the type of property, the term of the lease, the type of the lease, the involvement of external leasing agents, and overall market conditions. Capital expenditures may fluctuate in any given period subject to the nature, extent, and timing of improvements required to maintain or improve our properties.

Factors That May Influence Future Sources of Capital and Liquidity of the Company and the Operating Partnership

We continue to evaluate sources of financing for our business activities, including borrowings under the Credit Facility, issuance of public and private equity securities, unsecured debt and fixed-rate secured mortgage financing, and proceeds from the disposition of nonstrategic assets through our capital recycling program. However, the Operating Partnership's ability to obtain new financing or refinance existing borrowings on favorable terms could be impacted by various factors including the state of economic conditions, including the state of the credit and equity markets, significant tenant defaults, a decline in the demand for office or industrial properties, a decrease in market rental rates or market values of real estate assets in our submarkets, and the amount of future borrowings. These events could result in the following:

- Decreases in our cash flows from operations, which could create further dependence on our Credit Facility;
- An increase in the proportion of variable-rate debt, which could increase our sensitivity to interest rate fluctuations in the future; and
- A decrease in the value of our properties, which could have an adverse effect on the Operating Partnership's ability to incur additional debt, refinance existing debt at competitive rates, or comply with its existing debt obligations.

In addition to the factors noted above, the Operating Partnership's credit ratings are subject to ongoing evaluation by credit rating agencies and may be changed or withdrawn by a rating agency in the future if, in its judgment, circumstances warrant. In the event that the Operating Partnership's credit ratings are downgraded, we may incur higher borrowing costs and may experience difficulty in obtaining additional financing or refinancing existing indebtedness.

Debt Covenants

The Credit Facility, Unsecured Term Loan Facility, unsecured senior notes, and certain other secured debt arrangements contain covenants and restrictions requiring us to meet certain financial ratios and reporting requirements. Key existing financial covenants and their covenant levels include:

Credit Facility and Unsecured Term Loan Facility (as defined in the applicable Credit Agreements):	Covenant Level	Actual Performance at June 30, 2012 (1)
Total debt to total asset value	less than 60%	34%
Fixed charge coverage ratio	greater than 1.5x	2.3x
Unsecured debt ratio	greater than 1.67x	2.53x
Unencumbered asset pool debt service coverage	greater than 2.0x	3.3x
Unsecured Senior Notes due 2015, 2018 and 2020 (as defined in the applicable Indentures):		
Total debt to total asset value	less than 60%	40%
Interest coverage	greater than 1.5x	3.1x
Secured debt to total asset value	less than 40%	8%
Unencumbered asset pool value to unsecured debt	greater than 150%	259%

(1) In March 2012, we amended the Credit Facility to reduce the FMV Cap Rate (as defined in the Credit Facility), which is used to calculate the fair value of our assets for certain covenants under the Credit Facility, from 7.50% to 6.75%.

The Operating Partnership was in compliance with all its debt covenants as of June 30, 2012. Our current expectation is that the Operating Partnership will continue to meet the requirements of its debt covenants in both the short and long term. However, in the event of a renewed economic slow down or continued volatility in the credit markets, there is no certainty that the Operating Partnership will be able to continue to satisfy all the covenant requirements.

Consolidated Historical Cash Flow Summary

Our historical cash flow activity for the six months ended June 30, 2012 as compared to the six months ended June 30, 2011 is as follows:

	Six Months Ended June 30,			
	2012	2011	Dollar Change	Percentage Change
	($ in thousands)			
Net cash provided by operating activities	$78,633	$56,465	$22,168	39.3 %
Net cash used in investing activities	(301,592)	(435,519)	133,927	(30.8)%
Net cash provided by financing activities	236,293	389,626	(153,333)	(39.4)%

Operating Activities

Our cash flows from operations depends on numerous factors including the occupancy level of our portfolio, the rental rates achieved on our leases, the collectability of rent and recoveries from our tenants, the level of operating expenses, the impact of property acquisitions and related interest costs, and other general and administrative costs. Our net cash provided by operating activities increased by $22.2 million, or 39.3%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011 primarily as a result of an increase in cash Net Operating Income generated primarily from our Office Acquisition Properties partially offset by a decrease in cash Net Operating Income as a result of the loss of income related to the disposition of five properties subsequent to June 30, 2011. See additional information under the caption "−Results of Operations."

Investing Activities

Our net cash used in investing activities is generally used to fund property acquisitions, recurring and nonrecurring capital expenditures for our operating properties, and development and redevelopment projects. Our net cash used in investing activities decreased $133.9 million, or 30.8%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. This net decrease was primarily attributable to $143.2 million of net proceeds received from the disposition of two operating properties in the first quarter of 2012.

Financing Activities

Our net cash provided by financing activities is generally impacted by our capital raising activities net of dividends and distributions paid to common and preferred security holders. Net cash provided by financing activities decreased by $153.3 million, or 39.4%, for the six months ended June 30, 2012 compared to the six months ended June 30, 2011. The decrease in cash provided by financing activities was primarily attributable to the repayment of debt utilizing the $143.2 million of net proceeds received from the disposition of the two operating properties discussed above. See additional information under the caption "Liquidity and Capital Resources of the Operating Partnership—Summary of 2012 Funding Transactions."

Off-Balance Sheet Arrangements

As of June 30, 2012 and as of the date this report was filed, we did not have any off-balance sheet transactions, arrangements, or obligations, including contingent obligations.

Non-GAAP Supplemental Financial Measure: Funds From Operations
We calculate 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 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.
We believe that FFO is a useful supplemental measure of our 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 our 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, our 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, we believe that FFO along with the required GAAP presentations provides a more complete measurement of our performance relative to our 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 our operating performance since 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 our properties, which are significant economic costs and could materially impact our results from operations.
The following table presents our FFO for the three and six months ended June 30, 2012 and 2011:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
	(in thousands)			
Net (loss) income available to common stockholders	$(800)	$(317)	$66,740	$717
Adjustments:				
Net (loss) income attributable to noncontrolling common units of the Operating Partnership	(20)	(10)	1,775	24
Depreciation and amortization of real estate assets	40,328	31,970	76,792	61,029
Net gain on dispositions of discontinued operations	—	—	(72,809)	—
Funds From Operations[(1)]	$39,508	$31,643	$72,498	$61,770

(1) Reported amounts are attributable to common stockholders and common unitholders.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
The primary market risk we face is interest rate risk. We mitigate this risk by following established risk management policies and procedures. These policies include maintaining prudent amounts of debt, including a greater amount of fixed–rate debt as compared to variable–rate debt in our portfolio, and may include the periodic use of derivative instruments. As of June 30, 2012 and December 31, 2011, we did not have any interest–rate sensitive derivative assets or liabilities.
Information about our changes in interest rate risk exposures from December 31, 2011 to June 30, 2012 is incorporated herein by reference from "Item 2: Management's Discussion and Analysis of Financial Condition and Results of Operations —Liquidity and Capital Resources of the Operating Partnership."
Market Risk
As of June 30, 2012, approximately 14.1% of our total outstanding debt of $1.8 billion was subject to variable interest rates. The remaining 85.9% bore interest at fixed rates. All of our interest rate sensitive financial instruments are held for purposes other than trading purposes.
In general, interest rate fluctuations applied to our variable–rate debt will impact our future earnings and cash flows. Conversely, interest rate fluctuations applied to our fixed–rate debt will generally not impact our future earnings and cash flows, unless such instruments mature or are otherwise terminated and need to be refinanced. However, interest rate fluctuations will impact the fair value of the fixed–rate debt instruments.
We generally determine the fair value of our secured debt, unsecured line of credit, and unsecured term loan facility by performing discounted cash flow analyses using an appropriate market discount rate. We calculate the market rate by obtaining period–end treasury rates for maturities that correspond to the maturities of our fixed–rate debt and then adding an appropriate credit spread based on information obtained from third–party financial institutions. We calculate the market rate of our unsecured line of credit and unsecured term loan facility by obtaining the period–end LIBOR rate and then adding an appropriate credit spread based on information obtained from third–party financial institutions. These credit spreads take into account factors, including but not limited to, our credit profile, the tenure of the debt, amortization period, whether the debt is secured or unsecured, and the loan–to–value ratio of the debt to the collateral. These calculations are significantly affected by the assumptions used, including the discount rate, credit spreads, and estimates of future cash flow. We determine the fair value of the liability component of our Exchangeable Notes by performing discounted cash flow analyses using an appropriate market interest rate based upon spreads for our publicly traded debt. We determine the fair value of each of our publicly traded unsecured senior notes based on their quoted trading price at the end of the reporting period. See Note 12 to our consolidated financial statements included in this report for additional information on the fair value of our financial assets and liabilities as of June 30, 2012 and December 31, 2011.
As of June 30, 2012, the total outstanding balance of our variable–rate debt was comprised of borrowings on our Credit Facility of $102.0 million and borrowings on our Unsecured Term Loan Facility of $150.0 million, which were indexed to LIBOR plus a spread of 1.750% (weighted average interest rate of 2.00%). As of December 31, 2011, the total outstanding balance of our variable–rate debt was comprised of borrowings of $182.0 million on our Credit Facility, which was indexed to LIBOR plus a spread of 1.750% (weighted average interest rate was 2.05%). Assuming no changes in the outstanding balance of our existing variable–rate debt as of June 30, 2012, a 100 basis point increase in the LIBOR rate would increase our projected annual interest expense, before the effect of capitalization, by approximately $2.5 million. Comparatively, if interest rates were 100 basis points higher as of December 31, 2011, our projected annual interest expense, before the effect of capitalization, would have been $1.8 million higher.
The total carrying value of our fixed–rate debt, including our Exchangeable Notes, was approximately $1.5 billion and $1.6 billion as of June 30, 2012 and December 31, 2011, respectively. The total estimated fair value of our fixed–rate debt was approximately $1.6 billion and $1.7 billion as of June 30, 2012 and December 31, 2011, respectively. For sensitivity purposes, a 100 basis point increase in the discount rate equates to a decrease in the total fair value of our fixed–rate debt of approximately $62.6 million, or 3.8%, as of June 30, 2012. Comparatively, a 100 basis point

increase in the discount rate equates to a decrease in the total fair value of our fixed−rate debt of approximately $64.2 million, or 3.8%, as of December 31, 2011.

ITEM 4. CONTROLS AND PROCEDURES

Kilroy Realty Corporation

The Company maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act is processed, recorded, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2012, the end of the period covered by this report. Based on the foregoing, the Company's Chief Executive Officer and Chief Financial Officer concluded, as of that time, that disclosure controls and procedures were effective at the reasonable assurance level.

There have been no significant changes that occurred during the quarter covered by this report in the Company's internal control over financial reporting identified in connection with the evaluation referenced above that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Kilroy Realty, L.P.

The Operating Partnership maintains disclosure controls and procedures (as defined in Rule 13a-15(e) or Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed in the Operating Partnership's reports under the Exchange Act is processed, recorded, summarized, and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

As required by SEC Rule 13a-15(b), the Operating Partnership carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the disclosure controls and procedures as of June 30, 2012, the end of the period covered by this report. Based on the foregoing, the Operating Partnership's Chief Executive Officer and Chief Financial Officer concluded, as of that time, that disclosure controls and procedures were effective at the reasonable assurance level.

There have been no significant changes that occurred during the quarter covered by this report in the Operating Partnership's internal control over financial reporting identified in connection with the evaluation referenced above that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II-OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS
We and our properties are subject to routine litigation incidental to our business. As of June 30, 2012, we are not a defendant in, and our properties are not subject to, any legal proceedings that we believe, if determined adversely to us, would have a material adverse effect upon our financial condition, results of operations, or cash flows.

ITEM 1A. RISK FACTORS
There have been no material changes to the risk factors included in the Company's and the Operating Partnership's annual report on Form 10-K for the year ended December 31, 2011.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS-None

ITEM 3. DEFAULTS UPON SENIOR SECURITIES-None

ITEM 4. MINE SAFETY DISCLOSURES-None

ITEM 5. OTHER INFORMATION-None

ITEM 6. EXHIBITS

Exhibit Number	Description
3.(i)1*	Kilroy Realty Corporation Articles of Restatement
3.(i)2	Certificate of Limited Partnership of Kilroy Realty, L.P.(1)
3.(i)3	Amendment to the Certificate of Limited Partnership of Kilroy Realty, L.P.(1)
3.(ii)1	Second Amended and Restated Bylaws of Kilroy Realty Corporation(2)
3.(ii)2	Amendment No. 1 to Second Amended and Restated Bylaws of Kilroy Realty Corporation(3)
3.(ii)3	Sixth Amendment and Restated Agreement of Limited Partnership of Kilroy Realty, L.P., dated March 27, 2012(4)
4.1*	Registration Rights Agreement dated July 31, 2012
10.1	Promissory Note, dated June 28, 2012(5)
10.2	Loan Agreement dated June 28, 2012, by and between KR MML 12701, LLC and Massachusetts Mutual Life Insurance Company(5)
10.3	Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Irvine) for 2211 Michelson Drive, Irvine, California, dated June 28, 2012(5)
10.4	Deed of Trust, Assignment of Leases and Rents, Security Agreement and Fixture Filing (Santa Monica) for 2100-2110 Colorado Avenue, Santa Monica, California, dated June 28, 2012(5)
10.5	Recourse Guaranty Agreement, dated June 28, 2012(5)
10.6	Environmental Indemnification Agreement, dated June 28, 2012(5)
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Kilroy Realty Corporation
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Kilroy Realty Corporation
31.3*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer of Kilroy Realty, L.P.
31.4*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer of Kilroy Realty, L.P.
32.1*	Section 1350 Certification of Chief Executive Officer of Kilroy Realty Corporation
32.2*	Section 1350 Certification of Chief Financial Officer of Kilroy Realty Corporation

32.3*	Section 1350 Certification of Chief Executive Officer of Kilroy Realty, L.P.
32.4*	Section 1350 Certification of Chief Financial Officer of Kilroy Realty, L.P.
101.1	The following Kilroy Realty Corporation and Kilroy Realty, L.P. financial information for the quarter ended June 30, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets (unaudited), (ii) Consolidated Statements of Operations (unaudited), (iii) Consolidated Statements of Equity (unaudited), (iv) Consolidated Statements of Capital (unaudited), (v) Consolidated Statements of Cash Flows (unaudited) and (vi) Notes to the Consolidated Financial Statements (unaudited).(6)

* Filed herewith
† Management contract or compensatory plan or arrangement

(1) Previously filed by Kilroy Realty, L.P. as an exhibit to the General Form for Registration of Securities on Form 10 as filed with the Securities and Exchange Commission on August 18, 2010.
(2) Previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on December 12, 2008.
(3) Previously filed by Kilroy Realty Corporation as an exhibit on Form 8-K as filed with the Securities and Exchange Commission on May 27, 2009.
(4) Previously filed by Kilroy Realty Corporation on Form 8-K as filed with the Securities and Exchange Commission on April 2, 2012.
(5) Previously filed by Kilroy Realty Corporation on Form 8-K as filed with the Securities and Exchange Commission on July 5, 2012.
(6) Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability under these sections.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 2, 2012.

KILROY REALTY CORPORATION

By: /s/ John B. Kilroy, Jr.
John B. Kilroy, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Tyler H. Rose
Tyler H. Rose
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Heidi R. Roth
Heidi R. Roth
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on August 2, 2012.

KILROY REALTY, L.P.

BY: KILROY REALTY CORPORATION
Its general partner

By: /s/ John B. Kilroy, Jr.
John B. Kilroy, Jr.
President and Chief Executive Officer
(Principal Executive Officer)

By: /s/ Tyler H. Rose
Tyler H. Rose
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

By: /s/ Heidi R. Roth
Heidi R. Roth
Senior Vice President, Chief Accounting Officer and Controller
(Principal Accounting Officer)