

KILROY REALTY CORP
Form 8-K
February 03, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 OR 15 (d) of
The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported):
January 28, 2010

KILROY REALTY CORPORATION
(Exact name of registrant as specified in its charter)

Maryland (State or other jurisdiction of incorporation)	1-12675 (Commission File Number)	95-4598246 (IRS Employer Identification No.)
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12200 W. Olympic Boulevard, Suite 200, Los Angeles, California 90064
(Address of principal executive offices) Zip Code)

Registrant's telephone number, including area code: (310) 481-8400

N/A

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2.):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

- “ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - “ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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ITEM 5.02 DEPARTURE OF DIRECTORS OR PRINCIPAL OFFICERS; ELECTION OF DIRECTORS;
APPOINTMENT OF PRINCIPAL OFFICERS; COMPENSATORY ARRANGEMENTS OF CERTAIN OFFICERS.

2010 Executive Compensation Program

On January 28, 2010, the Executive Compensation Committee (the "Committee") of the Board of Directors of Kilroy Realty Corporation (the "Company") approved the 2010 annual bonus program for the Chief Executive Officer, Chief Operating Officer, and Chief Financial Officer (the "Executive Officers") that will allow for the Executive Officers to receive bonus compensation in the event certain specified corporate performance measures are achieved. The purpose of the 2010 annual bonus program is to provide incentive to the Executive Officers to attain established performance measures and to increase stockholder value in a "pay for performance" structure that is aligned with the interests of the Company's stockholders. For the Executive Officers, the treatment of their awards under this program upon a change in control or termination of employment (including due to death or disability) will be governed by the applicable terms contained within each Executive Officer's employment agreement. The Committee also approved the following 2010 base salaries for the Company's Executive Officers: \$1,050,000 for the Chief Executive Officer, \$575,000 for the Chief Operating Officer, and \$500,000 for the Chief Financial Officer.

2010 Annual Bonus Program

The specific performance measures for the 2010 annual bonus program are based upon: 2010 EBITDA targets, 2010 revenue targets, 2010 operating margin targets, and 2010 leasing targets (each as defined in the 2010 annual bonus program, a "Performance Criterion" and, collectively, the "Performance Criteria"). The actual total award payout under this program relative to these performance measures will be determined as follows: 40% for achievement of 2010 EBITDA targets, 20% for achievement of 2010 revenue targets, 20% for achievement of 2010 operating margin targets, and 20% for achievement of 2010 leasing targets.

Under the 2010 annual bonus program, the Executive Officers are eligible to earn different amounts of incentive compensation depending on the level of performance achieved for each of the Performance Criteria. The Executive Officers must exceed a minimum threshold performance level for each Performance Criterion to earn incentive compensation with respect to that individual Performance Criterion under this program. Once the Executive Officers exceed the applicable minimum thresholds, they are eligible to earn additional incentive compensation upon achieving certain target levels of performance. In the event the Executive Officers exceed the applicable thresholds but do not achieve the applicable target performance levels, they are entitled to proportional awards. When calculating the total payout under this program, the payout under each Performance Criterion is calculated independently. In the event the Executive Officers exceed the target performance level for any individual Performance Criterion, it can be used to supplement the payout for other measures where performance under those measures falls below target levels as follows and subject to the maximum total payouts discussed below: up to 50% of the target payout for the 2010 EBITDA target (up to a maximum of 60%) and up to 75% of the target payout for the 2010 revenue target, 2010 operating margin target, and 2010 leasing target (up to a maximum of 35% each).

Under the 2010 annual bonus program, the Chief Executive Officer is eligible to earn \$2,500,000 in the event threshold performance levels are achieved for all of the Performance Criteria and \$5,000,000 in the event target performance levels are achieved for all of the Performance Criteria. The Chief Operating Officer is eligible to earn \$1,125,000 in the event threshold performance levels are achieved for all of the Performance Criteria and \$2,250,000 in the event target performance levels are achieved for all of the Performance Criteria. The Chief Financial Officer is eligible to earn \$500,000 in the event threshold performance levels are achieved for all of the Performance Criteria and \$1,000,000 in the event target performance levels are achieved for all of the Performance Criteria. The Committee has the discretion, but not the obligation, to make additional awards to the Executive Officers based on its assessment

of the performance of the Company and each individual separately. Such discretionary awards can be awarded in cash, equity, or some combination thereof at the Committee's election.

It is anticipated that any amounts earned under the 2010 annual bonus program will be paid during the first quarter of 2011 with any amounts earned up to the first 50% of the applicable target award to be paid in cash and any portion of the remaining 50% of the applicable target award to be paid in restricted stock or restricted stock units, as applicable. Restricted stock or restricted stock unit awards earned under the 2010 annual bonus program will vest in equal annual installments over a two-year service period as follows: 50% on January 5, 2012 and 50% on January 5, 2013 based on continued employment through the applicable vesting date.

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 hereunto duly authorized.

KILROY REALTY CORPORATION

Date: February 3, 2010

By:

/s/ Heidi R. Roth
Heidi R. Roth
Senior Vice President and
Controller

