

KITE REALTY GROUP TRUST

Form S-4/A

April 29, 2014

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[INLAND DIVERSIFIED REAL ESTATE TRUST, INC.](#)

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As filed with the Securities and Exchange Commission on April 29, 2014

Registration No. 333-194670

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON, D.C. 20549

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AMENDMENT NO. 1  
TO

**FORM S-4**  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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**KITE REALTY GROUP TRUST**

(Exact name of registrant as specified in its charter)

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**Maryland**  
(State or other jurisdiction of  
incorporation or organization)

**6798**  
(Primary Standard Industrial  
Classification Code Number)  
**30 S. Meridian Street Suite 1100 Indianapolis, IN 46204**  
**(317) 577-5600**  
(Address, including zip code, and telephone number, including  
area code, of registrant's principal executive offices)

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**11-3715772**  
(I.R.S. Employer  
Identification Number)

**John A. Kite**  
Chairman of the Board and Chief Executive Officer  
Kite Realty Group Trust  
30 S. Meridian Street  
Suite 1100  
Indianapolis, IN 46204

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(317) 577-5600

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

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Rosemarie A. Thurston  
Alston & Bird LLP  
One Atlantic Center  
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Atlanta, GA 30309-3424  
Tel: (404) 881-7000  
Fax: (404) 881-7777**

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**Approximate date of commencement of proposed sale of the securities to the public:** As soon as practicable after the effectiveness of this registration statement and the satisfaction or waiver of all other conditions to the closing of the merger described herein.

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

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

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

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

Large Accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a  
small reporting  
company)

If applicable, place an X in the box to designate the appropriate rule provision relied upon in conducting this transaction:

Exchange Act Rule 13e-4(i) (Cross-Border Issuer Tender Offer)

Exchange Act Rule 14d-1(d) (Cross-Border Issuer Third Party Tender Offer)

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

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**The information in this joint proxy statement/prospectus is not complete and may be changed. Kite Realty Group Trust may not sell the securities offered by this joint proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This joint proxy statement/prospectus is not an offer to sell these securities nor should it be considered a solicitation of an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.**

**PRELIMINARY SUBJECT TO COMPLETION  
DATED APRIL 29, 2014**

**JOINT PROXY STATEMENT/PROSPECTUS**

To the Shareholders of Kite Realty Group Trust and the Stockholders of Inland Diversified Real Estate Trust, Inc.:

The board of trustees of Kite Realty Group Trust, which we refer to as Kite Realty, and the board of directors of Inland Diversified Real Estate Trust, Inc., which we refer to as Inland Diversified, each have approved an agreement and plan of merger, dated as of February 9, 2014, which we refer to as the merger agreement, by and among Kite Realty, KRG Magellan, LLC, which we refer to as Merger Sub, and Inland Diversified. Pursuant to the merger agreement, Kite Realty and Inland Diversified will combine through a merger of Inland Diversified with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Kite Realty. The combined company, which we refer to as the Combined Company, will retain the name "Kite Realty Group Trust" and will continue to trade on the New York Stock Exchange, or NYSE, under the symbol "KRG." John A. Kite, the current chairman of the board of trustees and chief executive officer of Kite Realty, will continue to serve as the chairman of the board of trustees and chief executive officer of the Combined Company and three designees of Inland Diversified will be appointed to the Kite Realty board of trustees following the merger. The obligations of Kite Realty and Inland Diversified to effect the merger are subject to the satisfaction or waiver of certain conditions set forth in the merger agreement (including the approvals of each company's shareholders).

If the merger is completed pursuant to the merger agreement, each outstanding share of common stock of Inland Diversified immediately prior to the effective time of the merger will be cancelled and automatically converted into the right to receive between 1.707 and 1.650 common shares of beneficial interest of Kite Realty, which we refer to as Kite Realty common shares, based on the exchange ratio in the merger agreement, which we refer to as the exchange ratio. The exact exchange ratio is based on the volume-weighted average trading price of Kite Realty common shares for the 10 consecutive trading days ending on the third trading day immediately preceding Inland Diversified's stockholder meeting with respect to the approval of the merger and the other transactions contemplated by the merger agreement, which we refer to as the average trading price, but cannot be higher than 1.707 or lower than 1.650. If the average trading price is:

equal to or less than \$6.36, the exchange ratio will equal 1.707;

between \$6.36 and \$6.58, the exchange ratio will equal \$10.85 divided by the average trading price; and

\$6.58 or greater, the exchange ratio will equal 1.650.

If, for example, the average trading price of Kite Realty common shares was \$6.20, which was the closing price of Kite Realty common shares on April 28, 2014, it would result in an exchange ratio of 1.707 and an implied value per share of Inland Diversified common stock of \$10.58 based on such average trading price. The actual exchange ratio may be lower but not higher than this example depending upon the actual average trading price. In addition, the trading price of the Kite Realty common shares will continue to fluctuate after the determination of the actual exchange ratio.

Based on the number of shares of Inland Diversified common stock outstanding on April 24, 2014, we expect between 194.4 million and 201.1 million Kite Realty common shares to be issued in connection with the merger. We anticipate that, after giving effect to the merger, continuing Kite Realty common shareholders will own between 40.6% and 41.4% of the diluted common equity of the Combined Company, and former Inland Diversified stockholders will own between 58.6% and 59.4% of the diluted common equity of the Combined Company.



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Kite Realty and Inland Diversified each will be holding a special meeting of their respective shareholders. At the Kite Realty special meeting, Kite Realty shareholders will be asked to vote on (i) a proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement, (ii) a proposal to approve an amendment to Kite Realty's Articles of Amendment and Restatement of Declaration of Trust, as amended, which we refer to as the Kite Realty declaration of trust amendment, to increase the number of authorized Kite Realty common shares in order to have sufficient shares available to issue to Inland Diversified stockholders in the merger and to have additional shares available following the merger, and (iii) a proposal to approve one or more adjournments of the Kite Realty special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the proposals to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement and to approve the Kite Realty declaration of trust amendment. At the Inland Diversified special meeting, Inland Diversified stockholders will be asked to vote on (i) a proposal to approve the merger and the other transactions contemplated by the merger agreement and (ii) a proposal to approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

The record dates for determining the shareholders entitled to receive notice of, and to vote at, the special meetings are May 5, 2014, with respect to the Kite Realty special meeting, and April 29, 2014, with respect to the Inland Diversified special meeting. The merger cannot be completed unless the Inland Diversified stockholders approve the merger and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of a majority of the outstanding shares of Inland Diversified common stock, the Kite Realty shareholders approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement by the affirmative vote of a majority of the votes cast on the matter by holders of Kite Realty common shares and the Kite Realty shareholders approve the Kite Realty declaration of trust amendment by the affirmative vote of the holders of two-thirds of the outstanding Kite Realty common shares.

The Kite Realty board of trustees, which we refer to as the Kite Realty Board, has unanimously (i) determined that the terms of the merger agreement and the transactions contemplated thereby are in the best interests of Kite Realty and the Kite Realty shareholders, and (ii) approved, adopted and declared advisable the merger agreement and the merger and approved, adopted and declared advisable the Kite Realty declaration of trust amendment. **The Kite Realty Board unanimously recommends that Kite Realty shareholders vote FOR the proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement, FOR the proposal to approve the Kite Realty declaration of trust amendment and FOR the proposal to approve one or more adjournments of the Kite Realty special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the proposal to approve the issuance of Kite Realty common shares pursuant to the merger agreement and to approve the Kite Realty declaration of trust amendment.**

The Inland Diversified board of directors, which we refer to as the Inland Diversified Board, based on the unanimous recommendation of an independent special committee of the Inland Diversified Board, has (i) determined that the terms of the merger and the merger agreement and the transactions contemplated thereby are advisable, fair to and in the best interests of Inland Diversified and its stockholders, (ii) approved and declared advisable the merger, and (iii) approved and adopted the merger agreement. **The Inland Diversified Board recommends that Inland Diversified stockholders vote FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement and FOR the proposal to approve one or more adjournments of the Inland Diversified special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.**

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In addition to being a joint proxy statement, this document is also a prospectus for Kite Realty common shares that will be issued to Inland Diversified stockholders pursuant to the merger agreement.

This joint proxy statement/prospectus contains important information about Kite Realty, Inland Diversified, the merger, the merger agreement and the special meetings. **We encourage you to read this joint proxy statement/prospectus carefully before voting, including the section entitled "Risk Factors" beginning on page 32.**

**Your vote is very important, regardless of the number of shares you own. Whether or not you plan to attend the Kite Realty special meeting or the Inland Diversified special meeting, as applicable, please submit a proxy to vote your shares as promptly as possible to make sure that your shares are represented at the applicable special meeting. Please note that the failure to vote your shares of Inland Diversified common stock is the equivalent of a vote against the merger, as described herein, and the failure to vote your Kite Realty common shares is the equivalent of a vote against the Kite Realty declaration of trust amendment, as described herein.**

Sincerely,

John A. Kite  
*Chairman and Chief Executive Officer*  
Kite Realty Group Trust

Barry L. Lazarus  
*President and Chief Operating Officer*  
Inland Diversified Real Estate Trust, Inc.

**Neither the Securities and Exchange Commission nor any state securities regulatory authority has approved or disapproved of the merger or the securities to be issued under this joint proxy statement/prospectus or has passed upon the adequacy or accuracy of the disclosure in this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.**

This joint proxy statement/prospectus is dated \_\_\_\_\_, 2014, and is first being mailed to Kite Realty shareholders and Inland Diversified stockholders on or about \_\_\_\_\_, 2014.

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## KITE REALTY GROUP TRUST

30 S. Meridian Street, Suite 1100  
Indianapolis, Indiana 46204

### NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON JUNE 24, 2014

To the Shareholders of Kite Realty Group Trust:

You are invited to attend a special meeting of shareholders of Kite Realty Group Trust, a Maryland real estate investment trust, or "REIT," which we refer to as Kite Realty. The meeting will be held on Tuesday, June 24, 2014, at 9:00 a.m., Eastern Time, at 30 S. Meridian Street, Eighth Floor, Indianapolis, Indiana 46204. At the meeting, shareholders will consider and vote upon the following matters:

a proposal to approve the issuance of common shares of beneficial interest of Kite Realty, which we refer to as Kite Realty common shares, to the stockholders of Inland Diversified Real Estate Trust, Inc., a Maryland corporation that has elected to be treated as a REIT for federal income tax purposes, which we refer to as Inland Diversified, pursuant to the Agreement and Plan of Merger dated as of February 9, 2014, as it may be amended or modified from time to time (a copy of which is attached as Annex A to this joint proxy statement/prospectus accompanying this notice), which we refer to as the merger agreement, by and among Kite Realty, KRG Magellan, LLC, which we refer to as Merger Sub, and Inland Diversified, pursuant to which Inland Diversified will merge with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Kite Realty, which we refer to as the merger;

a proposal to approve an amendment to Kite Realty's Articles of Amendment and Restatement of Declaration of Trust, as amended, which we refer to as the Kite Realty declaration of trust amendment, to increase the total number of authorized common shares of beneficial interest of Kite Realty from 200,000,000 to 450,000,000; and

a proposal to approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the share issuance proposal and the declaration of trust amendment proposal.

**THE KITE REALTY BOARD HAS UNANIMOUSLY DETERMINED THAT THE TERMS OF THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY, INCLUDING THE SHARE ISSUANCE PROPOSAL, ARE IN THE BEST INTERESTS OF KITE REALTY AND THE KITE REALTY SHAREHOLDERS, HAS APPROVED, ADOPTED AND DECLARED ADVISABLE THE MERGER AGREEMENT AND THE MERGER AND HAS APPROVED, ADOPTED AND DECLARED ADVISABLE THE KITE REALTY DECLARATION OF TRUST AMENDMENT. THE KITE REALTY BOARD UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR ALL PROPOSALS.**

Kite Realty shareholders of record at the close of business on May 5, 2014, are entitled to receive this notice and vote at the Kite Realty special meeting and any adjournments thereof.

The proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement requires the affirmative vote of a majority of the votes cast on this proposal by holders of Kite Realty common shares. **The issuance of Kite Realty common shares to Inland Diversified stockholders cannot occur, and therefore the merger cannot be completed, without the approval of this proposal by Kite Realty shareholders.**

The proposal to approve the Kite Realty declaration of trust amendment to increase the total number of authorized Kite Realty common shares requires the affirmative vote of the holders of two-thirds of the outstanding Kite Realty common shares. **The Kite Realty declaration of trust cannot be amended to increase the total number of authorized Kite Realty common shares, and therefore the merger cannot be completed, without the approval of this proposal by Kite Realty shareholders.**

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Please refer to the attached joint proxy statement/prospectus for further information with respect to the business to be transacted at the Kite Realty special meeting.

**Your vote is important. Whether or not you expect to attend the Kite Realty special meeting in person, we urge you to vote your Kite Realty common shares as promptly as possible by (1) accessing the internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card, or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your Kite Realty common shares may be represented and voted at the Kite Realty special meeting. If your Kite Realty common shares are held in the name of a bank, broker or other fiduciary, please follow the instructions on the voting instruction card furnished by the record holder of your Kite Realty common shares.**

By Order of the Board of Trustees of  
Kite Realty Group Trust  
Thomas R. Olinger  
*Secretary*

Indianapolis, Indiana  
, 2014

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**INLAND DIVERSIFIED REAL ESTATE TRUST, INC.**

**2901 Butterfield Road  
Oak Brook, Illinois 60523**

**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS  
TO BE HELD ON JUNE 24, 2014**

To the Stockholders of Inland Diversified Real Estate Trust, Inc.:

You are invited to attend a special meeting of the stockholders of Inland Diversified Real Estate Trust, Inc., a Maryland corporation, which we refer to as Inland Diversified. The meeting will be held on June 24, 2014, at 10:00 a.m., local time, at Inland Diversified corporate headquarters, 2901 Butterfield Road, Oak Brook, IL 60523, to consider and vote upon the following matters:

a proposal to approve the merger of Inland Diversified with and into KRG Magellan, LLC, a wholly owned subsidiary of Kite Realty Group Trust, which we refer to as the merger, pursuant to the Agreement and Plan of Merger, dated as of February 9, 2014, as it may be amended or modified from time to time (a copy of which is attached as Annex A to the joint proxy statement/prospectus accompanying this notice), which we refer to as the merger agreement, by and among Kite Realty Group Trust, KRG Magellan, LLC, and Inland Diversified, and the other transactions contemplated by the merger agreement; and

a proposal to approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

**THE INLAND DIVERSIFIED BOARD, BASED ON THE UNANIMOUS RECOMMENDATION OF AN INDEPENDENT SPECIAL COMMITTEE OF THE INLAND DIVERSIFIED BOARD, HAS DETERMINED THAT THE TERMS OF THE MERGER AND THE MERGER AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREBY ARE ADVISABLE, FAIR TO, AND IN THE BEST INTERESTS OF INLAND DIVERSIFIED AND ITS STOCKHOLDERS, HAS APPROVED AND DECLARED ADVISABLE THE MERGER AND HAS APPROVED AND ADOPTED THE MERGER AGREEMENT. THE INLAND DIVERSIFIED BOARD RECOMMENDS THAT YOU VOTE FOR ALL PROPOSALS.**

Only Inland Diversified stockholders of record at the close of business on April 29, 2014, are entitled to receive this notice and vote at the special meeting and any adjournments thereof.

The proposal to approve the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Inland Diversified common stock entitled to vote on such proposal. If you fail to vote or submit your proxy, it will have the same effect as a vote against the proposal to approve the merger and the other transactions contemplated by the merger agreement. **The merger cannot be completed without the approval by the Inland Diversified stockholders of this proposal.**

Please refer to the attached joint proxy statement/prospectus for further information with respect to the business to be transacted at the special meeting.

**Your vote is important. Whether or not you expect to attend the Inland Diversified special meeting in person, we urge you to vote your shares of Inland Diversified common stock as promptly as possible by (1) accessing the internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card, or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided, so that your shares of Inland Diversified common stock may be represented and voted at the Inland Diversified special meeting.**

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BY ORDER OF THE BOARD OF DIRECTORS

Cathleen M. Hrtanek  
*Secretary*

Dated \_\_\_\_\_, 2014  
Oak Brook, Illinois

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#### ADDITIONAL INFORMATION

This joint proxy statement/prospectus incorporates important business and financial information about Kite Realty and Inland Diversified from other documents that are not included in or delivered with this joint proxy statement/prospectus. This information is available to you without charge upon your request. You can obtain the documents incorporated by reference into this joint proxy statement/prospectus by requesting them from Kite Realty's proxy solicitor or Inland Diversified's proxy solicitor:

If you are a Kite Realty shareholder: If you are an Inland Diversified stockholder:

Morrow & Co., LLC

470 West Avenue

Stamford, CT 06902

Telephone:

Banks and brokers: (203) 658-9400

Shareholders: (800) 460-1014

Morrow & Co., LLC

470 West Avenue

Stamford, CT 06902

Telephone:

Banks and brokers: (203) 658-9400

Shareholders: (800) 460-1014

Investors may also consult Kite Realty's or Inland Diversified's website for more information concerning the merger described in this joint proxy statement/prospectus. Kite Realty's website is [www.kiterealty.com](http://www.kiterealty.com). Inland Diversified's website is [www.inlanddiversified.com](http://www.inlanddiversified.com). Each company's public filings are also available at [www.sec.gov](http://www.sec.gov). Information included on these websites is not incorporated by reference into this joint proxy statement/prospectus.

**If you would like to request copies of any documents, please do so by June 13, 2014 in order to receive them before the special meetings.**

Each of Kite Realty and Inland Diversified will disclose on their respective public websites the exact exchange ratio on the date it is calculated and will maintain this information on their respective public websites through their respective shareholder meeting dates. In addition, each of Kite Realty and Inland Diversified will issue a press release notifying shareholders of the exact exchange ratio when it is known and file the press release with the SEC, making it available at [www.sec.gov](http://www.sec.gov).

*For more information, see "Where You Can Find More Information and Incorporation by Reference" beginning on page 208.*

#### ABOUT THIS DOCUMENT

This joint proxy statement/prospectus, which forms part of a registration statement on Form S-4 filed by Kite Realty (File No. 333-194670) with the Securities and Exchange Commission, which we refer to as the SEC, constitutes a prospectus of Kite Realty for purposes of the Securities Act of 1933, as amended, which we refer to as the Securities Act, with respect to the Kite Realty common shares to be issued to Inland Diversified stockholders in exchange for shares of Inland Diversified common stock pursuant to the Agreement and Plan of Merger, dated as of February 9, 2014, by and among Kite Realty, KRG Magellan, LLC, and Inland Diversified, as such agreement may be amended or modified from time to time and which we refer to as the merger agreement. This joint proxy statement/prospectus also constitutes a proxy statement for each of Kite Realty and Inland Diversified for purposes of the Securities Exchange Act of 1934, as amended, which we refer to as the Exchange Act. In addition, it constitutes a notice of meeting with respect to the Kite Realty special meeting and a notice of meeting with respect to the Inland Diversified special meeting.

You should rely only on the information contained or incorporated by reference in this joint proxy statement/prospectus. No one has been authorized to provide you with information that is different from that contained in, or incorporated by reference into, this joint proxy statement/prospectus. This joint proxy statement/prospectus is dated \_\_\_\_\_, 2014. You should not assume that the information contained in, or incorporated by reference into, this joint proxy statement/prospectus is accurate as of any date other than that date. Neither our mailing of this joint proxy statement/prospectus to Kite Realty shareholders or Inland Diversified stockholders nor the issuance by Kite Realty of its common

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shares to Inland Diversified stockholders pursuant to the merger agreement will create any implication to the contrary.

**This joint proxy statement/prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction in which or to any person to whom it is unlawful to make any such offer or solicitation in such jurisdiction. Information contained in this joint proxy statement/prospectus regarding Kite Realty has been provided by Kite Realty and information contained in this joint proxy statement/prospectus regarding Inland Diversified has been provided by Inland Diversified.**

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**QUESTIONS AND ANSWERS**

*The following are answers to some questions that Kite Realty shareholders and Inland Diversified stockholders may have regarding the proposed transaction between Kite Realty and Inland Diversified and the other proposals being considered at the Kite Realty special meeting and the Inland Diversified special meeting. Kite Realty and Inland Diversified urge you to read carefully this entire joint proxy statement/prospectus, including the Annexes, and the documents incorporated by reference into this joint proxy statement/prospectus, because the information in this section does not provide all the information that might be important to you.*

Unless stated otherwise, all references in this joint proxy statement/prospectus to:

"Kite Realty," "we," or "our" are to Kite Realty Group Trust, a Maryland real estate investment trust;

"Kite Realty OP" are to Kite Realty Group, L.P., a Delaware limited partnership of which Kite Realty serves as sole general partner;

"Kite Realty common shares" are to the common shares of beneficial interest, \$0.01 par value per share, of Kite Realty;

"Merger Sub" are to KRG Magellan, LLC, a Maryland limited liability company and a wholly-owned subsidiary of Kite Realty;

"Inland Diversified" are to Inland Diversified Real Estate Trust, Inc., a Maryland corporation that has elected to be treated as a real estate investment trust for federal income tax purposes;

the "Kite Realty Board" are to the board of trustees of Kite Realty;

the "Inland Diversified Board" are to the board of directors of Inland Diversified;

the "Inland Diversified Special Committee" are to the independent special committee of the Inland Diversified Board;

the "merger agreement" are to the Agreement and Plan of Merger, dated as of February 9, 2014, by and among Kite Realty, Merger Sub, and Inland Diversified, as it may be amended or modified from time to time, a copy of which is attached as *Annex A* to this joint proxy statement/prospectus and is incorporated herein by reference;

the "merger" are to the merger of Inland Diversified with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Kite Realty pursuant to the terms of the merger agreement;

the "declaration of trust amendment" are to the proposed amendment to Kite Realty's Articles of Amendment and Restatement of Declaration of Trust, as amended, to increase the number of authorized Kite Realty common shares in order to have sufficient shares available to issue to Inland Diversified stockholders in the merger and to have additional shares available following the merger;

the "Combined Company" are to Kite Realty and its subsidiaries after the effective time of the merger;



the "NYSE" are to the New York Stock Exchange; and

"REIT" are to a real estate investment trust.

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**Q: What is the proposed transaction?**

A: Kite Realty and Inland Diversified are proposing a combination of their companies through the merger of Inland Diversified with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Kite Realty, pursuant to the terms of the merger agreement. Immediately following the effectiveness of the merger, Kite Realty expects to convey its membership interest in Merger Sub to Kite Realty OP, in exchange for the receipt by Kite Realty of a number of additional limited partnership units in Kite Realty OP equal to the number of Kite Realty common shares issued to the stockholders of Inland Diversified in connection with the merger. The Combined Company will retain the name "Kite Realty Group Trust" and the Combined Company's common shares will continue to be listed and traded on the NYSE under the symbol "KRG."

**Q: What will holders of Inland Diversified common stock receive in connection with the merger? When will they receive it?**

A: At the effective time of the merger, each share of common stock of Inland Diversified outstanding immediately prior to the effective time of the merger will be cancelled and automatically converted into the right to receive between 1.707 and 1.650 Kite Realty common shares, based on the volume-weighted average trading price of Kite Realty common shares for the 10 consecutive trading days ending on the third trading day immediately preceding Inland Diversified's stockholder meeting with respect to the approval of the merger and the other transactions contemplated by the merger agreement. We refer to the number of Kite Realty common shares that each share of Inland Diversified common stock will be converted into in the merger as the exchange ratio, and we refer to those Kite Realty common shares as the per share merger consideration.

If the average trading price is equal to or less than \$6.36, the exchange ratio will equal 1.707, if the average trading price is between \$6.36 and \$6.58, the exchange ratio will equal \$10.85 divided by the average trading price, and if the average trading price is \$6.58 or greater, the exchange ratio will equal 1.650.

If, for example, the average trading price of Kite Realty common shares was \$6.20, which was the closing price of Kite Realty common shares on April 28, 2014, it would result in an exchange ratio of 1.707 and an implied value per share of Inland Diversified common stock of \$10.58 based on such average trading price. The actual exchange ratio may be lower but not higher than this example depending upon the actual average trading price. In addition, the market value of the Kite Realty common shares will continue to fluctuate after the determination of the actual exchange ratio, depending on the trading price of the Kite Realty common shares after such determination. Neither Kite Realty, nor any Kite Realty subsidiary, will receive any merger consideration for any share of Inland Diversified common stock owned by them.

To the extent that an Inland Diversified stockholder would otherwise be entitled to receive a fraction of a Kite Realty common share, computed on the basis of the aggregate number of shares of Inland Diversified common stock held by such holder, such holder shall instead receive a cash payment in lieu of a fractional share in an amount equal to such fraction multiplied by the volume-weighted average price of a Kite Realty common share for the last full trading day ending immediately prior to the effective time of the merger, as reported by Bloomberg.

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The chart below shows the implied value, based on the average trading price, of the per share merger consideration to be issued upon the consummation of the merger at various average trading prices:

Average trading price of Kite Realty common shares	Applicable exchange ratio	Implied value per share of Inland Diversified common stock
\$ 5.90	1.707	\$ 10.07
\$ 6.00	1.707	\$ 10.24
\$ 6.15	1.707	\$ 10.50
\$ 6.20	1.707	\$ 10.58
\$ 6.36	1.707	\$ 10.85
\$ 6.45	1.682	\$ 10.85
\$ 6.58	1.650	\$ 10.85
\$ 6.70	1.650	\$ 11.06

**Q: Will Inland Diversified stockholders continue to receive the same rate of distributions after the merger?**

**A:** No. The Kite Realty Board has historically chosen to pay a lower percentage of its earnings to its shareholders in the form of distributions than Inland Diversified and instead uses a greater portion of such earnings to fund additional growth and for other purposes. Inland Diversified has historically paid a higher percentage of its earnings in distributions. For example, as disclosed in each of their Form 10-Ks filed with the SEC, for the year ended December 31, 2013, Kite Realty paid 46.4% of its funds from operations in distributions, and retained the balance for future growth opportunities, while Inland Diversified paid 78.5% of its funds from operations in distributions. Due to these differing payout practices, Inland Diversified has historically paid distributions at a higher distribution rate per share than Kite Realty and retained fewer earnings for future investments. For example, based on a \$10 per share purchase price, each holder of Inland Diversified common stock currently receives distributions at an annual rate of 6%. Based on the price of the Kite Realty common shares as of the date of the merger agreement, Kite Realty currently pays distributions at an annual distribution rate of approximately 4.2%. Although decisions on whether, when and in what amounts to make any future dividends will remain at all times entirely at the discretion of the Kite Realty Board, which reserves the right to change Kite Realty's dividend practices at any time and for any reason, based on Kite Realty's historical payout practices, Inland Diversified stockholders should initially expect a reduction in the annual distribution rate on their investment as a result of the merger. In addition, Kite Realty has historically paid distributions quarterly, rather than monthly as has been Inland Diversified's practice.

**Q: How will Kite Realty shareholders be affected by the merger and the issuance of Kite Realty common shares to Inland Diversified stockholders in the merger?**

**A:** After the merger, each Kite Realty shareholder will continue to own the Kite Realty common shares that such shareholder held immediately prior to the merger. As a result, each Kite Realty shareholder will continue to own common shares in the Combined Company, which will be a larger company with more assets. However, because Kite Realty will be issuing new Kite Realty common shares to Inland Diversified stockholders in the merger, each outstanding Kite Realty common share immediately prior to the merger will represent a smaller percentage of the aggregate number of Combined Company common shares outstanding after the merger.

Upon completion of the merger, we anticipate that continuing Kite Realty common shareholders will own between 40.6% and 41.4% of the diluted common equity of the Combined Company, and

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former Inland Diversified stockholders will own between 58.6% and 59.4% of the diluted common equity of the Combined Company.

**Q: Why am I receiving this joint proxy statement/prospectus?**

A: The Inland Diversified Board is using this joint proxy statement/prospectus to solicit proxies of Inland Diversified stockholders in connection with a special meeting to approve the merger and the other transactions contemplated by the merger agreement. The Kite Realty Board is using this joint proxy statement/prospectus to solicit proxies of Kite Realty shareholders in connection with a special meeting to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement and the Kite Realty declaration of trust amendment. In addition, Kite Realty is using this joint proxy statement/prospectus as a prospectus for Inland Diversified stockholders because Kite Realty is offering its common shares in exchange for shares of Inland Diversified common stock in the merger. The merger cannot be completed unless:

the holders of a majority of votes cast by Kite Realty common shareholders vote on the matter to approve the issuance of the Kite Realty common shares;

the holders of two-thirds of the outstanding Kite Realty common shares vote to approve the declaration of trust amendment to increase the number of authorized Kite Realty common shares in order to have sufficient shares available to issue to Inland Diversified stockholders in the merger and to have additional shares available following the merger; and

the holders of a majority of the outstanding shares of Inland Diversified common stock vote to approve the merger and the other transactions contemplated by the merger agreement.

Kite Realty and Inland Diversified will hold separate meetings of their respective shareholders to obtain these approvals and to consider other proposals as described elsewhere in this joint proxy statement/prospectus.

This joint proxy statement/prospectus contains important information about the merger and the other proposals being voted on at the shareholder meetings and you should read it carefully. The enclosed voting materials allow you to vote your Kite Realty common shares and/or Inland Diversified common stock, as applicable, without attending your company's special meeting.

**Your vote is important. You are encouraged to submit your proxy as promptly as possible.**

**Q: What proposals am I being asked to vote on at the shareholder meetings?**

A: *Kite Realty.* At the Kite Realty special meeting, Kite Realty shareholders will be asked to consider and vote upon the following proposals:

a proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement;

a proposal to approve the Kite Realty declaration of trust amendment to increase the authorized common shares of beneficial interest of Kite Realty from 200,000,000 to 450,000,000; and

a proposal to approve one or more adjournments of the Kite Realty special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the share issuance proposal and approval of the declaration of trust amendment proposal.



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*Inland Diversified.* At the Inland Diversified special meeting, Inland Diversified stockholders will be asked to consider and vote upon the following proposals:

a proposal to approve the merger and the other transactions contemplated by the merger agreement; and

a proposal to approve one or more adjournments of the Inland Diversified special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the proposal to approve the merger and the other transactions contemplated by the merger agreement.

**Q: Will Kite Realty and Inland Diversified continue to pay distributions prior to the effective time of the merger?**

**A:** Yes. The merger agreement permits Kite Realty to continue to pay regular quarterly dividends in accordance with past practice, at an annualized rate not to exceed \$0.30 per common share, and any distribution that is reasonably necessary to maintain its REIT qualification and/or to avoid the imposition of U.S. federal income or excise tax. The merger agreement also permits Inland Diversified to continue to pay regular monthly dividends in accordance with past practice, at an annualized rate not to exceed \$0.60 per share of common stock and any distribution that is reasonably necessary to maintain its REIT qualification and/or to avoid the imposition of U.S. federal income or excise tax. In addition, the merger agreement permits Kite Realty to pay to its shareholders immediately prior to the effective time of the merger an additional dividend at an annualized rate not to exceed \$0.30 per share if the last regular quarterly dividend paid by Kite Realty was paid more than 15 days prior to the closing date of the merger.

**Q: When and where are the special meetings?**

**A:** The Kite Realty special meeting will be held at Kite Realty corporate headquarters, 30 S. Meridian Street, Eighth Floor, Indianapolis, Indiana 46204, on June 24, 2014, commencing at 9:00 a.m., Eastern Time.

The Inland Diversified special meeting will be held at Inland Diversified corporate headquarters, 2901 Butterfield Road, Oak Brook, IL 60523 on June 24, 2014, commencing at 10:00 a.m., local time.

**Q: Who can vote at the special meetings and how many votes do I have?**

**A:** *Kite Realty.* All Kite Realty common shareholders of record as of the close of business on May 5, 2014, the record date for determining shareholders entitled to notice of and to vote at the Kite Realty special meeting, are entitled to receive notice of and to vote at the Kite Realty special meeting. As of April 24, 2014, there were 131,527,053 Kite Realty common shares outstanding, held by approximately 243 holders of record. Each Kite Realty common share is entitled to one vote on each proposal presented at the Kite Realty special meeting.

*Inland Diversified.* All Inland Diversified stockholders of record as of the close of business on April 29, 2014, the record date for determining stockholders entitled to notice of and to vote at the Inland Diversified special meeting, are entitled to receive notice of and to vote at the Inland Diversified special meeting. As of April 24, 2014, there were 117,809,586 shares of Inland Diversified common stock outstanding held by approximately 27,620 holders of record. Each share of Inland Diversified common stock is entitled to one vote on each proposal presented at the Inland Diversified special meeting.

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**Q:** **What constitutes a quorum?**

**A:** *Kite Realty.* Kite Realty's amended and restated bylaws, which we refer to as Kite Realty's bylaws, provide that the presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum.

*Inland Diversified.* Inland Diversified's bylaws provide that the presence, in person or by proxy, of stockholders entitled to cast fifty percent (50%) of all the votes entitled to be cast at the Inland Diversified special meeting on any matter will constitute a quorum.

Shares that are voted, in person or by proxy, and shares abstaining from voting are treated as present at each of the Kite Realty special meeting and the Inland Diversified special meeting, respectively, for purposes of determining whether a quorum is present.

**Q:** **What vote is required to approve the proposals?**

**A:** *Kite Realty.*

Approval of the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement requires the affirmative vote of a majority of votes cast on the matter by holders of outstanding Kite Realty common shares.

Approval of the Kite Realty declaration of trust amendment to increase the total number of authorized Kite Realty common shares requires the affirmative vote of the holders of two-thirds of the outstanding Kite Realty common shares.

Approval of one or more adjournments of the Kite Realty special meeting requires the affirmative vote of the holders of a majority of the Kite Realty common shares present in person or by proxy at the special meeting, if a quorum is not present, or a majority of the votes cast on the matter, if a quorum is present.

*Inland Diversified.*

Approval of the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Inland Diversified common stock.

Approval of one or more adjournments of the Inland Diversified special meeting requires the affirmative vote of a majority of the votes cast on the matter, whether or not a quorum is present.

**Q:** **How does the Kite Realty Board recommend that Kite Realty shareholders vote on the proposals?**

**A:** After careful consideration, the Kite Realty Board has unanimously (i) determined that the terms of the merger agreement and the transactions contemplated thereby are in the best interests of Kite Realty and its shareholders, and (ii) approved, adopted and declared advisable the merger agreement and the merger and approved, adopted and declared advisable the Kite Realty declaration of trust amendment. The Kite Realty Board unanimously recommends that Kite Realty shareholders vote FOR the proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement, FOR the declaration of trust amendment proposal and FOR the adjournment proposal.

For a more complete description of the recommendation of the Kite Realty Board, see "The Merger Recommendation of the Kite Realty Board and Its Reasons for the Merger" beginning on page 80.

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**Q: How does the Inland Diversified Board recommend that Inland Diversified stockholders vote on the proposals?**

A: After careful consideration, based on the unanimous recommendation of the Inland Diversified Special Committee, the Inland Diversified Board has (i) determined that the terms of the merger and the merger agreement and the transactions contemplated thereby are advisable, fair to and in the best interests of Inland Diversified and its stockholders, (ii) approved and declared advisable the merger, and (iii) approved and adopted the merger agreement. The Inland Diversified Board recommends that Inland Diversified stockholders vote FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement, and FOR the adjournment proposal.

For a more complete description of the recommendation of the Inland Diversified Board, see "The Merger Recommendation of the Inland Diversified Board and Its Reasons for the Merger" beginning on page 84.

**Q: Have any shareholders already agreed to approve the merger?**

A: No.

**Q: If my Kite Realty common shares are held in "street name" by my broker, bank or other nominee, will my broker, bank or other nominee vote my Kite Realty common shares for me?**

A: No. Unless you instruct your broker, bank or other nominee how to vote your Kite Realty common shares held in street name, your shares will NOT be voted. If you hold your Kite Realty common shares in a stock brokerage account or if your shares are held by a bank or other nominee (that is, in street name), you must provide your broker, bank or other nominee with instructions on how to vote your shares.

**Q: What happens if I do not vote for a proposal?**

A: *Kite Realty.* If you are a Kite Realty shareholder and fail to vote, fail to instruct your broker, bank or nominee to vote, or abstain from voting:

With respect to the proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement, it will have no effect on the result of the vote on this proposal, provided that a quorum is otherwise present at the special meeting, although abstentions will be considered present for the purpose of determining the presence of a quorum;

With respect to the proposal to approve the Kite Realty declaration of trust amendment proposal, it will have the same effect as a vote "AGAINST" the proposal; and

with respect to the adjournment proposal, if you are present in person or by proxy at the shareholders' meeting but a quorum is not present, it will have the same effect as a vote "AGAINST" the proposal, and if you are not present in person or by proxy at the shareholders' meeting or a quorum is present, it will not have an effect on the proposal.

*Inland Diversified.* If you are an Inland Diversified stockholder and fail to vote or abstain from voting:

with respect to the proposal to approve the merger and the other transactions contemplated by the merger agreement, it will have the same effect as a vote "AGAINST" this proposal; and

with respect to the adjournment proposal, it will have no effect on the result of the vote on this proposal.





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**Q: When is the merger expected to be completed?**

A: Kite Realty and Inland Diversified expect to complete the merger as soon as reasonably practicable following satisfaction of all of the required conditions. If the shareholders of Kite Realty approve the issuance of Kite Realty common shares in connection with the merger and approve the Kite Realty declaration of trust amendment and the stockholders of Inland Diversified approve the merger and the other transactions contemplated by the merger agreement, and if the other conditions to closing the merger are satisfied or waived, it is expected that the merger will be completed in the second or third quarter of 2014. However, there is no assurance that the conditions to the merger will be satisfied or that the merger will close.

**Q: Do I need to do anything with my book-entry shares now?**

A: No. You should not submit or attempt to exchange your book-entry shares at this time. After the merger is completed, if you held shares of Inland Diversified common stock, the exchange agent for the Combined Company will send you a statement reflecting common shares of the Combined Company received by you pursuant to the terms of the merger agreement. The value of any fractional interests of Kite Realty common shares to which a holder would otherwise be entitled will be paid in cash.

If you are a Kite Realty shareholder, you are not required to take any action with respect to your Kite Realty common shares. Such shares will continue to represent shares of the Combined Company after the merger.

**Q: What are the anticipated U.S. federal income tax consequences to me of the proposed merger?**

A: The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. The closing of the merger is conditioned on the receipt by each of Kite Realty and Inland Diversified of an opinion from its respective counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. Assuming that the merger qualifies as a reorganization, U.S. holders of shares of Inland Diversified common stock generally will not recognize gain or loss for U.S. federal income tax purposes upon the receipt of Kite Realty common shares in exchange for shares of Inland Diversified common stock in connection with the merger, except with respect to cash received in lieu of fractional Kite Realty common shares. Holders of shares of Inland Diversified common stock should read the discussion under the heading "The Merger U.S. Federal Income Tax Considerations Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 118 and consult their tax advisors to determine the tax consequences to them (including the application and effect of any state, local or non-U.S. income and other tax laws) of the merger in their particular circumstances.

**Q: Are Kite Realty shareholders or Inland Diversified stockholders entitled to dissenters' or appraisal rights?**

A: No. Neither holders of Kite Realty common shares nor holders of Inland Diversified common stock are entitled to dissenters' or appraisal rights in connection with the merger or the other transactions contemplated by the merger agreement.

**Q: What do I need to do now?**

A: After you have carefully read this joint proxy statement/prospectus, please respond by completing, signing and dating your proxy card or voting instruction card forwarded by your broker, bank or other nominee and returning it in the enclosed pre-addressed postage-paid envelope or, if available, by submitting your proxy by one of the other methods specified in your proxy card or

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voting instruction card as promptly as possible so that your Kite Realty common shares and/or your shares of Inland Diversified common stock will be represented and voted at the Kite Realty special meeting or the Inland Diversified special meeting, as applicable.

Please refer to your proxy card or voting instruction card to see which voting options are available to you.

The method by which you submit a proxy will in no way limit your right to vote at the Kite Realty special meeting or the Inland Diversified special meeting, as applicable, if you later decide to attend the meeting in person. However, if your Kite Realty common shares are held in the name of a broker, bank or other nominee, you must obtain a legal proxy, executed in your favor, from your broker, bank or other nominee, to be able to vote in person at the Kite Realty special meeting.

**Q:**  
**How will my proxy be voted?**

**A:**  
All Kite Realty common shares entitled to vote and represented by properly completed proxies received prior to the Kite Realty special meeting, and not revoked, will be voted at the Kite Realty special meeting as instructed on the proxies. If you properly sign, date and return a proxy card, but do not indicate how your Kite Realty common shares should be voted on a matter, the Kite Realty common shares represented by your proxy will be voted as the Kite Realty Board recommends and therefore **FOR** the proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement, **FOR** the proposal to approve the Kite Realty declaration of trust amendment, and **FOR** the proposal to adjourn the Kite Realty special meeting, if necessary or appropriate in the view of the Kite Realty Board, to solicit additional proxies in favor of the proposals if there are not sufficient votes at the time of such adjournment to approve such proposals. If your shares are held in "street name" with a broker, bank or other nominee, and you do not provide voting instructions to your broker, bank or other nominee, your Kite Realty common shares will NOT be voted at the Kite Realty special meeting.

All shares of Inland Diversified common stock entitled to vote and represented by properly completed proxies received prior to the Inland Diversified special meeting, and not revoked, will be voted at the Inland Diversified special meeting as instructed on the proxies. If you properly sign, date and return a proxy card, but do not indicate how your shares of Inland Diversified common stock should be voted on a matter, the shares of Inland Diversified common stock represented by your proxy will be voted as the Inland Diversified Board recommends and therefore **FOR** the proposal to approve the merger and the other transactions contemplated by the merger agreement and **FOR** the proposal to adjourn the Inland Diversified special meeting, if necessary or appropriate in the view of the Inland Diversified Board, to solicit additional proxies in favor of the proposal if there are not sufficient votes at the time of such adjournment to approve the proposal.

**Q:**  
**Can I revoke my proxy or change my vote after I have delivered my proxy?**

**A:**  
Yes. You may revoke your proxy or change your vote at any time before your proxy is voted at the Kite Realty special meeting or the Inland Diversified special meeting, as applicable. If you are a holder of record, you can do this in any of the three following ways:

by sending a written notice to the Secretary of Kite Realty or the Secretary of Inland Diversified, as applicable, in time to be received before the Kite Realty special meeting or the Inland Diversified special meeting, as applicable, stating that you would like to revoke your proxy;

by completing, signing and dating another proxy card and returning it by mail in time to be received before the Kite Realty special meeting or the Inland Diversified special meeting, as

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applicable, or by submitting a later dated proxy by the Internet or telephone in which case your later-submitted proxy will be recorded and your earlier proxy revoked; or

by attending the Kite Realty special meeting or the Inland Diversified special meeting, as applicable, and voting in person; simply attending the Kite Realty special meeting or the Inland Diversified special meeting, as applicable, without voting will not revoke your proxy or change your vote.

If your Kite Realty common shares are held in an account at a broker, bank or other nominee and you desire to change your vote or vote in person, you should contact your broker, bank or other nominee for instructions on how to do so.

**Q: What does it mean if I receive more than one set of voting materials for the Kite Realty special meeting or the Inland Diversified special meeting?**

**A:** You may receive more than one set of voting materials for the Kite Realty special meeting and/or the Inland Diversified special meeting, as applicable, including multiple copies of this joint proxy statement/prospectus and multiple proxy cards or voting instruction cards. If you hold your Kite Realty common shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold Kite Realty common shares. If you are a holder of record and your Kite Realty common shares or shares of Inland Diversified common stock are registered in more than one name, you may receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or, if available, please submit your proxy by telephone or over the Internet.

**Q: What happens if I am a shareholder of both Kite Realty and Inland Diversified?**

**A:** You will receive separate proxy cards for each company and must complete, sign and date each proxy card and return each proxy card in the appropriate preaddressed postage-paid envelope or, if available, by submitting a proxy by one of the other methods specified in your proxy card or voting instruction card for each company.

**Q: Do I need identification to attend the Kite Realty or Inland Diversified special meeting in person?**

**A:** Yes. Please bring proper identification, together with proof that you are a record owner of Kite Realty common shares or Inland Diversified common stock, as applicable. If your Kite Realty common shares are held in street name, please bring acceptable proof of ownership, such as a letter from your broker or an account statement showing that you beneficially owned Kite Realty common shares on the applicable record date.

**Q: Will a proxy solicitor be used?**

**A:** Kite Realty has engaged Morrow & Co., LLC, referred to herein as Morrow, to assist in the solicitation of proxies for the Kite Realty special meeting, and Kite Realty estimates it will pay Morrow a fee of approximately \$25,000. Kite Realty has also agreed to reimburse Morrow for reasonable out-of-pocket expenses and disbursements incurred in connection with the proxy solicitation and to indemnify Morrow against certain losses, costs and expenses. In addition to mailing proxy solicitation material, Kite Realty's trustees, officers and employees may also solicit proxies in person, by telephone or by any other electronic means of communication deemed appropriate. No additional compensation will be paid to Kite Realty's trustees, officers or employees for such services.

Inland Diversified has also engaged Morrow to assist in the solicitation of proxies for the Inland Diversified special meeting and estimates that it will pay Morrow a fee of approximately \$92,500.

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Inland Diversified has also agreed to reimburse Morrow for reasonable out-of-pocket expenses and disbursements incurred in connection with the proxy solicitation. In addition to mailing proxy solicitation materials, Inland Diversified's directors or officers and certain employees of Inland Diversified's business manager may also solicit proxies in person, by telephone or by any other electronic means of communication deemed appropriate. No additional compensation will be paid to Inland Diversified's directors or officers or employees of Inland Diversified's business manager for such services.

**Q:**  
**Who can answer my questions?**

**A:**  
If you have any questions about the merger or the other matters to be voted on at the special meetings or how to submit your proxy or need additional copies of this joint proxy statement/prospectus, the enclosed proxy card or voting instructions, you should contact:

If you are a Kite Realty shareholder:

Morrow & Co., LLC  
470 West Avenue  
Stamford, CT 06902  
Telephone:  
Banks and brokers: (203) 658-9400  
Shareholders: (800) 460-1014

If you are an Inland Diversified stockholder:

Morrow & Co., LLC  
470 West Avenue  
Stamford, CT 06902  
Telephone:  
Banks and brokers: (203) 658-9400  
Shareholders: (800) 460-1014

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**SUMMARY**

*The following summary highlights some of the information contained in this joint proxy statement/prospectus. This summary may not contain all of the information that is important to you. For a more complete description of the merger agreement, the merger and the other transactions contemplated by the merger agreement, Kite Realty and Inland Diversified encourage you to read carefully this entire joint proxy statement/prospectus, including the attached Annexes and the other documents to which we have referred you, because this section does not provide all the information that might be important to you with respect to the merger and the other matters being considered at the applicable special meeting. See also the section entitled "Where You Can Find More Information and Incorporation by Reference" beginning on page 208. We have included page references to direct you to a more complete description of the topics presented in this summary.*

**The Companies**

***Kite Realty Group Trust (See page 46)***

Kite Realty is a full-service, vertically integrated REIT engaged in the ownership, operation, management, leasing, acquisition, construction, redevelopment and development of neighborhood and community shopping centers in selected markets in the United States. At December 31, 2013, the company owned interests in a portfolio of 72 operating and redevelopment properties totaling approximately 12.4 million square feet and two properties currently under development totaling 0.8 million square feet. Kite Realty's primary business objectives are to increase the cash flow and consequently the value of its properties, achieve sustainable long-term growth and maximize shareholder value primarily through the operation, development, redevelopment and select acquisition of well-located community and neighborhood shopping centers.

Kite Realty conducts all of its business through its operating partnership, Kite Realty OP, of which Kite Realty is the sole general partner, and its subsidiaries. As of December 31, 2013, Kite Realty held a 95.0% interest in Kite Realty OP.

Kite Realty's common shares are listed on the NYSE, trading under the symbol "KRG."

Kite Realty was formed as a REIT in the state of Maryland in 2004, and Kite Realty OP was formed as a limited partnership in the state of Delaware in 2004. Kite's principal executive offices are located at 30 S. Meridian Street, Suite 1100, Indianapolis, Indiana 46204, and its telephone number is (317) 577-5600.

Merger Sub, a wholly owned subsidiary of Kite Realty, is a Maryland limited liability company formed on February 5, 2014, for the purpose of effecting the merger. Upon completion of the merger, Inland Diversified will be merged with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Kite Realty. Immediately following the effectiveness of the merger, Kite Realty expects to convey its membership interest in Merger Sub to Kite Realty OP, in exchange for the receipt by Kite Realty of a number of additional limited partnership units in Kite Realty OP equal to the number of Kite Realty common shares issued to the stockholders of Inland Diversified in connection with the merger. Merger Sub has not conducted any activities other than those incidental to its formation and the matters contemplated by the merger agreement.

***Inland Diversified Real Estate Trust, Inc. (See page 46)***

Inland Diversified is a public, non-traded REIT formed to acquire and manage commercial real estate located in the United States and Canada. Inland Diversified focuses primarily on the acquisition and management of retail properties and, to a lesser extent, other property types including office, industrial and multi-family properties.

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As of April 24, 2014, Inland Diversified owned 72 retail properties and two office properties, which includes 24 multi-family units, collectively totaling approximately 11 million square feet, and two multi-family properties with a total of 420 units. Following the completion of Inland Diversified's announced disposition of its single-tenant, net-lease portfolio, assuming the sale of all of the properties contemplated to be sold thereby and no other acquisitions or dispositions, Inland Diversified will own 59 retail properties, which includes 24 multi-family units, collectively totaling approximately 10.6 million square feet, and two multi-family properties totaling 420 units.

Inland Diversified's sponsor, Inland Real Estate Investment Corporation, which we refer to herein as "IREIC," is a subsidiary of The Inland Group, Inc. Inland Diversified is externally managed and advised by Inland Diversified Business Manager & Advisor, Inc., which we refer to herein as the "Business Manager," which is a wholly owned subsidiary of IREIC. Inland Diversified's properties are managed by Inland Diversified Real Estate Services LLC, Inland Diversified Asset Services LLC, Inland Diversified Leasing Services LLC and Inland Diversified Development Services LLC, which we refer to herein collectively as the "Property Managers."

Inland Diversified was formed as a Maryland corporation in June 2008 and has elected to be taxed as a REIT for U.S. federal income tax purposes commencing with the tax year ended December 31, 2009. Inland Diversified's principal executive offices are located at 2901 Butterfield Road, Oak Brook, Illinois 60523, and its toll free telephone number is (800) 826-8228. Because it is externally managed and advised, Inland Diversified has no employees.

Additional information regarding Inland Diversified is included in the Annual Report on Form 10-K for the year ended December 31, 2013 filed by Inland Diversified with the SEC on March 13, 2014, a copy of which is attached hereto as *Annex F* and is incorporated herein by reference.

### ***The Combined Company (See page 47)***

The Combined Company will retain the name "Kite Realty Group Trust" and will continue to be a Maryland REIT. The Combined Company will continue to be a publicly traded REIT engaged in the ownership, operation, management, leasing, acquisition, construction, redevelopment and development of neighborhood and community shopping centers in selected markets in the United States. The Combined Company is expected to have a pro forma equity market capitalization of approximately \$2.1 billion and an enterprise value of approximately \$3.9 billion. Immediately after the merger, the Combined Company's asset base will consist primarily of interests in a portfolio of 131 operating, development and redevelopment properties totaling approximately 20.3 million square feet across 26 states, assuming the completion of Inland Diversified's announced disposition of its single-tenant net lease portfolio prior to the merger.

The Combined Company will conduct all of its business through Kite Realty OP. The Combined Company will own an approximately 98.0% partnership interest in Kite Realty OP.

The common shares of the Combined Company will continue to be listed on the NYSE, trading under the symbol "KRG."

The Combined Company's principal executive offices will continue to be located at 30 S. Meridian Street, Suite 1100, Indianapolis, Indiana 46204, and its telephone number will be (317) 577-5600.

### **The Merger**

### ***The Merger Agreement (See page 150)***

Kite Realty, Merger Sub and Inland Diversified have entered into the merger agreement attached as *Annex A* to this joint proxy statement/prospectus, which is incorporated herein by reference. Kite Realty and Inland Diversified encourage you to carefully read the merger agreement in its entirety

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because it is the principal document governing the merger and the other transactions contemplated by the merger agreement.

***The Merger (See page 64)***

Subject to the terms and conditions of the merger agreement, at the effective time of the merger, Inland Diversified will merge with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Kite Realty. The common shares of the Combined Company, including the Kite Realty common shares to be issued in the merger, are expected to be listed and traded on the NYSE under the symbol "KRG."

Upon completion of the merger, we estimate that continuing Kite Realty common shareholders will own between 40.6% and 41.4% of the diluted common equity of the Combined Company, including the Kite Realty common shares to be issued in the merger, and former Inland Diversified stockholders will own between 58.6% and 59.4% of the diluted common equity of the Combined Company.

***Merger Consideration (See page 152)***

At the effective time of the merger, each share of common stock of Inland Diversified outstanding immediately prior to the effective time of the merger will be cancelled and automatically converted into the right to receive between 1.707 and 1.650 Kite Realty common shares, based on the average trading price of Kite Realty common shares. If the average trading price is equal to or less than \$6.36, the exchange ratio will equal 1.707, if the average trading price is between \$6.36 and \$6.58, the exchange ratio will equal \$10.85 divided by the average trading price, and if the average trading price is \$6.58 or greater, the exchange ratio will equal 1.650.

If, for example, the average trading price of Kite Realty common shares was \$6.20, which was the closing price of Kite Realty common shares on April 28, 2014, it would result in an exchange ratio of 1.707 and an implied value per share of Inland Diversified common stock of \$10.58 based on such average trading price. The actual exchange ratio may be lower but not higher than this example depending upon the actual average trading price. In addition, the market value of the Kite Realty common shares will continue to fluctuate after the determination of the actual exchange ratio, depending on the trading price of the Kite Realty common shares after such determination. Neither Kite Realty, nor any Kite Realty subsidiary, will receive any merger consideration for any share of Inland Diversified common stock owned by them.

**Ancillary Agreements**

***Master Liquidity Event Agreement (See page 181)***

Concurrently with the execution of the merger agreement, Inland Diversified entered into a Master Liquidity Event Agreement, which is referred to herein as the "Master Agreement," with the Business Manager, the Property Managers, and certain other affiliates of the Business Manager. The Master Agreement provides, among other things, that:

The liquidity event fee payable to the Business Manager by Inland Diversified upon the consummation of the merger, which is required to be paid pursuant to the terms of the Third Amended and Restated Business Management Agreement, dated as of July 10, 2013, between the Business Manager and Inland Diversified, which is referred to herein as the "Business Management Agreement," was agreed to be \$10.235 million; provided, that the total amount of the liquidity event fee will be increased to not more than \$12.0 million in the event that the Business Manager achieves certain cost savings thresholds for Inland Diversified prior to the closing of the merger.



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The quarterly management fees payable to the Business Manager pursuant to the terms of the Business Management Agreement and the monthly management fees payable to the Property Managers pursuant to the terms of the individual Real Estate Management Agreements by and between Inland Diversified and the Property Managers, which are collectively referred to herein as the "Property Management Agreements," will be paid by Inland Diversified in accordance with past practices through the closing of the merger. The prorated management fees with respect to the quarter or month, as applicable, in which the closing of the merger occurs will be paid by Inland Diversified at closing of the merger based on the Business Manager's estimates of such fees and are subject to a post-closing adjustment based on the actual amounts due, which adjustment is payable by Kite Realty, as the surviving entity in the merger, or the Business Manager, as the case may be. The expense reimbursements payable to the Business Manager and the Property Managers pursuant to the terms of the Business Management Agreement and the Property Management Agreements will be reimbursed by Inland Diversified in accordance with past practices through the closing of the merger. Any unpaid expense reimbursements as of the closing of the merger will be paid following the closing of the merger by Kite Realty, as the surviving entity in the merger.

Except as provided for in the Master Agreement, none of the Business Manager, the Property Managers or any of their respective affiliates are entitled to receive, in connection with the consummation of the merger or the sale of Inland Diversified's single-tenant, net-lease property portfolio, or any transactions contemplated thereby, any additional incentive fee or other liquidity, disposition, brokerage, or other fees of any kind from Inland Diversified or any of its affiliates.

The Business Management Agreement, the Property Management Agreements and certain other agreements by and between Inland Diversified and the Business Manager, the Property Managers and/or their affiliates will automatically terminate without further notice or action, or Inland Diversified will withdraw from such agreements, as the case may be, effective as of the closing of the merger.

The Business Manager and the Property Managers waived the non-solicitation provisions and, effective as of the closing of the merger, the non-hire provisions of the Business Management Agreement and the Property Management Agreements with respect to certain individuals employed by the Business Manager and the Property Managers in order to permit (i) Inland Diversified and Kite Realty to engage in discussions with such individuals regarding the employment of such individuals with Kite Realty, and (ii) Kite Realty or its affiliates to hire such individuals following the closing of the merger.

In the event that the merger agreement is terminated prior to the consummation of the merger, the Master Agreement will automatically terminate and be of no further effect.

The foregoing summary of the Master Agreement is subject to, and qualified in its entirety by reference to, the full text of the Master Agreement, a copy of which is attached hereto as *Annex B* and is incorporated herein by reference. For additional information on the Master Agreement, see "Ancillary Agreements Master Liquidity Event Agreement" beginning on page 181.

***Transition Services Arrangements (See page 183)***

Concurrently with the execution of the merger agreement, Kite Realty and its operating partnership, Kite Realty OP, entered into the following arrangements with the Business Manager,

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certain of the Property Managers and their affiliates and certain representatives of the Business Manager and Property Managers with respect to various consulting and transition services:

a Transition Services Agreement among the Business Manager, The Inland Real Estate Group, Inc. and Kite Realty OP pursuant to which the Business Manager will provide certain business management services for 60 days following the closing of the merger (with two 30-day renewal terms at Kite Realty's option) in order to assist in the transition of the business management of Inland Diversified's assets from the Business Manager to Kite Realty in exchange for (i) a one-time management fee of \$1.36 million payable by Kite Realty OP upon the closing of the merger, and (ii) certain hourly fees for the various business services performed by the Business Manager at the request of Kite Realty OP, payable monthly by Kite Realty OP;

a Management Agreement among Kite Realty OP and Inland Diversified Real Estate Services LLC, one of the Property Managers, pursuant to which Inland Diversified Real Estate Services LLC will provide property management services with respect to the Inland Diversified retail properties for a period of 90 days following the closing of the merger (with automatic 30-day renewal periods until either party gives notice of non-renewal or Kite Realty terminates the agreement) in exchange for a market-based monthly management fee based on a percentage of the gross revenues of the properties under management;

separate Management Agreements among Kite Realty OP and Community Property Management Corp., an affiliate of the Business Manager, with respect to each Inland Diversified multi-family property pursuant to which Community Property Management Corp. will provide property management services for a period of 90 days following the closing of the merger (with automatic 30-day renewal periods until either party gives notice of non-renewal) in exchange for a market-based monthly management fee based on a percentage of the gross revenues of the properties under management; and

an Interim Services and Consulting Agreement with each of Barry L. Lazarus, a member of the Inland Diversified Board and the President and Chief Operating Officer of Inland Diversified, JoAnn McGuinness, President of Inland Diversified Real Estate Services, LLC, and Elizabeth McNeeley, Senior Vice President, Treasurer and Secretary of Inland Diversified Real Estate Services, LLC, pursuant to which each such individual will serve as a consultant to Kite Realty in connection with transition planning and other matters related to the closing of the merger in exchange for a lump-sum consulting fee, payable upon and subject to the closing of the merger.

For additional information on these transition services arrangements, see "Ancillary Agreements Transition Services Agreement" beginning on page 183.

**Recommendation of the Kite Realty Board (See page 80)**

After careful consideration, the Kite Realty Board has unanimously (i) determined that the terms of the merger agreement and the transactions contemplated thereby are in the best interests of Kite Realty and its shareholders, and (ii) approved, adopted and declared advisable the merger agreement and the merger and approved, adopted and declared advisable the Kite Realty declaration of trust amendment. Certain factors considered by the Kite Realty Board in reaching its decision to approve and adopt the merger agreement and the merger can be found in the section of this joint proxy/statement/prospectus entitled "The Merger Recommendation of the Kite Realty Board and Its Reasons for the Merger" beginning on page 80.

Furthermore, the Kite Realty Board has unanimously approved, adopted and declared advisable the Kite Realty declaration of trust amendment to increase the total number of authorized Kite Realty common shares from 200,000,000 to 450,000,000 in order to have sufficient shares available to issue to

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Inland Diversified stockholders pursuant to the merger agreement and to have additional shares available following the merger.

The Kite Realty Board unanimously recommends that Kite Realty shareholders vote **FOR** the proposal to approve the issuance of Kite Realty common shares pursuant to the merger agreement, **FOR** the declaration of trust amendment, and **FOR** the adjournment proposal.

**Recommendation of the Inland Diversified Board (See page 84)**

After careful consideration, based on the unanimous recommendation of the Inland Diversified Special Committee, the Inland Diversified Board has (i) determined that the terms of the merger and the merger agreement and the transactions contemplated thereby are advisable, fair to and in the best interests of Inland Diversified and its stockholders, (ii) approved and declared advisable the merger and (iii) approved and adopted the merger agreement. The Inland Diversified Board recommends that the Inland Diversified stockholders vote **FOR** the Inland Diversified merger proposal and **FOR** the adjournment proposal.

**Risk Factors Related to the Merger (See page 32)**

You should consider carefully all of the risk factors together with all of the other information included in this joint proxy statement/prospectus before deciding how to vote. The risks related to the merger and the related transactions are described under the section "Risk Factors Risk Factors Related to the Merger" beginning on page 32.

**The Kite Realty Special Meeting (See page 49)**

The Kite Realty special meeting will be held at Kite Realty headquarters, 30 S. Meridian Street, Eighth Floor, Indianapolis, Indiana 46204, on June 24, 2014, at 9:00 a.m., Eastern Time.

At the Kite Realty special meeting, Kite Realty shareholders will be asked to consider and vote upon the following matters:

a proposal to approve the issuance of Kite Realty common shares to the stockholders of Inland Diversified pursuant to the merger agreement, pursuant to which Inland Diversified will merge with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Kite Realty;

a proposal to approve the Kite Realty declaration of trust amendment to increase the total number of authorized common shares of beneficial interest of Kite Realty from 200,000,000 to 450,000,000; and

a proposal to approve one or more adjournments of the special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the share issuance proposal and the declaration of trust amendment proposal.

Approval of the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement requires the affirmative vote of a majority of votes cast on the matter by holders of outstanding Kite Realty common shares.

Approval of the Kite Realty declaration of trust amendment to increase the total number of authorized Kite Realty common shares requires the affirmative vote of the holders of two-thirds of the outstanding Kite Realty common shares.

Approval of one or more adjournments of the Kite Realty special meeting requires the affirmative vote of the holders of a majority of the votes cast on the proposal, whether or not a quorum is present.



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Kite Realty shareholders of record at the close of business on May 5, 2014 are entitled to receive this notice and vote at the Kite Realty special meeting and any adjournments or postponements thereof.

At the close of business on April 24, 2014, trustees and executive officers of Kite Realty and their affiliates were entitled to vote 1,768,160 Kite Realty common shares, or approximately 1.3% of the Kite Realty common shares issued and outstanding on that date. Kite Realty currently expects that the Kite Realty trustees and executive officers will vote their Kite Realty common shares in favor of the Kite Realty share issuance proposal, the declaration of trust amendment proposal and the adjournment proposal to be considered at the Kite Realty special meeting, although none of them is obligated to do so.

Your vote as a Kite Realty shareholder is important. Accordingly, please promptly submit your proxy whether or not you plan to attend the Kite Realty special meeting in person.

### **The Inland Diversified Special Meeting (See page 58)**

The Inland Diversified special meeting will be held at Inland Diversified corporate headquarters, 2901 Butterfield Road, Oak Brook, IL 60523, on June 24, 2014, at 10:00 a.m., local time.

At the Inland Diversified special meeting, the Inland Diversified stockholders will be asked to consider and vote upon the following matters:

a proposal to approve the merger and the other transactions contemplated by the merger agreement; and

a proposal to approve the adjournment of the special meeting, if necessary or appropriate, to solicit additional proxies if there are insufficient votes at the time of the special meeting to approve the merger proposal.

Approval of the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Inland Diversified common stock.

Approval of one or more adjournments of the Inland Diversified special meeting requires the affirmative vote of a majority of the votes cast on the proposal, whether or not a quorum is present.

Inland Diversified stockholders of record at the close of business on April 29, 2014 are entitled to receive this notice and vote at the Inland Diversified special meeting and any adjournments or postponements thereof.

At the close of business on April 24, 2014, directors and executive officers of Inland Diversified and their affiliates were entitled to vote 150,602 shares of Inland Diversified common stock, or approximately 0.1% of the Inland Diversified common stock issued and outstanding on that date. Inland Diversified currently expects that the Inland Diversified directors and executive officers will vote their shares of Inland Diversified common stock in favor of the merger proposal and the adjournment proposal, although none of them is obligated to do so.

Your vote as an Inland Diversified stockholder is very important. Accordingly, please promptly submit your proxy whether or not you plan to attend the Inland Diversified special meeting in person.

### **Trustees and Management of Kite Realty After the Merger (See page 113)**

Following the consummation of the merger, the Combined Company's board of trustees will consist of nine members, six of whom will be current trustees of Kite Realty and three of whom will be designated by Inland Diversified, subject to the trustees designated by Inland Diversified being "independent" based on the rules and regulations of the NYSE, applicable regulations promulgated by



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the SEC and the standards set forth in Kite Realty's corporate governance guidelines, and not having been party to or involved in any legal proceedings or other events that would be required to be disclosed pursuant to Item 401(f) of Regulation S-K under the Securities Act and the Exchange Act. The six continuing Kite Realty trustees are John A. Kite, William E. Bindley, Victor J. Coleman, Christie B. Kelly, David R. O'Reilly and Barton R. Peterson. The three Inland Diversified designees are Lee A. Daniels, Gerald W. Grupe and Charles H. Wurtz bach, all of whom are current independent directors of Inland Diversified.

Each of the executive officers of Kite Realty immediately prior to the effective time of the merger will continue as an executive officer of the Combined Company following the effective time of the merger. John A. Kite, Kite Realty's current chief executive officer and chairman of the board of trustees, will serve as chief executive officer and chairman of the board of trustees of the Combined Company, Thomas K. McGowan, Kite Realty's current president and chief operating officer, will serve as president and chief operating officer of the Combined Company, and Daniel R. Sink, Kite Realty's current executive vice president and chief financial officer, will serve as executive vice president and chief financial officer of the Combined Company.

**Interests of Kite Realty's Trustees and Executive Officers in the Merger (See page 113)**

In considering the recommendation of the Kite Realty Board to approve the proposal to issue Kite Realty common shares in the merger, Kite Realty shareholders should be aware that some of the executive officers and trustees of Kite Realty have financial interests in the merger that are different from, or in addition to, the interests of Kite Realty shareholders generally. The Kite Realty Board was aware of these interests and considered them, among other matters, in making its recommendation. For additional information, see "The Merger Interests of Kite Realty's Trustees and Executive Officers in the Merger" beginning on page 113.

In addition, the consummation of the merger may have permitted John A. Kite, Thomas K. McGowan and Daniel R. Sink, Kite Realty's executive officers, to terminate their employment agreements with Kite Realty for good reason and thereby entitled them to certain financial benefits. However, in connection with the execution of the merger agreement, John A. Kite, Thomas K. McGowan and Daniel R. Sink entered into amendments to their employment agreements, pursuant to which they agreed that the merger will not constitute a change of control under the terms of their existing employment agreements. These amendments preclude the foregoing individuals from being able to terminate their employment with Kite Realty for good reason solely on account of the consummation of the merger.

**Interests of Inland Diversified's Directors and Executive Officers in the Merger (See page 114)**

In considering the recommendation of the Inland Diversified Board to approve the merger and the other transactions contemplated by the merger agreement, Inland Diversified stockholders should be aware that certain directors and executive officers of Inland Diversified may have interests in the merger that may be different from, or in addition to, the interests of Inland Diversified stockholders generally, and which may create potential conflicts of interest. The Inland Diversified Board was aware of these interests and considered them, among other matters, in approving the merger agreement, the merger and the other transactions contemplated thereby and making its recommendation that the Inland Diversified stockholders approve the merger and the other transactions contemplated by the merger agreement. For additional information, see "The Merger Interests of Inland Diversified's Directors and Executive Officers in the Merger" beginning on page 114.

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**Deregistration of Inland Diversified Common Stock (See page 149)**

If the merger is completed, Inland Diversified common stock will be deregistered under the Exchange Act, and Inland Diversified will no longer file periodic reports with the SEC.

**No Dissenters' or Appraisal Rights in the Merger (See page 148)**

Holders of Kite Realty common shares are not entitled to dissenters' or appraisal rights in connection with the merger because, among other things, the common shares of Kite Realty are listed on the NYSE.

Holders of Inland Diversified common stock are not entitled to dissenters' or appraisal rights and may not exercise the rights of objecting stockholders to receive the fair value of their shares in connection with the merger because, as permitted by Maryland General Corporation Law (the "MGCL"), Inland Diversified's charter provides that stockholders shall not be entitled to exercise any appraisal rights unless the Inland Diversified Board, upon the affirmative vote of a majority of the board, shall determine that such rights apply. The Inland Diversified Board has made no such determination.

**Conditions to Completion of the Merger (See page 172)**

A number of conditions must be satisfied or, to the extent permitted by law, waived before either Kite Realty or Inland Diversified is obligated to complete the merger. These include, among others:

approval of the issuance of the Kite Realty common shares in connection with the merger and the approval of the Kite Realty declaration of trust amendment by the Kite Realty shareholders;

approval of the merger and the other transactions contemplated by the merger agreement by the Inland Diversified stockholders;

a registration statement on Form S-4, of which this joint proxy statement/prospectus is a part, having been declared effective, no stop order suspending the effectiveness of such Form S-4 having been issued by the SEC and no proceeding to that effect shall have been commenced or threatened by the SEC and not withdrawn;

the absence of any temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by any governmental authority prohibiting the consummation of the merger or any other transactions contemplated by the merger agreement, and the absence of any law that has been enacted, entered, promulgated or enforced by any governmental authority after the date of the merger agreement that makes the consummation of the merger illegal;

the Kite Realty common shares to be issued in connection with the merger having been approved for listing on the NYSE, subject to official notice of issuance;

with respect to Kite Realty's obligation to complete the merger, the completion of the previously announced sale by Inland Diversified of certain single tenant, net-lease commercial real estate properties to Realty Income Corporation, which we refer to as the net-lease transactions;

with respect to Kite Realty's obligation to complete the merger, the acquisition by Inland Diversified of certain replacement properties in connection with the net-lease transactions;



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the accuracy of the representations and warranties made by the other party in the merger agreement and performance by the other party of its obligations under the merger agreement (subject in each case to certain materiality standards);

the absence of any material adverse effect being experienced by the other party;

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the receipt by each party of an opinion from the other party's legal counsel regarding the other party's qualification as a REIT within the meaning of the Code; and

the receipt by each party of an opinion from its legal counsel regarding the merger's qualification as a reorganization within the meaning of the Code.

Neither Kite Realty nor Inland Diversified can give any assurance as to when or if all of the conditions to the consummation of the merger will be satisfied or waived or that the merger will occur.

**Regulatory Approvals Required for the Merger (See page 116)**

Kite Realty and Inland Diversified are not aware of any material federal or state regulatory requirements that must be complied with, or approvals that must be obtained, in connection with the merger or the other transactions contemplated by the merger agreement.

**No Solicitation and Adverse Recommendation Change (See page 164)**

Under the merger agreement, each of Kite Realty and Inland Diversified has agreed it will not, nor will it permit any of its subsidiaries to, and will not authorize or permit any of its, or any of its subsidiaries', directors, trustees, officers, employees, advisors, agents or other representatives to (and will use its reasonable best efforts to cause its and its subsidiaries' representatives not to), directly or indirectly, (i) solicit, initiate or knowingly encourage or facilitate any inquiry, proposal or offer with respect to an Acquisition Proposal (as defined below under "The Merger Agreement Covenants and Agreements No Solicitation of Transactions"), or any inquiry, proposal or offer that is reasonably likely to lead to any Acquisition Proposal, (ii) enter into, continue or otherwise participate or engage in any negotiations regarding, or furnish to any third party any non-public information or data in connection with, any Acquisition Proposal, (iii) approve, recommend, publicly declare advisable or enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, share exchange agreement, consolidation agreement, option agreement, joint venture agreement, partnership agreement or other agreement, in each case related to an Acquisition Proposal (other than certain confidentiality agreements) or requiring or having the effect of requiring Kite Realty or Inland Diversified, as applicable, to abandon, terminate or violate its obligations under the merger agreement or fail to consummate the merger, or (iv) agree to or propose publicly or agree to do any of the foregoing.

However, prior to obtaining the applicable approval of their shareholders at their respective shareholder meetings, each of Inland Diversified and Kite Realty may, under certain specified circumstances, furnish non-public information to and participate in negotiations with a third party making a bona fide written Acquisition Proposal that did not result from a breach of the merger agreement. Each of Inland Diversified and Kite Realty must notify the other party promptly (but in no event later than one business day) after receipt of any Acquisition Proposal, request for any non-public information or any inquiry from any person seeking to have discussions or negotiations with such party relating to a possible Acquisition Proposal.

Additionally, prior to obtaining the applicable approval of their shareholders at their respective shareholder meetings, each of the Kite Realty Board, the Inland Diversified Special Committee or the Inland Diversified Board may, under certain specified circumstances, withdraw its recommendation to its shareholders with respect to the merger if it determines in good faith, after consultation with outside legal counsel, that failure to take such action would be inconsistent with the directors' or trustees', as applicable, duties under applicable law.

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**Termination of the Merger Agreement (See page 174)**

The merger agreement may be terminated at any time before the effective time of the merger by the mutual written consent of Kite Realty and Inland Diversified.

The merger agreement may also be terminated prior to the effective time of the merger by either Kite Realty or Inland Diversified if:

the merger has not been consummated on or before August 31, 2014 (provided that this termination right will not be available to a party whose failure to comply with any provision of the merger agreement has been the cause of, or resulted in, the failure of the merger to occur on or before such date), subject to an extension if the replacement properties for the net-lease transactions have not yet been acquired;

a governmental authority of competent jurisdiction has issued an order, decree or ruling or taken any other action permanently restraining or otherwise prohibiting the merger, and such action has become final and non-appealable (provided that this termination right will not be available to a party if the issuance of such order or action was primarily due to the failure of such party to comply with any provision of the merger agreement); or

shareholders of Kite Realty failed to approve the issuance of Kite Realty common shares in connection with the merger and the Kite Realty declaration of trust amendment, or shareholders of Inland Diversified failed to approve the merger and the other transactions contemplated by the merger agreement, as applicable (provided that this termination right will not be available to a party if the failure to obtain that party's shareholder approval was primarily due to the party's material breach of certain provisions of the merger agreement).

Kite Realty may also decide to terminate the merger agreement if:

Inland Diversified has breached any of its representations, warranties, covenants or agreements set forth in the merger agreement, which breach, either individually or in the aggregate, if occurring or continuing on the closing date, would result in the failure of certain closing conditions to be satisfied and cannot be cured or waived by August 31, 2014 (provided that this termination right will not be available if Kite Realty is in breach of any of its own representations, warranties, covenants or agreements set forth in the merger agreement such that certain closing conditions are not satisfied);

at any time prior to the approval of the Inland Diversified stockholders, if the Inland Diversified Board or any committee thereof (i) has made an Adverse Recommendation Change (as defined below under "The Merger Agreement Covenants and Agreements Adverse Recommendation Change") and Kite Realty terminates the merger agreement within 30 days of the date Kite Realty receives notice of the Adverse Recommendation Change, (ii) after public announcement or disclosure of an Acquisition Proposal or an intention to make an Acquisition Proposal for Inland Diversified, fails to recommend against such Acquisition Proposal and to publicly reaffirm its recommendation to Inland Diversified's stockholders of the approval of the merger and the other transactions contemplated by the merger agreement within 10 business days of being requested to do so by Kite Realty, (iii) fails to recommend to Inland Diversified's stockholders the approval of the merger and the other transactions contemplated by the merger agreement in this joint proxy statement/prospectus, (iv) approves, adopts, publicly endorses or recommends, or enters into or allows Inland Diversified or any of its subsidiaries to enter into a definitive agreement for, an Acquisition Proposal, or (v) has materially violated any of its obligations under the provisions of the merger agreement prohibiting the solicitation of Acquisition Proposals by Inland Diversified (other than any immaterial or inadvertent violations thereof not intended to result in the entry into an alternative acquisition agreement); or

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at any time prior to the approval of the Kite Realty shareholders, in order to enter into any alternative acquisition agreement with respect to a Superior Proposal (as defined below under "The Merger Agreement Covenants and Agreements No Solicitation of Transactions"); provided, that such termination will be null and void unless Kite Realty concurrently pays the termination fee set forth in the merger agreement and as described under "The Merger Agreement Termination of the Merger Agreement Termination Fee and Expenses Payable by Kite Realty to Inland Diversified" and enters into an alternative acquisition agreement relating to such Superior Proposal.

Inland Diversified has reciprocal termination rights with respect to the merger agreement as Kite Realty described above.

**Termination Fees and Expenses (See page 176)**

Generally, all fees and expenses incurred in connection with the merger and the other transactions contemplated by the merger agreement will be paid by the party incurring those fees and expenses. However, if the merger agreement is terminated because either party fails to obtain the approval of its shareholders, among other reasons, such party will be required to pay the other party reasonable documented out-of-pocket expenses actually incurred up to a maximum of \$8 million. In certain other circumstances, Kite Realty may be obligated to pay to Inland Diversified a termination fee of \$30 million or Inland Diversified may be obligated to pay to Kite Realty a termination fee of up to \$43 million.

**U.S. Federal Income Tax Considerations (See page 116)**

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. The closing of the merger is conditioned on the receipt by each of Kite Realty and Inland Diversified of an opinion from its respective counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Code. Assuming that the merger qualifies as a reorganization, U.S. holders of shares of Inland Diversified common stock generally will not recognize gain or loss for U.S. federal income tax purposes upon the receipt of Kite Realty common shares in exchange for shares of Inland Diversified common stock in connection with the merger, except with respect to cash received in lieu of fractional Kite Realty common shares.

For further discussion of the material U.S. federal income tax consequences of the merger and the ownership of common stock of the Kite Realty, see "The Merger U.S. Federal Income Tax Considerations" beginning on page 116.

Holders of shares of Inland Diversified common stock should consult their tax advisors to determine the tax consequences to them (including the application and effect of any state, local or non-U.S. income and other tax laws) of the merger and the ownership of common stock of Kite Realty.

**Accounting Treatment of the Merger (See page 147)**

Kite Realty prepares its financial statements in accordance with accounting principles generally accepted in the United States, which we refer to as GAAP. The merger will be accounted for by applying the acquisition method. Based on the fact that Kite Realty is the entity issuing the equity securities and that Kite Realty Board members and senior management will represent a majority of the board and senior management of the Combined Company, and based on certain other factors described in more detail under the heading "The Merger Accounting Treatment," Kite Realty is considered the acquirer for accounting purposes. Therefore, Kite Realty will recognize and measure, at fair value, the identifiable assets acquired, liabilities assumed and any noncontrolling interests in the consolidated subsidiaries of Inland Diversified, and Kite Realty will recognize and measure goodwill and any gain from a bargain purchase, in each case, upon completion of the merger.

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**Opinion of Kite Realty's Financial Advisors (See page 89)**

*Opinion of BofA Merrill Lynch*

In connection with the merger, on February 9, 2014, Merrill Lynch, Pierce, Fenner & Smith Incorporated, which we refer to as BofA Merrill Lynch, one of Kite Realty's financial advisors, delivered to the Kite Realty Board its oral opinion (which was subsequently confirmed in writing), as to the fairness, from a financial point of view and as of the date of the opinion, to Kite Realty of the exchange ratio provided for pursuant to the merger agreement. The full text of the written opinion, dated February 9, 2014, of BofA Merrill Lynch, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex C to this joint proxy/prospectus and is incorporated by reference herein in its entirety. **BofA Merrill Lynch provided its opinion to the Kite Realty Board (in its capacity as such) for the benefit and use of the Kite Realty Board in connection with and for purposes of its evaluation of the exchange ratio from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Kite Realty or in which Kite Realty might engage or as to the underlying business decision of Kite Realty to proceed with or effect the merger. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed merger or any related matter.**

*Opinion of Barclays*

In connection with the merger, on February 9, 2014, Barclays Capital Inc., which we refer to as Barclays, one of Kite Realty's financial advisors, delivered to the Kite Realty Board its oral opinion (which was subsequently confirmed in writing) that, as of such date and based upon and subject to the qualifications, limitations and assumptions stated in its opinion, the exchange ratio to be paid by Kite Realty pursuant to the merger agreement was fair, from a financial point of view, to Kite Realty. The full text of Barclays' written opinion, dated February 9, 2014, is attached as Annex D to this joint proxy/prospectus. Barclays' written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. This summary is qualified in its entirety by reference to the full text of the opinion.

**Opinion of Inland Diversified's Financial Advisor (See page 100)**

In connection with the merger, Wells Fargo Securities, LLC, which we refer to as Wells Fargo Securities, rendered an opinion, dated February 9, 2014, to the Inland Diversified Special Committee as to the fairness, from a financial point of view and as of such date, to holders of Inland Diversified common stock (other than Kite Realty, Merger Sub and their respective affiliates) of the exchange ratio provided for pursuant to the merger agreement. The full text of Wells Fargo Securities' written opinion is attached as Annex E to this joint proxy statement/prospectus and is incorporated herein by reference. The written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Wells Fargo Securities in rendering its opinion. **The opinion was addressed to the Inland Diversified Special Committee (in its capacity as such) for its information and use in connection with its evaluation of the exchange ratio from a financial point of view and did not address any other terms, aspects or implications of the merger or any related transactions. Wells Fargo Securities' opinion did not address the merits of the underlying decision by Inland Diversified to enter into the merger agreement or the relative merits of the merger or any related transactions compared with other business strategies or transactions available or that have been or might be considered by the management, the Inland Diversified Special Committee or the Inland Diversified Board or in which Inland Diversified might engage. Under the terms of its**

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**engagement, Wells Fargo Securities has acted as an independent contractor, not as an agent or fiduciary. Wells Fargo Securities' opinion does not constitute a recommendation to the Inland Diversified Special Committee or the Inland Diversified Board or any other person or entity in respect of the merger or any related transactions, including as to how any Inland Diversified stockholder should vote or act in connection with the merger, any related transactions or any other matters.**

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**Selected Historical Financial Information of Kite Realty**

The following table sets forth selected consolidated financial information for Kite Realty. The selected consolidated statements of operations and comprehensive income data for each of the years in the five-year period ended December 31, 2013 and the selected consolidated balance sheet data as of December 31 for each of the years in the five-year period ended December 31, 2013 have been derived from Kite Realty's audited consolidated financial statements. The following information should be read together with Kite Realty's historical consolidated financial statements and notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Kite Realty's Annual Report on Form 10-K for the year ended December 31, 2013, all of which are contained in the reports of Kite Realty filed with the SEC and incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information and Incorporation by Reference" beginning on page 208.

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	Year Ended December 31				
	2013	2012	2011	2010	2009
	(\$ in thousands, except share and per share data)				
<b>Operating Data:</b>					
Total rental related revenue	\$ 129,489	\$ 96,539	\$ 89,116	\$ 83,243	\$ 84,621
Expenses:					
Property operating	21,729	16,756	16,830	16,181	16,319
Real estate taxes	15,263	12,858	12,448	10,681	10,906
General, administrative, and other	8,211	7,117	6,274	5,361	5,700
Acquisition costs	2,215	364			
Litigation charge, net		1,007			
Depreciation and amortization	54,479	38,835	33,114	36,063	28,608
Total expenses	101,897	76,937	68,666	68,286	61,533
Operating income	27,592	19,602	20,450	14,957	23,088
Interest expense	(27,994)	(23,392)	(21,625)	(24,831)	(23,645)
Income tax (expense) benefit of taxable REIT subsidiary	(262)	106	1	(266)	22
Non-cash gain from consolidation of subsidiary					1,635
Gain on sale of unconsolidated property			4,320		
Remeasurement loss on consolidation of Parkside Town Commons, net		(7,980)			
Other (expense) income, net	(63)	209	607	884	2,709
(Loss) income from continuing operations	(727)	(11,455)	3,753	(9,256)	3,809
Discontinued operations:					
Income from operations, excluding impairment charge	835	656	1,630	70	398
Impairment charge	(5,371)				(5,385)
Gain on debt extinguishment	1,242				
Gain (loss) on sale of operating property	486	7,094	(398)		
(Loss) income from discontinued operations	(2,808)	7,750	1,232	70	(4,987)
Consolidated net (loss) income	(3,535)	(3,705)	4,985	(9,186)	(1,178)
Net loss (income) attributable to noncontrolling interests:	685	(629)	(4)	915	(603)
Net (loss) income attributable to Kite Realty Group Trust:	(2,850)	(4,334)	4,981	(8,271)	(1,781)
Dividends on preferred shares:	(8,456)	(7,920)	(5,775)	(377)	
Net loss attributable to common shareholders	\$ (11,306)	\$ (12,254)	\$ (794)	\$ (8,648)	\$ (1,781)
<b>Loss per common share basic and diluted:</b>					
(Loss) income from continuing operations attributable to Kite Realty Group Trust common shareholders	\$ (0.09)	\$ (0.26)	\$ (0.03)	\$ (0.14)	\$ 0.05
	(0.03)	0.08	0.02	0.00	(0.08)



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(Loss) income from discontinued operations attributable to Kite Realty Group Trust common shareholders

Net loss attributable to Kite Realty Group Trust common shareholders	\$	(0.12)	\$	(0.18)	\$	(0.01)	\$	(0.14)	\$	(0.03)
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Weighted average Common Shares outstanding basic and diluted	94,141,738	66,885,259	63,557,322	63,240,474	52,146,454
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Distributions declared per Common Share	\$	0.2400	\$	0.2400	\$	0.2400	\$	0.2400	\$	0.3325
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**Net loss attributable to Kite Realty Group Trust common shareholders:**

(Loss) income from continuing operations	\$	(8,686)	\$	(17,571)	\$	(1,891)	\$	(8,706)	\$	2,681
Discontinued operations		(2,620)		5,317		1,097		58		(4,462)

Net loss attributable to Kite Realty Group Trust common shareholders	\$	(11,306)	\$	(12,254)	\$	(794)	\$	(8,648)	\$	(1,781)
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	As of December 31				
	2013	2012	2011	2010	2009
	(\$ in thousands)				
<b>Balance Sheet Data:</b>					
Investment properties, net	\$ 1,644,478	\$ 1,200,336	\$ 1,095,721	\$ 1,047,849	\$ 1,044,799
Cash and cash equivalents	18,134	12,483	10,042	15,395	19,958
Total assets	1,763,927	1,288,657	1,193,266	1,132,783	1,140,685
Mortgage and other indebtedness	857,144	699,909	689,123	610,927	658,295
Total liabilities	962,895	774,365	737,807	658,689	710,929
Redeemable noncontrolling interests in Kite Realty OP	43,928	37,670	41,836	44,115	47,307
Kite Realty Group Trust shareholders' equity	753,557	473,086	409,372	423,065	375,078
Noncontrolling interests	3,548	3,536	4,251	6,914	7,371
Total liabilities and equity	1,763,927	1,288,657	1,193,266	1,132,783	1,140,685

Table of Contents**Selected Historical Financial Information of Inland Diversified**

The following table sets forth selected consolidated financial information for Inland Diversified. The selected consolidated statements of operations and other comprehensive income data for each of the years in the five-year period ended December 31, 2013 and the selected consolidated balance sheet data as of December 31 for each of the years in the five-year period ended December 31, 2013 have been derived from Inland Diversified's audited consolidated financial statements included in Inland Diversified's Annual Report on Form 10-K for the year ended December 31, 2013, a copy of which is included in *Annex F* to this joint proxy statement/prospectus and is incorporated herein by reference. The following information should be read together with Inland Diversified's historical consolidated financial statements and notes thereto and the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Inland Diversified's Annual Report on Form 10-K for the year ended December 31, 2013, a copy of which is included in *Annex F* to this joint proxy statement/prospectus and is incorporated herein by reference. See "Where You Can Find More Information and Incorporation by Reference" beginning on page 208. All amounts shown below are in thousands, except for share and per share amounts.

	December 31,				
	2013	2012	2011	2010	2009
Total assets	\$ 2,327,598	\$ 2,393,523	\$ 1,010,386	\$ 450,114	\$ 26,439
Mortgages, credit facility and securities margin payable including held for sale	\$ 1,248,273	\$ 1,249,422	\$ 464,956	\$ 192,871	\$

  

	For the years ended December 31,				
	2013	2012	2011	2010	2009
Total income	\$ 185,808	\$ 113,364	\$ 64,430	\$ 16,504	\$ 96
Net (loss) income attributable to common stockholders	\$ (283)	\$ 2,616	\$ (2,279)	\$ (1,743)	\$ (297)
Net (loss) income attributable to common stockholders per common share, basic and diluted(a)	\$ 0.00	\$ 0.03	\$ (0.05)	\$ (0.13)	\$ (0.81)
Distributions declared to common stockholders	\$ 70,002	\$ 54,687	\$ 25,263	\$ 8,203	\$ 212
Distributions per weighted average common share(a)	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.60	\$ 0.15
Cash flows provided by (used in) operating activities	\$ 84,333	\$ 56,670	\$ 27,872	\$ 2,658	\$ (342)
Cash flows used in investing activities	\$ (43,606)	\$ (1,215,402)	\$ (454,168)	\$ (346,755)	\$ (9,691)
Cash flows (used in) provided by financing activities	\$ (44,793)	\$ 1,134,777	\$ 445,649	\$ 369,262	\$ 25,369
Weighted average number of common shares outstanding, basic and diluted	116,667,708	91,146,154	42,105,681	13,671,936	367,888

(a)

The net (loss) income attributable to common stockholders, per common share basic and diluted is based upon the weighted average number of common shares outstanding for the year or period ended. The distributions per common share are based upon the weighted average number of common shares outstanding for the year or period ended.

Table of Contents**Summary Unaudited Pro Forma Condensed Consolidated Financial Information**

The following table shows summary unaudited pro forma condensed consolidated financial information about the combined financial condition and operating results of Kite Realty and Inland Diversified after giving effect to the merger as well as to Kite Realty's 2013 property acquisitions and related equity issuances. The unaudited pro forma financial information assumes that the merger is accounted for by applying the acquisition method. The unaudited pro forma condensed consolidated balance sheet data gives effect to the merger as if it had occurred on December 31, 2013. The unaudited pro forma condensed consolidated statement of operations for the twelve months ended December 31, 2013 gives effect to the merger as if it had occurred on January 1, 2013, the beginning of the earliest period presented. The summary unaudited pro forma condensed consolidated financial information listed below has been derived from and should be read in conjunction with (1) the more detailed unaudited pro forma condensed consolidated financial information, including the notes thereto, appearing elsewhere in this joint proxy statement/prospectus and (2) the historical consolidated financial statements and related notes of Kite Realty incorporated herein by reference and of Inland Diversified included in Inland Diversified's Annual Report on Form 10-K for the year ended December 31, 2013, a copy of which is included in *Annex F* to this joint proxy statement/prospectus and is incorporated herein by reference.

	For the Year Ended December 31, 2013					
	Kite Realty Historical	Kite Realty Pro Forma Adjustments	Kite Realty Pro Forma	Inland Diversified Historical	Inland Pro Forma Adjustments	Combined Company Pro Forma
(Dollars in thousands)						
<b>Statement of Operations Data:</b>						
Total Revenue	\$ 129,488	\$ 29,504	\$ 158,992	\$ 185,808	\$ 3,324	\$ 348,124
Total expenses(B)	\$ 101,896	\$ 26,044	\$ 127,940	\$ 152,657	\$ 10,575	\$ 291,172(A)
Operating income	\$ 27,592	\$ 3,460	\$ 31,052	\$ 33,151	\$ (7,251)	\$ 56,952
(Loss) income from continuing operations	\$ (727)	\$ 1,609	\$ 882	\$ (5,482)	\$ 8,020	\$ 3,420
Net loss from continuing operations attributable to common shareholders	\$ (8,497)	\$ 1,172	\$ (7,325)	\$ (7,922)	\$ 7,799	\$ (7,448)

	For the Year Ended December 31, 2013				
	Kite Realty Historical	Inland Diversified Historical	Inland Pro Forma Adjustments	Inland Pro Forma Adjustments	Kite Realty Pro Forma
(Dollars in thousands)					
<b>Balance Sheet Data:</b>					
Investment properties	\$ 1,877,058	\$ 1,667,505	\$	\$ 377,603	\$ 3,922,166
Total assets	\$ 1,763,927	\$ 2,327,598	\$ (233,713)	\$ 111,338	\$ 3,969,150
Total liabilities	\$ 962,894	\$ 1,363,778	\$ (256,029)	\$ (157,130)	\$ 1,913,513
Total equity	\$ 757,105	\$ 895,870	\$ 22,316	\$ 268,468	\$ 1,943,759

(A) Does not include an estimated \$17-19 million in annual general, administrative and Business Manager cost savings that Kite Realty expects to achieve following the closing of the merger.

(B) Includes depreciation and amortization.

Table of Contents**Unaudited Comparative Per Share Information**

The following table sets forth for the year ended December 31, 2013, selected per share information for Kite Realty common shares on a historical and pro forma combined basis and for Inland Diversified common stock on a historical and pro forma equivalent basis. Except for the historical information as of and for the year ended December 31, 2013, the information in the table is unaudited. You should read the table below together with the historical consolidated financial statements and related notes of Kite Realty and Inland Diversified contained in their respective Forms 10-K for the year ended December 31, 2013. Kite Realty's Form 10-K for the year ended December 31, 2013, is incorporated by reference into this joint proxy statement/prospectus. Inland Diversified's Annual Report on Form 10-K for the year ended December 31, 2013, is included in *Annex F* to this joint proxy statement/prospectus and is incorporated herein by reference. See "Where You Can Find More Information and Incorporation by Reference" beginning on page 208.

The Inland Diversified pro forma equivalent per common share amounts were calculated by multiplying the Kite Realty pro forma amounts by an assumed exchange ratio of 1.707.

	Kite Realty		Inland Diversified	
		Pro		Pro
	Historical	Forma	Historical	Forma
		Combined		Equivalent
<b>For the Year Ended December 31, 2013</b>				
Income (loss) from continuing operations attributable to common stockholders per common share, basic and diluted	\$ (0.09)	\$ (0.02)	\$ (0.07)	\$ (0.03)
Cash dividends declared per common share	\$ 0.24	\$ 0.24	\$ 0.60	\$ 0.60
Book value per common share	\$ 4.98	\$ 5.55	\$ 7.60	\$ 9.47

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**RISK FACTORS**

*In addition to the other information included in this joint proxy statement/prospectus, including the matters addressed in the section entitled "Cautionary Statement Concerning Forward-Looking Statements," whether you are a Kite Realty shareholder or an Inland Diversified stockholder, you should carefully consider the following risks before deciding how to vote. In addition, you should read and consider the risks associated with each of the businesses of Kite Realty and Inland Diversified because these risks will also affect the Combined Company. These risks can be found in the respective Annual Reports on Form 10-K for the year ended December 31, 2013 of Kite Realty, whose Annual Report is filed with the SEC and incorporated by reference into this joint proxy statement/prospectus, and Inland Diversified, whose Annual Report is attached hereto as Annex F and incorporated herein by reference. You should also read and consider the other information in this joint proxy statement/prospectus and the other documents incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information and Incorporation by Reference" beginning on page 208.*

**Risks Related to the Merger**

***The number of and value of the Kite Realty common shares that Inland Diversified stockholders will receive in the merger will fluctuate based on the trading price of the Kite Realty common shares.***

At the effective time of the merger, each share of common stock of Inland Diversified outstanding immediately prior to the effective time of the merger will be cancelled and automatically converted into the right to receive a number of Kite Realty common shares based on a floating exchange ratio between 1.707 and 1.650 Kite Realty common shares for each share of Inland Diversified common stock. The exact exchange ratio will be determined based on the "average trading price" of the Kite Realty common shares, which is equal to the volume-weighted average trading price of Kite Realty common shares for the ten consecutive trading days ending on the third trading day preceding Inland Diversified's stockholder meeting to approve the merger. As a result, at the effective time of the merger, each outstanding share of Inland Diversified common stock will be converted into the right to receive:

1.707 Kite Realty common shares, if the average trading price is equal to or less than \$6.36;

between 1.707 and 1.650 Kite Realty common shares, if the average trading price is more than \$6.36 or less than \$6.58 (with such exchange ratio being determined by dividing \$10.85 by the average trading price); and

1.650 Kite Realty common shares, if the average trading price is \$6.58 or greater.

As a result of the fluctuation of the exchange ratio, the number of Kite Realty common shares to be received by Inland Diversified stockholders upon consummation of the merger will vary between 1.707 and 1.650 Kite Realty common shares per share of Inland Diversified common stock depending on the average trading price. Furthermore, even after the determination of the actual exchange ratio, the market value of the Kite Realty common shares that Inland Diversified stockholders will be entitled to receive in the merger will continue to fluctuate depending on the trading price of the Kite Realty common shares prior to the closing of the merger. These variances may arise due to, among other things:

market reaction to the announcement of the merger;

changes in the respective businesses, operations, assets, liabilities and prospects of Kite Realty and Inland Diversified;

changes in market assessments of the business, operations, financial position and prospects of either company or the Combined Company;

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market assessments of the likelihood that the merger will be completed;

interest rates, general market and economic conditions and other factors generally affecting the market prices of Kite Realty common shares and Inland Diversified common stock;

federal, state and local legislation, governmental regulation and legal developments in the businesses in which Kite Realty and Inland Diversified operate; and

other factors beyond the control of Kite Realty and Inland Diversified, including those described or referred to elsewhere in this "Risk Factors" section.

Inland Diversified does not have the right to terminate the merger agreement based on a decline in the market price of Kite Realty common shares.

***The merger and related transactions are subject to approval by stockholders of both Kite Realty and Inland Diversified.***

The merger cannot be completed unless (i) the Inland Diversified stockholders approve the merger and the other transactions contemplated by the merger agreement by the affirmative vote of the holders of a majority of the outstanding shares of Inland Diversified common stock, and (ii) the Kite Realty shareholders approve (a) the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement by the affirmative vote of a majority of the votes cast on the matter by holders of Kite Realty common shares and (b) the Kite Realty declaration of trust amendment by the affirmative vote of the holders of two-thirds of the outstanding Kite Realty common shares.

***The voting power of Kite Realty shareholders and Inland Diversified stockholders will be diluted by the merger.***

The merger will dilute the ownership position of the Kite Realty shareholders and result in Inland Diversified stockholders having an ownership stake in the Combined Company that is smaller than their current stake in Inland Diversified. Upon completion of the merger, we estimate that continuing Kite Realty common shareholders will own between 40.6% and 41.4% of the issued and outstanding common shares of the Combined Company, and former Inland Diversified stockholders will own between 58.6% and 59.4% of the issued and outstanding common shares of the Combined Company, in both cases depending on the actual exchange ratio. Consequently, Kite Realty shareholders and Inland Diversified stockholders, as a general matter, will have less influence over the management and policies of the Combined Company after the effective time of the merger than they currently exercise over the management and policies of Kite Realty and Inland Diversified, respectively.

***Failure to complete the merger could negatively affect the value of the shares and the future business and financial results of both Kite Realty and Inland Diversified.***

If the merger is not completed, the ongoing businesses of Kite Realty and Inland Diversified could be adversely affected and each of Kite Realty and Inland Diversified will be subject to a variety of risks associated with the failure to complete the merger, including the following:

Kite Realty being required, under certain circumstances, to pay to Inland Diversified a termination fee of \$30 million and/or reimburse Inland Diversified's transaction expenses up to an amount equal to \$8 million;

Inland Diversified being required, under certain circumstances, to pay to Kite Realty a termination fee of up to \$43 million and/or reimburse Kite Realty's transaction expenses up to an amount equal to \$8 million;

incurrence of substantial costs incurred by both companies in connection with the proposed merger, such as legal, accounting, financial advisor, filing, printing and mailing fees;

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diversion of management focus and resources from operational matters and other strategic opportunities while working to implement the merger; and

reputational harm due to the adverse perception of any failure to successfully complete the merger.

Furthermore, if the merger is not completed, Inland Diversified stockholders will not have the opportunity to achieve liquidity through the merger and the Inland Diversified Board will continue to review other liquidity alternatives, which may not occur in the near term or on terms as attractive as the terms of the proposed merger. If the merger is not completed, these risks could materially affect the business, financial results and stock prices of both Kite Realty and Inland Diversified.

***The pendency of the merger could adversely affect the business and operations of Inland Diversified.***

Prior to the effective time of the merger, some tenants or vendors of Inland Diversified may delay or defer decisions, which could negatively affect the revenues, earnings, cash flows and expenses of Inland Diversified, regardless of whether the merger is completed. Similarly, current and prospective employees of the Business Manager or the Property Manager may experience uncertainty about their future roles with the Combined Company following the merger, which may materially adversely affect the ability of the Business Manager or the Property Manager to attract and retain key personnel during the pendency of the merger. In addition, due to operating restrictions in the merger agreement, Inland Diversified and Kite Realty may be unable, during the pendency of the merger, to pursue strategic transactions, undertake significant capital projects, undertake certain significant financing transactions and otherwise pursue other actions, even if such actions would prove beneficial.

***The merger agreement contains provisions that could discourage a potential competing acquirer of either Inland Diversified or Kite Realty or could result in any competing acquisition proposal being at a lower price than it might otherwise be.***

The merger agreement contains provisions that, subject to limited exceptions, restrict the ability of each of Inland Diversified and Kite Realty to solicit, initiate, knowingly encourage or facilitate any Acquisition Proposal. With respect to any written, bona fide Acquisition Proposal received by either Inland Diversified or Kite Realty, the other party generally has an opportunity to offer to modify the terms of the merger agreement in response to such proposal before the Inland Diversified Board or the Kite Realty Board, as the case may be, or committee thereof, may withdraw or modify its recommendation to their respective shareholders in response to such Acquisition Proposal or terminate the merger agreement to enter into a definitive agreement with respect to such Acquisition Proposal. Upon termination of the merger agreement in certain circumstances, one of the parties may be required to pay a substantial termination fee and/or expense reimbursement to the other party. See "The Merger Agreement Covenants and Agreements No Solicitation of Transactions" beginning on page 164, "The Merger Agreement Termination of the Merger Agreement Termination Fee and Expenses Payable by Inland Diversified to Kite Realty" beginning on page 178, and "The Merger Agreement Termination of the Merger Agreement Termination Fee and Expenses Payable by Kite Realty to Inland Diversified" beginning on page 176.

These provisions could discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of Inland Diversified or Kite Realty from considering or making a competing acquisition proposal, even if the potential competing acquirer was prepared to pay consideration with a higher per share cash value than that market value proposed to be received or realized in the merger, or might result in a potential competing acquirer proposing to pay a lower price than it might otherwise have proposed to pay because of the added expense of the termination fee and expense reimbursement that may become payable in certain circumstances under the merger agreement.



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***The merger agreement contains provisions that grant both the Inland Diversified Board and the Kite Realty Board a general ability to terminate the merger agreement to enter into an agreement providing for a Superior Proposal.***

Inland Diversified and Kite Realty each may terminate the merger agreement to enter into an agreement providing for a Superior Proposal, if, among other things, its respective board determines in good faith, after consultation with outside legal counsel, that the failure to do so would be inconsistent with its duties under applicable law. If the merger is not completed, the ongoing businesses of Inland Diversified and Kite Realty could be adversely affected and each of Inland Diversified and Kite Realty will be subject to several risks, including the risks described elsewhere in this "Risk Factors" section.

***The merger is subject to a number of conditions which, if not satisfied or waived in a timely manner, would delay the merger or adversely impact the companies' ability to complete the transactions.***

The completion of the merger is subject to certain conditions, including, among others, the (i) closing of the previously announced sale by Inland Diversified of certain net-lease commercial real estate properties to Realty Income Corporation, (ii) completion of the redeployment of certain proceeds from these transactions to acquire replacement properties for purposes of Section 1031 of the Code, (iii) receipt of the requisite approvals of Inland Diversified stockholders and Kite Realty shareholders, and (iv) other customary closing conditions set forth in the merger agreement. While it is currently anticipated that the merger will be completed late in the second quarter or in the third quarter of 2014, there can be no assurance that such conditions will be satisfied in a timely manner or at all, or that an effect, event, development or change will not transpire that could delay or prevent these conditions from being satisfied.

Furthermore, in the event the acquisition of the replacement properties and the subsequent approval of Kite Realty's shareholders are the only conditions to closing (other than those conditions that by their nature are to be and are capable of being satisfied at the closing) that have not been satisfied by August 31, 2014, then the outside date will be automatically extended to the date that is 225 days after the closing of the sale of the nine net-lease properties. Accordingly, there can be no guarantee with respect to the timing of the closing of the merger, whether the merger will be completed at all and when Inland Diversified stockholders would receive the merger consideration, if at all.

***If the merger is not consummated by August 31, 2014 (unless automatically extended under certain circumstances), either Kite Realty or Inland Diversified may terminate the merger agreement.***

Either Inland Diversified or Kite Realty may terminate the merger agreement if the merger has not been consummated by August 31, 2014, which date will be automatically extended until the date that is 225 days after the closing of the sale by Inland Diversified of certain net-lease commercial real estate properties to Realty Income Corporation, if all conditions to closing have been satisfied by August 31, 2014 other than the redeployment of the proceeds of these property sale transactions to acquire replacement properties for purposes of Section 1031 of the Code, the subsequent approval of Kite Realty's shareholders and other conditions that by their nature are to be and are capable of being satisfied at closing. However, this termination right will not be available to a party if that party failed to fulfill its obligations under the merger agreement and that failure was the cause of, or resulted in, the failure to consummate the merger. See "The Merger Agreement Termination of the Merger Agreement" beginning on page 174.

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*Some of the directors and executive officers of Inland Diversified have interests in seeing the merger completed that are different from, or in addition to, those of the other Inland Diversified stockholders.*

Some of the directors and executive officers of Inland Diversified have arrangements that provide them with interests in the merger that are different from, or in addition to, those of the stockholders of Inland Diversified generally. These interests relate to, among other things, affiliations between certain directors and executive officers of Inland Diversified and the Business Manager and the Property Managers. These interests, among other things, may influence or may have influenced the directors and executive officers of Inland Diversified to support or approve the merger. See "The Merger Interests of Inland Diversified's Directors and Executive Officers in the Merger" beginning on page 114.

**Risks Related to the Combined Company Following the Merger**

*The Combined Company expects to incur substantial expenses related to the merger.*

The Combined Company expects to incur substantial expenses in connection with completing the merger and integrating the business, operations, networks, systems, technologies, policies and procedures of the two companies. In addition, there are a large number of Inland Diversified systems that will need to be integrated into Kite Realty's systems, including property management, revenue management, tenant payment, lease administration, website content management, purchasing, accounting, payroll, fixed assets and financial reporting, which will require significant expense and diversion of management's attention from operating the business.

Although Kite Realty and Inland Diversified have assumed that a certain level of transaction and integration expenses would be incurred, there are a number of factors beyond their control that could affect the total amount or the timing of their integration expenses. Many of the expenses that will be incurred, by their nature, are difficult to estimate accurately at the present time. As a result, the transaction and integration expenses associated with the merger could, particularly in the near term, exceed the savings that the Combined Company expects to achieve from the elimination of duplicative expenses and the realization of economies of scale and cost savings related to the integration of the businesses following the completion of the merger.

*Following the merger, the Combined Company may be unable to integrate Kite Realty's business with Inland Diversified successfully and realize the anticipated synergies and other benefits of the merger or do so within the anticipated timeframe.*

The merger involves the combination of two companies that currently operate as independent public companies. Although the Combined Company is expected to benefit from certain synergies, including cost savings, the Combined Company may encounter potential difficulties in the integration process including:

the inability to successfully combine Kite Realty's business with Inland Diversified in a manner that permits the Combined Company to achieve the cost savings anticipated to result from the merger, which would result in the anticipated benefits of the merger not being realized in the timeframe currently anticipated or at all;

the complexities of combining two companies with different histories, cultures, regulatory restrictions, markets and tenant bases;

the risk of not realizing all of the anticipated operational efficiencies or other anticipated strategic and financial benefits of the merger within the expected timeframe or at all;

complexities associated with applying Kite Realty's standards, controls, procedures and policies over a significantly larger base of assets;

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potential unknown liabilities and unforeseen increased expenses, delays or regulatory conditions associated with the merger;  
and

performance shortfalls as a result of the diversion of management's attention caused by completing the merger and integrating the companies' operations.

For all these reasons, you should be aware that it is possible that the integration process could result in the distraction of the Combined Company's management, the disruption of the Combined Company's ongoing business or inconsistencies in the Combined Company's operations, services, standards, controls, procedures and policies, any of which could adversely affect the ability of the Combined Company to maintain relationships with tenants, vendors and employees or to achieve the anticipated benefits of the merger, or could otherwise adversely affect the business and financial results of the Combined Company.

***Following the merger, the Combined Company may be unable to retain key employees.***

The success of the Combined Company after the merger will depend in part upon its ability to retain key Kite Realty employees. Key employees may depart either before or after the merger because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the Combined Company following the merger. Accordingly, no assurance can be given that Kite Realty or, following the merger, the Combined Company will be able to retain key employees.

***Kite Realty's plan to sell certain of Inland Diversified's assets subsequent to closing may not close on its expected terms or at all, which could adversely impact the Combined Corporation's indebtedness and business strategy.***

Following the closing of the merger, Kite Realty plans to evaluate Inland Diversified's portfolio, dispose of certain of Inland Diversified's assets, including certain multifamily assets and Inland Diversified's securities portfolio, and utilize the proceeds to reduce the Combined Company's indebtedness. In the event that the merger is consummated but Kite Realty's plan to sell Inland Diversified's assets is not consummated on its expected terms or at all, then the indebtedness of the Combined Company will be higher than anticipated. Such an increase in indebtedness could adversely affect the Combined Company's financial condition, results of operations, its ability to raise capital and its credit ratings. Furthermore, in such event, the Combined Company would own a controlling interest in certain multi-family assets and a securities portfolio, which are assets that are not a core part of Kite Realty's strategy. Kite Realty's resulting portfolio of assets may not be perceived favorably by analysts and investors, which could adversely affect the trading price of the Combined Corporation's common shares. Additionally, the Combined Company would be subject to various risks associated with owning these assets.

***The merger will result in changes to the board of trustees of the Combined Company that may affect the strategy of the Combined Company as compared to that of Kite Realty and Inland Diversified independently.***

If the parties complete the merger, the composition of the board of trustees of the Combined Company will change. Following the closing, the Combined Company's board of trustees will consist of nine members, six of whom will be current trustees of Kite Realty and three of whom will be designated by Inland Diversified. The new composition of the board of trustees may affect the business strategy and operating decisions of the Combined Company upon the completion of the merger.

***The future results of the Combined Company will suffer if the Combined Company does not effectively manage its expanded operations following the merger.***

Following the merger, the Combined Company expects to continue to expand its operations through additional acquisitions of properties, some of which may involve complex challenges. The

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future success of the Combined Company will depend, in part, upon the ability of the Combined Company to manage its expansion opportunities, which may pose substantial challenges for the Combined Company to integrate new operations into its existing business in an efficient and timely manner, and upon its ability to successfully monitor its operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. There is no assurance that the Combined Company's expansion or acquisition opportunities will be successful, or that the Combined Company will realize its expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits.

**Risks Related to an Investment in the Combined Company's Common Shares**

***The market price of the common shares of the Combined Company may be affected by factors different from those affecting the price of Kite Realty common shares before the merger.***

Upon completion of the merger, we estimate that continuing Kite Realty common shareholders will own between 40.6% and 41.4% of the issued and outstanding common shares of the Combined Company, and former Inland Diversified stockholders will own between 58.6% and 59.4% of the issued and outstanding common shares of the Combined Company.

The results of operations of the Combined Company, as well as the market price of the common shares of the Combined Company after the merger, may be affected by factors in addition to those currently affecting Kite Realty's or Inland Diversified's results of operations and the market prices of Kite Realty common shares. These factors include:

the possibility that Inland Diversified stockholders, who prior to the merger have held Inland Diversified common stock which is not traded on a stock exchange and thus is difficult to sell, may wish to monetize their investment by selling the Kite Realty common shares they receive in the merger and thereby increase the likelihood of a decline in the market price of Kite Realty common shares;

a greater number of shares of the Combined Company outstanding as compared to the number of currently outstanding shares of Kite Realty;

different shareholders;

different markets; and

different assets and capitalizations.

Accordingly, the historical financial results of Kite Realty and Inland Diversified and the historical market prices of Kite Realty common shares may not be indicative of these matters for the Combined Company after the merger. For a discussion of the businesses of Kite Realty and Inland Diversified and certain risks to consider in connection with investing in those businesses, see the documents incorporated by reference by Kite Realty and Inland Diversified into this joint proxy statement/prospectus referred to under "Where You Can Find More Information and Incorporation by Reference" beginning on page 208.

***The market price of the Combined Company's common shares may decline as a result of the merger.***

The market price of the Combined Company's common shares may decline as a result of the merger if the Combined Company does not achieve the perceived benefits of the merger or the effect of the merger on the Combined Company's financial results is not consistent with the expectations of financial or industry analysts.

In addition, upon consummation of the merger, Kite Realty shareholders and Inland Diversified stockholders will own interests in a Combined Company operating an expanded business with a



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different mix of properties, risks and liabilities. Current shareholders of Kite Realty and Inland Diversified may not wish to continue to invest in the Combined Company, or for other reasons may wish to dispose of some or all of their shares of the Combined Company's common shares. For example, because prior to the merger holders of Inland Diversified common stock were unable to sell their shares through a stock exchange, a significant number of Inland Diversified's stockholders may wish to monetize their investment by selling the Kite Realty common shares they receive in the merger. If, following the effective time of the merger, large amounts of the Combined Company's common shares are sold, the price of the Combined Company's common shares could decline.

***After the merger is completed, Inland Diversified stockholders who receive Kite Realty common shares in the merger will have different rights that may be less favorable than their current rights as Inland Diversified stockholders.***

After the closing of the merger, Inland Diversified stockholders who receive Kite Realty common shares in the merger will have different rights than they currently have as Inland Diversified stockholders which may be less favorable than their current rights as Inland Diversified stockholders. For a detailed discussion of the significant differences between the current rights of a stockholder of Inland Diversified and the rights of a shareholder of the Combined Company following the merger, see "Comparison of Rights of Shareholders of Kite Realty and Stockholders of Inland Diversified" beginning on page 196.

***Following the merger, the Combined Company will not pay dividends at the rate currently paid by Inland Diversified and may not continue to pay dividends at or above the rate currently paid by Kite Realty.***

Following the merger, stockholders of Inland Diversified will not receive dividends at the same rate that they did as stockholders of Inland Diversified. The Kite Realty Board has historically chosen to pay a lower percentage of its earnings to its shareholders in the form of distributions than Inland Diversified and instead uses a greater portion of such earnings to fund additional growth and for other purposes. Inland Diversified has historically paid a much higher percentage of its earnings in distributions. For example, as disclosed in each of their Form 10-Ks filed with the SEC, for the year ended December 31, 2013, Kite Realty paid 46.4% of its funds from operations in distributions, and retained the balance for future growth opportunities, while Inland Diversified paid 78.5% of its funds from operations in distributions. Due to these differing payout practices, Inland Diversified has historically paid distributions at a higher distribution rate per share than Kite Realty and retained fewer earnings for future investments. For example, based on a \$10 purchase price, each holder of Inland Diversified common stock currently receives distributions at an annual rate of 6%. Based on the Kite Realty share price as of the date of the merger agreement, Kite Realty currently pays distributions at an annual distribution rate of approximately 4.2%. Inland Diversified stockholders should initially expect a reduction in the annual distribution rate on their investment as a result of the merger. In addition, Kite Realty has historically paid distributions quarterly, rather than monthly as has been Inland Diversified's practice.

In addition, Kite Realty shareholders may not receive dividends at the same rate that they did prior to the merger.

Decisions on whether, when and in what amounts to make any future dividends will remain at all times entirely at the discretion of Kite Realty's board of trustees, which reserves the right to change Kite Realty's dividend practices at any time and for any reason. Changes to dividend practices may occur for various reasons, including the following:

the Combined Company may not have enough cash to pay such dividends due to changes in the Combined Company's cash requirements, capital spending plans, cash flow or financial position; and

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the amount of dividends that the Combined Company's subsidiaries may distribute to the Combined Company may be subject to restrictions imposed by state law and restrictions imposed by the terms of any current or future indebtedness that these subsidiaries may incur.

Shareholders of the Combined Company will have no contractual or other legal right to dividends that have not been declared by the Combined Company's board of directors.

***Counterparties to certain agreements with Inland Diversified may exercise contractual rights under such agreements in connection with the merger.***

Inland Diversified is a party to certain loan agreements that give the counterparty lender certain rights, including notice and consent rights, in connection with the merger. Any such counterparty lender may request modifications of its loan agreements or payment of a fee as a condition to granting a waiver or consent under the agreements. There can be no assurance that such lender counterparties will not exercise their rights under these loans agreements or that the exercise of any such rights under, or modification of, these agreements will not adversely affect the business or operations of the Combined Company.

***The unaudited pro forma combined condensed financial information included elsewhere in this joint proxy statement/prospectus may not be representative of the Combined Company's results after the merger, and accordingly, you have limited financial information on which to evaluate the Combined Company.***

The unaudited pro forma combined condensed financial information included elsewhere in this joint proxy statement/prospectus has been presented for informational purposes only and is not necessarily indicative of the financial position or results of operations that actually would have occurred had the merger and certain other transactions expected to be consummated immediately following the merger been completed as of the date indicated, nor is it indicative of the future operating results or financial position of the Combined Company. The unaudited pro forma combined condensed financial information does not reflect future events that may occur after the merger and the other transactions expected to be consummated in connection with the merger, including the costs related to the planned integration of the two companies and any future nonrecurring charges resulting from the merger and the other transactions expected to be consummated immediately following the merger, and does not consider potential impacts of current market conditions on revenues or expense efficiencies. The unaudited pro forma combined condensed financial information presented elsewhere in this joint proxy statement/prospectus is based in part on certain assumptions regarding the merger and the other transactions expected to be consummated in connection with the merger that Kite Realty and Inland Diversified believe are reasonable under the circumstances. Kite Realty and Inland Diversified cannot assure you that the assumptions will prove to be accurate over time.

***The Combined Company will have a significant amount of indebtedness following the merger and may need to incur more in the future.***

The Combined Company will have substantial indebtedness following completion of the merger. In addition, in connection with executing the Combined Company's business strategies following the merger, the Combined Company expects to continue to evaluate the possibility of acquiring additional properties and making strategic investments, and the Combined Company may elect to finance these endeavors by incurring additional indebtedness. The amount of such indebtedness could have material adverse consequences for the Combined Company, including:

hindering the Combined Company's ability to adjust to changing market, industry or economic conditions;

limiting the Combined Company's ability to access the capital markets to raise additional equity or refinance maturing debt on favorable terms or to fund acquisitions;

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limiting the amount of free cash flow available for future operations, acquisitions, dividends, stock repurchases or other uses;

making the Combined Company more vulnerable to economic or industry downturns, including interest rate increases; and

placing the Combined Company at a competitive disadvantage compared to less leveraged competitors.

Moreover, to respond to competitive challenges, the Combined Company may be required to raise substantial additional capital to execute its business strategy. The Combined Company's ability to arrange additional financing will depend on, among other factors, the Combined Company's financial position and performance, as well as prevailing market conditions and other factors beyond the Combined Company's control. If the Combined Company is able to obtain additional financing, the Combined Company's credit ratings could be further adversely affected, which could further raise the Combined Company's borrowing costs and further limit its future access to capital and its ability to satisfy its obligations under its indebtedness.

***The increase in Kite Realty's authorized shares of beneficial interest may have anti-takeover effects.***

The increase in the authorized number of common shares of beneficial interest of Kite Realty could have possible anti-takeover effects. These authorized but unissued shares could (within the limits imposed by applicable law and NYSE rules) be issued in one or more transactions that could make a change of control of Kite Realty more difficult, and therefore more unlikely. The additional authorized shares could be used to discourage persons from attempting to gain control of Kite Realty by diluting the voting power of shares then outstanding or increasing the voting power of persons who would support the Kite Realty Board in a potential takeover situation, including by preventing or delaying a proposed business combination that is opposed by the Kite Realty Board although perceived to be desirable by some stockholders.

**Risks Related to Tax**

***Kite Realty may incur adverse tax consequences if Kite Realty has failed or fails, or if Inland Diversified has failed, to qualify as a REIT for U.S. federal income tax purposes.***

Each of Kite Realty and Inland Diversified has operated in a manner that it believes has allowed it to qualify as a REIT for U.S. federal income tax purposes under the Code and intends to continue to do so through the time of the merger. Kite Realty intends to operate in a manner that it believes allows it to qualify as a REIT after the merger. Neither Kite Realty nor Inland Diversified has requested or plans to request a ruling from the IRS that it qualifies as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The complexity of these provisions and of the applicable Treasury Regulations that have been promulgated under the Code is greater in the case of a REIT that holds its assets through a partnership (such as Kite Realty does and will continue to do after the merger). The determination of various factual matters and circumstances not entirely within the control of Kite Realty or Inland Diversified may affect its ability to qualify as a REIT. In order to qualify as a REIT, each of Kite Realty and Inland Diversified must satisfy a number of requirements, including requirements regarding the ownership of its stock and the composition of its gross income and assets. Also, a REIT must make distributions to stockholders aggregating annually at least 90% of its net taxable income, excluding any net capital gains.



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If Kite Realty loses its REIT status, or is determined to have lost its REIT status in a prior year, it will face serious tax consequences that would substantially reduce its cash available for distribution, including cash available to pay dividends to its stockholders, because:

it would be subject to U.S. federal income tax on its net income at regular corporate rates for the years it did not qualify for taxation as a REIT (and, for such years, would not be allowed a deduction for dividends paid to stockholders in computing its taxable income);

it could be subject to the federal alternative minimum tax and possibly increased state and local taxes for such periods;

unless it is entitled to relief under applicable statutory provisions, neither it nor any "successor" corporation, trust or association could elect to be taxed as a REIT until the fifth taxable year following the year during which it was disqualified;

if it were to re-elect REIT status, it would have to distribute all earnings and profits from non-REIT years before the end of the first new REIT taxable year; and

for the ten years following re-election of REIT status, upon a taxable disposition of an asset owned as of such re-election, it would be subject to corporate level tax with respect to any built-in gain inherent in such asset at the time of re-election.

Even if Kite Realty retains its REIT status, if Inland Diversified loses its REIT status for a taxable year before the merger, Kite Realty will face serious tax consequences that would substantially reduce its cash available for distribution, including cash available to pay dividends to its stockholders, because:

unless it is entitled to relief under applicable statutory provisions, Kite Realty, as the "successor" trust to Inland Diversified, could not elect to be taxed as a REIT until the fifth taxable year following the year during which Inland Diversified was disqualified;

Kite Realty, as the successor by merger to Inland Diversified, would be subject to any corporate income tax liabilities of Inland Diversified, including penalties and interest;

assuming that Kite Realty otherwise maintained its REIT qualification, Kite Realty would be subject to tax on the built-in gain on each asset of Inland Diversified existing at the time of the merger if Kite Realty were to dispose of the Inland Diversified asset for up to ten years following the merger; and

assuming that Kite Realty otherwise maintained its REIT qualification, Kite Realty would succeed to any earnings and profits accumulated by Inland Diversified for taxable periods that it did not qualify as a REIT, and Kite Realty would have to pay a special dividend and/or employ applicable deficiency dividend procedures (including interest payments to the IRS) to eliminate such earnings and profits.

In addition, if there is an adjustment to Inland Diversified's taxable income or dividends paid deductions, Kite Realty could elect to use the deficiency dividend procedure in order to maintain Inland Diversified's REIT status. That deficiency dividend procedure could require Kite Realty to make significant distributions to its shareholders and to pay significant interest to the IRS.

As a result of these factors, Kite Realty's failure (before or after the merger), or Inland Diversified's failure (before the merger), to qualify as a REIT could impair Kite Realty's ability after the merger to expand its business and raise capital, and would materially adversely affect the value of Kite Realty's common shares.

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***In certain circumstances, even if Kite Realty qualifies as a REIT, it and its subsidiaries may be subject to certain U.S. federal, state and other taxes, which would reduce Kite Realty's cash available for distribution to its stockholders.***

Even if Kite Realty has qualified, and, after the merger, continues to qualify, as a REIT, it may be subject to U.S. federal, state, or other taxes. For example, net income from the sale of properties that are "dealer" properties sold by a REIT (a "prohibited transaction" under the Code) will be subject to a 100% tax. In addition, Kite Realty may not be able to make sufficient distributions to avoid income and excise taxes applicable to REITs. Alternatively, Kite Realty may decide to retain capital gain income it earns from the sale or other disposition of its property and pay income tax directly on such income. In that event, Kite Realty's stockholders would be treated as if they earned that income and paid the tax on it directly. Kite Realty and its subsidiaries may also be subject to U.S. federal taxes other than U.S. federal income taxes, as well as state and local taxes (such as state and local income and property taxes), either directly or at the level of its operating partnership, or at the level of the other companies through which Kite Realty indirectly owns its assets. Any U.S. federal or state taxes Kite Realty (or any of its subsidiaries) pays will reduce cash available for distribution by the Combined Company to stockholders. See "The Merger U.S. Federal Income Tax Considerations Material U.S. Federal Income Tax Considerations Related to Kite Realty Common Shares" beginning on page 121.

***The merger may have adverse tax consequences.***

The parties intend that the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code, and they will receive legal opinions to that effect from their respective counsel, Hogan Lovells US LLP and Alston & Bird LLP. These tax opinions represent the legal judgment of counsel rendering the opinion and are not binding on the IRS or the courts. If the merger were to fail to qualify as a reorganization, then an Inland Diversified stockholder generally would recognize gain or loss, as applicable, equal to the difference between (i) the sum of the fair market value of the Kite Realty common shares and cash in lieu of fractional Kite Realty common shares received by the Inland Diversified stockholder in the merger; and (ii) the Inland Diversified stockholder's adjusted tax basis in its Inland Diversified common stock. See "The Merger U.S. Federal Income Tax Considerations Material U.S. Federal Income Tax Consequences of the Merger" beginning on page 118.

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS**

This joint proxy statement/prospectus and the documents incorporated by reference into this joint proxy statement/prospectus contain forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. Certain statements that are not in the present or past tense or that discuss Kite Realty's and/or Inland Diversified's expectations (including any use of the words "anticipate," "assume," "believe," "estimate," "expect," "forecast," "guidance," "intend," "may," "might," "outlook," "project", "should" or similar expressions) are forward-looking statements within the meaning of the federal securities laws and as such are based upon current beliefs as to the outcome and timing of future events. These forward-looking statements, which are based on current expectations, estimates and projections about the industry and markets in which Kite Realty and Inland Diversified operate and beliefs of and assumptions made by their respective management, involve uncertainties that could significantly affect the financial results of Kite Realty, Inland Diversified or the Combined Company. There can be no assurance that actual future developments affecting Kite Realty, Inland Diversified or the Combined Company will be those anticipated by Kite Realty or Inland Diversified. Examples of forward-looking statements include expectations as to the timing of the closing of the merger and the anticipated property and security dispositions intended to be made by Kite Realty and Inland Diversified, estimated cash capitalization rates, anticipated administrative and operating synergies and other benefits from the merger and the increased scale from the Combined Company, the anticipated impact of the merger on net debt ratios, credit ratings, cost of capital, projected fully diluted FFO, projected adjusted FFO, share of depreciation and amortization, reported FFO per share, projected net operating income, internal rates of return, future dividend payment rates, forecasts of FFO accretion, projected capital improvements, expected sources of financing, and descriptions relating to these expectations. These forward-looking statements involve risks and uncertainties (some of which are beyond the control of Kite Realty or Inland Diversified) and are subject to change based upon various factors including, but not limited to, the following risks and uncertainties:

changes in the real estate industry and in performance of the financial markets and interest rates;

the demand for and market acceptance of either company's properties for rental purposes;

the ability of either company to enter into new leases or renewal leases on favorable terms;

the amount and growth of either company's expenses; tenant financial difficulties and general economic conditions, including interest rates, as well as economic conditions and competition in those areas where either company owns properties;

risks associated with joint venture partners;

risks associated with the ownership and development of real property;

the outcome of claims and litigation involving or affecting either company;

increases in each company's and the Combined Company's cost of borrowing as a result of changes in interest rates and other factors;

the ability of each company and the Combined Company to pay down, refinance, restructure and/or extend its indebtedness as it becomes due;

the ability to satisfy conditions necessary to close pending transactions and the ability to successfully integrate pending transactions;

applicable regulatory changes;

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risks associated with acquisitions, including the integration of the Combined Company's businesses;

risks associated with achieving expected revenue synergies, cost savings and other benefits from the merger and the increased scale of the Combined Company;

risks associated with the companies' ability to consummate the merger and the timing of the closing of the merger;

each company's ability and willingness to maintain its qualification as a REIT due to economic, market, legal, tax or other considerations; and

other risks and uncertainties detailed from time to time in Kite Realty's or Inland Diversified's SEC filings.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, the business, financial condition, liquidity, cash flows and financial results of either company could differ materially from those expressed in the forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made. New risks and uncertainties arise over time, and it is not possible for us to predict the occurrence of those matters or the manner in which they may affect us. Kite Realty does not undertake to update forward-looking statements except as may be required by law.

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**THE COMPANIES**

**Kite Realty Group Trust**

Kite Realty is a full-service, vertically integrated REIT engaged in the ownership, operation, management, leasing, acquisition, construction, redevelopment and development of neighborhood and community shopping centers in selected markets in the United States. At December 31, 2013, the company owned interests in a portfolio of 72 operating and redevelopment properties totaling approximately 12.4 million square feet and two properties currently under development totaling 0.8 million square feet. Kite Realty's primary business objectives are to increase the cash flow and consequently the value of its properties, achieve sustainable long-term growth and maximize shareholder value primarily through the operation, development, redevelopment and select acquisition of well-located community and neighborhood shopping centers.

Kite Realty conducts all of its business through its operating partnership, Kite Realty OP, of which Kite Realty is the sole general partner, and its subsidiaries. As of December 31, 2013, Kite Realty held a 95.0% interest in Kite Realty OP.

Kite Realty's common shares are listed on the NYSE, trading under the symbol "KRG."

Kite Realty was formed as a REIT in the state of Maryland in 2004, and Kite Realty OP was formed as a limited partnership in the state of Delaware in 2004. Kite's principal executive offices are located at 30 S. Meridian Street, Suite 1100, Indianapolis, Indiana 46204, and its telephone number is (317) 577-5600.

Merger Sub, a wholly owned subsidiary of Kite Realty, is a Maryland limited liability company formed on February 5, 2014, solely for the purpose of effecting the merger. Upon completion of the merger, Inland Diversified will be merged with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Kite Realty. Merger Sub has not conducted any activities other than those incidental to its formation and the matters contemplated by the merger agreement.

Additional information about Kite Realty and its subsidiaries is included in documents incorporated by reference into this joint proxy statement/prospectus. See "Where You Can Find More Information and Incorporation by Reference" beginning on page 208.

**Inland Diversified Real Estate Trust, Inc.**

Inland Diversified is a public, non-traded REIT. Inland Diversified was formed to acquire and manage commercial real estate located in the United States and Canada. Inland Diversified focuses primarily on the acquisition and management of retail properties and, to a lesser extent, other property types including office, industrial and multi-family properties. Inland Diversified owns these assets directly or indirectly through interests in REITs or other real estate operating companies or joint ventures.

As of April 24, 2014, Inland Diversified owned 72 retail properties and two office properties, which includes 24 multi-family units, collectively totaling 11 million square feet, and two multi-family properties with a total of 420 units. Following the completion of Inland Diversified's announced disposition of its single-tenant net lease portfolio, assuming the sale of all of the properties contemplated to be sold thereby and no other acquisitions or dispositions, Inland Diversified will own 59 retail properties, which includes 24 multi-family units, collectively totaling approximately 10.6 million square feet, and two multi-family properties totaling 420 units.

On August 24, 2009, Inland Diversified commenced its initial public offering on a "best efforts" basis of up to \$5.0 billion in shares of its common stock to the public in its primary offering at \$10.00 per share and up to \$475 million in shares of its common stock to its stockholders pursuant to its

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distribution reinvestment plan at \$9.50 per share. The primary offering terminated on August 23, 2012, and effective November 13, 2013, the Inland Diversified Board suspended the Inland Diversified distribution reinvestment plan. Inland Diversified sold 119,839,478 shares of its common stock, including 9,353,542 shares issued pursuant to its distribution reinvestment plan, in its public offering, resulting in aggregate gross offering proceeds of approximately \$1.18 billion.

Inland Diversified's sponsor, IREIC, is a subsidiary of The Inland Group, Inc. Inland Diversified is externally managed and advised by the Business Manager, a wholly owned subsidiary of IREIC. Inland Diversified's properties are managed by the Property Managers.

Inland Diversified was formed as a Maryland corporation in June 2008 and has elected to be taxed as a REIT for U.S. federal income tax purposes commencing with the tax year ended December 31, 2009. Inland Diversified's offices are located at 2901 Butterfield Road, Oak Brook, Illinois 60523, and its toll free telephone number is (800) 826-8228. Because it is externally managed and advised, Inland Diversified has no employees.

Additional information about Inland Diversified and its subsidiaries, including but not limited to information regarding its business, properties, legal proceedings, financial statements, financial condition and results of operations, changes in and disagreements with accountants on accounting and financial disclosure, market risk, stock ownership of beneficial owners and management, directors and executive officers, executive compensation and related party transactions is set forth in Inland Diversified's annual report on Form 10-K for the fiscal year ended December 31, 2013, which is included herewith as *Annex F*, and which is incorporated herein by reference. See also "Where You Can Find More Information and Incorporation by Reference" beginning on page 208.

### **The Combined Company**

The Combined Company will retain the name "Kite Realty Group Trust" and will continue to be a Maryland real estate investment trust. The Combined Company will continue to be a publicly traded REIT engaged in the ownership, operation, management, leasing, acquisition, construction, redevelopment and development of neighborhood and community shopping centers in selected markets in the United States. The Combined Company is expected to have a pro forma equity market capitalization of approximately \$2.1 billion and an enterprise value of approximately \$3.9 billion. We currently expect that after the merger, the Combined Company's asset base will consist primarily of interests in a portfolio of 131 retail operating, development and redevelopment properties totaling approximately 20.3 million square feet across 26 states, assuming the completion of Inland Diversified's announced disposition of its single-tenant net lease portfolio prior to the merger. The Combined Company's portfolio will be concentrated in select core markets in Florida, Indiana, Texas and throughout the southeastern United States.

The Combined Company will conduct all of its business through Kite Realty OP. The Combined Company will own an approximately 98.0% partnership interest in Kite Realty OP.

The common stock of the Combined Company will continue to be listed on the NYSE, trading under the symbol "KRG."

The Combined Company's principal executive offices will continue to be located at 30 S. Meridian Street, Suite 1100, Indianapolis, Indiana 46204, and its telephone number will be (317) 577-5600.

### **Combined Company Property Portfolio Information**

The Combined Company is expected to have a pro forma equity market capitalization of approximately \$2.1 billion and an enterprise value of approximately \$3.9 billion. Assuming completion

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of Inland Diversified's sale of its single-tenant portfolio, we currently expect that the Combined Company will own 131 retail properties with approximately 20.3 million square feet in 26 states.

The geographic diversification and property-type diversification of the Combined Company's real estate by annualized base rent is expected to be as set forth in the charts below upon the closing of the merger:

#### **Geographic Diversification by Annual Base Rent(1)(2)(3)**

#### **Property-Type Diversification by Annual Base Rent(1)(2)**

- 
- (1) Includes development and redevelopment and pro forma for Kite Realty's sale of 50th & 12th and Inland Diversified's announced sale of its single-tenant portfolio to Realty Income.
- (2) Kite Realty excludes ground leases; Inland Diversified includes ground leases.
- (3) Geographic diversification excludes Kite Realty's two commercial properties.



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**THE KITE REALTY SPECIAL MEETING**

**Date, Time and Place**

The Kite Realty special meeting will be held at Kite Realty headquarters, 30 S. Meridian Street, Eighth Floor, Indianapolis, Indiana 46204, on June 24, 2014, at 9:00 a.m., Eastern Time.

**Purpose of the Kite Realty Special Meeting**

At the Kite Realty special meeting, Kite Realty shareholders will be asked to consider and vote upon the following matters:

a proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement;

a proposal to approve the Kite Realty declaration of trust amendment to increase the authorized common shares of beneficial interest of Kite Realty from 200,000,000 to 450,000,000; and

a proposal to approve one or more adjournments of the Kite Realty special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the share issuance proposal and the Kite Realty declaration of trust amendment proposal.

**Recommendation of the Kite Realty Board**

After careful consideration, the Kite Realty Board has unanimously (i) determined that the terms of the merger agreement and the transactions contemplated thereby are in the best interests of Kite Realty and its shareholders, and (ii) approved, adopted and declared advisable the merger agreement and the merger and approved, adopted and declared advisable the Kite Realty declaration of trust amendment. Certain factors considered by the Kite Realty Board in reaching its decision to approve and adopt the merger agreement and the merger can be found in the section of this joint proxy/statement/prospectus entitled "The Merger Recommendation of the Kite Realty Board and Its Reasons for the Merger" beginning on page 80.

**The Kite Realty Board unanimously recommends that Kite Realty shareholders vote FOR the proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement, FOR the proposal to approve the Kite Realty declaration of trust amendment and FOR the proposal to approve one or more adjournments of the Kite Realty special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the proposals to approve the issuance of Kite Realty common shares pursuant to the merger agreement and to approve the Kite Realty declaration of trust amendment.**

**Kite Realty Record Date; Who Can Vote at the Kite Realty Special Meeting**

Only Kite Realty shareholders of record at the close of business on the record date, May 5, 2014, or their duly appointed proxies, are entitled to receive notice of the Kite Realty special meeting and to vote the shares of Kite Realty common shares that they held on the record date at the Kite Realty special meeting, or any postponement or adjournment of the Kite Realty special meeting. The only class of shares that can be voted at the Kite Realty special meeting is Kite Realty common shares. Each Kite Realty common share is entitled to one vote on all matters that come before the shareholders at the Kite Realty special meeting.

Shareholders who attend the meeting may be asked to present valid photo identification, such as a driver's license or passport, before being admitted. Cameras, recording devices and other electronic devices will not be permitted at the meeting. Shareholders who hold their shares in "street name" (that is, through a bank, broker or other nominee) will need to bring a copy of the brokerage statement reflecting their stock ownership as of May 5, 2014.



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On April 24, 2014, there were approximately 131,527,053 Kite Realty common shares outstanding and entitled to vote at the Kite Realty special meeting.

**Quorum**

A quorum of Kite Realty shareholders is necessary to hold a valid special meeting. The presence in person or by proxy of shareholders entitled to cast a majority of all the votes entitled to be cast at such meeting shall constitute a quorum. On April 24, 2014, there were 131,527,053 Kite Realty common shares outstanding and entitled to vote. Thus, assuming no change in the number of shares outstanding as of the record date, 65,763,527 Kite Realty common shares must be represented by shareholders present in person or by proxy at the Kite Realty special meeting to have a quorum for the Kite Realty special meeting.

Abstentions and any broker non-votes will be counted towards the quorum requirement. If there is no quorum, the shareholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the Kite Realty special meeting to another date. The chairman of the Kite Realty special meeting also has the power to adjourn the Kite Realty special meeting under Kite Realty's bylaws.

**Vote Required for Approval**

Approval of the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement requires the affirmative vote of a majority of votes cast on the matter by holders of outstanding Kite Realty common shares.

Approval of the Kite Realty declaration of trust amendment to increase the total number of authorized Kite Realty common shares requires the affirmative vote of the holders of two-thirds of the outstanding Kite Realty common shares.

Approval of one or more adjournments of the Kite Realty special meeting requires the affirmative vote of the holders of a majority of the votes cast on the matter, whether or not a quorum is present.

**Abstentions and Broker Non-Votes**

If you are a Kite Realty shareholder and fail to vote, fail to instruct your broker, bank or nominee to vote, or abstain from voting:

With respect to the proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement, it will have no effect on the result of the vote on this proposal provided that a quorum is otherwise present, although abstentions will be considered present for the purpose of determining the presence of a quorum;

With respect to the proposal to approve the Kite Realty declaration of trust amendment proposal, it will have the same effect as a vote "AGAINST" the proposal; and

With respect to the adjournment proposal, if you are present in person or by proxy at the shareholders' meeting but a quorum is not present, it will have the same effect as a vote "AGAINST" the proposal, and if you are not present in person or by proxy at the shareholders' meeting or a quorum is present, it will not have an effect on the proposal.

Banks, brokers and other nominees that hold their customers' shares in street name may not vote their customers' shares on "non-routine" matters without instructions from their customers. As each of the proposals to be voted upon at the Kite Realty special meeting is considered "non-routine," such organizations do not have discretion to vote on any of the proposals. As a result, if you fail to provide your broker, bank or other nominee with any instructions regarding how to vote your Kite Realty

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common shares, your Kite Realty common shares will not be considered present at the Kite Realty special meeting and will not be voted on any of the proposals.

A broker non-vote occurs when shares held in "street name" by a broker, bank, or nominee that are present in person or represented by proxy at the meeting, but with respect to which the broker, bank or nominee is not instructed by the beneficial owner of such shares to vote on a particular proposal and the broker, bank, or nominee does not have discretionary voting power on such proposal. Because all proposals for the Kite Realty special meeting are "non-routine", broker non-votes will only occur with respect to a proposal in the event that a broker receives voting instructions for one proposal, but not with respect to another proposal. Please see " Shares held in "Street Name""for a discussion of how to vote your shares held in "street name."

**Voting by Kite Realty Trustees, Executive Officers and Significant Shareholders**

At the close of business on April 24, 2014, trustees and executive officers of Kite Realty and their affiliates were entitled to vote 1,768,160 Kite Realty common shares, or approximately 1.3% of the Kite Realty common shares issued and outstanding on that date. Kite Realty currently expects that the Kite Realty trustees and executive officers will vote their Kite Realty common shares in favor of the Kite Realty share issuance proposal, the declaration of trust amendment proposal and the adjournment proposal to be considered at the Kite Realty special meeting, although none of them is obligated to do so.

**Manner of Submitting Proxy**

Whether you plan to attend the Kite Realty special meeting in person, you should submit your proxy as soon as possible.

If you own Kite Realty common shares in your own name, you are an owner or holder of record. This means that you may use the enclosed proxy card or the Internet or telephone voting options to tell the persons named as proxies how to vote your Kite Realty common shares. You have four voting options:

**In Person.** To vote in person, come to the Kite Realty special meeting and you will be able to vote by ballot. To ensure that your Kite Realty common shares are voted at the Kite Realty special meeting, the Kite Realty Board recommends that you submit a proxy even if you plan to attend the Kite Realty special meeting.

**Mail.** To vote using the enclosed proxy card, simply complete, sign and date the enclosed proxy card and return it promptly in the enclosed return envelope. If you return your signed proxy card to Kite Realty before the Kite Realty special meeting, Kite Realty will vote your Kite Realty common shares as you direct.

**Telephone.** To vote by telephone, dial the toll-free telephone number located on the enclosed proxy card using a touch-tone phone and follow the recorded instructions. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. Eastern Time on June 23, 2014 to be counted.

**Internet.** To vote over the Internet, go to the web address located on the enclosed proxy card to complete an electronic proxy card. You will be asked to provide the company number and control number from the enclosed proxy card. Your vote must be received by 11:59 p.m. Eastern Time on June 23, 2014 to be counted.

The Internet and telephone voting options available to holders of record are designed to authenticate Kite Realty shareholders' identities, to allow Kite Realty shareholders to give their proxy voting instructions and to confirm that these instructions have been properly recorded. Proxies

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submitted over the Internet or by telephone through such a program must be received by 11:59 p.m. Eastern Time on June 23, 2014 (or in the event of an adjournment or postponement, such later date as shall be established). Submitting a proxy will not affect your right to vote in person if you decide to attend the Kite Realty special meeting.

If a proxy card is signed and returned without an indication as to how the Kite Realty common shares represented by the proxy are to be voted with regard to a particular proposal, the Kite Realty common shares represented by the proxy will be voted **FOR** each such proposal. As of the date of this joint proxy statement/prospectus, Kite Realty has no knowledge of any business that will be presented for consideration at the Kite Realty special meeting and which would be required to be set forth in this joint proxy statement/prospectus other than the matters set forth in the accompanying Notice of Special Meeting of Shareholders of Kite Realty. In accordance with the Kite Realty bylaws and Maryland law, business transacted at the Kite Realty special meeting will be limited to those matters set forth in such notice.

**Your vote as a Kite Realty shareholder is important. Accordingly, please sign and return the enclosed proxy card whether or not you plan to attend the Kite Realty special meeting in person.**

**Shares held in "Street Name"**

If a Kite Realty shareholder holds Kite Realty common shares in a stock brokerage account or if its shares are held by a bank or nominee (that is, in "street name"), in order for the shares to be voted, such shareholder must provide the record holder of its shares with instructions on how to vote its shares of Kite Realty common shares. Kite Realty shareholders should follow the voting instructions provided by their broker, bank or nominee. Without such instructions, your shares will NOT be voted on any of the proposals to be voted upon at the Kite Realty special meeting, which will have the same effect as described above under " Abstentions and Broker Non-Votes." Please note that Kite Realty shareholders may not vote Kite Realty common shares held in street name by returning a proxy card directly to Kite Realty or by voting in person at the Kite Realty special meeting unless they provide a "legal proxy," which Kite Realty shareholders must obtain from their broker, bank or nominee. Further, brokers, banks or nominees who hold Kite Realty common shares on behalf of their customers may not give a proxy to Kite Realty to vote those shares without specific instructions from their customers. If a Kite Realty shareholder does not instruct its broker, bank or nominee to vote with respect to a proposal, then the broker, bank or nominee may not vote those shares in respect of that proposal, and it will have the effects described above under " Abstentions and Broker Non-Votes."

**Revocation of Proxies or Voting Instructions**

Your grant of a proxy on the enclosed proxy card or through one of the alternative methods discussed above does not prevent you from voting in person or otherwise revoking your proxy at any time before it is voted at the Kite Realty special meeting. If your Kite Realty common shares are registered in your own name, you may revoke your proxy in one of the following ways by:

submitting notice in writing to Kite Realty's Secretary at 30 S. Meridian Street, Suite 1100, Indianapolis, Indiana 46204, that you are revoking your proxy that bears a date later than the date of the proxy that you are revoking and that is received before the Kite Realty special meeting;

submitting another proxy card bearing a later date and mailing it so that it is received before the Kite Realty special meeting;

submitting another proxy using the Internet or telephone voting procedures; or

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attending the Kite Realty special meeting and voting in person, although simply attending the Kite Realty special meeting will not revoke your proxy, as you must deliver a notice of revocation or vote at the Kite Realty special meeting in order to revoke a prior proxy.

Your last vote is the vote that will be counted.

If you have instructed a broker, bank or other nominee to vote your Kite Realty common shares, you must follow the directions received from your broker, bank or other nominee if you wish to change your vote.

If you have questions about how to vote or revoke your proxy, you should contact Kite Realty's proxy solicitor, Morrow, toll-free at (800) 460-1014.

**Tabulation of Votes**

Kite Realty will appoint an inspector of election for the Kite Realty special meeting to tabulate affirmative and negative votes, broker non-votes and abstentions.

**Solicitation of Proxies; Payment of Solicitation Expenses**

Kite Realty is soliciting proxies for the Kite Realty special meeting from Kite Realty shareholders. Kite Realty will bear the entire cost of soliciting proxies from Kite Realty shareholders. In addition to this mailing, Kite Realty's trustees and officers may solicit proxies by telephone, by facsimile, by mail, over the Internet or in person. They will not be paid any additional amounts for soliciting proxies. Arrangements also will be made with brokerage firms and other custodians, nominees and fiduciaries to forward proxy solicitation materials to the beneficial owners of Kite Realty common shares held of record by those persons, and Kite Realty will reimburse these brokerage firms, custodians, nominees and fiduciaries for related, reasonable out-of-pocket expenses they incur.

Kite Realty has engaged Morrow to assist in the solicitation of proxies for the Kite Realty special meeting and will pay Morrow a fee of approximately \$25,000, plus reimbursement of out-of-pocket expenses and will indemnify Morrow and its affiliates against certain claims, liabilities, losses, damages and expenses. The address of Morrow is 470 West Avenue, Stamford, CT 06902. You can call Morrow toll-free at (800) 460-1014.

**Adjournment**

In addition to the other proposals being considered at the Kite Realty special meeting, Kite Realty shareholders are also being asked to approve a proposal that will give the Kite Realty Board authority to adjourn the Kite Realty special meeting, if necessary or appropriate in the view of the Kite Realty Board, to solicit additional proxies in favor of the other proposals if there are not sufficient votes at the time of such adjournment to approve such proposals. If this proposal is approved, the Kite Realty special meeting could be successively adjourned to any date, not later than 120 days after the record date for the Kite Realty special meeting. In addition, the Kite Realty Board could postpone the Kite Realty special meeting before it commences, whether for the purpose of soliciting additional proxies or for other reasons. If the Kite Realty special meeting is adjourned for the purpose of soliciting additional proxies, shareholders who have already submitted their proxies will be able to revoke them at any time prior to their use.

If a quorum does not exist, the shareholders entitled to vote at such meeting, present in person or by proxy, shall have the power to adjourn the Kite Realty special meeting to another place, date or time. If a quorum exists, but there are not enough affirmative votes to approve any other proposal, the Kite Realty special meeting may be adjourned if the votes cast, in person or by proxy, at the Kite Realty special meeting in favor of the adjournment proposal exceed the votes cast, in person or by

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proxy, against the adjournment proposal. In addition, the chairman of the Kite Realty special meeting also has the power to adjourn the Kite Realty special meeting under Kite Realty's bylaws.

### **Assistance**

If you need assistance in completing your proxy card or have questions regarding the various voting options with respect to the Kite Realty special meeting, please contact Kite Realty's proxy solicitor:

Morrow & Co., LLC  
470 West Avenue  
Stamford, CT 06902  
Telephone:  
Shareholders: (800) 460-1014  
Banks and Brokers: (203) 658-9400

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**PROPOSALS SUBMITTED TO KITE REALTY SHAREHOLDERS**

**Approval of Share Issuance Pursuant to the Merger Agreement**

*(Proposal 1 on the Kite Realty Proxy Card)*

Kite Realty shareholders are asked to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement. For a summary of and detailed information regarding this proposal, see the information about the merger agreement and the issuance of Kite Realty common shares in the merger throughout this joint proxy statement/prospectus, including the information set forth in sections entitled "The Merger" beginning on page 64 and "The Merger Agreement" beginning on page 150. A copy of the merger agreement is attached as *Annex A* to this joint proxy statement/prospectus and incorporated herein by reference.

Pursuant to the merger agreement, approval of this proposal is a condition to the closing of the merger. If this proposal is not approved, the merger will not be completed.

Approval of the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement requires the affirmative vote of a majority of votes cast on the matter by holders of outstanding Kite Realty common shares.

**Recommendation of the Kite Realty Board**

**The Kite Realty Board unanimously recommends that Kite Realty shareholders vote FOR the proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement.**

**Approval of the Declaration of Trust Amendment**

*(Proposal 2 on the Kite Realty Proxy Card)*

The Kite Realty declaration of trust currently allows Kite Realty to issue up to 200,000,000 common shares of beneficial interest, \$0.01 par value per share, and 40,000,000 preferred shares of beneficial interest, \$0.01 par value per share. As of April 24, 2014, Kite Realty had 131,527,053 common shares outstanding, held by 243 holders of record.

Kite Realty expects to issue between 194.4 million and 201.1 million common shares in connection with the merger. On a pro forma basis, upon completion of the merger, Kite Realty will have between 325.9 million and 332.6 million common shares outstanding, and 2.0 million common shares reserved for issuance pursuant to outstanding equity awards.

In order to provide Kite Realty with additional Kite Realty common shares sufficient to complete the merger and to have additional shares available in the future for issuance, the Kite Realty Board adopted a resolution approving and declaring advisable and in the best interests of Kite Realty and its shareholders the Kite Realty declaration of trust amendment to increase the total number of authorized common shares of beneficial interest from 200,000,000 to 450,000,000. The Kite Realty Board further directed that the proposed action be submitted for consideration by Kite Realty's shareholders.

The proposed Kite Realty declaration of trust amendment would delete the current Section 6.1 of the Kite Realty declaration of trust and replace it with the following:

"Section 6.1 *Authorized Shares.* The beneficial interest of the Trust shall be divided into shares of beneficial interest (the "Shares"). The Trust has authority to issue 450,000,000 common shares of beneficial interest, \$0.01 par value per share ("Common Shares"), and 40,000,000 preferred shares of beneficial interest, \$0.01 par value per share ("Preferred Shares")."



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The primary purpose of the declaration of trust amendment is to provide Kite Realty with additional Kite Realty common shares sufficient to complete the merger and to have additional shares available for future general corporate purposes, including capital raising transactions, employee benefit plans, acquisitions and other corporate uses. The proposed increase in authorized shares is not in response to any takeover proposal and is not intended to be used as an anti-takeover mechanism. Kite Realty currently has no definitive plans or understandings with respect to the issuance of any common shares except as described in this joint proxy statement/prospectus.

Pursuant to the merger agreement, approval of this proposal is a condition to the closing of the merger. If this proposal is not approved, the merger will not be completed.

Approval of the declaration of trust amendment to increase the total number of authorized Kite Realty common shares requires the affirmative vote of the holders of two-thirds of the outstanding Kite Realty common shares.

If Kite Realty's shareholders do not approve the declaration of trust amendment, then Kite Realty will not be able to increase the total number of authorized Kite Realty common shares from 200,000,000 to 450,000,000, and Kite Realty will be limited in the amount of common shares that are currently available for issuance in the future. **Kite Realty currently does not have a sufficient number of authorized common shares available to effect the issuance of shares to Inland Diversified's stockholders pursuant to the merger agreement. Accordingly, approval of the declaration of trust amendment is required in connection with the merger.**

**Recommendation of the Kite Realty Board**

**The Kite Realty Board unanimously recommends that Kite Realty shareholders vote FOR the proposal to approve the Kite Realty declaration of trust amendment to increase the total number of authorized Kite Realty common shares.**

**Adjournment Proposal**

*(Proposal 3 on the Kite Realty Proxy Card)*

The Kite Realty special meeting may be adjourned to another time or place to permit, among other things, further solicitation of proxies, if necessary or appropriate in the view of the Kite Realty Board, in favor of the other proposals on the Kite Realty proxy card if there are not sufficient votes at the time of such adjournment to approve such proposals.

Kite Realty is asking Kite Realty shareholders to approve the adjournment of the Kite Realty special meeting, if necessary or appropriate in the view of the Kite Realty Board if there are not sufficient votes at the time of such adjournment to approve the other proposals. Approval of this proposal requires the affirmative vote of a majority of the votes cast on the proposal, whether or not a quorum is present.

**Recommendation of the Kite Realty Board**

**The Kite Realty Board unanimously recommends that Kite Realty shareholders vote FOR the proposal to approve one or more adjournments of the Kite Realty special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the proposal to approve the issuance of Kite Realty common shares pursuant to the merger agreement and to approve the Kite Realty declaration of trust amendment.**

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**Other Business**

As of the date of this joint proxy statement/prospectus, Kite Realty does not intend to bring any other matters before the shareholders at the Kite Realty special meeting, and Kite Realty has no knowledge of any business that will be presented for consideration at the Kite Realty special meeting and which would be required to be set forth in this joint proxy statement/prospectus other than the matters set forth in the accompanying Notice of Special Meeting of Shareholders of Kite Realty. In accordance with the Kite Realty bylaws and Maryland law, business transacted at the Kite Realty special meeting will be limited to those matters set forth in such notice.

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**THE INLAND DIVERSIFIED SPECIAL MEETING**

**Date, Time and Place**

The Inland Diversified special meeting will be held at Inland Diversified corporate headquarters, 2901 Butterfield Road, Oak Brook, IL 60523 on June 24, 2014, at 10:00 a.m., local time, or at any adjournment or postponement thereof.

**Purpose of the Inland Diversified Special Meeting**

At the Inland Diversified special meeting, the Inland Diversified stockholders will be asked to consider and vote upon the following matters:

a proposal to approve the merger and the other transactions contemplated by the merger agreement (a copy of which is attached as *Annex A* to this joint proxy statement/prospectus), which we refer to as the Inland Diversified merger proposal; and

a proposal to approve one or more adjournments of the Inland Diversified special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of approval of the Inland Diversified merger proposal, which we refer to as the adjournment proposal.

**Recommendation of the Inland Diversified Board**

After careful consideration, the Inland Diversified Board, based on the unanimous recommendation of the Inland Diversified Special Committee, has (i) determined that the terms of the merger and the merger agreement and the transactions contemplated thereby are advisable, fair to and in the best interests of, Inland Diversified and its stockholders, (ii) approved and declared advisable the merger, and (iii) approved and adopted the merger agreement. Certain factors considered by the Inland Diversified Board in reaching its decision to approve the merger and the merger agreement can be found in the section of this joint proxy statement/prospectus entitled "The Merger Recommendation of the Inland Diversified Board and Its Reasons for the Merger" beginning on page 84.

**The Inland Diversified Board recommends that Inland Diversified stockholders vote FOR the proposal to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement, and FOR the proposal to approve one or more adjournments of the Inland Diversified special meeting, if necessary or appropriate, including adjournments to permit further solicitation of proxies in favor of the proposal to approve the merger, the merger agreement and the other transactions contemplated by the merger agreement.**

**Inland Diversified Record Date; Who can Vote at the Inland Diversified Special Meeting**

Only Inland Diversified stockholders of record at the close of business on April 29, 2014, the record date for the Inland Diversified special meeting, are entitled to receive notice of the Inland Diversified special meeting and to vote the shares of Inland Diversified common stock that they held on the record date at the Inland Diversified special meeting or any postponement or adjournment thereof. The only classes of stock entitled to vote at the Inland Diversified special meeting are Inland Diversified common stock. Each share of Inland Diversified common stock is entitled to one vote on all matters that come before the Inland Diversified special meeting.

On April 24, 117,809,586 shares of Inland Diversified common stock were issued and outstanding and held by 27,620 holders of record.

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**Quorum**

A quorum of stockholders is necessary to hold a valid special meeting. The presence, in person or by proxy, of stockholders entitled to cast fifty percent (50%) of all the votes entitled to be cast at the Inland Diversified special meeting on any matter will constitute a quorum. As of April 24, 2014, there were 117,809,586 shares of Inland Diversified common stock outstanding. Thus, assuming there is no change in the number of shares of Inland Diversified common stock outstanding as of the record date, stockholders holding 58,904,793 shares of Inland Diversified common stock must be present, in person or by proxy, at the Inland Diversified special meeting to have a quorum for the Inland Diversified special meeting.

Abstentions will be counted towards the quorum requirement. If there is no quorum, the chairman of the Inland Diversified special meeting may adjourn the Inland Diversified special meeting to another date not more than 120 days after the record date, without notice other than announcement at the meeting, until a quorum is present or represented.

**Vote Required for Approval**

Approval of the Inland Diversified merger proposal requires the affirmative vote of the holders of a majority of the outstanding shares of Inland Diversified common stock entitled to vote on such proposal at the Inland Diversified special meeting.

Approval of the adjournment proposal requires the affirmative vote of a majority of the votes cast on the proposal at the Inland Diversified special meeting.

**Abstentions**

Abstentions and broker non-votes will be included in the calculation of the number of shares of Inland Diversified common stock present at the special meeting for purposes of determining whether a quorum has been achieved. Abstentions will have the same effect as a vote "AGAINST" the Inland Diversified merger proposal and will have no effect on the adjournment proposal.

**Voting by Inland Diversified Directors, Executive Officers and Significant Stockholders**

Inland Diversified currently expects that the Inland Diversified Directors intend to vote any shares of Inland Diversified common stock held by them in favor of the Inland Diversified merger proposal and the adjournment proposal, although none of them is obligated to do so. At the close of business on April 24, 2014, the directors and executive officers of Inland Diversified beneficially owned and were entitled to vote, in the aggregate, 150,602 shares of Inland Diversified common stock, or 0.1% of the Inland Diversified common stock issued and outstanding on that date.

**Manner of Submitting Proxy**

A proxy card is enclosed for use by the Inland Diversified stockholders. Inland Diversified requests that the Inland Diversified stockholders sign the accompanying proxy card and return it promptly in the enclosed postage-paid envelope. The Inland Diversified stockholders may also direct the vote for their shares by telephone or through the Internet. Information and applicable deadlines for voting proxies by telephone or through the Internet are set forth on the enclosed proxy card. When the accompanying proxy is returned properly executed, the shares of Inland Diversified common stock represented by it will be voted at the Inland Diversified special meeting or any adjournment or postponement thereof in accordance with the instructions contained in the proxy card.

If a proxy card is signed and returned without an indication as to how the shares of Inland Diversified common stock represented by the proxy are to be voted with regard to a particular proposal, the Inland Diversified common stock represented by the proxy will be voted **FOR** each such

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proposal. As of the date of this joint proxy statement/prospectus, Inland Diversified has no knowledge of any business that will be presented for consideration at the Inland Diversified special meeting and which would be required to be set forth in this joint proxy statement/prospectus other than the matters set forth in the accompanying Notice of Special Meeting of Stockholders of Inland Diversified. In accordance with the Inland Diversified bylaws and Maryland law, business transacted at the Inland Diversified special meeting will be limited to those matters set forth in such notice.

**Revocation of Proxies or Voting Instructions**

Inland Diversified stockholders of record may change their vote or revoke their proxy at any time before the final vote at the Inland Diversified special meeting by:

1. submitting another properly completed proxy card in time to be received before the Inland Diversified special meeting or by submitting a later dated proxy by telephone or over the Internet in which case the later-submitted proxy will be recorded and the earlier proxy revoked;
2. submitting written notice that the Inland stockholder is revoking the proxy to the Inland Diversified Corporate Secretary, 2901 Butterfield Road, Oak Brook, Illinois 60523, in time to be received before the Inland Diversified special meeting; or
3. voting in person at the Inland Diversified special meeting.

Attending the Inland Diversified special meeting without voting will not, by itself, revoke an Inland Diversified stockholder's proxy.

**Tabulation of Votes**

Inland Diversified will appoint an inspector of election for the Inland Diversified special meeting to tabulate affirmative and negative votes and abstentions.

**Solicitation of Proxies; Payment of Solicitation Expenses**

The cost of proxy solicitation for the Inland Diversified special meeting will be borne by Inland Diversified. In addition to the use of mail, proxies may be solicited by Inland Diversified's officers and directors and certain employees of the business manager, without additional remuneration, in person, by telephone or any other electronic means of communication deemed appropriate. Inland Diversified will also require brokerage firms, nominees, custodians and fiduciaries to forward proxy materials to the beneficial owners of shares held of record on the record date and will provide customary reimbursements to such firms for the cost of forwarding these materials.

Inland Diversified has engaged Morrow to assist in the solicitation of proxies for the Inland Diversified special meeting and will pay Morrow a fee of approximately \$92,500, plus reimbursement of out-of-pocket expenses. The address of Morrow is 470 West Avenue, Stamford, CT 06902. You can call Morrow toll-free at (800) 460-1014.

**Adjournment**

In addition to the merger proposal being considered at the Inland Diversified special meeting, Inland Diversified stockholders are also being asked to approve a proposal that will give the Inland Diversified Board authority to adjourn the Inland Diversified special meeting, if necessary or appropriate in the view of the Inland Diversified Board, to solicit additional proxies in favor of the merger proposal if there are not sufficient votes at the time of such adjournment to approve the merger proposal. If the Inland Diversified special meeting is convened and this proposal is approved, the Inland Diversified special meeting could be successively adjourned to any date not later than

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120 days after the record date for the Inland Diversified special meeting. In addition, the Inland Diversified Board could postpone the Inland Diversified special meeting before it is convened, whether for the purpose of soliciting additional proxies or for other reasons, to any date not later than 120 days after the original record date for the Inland Diversified special meeting. If the Inland Diversified special meeting is adjourned for the purpose of soliciting additional proxies, stockholders who have already submitted their proxies will be able to revoke them at any time prior to their use at any reconvened meeting.

If a quorum does not exist, the chairman of the Inland Diversified special meeting may adjourn the Inland Diversified special meeting to a date not more than 120 days after the original record date for the Inland Diversified special meeting.

If a quorum exists, but there are not enough affirmative votes to approve the merger proposal, the Inland Diversified special meeting may be adjourned if a majority of the votes cast at the Inland Diversified special meeting are cast **FOR** the adjournment proposal. In addition, the chairman of the Inland Diversified special meeting also has the power to adjourn the Inland Diversified special meeting under Inland Diversified's bylaws.

### **Assistance**

If you need assistance in completing your proxy card or have questions regarding the various voting options with respect to the Inland Diversified special meeting, please contact:

Morrow & Co., LLC  
470 West Avenue  
Stamford, CT 06902  
Telephone:  
Shareholders: (800) 460-1014  
Banks and Brokers: (203) 658-9400

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**PROPOSALS SUBMITTED TO INLAND DIVERSIFIED STOCKHOLDERS**

**Merger Proposal**

*(Proposal 1 on the Inland Diversified Proxy Card)*

Inland Diversified stockholders are asked to approve the merger and the other transactions contemplated by the merger agreement. For a summary and detailed information regarding this proposal, see the information about the merger and the merger agreement throughout this joint proxy statement/prospectus, including the information set forth in sections entitled "The Merger" beginning on page 64 and "The Merger Agreement" beginning on page 150. A copy of the merger agreement is attached as *Annex A* to this joint proxy statement/prospectus.

Pursuant to the merger agreement, approval of this proposal is a condition to the consummation of the merger. If this proposal is not approved, the merger will not be completed.

Inland Diversified is requesting that Inland Diversified stockholders approve the merger and the other transactions contemplated by the merger agreement.

Approval of the proposal to approve the merger and the other transactions contemplated by the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Inland Diversified common stock entitled to vote on this proposal at the Inland Diversified special meeting.

**Recommendation of the Inland Diversified Board**

**The Inland Diversified Board recommends that Inland Diversified stockholders vote FOR the proposal to approve the merger and the other transactions contemplated by the merger agreement.**

**Adjournment Proposal**

*(Proposal 2 on the Inland Diversified Proxy Card)*

The Inland Diversified special meeting may be adjourned to another time or place to permit, among other things, further solicitation of proxies, if necessary or appropriate, to obtain additional votes in favor of the Inland Diversified merger proposal.

If, at the Inland Diversified special meeting, the number of shares of Inland Diversified common stock present or represented by proxy and voting in favor of the Inland Diversified merger proposal is insufficient to approve such proposal, Inland Diversified intends to move to adjourn the Inland Diversified special meeting in order to enable the Inland Diversified Board to solicit additional proxies for approval of the proposal.

Inland Diversified is requesting that Inland Diversified stockholders approve the adjournment of the Inland Diversified special meeting, if necessary or appropriate, to another time and/or place for the purpose of soliciting additional proxies in favor of the Inland Diversified merger proposal.

Approval of this proposal requires that a majority of the votes cast in person or by proxy at the Inland Diversified special meeting are cast **FOR** this proposal.

**Recommendation of the Inland Diversified Board**

**The Inland Diversified Board recommends that Inland Diversified stockholders vote FOR the proposal to adjourn the special meeting, if necessary or appropriate, to solicit additional proxies in favor of the Inland Diversified merger proposal.**





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**Other Business**

At this time, Inland Diversified does not intend to bring any other matters before the Inland Diversified special meeting, and Inland Diversified does not know of any matters to be brought before the Inland Diversified special meeting by others. If, however, any other matters properly come before the Inland Diversified special meeting, the persons named in the enclosed proxy, or their duly constituted substitutes, acting at the Inland Diversified special meeting or any adjournment or postponement thereof will be deemed authorized to vote the shares represented thereby in accordance with the judgment of management on any such matter.

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**THE MERGER**

The following is a description of the material aspects of the merger. While Kite Realty and Inland Diversified believe that the following description covers the material terms of the merger, the description may not contain all of the information that is important to the Kite Realty shareholders and the Inland Diversified stockholders. Kite Realty and Inland Diversified encourage the Kite Realty shareholders and the Inland Diversified stockholders to carefully read this entire joint proxy statement/prospectus, including the merger agreement and the other documents attached to this joint proxy statement/prospectus and incorporated herein by reference, for a more complete understanding of the merger.

**General**

Each of the Kite Realty Board and the Inland Diversified Board has approved the merger agreement and the transactions contemplated thereby. In the merger, Inland Diversified will merge with and into Merger Sub, with Merger Sub continuing as the surviving entity and a wholly owned subsidiary of Kite Realty. Kite Realty will continue as the Combined Company, and Inland Diversified stockholders will receive the merger consideration described below under "The Merger Agreement Merger Consideration; Effects of the Merger."

**Background of the Merger**

Inland Diversified is a Maryland corporation incorporated in June 2008 that has elected to be taxed as a REIT for U.S. federal income tax purposes. Inland Diversified is a non-traded, externally-advised REIT with a focus on the acquisition and development of a diversified portfolio of commercial real estate located in the United States and Canada. On August 24, 2009, Inland Diversified commenced an initial public offering on a "best efforts" basis of up to \$5 billion of its common stock, at a price of \$10.00 per share, and up to \$475 million of its common stock to its stockholders pursuant to its distribution reinvestment plan at a price of \$9.50 per share, which we refer to as the DRP. The "best efforts" portion of the offering was terminated in August 2012, and effective November 13, 2013, the Inland Diversified Board suspended the DRP. Inland Diversified sold 119,839,478 shares of its common stock, including 9,353,542 shares issued pursuant to the DRP, in its public offering, resulting in aggregate gross offering proceeds of approximately \$1.18 billion. As of December 31, 2012, all of the capital raised by Inland Diversified had been invested in 133 retail properties, four office properties and two industrial properties, collectively totaling 12.4 million square feet, and two multi-family properties totaling 444 units.

Given the composition of the assets owned and operated by Inland Diversified, the Inland Diversified Board and the Business Manager were of the view that continuing to hold Inland Diversified's assets and maintaining Inland Diversified's medium-term strategy as a non-traded REIT following the completion of its offering of common stock would not likely enhance value for its stockholders. In light of the foregoing, it was the view of the Inland Diversified Board that Inland Diversified should undertake an evaluation of potential alternatives to create liquidity for its stockholders. On February 19, 2013, Inland Diversified issued a press release announcing that the next step in its plan was for the Inland Diversified Board to meet with investment banking firms to discuss Inland Diversified's interest in creating a liquidity event for Inland Diversified's stockholders.

On April 15, 2013, a representative of a publicly held, exchange-traded REIT, which we refer to as Party A, sent an unsolicited letter to Barry L. Lazarus, our President and Chief Operating Officer and a director of Inland Diversified, proposing an acquisition of Inland Diversified in which Inland Diversified stockholders would receive common stock of Party A having a value of \$10.00 per Inland Diversified share. This proposal was subject to, among other things, completion of substantial due diligence and negotiation of definitive documentation. Subsequently on that date, the Inland Diversified

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Board met to discuss Party A's proposal. After asking Mr. Lazarus, Mr. Robert D. Parks, Chairman of the Inland Diversified Board, and Ms. Heidi N. Lawton, a director of Inland Diversified, each of whom had certain relationships with Party A, to excuse themselves, the remaining directors discussed such alternatives. The remaining directors also discussed the merits of establishing a committee of independent and disinterested directors to review, evaluate and negotiate strategic alternatives available to Inland Diversified. The remaining directors concluded, with advice from outside counsel, that a special committee would be an effective way to address potential, actual or perceived conflicts of interest. Following this discussion, the Inland Diversified Board determined to establish a special committee, which we refer to as the Inland Diversified Special Committee, to direct the evaluation, review of and negotiation of strategic alternatives and to approve such a transaction to the extent permitted under Maryland law. Following a discussion, the Inland Diversified Board determined that the Inland Diversified Special Committee would consist of Charles H. Wurtz bach, Lee A. Daniels and Gerald W. Grupe, with Dr. Wurtz bach serving as Chairman. The directors concluded that each of these individuals was independent and free from conflicts of interest. The Inland Diversified Board also determined to defer a response to Party A pending completion of the Inland Diversified Special Committee's evaluation of potential strategic alternatives available to Inland Diversified.

On April 19, 2013, the Inland Diversified Special Committee retained Alston & Bird LLP, or Alston & Bird, to serve as independent counsel to the Inland Diversified Special Committee. On April 30, 2013, the Inland Diversified Special Committee met with representatives of Alston & Bird to discuss the Inland Diversified Special Committee's evaluation of potential strategic alternatives and the legal framework associated with that evaluation, as well as a number of related considerations. Also at this meeting, at the invitation of the Inland Diversified Special Committee, a number of investment banking firms with significant experience advising REITs, including Wells Fargo Securities, discussed with the Inland Diversified Special Committee their qualifications to serve as a financial advisor to the Inland Diversified Special Committee in connection with its evaluation of potential strategic alternatives. At subsequent meetings of the Inland Diversified Special Committee on May 3 and May 6, 2013, other investment banking firms with significant experience advising REITs also reviewed their qualifications with the Inland Diversified Special Committee at the Inland Diversified Special Committee's invitation.

On May 8, 2013, the Inland Diversified Special Committee approved the engagement of Wells Fargo Securities as its financial advisor in connection with its evaluation of potential strategic alternatives based on, among other factors, Wells Fargo Securities' institutional knowledge of non-exchange traded and listed REIT industries, its capacity to provide the functions of a full service investment banking firm and its experience in advising other companies in similar matters. Following Wells Fargo Securities' engagement, at the request of the Inland Diversified Special Committee, Wells Fargo Securities began to prepare an overview of potential strategic alternatives for Inland Diversified, including a merger or sale of the company, listing of Inland Diversified's shares on an exchange (with or without an associated public offering of additional shares or a tender offer for outstanding shares), internalizing management functions currently provided by the Business Manager or continuing to operate on a stand-alone basis without an immediate liquidity event. Also on this date, at the request of the Inland Diversified Special Committee, Mr. Lazarus provided an overview regarding the calculation of the compensation that would be payable to the Business Manager in connection with various potential liquidity events.

On May 29, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present. Wells Fargo Securities discussed with the Inland Diversified Special Committee a market overview relating to REITs, including recent merger and acquisition, capital raising and stock exchange listing activity. Wells Fargo Securities also described the review undertaken to date regarding Inland Diversified and management's business plan and next steps for

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continued review as well as the inbound expression of initial interest in a transaction involving Inland Diversified that had been received.

On June 7, 2013, the Inland Diversified Board announced publicly that it had formed the Inland Diversified Special Committee to review alternatives for a potential liquidity event and that the Inland Diversified Special Committee had retained Wells Fargo Securities to serve as its financial advisor. Also on that date, the Business Manager provided a proposal regarding the terms, including fees payable, on which the Business Manager would facilitate the transition of certain management functions and personnel in connection with various liquidity alternatives.

On June 18, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present. Wells Fargo Securities discussed with the Inland Diversified Special Committee financial matters regarding Inland Diversified and potentially available strategic alternatives. Wells Fargo Securities noted that market conditions were relatively favorable to pursue a sale for cash or a strategic merger, and that these alternatives could be explored relatively quickly and without disruption of Inland Diversified's current business plan, while maintaining the option to pursue different liquidity alternatives if proposals for a cash sale or strategic merger were unacceptable.

On June 19, 2013, Party A provided Dr. Wurtz bach with an unsolicited letter proposing a merger with Inland Diversified in which Inland Diversified stockholders would receive Party A's stock having a value equal to \$9.45 per Inland Diversified share, plus \$1.05 in cash per Inland Diversified share.

On June 25, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and the Business Manager present. At the request of the Inland Diversified Special Committee, representatives of the Business Manager discussed with the Inland Diversified Special Committee the Business Manager's transition support proposal, the need for retention of key personnel of the Business Manager to facilitate the successful completion of a strategic transaction and the status of a proposed amendment to Inland Diversified's agreement with the Business Manager to clarify the fees payable upon the completion of various transactions.

On July 2, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird present, to discuss further the Business Manager's transition support proposal. Also at this meeting, the Inland Diversified Special Committee discussed the advisability of conducting reciprocal due diligence with Party A in order to allow Party A to refine its indication of interest regarding a potential transaction with Inland Diversified and instructed Alston & Bird to prepare and begin negotiating a confidentiality and standstill agreement with Party A.

On July 8, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present. Wells Fargo Securities updated the Inland Diversified Special Committee regarding market conditions, potential parties, including Kite Realty and Party A, that might be interested in a transaction involving Inland Diversified and general process for the solicitation of third-party indications of interest. Specifically, Wells Fargo Securities and the Inland Diversified Special Committee discussed the possibility that certain parties may be interested only in a transaction involving Inland Diversified's portfolio of single-tenant, net-lease properties and that these parties might assign a higher value to that portfolio than those parties interested in a transaction involving the entire company. The Inland Diversified Special Committee discussed a process for preparing property and corporate-level financial projections for use in connection with the third-party solicitation process. The Inland Diversified Special Committee also discussed Party A's indication of interest and whether it would be advisable to explore further that indication of interest, prior to pursuing a broader process, but did not reach any conclusion.

On July 9, 2013, the Inland Diversified Special Committee met, with representatives of the Business Manager present. At the Inland Diversified Special Committee's request, the Business Manager discussed a number of aspects related to the Business Manager's transition support proposal

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in the context of a business combination involving Inland Diversified. The Inland Diversified Special Committee also requested, due to the expertise of the Business Manager in REITs and the real estate industry generally, that the Business Manager provide its perspective on potential merger candidates.

On July 10, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird present. Representatives of Alston & Bird discussed with the Inland Diversified Special Committee the committee's legal duties associated with its ongoing evaluation of strategic alternatives. At the request of the Inland Diversified Special Committee, representatives of the Business Manager joined the meeting to discuss further the Business Manager's transition support proposal in the context of a business combination involving Inland Diversified, as well as the Business Manager's perspective regarding a possible business combination involving Party A. Also on that date, Inland Diversified and the Business Manager entered into a Third Amended and Restated Business Management Agreement to clarify the fees payable upon the completion of various strategic transactions.

On July 11, 2013, a private equity sponsor, with significant experience in the real estate industry, or Party B, provided an unsolicited indication of interest proposing an all-cash acquisition of Inland Diversified at a price per share below the range of values proposed by Party A. This proposal was subject to, among other things, completion of substantial due diligence and negotiation of definitive documentation.

On July 12, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present. The Inland Diversified Special Committee discussed the indications of interest received from Party A and Party B. The Inland Diversified Special Committee also discussed potential synergies that might be afforded as a result of a business combination with Party A and received an update from Wells Fargo Securities regarding merger and acquisition activity involving REITs. The Inland Diversified Special Committee discussed a potential process for engaging in discussions with Party A, with a view toward maintaining flexibility to engage in discussions with other interested parties as the Inland Diversified Special Committee continued to assess potential strategic alternatives.

On July 16, 2013, Inland Diversified entered into a confidentiality and standstill agreement with Party A. Throughout the remainder of July 2013, Inland Diversified and Party A engaged in limited reciprocal due diligence and discussed a number of transaction terms.

On August 5, 2013, Party A provided the Inland Diversified Special Committee with a revised letter proposing a merger with Inland Diversified in which Inland Diversified stockholders would receive Party A common stock having a value equal to \$10.64 per Inland Diversified share, subject to, among other things, completion of due diligence and negotiation of definitive documentation.

On August 7, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present. Wells Fargo Securities discussed financial terms and other aspects of Party A's most recent proposal. The Inland Diversified Special Committee discussed the potential benefits of a combination with Party A and potential responses to Party A's proposal, and authorized Dr. Wurtz bach and Wells Fargo Securities to communicate to Party A the Inland Diversified Special Committee's views regarding key transaction terms, including allocation of closing risk and corporate governance of the resulting company.

On August 21, 2013, Party A provided the Inland Diversified Special Committee with a letter generally reiterating, without material changes, the terms of Party A's August 5<sup>th</sup> proposal. Later that day, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to discuss a response to Party A's August 5<sup>th</sup> proposal. The next day, representatives of Party A confirmed to Wells Fargo Securities that Party A was unwilling to modify its August 5<sup>th</sup> proposal to address the Inland Diversified Special Committee's concerns. On August 22<sup>nd</sup> and 23<sup>rd</sup>, the Inland Diversified Special Committee again met, with representatives of Wells

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Fargo Securities and Alston & Bird present, to discuss Party A's proposal. At its August 23 meeting, the Inland Diversified Special Committee concluded that, unless Party A could provide a more detailed business plan for the combined company following a merger, as well as increase the consideration payable to Inland Diversified stockholders, it would be advisable to commence the third-party solicitation process previously discussed in order to ascertain the interest of other parties in a transaction involving Inland Diversified. Wells Fargo Securities discussed with the Inland Diversified Special Committee other potentially interested strategic and financial buyers, including Parties A and B and Kite Realty, and timing of a potential transaction process.

On August 26, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present. The Inland Diversified Special Committee authorized Wells Fargo Securities to contact a targeted group of potential strategic and financial buyers, including Party B and Kite Realty, to ascertain their interest in a strategic transaction involving Inland Diversified or its single-tenant, net-lease portfolio. The Inland Diversified Special Committee also authorized Wells Fargo Securities to inform Party A of the third-party solicitation process approved by the Inland Diversified Special Committee and to request that Party A participate in that process on a non-exclusive basis.

During late-August and early-September 2013, in accordance with the directives of the Inland Diversified Special Committee, Wells Fargo Securities contacted 60 parties, consisting of 34 financial buyers, 17 strategic buyers and nine parties believed to be interested only in Inland Diversified's single-tenant, net-lease portfolio, to enter into confidentiality and standstill agreements with Inland Diversified and receive limited non-public information. Of this group, 26 parties, consisting of 10 financial buyers, including Party B, nine strategic buyers, including Kite Realty, and seven single-tenant buyers, entered into confidentiality and standstill agreements with Inland Diversified and received limited non-public information regarding Inland Diversified and its real estate portfolio.

On August 29, 2013, Kite Realty and Inland Diversified entered into a non-disclosure agreement to provide Kite Realty access to non-public information related to Inland Diversified, and Inland Diversified access to non-public information related to Kite Realty.

On September 20, 2013, at the direction of the Inland Diversified Special Committee, Wells Fargo Securities provided, on behalf of Inland Diversified, a bid procedures letter to parties that had executed confidentiality and standstill agreements with Inland Diversified requesting the submission of non-binding written initial indications of interest for a strategic transaction with Inland Diversified. On September 24, 2013, a similar letter was sent to parties expressing interest in Inland Diversified's single-tenant, net-lease portfolio.

Between September 27 and October 4, 2013, non-binding indications of interest were received from one financial buyer (Party B) and five strategic buyers, including Kite Realty and Party A, to acquire Inland Diversified, and non-binding indications of interest were received from two strategic buyers to acquire Inland Diversified's single-tenant, net-lease portfolio.

Kite Realty proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive 1.65 shares of Kite Realty per Inland Diversified share, which would have had an implied value equal to approximately \$9.88 per Inland Diversified share based on the five-day, volume-weighted average trading price of Kite Realty common shares prior to the submission of its indication of interest. Kite Realty's indication of interest assumed the sale of Inland Diversified's single-tenant, net-lease portfolio for at least \$500 million.

Party A submitted a revised non-binding indication of interest proposing an acquisition of Inland Diversified in which Inland Diversified stockholders would receive shares of Party A's common stock having a value equal to \$8.52 per Inland Diversified share based upon the five-day, volume-weighted average trading price for Party A's common stock immediately prior to

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execution of a definitive agreement, and a distribution of \$2.12 in cash to be funded from proceeds from the sale of Inland Diversified's single-tenant, net-lease portfolio. Alternatively, Party A indicated that it was willing to pursue an acquisition of Inland Diversified in which Inland Diversified stockholders would receive shares of Party A's common stock having a value equal to \$10.42 per Inland Diversified share based upon the average trading price for Party A's common stock immediately prior to execution of a definitive agreement, without a requirement that Inland Diversified's single-tenant, net-lease portfolio be sold.

Party B proposed an acquisition of Inland Diversified at an effective price of approximately \$10.30 in cash per Inland Diversified share, after giving effect to a proposed suspension of Inland Diversified's dividend pending closing.

Party C, a strategic buyer, proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive shares of Party C having a value of \$8.43 per Inland Diversified share, based on Party C's five-day, volume-weighted average stock price prior to the submission of its indication of interest.

Party D, also a strategic buyer, proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive shares of Party D having a value equal to \$7.85 per Inland Diversified share based upon the trading price for Party D's common stock prior to execution of a definitive agreement and \$2.15 per share in cash. Party D's indication of interest assumed the sale of Inland Diversified's single-tenant, net-lease portfolio for at least \$506 million and the sale of Inland Diversified's multi-family portfolio for at least \$55 million, the net proceeds of which would be used to fund the cash portion of the consideration.

Party E, also a strategic buyer, proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive 50% shares of Party E and 50% cash, having an aggregate value of between \$9.80 and \$10.10 per Inland Diversified share.

Realty Income Corporation, or Realty Income, submitted a non-binding indication of interest proposing an acquisition of Inland Diversified's single-tenant, net-lease portfolio at a purchase price of \$505 million.

Another strategic buyer submitted a non-binding indication of interest proposing an acquisition of Inland Diversified's single-tenant, net-lease portfolio at a purchase price below that offered by Realty Income.

The remaining parties that had executed confidentiality agreements with Inland Diversified did not submit proposals.

On October 9, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to discuss the indications of interest then received to date regarding a potential transaction. The discussion included an assessment of the level of due diligence completed and remaining diligence to be completed by each interested party, likelihood of closing, the strategic rationale for the combination of Inland Diversified with each interested party, and the opportunity for future growth and stockholder value presented by each proposed business combination. The Inland Diversified Special Committee authorized negotiations with Realty Income regarding the proposed acquisition of Inland Diversified's single-tenant, net-lease portfolio, since Realty Income's proposal offered greater value for that portfolio than could be obtained as part of a transaction involving the entire company and several of the proposals for a transaction involving the entire company were conditioned upon a sale of this portfolio for cash. Following that discussion, representatives of Party A joined the meeting to clarify certain aspects of Party A's indication of interest and to provide Party A's perspective on the synergies and perceived benefits of a business combination between Inland Diversified and Party A.

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From mid-October through early December 2013, representatives of Alston & Bird, Wells Fargo Securities and the Business Manager worked with Realty Income to complete its due diligence and to negotiate definitive agreements for the acquisition of Inland Diversified's single-tenant, net-lease portfolio.

Between October 11 and October 21, 2013, Dr. Wurtz bach and representatives of Alston & Bird and Wells Fargo Securities held discussions with representatives of Party A, and the Inland Diversified Special Committee held several meetings, regarding the Inland Diversified Special Committee's concerns about Party A's proposal, including price, allocation of closing risk and corporate governance of the resulting company.

On October 18, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird, Wells Fargo Securities and the Business Manager present. At the Inland Diversified Special Committee's request, the Business Manager discussed the fees that would be payable to the Business Manager in the event of a business combination transaction and the services that the Business Manager would be willing to provide in connection with a business combination transaction.

On October 22, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to discuss the status of Party A's proposal. At that meeting, the Inland Diversified Special Committee authorized continued discussions with, and solicitation of new indications of interest, from other interested strategic buyers, including Kite Realty.

On October 24, 2013, the Inland Diversified Special Committee and representatives of Alston & Bird and Wells Fargo Securities met with John A. Kite, Kite Realty's Chairman and Chief Executive Officer, Daniel R. Sink, Kite Realty's Chief Financial Officer, Thomas K. McGowan, Kite Realty's President and Chief Operating Officer, and representatives of Kite Realty's financial advisors, to discuss Kite Realty and its indication of interest for a proposed business combination with Inland Diversified. Between October 26 and November 8, 2013, the Inland Diversified Special Committee held similar meetings with three other strategic buyers, including Party A, which submitted indications of interest.

Beginning on October 28, 2013, at the direction of the Inland Diversified Special Committee, Wells Fargo Securities delivered a letter to each of the parties, including Kite Realty and Party A, which had submitted indications of interest regarding a potential business combination with Inland Diversified providing instructions for the submission of updated proposals, that assumed the sale of Inland Diversified's single-tenant, net leased portfolio for at least \$505 million, and requesting comments on a draft merger agreement.

By November 11, 2013, three updated indications of interest were received, including from Kite Realty, to acquire Inland Diversified, and one previous indication of interest was reconfirmed.

Kite Realty proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive 1.65 shares of Kite Realty per Inland Diversified share, which would have had an implied value equal to approximately \$10.58 per Inland Diversified share based on the five-day, volume-weighted average trading price of Kite Realty common shares prior to the submission of its indication of interest. Kite Realty's indication of interest assumed the sale of Inland Diversified's single-tenant, net-lease portfolio for at least \$505 million.

Party C proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive shares of Party C having a value of \$10.39 per Inland Diversified share, based on Party C's five-day, volume-weighted average stock price prior to the submission of its indication of interest.

Party D proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive a fixed number of shares of Party D which had a value equal to approximately \$8.40 per Inland Diversified share based on the five-day, volume-weighted average trading price



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of Party D's shares prior to the submission of its indication of interest and \$2.00 per share in cash. Party D's indication of interest assumed the sale of Inland Diversified's single-tenant, net-lease portfolio for at least \$505 million, the net proceeds of which would be used to fund the cash portion of the consideration.

Party A also confirmed that its previous indication of interest dated October 4, 2013, in which Inland Diversified stockholders would receive a combination of shares of Party A's common stock having a value equal to \$8.52 per Inland Diversified share and \$2.12 per share in cash, to be funded from proceeds of the sale of Inland Diversified's single-tenant, net-lease portfolio, remained unchanged.

On November 15, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to review the updated indications of interest received. After discussing the relative merits of each proposal, including the implied value offered, an overview of each party submitting a proposal and the opportunity for future growth and stockholder value resulting from the proposed business combinations, the Inland Diversified Special Committee concluded that it would be advisable to pursue Party A's proposal.

On November 19, 2013, Inland Diversified and Party A entered into an exclusivity agreement providing for the parties' exclusive negotiations regarding a business combination until December 9, 2013. Throughout the remainder of November and early December 2013, Alston & Bird, Wells Fargo Securities and representatives of Party A engaged in negotiations regarding the terms and conditions for a possible transaction and exchanged multiple drafts of a proposed merger agreement and Inland Diversified and Party A engaged in reciprocal due diligence. On December 6, 2013, following negotiations between the parties regarding various due diligence and other open items, Inland Diversified and Party A agreed to extend the term of the exclusivity agreement through December 16, 2013.

On December 11, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to discuss the status of negotiations with Party A. Representatives of Alston & Bird provided a due diligence update and described Party A's request for a closing condition relating to a due diligence matter and other open terms in the merger agreement. Wells Fargo Securities discussed with the Inland Diversified Special Committee financial aspects of Party A's proposal. After discussion, the Inland Diversified Special Committee instructed Dr. Wurtz bach to inform Party A of the Inland Diversified Special Committee's view that the due diligence matter raised did not justify the requested closing condition and that the Inland Diversified Special Committee would not accept Party A's positions on those matters as a basis for further negotiations. Later that day, at the request of the Inland Diversified Special Committee, Alston & Bird and Wells Fargo Securities led a similar discussion with the full Inland Diversified Board (other than Ms. Lawton).

Throughout early December 2013, negotiations continued with Realty Income to finalize the terms and conditions for a sale of Inland Diversified's single-tenant, net-lease portfolio. On December 15, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to review the proposed final forms of purchase and sale agreements with Realty Income. Representatives of Alston & Bird described the terms of the documentation that Realty Income was prepared to execute and Wells Fargo Securities summarized financial terms of the proposed transaction with Realty Income. After discussion, the Inland Diversified Special Committee unanimously resolved to recommend to the full Inland Diversified Board the entry into definitive documentation for the sale of the single-tenant, net-lease portfolio to Realty Income.

Following the meeting of the Inland Diversified Special Committee, the full Inland Diversified (other than Ms. Lawton) Board met to review the proposed terms of the sale of Inland Diversified's single-tenant, net-lease portfolio to Realty Income. After discussion, the Inland Diversified Board

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approved the final terms of the sale of Inland Diversified's single-tenant, net-lease portfolio to Realty Income. Later that day, Inland Diversified executed definitive purchase and sale agreements with Realty Income with respect to Inland Diversified's single-tenant, net-lease portfolio and, on December 17, 2013, Inland Diversified issued a press release announcing the sale.

Throughout the remainder of December 2013 and early January 2014, representatives of Alston & Bird, Wells Fargo Securities, the Business Manager and representatives of Party A engaged in conversations regarding due diligence matters raised by Party A and various potential approaches for resolving those matters.

In late December 2013 and early January 2014, representatives of Wells Fargo Securities were contacted by representatives of Kite Realty, Party C and Party D which inquired as to whether the announcement of the sale of Inland Diversified's single-tenant, net-lease portfolio represented an opportunity to resubmit a proposal for a transaction involving Inland Diversified.

On December 30, 2013, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to discuss the inquiries received. After discussion, the Inland Diversified Special Committee determined that it would be advisable to request that each of Party A, Kite Realty, Party C and Party D update its proposals in light of the announcement of the sale of Inland Diversified's single-tenant, net-lease portfolio. Later that day, in accordance with the Inland Diversified Special Committee's directives, Wells Fargo Securities contacted such parties requesting updated proposals by January 6, 2014 and providing selected updated information regarding Inland Diversified.

On January 6, 2014, three revised, non-binding indications of interest were received from Kite Realty, Party C and Party D.

Kite Realty proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive a fixed number of shares of Kite Realty per Inland Diversified share, which would have a value equal to \$10.50 per Inland Diversified share based on the average trading price for Kite Realty common shares during a measurement period prior to the execution of a definitive merger agreement.

Party C proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive a combination of shares of Party C's common stock and cash having a value of \$10.75 per Inland Diversified share, to be determined during a period prior to closing of the merger, with Party C retaining the right to select the mixture of stock and cash.

Party D proposed an acquisition of Inland Diversified in which Inland Diversified stockholders would receive a combination of common stock, preferred stock and cash having a nominal value of \$10.80 per Inland Diversified share.

After discussion, the Inland Diversified Special Committee determined that the transactions proposed by Kite Realty and Party C had the greatest likelihood of completion and presented the greatest opportunity for future growth in stockholder value post-closing. The Inland Diversified Special Committee also discussed a number of difficulties associated with valuing the preferred stock component of Party D's proposal and determined not to explore further Party D's proposal. The Inland Diversified Special Committee also noted that, before arriving at a conclusion, it would be advisable to brief Kite Realty and Party C on the due diligence matter raised by Party A and to confirm that Kite Realty and Party C would not require a closing condition relating to that matter.

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On January 9, 2014, representatives of Kite Realty, Hogan Lovells US, LLP, which we refer to as Hogan Lovells, legal counsel to Kite Realty, Merrill Lynch, Pierce, Fenner & Smith Incorporated, which we refer to as BofA Merrill Lynch, and Barclays Capital Inc., which we refer to as Barclays, financial advisors to Kite Realty and jointly referred to as the Advisors, had a conference call with representatives of Alston & Bird and Wells Fargo Securities. Representatives of Alston & Bird described the due diligence matter previously raised by Party A.

On January 10, 2014, representatives of Party C, its legal counsel and financial advisor had a conference call with representatives of Alston & Bird and Wells Fargo Securities. Representatives of Alston & Bird described the due diligence matter previously raised by Party A.

Also on January 10, 2014, in accordance with the Inland Diversified Special Committee's directives, representatives of Wells Fargo Securities contacted the financial advisor to Party A to invite Party A to submit a revised proposal providing for a fixed amount of cash, as well as a fixed exchange ratio, by January 12, 2014 and to inform Party A's financial advisor that the previously proposed closing condition continued to be unacceptable.

On January 12, 2014, Party A provided to Dr. Wurtz bach a revised, non-binding indication of interest and a revised draft merger agreement. Although the merger agreement included certain requested amendments, the merger agreement continued to provide that Inland Diversified stockholders would receive a combination of stock and a variable amount of cash, depending upon, among other things, the net proceeds received by Inland Diversified from the sale of its single-tenant, net-lease portfolio. Subsequently on that date, in accordance with the Inland Diversified Special Committee's directives, representatives of Wells Fargo Securities informed Party A's financial advisor that the proposal submitted did not fulfill the requirements previously set forth by the Inland Diversified Special Committee.

On January 13, 2014, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to discuss the revised proposals from Kite Realty, Party A and Party C. Wells Fargo Securities reviewed the proposals submitted by each such party. Given continuing volatility for REIT stocks generally, the Inland Diversified Special Committee discussed the ability of each party to move quickly toward completion of due diligence and execution of a definitive agreement and potential risks associated with proceeding with multiple parties simultaneously. The Inland Diversified Special Committee noted that although the proposals submitted by Party A and Party C nominally offered more value than the Kite Realty proposal, Party A's proposal regarding governance of the Combined Company going forward was less attractive and the previous negotiations with Party A created substantial uncertainty as to the speed with which Party A could complete due diligence and finalize a definitive agreement, if at all. Also, the fixed price nature of Party C's proposal would not allow Inland Diversified's stockholders to participate in any appreciation in Party C's stock resulting from the announcement of a transaction with Inland Diversified. The Inland Diversified Special Committee also discussed the possibility that Kite Realty would likely be unwilling to recommence negotiations if Inland Diversified could not reach a definitive agreement with Party A. The Inland Diversified Special Committee instructed Dr. Wurtz bach to contact Mr. Kite to discuss an exchange ratio of 1.65 Kite Realty common shares per Inland Diversified share, subject to Inland Diversified's stockholders receiving Kite Realty common shares having a value of at least \$10.50 per Inland Diversified share, based on the average trading price for Kite Realty common shares immediately prior to execution of a definitive agreement, to reconfirm that Kite Realty would not require a closing condition in response to the due diligence matter discussed and to consider the dividend paying capacity of the Combined Company and Kite Realty's development pipeline. The Inland Diversified Special Committee further authorized Alston & Bird, pending a favorable outcome from this conversation, to provide a draft exclusivity agreement to Kite Realty.

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Later on January 13, 2014, Party A provided to Dr. Wurtzebach and Wells Fargo Securities a revised draft merger agreement contemplating a fixed amount of cash payable to Inland Diversified stockholders, without reference to the net proceeds received by Inland Diversified from the sale of its single-tenant, net-lease portfolio.

Later that day, the Inland Diversified Special Committee met again, with representatives of Alston & Bird and Wells Fargo Securities present. Dr. Wurtzebach updated the Inland Diversified Special Committee on his conversation with Mr. Kite, noting that although Kite Realty's advisors were in the process of confirming various items, it did not appear that Kite Realty would require a closing condition relating to the due diligence matter discussed and that he otherwise had a constructive discussion with Mr. Kite. After discussion, the Inland Diversified Special Committee authorized the execution of an exclusivity agreement with Kite Realty for a limited period of time in order for Kite Realty to complete due diligence and finalize the terms of a definitive merger agreement. Later that day, Mr. Kite contacted Dr. Wurtzebach to propose that the exchange ratio be set at 1.65 Kite Realty common shares per Inland Diversified share, assuming that the average trading price for Kite Realty common shares immediately prior to execution of a definitive agreement would not result in an implied value to Inland Diversified stockholders of less than \$10.40 nor more than \$10.70 per Inland Diversified share. Dr. Wurtzebach suggested that he would have to obtain the Inland Diversified Special Committee's input, but was prepared to recommend an exchange ratio of 1.65 Kite Realty common shares, assuming that the average trading price would not imply a value to Inland Diversified stockholders of less than \$10.50 nor more than \$10.75 per share, to which Mr. Kite subsequently agreed.

On January 14, 2014, Dr. Wurtzebach contacted a representative of the Business Manager to inform him of the Inland Diversified Special Committee's intent to enter into an exclusivity agreement with Kite Realty and to express the Inland Diversified Special Committee's view that it was important for the Business Manager to reach an agreement with Inland Diversified regarding the fees payable to the Business Manager, responsibility for severance payments and retention bonuses to employees of the Business Manager and other transition matters as soon as possible.

On January 15, 2014, Inland Diversified and Kite Realty entered into an exclusivity agreement providing for the parties' exclusive negotiations regarding a business combination until February 7, 2014.

On January 16, 2014, Alston & Bird provided Hogan Lovells with a draft merger agreement.

On January 22, 2014, Dr. Wurtzebach met in person with a representative of the Business Manager to reiterate the importance of reaching an agreement with the Business Manager regarding the matters discussed on January 14<sup>th</sup>. Also on that date, members of the Inland Diversified Special Committee and representatives of the Business Manager met with Mr. Kite, Mr. Sink and representatives of Kite Realty's financial advisors to, among other things, review Inland Diversified's and Kite Realty's properties and discuss the dividend paying capacity of the Combined Company and potential impact of certain tax considerations regarding the sale of Inland Diversified's single-tenant, net-lease portfolio on the timing for the closing of the proposed merger.

On January 22 and January 24, 2014, Alston & Bird provided drafts of the master liquidity event agreement to the Business Manager's legal counsel.

On January 24 and 25, 2014, Dr. Wurtzebach engaged in discussions with representatives of the Business Manager regarding the amount of the liquidity event fee that would be payable under the Third Amended and Restated Business Management Agreement, proposed severance payments and retention bonuses to employees of the Business Manager and various other transition matters.

On January 26, 2014, the Kite Realty Board met, with members of senior management and representatives of Hogan Lovells, BofA Merrill Lynch and Barclays present. Mr. Kite provided the Kite

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Realty Board with an overview of the proposed transaction and explained the current status of the negotiations, including the fact that Kite Realty had entered into an exclusivity agreement with Inland Diversified. The Kite Realty Board informally agreed that management of Kite Realty should continue pursuing the proposed transaction.

On January 27, 2014, Hogan Lovells provided Alston & Bird with initial comments on the draft merger agreement previously circulated.

On January 28, 2014, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to discuss a number of legal matters raised by the Hogan Lovells draft merger agreement and possible resolution of such matters. The Inland Diversified Special Committee instructed Alston & Bird to discuss the draft with Hogan Lovells with a view toward narrowing the open issues.

On January 29, 2014, representatives of Alston & Bird and Hogan Lovells met by telephone to discuss the draft merger agreement. Among other points, the parties discussed (i) fees payable if either party were to terminate the merger agreement in certain circumstances, (ii) expense reimbursement in the event that a party's stockholders fail to approve the transaction, (iii) termination fees payable in the event that the sale of Inland Diversified's single-tenant, net-lease portfolio failed to close, (iv) the ability to solicit acquisition proposals and (v) Kite Realty's request that the closing of the merger be conditioned upon the receipt of certain lender consents.

On January 31, 2014, Alston & Bird provided Hogan Lovells with a revised draft merger agreement proposing that (i) each party pay a termination fee of 3.0% of its equity value in order to accept a competing acquisition proposal, (ii) Inland Diversified reimburse up to \$3.0 million of Kite Realty's out-of-pocket expenses in the event that the sale of Inland Diversified's single-tenant, net-lease portfolio failed to close, (iii) neither party would reimburse the expenses of the other party in the event that party's stockholders failed to approve the transaction, (iv) a breach of the provisions of the merger agreement relating to the solicitation of acquisition proposals not give rise to the immediate payment of a termination fee and (v) the closing of the merger not be conditioned upon the receipt of certain lender consents.

Also on January 31, 2014, Inland Diversified completed the first tranche of the sale of its single-tenant, net-lease portfolio to Realty Income.

On February 1, 2014, the Business Manager's legal counsel provided a revised draft of the master liquidity event agreement to Alston & Bird which proposed, among other things, that (i) Inland Diversified would be responsible for reimbursement to the Business Manager and Property Managers of certain severance and retention bonus payments made by the Business Manager and the Property Managers to their employees in connection with the merger, (ii) the Business Manager and Inland Diversified would enter into a transition services agreement pursuant to which Inland Diversified would pay the Business Manager an estimated fee of approximately \$3.5 million, and (iii) Inland Diversified would assume from the Business Manager various service agreements between the Business Manager and affiliates of the Business Manager and the Business Manager's lease for office space as of the closing of the merger.

On February 2, 2014, the Kite Realty Board met, with representatives from Hogan Lovells, BofA Merrill Lynch and Barclays present. Prior to this meeting, management circulated to the Kite Realty Board discussion materials relating to the proposed transaction. At this meeting, management of Kite Realty and representatives of BofA Merrill Lynch and Barclays provided the Kite Realty Board with an overview of Inland Diversified and a preliminary valuation analysis. Representatives of Hogan Lovells reviewed with the Kite Realty Board certain legal aspects of the proposed transaction, including negotiations regarding obtaining lender consents and the mechanics of the net-lease property sale.

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On February 3, 2014, representatives of Alston & Bird and Hogan Lovells met by telephone to discuss the draft merger agreement. Also on February 3, 2014, representatives of Alston & Bird met by telephone with representatives of Hogan Lovells and the Business Manager's legal counsel to discuss the revised draft of the master liquidity event agreement provided by the Business Manager's legal counsel on February 1, 2014.

On February 4, 2014, Hogan Lovells provided Alston & Bird with comments on the draft merger agreement previously circulated proposing that (i) Kite Realty pay a termination fee of 3.0% of its equity value and Inland Diversified pay a termination fee of 3.5% of its equity value in order to accept a competing acquisition proposal, (ii) Inland Diversified reimburse up to \$8.0 million of Kite Realty's out-of-pocket expenses in the event that the sale of Inland Diversified's single-tenant, net-lease portfolio failed to close, plus an additional fee of \$5.0 million in the event that Inland Diversified failed to acquire certain replacement properties following the closing of the sale of its single-tenant, net-lease portfolio, (iii) each party would reimburse up to \$8.0 million in expenses of the other party in the event that party's stockholders fail to approve the transaction, (iv) a breach of the provisions of the merger agreement relating to the solicitation of acquisition proposals would give rise to the immediate payment of a termination fee and (v) the closing of the merger would be conditioned upon the receipt of certain lender consents.

On February 5, 2014, representatives of Hogan Lovells contacted a representative of Alston & Bird to discuss further Kite Realty's request that the closing of the merger be conditioned upon the receipt of certain lender consents.

Also on February 5, 2014, each of the members of the Inland Diversified Special Committee received a letter from Party A reiterating Party A's interest in a transaction with Inland Diversified on terms previously proposed.

On February 6, 2014, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present. At this meeting, Wells Fargo Securities discussed with the Inland Diversified Special Committee financial aspects of the proposed transaction with Kite Realty and representatives of Alston & Bird provided the Inland Diversified Special Committee with an update on the status of the negotiations of the merger agreement and related documentation. Following this meeting, at the request of the Inland Diversified Special Committee, Wells Fargo Securities and Alston & Bird also reviewed these matters with the full Inland Diversified Board (other than Ms. Lawton). After the meeting of the full Inland Diversified Board, the Inland Diversified Special Committee reconvened, with representatives of Alston & Bird and Wells Fargo Securities present, to discuss possible resolutions of the remaining open items in the merger agreement. The Inland Diversified Special Committee instructed Alston & Bird to provide Hogan Lovells with a revised draft merger agreement proposing that (i) each party pay a termination fee based on an equal percentage of its equity value in order to accept a competing acquisition proposal, (ii) Inland Diversified reimburse up to \$8.0 million of Kite Realty's out-of-pocket expenses in the event that the sale of Inland Diversified's single-tenant, net-lease portfolio failed to close, plus an additional fee of \$3.0 million in the event that Inland Diversified failed to acquire certain replacement properties following the closing of the sale of its single-tenant, net-lease portfolio, (iii) each party would reimburse up to \$8.0 million in expenses of the other party in the event that such party's stockholders failed to approve the transaction, (iv) a breach of the provisions of the merger agreement relating to the solicitation of acquisition proposals would give rise to a requirement that the breaching party reimburse certain expenses of the other party, but would not otherwise give rise to the immediate payment of a termination fee, and (v) the closing of the merger would not be conditioned upon the receipt of certain lender consents.

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From February 6 through February 8, 2014, Dr. Wurtz bach engaged in conversations with representatives of the Business Manager regarding Inland Diversified's severance and retention bonuses payable to employees of the Business Manager and a number of other transition matters.

On the morning of February 7, 2014, Alston & Bird provided a revised draft of the master liquidity event agreement to Hogan Lovells and the Business Manager's legal counsel which, among other things, (i) clarified that Inland Diversified would not reimburse the Business Manager or the Property Managers for the payment of certain severance or retention bonuses to executive officers of the Business Manager and the Property Managers, (ii) removed the transition services agreement (and related fee) concept, and (iii) removed the requirement that Inland Diversified assume from the Business Manager various service agreements between the Business Manager and affiliates of the Business Manager and the Business Manager's lease for office space. Following the delivery of the revised Alston & Bird draft of the master liquidity event agreement, representatives of Alston & Bird and the Business Manager's legal counsel met by telephone to discuss Alston & Bird's revised draft of the master liquidity event agreement.

On the afternoon of February 7, 2014, the Business Manager's legal counsel provided a revised draft of the master liquidity event agreement to Alston & Bird and Hogan Lovells which provided, among other things, that Inland Diversified, or its successor as a result of the merger, would reimburse the Business Manager at the closing of the merger for fees incurred by the Business Manager in connection with the termination of various service agreements between the Business Manager and its affiliates and for the remaining lease payments due under the Business Manager's lease for office space.

Also on February 7, 2014, the Kite Realty Board met, with members of senior management and representatives of Hogan Lovells, BofA Merrill Lynch and Barclays present. Prior to this meeting, BofA Merrill Lynch and Barclays circulated to the Kite Realty Board discussion materials and Hogan Lovells circulated to the Kite Realty Board a summary of the proposed transaction documents. At this meeting, Mr. Kite provided an update on the status of discussions with Inland Diversified, including the exchange ratio. Kite Realty's financial advisors reviewed with the Kite Realty Board the financial aspects of the proposed transaction with Inland Diversified, including the synergies that the management of Kite Realty indicated could be realized. Representatives from Hogan Lovells reviewed with the Kite Realty Board the legal aspects of the proposed transaction with Inland Diversified, and discussed with the Kite Realty Board its fiduciary duties in connection with this transaction. At this meeting, Mr. Kite noted the recent downturn in the trading price of Kite Realty's common shares, and the pressure that this recent downturn put on the agreed upon exchange ratio.

Later on February 7, 2014, and following the meeting of the Kite Realty Board, representatives of BofA Merrill Lynch and Barclays contacted Wells Fargo Securities to discuss certain financial terms of the merger, including the proposed exchange ratio. Representatives of BofA Merrill Lynch and Barclays noted that, given the recent trading prices of Kite Realty common shares at the time, the exchange ratio would be 1.707 Kite Realty common shares per Inland Diversified share. To account for potential changes in the trading prices of Kite Realty common shares during the period between the signing and the closing of a potential merger, the representatives of BofA Merrill Lynch and Barclays proposed to Wells Fargo Securities an adjustment mechanism whereby the initial exchange ratio would be fixed at 1.707 shares of Kite Realty per Inland Diversified share, but that if (i) prior to the closing of the merger, an average trading price of Kite Realty common shares during a measurement period before the closing exceeded \$6.30 per share but was less than \$6.52 per share, then the exchange ratio would be adjusted, such that each Inland Diversified share would be converted into Kite Realty common shares having an implied value equal to \$10.75 and (ii) if an average trading price of Kite Realty common shares during a measurement period was equal to or greater than \$6.52 per share, then the exchange ratio would be fixed at 1.650 Kite Realty common shares per Inland Diversified share, thereby allowing Inland Diversified stockholders to participate in any further appreciation of Kite

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Realty common shares prior to the closing of the merger. Also on that date, Inland Diversified and Kite Realty agreed to extend the expiration of the exclusivity agreement until the end of the day on February 10, 2014.

On the evening of February 7, 2014 and again on the morning of February 8, 2014, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present, to discuss Kite Realty's revised exchange ratio proposal. After discussion, the Inland Diversified Special Committee instructed Dr. Wurtz bach to contact Mr. Kite and propose that an exchange ratio of 1.707 Kite Realty common shares per Inland Diversified share, subject to adjustment as described above, would be acceptable, provided that the price above which the exchange ratio would be fixed at 1.65 Kite Realty common shares per Inland Diversified share should be \$6.67 per share, which would imply a value per Inland Diversified share of \$11.00.

On the morning of February 8, 2014, Alston & Bird provided a revised draft of the master liquidity event agreement to Hogan Lovells and the Business Manager's legal counsel which, among other things, removed the provisions which contemplated that Inland Diversified would reimburse the Business Manager for fees incurred by the Business Manager in connection with the termination of various service agreements between the Business Manager and its affiliates and for the remaining lease payments due under the Business Manager's lease for office space.

On the evening of February 8, 2014, Hogan Lovells provided Alston & Bird with a revised draft merger agreement proposing that (i) each party pay a termination fee of 3.5% of such party's equity value in order to accept a competing acquisition proposal, (ii) a breach by either party of the provisions of the merger agreement related to the solicitation of acquisition proposals would give rise to the immediate payment by such breaching party of a termination fee equal to 3.5% of such party's equity value and (iii) the closing of the merger would not be conditioned upon the receipt of certain lender consents, provided that Kite Realty would be entitled to delay the closing of the merger if necessary to obtain such lender consents.

Throughout the remainder of February 8, 2014 and the morning of February 9, 2014, Dr. Wurtz bach, at the instruction of the Inland Diversified Special Committee, Mr. Kite and their respective advisors engaged in multiple conversations regarding the exchange ratio. Inland Diversified and Kite subsequently agreed on an initial exchange ratio of 1.707 shares of Kite Realty per Inland Diversified share, provided that if (i) prior to the closing of the merger, an average trading price of Kite Realty common shares during a measurement period before the closing exceeded \$6.36 per share but was less than \$6.58 per share then the exchange ratio would be adjusted to a floating exchange ratio of Kite Realty common shares per Inland Diversified share, such that each Inland Diversified share would be converted into Kite Realty common shares having an implied value equal to \$10.85 and (ii) if an average trading price of Kite Realty common shares during a measurement period was equal to or greater than \$6.58 per share, then the exchange ratio would be fixed at 1.650 Kite Realty common shares per Inland Diversified share.

Throughout the remainder of February 9, 2014, the parties worked to finalize the terms of the merger agreement.

On the morning of February 9, 2014, the Business Manager's legal counsel provided a revised draft of the master liquidity event agreement to Alston & Bird and Hogan Lovells. This draft reflected minor revisions and reserved comment with respect to the amount of the liquidity event fee payable to the Business Manager by Inland Diversified pursuant to the Business Management Agreement in connection with the merger, or the liquidity event fee.

Throughout the remainder of February 9, 2014, representatives of Alston & Bird, Hogan Lovells and the Business Manager's legal counsel met via telephone to discuss and provide comments to the master liquidity event agreement. On the afternoon of February 9, 2014, representatives of the Business



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Manager's legal counsel contacted representatives of Alston & Bird to propose that the liquidity event fee be increased from \$10.235 million to \$12.0 million. Following discussions between Dr. Wurtzbaach and representatives of the Business Manager on the afternoon of February 9, 2014, it was agreed that the liquidity event fee would be increased up to \$12.0 million in the event that the Business Manager achieved up to \$3.0 million in certain cost savings for Inland Diversified prior to the closing of the merger.

On the afternoon of February 9, 2014, the Kite Realty Board met again, with members of senior management and representatives of Hogan Lovells, BofA Merrill Lynch and Barclays present. Prior to this meeting, BofA Merrill Lynch and Barclays circulated to the Kite Realty Board discussion materials and Hogan Lovells circulated to the Kite Realty Board current drafts of the transaction documents. Mr. Kite provided an update on the proposed transaction with Inland Diversified, including discussions since the last meeting around adjustments to the exchange ratio in the event that Kite Realty's common stock price rebounded prior to the Inland Diversified stockholders meeting. Representatives from Hogan Lovells reviewed the terms of the merger agreement and related documents with the Kite Realty Board. Also at this meeting, BofA Merrill Lynch and Barclays jointly reviewed with the Kite Realty Board their financial analysis of the exchange ratio. BofA Merrill Lynch delivered to the Kite Realty Board an oral opinion, which was subsequently confirmed by delivery of a written opinion dated February 9, 2014, to the effect that, as of that date and based on and subject to the qualifications, limitations and assumptions described in such opinion, the exchange ratio provided for in the transaction was fair, from a financial point of view, to Kite Realty. Barclays delivered to the Kite Realty Board an oral opinion, which was subsequently confirmed by delivery of a written opinion dated February 9, 2014, to the effect that, as of that date and based on and subject to the qualifications, limitations and assumptions described in such opinion, the exchange ratio to be paid by Kite Realty in the transaction was fair, from a financial point of view, to Kite Realty. Following discussion, the Kite Realty Board, by unanimous vote of all members, approved the merger, the merger agreement, the other transaction documents and the transactions contemplated thereby.

On the evening of February 9, 2014, Alston & Bird circulated to Hogan Lovells and the Business Manager's legal counsel a final draft of the master liquidity event agreement. This draft provided, among other things, that the liquidity event fee would be increased from \$10.235 million to not more than \$12.0 million in the event that the Business Manager achieved \$3.0 million in certain cost savings for Inland Diversified prior to the closing of the merger.

Also, on the evening of February 9, 2014, the Inland Diversified Special Committee met, with representatives of Alston & Bird and Wells Fargo Securities present. Prior to this meeting, the final draft of the merger agreement and related materials were provided to the Inland Diversified Special Committee. At the meeting, Wells Fargo Securities reviewed with the Inland Diversified Special Committee its financial analysis of the exchange ratio provided for pursuant to the merger agreement and rendered to the Inland Diversified Special Committee an oral opinion, confirmed by delivery of a written opinion dated February 9, 2014, to the effect that, as of such date and based on and subject to various qualifications, limitations and assumptions stated in its opinion, the exchange ratio provided for pursuant to the merger agreement was fair, from a financial point of view, to holders of Inland Diversified common stock (other than Kite Realty, Merger Sub and their respective affiliates).

Representatives of Alston & Bird then reviewed for the Inland Diversified Special Committee their fiduciary duties, as well as the terms of the merger agreement and the related transaction documents. After discussion, the Inland Diversified Special Committee unanimously adopted resolutions recommending to the Inland Diversified Board that the Inland Diversified Board (i) determine that the terms of the merger and the merger agreement, and the transactions contemplated thereby, are fair to, and in the best interests of, Inland Diversified and its stockholders, (ii) approve and declare the merger, the merger agreement and the transactions contemplated thereby advisable, fair to, and in the best interests of the Inland Diversified and its stockholders, (iii) direct that the merger and the other

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transactions contemplated by the merger agreement be submitted to a vote of the stockholders of Inland Diversified, and (iv) recommend that Inland Diversified's stockholders vote in favor of approval of the merger and the other transactions contemplated by the merger agreement.

Following the Inland Diversified Special Committee meeting, the full Inland Diversified Board (other than Ms. Lawton) immediately convened a meeting, with all members of the Inland Diversified Board and representatives of Alston & Bird and Wells Fargo Securities also present. Alston & Bird reviewed the recommendation of the Inland Diversified Special Committee. At the request of the Inland Diversified Special Committee, Wells Fargo Securities confirmed that it had delivered an oral opinion to the Inland Diversified Special Committee and then provided a summary of the related financial analyses performed by Wells Fargo Securities.

After discussion, the Inland Diversified Board, having received the recommendation of the Inland Diversified Special Committee, approved and declared advisable the merger and recommended that Inland Diversified's stockholders vote in favor of approval of the merger and the other transactions contemplated by the merger agreement.

The parties subsequently executed the merger agreement, the master liquidity event agreement and related documents on the evening of February 9. Prior to the opening of trading on the following day, Inland Diversified and Kite Realty issued a press release announcing the proposed merger.

**Recommendation of the Kite Realty Board and Its Reasons for the Merger**

After careful consideration, the Kite Realty Board, by a unanimous vote of all trustees, at a meeting held on February 9, 2014, determined that the terms of the merger agreement and the transactions contemplated thereby are in the best interests of Kite Realty and its shareholders and approved, adopted and declared advisable the merger agreement and the merger and approved, adopted and declared advisable the Kite Realty declaration of trust amendment. In its evaluation of the merger, the Kite Realty Board consulted with Kite Realty's senior management and legal and financial advisors and carefully considered numerous factors that the Kite Realty Board believed supported its decision, including the following material factors:

*Increased Scale and Market Presence.* The incorporation of the Inland Diversified portfolio will further Kite Realty's strategic goal of becoming a leading owner of high-quality neighborhood and community shopping center assets by increasing the number, size and geographic reach of Kite Realty's portfolio base. The Inland Diversified portfolio will increase the size and scale of Kite Realty's portfolio, consisting of an increase from 74 assets with owned square footage of 10.1 million to 131 assets with owned square footage of 20.3 million. In addition, Inland Diversified's portfolio will expand Kite Realty's presence in key markets such as Texas and Florida and also permit Kite Realty's entry into new, attractive markets such as Las Vegas (NV), Westchester (NY), Bayonne (NJ), Virginia Beach (VA) and Salt Lake City (UT). This increased size and scale is expected to provide an enhanced competitive advantage across existing markets.

*Improved Diversification.* The Combined Company is expected to have improved geographic diversification which is expected to enhance the strength of the portfolio.

*High-Quality Portfolio.* The acquisition of the Inland Diversified portfolio advances Kite Realty's primary operating strategy to maximize revenue and maintain or increase occupancy levels by attracting and retaining a strong and diverse tenant base. The Inland Diversified portfolio contains a diverse tenant base with the top ten Inland Diversified tenants comprising 23.9% of total annualized base rent and the largest Inland Diversified tenant comprising only 3.1% of annualized base rent. In addition, Inland Diversified's portfolio had a 95.3% occupancy rate as of December 31, 2013 (excluding multifamily properties).

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*Potential Portfolio Income Growth.* The Kite Realty Board considered that Kite Realty's management believes that there are significant opportunities to increase the net operating income of the Inland Diversified portfolio. These opportunities include refining the tenant composition at certain properties, leasing up vacant space throughout the portfolio, particularly with respect to non-anchor tenants, and pursuing redevelopment and repositioning of certain properties.

*Attractive Pricing and Cost Savings.* Kite Realty would acquire the Inland Diversified assets at an attractive implied price of \$195 per square foot resulting in a projected 6.6% 2014 estimated cash capitalization rate. Also, the geographical overlap between Kite Realty's and Inland Diversified's portfolios in certain key markets and the elimination of third-party management fees and other costs with respect to the Inland Diversified portfolio will create general and administrative cost synergies that would drive higher margins, resulting in estimated gross savings of approximately \$17-19 million annually.

*Balance Sheet Improvement.* The completion of the merger will materially improve Kite Realty's leverage, debt service coverage and other credit metrics. Following completion of the merger, Kite Realty's net indebtedness to 2014 estimated adjusted EBITDA ratio is expected to improve from 7.3x to 6.5x.

*Increased Free Cash Flow.* The completion of the merger is also expected to significantly increase positive free cash flow of the Combined Company, which would provide Kite Realty with greater available funds for operations, for expanded acquisition and development activities, to repay additional indebtedness and potentially to increase its dividend payouts over time.

*Increased Liquidity and Improved Access to Capital Markets.* The Combined Company is expected to provide improved liquidity for Kite Realty shareholders as a result of the increased equity capitalization and the increased shareholder base of the Combined Company. The Kite Realty Board anticipates that the larger, more diverse asset base of the Combined Company, with limited near-term debt maturities, is expected to result in a lower cost of capital and provide increased access to capital-raising alternatives, including potential debt financings or issuances of preferred equity.

*Exchange Ratio.* The Kite Realty Board also considered that the exchange ratio structure, which includes a pricing collar based on the volume-weighted average trading price of Kite Realty's common shares for the 10 consecutive trading days ending on the third trading day immediately preceding Inland Diversified's stockholder special meeting, provides certainty as to the range of prospective pro forma percentage ownership of the Combined Company.

*Familiarity with Businesses.* The Kite Realty Board considered Kite Realty management's knowledge of the markets, business, operations, financial condition, earnings and prospects of both Kite Realty and Inland Diversified, taking into account the results of Kite Realty's due diligence review of Inland Diversified, as well as its knowledge of the current and prospective environment in which Kite Realty and Inland Diversified operate, including economic and market conditions.

*Superior Proposals.* The Kite Realty Board considered that, under certain circumstances, the merger agreement permits Kite Realty, prior to the time Kite Realty shareholders approve the merger, to consider and respond to an unsolicited bona fide alternative proposal or engage in discussions or negotiations with a third party making such a proposal if the Kite Realty Board determines in good faith (after consultation with its outside counsel and financial advisor) that such alternative proposal constitutes a Superior Proposal and the Kite Realty Board determines in good faith (after consultation with outside counsel) that the failure to take such action would be inconsistent with the trustees' duties under applicable law (see the section titled "The Merger

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Agreement Covenants and Agreements No Solicitation of Transactions" beginning on page 164).

*Limited Ability to Change Recommendation.* The Kite Realty Board considered that the merger agreement, in circumstances not involving a Superior Proposal, permits the Kite Realty Board to withdraw, withhold, modify or qualify its recommendation of the merger agreement, the merger or any of the other transactions contemplated by the merger agreement if a material event, circumstance, change or development occurs after February 9, 2014 that was not known or reasonably foreseeable to the Kite Realty Board on February 9, 2014, and the Kite Realty Board determines in good faith (after consultation with outside counsel) that failure to do so would be inconsistent with the trustees' duties under applicable law (see the section titled "The Merger Agreement Covenants and Agreements No Solicitation of Transactions" beginning on page 164).

#### *Opinions of Financial Advisors.*

the oral opinion of BofA Merrill Lynch, dated February 9, 2014 (which was subsequently confirmed by delivery of a written opinion dated February 9, 2014), to the Kite Realty Board as to the fairness, from a financial point of view and as of the date of the opinion, of the exchange ratio provided for in the merger to Kite Realty, as more fully described below in the section entitled "Opinion of BofA Merrill Lynch;" and

the oral opinion of Barclays, dated February 9, 2014 (which was subsequently confirmed by delivery of a written opinion dated February 9, 2014), to the Kite Realty Board to the effect that, as of February 9, 2014, and subject to the qualifications, limitations and assumptions set forth in Barclays' written opinion, that, from a financial point of view, the exchange ratio to be paid by Kite Realty in the merger was fair to Kite Realty, as more fully described below in the section entitled "The Merger Opinion of Kite Realty's Financial Advisors."

*Governance.* The Kite Realty Board considered that the following governance arrangements would enable continuity of management and an effective and timely integration of the two companies' operations:

six of the nine members of the board of directors of the Combined Company would be members of the Kite Realty Board; and

the senior executives of Kite Realty would serve as the senior executives of the Combined Company.

*High Likelihood of Consummation.* The Kite Realty Board believes it is highly likely that the merger will be completed in a timely manner given the commitment of both parties to complete the business combination pursuant to their respective obligations under the merger agreement and the absence of any required governmental consents.

The Kite Realty Board also considered a variety of risks and other potentially negative factors concerning the merger agreement and the merger, including the following:

Under the terms of the merger agreement, in certain circumstances, the Inland Diversified Board can modify or withdraw its recommendation that Inland Diversified stockholders vote in favor of the merger, if failure to take such action would be inconsistent with the directors' duties under applicable law and after compliance with the other requirements set forth in the merger agreement;

Under the terms of the merger agreement, Kite Realty must pay Inland Diversified a termination fee of \$30 million and/or reimburse certain expenses incurred by Kite Realty in connection with the merger (up to \$8 million) if the merger agreement is terminated under



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certain circumstances, which may deter other parties from proposing an alternative transaction that may be more advantageous to Kite Realty shareholders, or which may become payable following a termination of the merger agreement in circumstances where no alternative transaction or superior proposal is available to Kite Realty;

The terms of the merger agreement placing limitations on the ability of Kite Realty to initiate, solicit, knowingly encourage or facilitate any inquiries or the making of any proposal or offer by or with a third party with respect to an alternative acquisition proposal and to furnish non-public information to, or engage in discussions or negotiations with, a third party interested in pursuing an alternative business combination transaction;

Notwithstanding the likelihood of the merger being completed, the merger may not be completed, or that completion may be unduly delayed, including the effect of the pendency of the merger and the effect such failure to be completed may have on the trading price of Kite Realty common shares and Kite Realty's operating results, particularly in light of the costs incurred in connection with the transaction;

The possibility that the proposed sales of Inland Diversified's net-lease assets to Realty Income Corporation or the acquisition of the replacement properties to be acquired by Inland Diversified in connection with the Net-Lease transactions, which are expected to be completed prior to the merger, may not be completed on a timely basis or at all, which may prevent completion of the merger;

The potential risk of diverting management focus and resources from operational matters and other strategic opportunities while working to implement the merger;

The obligations under the merger agreement regarding the restrictions on the operation of Kite Realty's business during the period between the signing of the merger agreement and the completion of the merger may delay or prevent Kite Realty from undertaking business opportunities that may arise or any other action it would otherwise take with respect to its operations absent the pending completion of the merger;

Kite Realty and Inland Diversified may be obligated to complete the merger without having obtained appropriate consents, approvals or waivers from, or successfully refinanced, the outstanding indebtedness of Inland Diversified or Kite Realty that requires lender consent or approval to consummate the merger, and the risk that such consummation could trigger the termination of, and mandatory prepayments of amounts outstanding under, certain of Kite Realty's and Inland Diversified's indebtedness;

Kite Realty may not realize all of the anticipated strategic benefits and operational efficiencies or other anticipated benefits of the merger within the expected timeframe or at all;

The substantial costs to be incurred in connection with the transaction, including the costs of integrating the businesses of Kite Realty and Inland Diversified, and the transaction expenses arising from the merger;

The potential risk that the market price of the common shares of the Combined Company may be affected by factors relating to the merger, including increased liquidity for Inland Diversified stockholders; and

The other factors described under "Risk Factors."

The above discussion of the factors considered by the Kite Realty Board is not intended to be exhaustive and is not provided in any specific order or ranking, but does set forth material factors considered by the Kite Realty Board. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Kite Realty Board did not



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consider it practicable to, and did not attempt to, quantify, rank or otherwise assign relative or specific weight or values to any of these factors, and individual trustees may have held varied views of the relative importance of the factors considered. The Kite Realty Board viewed its position and recommendation as being based on an overall review of the totality of the information available to it, including discussions with Kite Realty's management and legal and financial advisors, overall considered these factors to be favorable to, and to support, its determination regarding the merger, and determined that, in the aggregate, the potential benefits considered outweighed the potential risks or possible negative consequences of approving the merger agreement, the merger and the other transactions contemplated by the merger agreement.

This explanation of Kite Realty's reasons for the merger and other information presented in this section is forward-looking in nature and should be read in light of the "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 44 of this joint proxy statement/prospectus.

**For the reasons set forth above, the Kite Realty Board unanimously determined that the terms of the merger agreement and the transactions contemplated thereby are in the best interests of Kite Realty and its shareholders and approved, adopted and declared advisable the merger agreement and the merger. The Kite Realty Board unanimously recommends to Kite Realty's shareholders that they vote "FOR" the proposal to approve the issuance of Kite Realty common shares to Inland Diversified stockholders pursuant to the merger agreement, and FOR the proposal to approve the Kite Realty declaration of trust amendment.**

**Recommendation of the Inland Diversified Board and Its Reasons for the Merger**

After careful consideration, the Inland Diversified Special Committee unanimously recommended that the Inland Diversified Board (i) determine that the terms of the merger and the merger agreement, and the transactions contemplated thereby, are fair to, and in the best interests of, Inland Diversified and its stockholders, (ii) approve and declare the merger, the merger agreement and the transactions contemplated thereby are advisable, fair to, and in the best interests of Inland Diversified and its stockholders and (iii) recommend that the Inland Diversified stockholders vote in favor of approval of the merger and the other transactions contemplated by the merger agreement.

Based on these recommendations by the Inland Diversified Special Committee, the Inland Diversified Board determined that (i) the terms of the merger and the merger agreement, and the transactions contemplated thereby, are advisable, fair to, and in the best interests of, Inland Diversified and its stockholders, (ii) approved and declared advisable the merger, (iii) approved and adopted the merger agreement and (iv) recommended that the Inland Diversified stockholders vote in favor of approval of the merger and the other transactions contemplated by the merger agreement. In evaluating the merger, the Inland Diversified Special Committee consulted with its legal and financial advisors and, in reaching its determinations, the Inland Diversified Board considered a number of factors that the Inland Diversified Board believed supported its decision, including the following material factors:

Inland Diversified Board's belief that Inland Diversified stockholders will benefit from owning NYSE-listed shares of Kite Realty that are freely tradable, with no lock-ups or other restrictions on transfer;

Inland Diversified stockholders will have the opportunity to participate in the potential future growth of the Combined Company and any future appreciation of Kite Realty common shares after the merger;

since the merger consideration consists entirely of shares of Kite Realty, Inland Diversified stockholders will have the freedom to make individual decisions about whether to continue ownership of Kite Realty after closing of the merger or whether to obtain liquidity for their investment by selling their shares;



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the Inland Diversified Board's belief that the merger will provide a number of strategic and financial benefits, which have the potential to create additional value for Inland Diversified stockholders as shareholders of the Combined Company, including, among others:

as a result of its strong balance sheet and larger size, the Combined Company is expected to have an improved credit profile, a lower cost of borrowing and enhanced access to capital to fund additional growth;

the Combined Company will be able to achieve greater cost synergies and lower general and administrative expenses relative to its asset base than Inland Diversified on a stand-alone basis by allocating the Combined Company's expenses over a larger portfolio;

the Combined Company will have the opportunity to reduce balance sheet leverage by retaining the net proceeds from Inland Diversified's sale of its single-tenant, net-lease portfolio;

the Combined Company's ownership of a portfolio of high quality real estate assets and increased geographic and tenant diversification as compared to Inland Diversified's current portfolio and tenant base, which should improve the stability of operating cash flows;

the Combined Company will have the ability to offer its shareholders a stable and secure dividend with the opportunity for future dividend growth as a result of the increased operating cash flow and lower leverage of the Combined Company;

the larger size of the Combined Company is expected to increase leasing leverage with national tenants and facilitate entry into new markets for increased revenues and future growth;

the Combined Company will have a significant opportunity to grow earnings through acquisitions and internal rent growth;

the Combined Company's well-diversified retail focused portfolio with high quality tenants provides both stability and growth potential; and

the Combined Company will have the opportunity to selectively dispose of underperforming assets and redeploy capital into higher quality growth assets;

the ability of Inland Diversified's stockholders to benefit, as shareholders of Kite Realty after closing, from Kite Realty's development and redevelopment business, which business Inland Diversified does not currently possess;

assuming the average trading price for Kite Realty common shares equals the \$6.15 closing price of Kite Realty common shares on February 7, 2014, the last trading day before the announcement of the merger, each outstanding Inland Diversified share would be converted into the right to receive 1.707 Kite Realty common shares having an implied value of \$10.50 based on such assumed average trading price for Kite Realty common shares, which would result in a total approximate return of between 14% (assuming an investment in August 2012) and 31% (assuming an investment in September 2009);

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the Inland Diversified Board's belief that the merger will result in greater value to Inland Diversified stockholders than the value that could be expected to be generated from remaining independent, particularly in light of the potential risks and uncertainties associated with that alternative;

the Inland Diversified Board's belief that the merger is more favorable to Inland Diversified stockholders than the other liquidity alternatives available to Inland Diversified, which belief was formed based on the Inland Diversified Special Committee's review, with the assistance of Wells

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Fargo Securities, of potential strategic alternatives available to Inland Diversified and consideration of the proposals submitted during the third party solicitation process with respect to a possible business combination transaction, as more fully described under " Background of the Merger;"

the knowledge of the Inland Diversified Board and the Inland Diversified Special Committee of the business, operations, financial condition, earnings and prospects of both Kite Realty and Inland Diversified, taking into account the results of Inland Diversified's due diligence review of Kite Realty, as well as its knowledge of the current and prospective environment in which Kite Realty and Inland Diversified operate, including economic and market conditions;

the opinion, dated February 9, 2014, of Wells Fargo Securities to the Inland Diversified Special Committee as to the fairness, from a financial point of view and as of such date, to holders of Inland Diversified common stock (other than Kite Realty, Merger Sub and their respective affiliates) of the exchange ratio provided for pursuant to the merger agreement, which opinion was based on and subject to the assumptions made, procedures followed, factors considered and limitations on the review undertaken as further described below under the heading " Opinion of Inland Diversified's Financial Advisor;"

the fact that the Combined Company will be self-managed, thereby:

eliminating the external management structure under which Inland Diversified currently operates, resulting in significant cost savings for the Combined Company without the payment of any internalization fee; and

benefiting from improved corporate governance and avoiding future conflicts of interest inherent in the external management structure;

the Inland Diversified Board's belief that it is highly likely that the merger will be completed in a timely manner based on, among other things, the absence of any significant closing conditions under the merger agreement, other than receipt of stockholder approvals, the closing of the net-lease transactions, and the acquisition of the replacement properties, and the likelihood that the stockholder approvals would be obtained and that the net-lease transactions and the acquisition of the replacement properties would be consummated;

the overall terms of the merger agreement, including, among other things, the following:

the ability to participate in negotiations with and to furnish information to any third party that makes an acquisition proposal that the Inland Diversified Board determines in good faith (after consultation with Inland Diversified's counsel and financial advisor) constitutes or is reasonably likely to lead to a superior proposal and (after consultation with Inland Diversified's counsel) that the failure to take such actions would be inconsistent with the Inland Diversified Board's duties under applicable law;

the ability of the Inland Diversified Board, under certain circumstances, to withdraw, withhold, modify or qualify its approval or recommendation of the merger agreement, the merger and the other transactions contemplated thereby;

the ability of Inland Diversified, under certain circumstances, to terminate the merger agreement in order to enter into an agreement providing for a superior proposal, and the Inland Diversified Board's belief that the termination fee payable to Kite Realty in such case (i) was reasonable in light of the overall terms of the merger agreement, as well as proportional to the termination fee payable by Kite Realty in corresponding circumstances, (ii) was within the range of termination fees in other transactions of this size and nature and (iii) would not preclude another party from making a competing proposal;



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the appointment of three designees of Inland Diversified to the Kite Realty Board upon the consummation of the merger, which designees will represent one-third of the total members of the Kite Realty Board after closing; and

the fact that the merger is subject to approval by the holders of at least a majority of all votes entitled to be cast on the merger agreement by holders of Inland Diversified's common stock;

the fact that the merger is intended to qualify as a tax-free transaction to the Inland Diversified stockholders for U.S. federal income tax purposes.

In the course of its deliberations, the Inland Diversified Board also considered various potential risks and other potentially negative factors concerning the merger agreement and the merger, including the following:

the possibility that the merger may not be consummated, or that the consummation of the merger may be delayed, for reasons that are beyond the control of Inland Diversified or Kite Realty, including the failure to obtain the required stockholder approvals or the failure of the net-lease transactions or the acquisition of the replacement properties to be consummated;

the potential risk of diverting the business manager's and Kite Realty's management's focus and resources from operational matters and other strategic opportunities while working to consummate the merger and, in the case of Kite Realty's management, while working to integrate Inland Diversified with Kite Realty;

the risk of not realizing all of the anticipated operational efficiencies or other anticipated strategic and financial benefits of the merger within the expected timeframe;

risks relating to the ability of Kite Realty to successfully integrate Inland Diversified and its portfolio with Kite Realty in light of Kite Realty's smaller portfolio and lack of experience with a business combination of this size;

the risk that a different liquidity alternative or a decision to pursue a liquidity event at a later time could ultimately prove to be more beneficial to the Inland Diversified stockholders than the proposed merger with Kite Realty;

the risk that the price of Kite Realty common shares will decline;

the risk that Kite Realty will continue to pay a lower dividend than that currently paid by Inland Diversified;

risks associated with Kite Realty's development and redevelopment business to which Inland Diversified's stockholders are not currently exposed;

under certain circumstances, the Kite Realty Board can withdraw, withhold, modify or qualify its approval or recommendation of the merger agreement, the merger and the other transactions contemplated thereby;

under certain circumstances, the Kite Realty Board can terminate the merger agreement in order to enter into an agreement providing for a superior proposal;

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the obligation to pay Kite Realty a termination fee of up to \$43 million and an expense reimbursement of up to \$8 million if the merger agreement is terminated under certain circumstances;

the risks and costs to Inland Diversified if the merger is not consummated, including the diversion of the business manager's attention, the potential disruptive effect on Inland

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Diversified's operating results, particularly in light of the costs incurred in connection with the proposed merger, and Inland Diversified's ability to attract and retain tenants;

the number of and value of the Kite Realty common shares that Inland Diversified stockholders will receive in the merger will fluctuate based on the trading price of the Kite Realty common shares;

the substantial costs to be incurred in connection with the transaction by the Combined Company, including the costs of integrating the businesses of Inland Diversified and Kite Realty, and the transaction expenses arising from the merger;

the ability of the Combined Company to retain key employees;

the restrictions on the conduct of Inland Diversified's business between the date of the merger agreement and the date of the consummation of the merger;

the terms of the merger agreement placing limitations on the ability of Inland Diversified to solicit, initiate, knowingly encourage or facilitate any inquiry, proposal or offer with respect to an alternative acquisition proposal or to furnish any non-public information in connection with an alternative acquisition proposal;

the absence of appraisal rights for Inland Diversified stockholders under Maryland law; and

the other factors described under the heading "Risk Factors."

In addition to considering the factors described above, the Inland Diversified Board considered the fact that some of Inland Diversified's directors and executive officers have other interests in the merger that are different from, or in addition to, the interests of the Inland Diversified stockholders generally, as discussed under the heading "Interests of Inland Diversified's Directors and Executive Officers in the Merger" beginning on page 114 of this joint proxy statement/prospectus.

The above discussion of the factors considered by the Inland Diversified Board is not intended to be exhaustive, but does set forth material factors considered by the Inland Diversified Board. In view of the wide variety of factors considered in connection with its evaluation of the merger and the complexity of these matters, the Inland Diversified Board did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative or specific weight or values to any of these factors, and individual directors may have held varied views of the relative importance of the factors considered. The Inland Diversified Board viewed its position and recommendation as being based on an overall review of the totality of the information available to it, including discussions with the Inland Diversified Special Committee, the Business Manager and the Inland Diversified Special Committee's legal and financial advisors, and overall considered these factors to be favorable to, and to support, the Inland Diversified Special Committee's and its determination regarding the merger.

This explanation of the Inland Diversified Board's reasons for the merger and other information presented in this section is forward-looking in nature and should be read in light of the "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 44 of this joint proxy statement/prospectus.

For the reasons set forth above, the Inland Diversified Board, acting on the unanimous recommendation of the Inland Diversified Special Committee, determined that the terms of the merger and the merger agreement, and the transactions contemplated thereby, are advisable, fair to, and in the best interests of, Inland Diversified and its stockholders, approved and declared advisable the merger and approved and adopted the merger agreement. The Inland Diversified Board recommends to the Inland Diversified stockholders that they vote "FOR" the approval of the merger and the other transactions contemplated by the merger agreement.

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**Opinions of Kite Realty's Financial Advisors**

***Opinion of BofA Merrill Lynch***

Kite Realty has retained BofA Merrill Lynch to act as one of Kite Realty's financial advisors in connection with the merger. BofA Merrill Lynch is an internationally recognized investment banking firm which is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, secondary distributions of listed and unlisted securities, private placements and valuations for corporate and other purposes. Kite Realty selected BofA Merrill Lynch to act as one of Kite Realty's financial advisors in connection with the merger on the basis of BofA Merrill Lynch's experience in transactions similar to the merger, its reputation in the investment community and its familiarity with Kite Realty and its business.

On February 9, 2014, at a meeting of the Kite Realty Board held to evaluate the merger, BofA Merrill Lynch delivered to the Kite Realty Board an oral opinion, which was confirmed by delivery of a written opinion dated February 9, 2014, to the effect that, as of the date of the opinion and based on and subject to the qualifications, limitations and assumptions described in its opinion, the exchange ratio provided for in the merger was fair, from a financial point of view, to Kite Realty.

**The full text of BofA Merrill Lynch's written opinion to the Kite Realty Board, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex C to this joint proxy/prospectus and is incorporated by reference herein in its entirety. The following summary of BofA Merrill Lynch's opinion is qualified in its entirety by reference to the full text of the opinion. BofA Merrill Lynch delivered its opinion to the Kite Realty Board for the benefit and use of the Kite Realty Board (in its capacity as such) in connection with and for purposes of its evaluation of the exchange ratio from a financial point of view. BofA Merrill Lynch's opinion does not address any other aspect of the merger and no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Kite Realty or in which Kite Realty might engage or as to the underlying business decision of Kite Realty to proceed with or effect the merger. BofA Merrill Lynch's opinion does not address any other aspect of the merger and does not constitute a recommendation to any stockholder as to how to vote or act in connection with the proposed merger or any related matter.**

In connection with rendering its opinion, BofA Merrill Lynch:

reviewed certain publicly available business and financial information relating to Inland Diversified and Kite Realty;

reviewed financial and operating information with respect to the business, operations and prospects of Inland Diversified and its assets furnished to or discussed with BofA Merrill Lynch by the management of Inland Diversified, including certain financial forecasts relating to Inland Diversified prepared by the management of Inland Diversified;

reviewed an alternative version of the Inland Diversified forecasts referred to above incorporating certain adjustments thereto made by the management of Kite Realty and discussed with the management of Kite Realty its assessments as to the relative likelihood of achieving the future financial results reflected in the Inland Diversified forecasts and the adjusted Inland Diversified forecasts;

reviewed certain estimates as to the amount and timing of cost savings anticipated by the management of Kite Realty to result from the merger;

reviewed certain internal financial and operating information with respect to the business, operations and prospects of Kite Realty and its assets furnished to BofA Merrill Lynch by the management of Kite Realty, including certain financial forecasts relating to Kite Realty prepared by the management of Kite Realty;



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discussed the past and current business, operations, financial condition and prospects of Inland Diversified with members of senior managements of Kite Realty, and discussed the past and current business, operations, financial condition and prospects of Kite Realty with members of senior management of Kite Realty;

reviewed the potential pro forma financial impact of the merger on the future financial performance of Kite Realty, including the potential effect on Kite Realty's estimated funds from operation, which we refer to herein as FFO), per share and adjusted funds from operation, which we refer to herein as AFFO, per share;

reviewed the trading history for Kite Realty common shares and a comparison of such trading history with the trading histories of other companies BofA Merrill Lynch deemed relevant;

compared certain financial information of Inland Diversified and Kite Realty with each other and with similar information of other companies BofA Merrill Lynch deemed relevant;

reviewed the relative financial contributions of Inland Diversified and Kite Realty to the future financial performance of the Combined Company on a pro forma basis;

reviewed a draft, dated February 9, 2014, of the merger agreement;

reviewed information from management of Inland Diversified regarding the principal terms of the transactions contemplated by the Purchase and Sale Agreement (referred to herein as the "Bulwark Purchase Agreement"), dated as of December 16, 2013, between Bulwark Corporation and Realty Income Corporation and the Purchase and Sale Agreement (referred to herein as the "Net-Lease Purchase Agreement"), dated as of December 16, 2013, by and among Inland Diversified, Inland Diversified Cumming Market Place, L.L.C., and Realty Income Corporation; and

performed such other analyses and studies and considered such other information and factors as BofA Merrill Lynch deemed appropriate.

In arriving at its opinion, BofA Merrill Lynch assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with BofA Merrill Lynch and relied upon the assurances of the managements of Kite Realty and Inland Diversified that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect. With respect to the Inland Diversified forecasts, BofA Merrill Lynch was advised by the management of Inland Diversified, and assumed, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Inland Diversified as to the future financial performance of Inland Diversified. With respect to the Kite Realty forecasts, the adjusted Inland Diversified forecasts and the cost savings referred to above, BofA Merrill Lynch assumed, at the direction of Kite Realty, that they were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the management of Kite Realty as to the future financial performance of Kite Realty and Inland Diversified and the other matters covered thereby and, based on the assessments of the management of Kite Realty as to the relative likelihood of achieving the future financial results reflected in the Inland Diversified forecasts and the adjusted Inland Diversified forecasts referred to above, BofA Merrill Lynch relied, at the direction of Kite Realty, on the adjusted Inland Diversified forecasts for purposes of its opinion. BofA Merrill Lynch relied, at the direction of Kite Realty, on the assessments of the management of Kite Realty as to Kite Realty's ability to achieve the cost savings and was advised by Kite Realty, and assumed, that the cost savings will be realized in the amounts and at the times projected.

BofA Merrill Lynch has not made or been provided with any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of Inland Diversified or Kite Realty, nor has BofA

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Merrill Lynch made any physical inspection of the properties or assets of Inland Diversified or Kite Realty. BofA Merrill Lynch also has not made an analysis of, nor did BofA Merrill Lynch express any opinion or view as to, the adequacy or sufficiency of allowances for credit losses with respect to leases, loans or any other matters and BofA Merrill Lynch was advised by managements of Kite Realty and Inland Diversified and therefore assumed, with the consent of Kite Realty, that any such allowances for losses were, and on a pro forma basis would be, in the aggregate appropriate to cover such losses. BofA Merrill Lynch did not evaluate the solvency or fair value of Inland Diversified or Kite Realty under any state, federal or other laws relating to bankruptcy, insolvency or similar matters. BofA Merrill Lynch assumed, at the direction of Kite Realty, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, would be imposed that would have an adverse effect on Inland Diversified, Kite Realty or the contemplated benefits of the merger. BofA Merrill Lynch assumed, at the direction of Kite Realty, that the final executed merger agreement would not differ in any material respect from the draft merger agreement reviewed by BofA Merrill Lynch. BofA Merrill Lynch was advised by Kite Realty and Inland Diversified that each of Kite Realty and Inland Diversified has operated in conformity with the requirements for qualification as a REIT for U.S. federal income tax purposes since its formation as a REIT and BofA Merrill Lynch assumed, at the direction of Kite Realty, that following the consummation of the merger, the Combined Company will continue to qualify for U.S. federal income tax purposes as a REIT.

BofA Merrill Lynch expressed no view or opinion as to any terms or other aspects of the merger (other than the exchange ratio to the extent expressly specified therein) or any related transactions, including, without limitation, the form or structure of the merger or any terms, aspects or implications of the Bulwark Purchase Agreement or the Net-Lease Purchase Agreement or the transactions contemplated thereby or any other arrangements, agreements or understandings entered into in connection with or related to the merger or otherwise. The opinion of BofA Merrill Lynch is limited to the fairness, from a financial point of view, to Kite Realty of the exchange ratio provided for in the merger and no opinion or view is expressed with respect to any consideration received in connection with the merger by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view was expressed with respect to the fairness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the merger, or class of such persons, relative to the exchange ratio. Furthermore, no opinion or view was expressed as to the relative merits of the merger in comparison to other strategies or transactions that might be available to Kite Realty or in which Kite Realty might engage or as to the underlying business decision of Kite Realty to proceed with or effect the merger. BofA Merrill Lynch also did not express any view or opinion with respect to, and have relied, with the consent of Kite Realty, upon the assessments of Kite Realty's representatives regarding, legal, regulatory, accounting, tax and similar matters relating to Kite Realty, Inland Diversified and the merger (including the contemplated benefits thereof) as to which BofA Merrill Lynch understands that Kite Realty obtained such advice as it deemed necessary from qualified professionals. BofA Merrill Lynch did not express any opinion as to what the value of Kite Realty common shares actually will be when issued in connection with the merger or the prices at which Kite Realty common shares would trade at any time, including following announcement or consummation of the merger. In addition, BofA Merrill Lynch expressed no opinion or recommendation as to how any stockholder should vote or act in connection with the merger or any related matter. Except as described above, Kite Realty imposed no other limitations on the investigations made or procedures followed by BofA Merrill Lynch in rendering its opinion.

BofA Merrill Lynch's opinion was necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to BofA Merrill

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Lynch as of, the date of its opinion. It should be understood that subsequent developments may affect its opinion, and BofA Merrill Lynch does not have any obligation to update, revise or reaffirm its opinion. The issuance of BofA Merrill Lynch's opinion was approved by BofA Merrill Lynch's Americas Fairness Opinion Review Committee.

*Opinion of Barclays*

Kite Realty has retained Barclays to act as one of Kite Realty's financial advisors in connection with the merger. Barclays is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Kite Realty selected Barclays to act as one of Kite Realty's financial advisors in connection with the merger on the basis of Barclays' experience in transactions similar to the merger, its reputation in the investment community and its familiarity with Kite Realty and its business.

On February 9, 2014, at a meeting of the Kite Realty Board held to evaluate the merger, Barclays delivered to the Kite Realty Board an oral opinion, which was confirmed by delivery of a written opinion dated February 9, 2014, to the effect that, as of the date of the opinion and subject to the qualifications, limitations and assumptions set forth in Barclays' written opinion, that, from a financial point of view, the exchange ratio to be paid by Kite Realty in the merger was fair to Kite Realty.

**The full text of Barclays' written opinion, dated as of February 9, 2014, is attached as *Annex D* to this joint proxy/prospectus. Barclays' written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations upon the review undertaken by Barclays in rendering its opinion. You are encouraged to read the opinion carefully in its entirety. The following is a summary of Barclays' opinion and the methodology that Barclays used to render its opinion. This summary is qualified in its entirety by reference to the full text of the opinion.**

Barclays' opinion, the issuance of which was approved by Barclays' Americas Fairness Opinion Review Committee, is addressed to the Kite Realty Board, addresses only the fairness, from a financial point of view, of the exchange ratio to be paid by Kite Realty in the merger and does not constitute a recommendation to any stockholder of Kite Realty as to how such stockholder should vote or act with respect to the merger or any related matter. The terms of the merger were determined through arm's-length negotiations between Kite Realty and Inland Diversified and were unanimously approved by the Kite Realty Board. Barclays was not requested to opine to, and its opinion does not in any manner address, Kite Realty's underlying business decision to proceed with or effect the merger or the likelihood of consummation of the merger. In addition, Barclays expressed no opinion on, and its opinion does not in any manner address, the fairness of the amount or the nature of any compensation to any officers, directors or employees of any parties to the merger, or any class of such persons, relative to the consideration paid in the merger or otherwise. No limitations were imposed by the Kite Realty Board upon Barclays with respect to the investigations made or procedures followed by it in rendering its opinion.

In arriving at its opinion, Barclays reviewed and analyzed:

a draft of the merger agreement, dated as of February 9, 2014, and the specific terms of the merger;

such publicly available information concerning Kite Realty and Inland Diversified that Barclays believed to be relevant to its analysis, including their respective Annual Reports on Form 10-K for the fiscal year ended December 31, 2012 and their respective Quarterly Reports on Form 10-Q for the fiscal quarters ended September 30, 2013, June 30, 2013 and March 31, 2013;

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financial and operating information with respect to the business, operations and prospects of Kite Realty and its assets furnished to Barclays by Kite Realty, including financial projections of Kite Realty prepared by the management of Kite Realty;

financial and operating information with respect to the business, operations and prospects of Inland Diversified and its assets furnished to Barclays by Inland Diversified, including financial projections of Inland Diversified prepared by the management of Inland Diversified as adjusted by the management of Kite Realty, reflecting discussions with the management of Kite Realty of its assessments as to the relative likelihood of achieving the future financial results reflected in such projections;

a version of the adjusted Inland Diversified projections incorporating adjustments with respect to certain estimates relating to cost savings, asset sales, and related transaction costs prepared by the management of Kite Realty, reflecting discussions with the management of Kite Realty of its assessments as to the relative likelihood of achieving the future financial results reflected in such projections;

the trading history for Kite Realty common shares from February 9, 2009 to February 7, 2014 and a comparison of such trading history with those of other companies and indices that Barclays deemed relevant;

a comparison of the historical financial results and present financial condition of Kite Realty and Inland Diversified with each other and with those of other companies that Barclays deemed relevant;

information received from management of Inland Diversified regarding the principal terms of the transactions contemplated by the Bulwark Purchase Agreement and the Net-Lease Purchase Agreement;

published estimates of independent research analysts with respect to the future financial performance and price target of Kite Realty;

the pro forma impact of the merger on the future financial performance of the Combined Company; and

the relative financial contributions of Kite Realty and Inland Diversified to the future financial performance of the Combined Company on a pro forma basis.

In addition, Barclays had discussions with the management of Kite Realty concerning the past and current business, operations, assets, liabilities, financial condition and prospects of Kite Realty and Inland Diversified and the potential strategic benefits of the merger, including but not limited to the potential impacts to Kite Realty's growth, portfolio and leverage, and Barclays undertook such other studies, analyses and investigations, and considered such other information and factors, as it deemed appropriate.

In arriving at its opinion, Barclays assumed and relied upon the accuracy and completeness of the financial and other information used by Barclays without any independent verification of such information (and did not assume responsibility or liability for any independent verification of such information) and Barclays further relied upon the assurances of the management of Kite Realty and Inland Diversified that they are not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the Inland Diversified projections referred to above, Barclays assumed, at the direction and with the consent of Kite Realty, that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Kite Realty as to the future financial performance of Inland Diversified and that Inland Diversified would perform substantially in accordance with such projections, and Barclays relied upon such projections in arriving at its opinion. With respect to the Kite Realty projections referred to

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above, upon the advice of the management of Kite Realty, Barclays assumed that such projections were reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Kite Realty as to the future financial performance of Kite Realty and that Kite Realty would perform substantially in accordance with such projections. Barclays assumed no responsibility for and expressed no view as to any such projections or estimates or the assumptions on which they are based. In arriving at its opinion, Barclays did not conduct a physical inspection of the properties and facilities of Kite Realty or Inland Diversified and Barclays did not make or obtain any evaluations or appraisals of the assets or liabilities of Kite Realty or Inland Diversified. Barclays' opinion necessarily is based upon market, economic and other conditions as they exist on, and can be evaluated as of, the date of its opinion. Barclays assumed no responsibility for updating or revising its opinion based on events or circumstances that may occur after the date of its opinion. Furthermore, Barclays expressed no view or opinion as to what the value of Kite Realty common shares actually will be when issued in connection with the merger or the prices at which Kite Realty common shares will trade at any time, including following announcement or consummation of the merger.

Barclays assumed that the executed merger agreement would conform in all material respects to the last draft reviewed by it. In addition, Barclays assumed the accuracy of the representations and warranties contained in the merger agreement and all agreements related thereto. Barclays also assumed, upon the advice of Kite Realty, that all material governmental, regulatory and third party approvals, consents and releases for the merger would be obtained within the constraints contemplated by the merger agreement and that the merger would be consummated in accordance with the terms of the merger agreement without waiver, modification or amendment of any material term, condition or agreement thereof. Barclays did not express any opinion as to any tax or other consequences that might result from the merger, nor does Barclays' opinion address any legal, tax, regulatory or accounting matters, as to which Barclays understood that Kite Realty had obtained such advice as it deemed necessary from qualified professionals. Barclays had been advised by Kite Realty and Inland Diversified that each of Kite Realty and Inland Diversified have operated in conformity with the requirements for qualification as a real estate investment trust for U.S. federal income tax purposes since its formation as a real estate investment trust and Barclays assumed, at the direction of Kite Realty, that following the consummation of the merger, the Combined Company would continue to qualify for U.S. federal income tax purposes as a real estate investment trust. Barclays also did not make an analysis of, nor did Barclays express any opinion or view as to, the adequacy or sufficiency of allowances for credit losses with respect to leases, loans or any other matters and Barclays was advised by the management of Kite Realty and Inland Diversified and therefore assumed, with the consent of Kite Realty, that any such allowances for losses are, and on a pro forma basis would be, in the aggregate appropriate to cover such losses. Barclays expressed no view or opinion as to any terms or other aspects of the merger (other than the exchange ratio to the extent expressly specified therein), including, without limitation, the form or structure of the merger. Barclays also expressed no view or opinion as to any terms or other aspects of the Bulwark Purchase Agreement or the Net-Lease Purchase Agreement and the transactions contemplated thereby, and Barclays assumed, at the direction of Kite Realty, that the transactions contemplated by the Bulwark Purchase Agreement and the Net-Lease Purchase Agreement would be consummated in accordance with the terms of such agreements without waiver, modification or amendment of any material term, condition or agreement thereof.

*Financial Analyses.*

The following represents a brief summary of the material financial analyses presented by the Advisors to the Kite Realty Board in connection with its opinion. The financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses performed by the Advisors, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses performed by the Advisors. Considering the data set forth in the tables below without considering the full narrative

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description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of the financial analyses performed by the Advisors.

*Selected Publicly Traded Companies Analysis.* The Advisors reviewed publicly available financial and stock market information for Kite Realty and the following fourteen publicly traded companies in the strip center real estate investment trust sector:

Kimco Realty Corporation

Brixmor Property Group Inc.

DDR Corp.

Regency Centers Corporation

Weingarten Realty Investors

Retail Properties of America, Inc.

Equity One, Inc.

Acadia Realty Trust

Saul Centers, Inc.

Retail Opportunity Investments Corp.

Ramco-Gershenson Properties Trust

Inland Real Estate Corporation

Excel Trust, Inc.

Cedar Realty Trust, Inc.

The Advisors calculated and compared various financial multiples and ratios of Kite Realty, Inland Diversified, and the selected publicly-traded companies. As part of its selected publicly-traded company analysis, the Advisors calculated and analyzed each company's ratio of its stock price to its calendar year 2014 estimated FFO, based on Wall Street research consensus estimates as of February 7, 2014. This resulted in a range of 10.6x to 18.8x estimated FFO multiples with a median of 13.3x, in the case of Inland Diversified, and 14.0x, in the case of Kite Realty. The Advisors also calculated and analyzed each company's ratio of its total enterprise value to its calendar year 2014 estimated earnings before interest, taxes, depreciation and amortization (referred to herein as "EBITDA") based on Wall Street research consensus estimates as of February 7, 2014. This resulted in a range of 12.8x to 19.0x estimated EBITDA multiples with a median of 15.7x, in the case of

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Inland Diversified, and 15.6x, in the case of Kite Realty. These calculations were based on publicly available financial data and closing prices as of February 7, 2014, the last trading date prior to the delivery of the Advisors' respective opinions.

The Advisors selected the publicly-traded companies listed above because their businesses and operating profiles are reasonably similar to that of Kite Realty and Inland Diversified, as all the selected companies are in the strip center real estate investment trust sector with operations that, for the purposes of the analysis of the Advisors, may be considered similar to those of Kite Realty and Inland Diversified, but none of the selected companies are identical to or directly comparable to Kite Realty or Inland Diversified. Because of the inherent differences between the business, operations and prospects of Kite Realty and Inland Diversified and those of the selected publicly-traded companies, the Advisors believed that it was inappropriate to, and therefore did not, rely solely on the quantitative results of the selected publicly-traded company analysis. Accordingly, given that an evaluation of the

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results of this analysis is not entirely mathematical, the Advisors made certain qualitative judgments concerning differences between the business, financial and operating characteristics and prospects of Kite Realty and Inland Diversified and the selected publicly-traded companies that could affect the public trading values of each in order to provide a context in which to consider the results of the quantitative analysis. These qualitative judgments related primarily to the differing sizes, growth prospects, profitability levels, leverage and degree of operational risk between Kite Realty, Inland Diversified and the companies included in the selected company analysis.

Based upon these judgments, the Advisors selected a range of 13.0x to 15.0x multiples of estimated FFO for Inland Diversified, and a range of a range of 12.0x to 14.0x multiples of estimated FFO for Kite Realty, and the Advisors selected a range of 16.0x to 17.0x multiples of estimated EBITDA for each of Inland Diversified and Kite Realty. In arriving at the implied price per share of Inland Diversified Common Stock based on the 2014 estimated FFO multiple, for the purposes of this analysis, the Advisors also accounted for a hypothetical "special dividend" of \$1.43 per share of Inland Diversified Common Stock based on Inland Diversified's net proceeds from the sale of its triple net lease portfolio for \$221 million, less \$53 million used to repay the outstanding balance on Inland Diversified's credit facility. The Advisors applied such ranges to the Kite Realty projections and the Inland Diversified projections as adjusted by the management of Kite Realty, respectively, to calculate a range of implied prices per share of Kite Realty common shares and Inland Diversified Common Stock and to calculate a range of exchange ratios. The following summarizes the result of these calculations (with amounts in dollars rounded to the nearest \$0.10):

#### Implied Per Share Equity Value Reference Ranges

<p><b>Inland Diversified 2014E FFO (reflecting the Special Dividend)</b> \$9.60 - \$10.80</p>	<p><b>Kite Realty 2014E FFO</b> \$6.00 - \$7.00</p>	<p><b>Implied Exchange Ratio Range Based on 2014E FFO</b> 1.37x - 1.80x</p>
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	<p><b>Implied Exchange Ratio Range Based on 2014E EBITDA</b> 1.30x - 1.64x</p>		<p><b>Merger Exchange Ratio</b> 1.650x - 1.707x</p>
<p><b>Inland Diversified 2014E EBITDA</b> \$9.00 - \$10.00</p>	<p><b>Kite Realty 2014E EBITDA</b> \$6.10 - \$6.90</p>		

#### *Net Asset Value Analysis*

The Advisors performed a net asset valuation of the real estate portfolios of Kite Realty and Inland Diversified based on management estimates of Kite Realty (in the case of the Kite Realty valuation) and management estimates of Inland Diversified as adjusted by the management of Kite Realty (in the case of the Inland Diversified valuation). The Advisors calculated the estimated net asset value of Kite Realty's and Inland Diversified's operating real estate by selecting capitalization rates, based on their professional judgment and following discussions with the management of Kite Realty, ranging from 6.26% to 6.75% for Inland Diversified and ranging from 6.26% to 6.76% for Kite Realty and applying those rates to the calendar year 2014 estimated cash net operating income generated (post management fee) from existing properties and acquisitions as of December 31, 2013 other than, in the case of Kite Realty, its 50th and 12th, Ridge Plaza and Red Bank Commons properties. Further, for the Inland Diversified analysis, the Advisors accounted for the contractual sales price and implied net asset value of the 1031 Exchange assets, and for the Kite Realty analysis, the Advisors accounted for discounted cash flow value of developments and redevelopments, and the book value of construction in progress, net of construction in progress attributable to developments, redevelopments and new leasing activity.



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The Advisors also took into account for purposes of such analysis Kite Realty's and Inland Diversified's cash and cash equivalents, other tangible assets, and liabilities, each estimated as of December 31, 2013. For the Inland Diversified analysis, the Advisors accounted for the net proceeds from the sale of the triple net lease assets, and accounted for the estimated proceeds from a potential sale of the multifamily assets and marketable securities.

Implied per share equity values for Kite Realty and Inland Diversified were calculated as Kite Realty's and Inland Diversified's implied net asset value divided by the number of shares of issued and outstanding Kite Realty common shares and Inland Diversified Common Stock, respectively. This analysis indicated an approximate per share equity value reference range for Inland Diversified of \$9.90 to \$11.10 and a per share equity value reference range for Kite Realty of \$5.70 to \$6.70. Based on this implied per share equity value reference range for Kite Realty and Inland Diversified, the Advisors calculated the following implied exchange ratio range (with amounts in dollars rounded to the nearest \$0.10):

Net Asset Value Per Share Ranges		Implied Exchange Ratio Range Based on Net Asset Value Analysis	Merger Exchange Ratio
Inland Diversified	Kite Realty		
\$9.90 - \$11.10	\$5.70 - \$6.70	1.48x - 1.95x	1.650x - 1.707x
<i>Discounted Cash Flow Analysis</i>			

The Advisors performed a discounted cash flow analysis of each of Kite Realty and Inland Diversified to calculate and compare the estimated present value of the standalone unlevered free cash flows that Kite Realty and Inland Diversified were forecasted to generate their respective 2014 through 2018 fiscal years based on the management estimates of Kite Realty (in the case of the Kite Realty valuation) and management estimates of Inland Diversified as adjusted by the management of Kite Realty (in the case of the Inland Diversified valuation). The Advisors calculated terminal values for Kite Realty and Inland Diversified by applying terminal forward EBITDA multiples of 15.0x to 16.0x to the estimated calendar year 2018 EBITDA of each of Kite Realty and Inland Diversified. The cash flows and terminal values were then discounted to present values using discount rates ranging from 7.0% to 8.0% and combined to arrive at implied enterprise values. The Advisors selected the discount rates based on their professional judgment and based on discount rates applicable to selected companies in the strip center real estate investment trust sector, as provided by publicly available sources.

Next, for Inland Diversified, net debt was subtracted from the implied Inland Diversified enterprise values, and the amount of Inland Diversified's expected \$221 million net proceeds from the sale of its triple net lease portfolio (further assuming that \$53 million of these proceeds would be used to repay the outstanding balance on Inland Diversified's credit facility) was added to the implied enterprise values, to arrive at implied equity values for Inland Diversified. For Kite Realty, net debt and a \$103 million amount in respect of its preferred stock was subtracted from the implied Kite Realty enterprise values to arrive at implied equity values for Kite Realty.

The discounted cash flow analysis was repeated for Inland Diversified under two cost savings scenarios. Under one scenario, cost savings were only assumed relating to the assumed 41% pro forma ownership by Kite Realty's stockholders in the Combined Company (referred to herein as the "41% Cost Savings"), and under the other scenario, cost savings were assumed for the entire Combined Company (referred to herein as the "100% Cost Savings"). For the 41% Cost Savings scenario, Inland Diversified's cash flow was adjusted to account for net proceeds of \$61 million from sale of the multifamily assets and securities portfolio, a valuation of redeemable operating partnership units at an implied price, the exclusion of accounting adjustments, and to reflect Kite Realty's pro forma ownership of 41% of Inland Diversified, estimated calendar year 2014 cost savings of \$12 million, \$16 million in

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transaction costs, and a liquidity event fee of \$4 million. For the 100% Cost Savings scenario, Inland Diversified's cash flow was adjusted to account for net proceeds of \$61 million from sale of the multifamily assets and securities portfolio, a valuation of redeemable operating partnership units at an implied price, the exclusion of accounting adjustments, estimated calendar year 2014 cost savings of \$18 million, \$38 million in transaction costs, and a liquidity event fee of \$12 million. This analysis indicated the following exchange ratio ranges (with amounts in dollars rounded to the nearest \$0.10):

<b>Inland Diversified Implied Per Share Equity Value Reference Range (Standalone)</b>	<b>Inland Diversified Implied Per Share Equity Value Reference Range (with 41% Cost Savings)</b>	<b>Inland Diversified Implied Per Share Equity Value Reference Range (with 100% Cost Savings)</b>	<b>Kite Realty Implied Per Share Equity Value Reference Range</b>
\$8.40 - \$9.90	\$9.20 - \$10.60	\$10.00 - \$11.50	\$5.80 - \$7.10

<b>Implied Exchange Ratio (Standalone)</b>	<b>Implied Exchange Ratio (with 41% Cost Savings)</b>	<b>Implied Exchange Ratio (with 100% Cost Savings)</b>	<b>Merger Exchange Ratio</b>
1.18x - 1.71x	1.30x - 1.83x	1.41x - 1.98x	1.650x - 1.707x

### ***Contribution Analysis***

The Advisors also reviewed and considered the relative contributions of Kite Realty and Inland Diversified to the estimated calendar year 2014 net operating income, estimated calendar year 2014 EBITDA, estimated calendar year 2014 EBITDA with 41% Cost Savings, and estimated calendar year 2014 EBITDA with 100% Cost Savings, with such analyses indicating an implied exchange ratio range as follows:

<b>Implied Exchange Ratio Range</b>	<b>Merger Exchange Ratio</b>
1.4485x - 1.8388x	1.650x - 1.707x

### ***Other Factors***

In rendering its opinion, the Advisors also reviewed and considered other factors, including:

A pro forma capitalization analysis of the impact of the merger on (i) the market value of the common equity of Kite Realty and Inland Diversified, (ii) total debt of Kite Realty and Inland Diversified, (iii) net debt of Kite Realty and Inland Diversified, (iv) total enterprise value of Kite Realty and Inland Diversified, and (v) 2014 estimated EBITDA of Kite Realty and Inland Diversified; and

an accretion/dilution analysis, using financial projections and estimates of cost savings resulting from the transaction provided by the managements of Kite Realty and Inland Diversified as adjusted by the management of Kite Realty, in which the Advisors calculated the accretion/dilution of FFO and AFFO per share of Kite Realty common shares as estimated for the six-month period ending on December 31, 2014 and for calendar year 2015, excluding any potential accounting adjustments that may be applied after the merger.

### ***Miscellaneous General***

As noted above, the discussion set forth above is a summary of the material financial analyses presented by the Advisors to the Kite Realty Board in connection with its opinion and is not a comprehensive description of all analyses undertaken by the Advisors in connection with its opinion. The preparation of a financial opinion is a complex analytical process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a financial opinion is not readily susceptible to

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partial analysis or summary description. The Advisors believe that the analyses summarized above must be considered as a whole. The Advisors further believe that selecting portions of its analyses and the factors considered or focusing on information presented in tabular format, without considering all analyses and factors or the narrative description of the analyses, could create a misleading or incomplete view of the processes underlying the analyses and opinions of the Advisors. The fact that any specific analysis has been referred to in the summary above is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary.

In performing its analyses, the Advisors considered industry performance, general business and economic conditions and other matters, many of which are beyond the control of Kite Realty and Inland Diversified. The estimates of the future performance of Kite Realty and Inland Diversified in or underlying the analyses of the Advisors are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than those estimates or those suggested by the analyses of the Advisors. These analyses were prepared solely as part of the analysis, in the case of BofA Merrill Lynch, of the fairness, from a financial point of view, of the exchange ratio provided for in the merger, to Kite Realty, and in the case of Barclays, of the fairness, from a financial point of view, of the exchange ratio to be paid by Kite Realty in the merger, to Kite Realty, and these analyses were provided to the Kite Realty Board in connection with the delivery of each of BofA Merrill Lynch's and Barclays' opinions. The analyses do not purport to be appraisals or to reflect the prices at which a company might actually be sold or the prices at which any securities have traded or may trade at any time in the future. Accordingly, the estimates used in, and the ranges of valuations resulting from, any particular analysis described above are inherently subject to substantial uncertainty and should not be taken to be BofA Merrill Lynch's or Barclays' view of the actual values of Kite Realty or Inland Diversified.

*Miscellaneous BofA Merrill Lynch*

The type and amount of consideration payable in the merger was determined through negotiations between Kite Realty and Inland Diversified, rather than by any financial advisor, and was approved by the Kite Realty Board. The decision to enter into the merger agreement was solely that of the Kite Realty Board. As described above, the opinion and analyses of BofA Merrill Lynch were only one of many factors considered by the Kite Realty Board in its evaluation of the proposed merger and should not be viewed as determinative of the views of the Kite Realty Board or management with respect to the merger or the exchange ratio.

BofA Merrill Lynch and its affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals.

In the ordinary course of their businesses, BofA Merrill Lynch and its affiliates invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in the equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of Kite Realty, Inland Diversified, and certain of their respective affiliates.

As compensation for its services in connection with the proposed merger, Kite Realty paid BofA Merrill Lynch a fee of \$1.0 million upon the delivery of BofA Merrill Lynch's opinion and a fee of \$5.0 million will be payable upon completion of the merger against which the amounts paid for the opinion will be credited. Kite Realty also has agreed to reimburse BofA Merrill Lynch for its expenses incurred in connection with BofA Merrill Lynch's engagement and to indemnify BofA Merrill Lynch, any controlling person of BofA Merrill Lynch and each of their respective directors, officers,

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employees, agents and affiliates against specified liabilities, including liabilities under the federal securities laws.

BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Kite Realty and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as underwriter or agent for various equity offerings of Kite Realty and certain of its affiliates, (ii) having acted or acting as arranger, book runner, and syndication agent for, and lender under, certain credit facilities, letters of credit and other loans for Kite Realty and certain of its affiliates and (iii) having provided or providing certain treasury and management services and products to Kite Realty. In addition, BofA Merrill Lynch and its affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to Inland Diversified and have received or in the future may receive compensation for the rendering of these services, including (i) having acted or acting as administrative agent, arranger and syndication agent for, and lender under, certain term loans, letters of credit and other loans for Inland Diversified and certain of its affiliates and (ii) having provided or providing certain treasury and management services and products to Inland Diversified.

***Miscellaneous Barclays***

Barclays is an internationally recognized investment banking firm and, as part of its investment banking activities, is regularly engaged in the valuation of businesses and their securities in connection with mergers and acquisitions, investments for passive and control purposes, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes. Kite Realty selected Barclays because of its qualifications, reputation and experience in the valuation of businesses and securities in connection with mergers and acquisitions generally, as well as substantial experience in transactions comparable to the proposed merger.

Barclays and its affiliates engage in a wide range of businesses from investment and commercial banking, lending, asset management and other financial and non-financial services. In the ordinary course of its business, Barclays and its affiliates may actively trade and effect transactions in the equity, debt and/or other securities (and any derivatives thereof) and financial instruments (including loans and other obligations) of Kite Realty and Inland Diversified for its own account and for the accounts of its customers and, accordingly, may at any time hold long or short positions and investments in such securities and financial instruments.

As compensation for its services in connection with the merger, Kite Realty paid Barclays a fee of \$1.0 million upon the delivery of Barclays' opinion and a fee of \$5.0 million will be payable upon completion of the merger against which the amounts paid for the opinion will be credited. In addition, Kite Realty has agreed to reimburse Barclays for expenses incurred in connection with the merger and to indemnify Barclays for certain liabilities that may arise out of its engagement by Kite Realty and the rendering of Barclays' opinion.

Barclays has performed various investment banking and financial services for Kite Realty, Inland Diversified, and certain of their affiliates in the past, and expect to perform such services in the future, and have received, and expect to receive, customary fees for such services. Specifically, in the past two years, Barclays acted as joint bookrunner on Kite Realty's equity offering in November 2013.

**Opinion of Inland Diversified's Financial Advisor**

Inland Diversified retained Wells Fargo Securities to act as Inland Diversified's financial advisor in connection with the merger. As part of Wells Fargo Securities' engagement, the Inland Diversified Special Committee requested that Wells Fargo Securities evaluate the fairness, from a financial point of

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view, to holders of Inland Diversified common stock (other than Kite Realty, Merger Sub and their respective affiliates) of the exchange ratio provided for pursuant to the merger agreement. On February 9, 2014, at a meeting of the Inland Diversified Special Committee held to evaluate the merger, Wells Fargo Securities rendered to the Inland Diversified Special Committee an oral opinion, confirmed by delivery of a written opinion dated February 9, 2014, to the effect that, as of such date and based on and subject to various qualifications, limitations and assumptions stated in its opinion, the exchange ratio provided for pursuant to the merger agreement was fair, from a financial point of view, to holders of Inland Diversified common stock (other than Kite Realty, Merger Sub and their respective affiliates).

**The full text of Wells Fargo Securities' written opinion, dated February 9, 2014, to the Inland Diversified Special Committee is attached as Annex E to this joint proxy statement/prospectus and is incorporated herein by reference. The written opinion sets forth, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken by Wells Fargo Securities in rendering its opinion. The following summary is qualified in its entirety by reference to the full text of the opinion. The opinion was addressed to the Inland Diversified Special Committee (in its capacity as such) for its information and use in connection with its evaluation of the exchange ratio from a financial point of view and did not address any other terms, aspects or implications of the merger or any related transactions. Wells Fargo Securities' opinion did not address the merits of the underlying decision by Inland Diversified to enter into the merger agreement or the relative merits of the merger or any related transactions compared with other business strategies or transactions available or that have been or might be considered by the management of Inland Diversified, the Inland Diversified Special Committee or the Inland Diversified Board or in which Inland Diversified might engage. Under the terms of its engagement, Wells Fargo Securities has acted as an independent contractor, not as an agent or fiduciary. Wells Fargo Securities' opinion does not constitute a recommendation to the Inland Diversified Special Committee or the Inland Diversified Board or any other person or entity in respect of the merger or any related transactions, including as to how any Inland Diversified stockholder should vote or act in connection with the merger, any related transactions or any other matters.**

The terms of the merger were determined through negotiations between Inland Diversified and Kite Realty, rather than by any financial advisor, and the decision to enter into the merger agreement was solely that of the Inland Diversified Special Committee and the Inland Diversified Board. Wells Fargo Securities did not recommend any specific form of consideration to the Inland Diversified Special Committee and the Inland Diversified Board or that any specific form of consideration constituted the only appropriate consideration for the merger. The opinion was only one of many factors considered by the Inland Diversified Special Committee and the Inland Diversified Board in their evaluation of the merger and should not be viewed as determinative of the views of the management of Inland Diversified, the Inland Diversified Special Committee or the Inland Diversified Board or any other party with respect to the merger or the consideration payable in the merger.

In arriving at its opinion, Wells Fargo Securities, among other things:

reviewed a draft, dated February 9, 2014, of the merger agreement, including the financial terms thereof;

reviewed certain publicly available business, financial and other information regarding Inland Diversified and Kite Realty, including information set forth in their respective annual reports to stockholders and annual reports on Form 10-K for the fiscal years ended December 31, 2010, 2011 and 2012, draft annual report on Form 10-K for the fiscal year ended December 31, 2013, and quarterly reports on Form 10-Q for the period ended September 30, 2013;

reviewed certain other business and financial information regarding Inland Diversified and Kite Realty furnished to Wells Fargo Securities by and discussed with the managements of Inland

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Diversified and Kite Realty, including financial forecasts and estimates relating to Inland Diversified for the fiscal years ending December 31, 2013 through December 31, 2017 prepared by the management of Inland Diversified and financial forecasts and estimates relating to Kite Realty for the fiscal years ending December 31, 2013 through December 31, 2017 prepared by the management of Kite Realty;

discussed with the managements of Inland Diversified and Kite Realty the operations and prospects of Inland Diversified and Kite Realty, including the historical financial performance and trends in the results of operations of Inland Diversified and Kite Realty;

discussed with the managements of Inland Diversified and Kite Realty the strategic rationale for the merger and financial and strategic benefits anticipated by the managements of Inland Diversified and Kite Realty to result from the merger;

participated in discussions and negotiations among representatives of Inland Diversified, Kite Realty and their respective advisors regarding the proposed merger;

reviewed reported prices and trading activity for Kite Realty common shares;

analyzed the estimated net asset value of each of Inland Diversified's and Kite Realty's real estate portfolios and other assets based upon financial forecasts and estimates referred to above and assumptions relating thereto discussed with and confirmed as reasonable by the managements of Inland Diversified and Kite Realty;

compared certain financial data of Inland Diversified and Kite Realty with similar data of certain publicly traded companies that Wells Fargo Securities deemed relevant in evaluating Inland Diversified and Kite Realty;

analyzed the estimated present value of the future dividends per share of Inland Diversified and Kite Realty based upon financial forecasts and estimates referred to above and assumptions relating thereto discussed with and confirmed as reasonable by the managements of Inland Diversified and Kite Realty; and

considered such other information, such as financial studies and analyses, as well as financial, economic and market criteria, and made such other inquiries, as Wells Fargo Securities deemed relevant.

In connection with its review, Wells Fargo Securities assumed and relied upon the accuracy and completeness of the financial and other information provided, discussed with or otherwise made available to Wells Fargo Securities, including all accounting, tax, regulatory and legal information, and Wells Fargo Securities did not make (and assumed no responsibility for) any independent verification of such information. Wells Fargo Securities relied upon assurances of the managements of Inland Diversified and Kite Realty that they were not aware of any facts or circumstances that would make such information inaccurate or misleading. With respect to the financial forecasts, estimates and other information relating to Inland Diversified and Kite Realty utilized in Wells Fargo Securities' analyses, Wells Fargo Securities was advised by the respective managements of Inland Diversified and Kite Realty and, at the direction of the Inland Diversified Special Committee, Wells Fargo Securities assumed that they were reasonably prepared and reflected the best currently available estimates, judgments and assumptions as to the future financial performance of Inland Diversified and Kite Realty, as the case may be, the potential pro forma financial effects of, and potential synergies that may result from, the merger and related transactions and the other matters covered thereby. Wells Fargo Securities assumed no responsibility for, and expressed no view as to, such forecasts, estimates or other information utilized in Wells Fargo Securities' analyses or the judgments or assumptions upon which they were based. Wells Fargo Securities also assumed that there were no meaningful changes in the condition (financial or otherwise), results of operations, businesses or prospects of Inland

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Diversified or Kite Realty since the respective dates of the most recent financial statements and other information provided to Wells Fargo Securities. Wells Fargo Securities relied, at the direction of the Inland Diversified Special Committee, upon the assessments of the managements of Inland Diversified and Kite Realty as to (i) the potential impact on Inland Diversified and Kite Realty of certain trends and recent developments in, and prospects for, the commercial real estate market and related credit and financial markets and (ii) the ability to integrate the businesses of Inland Diversified and Kite Realty. Wells Fargo Securities also relied, at the direction of the Inland Diversified Special Committee, upon the assessments of the management of Inland Diversified as to matters relating to the net-lease transactions, including with respect to the expected timing of closings thereof and the estimated amount and use of the net proceeds therefrom. Wells Fargo Securities assumed, with the Inland Diversified Special Committee's consent, that there would be no developments with respect to any of the foregoing, or any adjustment to the exchange ratio, that would in any respect be meaningful to its analyses or opinion.

In arriving at its opinion, Wells Fargo Securities did not conduct physical inspections of the properties or assets of Inland Diversified, Kite Realty or any other entity and it did not make, and was not provided with, any evaluations or appraisals of the properties, assets or liabilities (contingent or otherwise) of Inland Diversified, Kite Realty or any other entity. Wells Fargo Securities also did not evaluate the solvency or fair value of Inland Diversified, Kite Realty or any other entity under any state, federal or other laws relating to bankruptcy, insolvency or similar matters.

In rendering its opinion, Wells Fargo Securities assumed, at the direction of the Inland Diversified Special Committee, that the final form of the merger agreement, when signed by the parties thereto, would not differ from the draft merger agreement reviewed by Wells Fargo Securities in any respect meaningful to its analyses or opinion, that the merger and related transactions would be consummated in accordance with the terms described in the merger agreement and in compliance with all applicable laws and other requirements without amendment or waiver of any material terms or conditions and that, in the course of obtaining any necessary legal, regulatory or third party consents, approvals or agreements for the merger and related transactions, no delay, limitation or restriction would be imposed or action would be taken that would have an adverse effect on Inland Diversified, Kite Realty, the merger or related transactions. Wells Fargo Securities also assumed, at the direction of the Inland Diversified Special Committee, that the merger would qualify for federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Wells Fargo Securities was advised that each of Inland Diversified and Kite Realty has operated in conformity with the requirements for qualification as a REIT for U.S. federal income tax purposes since its formation as a REIT and further assumed, at the direction of the Inland Diversified Special Committee, that the merger and related transactions would not adversely affect such status or operations.

Wells Fargo Securities did not express any opinion as to what the value of Kite Realty common shares actually would be when issued pursuant to the merger or the prices at which Kite Realty common shares or Inland Diversified common stock would trade at any time. Wells Fargo Securities' opinion was necessarily based on economic, market, financial and other conditions existing, and information made available to Wells Fargo Securities, as of the date of its opinion. Wells Fargo Securities noted for the Inland Diversified Special Committee that the credit, financial and stock markets have experienced significant volatility and Wells Fargo Securities expressed no opinion or view as to any potential effects of such volatility on Inland Diversified, Kite Realty, the merger or related transactions. Although subsequent developments may affect the matters set forth in its opinion, Wells Fargo Securities does not have any obligation to update, revise, reaffirm or withdraw Wells Fargo Securities' opinion or otherwise comment on or consider any such events occurring or coming to its attention after the date of its opinion.

Wells Fargo Securities' opinion only addressed the fairness, from a financial point of view and as of the date of its opinion, to holders of Inland Diversified common stock (other than Kite Realty,

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Merger Sub and their respective affiliates) of the exchange ratio provided for pursuant to the merger agreement to the extent expressly specified in its opinion, and did not address any other terms, aspects or implications of the merger or any related transactions, including, without limitation, the form or structure of the merger, the net-lease transactions or any other agreement, arrangement or understanding entered into in connection with or contemplated by the merger, any related transactions or otherwise. In addition, Wells Fargo Securities' opinion did not address the fairness of the amount or nature of, or any other aspects relating to, any compensation to be received by any officers, directors or employees of any parties to the merger or related transactions, or class of such persons, relative to the exchange ratio or otherwise. Wells Fargo Securities also did not express any view or opinion with respect to, and with the Inland Diversified Special Committee's consent relied upon the assessments of representatives of Inland Diversified regarding, accounting, tax, regulatory, legal or similar matters as to which Wells Fargo Securities understood that Inland Diversified obtained such advice as it deemed necessary from qualified professionals. Except as described in this summary, Inland Diversified imposed no other instructions or limitations on Wells Fargo Securities with respect to the investigations made or procedures followed by Wells Fargo Securities in rendering its opinion.

In connection with rendering its opinion, Wells Fargo Securities performed certain financial, comparative and other analyses as summarized below. This summary is not a complete description of the financial analyses performed and factors considered in connection with such opinion. In arriving at its opinion, Wells Fargo Securities did not ascribe a specific value to Inland Diversified common stock or Kite Realty common shares but rather made its determinations as to the fairness, from a financial point of view, of the exchange ratio on the basis of various financial and comparative analyses taken as a whole. The preparation of a financial opinion is a complex process and involves various determinations as to the most appropriate and relevant methods of financial and comparative analyses and the application of those methods to the particular circumstances. Therefore, a financial opinion is not readily susceptible to summary description.

In arriving at its opinion, Wells Fargo Securities did not attribute any particular weight to any single analysis or factor considered but rather made qualitative judgments as to the significance and relevance of each analysis and factor relative to all other analyses and factors performed and considered and in the context of the circumstances of this particular transaction. Accordingly, the analyses must be considered as a whole, as considering any portion of such analyses and factors, without considering all analyses and factors as a whole, could create a misleading or incomplete view of the process underlying such opinion. The fact that any specific analysis has been referred to in the summary below is not meant to indicate that such analysis was given greater weight than any other analysis referred to in the summary. No company or transaction is identical to Inland Diversified, Kite Realty or the merger and an evaluation of Wells Fargo Securities' analyses is not entirely mathematical; rather, such analyses involve complex considerations and judgments concerning financial and operating characteristics and other factors that could affect the public trading or other values of the companies reviewed.

In performing its analyses, Wells Fargo Securities considered industry performance, general business and economic conditions and other matters existing as of the date of its opinion, many of which are beyond the control of Inland Diversified, Kite Realty or any other parties to the merger. None of Inland Diversified, Kite Realty, Wells Fargo Securities or any other person assumes responsibility if future results are different from those discussed whether or not any such difference is material. Any estimates contained in these analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or predictive of future results or values, which may be significantly more or less favorable than as set forth below. In addition, analyses relating to the value of properties, businesses or securities do not purport to be appraisals or necessarily reflect the prices at which properties, businesses or securities may actually be sold or acquired. Accordingly,



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the assumptions and estimates used in, and the results derived from, the following analyses are inherently subject to substantial uncertainty.

The following is a summary of the material financial analyses provided on February 9, 2014 to the Inland Diversified Special Committee by Wells Fargo Securities in connection with its opinion. **Certain financial analyses summarized below include information presented in tabular format. In order to fully understand the financial analyses, the tables must be read together with the text of each summary, as the tables alone do not constitute a complete description of the financial analyses. Considering the data in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of such financial analyses.** For purposes of the analyses described below, Wells Fargo Securities evaluated Inland Diversified (and calculated implied per share equity value reference ranges for Inland Diversified) after giving effect to the net-lease transactions, including, based on internal estimates of Inland Diversified's management, the use of the estimated net proceeds from such transaction for reinvestment in a like-kind exchange, repayment of Inland Diversified's outstanding credit facility balance and payment of a special dividend as of January 1, 2014. In calculating implied exchange ratio reference ranges from the analyses described below, Wells Fargo Securities (i) compared the low-end of the approximate implied per share equity value reference ranges derived for Inland Diversified to the high-end of the approximate implied per share equity value reference ranges derived for Kite Realty in order to calculate the low-end of the implied exchange ratio reference ranges and (ii) compared the high-end of the approximate implied per share equity value reference ranges derived for Inland Diversified to the low-end of the approximate implied per share equity value reference ranges derived for Kite Realty in order to calculate the high-end of the implied exchange ratio reference ranges. References in the summary below to the term "exchange ratio" refer to the exchange ratio provided for in the merger as of the date of Wells Fargo Securities' opinion of 1.707x.

*Net Asset Value Analyses.* Wells Fargo Securities performed a net asset value analysis of each of Inland Diversified and Kite Realty utilizing financial information and other data reflected on Inland Diversified's and Kite Realty's respective balance sheets as of December 31, 2013, Inland Diversified's and Kite Realty's public filings, and internal estimates of, and other financial information and data provided by, the respective managements of Inland Diversified and Kite Realty. Wells Fargo Securities derived estimated aggregate net asset value ranges for Inland Diversified and Kite Realty based on the estimated net value of their respective income-producing properties, other tangible real estate assets and non-real estate assets and other investments less the aggregate amount of Inland Diversified's and Kite Realty's respective tangible liabilities and less, in the case of Kite Realty, the aggregate liquidation preference of its outstanding preferred stock. Wells Fargo Securities calculated the estimated net asset value of income-producing properties on an asset-by-asset basis by applying to the calendar year 2014 estimated cash net operating income of such properties weighted-average nominal capitalization rates ranging from 6.37% to 6.87% in the case of Inland Diversified and 6.33% to 6.83% in the case of Kite Realty depending on, among other factors, asset quality, tenant roster, location, current occupancy levels and lease maturity profiles. An implied per share equity value reference range for Inland Diversified was calculated by dividing the implied net asset value range derived for Inland Diversified from such analysis by the number of outstanding shares of Inland Diversified common stock as of December 31, 2013. An implied per share equity value reference range for Kite Realty was calculated by dividing the implied net asset value range derived for Kite Realty from such analysis by the number of outstanding Kite Realty common shares and operating partnership units of Kite Realty as of December 31, 2013. This analysis indicated approximate implied per share equity value reference ranges for Inland Diversified common stock of \$9.76 to \$11.08 and for Kite Realty common shares of \$5.71 to \$6.80.

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Based on the approximate implied per share equity value reference ranges for Inland Diversified common stock and Kite Realty common shares described above, Wells Fargo Securities calculated the following implied exchange ratio reference range, as compared to the merger exchange ratio:

<b>Implied Exchange Ratio Reference Range</b>	<b>Exchange Ratio</b>
1.4353x - 1.9405x	1.707x

*Selected Public Companies Analyses.* Wells Fargo Securities reviewed and compared financial and operating data relating to Inland Diversified and the following eight selected publicly traded real estate investment trusts, referred to below as the Inland Diversified selected REITs:

Cedar Realty Trust, Inc.

Excel Trust, Inc.

Inland Real Estate Corporation

Kite Realty

Ramco-Gershenson Properties Trust

Retail Opportunity Investments Corp.

Retail Properties of America, Inc.

Weingarten Realty Investors

Wells Fargo Securities also reviewed and compared financial and operating data relating to Kite Realty with the same selected publicly traded real estate investment trusts (excluding Kite Realty) noted above, referred to below as the Kite Realty selected REITs. The Inland Diversified selected REITs and the Kite Realty selected REITs are collectively referred to below as the selected REITs.

Wells Fargo Securities reviewed equity values (including operating partnership units) of the selected REITs, based on closing stock prices on February 7, 2014, as multiples of calendar year 2014 estimated funds from operations, referred to as FFO per share, and estimated FFO as adjusted for certain items, including primarily straight-line rent revenues, above market and below market lease amortization, non-cash employee compensation and recurring capital expenditures, referred to as AFFO per share. The overall low to high calendar year 2014 estimated FFO per share and AFFO per share multiples observed for the selected REITs were 10.6x to 16.4x (with a mean of 12.9x and a median of 12.4x for the Inland Diversified selected REITs and a mean of 13.0x and a median of 12.6x for the Kite Realty selected REITs), and 13.3x to 20.2x (with a mean of 15.9x and a median of 15.4x for the Inland Diversified selected REITs and a mean of 16.0x and a median of 15.3x for the Kite Realty selected REITs), respectively. Wells Fargo Securities then applied selected ranges of calendar year 2014 estimated FFO per share and AFFO per share multiples of 11.5x to 13.0x and 14.5x to 16.0x, respectively, derived from the Inland Diversified selected REITs to corresponding data of Inland Diversified and applied selected ranges of calendar year 2014 estimated FFO per share and AFFO per share multiples of 12.0x to 13.5x and 15.0x to 16.5x, respectively, derived from the Kite Realty selected REITs to corresponding data of Kite Realty. Estimated financial data of the selected REITs was based on public filings and other publicly available information. Estimated financial data of Inland Diversified and Kite Realty was based on internal estimates of the respective managements of Inland Diversified and Kite Realty. This analysis indicated approximate implied per share equity value reference ranges for Inland Diversified common stock based on calendar year 2014 estimated FFO per share and AFFO per share of \$8.93 to \$9.91 and \$10.27 to \$11.18, respectively, and approximate implied per share equity value reference ranges for Kite Realty common shares based on calendar year 2014 estimated FFO per share and AFFO per share of \$5.99 to \$6.73 and \$6.63 to \$7.30, respectively.



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Based on the approximate implied per share equity value reference ranges for Inland Diversified common stock and Kite Realty common shares described above, Wells Fargo Securities calculated the following implied exchange ratio reference ranges, as compared to the merger exchange ratio:

<b>Implied Exchange Ratio Reference Ranges Based on:</b>		<b>Exchange Ratio</b>
<b>CY2014E FFO</b>	<b>CY2014E AFFO</b>	
1.3259x - 1.6549x	1.4071x - 1.6856x	1.707x

*Dividend Discount Analyses.* Wells Fargo Securities performed dividend discount analyses of Inland Diversified and Kite Realty to calculate a range of implied present values of the dividends that each of Inland Diversified and Kite Realty was forecasted to distribute during the fiscal years ending December 31, 2014 through December 31, 2016 based on internal estimates of the respective managements of Inland Diversified and Kite Realty. Wells Fargo Securities derived implied terminal values by applying to the estimated forward-year FFO of Inland Diversified for the fiscal year ending December 31, 2017 a range of terminal FFO multiples of 11.5x to 13.0x and to the estimated forward-year FFO of Kite Realty for the fiscal year ending December 31, 2017 a range of terminal FFO multiples of 12.0x to 13.5x. Present values (as of January 1, 2014) of dividends and terminal values were then calculated by Wells Fargo Securities using a discount rate range of 10.0% to 12.0%. This analysis indicated approximate implied per share equity value reference ranges for Inland Diversified common stock of \$9.37 to \$10.65 and for Kite Realty common shares of \$6.20 to \$7.20.

Based on the approximate implied per share equity value reference ranges for Inland Diversified common stock and Kite Realty common shares described above, Wells Fargo Securities calculated the following implied exchange ratio reference range, as compared to the merger exchange ratio:

<b>Implied Exchange Ratio Reference Range</b>	<b>Exchange Ratio</b>
1.3019x - 1.7170x	1.707x

*Other Information.* Wells Fargo Securities observed certain additional factors that were not considered part of Wells Fargo Securities' financial analyses with respect to its opinion but were referenced for informational purposes, including the following:

publicly available Wall Street research analysts' reports relating to Kite Realty, which indicated stock price targets for Kite Realty common shares of \$6.50 per share to \$7.50 per share; and

the potential pro forma financial impact of the merger, based on internal estimates of the managements of Inland Diversified and Kite Realty, on Kite Realty's calendar years 2014 and 2015 estimated FFO per share and AFFO per share excluding any potential accounting adjustments that may be applied after the merger and after giving effect to, among other things, estimated synergies anticipated by the managements of Inland Diversified and Kite Realty to result from the merger and certain asset sales.

### *Miscellaneous*

Wells Fargo Securities is the trade name for certain capital markets and investment banking services of Wells Fargo & Company and its subsidiaries, including Wells Fargo Securities, LLC. Wells Fargo Securities is an internationally recognized investment banking firm which is regularly engaged in providing financial advisory services in connection with mergers and acquisitions. Inland Diversified selected Wells Fargo Securities to act as its financial advisor because of its qualifications, reputation and experience generally and particularly in the real estate industry and its familiarity with Inland Diversified and its business. The issuance of Wells Fargo Securities' opinion was approved by an authorized committee of Wells Fargo Securities.

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Inland Diversified has agreed to pay Wells Fargo Securities an aggregate fee currently estimated to be approximately \$11.5 million for its services in connection with the merger and the net-lease transactions, portions of which were payable in connection with Wells Fargo Securities' engagement and Inland Diversified's strategic alternatives review, a portion of which was payable upon delivery of its opinion, portions of which are payable in connection with each closing of the net-lease transactions, and approximately \$6 million of which is contingent upon consummation of the merger. Inland Diversified also has agreed to reimburse certain of Wells Fargo Securities' expenses, including fees and disbursements of Wells Fargo Securities' counsel, and to indemnify Wells Fargo Securities and certain related parties against certain liabilities, including liabilities under the U.S. federal securities laws, that may arise out of Wells Fargo Securities' engagement. Wells Fargo Securities and its affiliates provide a full range of investment banking and financial advisory, securities trading, brokerage and lending services in the ordinary course of business, for which Wells Fargo Securities and such affiliates receive customary fees. Wells Fargo Securities and its affiliates in the past have provided, currently are providing, and in the future may provide banking and other financial services to Inland Diversified, Kite Realty and their respective affiliates for which Wells Fargo Securities and its affiliates have received and expect to receive fees, including having acted or currently acting as (i) financial advisor for Inland Diversified in connection with the net-lease transactions, (ii) lender under, and as syndication agent, co-documentation agent, joint bookrunner and/or joint lead arranger for, certain credit facilities of Kite Realty OP and (iii) managing underwriter and bookrunner in connection with certain equity offerings of Kite Realty. In the ordinary course of business, Wells Fargo Securities and its affiliates may actively trade, hold or otherwise effect transactions in the securities or financial instruments (including bank loans or other obligations) of Inland Diversified, Kite Realty and their respective affiliates for Wells Fargo Securities' and its affiliates' own account and for the accounts of customers and, accordingly, may at any time hold a long or short position in such securities or financial instruments.

**Certain Kite Realty Unaudited Prospective Financial Information**

Kite Realty does not as a matter of course make public long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, Kite Realty is including in this joint proxy statement/prospectus certain unaudited prospective financial information that was made available to the Kite Realty Board and the Inland Diversified Board in connection with the evaluation of the merger. This information also was provided to Kite Realty's and Inland Diversified's respective financial advisors. The inclusion of this information should not be regarded as an indication that any of Kite Realty, Inland Diversified, their respective affiliates, advisors or other representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results.

The unaudited prospective financial information was, in general, prepared solely for internal use and is subjective in many respects. It also was prepared on a standalone basis for Kite Realty, without regard to the impact of the merger on Kite Realty. As a result, the prospective results may not be realized and the actual results may be significantly higher or lower than estimated. Since the unaudited prospective financial information covers multiple years, that information by its nature becomes less predictive with each successive year. You are encouraged to review the risks and uncertainties described under the headings "Risk Factors Risk Factors Relating to the Merger" beginning on page 32 and "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 44 and the risks described in the periodic reports filed by Kite Realty with the SEC, which reports can be found as described under the heading "Where You Can Find More Information" beginning on page 208. The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with GAAP, published guidelines of the SEC or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information. In addition, the unaudited prospective financial

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information requires significant estimates and assumptions that make it inherently less comparable to the similarly titled GAAP measures in Kite Realty's historical GAAP financial statements. Neither Kite Realty's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

The report of Kite Realty's independent auditors contained in Kite Realty's Annual Report on Form 10-K for the year ended December 31, 2013, which is incorporated by reference into this joint proxy statement/prospectus, relates to Kite Realty's historical financial information. It does not extend to the unaudited prospective financial information and should not be read to do so. Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared.

The following table presents selected unaudited prospective financial data for the fiscal years ending 2014 through 2018 for Kite Realty on a standalone basis.

	2014	2015	2016	2017	2018
	(in millions)				
EBITDA	\$ 109	\$ 122	\$ 131	\$ 134	\$ 135
Funds from Operations (FFO)	\$ 69	\$ 76	\$ 81	\$ 85	\$ 86
Adjusted Funds from Operations (AFFO)	\$ 61	\$ 67	\$ 76	\$ 81	\$ 83

Additionally, Kite Realty projected EBITDA of \$135 million for the fiscal year ending 2019. For purposes of the unaudited prospective financial information presented herein, Earnings Before Interest Taxes Depreciation and Amortization, or EBITDA, is a non-GAAP financial performance measure composed of net income adjusted for acquisitions, dispositions, developments and large capital expenditures before interest expense, income taxes, depreciation, amortization, extraordinary gains and losses, discontinued operations and adjustments for Kite Realty's share of partnerships and joint ventures on the same basis. FFO is a non-GAAP financial performance measure defined by the National Association of Real Estate Investment Trusts, which we refer to as NAREIT, and represents net income, computed in accordance with GAAP, excluding gains or losses from sales and impairments of depreciated property, less preferred dividends, plus depreciation and amortization, and after adjustments for third-party shares of appropriate items. AFFO is a non-GAAP financial performance measure that adjusts FFO for straight-line rents, amortization of in-place leases, gain or loss on the extinguishment of debt, tenant improvements, leasing costs, capital expenditure reserves and amortization of deferred financing costs.

Inland Diversified and Kite Realty may calculate certain non-GAAP financial metrics, including EBITDA, FFO and AFFO, using different methodologies. Consequently, the financial metrics presented in each company's prospective financial information disclosures and in the sections of this joint proxy statement/prospectus with respect to the opinions of the financial advisors to Kite Realty and Inland Diversified may not be directly comparable to one another.

In preparing the foregoing unaudited projected financial information, Kite Realty made a number of assumptions regarding, among other things, interest rates, corporate financing activities, annual dividend levels, occupancy and tenant retention levels, changes in rent, the amount, timing and cost of existing and planned development properties, lease-up rates of existing and planned developments, the amount and timing of asset sales and asset acquisitions, including the return on those acquisitions, the amount of income taxes paid, and the amount of general and administrative costs.

The assumptions made in preparing the above unaudited prospective financial information may not necessarily reflect actual future conditions. The estimates and assumptions underlying the unaudited

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prospective financial information involve judgments with respect to, among other things, future economic, competitive, regulatory and financial market conditions and future business decisions which may not be realized and that are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among others, risks and uncertainties described under the headings "Risk Factors Risk Factors Relating to the Merger" beginning on page 32 and "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 44 and the risks described in the periodic reports filed by Kite Realty with the SEC, which reports can be found as described under the heading "Where You Can Find More Information" beginning on page 208, all of which are difficult to predict and many of which are beyond the control of Kite Realty and/or Inland Diversified and will be beyond the control of the Combined Company. The underlying assumptions and projected results may not be realized, and actual results likely will differ, and may differ materially, from those reflected in the unaudited prospective financial information, whether or not the merger is completed.

In addition, although presented with numerical specificity, the above unaudited prospective financial information reflects numerous assumptions and estimates as to future events made by Kite Realty management that Kite Realty management believes were reasonably prepared. The above unaudited prospective financial information does not give effect to the merger. Kite Realty shareholders and Inland Diversified stockholders are urged to review the most recent SEC filings of Kite Realty for a description of the reported and anticipated results of operations and financial condition and capital resources during 2013, including in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Kite Realty's Annual Report on Form 10-K for the year ended December 31, 2013, and any subsequent quarterly reports on Form 10-Q, which are incorporated by reference into this joint proxy statement/prospectus.

Readers of this joint proxy statement/prospectus are cautioned not to place undue reliance on the unaudited prospective financial information set forth above. No representation is made by Kite Realty, Inland Diversified or any other person to any Kite Realty shareholder or any Inland Diversified stockholder regarding the ultimate performance of Kite Realty compared to the information included in the above unaudited prospective financial information. The inclusion of unaudited prospective financial information in this joint proxy statement/prospectus should not be regarded as an indication that the prospective financial information will be necessarily predictive of actual future events, and such information should not be relied on as such.

KITE REALTY DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ABOVE UNAUDITED PROSPECTIVE FINANCIAL INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING THE PROSPECTIVE FINANCIAL INFORMATION ARE NO LONGER APPROPRIATE, EXCEPT AS MAY BE REQUIRED BY LAW.

**Certain Inland Diversified Unaudited Prospective Financial Information**

Inland Diversified does not as a matter of course make public long-term projections as to future revenues, earnings or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, Inland Diversified is including in this joint proxy statement/prospectus certain unaudited prospective financial information that was prepared by Inland Diversified management and made available to the Inland Diversified Board and the Kite Realty Board in connection with the evaluation of the merger. This information was also provided to Inland Diversified's and Kite Realty's respective financial advisors. The inclusion of this information should not be regarded as an indication that any of Inland Diversified, Kite Realty, their respective affiliates, advisors or other representatives or any other recipient of this information considered, or now considers, it to be necessarily predictive of actual future results.

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The unaudited prospective financial information was, in general, prepared solely for internal use and is subjective in many respects. It also was prepared on a standalone basis for Inland Diversified, without regard to the impact of the merger on Inland Diversified. As a result, there can be no assurance that the prospective results will be realized or that actual results will not be significantly higher or lower than estimated. Since the unaudited prospective financial information covers multiple years, such information by its nature becomes less predictive with each successive year. Inland Diversified stockholders and Kite Realty shareholders are urged to review the SEC filings of Inland Diversified for a description of risk factors with respect to the business of Inland Diversified, including, but not limited to, the risks described in Inland Diversified's most recent annual report filed with the SEC on Form 10-K which is attached hereto. See "Cautionary Statement Concerning Forward-Looking Statements" beginning on page 44 and "Where You Can Find More Information" beginning on page 208. The unaudited prospective financial information was not prepared with a view toward public disclosure, nor was it prepared with a view toward compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, or GAAP.

Neither Inland Diversified's independent auditors nor any other independent accountants have compiled, examined or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information. The report of Inland Diversified's independent auditors contained in Inland Diversified's Annual Report on Form 10-K for the year ended December 31, 2013, which is attached hereto, relates to Inland Diversified's historical financial information. It does not extend to the unaudited prospective financial information and should not be read to do so. Furthermore, the unaudited prospective financial information does not take into account any circumstances or events occurring after the date it was prepared.

The following table presents selected unaudited prospective financial information for Inland Diversified on a standalone basis (assuming the sale of the single-tenant, net-lease properties with the net proceeds utilized to repay the outstanding balance on Inland Diversified's credit facility and the remaining proceeds distributed to the Inland Diversified stockholders as a special dividend of \$1.43 per share) for the fiscal years ending December 31, 2014 through 2017, which was subsequently adjusted downward by the management of Kite Realty and provided to Kite Realty's financial advisors for the purposes of their analyses described above under "The Merger Opinions of Kite Realty's Financial Advisors":

	2014	2015	2016	2017
	(in millions)			
EBITDA	\$ 123	\$ 134	\$ 140	\$ 146
Funds from Operations (FFO)	\$ 77	\$ 87	\$ 92	\$ 96
Adjusted Funds from Operations (AFFO)	\$ 72	\$ 82	\$ 85	\$ 90

For purposes of the unaudited prospective financial information presented herein, EBITDA is a non-GAAP financial performance measure composed of net income (computed in accordance with GAAP) plus Inland Diversified's pro-rata share of interest expense, taxes and depreciation and amortization expense. FFO is a non-GAAP financial performance measure defined by NAREIT, and represents net income (computed in accordance with GAAP) excluding extraordinary items, net income attributable to noncontrolling interests, asset impairment, gains or losses on disposition of real estate assets held for investment, plus depreciation and amortization of real estate, and adjustments for joint ventures to reflect FFO on the same basis. AFFO is a non-GAAP financial performance measure composed of FFO (as defined by NAREIT) less the net impact of straight-line rent, above/below market lease amortization, bad debt expense and capital costs including capital expenditures, tenant improvements and leasing commissions.



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Inland Diversified and Kite Realty may calculate certain non-GAAP financial metrics, including EBITDA, FFO and AFFO, using different methodologies. Consequently, the financial metrics presented in each company's prospective financial information disclosures and in the sections of this joint proxy statement/prospectus with respect to the opinions of the financial advisors to Inland Diversified and Kite Realty may not be directly comparable to one another.

In preparing the foregoing projections, Inland Diversified made a number of assumptions and estimates regarding, among other things, future interest rates, the level of future investments by Inland Diversified and the yield to be achieved on such investments, financing of future investments, including leverage ratios, future property sales by Inland Diversified, the ability to refinance certain of Inland Diversified's outstanding indebtedness and the terms of any such refinancing, future market rental rates, property occupancy, lease renewals and capital expenditures. Inland Diversified management believed these assumptions and estimates were reasonable at the time the unaudited prospective financial information was prepared, but these assumptions and estimates may not be realized and are inherently subject to significant business, economic, competitive and regulatory uncertainties and contingencies, including, among others, the risks and uncertainties described under "Risk Factors" and "Cautionary Statement Concerning Forward-Looking Statements" beginning on pages 32 and 44, respectively, and in Inland Diversified's most recent annual report filed with the SEC on Form 10-K, which is attached hereto. All of these uncertainties and contingencies are difficult to predict and many are beyond the control of Inland Diversified and/or Kite Realty and will be beyond the control of the Combined Company.

Readers of this joint proxy statement/prospectus are cautioned not to place undue reliance on the unaudited prospective financial information set forth above. The inclusion of the above information in this joint proxy statement/prospectus should not be regarded as an indication that Inland Diversified, Kite Realty or their respective officers, directors, affiliates, advisors or other representatives consider such information to be necessarily predictive of actual future events or ultimately achievable. There can be no assurance that the projected results or the underlying assumptions ultimately will be realized, and actual results likely will differ, and may differ materially, from those reflected in the unaudited prospective financial information, whether or not the merger is completed. In addition, the above information does not give effect to the merger. None of Inland Diversified, Kite Realty or their respective officers, directors, affiliates, advisors or other representatives has made any representations regarding the performance of Inland Diversified compared to the information included in the above unaudited prospective financial information.

Inland Diversified stockholders and Kite Realty shareholders are urged to review Inland Diversified's most recent SEC filings for a description of Inland Diversified's results of operations and financial condition and capital resources, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Inland Diversified's most recent annual report filed with the SEC on Form 10-K, which is attached hereto. See "Where You Can Find More Information" beginning on page 208.

INLAND DIVERSIFIED DOES NOT INTEND TO UPDATE OR OTHERWISE REVISE THE ABOVE UNAUDITED PROSPECTIVE FINANCIAL INFORMATION TO REFLECT CIRCUMSTANCES EXISTING AFTER THE DATE WHEN MADE OR TO REFLECT THE OCCURRENCE OF FUTURE EVENTS, EVEN IN THE EVENT THAT ANY OR ALL OF THE ASSUMPTIONS UNDERLYING THE UNAUDITED PROSPECTIVE FINANCIAL INFORMATION ARE NO LONGER APPROPRIATE, EXCEPT AS MAY BE REQUIRED BY APPLICABLE LAW.

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**Trustees and Management of Kite Realty After the Merger**

Following the consummation of the merger, the Combined Company's board of trustees will consist of nine members, six of whom will be current trustees of Kite Realty and three of whom have been designated by Inland Diversified, subject to the trustees designated by Inland Diversified being "independent" based on the rules and regulations of the NYSE, applicable regulations promulgated by the SEC, and the standards set forth in Kite Realty's corporate governance guidelines, and not having been party to or involved in any legal proceedings or other events that would be required to be disclosed pursuant to Item 401(f) of Regulation S-K under the Securities Act and the Exchange Act. The six continuing Kite Realty trustees will be John A. Kite, William E. Bindley, Victor J. Coleman, Christie B. Kelly, David R. O'Reilly and Barton R. Peterson. The three Inland Diversified designees to the Combined Company's board of trustees will be Lee A. Daniels, Gerald W. Grupe and Charles H. Wurtzebach, all of whom are current independent directors of Inland Diversified.

Each of the executive officers of Kite Realty immediately prior to the effective time of the merger will continue as an executive officer of the Combined Company following the effective time of the merger. John A. Kite, Kite Realty's current chief executive officer and chairman of the board of trustees, will serve as chief executive officer and chairman of the board of trustees of the Combined Company, Thomas K. McGowan, Kite Realty's current president and chief operating officer, will serve as president and chief operating officer of the Combined Company, and Daniel R. Sink, Kite Realty's current executive vice president and chief financial officer, will serve as executive vice president and chief financial officer of the Combined Company.

**Interests of Kite Realty's Trustees and Executive Officers in the Merger**

In considering the recommendation of the Kite Realty Board to approve the issuance of Kite Realty common shares to the stockholders of Inland Diversified pursuant to the merger agreement and the approval of the Kite Realty declaration of trust amendment to increase the number of authorized Kite Realty common shares, Kite Realty shareholders should be aware that certain trustees and executive officers of Kite Realty have certain interests in the merger that may be different from, or in addition to, the interests of Kite Realty shareholders generally, and which may create potential conflicts of interest. The Kite Realty Board was aware of these interests and considered them, among other matters, in reaching its decision to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement and making its recommendation that Kite Realty shareholders approve the issuance of Kite Realty common shares to the Inland Diversified stockholders pursuant to the merger agreement and the approval of the Kite Realty declaration of trust amendment to increase the number of authorized Kite Realty common shares. These interests include those discussed below.

Following the consummation of the merger, six of the current members of the Kite Realty Board will continue as members of the board of trustees of the Combined Company, including John A. Kite, who will continue to serve as Chairman of the Board of Trustees and Chief Executive Officer, William E. Bindley, Victor J. Coleman, Christie B. Kelly, David R. O'Reilly and Barton R. Peterson. In addition, Daniel R. Sink, Kite Realty's Executive Vice President and Chief Financial Officer, will serve as Executive Vice President and Chief Financial Officer of the Combined Company, and Thomas K. McGowan, Kite Realty's President and Chief Operating Officer, will serve as the President and Chief Operating Officer of the Combined Company.

Certain Kite Realty executives, including John A. Kite, Daniel R. Sink and Thomas K. McGowan, are parties to employment agreements with Kite Realty, each of which provides for, among other things, severance payments and benefits upon a qualifying termination of employment without "cause" or for "good reason" upon or after a "change in control" (each as defined in the applicable employment agreement) of Kite Realty, and, pursuant to the terms of the applicable agreements, these

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Kite Realty executives are entitled to accelerated vesting of restricted share awards, share options and other equity-based awards upon such qualifying termination. The merger would constitute a "change in control" of Kite Realty for purposes of these employment agreements. However, on February 9, 2014, Kite Realty entered into waiver agreements with each of John A. Kite, Daniel R. Sink and Thomas K. McGowan, which waivers provide that (i) the merger will not constitute a "change in control" for purposes of each of their respective employment agreements, (ii) each of Messrs. Kite, Sink and McGowan consents to the exclusion of the merger from the list of events that constitute grounds for a termination of employment by the executive for "good reason," and (iii) none of Messrs. Kite, Sink and McGowan will have any right or entitlement to receive the severance payments or benefits or the accelerated vesting of their respective restricted share awards, share options or other equity-based awards to which they are otherwise entitled under their respective employment agreements upon termination of their respective employment with Kite Realty solely on account of the consummation of the merger during the one-year period following the merger. Therefore, as a result of such waivers, none of Kite Realty's executive officers is a party to an agreement with Kite Realty, or participates in any Kite Realty plan, program or arrangement, that provides for payments or benefits based on or that otherwise relate to the consummation of the merger.

**Interests of Inland Diversified's Directors and Executive Officers in the Merger**

In considering the recommendation of the Inland Diversified Board to approve the merger and the other transactions contemplated by the merger agreement, Inland Diversified stockholders should be aware that certain directors and executive officers of Inland Diversified have interests in the merger that may be different from, or in addition to, the interests of Inland Diversified stockholders generally, and which may create potential conflicts of interest. The Inland Diversified Board was aware of these interests and considered them, among other matters, in approving the merger agreement, the merger and the other transactions contemplated thereby and making its recommendations that the Inland Diversified stockholders approve the merger and the other transactions contemplated thereby. These interests include those discussed below.

***Combined Company Board Seats***

Immediately following the effective time of the merger, the Kite Realty Board will be increased to nine members, with six of the current Kite Realty trustees continuing as trustees of the Combined Company. The Kite Realty Board will fill the three vacancies on the newly expanded board of trustees of the Combined Company by immediately appointing Lee A. Daniels, Gerald W. Grupe and Charles H. Wurtz bach to the board of trustees, subject to the satisfaction by such individuals of the independence standards of the NYSE, the SEC and Kite Realty's corporate governance guidelines and certain additional requirements set forth in the merger agreement.

***Affiliations with the Business Manager***

Pursuant to the Master Agreement, upon the closing of the merger the Business Manager is entitled to receive certain fees and expense reimbursements, including a one-time liquidity event fee and reimbursement of severance and retention bonuses paid to certain employees of the Business Manager. For additional information on these fees and expense reimbursements and the Master Agreement, see "Ancillary Agreements Master Liquidity Event Agreement."

In addition, concurrently with execution of the merger agreement, the Business Manager, The Inland Real Estate Group, Inc. and Kite Realty OP entered into a Transition Services Agreement pursuant to which the Business Manager will provide certain business management services for 60 days following the closing of the merger (with two 30-day renewal terms at Kite Realty's option) in order to assist in the transition of the business management of Inland Diversified's assets from the Business Manager to Kite Realty. Pursuant to the Transition Services Agreement, the Business Manager is

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entitled to receive (i) a one-time management fee of \$1.36 million payable by Kite Realty OP upon the closing of the merger, and (ii) certain hourly fees for the various business services performed by the Business Manager at the request of Kite Realty OP, payable monthly by Kite Realty OP. For additional information on the Transition Services Agreement, see "Ancillary Agreements Transition Services Agreement."

Barry L. Lazarus, a member of the Inland Diversified Board and the President and Chief Operating Officer of Inland Diversified, and Steven T. Hippel, the Treasurer and Chief Financial Officer of Inland Diversified, also serve as executive officers of the Business Manager. Robert D. Parks, the chairman of the Inland Diversified Board, is an executive officer and a principal of The Inland Group, Inc. and chairman of IREIC, the parent of the Business Manager. Brenda G. Gujral, a member of the Inland Diversified board of directors, is a director of IREIC and a vice president of the Business Manager. The Business Manager and IREIC are both indirect wholly-owned subsidiaries of The Inland Group, Inc.

***Affiliations with the Property Managers***

Pursuant to the Master Agreement, the Property Managers are entitled to receive certain fees and expense reimbursements, including reimbursement of severance and retention bonuses paid to certain employees of the Property Managers, upon the closing of the merger. For additional information, see "Ancillary Agreements Master Liquidity Event Agreement." In addition, concurrently with the execution of the merger agreement:

Kite Realty OP and Inland Diversified Real Estate Services LLC, one of the Property Managers, entered into a Management Agreement pursuant to which Inland Diversified Real Estate Services LLC will provide property management services with respect to the Inland Diversified retail properties for a period of 90 days following the closing of the merger (with automatic 30-day renewal periods until either party gives notice of non-renewal or Kite Realty terminates the agreement) in exchange for a market-based monthly management fee based on a percentage of the gross revenues of the properties under management; and

Kite Realty OP and Community Property Management Corp., an affiliate of the Business Manager, entered into Management Agreements pursuant to which Community Property Management Corp. will provide property management services with respect to each Inland Diversified multi-family property for a period of 90 days following the closing of the merger (with automatic 30-day renewal periods until either party gives notice of non-renewal) in exchange for a market-based monthly management fee based on a percentage of the gross revenues of the properties under management.

Certain directors and officers of Inland Diversified are minority stockholders in the parent companies which indirectly own the Property Managers.

***Consulting Arrangements***

In connection with the execution of the merger agreement, Barry L. Lazarus, a member of the Inland Diversified Board and the President and Chief Operating Officer of Inland Diversified, entered into an Interim Services and Consulting Agreement with Kite Realty, pursuant to which Mr. Lazarus will serve as a consultant to Kite Realty in connection with transition planning and other matters related to the closing of the merger. The Consulting Agreement provides that Kite Realty will pay Mr. Lazarus a lump-sum consulting fee, payable upon and subject to the closing of the merger. For additional information, see "Ancillary Agreements Consulting Agreements."

Table of Contents**Golden Parachute Compensation**

<b>Name</b>	<b>Cash (\$)</b>	<b>Equity (\$)</b>	<b>Other (\$)</b>	<b>Total(\$)</b>
Barry L. Lazarus(1)	\$ 800,000	NA	NA	\$ 800,000

(1)

In connection with the merger agreement, Barry L. Lazarus, the President and Chief Operating Officer of Inland Diversified, entered into an Interim Services and Consulting Agreement with Kite Realty. The Consulting Agreement provides that Mr. Lazarus will receive a lump-sum consulting fee of \$800,000, payable upon, and subject to, the closing of the merger. In the event that Kite Realty terminates the Consulting Agreement prior to the closing of the merger other than for "cause" (as defined in the Consulting Agreement), Kite Realty will remain obligated to pay Mr. Lazarus the consulting fee that would otherwise be payable under the Consulting Agreement upon the closing of the merger. For additional information, see "Ancillary Agreements Consulting Agreements."

**Regulatory Approvals Required for the Merger**

Kite Realty and Inland Diversified are not aware of any material federal or state regulatory requirements that must be complied with, or approvals that must be obtained, in connection with the merger or the other transactions contemplated by the merger agreement.

**U.S. Federal Income Tax Considerations**

The discussion below entitled " Material U.S. Federal Income Tax Consequences of the Merger," summarizes the material federal income tax consequences of the merger for U.S. holders (as defined below) of Inland Diversified common stock.

The discussion below entitled " Material U.S. Federal Income Tax Considerations Related to Kite Realty Common Shares," summarizes the material federal income tax consequences of owning Kite Realty common shares received in connection with the merger.

This following discussion is based upon the Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury regulations promulgated under the Code, referred to as the Treasury Regulations, rulings and other administrative interpretations and practices of the Internal Revenue Service, or the IRS (including administrative interpretations and practices expressed in private letter rulings which are binding on the IRS only with respect to the particular taxpayers who requested and received those rulings), and judicial decisions, all as currently in effect, and all of which are subject to differing interpretations or to change, possibly with retroactive effect. This discussion does not address (i) U.S. federal taxes other than income taxes, (ii) state, local or non-U.S. taxes or (iii) tax reporting requirements, in each case, as applicable to the merger. In addition, this discussion does not address U.S. federal income tax considerations applicable to holders that are subject to special treatment under U.S. federal income tax law, including, for example:

financial institutions;

pass-through entities (such as entities treated as partnerships for U.S. federal income tax purposes);

persons acting as nominees or otherwise not as beneficial owners;

insurance companies;

broker-dealers;

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except to the extent described in the discussion below entitled " Material U.S. Federal Income Tax Considerations Related to Kite Realty Common Shares," tax-exempt organizations;

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dealers in securities or currencies;

traders in securities that elect to use a mark to market method of accounting;

persons that hold Kite Realty common shares or Inland Diversified common stock as part of a straddle, hedge, constructive sale, conversion transaction, or other integrated transaction for U.S. federal income tax purposes;

regulated investment companies;

REITs;

certain U.S. expatriates;

foreign (non-U.S.) governments;

except to the extent described in the discussion below entitled " Material U.S. Federal Income Tax Considerations Related to Kite Realty Common Shares," non-U.S. holders (as defined below);

U.S. holders whose "functional currency" is not the U.S. dollar;

persons who acquired their Kite Realty common shares or Inland Diversified common stock through the exercise of stock options or otherwise in connection with compensation;

persons who do not hold their Kite Realty common shares or Inland Diversified common stock as capital asset within the meaning of Section 1221 of the Code; and

for purposes of the discussion below entitled "Material U.S. Federal Income Tax Considerations Related to Kite Realty Common Shares," persons subject to alternative minimum tax under the Code.

For purposes of this discussion, a "U.S. holder" means a beneficial owner of Inland Diversified common stock or, after the effective time of the merger, Kite Realty common shares, as the case may be, that is:

an individual who is a citizen or resident of the United States for U.S. income tax purposes;

a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof;

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

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a trust that (A) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (B) has a valid election in place under the Treasury Regulations to be treated as a U.S. person.

If a partnership (or other entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds Inland Diversified common stock (or, following the merger, Kite Realty common shares), the tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. Any partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, and the partners in such partnership (as determined for U.S. federal income tax purposes), should consult their tax advisors.

This discussion of material U.S. federal income tax considerations is not binding on the IRS. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any described herein.



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**THE U.S. FEDERAL INCOME TAX RULES APPLICABLE TO THE MERGER, TO HOLDING AND DISPOSING KITE REALTY COMMON SHARES, AND TO REITS GENERALLY ARE HIGHLY TECHNICAL AND COMPLEX. HOLDERS OF INLAND DIVERSIFIED COMMON STOCK ARE URGED TO CONSULT THEIR TAX ADVISORS REGARDING THE SPECIFIC TAX CONSEQUENCES TO THEM OF THE MERGER, THE OWNERSHIP OF COMMON STOCK OF KITE REALTY, AND KITE REALTY'S QUALIFICATION AS A REIT, INCLUDING THE APPLICABILITY AND EFFECT OF U.S. FEDERAL, STATE, LOCAL AND NON-U.S. INCOME AND OTHER TAX LAWS, AND POTENTIAL CHANGES IN APPLICABLE TAX LAWS, IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES.**

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

*Tax Opinions from Counsel Regarding the Merger*

It is a condition to the completion of the merger that Hogan Lovells US LLP and Alston & Bird LLP each render an opinion to its client to the effect that the merger will constitute a reorganization within the meaning of Section 368(a) of the Code. Such opinions will be subject to customary exceptions, assumptions and qualifications, and will be based on representations made by Kite Realty and Inland Diversified regarding factual matters, and covenants undertaken by Kite Realty and Inland Diversified. If any assumption or representation is inaccurate in any way, or any covenant is not complied with, the tax consequences of the merger could differ from those described in the tax opinions and in this discussion. These tax opinions represent the legal judgment of counsel rendering the opinion and are not binding on the IRS or the courts. No ruling from the IRS has been or is expected to be requested in connection with the merger, and there can be no assurance that the IRS would not assert, or that a court would not sustain, a position contrary to the conclusions set forth in the tax opinions.

Provided the merger is treated as a reorganization within the meaning of Section 368(a) of the Code, the U.S. federal income tax consequences of the merger will be as follows:

Inland Diversified will not recognize any gain or loss as a result of the merger.

A U.S. holder of Inland Diversified common stock will not recognize any gain or loss upon receipt of Kite Realty common shares in exchange for its Inland Diversified common stock in connection with the merger, except with respect to cash received in lieu of fractional shares of the Inland Diversified common shares, as discussed below.

A U.S. holder will have an aggregate tax basis in the Kite Realty common shares it receives in the merger equal to the U.S. holder's aggregate tax basis in its Inland Diversified common stock surrendered pursuant to the merger, reduced by the portion of the U.S. holder's tax basis in its Inland Diversified common stock surrendered in the merger that is allocable to a fractional share of Kite Realty common shares. If a U.S. holder acquired any of its shares of Inland Diversified common stock at different prices and/or at different times, Treasury Regulations provide guidance on how such U.S. holder may allocate its tax basis to Kite Realty common shares received in the merger. U.S. holders that hold multiple blocks of Inland Diversified common stock should consult their tax advisors regarding the proper allocation of their basis among Kite Realty common shares received in the merger under these Treasury Regulations.

The holding period of the Kite Realty common shares received by a U.S. holder in connection with the merger will include the holding period of the Inland Diversified common stock surrendered in connection with the merger.

Cash received by a U.S. holder in lieu of a fractional share of Kite Realty common shares in the merger will be treated as if such fractional share had been issued in connection with the merger and then redeemed by Kite Realty, and such U.S. holder generally will recognize capital gain or

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loss with respect to such cash payment, measured by the difference, if any, between the amount of cash received and the U.S. holder's tax basis in such fractional share. Such capital gain or loss will be long-term capital gain or loss if the U.S. holder's holding period in respect of such fractional share is greater than one year. Non-corporate U.S. holders are generally subject to tax on long-term capital gains at reduced rates under current law. The deductibility of capital losses is subject to limitations.

*U.S. Federal Income Tax Consequences of the Merger to Inland Diversified and Inland Diversified Stockholders if the Merger Does Not Qualify as a Reorganization*

If the merger were to fail to qualify as a reorganization, then an Inland Diversified stockholder generally would recognize gain or loss, as applicable, equal to the difference between:

the sum of the fair market value of the Kite Realty common shares and cash in lieu of fractional shares of Kite Realty common shares received by the Inland Diversified stockholder in the merger; and

the Inland Diversified stockholder's adjusted tax basis in its Inland Diversified common stock.

If the merger fails to qualify as a reorganization, so long as Inland Diversified qualified as a REIT at the time of the merger, Inland Diversified generally would not incur a U.S. federal income tax liability so long as Inland Diversified has made distributions (which would be deemed to include for this purpose the fair market value of the Kite Realty common shares issued pursuant to the merger) to Inland Diversified shareholders in an amount at least equal to the net income or gain on the deemed sale of its assets to Kite Realty. In the event that such distributions were not sufficient to eliminate all of Inland Diversified's tax liability as a result of the deemed sale of its assets to Kite Realty, Kite Realty would be liable for any remaining tax owed by Inland Diversified as a result of the merger.

If the merger fails to qualify as a reorganization and Inland Diversified did not qualify as a REIT at the time of the merger, Inland Diversified would generally recognize gain or loss on the deemed transfer of its assets to Kite Realty, and Kite Realty, as its successor, could incur a very significant current tax liability and may be unable to qualify as a REIT.

The balance of this discussion assumes, unless indicated otherwise, that the merger will qualify as a reorganization.

*Backup Withholding*

Certain U.S. holders of Inland Diversified common stock may be subject to backup withholding of U.S. federal income tax with respect to any cash received in lieu of fractional shares pursuant to the merger. Backup withholding generally will not apply, however, to a U.S. holder of Inland Diversified common stock that furnishes a correct taxpayer identification number and certifies that it is not subject to backup withholding on IRS Form W-9 or is otherwise exempt from backup withholding and provides appropriate proof of the applicable exemption. Backup withholding is not an additional tax, and any amounts withheld will be allowed as a refund or credit against the holder's U.S. federal income tax liability, if any, provided that the holder timely furnishes the required information to the IRS.

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*Tax Opinion from Counsel Regarding REIT Qualification of Kite Realty*

It is a condition to the obligation of Inland Diversified to complete the merger that Inland Diversified receive an opinion of Hogan Lovells US LLP (or other counsel reasonably acceptable to Inland Diversified) to the effect that for all taxable periods commencing with its taxable year ended December 31, 2004, Kite Realty has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code, and its past, current and intended future organization and operations will permit Kite Realty to qualify for taxation as a REIT under the Code for its taxable year that includes the effective time of the merger and thereafter. Inland Diversified has agreed not to waive this condition. The opinion of Hogan Lovells US LLP (or other counsel) will be subject to customary exceptions, assumptions and qualifications and will be based on representations made by Kite Realty and Inland Diversified regarding factual matters (including those contained in tax representation letters provided by Kite Realty and Inland Diversified), and covenants undertaken by Kite Realty and Inland Diversified, relating to the organization and operation of Inland Diversified and its subsidiaries and Kite Realty and its subsidiaries.

This opinion will not be binding on the IRS or the courts. Kite Realty intends to continue to operate in a manner to qualify as a REIT following the merger, but there is no guarantee that it will qualify or remain qualified as a REIT. Qualification and taxation as a REIT depend upon the ability of Kite Realty to meet, through actual annual (or, in some cases, quarterly) operating results, requirements relating to income, asset ownership, distribution levels and diversity of share ownership, and the various REIT qualification requirements imposed under the Code. Given the complex nature of the REIT qualification requirements, the ongoing importance of factual determinations and the possibility of future changes in the circumstances of Kite Realty, there can be no assurance that the actual operating results of Kite Realty will satisfy the requirements for taxation as a REIT under the Code for any particular tax year.

*Tax Opinion from Counsel Regarding REIT Qualification of Inland Diversified*

It is a condition to the obligation of Kite Realty to complete the merger that Kite Realty receive an opinion of Alston & Bird LLP (or other counsel reasonably acceptable to Kite Realty) to the effect that for all taxable periods commencing with its taxable year ended December 31, 2009 and ending with its taxable year that ends with the merger, Inland Diversified has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code. The opinion of Aston & Bird LLP (or other counsel) will be subject to customary exceptions, assumptions and qualifications and will be based on representations made by Inland Diversified regarding factual matters (including those contained in tax representation letters provided by Inland Diversified), and covenants undertaken by Inland Diversified, relating to the organization and operation of Inland Diversified and its subsidiaries.

This opinion will not be binding on the IRS or the courts. Qualification and taxation as a REIT depend upon the ability of Inland Diversified to meet, through actual annual (or, in some cases, quarterly) operating results, requirements relating to income, asset ownership, distribution levels and diversity of share ownership, and the various REIT qualification requirements imposed under the Code. Given the complex nature of the REIT qualification requirements and the ongoing importance of factual determinations, there can be no assurance that the actual operating results of Inland Diversified will satisfy the requirements for taxation as a REIT under the Code for any particular tax year.

*Tax Liabilities and Attributes Inherited from Inland Diversified*

As the successor by merger to Inland Diversified, Kite Realty would be liable for other unpaid taxes, including penalties and interest (if any), of Inland Diversified. Moreover, if Inland Diversified were to incur tax liabilities as a result of the failure of the merger to qualify as a reorganization within

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the meaning of Section 368(a) of the Code, Kite Realty would succeed to those tax liabilities as a result of the merger. See " U.S. Federal Income Tax Consequences of the Merger to Inland Diversified and Inland Diversified Stockholders if the Merger Does Not Qualify as a Reorganization" above.

In addition, if Inland Diversified loses its REIT status for a taxable year before the merger, Kite Realty would face the following tax consequences:

unless it is entitled to relief under applicable statutory provisions, Kite Realty, as the "successor" trust to Inland Diversified, could not elect to be taxed as a REIT until the fifth taxable year following the year during which Inland Diversified was disqualified;

Kite Realty, as the successor by merger to Inland Diversified, would be subject to any corporate income tax liabilities of Inland Diversified, including penalties and interest;

assuming that Kite Realty maintained its REIT qualification, Kite Realty would be subject to tax on the built-in gain on each asset of Inland Diversified existing at the time of the merger if Kite Realty were to dispose of the Inland Diversified asset for up to ten years following the merger; and

assuming that Kite Realty otherwise maintained its REIT qualification, Kite Realty would succeed to any earnings and profits accumulated by Inland Diversified for taxable periods that it did not qualify as a REIT, and Kite Realty would have to pay a special dividend and/or employ applicable deficiency dividend procedures (including interest payments to the IRS) to eliminate such earnings and profits.

Finally, if there is an adjustment to Inland Diversified's taxable income or dividends paid deductions, Kite Realty could elect to use the deficiency dividend procedure in order to maintain Inland Diversified's REIT status. That deficiency dividend procedure could require Kite Realty to make significant distributions to its shareholders and to pay significant interest to the IRS.

### *Tax Liabilities and Attributes of Kite Realty*

If Kite Realty were to fail to qualify as a REIT for any of its taxable years for which the applicable period for assessment had not expired, Kite Realty would have to pay U.S. federal income tax on its taxable income at regular corporate rates. Furthermore, Kite Realty would not be able to re-elect REIT status until at least the fifth taxable year after the first taxable year in which such failure occurred.

### ***Material U.S. Federal Income Tax Considerations Related to Kite Realty Common Shares***

As used in this discussion entitled " Material U.S. Federal Income Tax Considerations Related to Kite Realty Common Shares," references to "our Company," "we" and "us" mean only Kite Realty Group Trust and not its subsidiaries or affiliates.

Following is a discussion of the material U.S. federal income tax considerations relating to our qualification and taxation as a REIT and the acquisition, holding, and disposition of our common shares (the "common shares" or the "shares").

The U.S. federal income tax treatment of holders of our common shares depends in some instances on determinations of fact and interpretations of complex provisions of U.S. federal income tax law for which no clear precedent or authority is available. In addition, the tax consequences to any particular shareholder of holding our common shares will depend on the shareholder's particular tax circumstances. You should consult your tax advisor regarding the U.S. federal, state, local, and foreign income and other tax consequences to you in light of your particular investment or tax circumstances of acquiring, holding, exchanging, or otherwise disposing of our common shares, our election to be taxed as a REIT for U.S. federal income tax purposes, and potential changes in applicable tax laws.

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*Taxation of Kite Realty as a REIT*

We elected to be taxed as a REIT commencing with our first taxable year ended December 31, 2004. A REIT generally is not subject to U.S. federal income tax on the income that it distributes to shareholders provided that the REIT meets the applicable REIT distribution requirements and other requirements for qualification as a REIT under the Code. We believe that we are organized and have operated, and we intend to continue to operate, in a manner to qualify for taxation as a REIT under the Code. However, qualification and taxation as a REIT depends upon our ability to meet the various qualification tests imposed under the Code. Given the complex nature of the REIT qualification requirements, the ongoing importance of factual determinations and the possibility of future change in our circumstances, we cannot provide any assurances that we will be organized or operated in a manner so as to satisfy the requirements for qualification and taxation as a REIT under the Code. See " Failure to Qualify as a REIT."

The sections of the Code that relate to our qualification and operation as a REIT are highly technical and complex. This discussion sets forth the material aspects of the sections of the Code that govern the U.S. federal income tax treatment of a REIT and its shareholders. This summary is qualified in its entirety by the applicable Code provisions, relevant rules and Treasury regulations, and related administrative and judicial interpretations.

*Taxation of REITs in General*

For each taxable year in which we qualify for taxation as a REIT, we generally will not be subject to U.S. federal corporate income tax on our net income that is distributed currently to our shareholders. Shareholders generally will be subject to taxation on dividends (other than designated capital gain dividends and "qualified dividend income") at rates applicable to ordinary income, instead of at lower capital gain rates applicable to non-corporate shareholders. Qualification for taxation as a REIT enables the REIT and its shareholders to substantially eliminate the "double taxation" (that is, taxation at both the corporate and shareholder levels) that generally results from an investment in a regular corporation. Regular corporations (non-REIT "C" corporations) generally are subject to U.S. federal corporate income taxation on their income, and shareholders of regular corporations are subject to tax on any dividends they receive. Dividends received from REITs are generally not eligible for taxation at the preferential dividend income rates currently available to individual U.S. shareholders who receive dividends from taxable subchapter "C" corporations, and corporate shareholders of a REIT are not eligible for the dividends received deduction. Income earned by a REIT and distributed currently to its shareholders generally will be subject to lower aggregate rates of U.S. federal income taxation than if such income were earned by a non-REIT "C" corporation, subjected to corporate income tax, and then distributed to shareholders and subjected to tax either at capital gain rates or the effective rate paid by a corporate recipient entitled to the benefit of the dividends received deduction.

Any net operating losses, foreign tax credits and other tax attributes of a REIT generally do not pass through to our shareholders, subject to special rules for certain items such as the capital gains that we recognize.

Even if we qualify for taxation as a REIT, we will be subject to U.S. federal income tax in the following circumstances:

- (1) We will be taxed at regular corporate rates on any undistributed "REIT taxable income." REIT taxable income is the taxable income of the REIT subject to specified adjustments, including a deduction for dividends paid.
- (2) We (or our shareholders) may be subject to the "alternative minimum tax" on our undistributed items of tax preference, if any.

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- (3) If we have (1) net income from the sale or other disposition of "foreclosure property" that is held primarily for sale to customers in the ordinary course of business, or (2) other non-qualifying income from foreclosure property, such income will be subject to tax at the highest corporate rate.
- (4) Our net income from "prohibited transactions" will be subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property held primarily for sale to customers in the ordinary course of business other than foreclosure property.
- (5) If we fail to satisfy either the 75% gross income test or the 95% gross income test, as discussed below, but our failure is due to reasonable cause and not due to willful neglect and we nonetheless maintain our qualification as a REIT because of specified cure provisions, we will be subject to a 100% tax on an amount equal to (a) the greater of (1) the amount by which we fail the 75% gross income test or (2) the amount by which we fail the 95% gross income test, as the case may be, multiplied by (b) a fraction intended to reflect our profitability.
- (6) We will be subject to a 4% nondeductible excise tax on the excess of the required distribution over the sum of amounts actually distributed, excess distributions from the preceding tax year and amounts retained for which U.S. federal income tax was paid, if we fail to make the required distributions by the end of a calendar year. The required distributions for each calendar year is equal to the sum of:
- 85% of our REIT ordinary income for the year;
  - 95% of our REIT capital gain net income for the year other than capital gains we elect to retain and pay tax on as described below; and
  - any undistributed taxable income from prior taxable years.
- (7) We will be subject to a 100% penalty tax on some payments we receive (or on certain expenses deducted by a taxable REIT subsidiary) if arrangements among us, our tenants, and our taxable REIT subsidiaries do not reflect arm's length terms.
- (8) If we acquire any assets from a non-REIT "C" corporation in a carry-over basis transaction, we would be liable for corporate income tax, at the highest applicable corporate rate for the "built-in gain" with respect to those assets if we disposed of those assets within 10 years after they were acquired. To the extent that assets are transferred to us in a carry-over basis transaction by a partnership in which a corporation owns an interest, we will be subject to this tax in proportion to the non-REIT "C" corporation's interest in the partnership. Built-in gain is the amount by which an asset's fair market value exceeds its adjusted tax basis at the time we acquire the asset. The results described in this paragraph assume that the non-REIT corporation will not elect, in lieu of this treatment, to be subject to an immediate tax when the asset is acquired by us.
- (9) We may elect to retain and pay U.S. federal income tax on our net long-term capital gain. In that case, a U.S. shareholder would include its proportionate share of our undistributed long-term capital gain (to the extent that we make a timely designation of such gain to the shareholder) in its income, would be deemed to have paid the tax we paid on such gain, and would be allowed a credit for its proportionate share of the tax deemed to have been paid, and an adjustment would be made to increase the basis of the U.S. shareholder in our common shares.
- (10) If we violate the asset tests (other than certain de minimis violations) or other requirements applicable to REITs, as described below, but our failure is due to reasonable cause and not due to willful neglect and we nevertheless maintain our REIT qualification because of



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specified cure provisions, we will be subject to a tax equal to the greater of \$50,000 or the amount determined by multiplying the net income generated by such non-qualifying assets by the highest rate of tax applicable to regular "C" corporations during periods when such assets would have caused us to fail the asset test.

- (11) If we fail to satisfy a requirement under the Code which would result in the loss of our REIT qualification, other than a failure to satisfy a gross income test or an asset test as described above, but nonetheless maintain our qualification as a REIT because the requirements of certain relief provisions are satisfied, we will be subject to a penalty of \$50,000 for each such failure.
- (12) If we fail to comply with the requirements to send annual letters to our shareholders requesting information regarding the actual ownership of our shares and the failure was not due to reasonable cause or was due to willful neglect, we will be subject to a \$25,000 penalty or, if the failure is intentional, a \$50,000 penalty.
- (13) The earnings of any subsidiaries that are subchapter "C" corporations, including any TRS, are subject to U.S. federal corporate income tax.

Notwithstanding our qualification as a REIT, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes and state, local, and foreign income, property and other taxes on our assets, operations and/or net worth. We could also be subject to tax in situations and on transactions not presently contemplated.

### *Requirements for Qualification as a REIT*

The Code defines a "REIT" as a corporation, trust or association:

- (1) that is managed by one or more trustees or directors;
- (2) that issues transferable shares or transferable certificates to evidence its beneficial ownership;
- (3) that would be taxable as a domestic corporation but for Sections 856 through 859 of the Code;
- (4) that is neither a financial institution nor an insurance company within the meaning of certain provisions of the Code;
- (5) that is beneficially owned by 100 or more persons;
- (6) not more than 50% in value of the outstanding shares or other beneficial interest of which is owned by five or fewer individuals (as defined in the Code to include certain entities and as determined by applying certain attribution rules) during the last half of each taxable year;
- (7) that makes an election to be a REIT for the current taxable year, or has made such an election for a previous taxable year that has not been revoked or terminated, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT status;
- (8) that uses a calendar year for U.S. federal income tax purposes;
- (9) that meets other applicable tests, described below, regarding the nature of its income and assets and the amount of its distributions; and



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(10)

that has no earnings and profits from any non-REIT taxable year at the close of any taxable year.

The Code provides that conditions (1), (2), (3) and (4) above must be met during the entire taxable year and condition (5) above must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Conditions (5) and

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(6) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. Condition (6) must be met during the last half of each taxable year. For purposes of determining share ownership under condition (6) above, a supplemental unemployment compensation benefits plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes generally is considered an individual. However, a trust that is a qualified trust under Code Section 401(a) generally is not considered an individual, and beneficiaries of a qualified trust are treated as holding shares of a REIT in proportion to their actuarial interests in the trust for purposes of condition (6) above.

We believe that we have been organized, have operated and have issued sufficient shares of beneficial interest with sufficient diversity of ownership to allow us to satisfy the above conditions. In addition, our declaration of trust contain restrictions regarding the transfer of shares of beneficial interest that are intended to assist us in continuing to satisfy the share ownership requirements described in conditions (5) and (6) above. If we fail to satisfy these share ownership requirements, we will fail to qualify as a REIT unless we qualify for certain relief provisions described in the following paragraph.

To monitor our compliance with condition (6) above, we are generally required to maintain records regarding the actual ownership of our shares. To do so, we must demand written statements each year from the record holders of significant percentages of our shares pursuant to which the record holders must disclose the actual owners of the shares (i.e., the persons required to include in gross income the dividends paid by us). We must maintain a list of those persons failing or refusing to comply with this demand as part of our records. We could be subject to monetary penalties if we fail to comply with these record-keeping requirements. A shareholder that fails or refuses to comply with the demand is required by Treasury regulations to submit a statement with its tax return disclosing the actual ownership of our stock and other information. If we comply with the record-keeping requirement and we do not know or, exercising reasonable diligence, would not have known of our failure to meet condition (6) above, then we will be treated as having met condition (6) above.

To qualify as a REIT, we cannot have at the end of any taxable year any undistributed earnings and profits that are attributable to a non-REIT taxable year. We elected to be taxed as a REIT beginning with our first taxable year in 2004, and we have not succeeded to any earnings and profits of a "C" corporation. Therefore, we do not believe we had any undistributed non-REIT earnings and profits.

*Effect of Subsidiary Entities*

*Ownership of Interests in Partnerships and Limited Liability Companies.* In the case of a REIT which is a partner in a partnership or a member in a limited liability company treated as a partnership for U.S. federal income tax purposes, Treasury regulations provide that the REIT will be deemed to own its pro rata share of the assets of the partnership or limited liability company, as the case may be, based on its capital interests in such partnership or limited liability company. Also, the REIT will be deemed to be entitled to the income of the partnership or limited liability company attributable to its pro rata share of the assets of that entity. The character of the assets and gross income of the partnership or limited liability company retains the same character in the hands of the REIT for purposes of Section 856 of the Code, including satisfying the gross income tests and the asset tests. Thus, our pro rata share of the assets and items of income of our operating partnership, including our operating partnership's share of these items of any partnership or limited liability company in which it owns an interest, are treated as our assets and items of income for purposes of applying the requirements described in this prospectus, including the income and asset tests described below.

We have included a brief summary of the rules governing the U.S. federal income taxation of partnerships and limited liability companies and their partners or members below in " Tax Aspects of

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Our Ownership of Interests in the Operating Partnership and other Partnerships and Limited Liability Companies." We have control of our operating partnership and substantially all of the subsidiary partnerships and limited liability companies in which our operating partnership has invested and intend to continue to operate them in a manner consistent with the requirements for our qualification and taxation as a REIT. In the future, we may be a limited partner or non-managing member in some of our partnerships and limited liability companies. If such a partnership or limited liability company were to take actions which could jeopardize our qualification as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a REIT income or asset test and that we would not become aware of such action in a time frame which would allow us to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless entitled to relief, as described below.

*Ownership of Interests in Qualified REIT Subsidiaries.* We may acquire 100% of the stock of one or more corporations that are qualified REIT subsidiaries. A corporation will qualify as a qualified REIT subsidiary if we own 100% of its stock and it is not a taxable REIT subsidiary. A qualified REIT subsidiary will not be treated as a separate corporation, and all assets, liabilities and items of income, deduction and credit of a qualified REIT subsidiary will be treated as our assets, liabilities and such items (as the case may be) for all purposes of the Code, including the REIT qualification tests. For this reason, references in this discussion to our income and assets should be understood to include the income and assets of any qualified REIT subsidiary we own. Our ownership of the stock of a qualified REIT subsidiary will not violate the restrictions against ownership of securities of any one issuer which constitute more than 10% of the voting power or value of such issuer's securities or more than 5% of the value of our total assets, as described below in " Asset Tests Applicable to REITs."

*Ownership of Interests in Taxable REIT Subsidiaries.* A taxable REIT subsidiary of ours is a corporation other than a REIT in which we directly or indirectly hold stock, and that has made a joint election with us to be treated as a taxable REIT subsidiary under Section 856(l) of the Code. A taxable REIT subsidiary also includes any corporation other than a REIT in which a taxable REIT subsidiary of ours owns, directly or indirectly, securities (other than certain "straight debt" securities), which represent more than 35% of the total voting power or value of the outstanding securities of such corporation. Other than some activities relating to lodging and health care facilities, a taxable REIT subsidiary may generally engage in any business, including the provision of customary or non-customary services to our tenants without causing us to receive impermissible tenant service income under the REIT gross income tests. A taxable REIT subsidiary is required to pay regular U.S. federal income tax, and state and local income tax where applicable, as a regular "C" corporation. In addition, a taxable REIT subsidiary may be prevented from deducting interest on debt funded directly or indirectly by us if certain tests regarding the taxable REIT subsidiary's debt to equity ratio and interest expense are not satisfied. If dividends are paid to us by one or more of our taxable REIT subsidiaries, then a portion of the dividends we distribute to shareholders who are taxed at individual rates will generally be eligible for taxation at lower capital gains rates, rather than at ordinary income rates. See " Taxation of U.S. Shareholders Taxation of Taxable U.S. Shareholders Qualified Dividend Income."

Generally, a taxable REIT subsidiary can perform impermissible tenant services without causing us to receive impermissible tenant services income under the REIT income tests. However, several provisions applicable to the arrangements between us and our taxable REIT subsidiaries ensure that such taxable REIT subsidiaries will be subject to an appropriate level of U.S. federal income taxation. For example, taxable REIT subsidiaries are limited in their ability to deduct interest payments in excess of a certain amount made directly or indirectly to us. In addition, we will be obligated to pay a 100% penalty tax on some payments we receive or on certain expenses deducted by our taxable REIT subsidiaries if the economic arrangements between us, our tenants and such taxable REIT subsidiaries are not comparable to similar arrangements among unrelated parties. Our taxable REIT subsidiaries,

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and any future taxable REIT subsidiaries acquired by us, may make interest and other payments to us and to third parties in connection with activities related to our properties. There can be no assurance that our taxable REIT subsidiaries will not be limited in their ability to deduct interest payments made to us. In addition, there can be no assurance that the IRS might not seek to impose the 100% excise tax on a portion of payments received by us from, or expenses deducted by, our taxable REIT subsidiaries.

Kite Realty Holding, LLC and its respective subsidiaries that are corporations are referred to as corporate subsidiaries. Each of the corporate subsidiaries is taxable as a regular "C" corporation and has elected, together with us, to be treated as our taxable REIT subsidiary or is treated as a taxable REIT subsidiary under the 35% subsidiary rule discussed above. In addition, we may elect, together with other corporations in which we may own directly or indirectly stock, for those corporations to be treated as our taxable REIT subsidiaries.

*Gross Income Tests*

To qualify as a REIT, we must satisfy two gross income tests which are applied on an annual basis. First, in each taxable year at least 75% of our gross income (excluding gross income from prohibited transactions, certain hedging transactions, as described below, and certain foreign currency transactions) must be derived from investments relating to real property or mortgages on real property, including:

"rents from real property";

dividends or other distributions on, and gain from the sale of, shares in other REITs;

gain from the sale of real property or mortgages on real property, in either case, not held for sale to customers;

interest income derived from mortgage loans secured by real property; and

income attributable to temporary investments of new capital in stocks and debt instruments during the one-year period following our receipt of new capital that we raise through equity offerings or issuance of debt obligations with at least a five-year term.

Second, at least 95% of our gross income in each taxable year (excluding gross income from prohibited transactions, certain hedging transactions, as described below, and certain foreign currency transactions) must be derived from some combination of income that qualifies under the 75% gross income test described above, as well as (a) other dividends, (b) interest, and (c) gain from the sale or disposition of stock or securities, in either case, not held for sale to customers.

Beginning with the Company's taxable year beginning on or after January 1, 2005, gross income from certain hedging transactions are excluded from gross income for purposes of the 95% gross income requirement.

Similarly, gross income from certain hedging transactions entered into after July 30, 2008 is excluded from gross income for purposes of the 75% gross income test. See " Requirements for Qualification as a REIT Gross Income Tests Income from Hedging Transactions."

*Rents from Real Property.* Rents we receive will qualify as "rents from real property" for the purpose of satisfying the gross income requirements for a REIT described above only if several conditions are met. These conditions relate to the identity of the tenant, the computation of the rent payable, and the nature of the property lease.

First, the amount of rent must not be based in whole or in part on the income or profits of any person. However, an amount we receive or accrue generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of receipts or sales;

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Second, we, or an actual or constructive owner of 10% or more of our shares, must not actually or constructively own 10% or more of the interests in the tenant, or, if the tenant is a corporation, 10% or more of the voting power or value of all classes of stock of the tenant. Rents received from such tenant that is a taxable REIT subsidiary, however, will not be excluded from the definition of "rents from real property" as a result of this condition if either (i) at least 90% of the space at the property to which the rents relate is leased to third parties, and the rents paid by the taxable REIT subsidiary are comparable to rents paid by our other tenants for comparable space or (ii) the property is a qualified lodging facility or a qualified health care property and such property is operated on behalf of the taxable REIT subsidiary by a person who is an "eligible independent contractor" (as described below) and certain other requirements are met;

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

Fourth, for rents to qualify as rents from real property for the purpose of satisfying the gross income tests, we generally must not operate or manage the property or furnish or render services to the tenants of such property, other than through an "independent contractor" who is adequately compensated and from whom we derive no revenue or through a TRS. To the extent that impermissible services are provided by an independent contractor, the cost of the services generally must be borne by the independent contractor. We anticipate that any services we provide directly to tenants will be "usually or customarily rendered" in connection with the rental of space for occupancy only and not otherwise considered to be provided for the tenants' convenience. We may provide a minimal amount of "non-customary" services to tenants of our properties, other than through an independent contractor, but we intend that our income from these services will not exceed 1% of our total gross income from the property. If the impermissible tenant services income exceeds 1% of our total income from a property, then all of the income from that property will fail to qualify as rents from real property. If the total amount of impermissible tenant services income does not exceed 1% of our total income from the property, the services will not "taint" the other income from the property (that is, it will not cause the rent paid by tenants of that property to fail to qualify as rents from real property), but the impermissible tenant services income will not qualify as rents from real property. We are deemed to have received income from the provision of impermissible services in an amount equal to at least 150% of our direct cost of providing the service.

We monitor (and intend to continue to monitor) the activities provided at, and the non-qualifying income arising from, our properties and believe that we have not provided services at levels that will cause us to fail to meet the income tests. We provide services and may provide access to third party service providers at some or all of our properties. Based upon our experience in the retail markets where the properties are located, we believe that all access to service providers and services provided to tenants by us (other than through a qualified independent contractor or a taxable REIT subsidiary) either are usually or customarily rendered in connection with the rental of real property and not otherwise considered rendered to the occupant, or, if considered impermissible services, will not result in an amount of impermissible tenant service income that will cause us to fail to meet the income test requirements. However, we cannot provide any assurance that the IRS will agree with these positions.

Income we receive which is attributable to the rental of parking spaces at the properties will constitute rents from real property for purposes of the REIT gross income tests if the services provided with respect to the parking facilities are performed by independent contractors from whom we derive no income, either directly or indirectly, or by a taxable REIT subsidiary. We believe that the income we

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receive that is attributable to parking facilities will meet these tests and, accordingly, will constitute rents from real property for purposes of the REIT gross income tests.

*Interest Income.* "Interest" generally will be non-qualifying income for purposes of the 75% or 95% gross income tests if it depends in whole or in part on the income or profits of any person. However, interest based on a fixed percentage or percentages of receipts or sales may still qualify under the gross income tests. We do not expect to derive significant amounts of interest that will not qualify under the 75% and 95% gross income tests.

*Dividend Income.* Our share of any dividends received from Kite Realty Holding, LLC and from other corporations in which we own an interest (other than qualified REIT subsidiaries) will qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. We do not anticipate that we will receive sufficient dividends from Kite Realty Holding, LLC or other such corporation to cause us to exceed the limit on non-qualifying income under the 75% gross income test. Dividends that we receive from other qualifying REITs will qualify for purposes of both REIT income tests.

*Income from Hedging Transactions.* From time to time, we may enter into transactions to hedge against interest rate risks or value fluctuations associated with one or more of our assets or liabilities. Any such hedging transactions could take a variety of forms, including the use of derivative instruments such as interest rate swap or cap agreements, option agreements, and futures or forward contracts. Income of a REIT, including income from a pass-through subsidiary, arising from "clearly identified" hedging transactions that are entered into to manage the risk of interest rate or price changes with respect to borrowings, including gain from the disposition of such hedging transactions, to the extent the hedging transactions hedge indebtedness incurred, or to be incurred, by the REIT to acquire or carry real estate assets, will not be treated as gross income for purposes of the 95% gross income test, and will not be treated as gross income for purposes of the 75% gross income test where such instrument was entered into after July 30, 2008. Income of a REIT arising from hedging transactions that are entered into to manage the risk of currency fluctuations will not be treated as gross income for purposes of either the 95% gross income test or the 75% gross income test where such transaction was entered into after July 30, 2008 provided that the transaction is "clearly identified" before the close of the day on which it was acquired, originated or entered into. In general, for a hedging transaction to be "clearly identified," (a) it must be identified as a hedging transaction before the end of the day on which it is acquired or entered into, and (b) the items or risks being hedged must be identified "substantially contemporaneously" with entering into the hedging transaction (generally not more than 35 days after entering into the hedging transaction). To the extent that we hedge with other types of financial instruments or in other situations, the resultant income will be treated as income that does not qualify under the 95% or 75% income tests. We intend to structure any hedging transactions in a manner that does not jeopardize our status as a REIT.

*Income from Prohibited Transactions.* Any gain that we realize on the sale of any property held as inventory or otherwise held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by our operating partnership, either directly or through its subsidiary partnerships and limited liability companies, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Under existing law, whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances surrounding the particular transaction. However, effective for sales after July 30, 2008, we will not be treated as a dealer in real property with respect to a property that we sell for the purposes of the 100% tax if (i) we have held the property for at least two years for the production of rental income prior to the sale, (ii) capitalized expenditures on the property in the two years preceding the sale are less than 30% of the net selling price of the property, and (iii) we either (a) have seven or fewer sales of property (excluding certain property obtained

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through foreclosure) for the year of sale or (b) the aggregate tax basis of property sold during the year is 10% or less of the aggregate tax basis of all of our assets as of the beginning of the taxable year or (c) the fair market value of property sold during the year is 10% or less of the aggregate fair market value of all of our assets as of the beginning of the taxable year, and substantially all of the marketing and development expenditures with respect to the property sold are made through an independent contractor from whom we derive no income. The sale of more than one property to one buyer as part of one transaction constitutes one sale for purposes of this "safe harbor." We intend to hold our properties for investment with a view to long-term appreciation, to engage in the business of acquiring, developing and owning our properties and to make occasional sales of the properties as are consistent with our investment objectives. However, the IRS may successfully contend that some or all of the sales made by us or our operating partnership or its subsidiary partnerships or limited liability companies are prohibited transactions. In that case, we would be required to pay the 100% penalty tax on our allocable share of the gains resulting from any such sales.

*Income from Foreclosure Property.* We generally will be subject to tax at the maximum corporate rate (currently 35%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that constitutes qualifying income for purposes of the 75% gross income test. Foreclosure property is real property and any personal property incident to such real property (1) that we acquire as the result of having bid on the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after a default (or upon imminent default) on a lease of the property or a mortgage loan held by us and secured by the property, (2) for which we acquired the related loan or lease at a time when default was not imminent or anticipated, and (3) with respect to which we made a proper election to treat the property as foreclosure property. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property would otherwise constitute inventory or dealer property. To the extent that we receive any income from foreclosure property that does not qualify for purposes of the 75% gross income test, we intend to make an election to treat the related property as foreclosure property.

*Failure to Satisfy the Gross Income Tests.* If we fail to satisfy one or both of the 75% or 95% gross income tests for any taxable year, we may nevertheless qualify as a REIT for that year if we are entitled to relief under the Code. These relief provisions will be generally available if (1) our failure to meet these tests was due to reasonable cause and not due to willful neglect and (2) following our identification of the failure to meet the 75% and/or 95% gross income tests for any taxable year, we file a schedule with the IRS setting forth a description of each item of our gross income that satisfies the gross income tests for purposes of the 75% or 95% gross income test for such taxable year in accordance with Treasury regulations. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. If these relief provisions are inapplicable to a particular set of circumstances, we will fail to qualify as a REIT. As discussed above, under "Taxation of Kite Realty as a REIT - General," even if these relief provisions apply, a tax would be imposed based on the amount of non-qualifying income. We intend to take advantage of any and all relief provisions that are available to us to cure any violation of the income tests applicable to REITs.

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Any redetermined rents, redetermined deductions or excess interest we generate will be subject to a 100% penalty tax. In general, redetermined rents are rents from real property that are overstated as a result of services furnished by one of our taxable REIT subsidiaries to any of our tenants, and redetermined deductions and excess interest represent amounts that are deducted by a taxable REIT subsidiary for amounts paid to us that are in excess of the amounts that would have been deducted based on arm's-length negotiations. Rents we receive will not constitute redetermined rents if they qualify for the safe harbor provisions contained in the Code. Safe harbor provisions are provided where:

amounts are excluded from the definition of impermissible tenant service income as a result of satisfying the 1% *de minimis* exception;

a taxable REIT subsidiary renders a significant amount of similar services to unrelated parties and the charges for such services are substantially comparable;

rents paid to us by tenants leasing at least 25% of the net leasable space of the REIT's property who are not receiving services from the taxable REIT subsidiary are substantially comparable to the rents paid by the REIT's tenants leasing comparable space who are receiving such services from the TRS and the charge for the service is separately stated; or

the taxable REIT subsidiary's gross income from the service is not less than 150% of the taxable REIT subsidiary's direct cost of furnishing the service.

While we anticipate that any fees paid to a taxable REIT subsidiary for tenant services will reflect arm's-length rates, a taxable REIT subsidiary may under certain circumstances provide tenant services which do not satisfy any of the safe-harbor provisions described above. Nevertheless, these determinations are inherently factual, and the IRS has broad discretion to assert that amounts paid between related parties should be reallocated to clearly reflect their respective incomes. If the IRS successfully made such an assertion, we would be required to pay a 100% penalty tax on the redetermined rent, redetermined deductions or excess interest, as applicable.

*Asset Tests*

At the close of each calendar quarter, we must satisfy the following tests relating to the nature and diversification of our assets. For purposes of the asset tests, a REIT is not treated as owning the stock of a qualified REIT subsidiary or an equity interest in any entity treated as a partnership or otherwise disregarded for U.S. federal income tax purposes. Instead, a REIT is treated as owning its proportionate share of the assets held by such entity.

At least 75% of the value of our total assets must be represented by some combination of "real estate assets," cash, cash items, U.S. government securities, and, in some circumstances, stock or debt instruments purchased with new capital. For purposes of this test, real estate assets include interests in real property, such as land and buildings, leasehold interests in real property, stock of other corporations that qualify as REITs, and some types of mortgage-backed securities and mortgage loans. Assets that do not qualify for purposes of the 75% asset test are subject to the additional asset tests described below.

Not more than 25% of our total assets may be represented by securities other than those described in the first bullet above.

Except for securities described in the first bullet above and securities in qualified REIT subsidiaries and taxable REIT subsidiaries, the value of any one issuer's securities owned by us may not exceed 5% of the value of our total assets.



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Except for securities described in the first bullet above and securities in qualified REIT subsidiaries and taxable REIT subsidiaries we may not own more than 10% of any one issuer's outstanding voting securities.

Except for securities described in the first bullet above and securities in qualified REIT subsidiaries and taxable REIT subsidiaries, and certain types of indebtedness that are not treated as securities for purposes of this test, as discussed below, we may not own more than 10% of the total value of the outstanding securities of any one issuer.

For our tax years beginning before January 1, 2009, not more than 20% of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries. For our tax years beginning on or after January 1, 2009, not more than 25% of the value of our total assets may be represented by the securities of one or more taxable REIT subsidiaries.

The 10% value test does not apply to certain "straight debt" and other excluded securities, as described in the Code, including (1) loans to individuals or estates; (2) obligations to pay rent from real property; (3) rental agreements described in Section 467 of the Code; (4) any security issued by other REITs; (5) certain securities issued by a state, the District of Columbia, a foreign government, or a political subdivision of any of the foregoing, or the Commonwealth of Puerto Rico; and (6) any other arrangement as determined by the IRS. In addition, (1) a REIT's interest as a partner in a partnership is not considered a security for purposes of the 10% value test; (2) any debt instrument issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by the partnership if at least 75% of the partnership's gross income is derived from sources that would qualify for the 75% REIT gross income test; and (3) any debt instrument issued by a partnership (other than straight debt or other excluded security) will not be considered a security issued by a partnership to the extent of the REIT's interest as a partner in the partnership.

For purposes of the 10% value test, debt will meet the "straight debt" safe harbor if (1) neither we, nor any of our controlled taxable REIT subsidiaries (i.e., taxable REIT subsidiaries more than 50% of the vote or value of the outstanding stock of which is directly or indirectly owned by us), own any securities not described in the preceding paragraph that have an aggregate value greater than one percent of the issuer's outstanding securities, as calculated under the Code, (2) the debt is a written unconditional promise to pay on demand or on a specified date a sum certain in money, (3) the debt is not convertible, directly or indirectly, into stock, and (4) the interest rate and the interest payment dates of the debt are not contingent on the profits, the borrower's discretion or similar factors. However, contingencies regarding time of payment and interest are permissible for purposes of qualifying as a straight debt security if either (1) such contingency does not have the effect of changing the effective yield of maturity, as determined under the Code, other than a change in the annual yield to maturity that does not exceed the greater of (i) 5% of the annual yield to maturity or (ii) 0.25%, or (2) neither the aggregate issue price nor the aggregate face amount of the issuer's debt instruments held by the REIT exceeds \$1,000,000 and not more than 12 months of unaccrued interest can be required to be prepaid thereunder. In addition, debt will not be disqualified from being treated as "straight debt" solely because the time or amount of payment is subject to a contingency upon a default or the exercise of a prepayment right by the issuer of the debt, provided that such contingency is consistent with customary commercial practice.

Our operating partnership owns 100% of the interests of Kite Realty Holding, LLC. We are considered to own our pro rata share (based on our ownership in the operating partnership) of the interests in Kite Realty Holding, LLC equal to our proportionate share (by capital) of the operating partnership. Kite Realty Holding, LLC has elected, together with us, to be treated as our taxable REIT subsidiary. So long as Kite Realty Holding, LLC qualifies as a taxable REIT subsidiary, we will not be subject to the 5% asset test, 10% voting securities limitation or 10% value limitation with respect to our ownership interest. We may acquire securities in other taxable REIT subsidiaries in the future. We

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believe that the aggregate value of our interests in our taxable REIT subsidiaries do not exceed, and believe that in the future it will not exceed, 25% of the aggregate value of our gross assets. To the extent that we own an interest in an issuer that does not qualify as a REIT, a qualified REIT subsidiary, or a taxable REIT subsidiary, we believe that our pro rata share of the value of the securities, including debt, of any such issuer does not exceed 5% of the total value of our assets. Moreover, with respect to each issuer in which we own an interest that does not qualify as a qualified REIT subsidiary or a taxable REIT subsidiary, we believe that our ownership of the securities of any such issuer complies with the 10% voting securities limitation and 10% value limitation.

No independent appraisals have been obtained to support these conclusions. In this regard, however, we cannot provide any assurance that the IRS might disagree with our determinations.

*Failure to Satisfy the Asset Tests.* The asset tests must be satisfied not only on the last day of the calendar quarter in which we, directly or through pass-through subsidiaries, acquire securities in the applicable issuer, but also on the last day of the calendar quarter in which we increase our ownership of securities of such issuer, including as a result of increasing our interest in pass-through subsidiaries. After initially meeting the asset tests at the close of any quarter, we will not lose our status as a REIT for failure to satisfy the asset tests solely by reason of changes in the relative values of our assets (including, for tax years beginning after July 30, 2008, a discrepancy caused solely by the change in the foreign currency exchange rate used to value a foreign asset). If failure to satisfy the asset tests results from an acquisition of securities or other property during a quarter, we can cure this failure by disposing of sufficient non-qualifying assets within 30 days after the close of that quarter. An acquisition of securities could include an increase in our interest in our operating partnership, the exercise by limited partners of their redemption right relating to units in the operating partnership or an additional capital contribution of proceeds of an offering of our shares of beneficial interest. We intend to maintain adequate records of the value of our assets to ensure compliance with the asset tests and to take any available action within 30 days after the close of any quarter as may be required to cure any noncompliance with the asset tests. Although we plan to take steps to ensure that we satisfy such tests for any quarter with respect to which testing is to occur, there can be no assurance that such steps will always be successful. If we fail to timely cure any noncompliance with the asset tests, we would cease to qualify as a REIT, unless we satisfy certain relief provisions.

The failure to satisfy the 5% asset test, or the 10% vote or value asset tests can be remedied even after the 30-day cure period under certain circumstances. Specifically, if we fail these asset tests at the end of any quarter and such failure is not cured within 30 days thereafter, we may dispose of sufficient assets (generally within six months after the last day of the quarter in which our identification of the failure to satisfy these asset tests occurred) to cure such a violation that does not exceed the lesser of 1% of our assets at the end of the relevant quarter or \$10,000,000. If we fail any of the other asset tests or our failure of the 5% and 10% asset tests is in excess of the *de minimis* amount described above, as long as such failure was due to reasonable cause and not willful neglect, we are permitted to avoid disqualification as a REIT, after the 30-day cure period, by taking steps including the disposing of sufficient assets to meet the asset test (generally within six months after the last day of the quarter in which our identification of the failure to satisfy the REIT asset test occurred), paying a tax equal to the greater of \$50,000 or the highest corporate income tax rate of the net income generated by the non-qualifying assets during the period in which we failed to satisfy the asset test, and filing in accordance with applicable Treasury regulations a schedule with the IRS that describes the assets that caused us to fail to satisfy the asset test(s). We intend to take advantage of any and all relief provisions that are available to us to cure any violation of the asset tests applicable to REITs. In certain circumstances, utilization of such provisions could result in us being required to pay an excise or penalty tax, which could be significant in amount.

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*Annual Distribution Requirements*

To qualify as a REIT, we are required to distribute dividends, other than capital gain dividends, to our shareholders each year in an amount at least equal to:

the sum of: (1) 90% of our "REIT taxable income," computed without regard to the dividends paid deduction and our net capital gain; and (2) 90% of our after tax net income, if any, from foreclosure property; minus

the sum of specified items of non-cash income.

For purposes of this test, non-cash income means income attributable to leveled stepped rents, original issue discount included in our taxable income without the receipt of a corresponding payment, cancellation of indebtedness or a like-kind exchange that is later determined to be taxable.

We generally must make dividend distributions in the taxable year to which they relate. Dividend distributions may be made in the following year in two circumstances. First, if we declare a dividend in October, November, or December of any year with a record date in one of these months and pay the dividend on or before January 31 of the following year, such distributions are treated as both paid by us and received by each shareholder on December 31 of the year in which they are declared. Second, distributions may be made in the following year if they are declared before we timely file our tax return for the year and if made with or before the first regular dividend payment after such declaration. These distributions are taxable to our shareholders in the year in which paid, even though the distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

In order for distributions to be counted as satisfying the annual distribution requirement for REITs, and to provide us with a REIT-level tax deduction, the distributions must not be "preferential dividends." A dividend is not a preferential dividend if the distribution is (1) *pro rata* among all outstanding shares of stock within a particular class, and (2) in accordance with the preferences among different classes of stock as set forth in our organizational documents.

To the extent that we do not distribute all of our net capital gain or distribute at least 90%, but less than 100%, of our "REIT taxable income," as adjusted, we will be required to pay tax on that amount at regular corporate tax rates. We intend to make timely distributions sufficient to satisfy these annual distribution requirements. In this regard, the partnership agreement of our operating partnership authorizes us, as general partner of our operating partnership, to take such steps as may be necessary to cause our operating partnership to distribute to its partners an amount sufficient to permit us to meet these distribution requirements. In certain circumstances we may elect to retain, rather than distribute, our net long-term capital gains and pay tax on such gains. In this case, we could elect for our shareholders to include their proportionate share of such undistributed long-term capital gains in income, and to receive a corresponding credit for their share of the tax that we paid. Our shareholders would then increase their adjusted basis of their stock by the difference between (1) the amounts of capital gain dividends that we designated and that they included in their taxable income, minus (2) the tax that we paid on their behalf with respect to that income.

To the extent that in the future we may have available net operating losses carried forward from prior tax years, such losses may reduce the amount of distributions that we must make in order to comply with the REIT distribution requirements. Such losses, however, (1) will generally not affect the character, in the hands of our shareholders, of any distributions that are actually made as ordinary dividends or capital gains; and (2) cannot be passed through or used by our shareholders. See "Taxation of U.S. Shareholders Taxation of Taxable U.S. Shareholders Distributions Generally."

If we fail to distribute during each calendar year at least the sum of (a) 85% of our REIT ordinary income for such year, (b) 95% of our REIT capital gain net income for such year, and (c) any undistributed taxable income from prior periods, we would be subject to a non-deductible 4% excise tax

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on the excess of such required distribution over the sum of (x) the amounts actually distributed, and (y) the amounts of income we retained and on which we paid corporate income tax.

In addition, if we were to recognize "built-in-gain" (as defined below) on the disposition of any assets acquired from a "C" corporation in a transaction in which our basis in the assets was determined by reference to the "C" corporation's basis (for instance, if the assets were acquired in a tax-free reorganization), we would be required to distribute at least 90% of the built-in-gain net of the tax we would pay on such gain. "Built-in-gain" is the excess of (a) the fair market value of the asset (measured at the time of acquisition) over (b) the basis of the asset (measured at the time of acquisition).

We expect that our REIT taxable income (determined before our deduction for dividends paid) will be less than our cash flow because of depreciation and other non-cash charges included in computing REIT taxable income. Accordingly, we anticipate that we will generally have sufficient cash or liquid assets to enable us to satisfy the distribution requirements described above. However, from time to time, we may not have sufficient cash or other liquid assets to meet these distribution requirements due to timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of income and deduction of expenses in arriving at our taxable income. If these timing differences occur, we may need to arrange for short-term, or possibly long-term, borrowings or need to pay dividends in the form of taxable dividends in order to meet the distribution requirements.

We may be able to rectify a failure to meet the distribution requirement for a year by paying "deficiency dividends" to our shareholders in a later year, which may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends. However, we will be required to pay interest to the IRS based upon the amount of any deduction claimed for deficiency dividends.

*Record-Keeping Requirements*

We are required to comply with applicable record-keeping requirements. Failure to comply could result in monetary fines.

*Failure to Qualify as a REIT*

If we fail to satisfy one or more requirements for REIT qualification other than gross income and asset tests that have specific savings clauses, we can avoid termination of our REIT qualification by paying a penalty of \$50,000 for each such failure, provided that our noncompliance was due to reasonable cause and not willful neglect.

If we fail to qualify for taxation as a REIT in any taxable year and the relief provisions do not apply, we will be subject to tax, including any applicable alternative minimum tax, on our taxable income at regular corporate rates. If we fail to qualify for taxation as a REIT, we will not be required to make any distributions to shareholders, and any distributions that we make to shareholders will not be deductible by us. As a result, our failure to qualify for taxation as a REIT would significantly reduce the cash available for distributions by us to our shareholders. In addition, if we fail to qualify for taxation as a REIT, all distributions to shareholders, to the extent of our current and accumulated earnings and profits, will be taxable as regular corporate dividends, which means that shareholders taxed as individuals would receive qualified dividend income that would be taxed at capital gains rates, and corporate shareholders generally would be entitled to a dividends received deduction with respect to such dividends. Unless entitled to relief under specific statutory provisions, we also will be disqualified from taxation as a REIT for the four taxable years following the year during which qualification was lost. There can be no assurance that we would be entitled to any statutory relief. We

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intend to take advantage of any and all relief provisions that are available to us to cure any violation of the requirements applicable to REITs.

***Tax Aspects of Our Ownership of Interests in the Operating Partnership and other Partnerships and Limited Liability Companies***

*General*

Substantially all of our investments are owned indirectly through our operating partnership. In addition, our operating partnership holds certain of its investments indirectly through subsidiary partnerships and limited liability companies that we believe are treated as partnerships or as disregarded entities for U.S. federal income tax purposes. In general, entities that are classified as partnerships or as disregarded entities for U.S. federal income tax purposes are "pass-through" entities which are not required to pay U.S. federal income tax. Rather, partners or members of such entities are allocated their pro rata shares of the items of income, gain, loss, deduction and credit of the entity, and are required to include these items in calculating their U.S. federal income tax liability, without regard to whether the partners or members receive a distribution of cash from the entity. We include in our income our pro rata share of the foregoing items for purposes of the various REIT gross income tests and in the computation of our REIT taxable income. Moreover, for purposes of the REIT asset tests, we include our pro rata share of assets, based on capital interests, of assets held by our operating partnership, including its share of its subsidiary partnerships and limited liability companies. See " Requirements for Qualification as a REIT Effect of Subsidiary Entities Ownership of Interests in Partnerships and Limited Liability Companies."

*Entity Classification*

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

We believe our operating partnership and each of our other partnerships and limited liability companies (other than our taxable REIT subsidiaries) will be treated for U.S. federal income tax purposes as a partnership or disregarded entity. Pursuant to Treasury regulations under Section 7701 of the Code, a partnership will be treated as a partnership for U.S. federal income tax purposes unless it elects to be treated as a corporation or would be treated as a corporation because it is a "publicly traded partnership." A "publicly traded partnership" is any partnership (i) the interests in which are traded on an established securities market or (ii) the interests in which are readily tradable on a "secondary market or the substantial equivalent thereof."

Our company and the operating partnership currently take the reporting position for U.S. federal income tax purposes that the operating partnership is not a publicly traded partnership. There is a risk, however, that the right of a holder of operating partnership units to redeem the units for common shares could cause operating partnership units to be considered readily tradable on the substantial

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equivalent of a secondary market. Under the relevant Treasury regulations, interests in a partnership will not be considered readily tradable on a secondary market or on the substantial equivalent of a secondary market if the partnership qualifies for specified "safe harbors," which are based on the specific facts and circumstances relating to the partnership. We and the operating partnership believe that the operating partnership will qualify for at least one of these safe harbors at all times in the foreseeable future. The operating partnership cannot provide any assurance that it will continue to qualify for one of the safe harbors mentioned above.

If the operating partnership is a publicly traded partnership, it will be taxed as a corporation unless at least 90% of its gross income consists of "qualifying income" under Section 7704 of the Code. Qualifying income is generally real property rents and other types of passive income. We believe that the operating partnership will have sufficient qualifying income so that it would be taxed as a partnership, even if it were a publicly traded partnership. The income requirements applicable to us in order for us to qualify as a REIT under the Code and the definition of qualifying income under the publicly traded partnership rules are very similar. Although differences exist between these two income tests, we do not believe that these differences would cause the operating partnership not to satisfy the 90% gross income test applicable to publicly traded partnerships.

If our operating partnership were taxable as a corporation, most, if not all, of the tax consequences described herein would be inapplicable. In particular, we would not qualify as a REIT because the value of our ownership interest in our operating partnership would exceed 5% of our assets and we would be considered to hold more than 10% of the voting securities (and more than 10% of the value of the outstanding securities) of another corporation (see " Requirements for Qualification as a REIT Asset Tests" above). In this event, the value of our shares could be materially adversely affected (see " Failure to Qualify as a REIT" above).

*Allocations of Partnership Income, Gain, Loss and Deduction*

The partnership agreement generally provides that items of operating income and loss will be allocated to the holders of units in proportion to the number of units held by each such unit holder. Certain limited partners have agreed, or may agree in the future, to guarantee debt of our operating partnership, either directly or indirectly through an agreement to make capital contributions to our operating partnership under limited circumstances. As a result of these guarantees or contribution agreements, such limited partners could under limited circumstances be allocated net loss that would have otherwise been allocable to us.

If an allocation of partnership income or loss does not comply with the requirements of Section 704(b) of the Code and the Treasury regulations thereunder, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership. This reallocation will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Our operating partnership's allocations of taxable income and loss are intended to comply with the requirements of Section 704(b) of the Code and the Treasury regulations promulgated under this section of the Code.

*Tax Allocations with Respect to the Properties*

Under Section 704(c) of the Code, income, gain, loss and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership, must be allocated in a manner so that the contributing partner is charged with the unrealized gain or benefits from the unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss is generally equal to the difference between the fair market value or book value and the adjusted tax basis of the property at the time of contribution. These allocations are solely for U.S. federal income tax purposes and do not affect the book capital

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accounts or other economic or legal arrangements among the partners. The partnership agreement requires that these allocations be made in a manner consistent with Section 704(c) of the Code.

Treasury regulations issued under Section 704(c) of the Code provide partnerships with a choice of several methods of accounting for book-tax differences. We and our operating partnership have agreed to use the "traditional method" for accounting for book-tax differences for the properties initially contributed to our operating partnership. Under the traditional method, which is the least favorable method from our perspective, the carryover basis of contributed properties in the hands of our operating partnership (i) may cause us to be allocated lower amounts of depreciation and other deductions for tax purposes than would be allocated to us if all contributed properties were to have a tax basis equal to their fair market value at the time of the contribution and (ii) in the event of a sale of such properties, could cause us to be allocated taxable gain in excess of our corresponding economic or book gain (or taxable loss that is less than our economic or book loss) with respect to the sale, with a corresponding benefit to the contributing partners. Therefore, the use of the traditional method could result in our having taxable income that is in excess of economic income and our cash distributions from the operating partnership. This excess taxable income is sometimes referred to as "phantom income" and will be subject to the REIT distribution requirements described in " Annual Distribution Requirements." Because we rely on our cash distributions from the operating partnership to meet the REIT distribution requirements, the phantom income could adversely affect our ability to comply with the REIT distribution requirements and cause our shareholders to recognize additional dividend income without an increase in distributions. See " Requirements for Qualification as a REIT" and " Annual Distribution Requirements." We and our operating partnership have not yet decided what method will be used to account for book-tax differences for other properties acquired by our operating partnership in the future. Any property acquired by our operating partnership in a taxable transaction will initially have a tax basis equal to its fair market value and, accordingly, Section 704(c) of the Code will not apply.

***Taxation of U.S. Shareholders***

*Taxation of Taxable U.S. Shareholders*

This section summarizes the taxation of U.S. shareholders that are not tax-exempt organizations. For these purposes, the term "U.S. shareholder" is a beneficial owner of our shares that is, for U.S. federal income tax purposes:

a citizen or resident of the United States;

a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of a political subdivision thereof (including the District of Columbia);

an estate the income of which is subject to U.S. federal income taxation regardless of its source; or

any trust if (1) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) it has a valid election in place to be treated as a U.S. person.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds our shares, the U.S. federal income tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership holding our shares should consult its own tax advisor regarding the U.S. federal income tax consequences to the partner of the acquisition, ownership and disposition of our shares by the partnership.

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*Distributions Generally.* So long as we qualify as a REIT, distributions out of our current or accumulated earnings and profits that are not designated as capital gains dividends or "qualified dividend income" will be taxable to our taxable U.S. shareholders as ordinary income and will not be eligible for the dividends-received deduction in the case of U.S. shareholders that are corporations. For purposes of determining whether distributions to holders of shares are out of current or accumulated earnings and profits, our earnings and profits will be allocated first to any outstanding preferred shares and then to our outstanding common shares. Dividends received from REITs are generally not eligible to be taxed at the preferential qualified dividend income rates currently available to individual U.S. shareholders who receive dividends from taxable subchapter "C" corporations.

*Capital Gain Dividends.* We may elect to designate distributions of our net capital gain as "capital gain dividends." Distributions that we properly designate as "capital gain dividends" will be taxable to our taxable U.S. shareholders as long-term capital gains without regard to the period for which the U.S. shareholder that receives such distribution has held its shares. Designations made by us will only be effective to the extent that they comply with Revenue Ruling 89-81, which requires that distributions made to different classes of shares be composed proportionately of dividends of a particular type. If we designate any portion of a dividend as a capital gain dividend, a U.S. shareholder will receive an IRS Form 1099-DIV indicating the amount that will be taxable to the shareholder as capital gain. Corporate shareholders, however, may be required to treat up to 20% of some capital gain dividends as ordinary income. Recipients of capital gain dividends from us that are taxed at corporate income tax rates will be taxed at the normal corporate income tax rates on these dividends.

We may elect to retain and pay taxes on some or all of our net long-term capital gains, in which case U.S. shareholders will be treated as having received, solely for U.S. federal income tax purposes, our undistributed capital gains as well as a corresponding credit or refund, as the case may be, for taxes that we paid on such undistributed capital gains. A U.S. shareholder will increase the basis in its shares by the difference between the amount of capital gain included in its income and the amount of tax it is deemed to have paid. A U.S. shareholder that is a corporation will appropriately adjust its earnings and profits for the retained capital gain in accordance with Treasury regulations to be prescribed by the IRS. Our earnings and profits will be adjusted appropriately.

We will classify portions of any designated capital gain dividend or undistributed capital gain as either:

a long-term capital gain distribution, which would be taxable to non-corporate U.S. shareholders at a maximum rate of 20%, and taxable to U.S. shareholders that are corporations at a maximum rate of 35%; or

an "unrecaptured Section 1250 gain" distribution, which would be taxable to non-corporate U.S. shareholders at a maximum rate of 25%, to the extent of previously claimed depreciation deductions.

Distributions from us in excess of our current and accumulated earnings and profits will not be taxable to a U.S. shareholder to the extent that they do not exceed the adjusted basis of the U.S. shareholder's shares in respect of which the distributions were made. Rather, the distribution will reduce the adjusted basis of these shares. To the extent that such distributions exceed the adjusted basis of a U.S. shareholder's shares of our shares, the U.S. shareholder generally must include such distributions in income as long-term capital gain, or short-term capital gain if the shares have been held for one year or less. In addition, any dividend that we declare in October, November or December of any year and that is payable to a shareholder of record on a specified date in any such month will be treated as both paid by us and received by the shareholder on December 31 of such year, *provided* that we actually pay the dividend before the end of January of the following calendar year.



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To the extent that we have available net operating losses and capital losses carried forward from prior tax years, such losses may reduce the amount of distributions that we must make in order to comply with the REIT distribution requirements. See "Taxation of Kite Realty as a REIT" and "Requirements for Qualification as a REIT Annual Distribution Requirements." Such losses, however, are not passed through to U.S. shareholders and do not offset income of U.S. shareholders from other sources, nor would such losses affect the character of any distributions that we make, which are generally subject to tax in the hands of U.S. shareholders to the extent that we have current or accumulated earnings and profits.

*Qualified Dividend Income.* With respect to U.S. shareholders who are taxed at the rates applicable to individuals, we may elect to designate a portion of our distributions paid to shareholders as "qualified dividend income." A portion of a distribution that is properly designated as qualified dividend income is taxable to non-corporate U.S. shareholders as capital gain, provided that the shareholder has held the shares with respect to which the distribution is made for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which such shares become ex-dividend with respect to the relevant distribution. The maximum amount of our distributions eligible to be designated as qualified dividend income for a taxable year is equal to the sum of:

the qualified dividend income received by us during such taxable year from non-REIT corporations (including our taxable REIT subsidiaries);

the excess of any "undistributed" REIT taxable income recognized during the immediately preceding year over the U.S. federal income tax paid by us with respect to such undistributed REIT taxable income; and

the excess of (i) any income recognized during the immediately preceding year attributable to the sale of a built-in-gain asset that was acquired in a carry-over basis transaction from a "C" corporation with respect to which the Company is required to pay U.S. federal income tax, over (ii) the U.S. federal income tax paid by us with respect to such built-in gain.

Generally, dividends that we receive will be treated as qualified dividend income for purposes of the first bullet above if (A) the dividends are received from (i) a U.S. corporation (other than a REIT or a RIC), (ii) any of our taxable REIT subsidiaries, or (iii) a "qualifying foreign corporation," and (B) specified holding period requirements and other requirements are met. A foreign corporation (other than a "foreign personal holding company," a "foreign investment company," or "passive foreign investment company") will be a qualifying foreign corporation if it is incorporated in a possession of the United States, the corporation is eligible for benefits of an income tax treaty with the United States that the Secretary of Treasury determines is satisfactory, or the stock of the foreign corporation on which the dividend is paid is readily tradable on an established securities market in the United States. We generally expect that an insignificant portion, if any, of our distributions from us will consist of qualified dividend income. If we designate any portion of a dividend as qualified dividend income, a U.S. shareholder will receive an IRS Form 1099-DIV indicating the amount that will be taxable to the shareholder as qualified dividend income.

*Passive Activity Losses and Investment Interest Limitations.* Distributions we make and gain arising from the sale or exchange by a U.S. shareholder of our shares will not be treated as passive activity income. As a result, U.S. shareholders generally will not be able to apply any "passive losses" against this income or gain. Distributions we make, to the extent they do not constitute a return of capital, generally will be treated as investment income for purposes of computing the investment interest limitation. A U.S. shareholder may elect, depending on its particular situation, to treat capital gain dividends, capital gains from the disposition of shares and income designated as qualified dividend income as investment income for purposes of the investment interest limitation, in which case the applicable capital gains will be taxed at ordinary income rates. We will notify shareholders regarding

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the portions of our distributions for each year that constitute ordinary income, return of capital and qualified dividend income.

*Dispositions of Our Shares.* If a U.S. shareholder sells, redeems or otherwise disposes of its shares in a taxable transaction, it will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale or other disposition and the holder's adjusted basis in the shares for tax purposes. In general, a U.S. shareholder's adjusted basis will equal the U.S. shareholder's acquisition cost, increased by the excess for net capital gains deemed distributed to the U.S. shareholder (discussed above) less tax deemed paid on it and reduced by returns on capital.

In general, capital gains recognized by individuals and other non-corporate U.S. shareholders upon the sale or disposition of shares of our shares will be subject to a maximum U.S. federal income tax rate of 20%, if our shares are held for more than one year, and will be taxed at ordinary income rates if the stock is held for one year or less. Gains recognized by U.S. shareholders that are corporations are subject to U.S. federal income tax at a maximum rate of 35%, whether or not such gains are classified as long-term capital gains. The IRS has the authority to prescribe, but has not yet prescribed, Treasury regulations that would apply a capital gain tax rate of 25% (which is higher than the long-term capital gain tax rates for non-corporate U.S. shareholders) to a portion of capital gain realized by a non-corporate U.S. shareholder on the sale of the Company's shares that would correspond to the REIT's "unrecaptured Section 1250 gain." U.S. shareholders should consult with their own tax advisors with respect to their capital gain tax liability.

Capital losses recognized by a U.S. shareholder upon the disposition of our shares that were held for more than one year at the time of disposition will be considered long-term capital losses, and are generally available only to offset capital gain income of the shareholder but not ordinary income (except in the case of individuals, who may offset up to \$3,000 of ordinary income each year). In addition, any loss upon a sale or exchange of shares of our shares by a U.S. shareholder who has held the shares for six months or less, after applying holding period rules, will be treated as a long-term capital loss to the extent of distributions that we make that are required to be treated by the U.S. shareholder as long-term capital gain.

If a shareholder recognizes a loss upon a subsequent disposition of our shares in an amount that exceeds a prescribed threshold, it is possible that the provisions of Treasury regulations involving "reportable transactions" could apply, with a resulting requirement to separately disclose the loss-generating transaction to the IRS. These regulations, though directed towards "tax shelters," are broadly written, and apply to transactions that would not typically be considered tax shelters. The Code imposes significant penalties for failure to comply with these requirements. U.S. shareholders should consult their tax advisors concerning any possible disclosure obligation with respect to the receipt or disposition of our shares, or transactions that we might undertake directly or indirectly.

*Medicare Tax on Unearned Income.* Certain U.S. shareholders that are individuals, estates or trusts are subject to a 3.8% tax on "net investment income," which includes, among other things, dividends on and gains from the sale or other disposition of our common shares. U.S. shareholders should consult their own tax advisors regarding this legislation.

*New Legislation Relating To Foreign Accounts.* Certain payments made after June 30, 2014 (i.e., on or after July 1, 2014) to "foreign financial institutions" in respect of accounts of U.S. shareholders at such financial institutions may be subject to withholding at a rate of 30%. U.S. shareholders should consult their tax advisors regarding the effect, if any, of these withholding provisions on their ownership and disposition of their common shares. See " Information Reporting and Backup Withholding Tax Applicable to Shareholders Non-U.S. Shareholders Withholding on Payments to Certain Foreign Entities."

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*Taxation of Tax-Exempt Shareholders*

U.S. tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from U.S. federal income taxation. Such entities, however, may be subject to taxation on their unrelated business taxable income, or UBTI. While some investments in real estate may generate UBTI, the IRS has ruled that dividend distributions from a REIT to a tax-exempt entity generally do not constitute UBTI. Based on that ruling, and provided that (1) a tax-exempt shareholder has not held our shares as "debt financed property" within the meaning of the Code (i.e., where the acquisition or holding of our shares is financed through a borrowing by the U.S. tax-exempt shareholder), (2) our shares are not otherwise used in an unrelated trade or business of a U.S. tax-exempt shareholder, and (3) we do not hold an asset that gives rise to "excess inclusion income," distributions that we make and income from the sale of our shares generally should not give rise to UBTI to a U.S. tax-exempt shareholder.

Tax-exempt shareholders that are social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, or qualified group legal services plans exempt from U.S. federal income taxation under Sections 501(c)(7), (c)(9), (c)(17) or (c)(20) of the Code, respectively, or single parent title-holding corporations exempt under Section 501(c)(2) and whose income is payable to any of the aforementioned tax-exempt organizations, are subject to different UBTI rules, which generally require such shareholders to characterize distributions from us as UBTI unless the organization is able to properly claim a deduction for amounts set aside or placed in reserve for certain purposes so as to offset the income generated by its investment in our shares. These shareholders should consult with their tax advisors concerning these set aside and reserve requirements.

In certain circumstances, a pension trust (1) that is described in Section 401(a) of the Code, (2) is tax exempt under Section 501(a) of the Code, and (3) that owns more than 10% of our shares could be required to treat a percentage of the dividends as UBTI, if we are a "pension-held REIT." We will not be a pension-held REIT unless:

either (1) one pension trust owns more than 25% of the value of our stock, or (2) one or more pension trusts, each individually holding more than 10% of the value of our shares, collectively own more than 50% of the value of our shares; and

we would not have qualified as a REIT but for the fact that Section 856(h)(3) of the Code provides that shares owned by such trusts shall be treated, for purposes of the requirement that not more than 50% of the value of the outstanding shares of a REIT is owned, directly or indirectly, by five or fewer "individuals" (as defined in the Code to include certain entities), as owned by the beneficiaries of such trusts.

The percentage of any REIT dividend from a "pension-held REIT" that is treated as UBTI is equal to the ratio of the UBTI earned by the REIT, treating the REIT as if it were a pension trust and therefore subject to tax on UBTI, to the total gross income of the REIT. An exception applies where the percentage is less than 5% for any year, in which case none of the dividends would be treated as UBTI. The provisions requiring pension trusts to treat a portion of REIT distributions as UBTI will not apply if the REIT is able to satisfy the "not closely held requirement" without relying upon the "look-through" exception with respect to pension trusts. As a result of certain limitations on the transfer and ownership of our common and preferred shares contained in our declaration of trust, we do not expect to be classified as a "pension-held REIT," and accordingly, the tax treatment described above with respect to pension-held REITs should be inapplicable to our tax-exempt shareholders.

*Taxation of Non-U.S. Shareholders*

The following discussion addresses the rules governing U.S. federal income taxation of non-U.S. shareholders. For purposes of this summary, "non-U.S. shareholder" is a beneficial owner of our shares

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that is not a U.S. shareholder (as defined above under "Taxation of Taxable U.S. Shareholders") or an entity that is treated as a partnership for U.S. federal income tax purposes. These rules are complex, and no attempt is made herein to provide more than a brief summary of such rules. Accordingly, the discussion does not address all aspects of U.S. federal income taxation and does not address state local or foreign tax consequences that may be relevant to a non-U.S. shareholder in light of its particular circumstances.

*Distributions Generally.* As described in the discussion below, distributions paid by us with respect to our common shares will be treated for U.S. federal income tax purposes as either:

ordinary income dividends;

long-term capital gain; or

return of capital distributions.

This discussion assumes that our shares will continue to be considered regularly traded on an established securities market for purposes of the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, provisions described below. If our shares are no longer regularly traded on an established securities market, the tax considerations described below would materially differ.

*Ordinary Income Dividends.* A distribution paid by us to a non-U.S. shareholder will be treated as an ordinary income dividend if the distribution is payable out of our earnings and profits and:

not attributable to our net capital gain; or

the distribution is attributable to our net capital gain from the sale of U.S. Real Property Interests, or "USRPIs," and the non-U.S. shareholder owns 5% or less of the value of our common shares at all times during the one-year period ending on the date of the distribution.

In general, non-U.S. shareholders will not be considered to be engaged in a U.S. trade or business solely as a result of their ownership of our shares. In cases where the dividend income from a non-U.S. shareholder's investment in our shares is, or is treated as, effectively connected with the non-U.S. shareholder's conduct of a U.S. trade or business, the non-U.S. shareholder generally will be subject to U.S. federal income tax at graduated rates, in the same manner as U.S. shareholders are taxed with respect to such dividends. Such income must generally be reported on a U.S. income tax return filed by or on behalf of the non-U.S. shareholder. The income may also be subject to the 30% branch profits tax in the case of a non-U.S. shareholder that is a corporation.

Generally, we will withhold and remit to the IRS 30% of dividend distributions (including distributions that may later be determined to have been made in excess of current and accumulated earnings and profits) that could not be treated as capital gain distributions with respect to the non-U.S. shareholder (and that are not deemed to be capital gain dividends for purposes of the FIRPTA withholding rules described below) unless:

a lower treaty rate applies and the non-U.S. shareholder files an IRS Form W-8BEN evidencing eligibility for that reduced treaty rate with us; or

the non-U.S. shareholder files an IRS Form W-8ECI with us claiming that the distribution is income effectively connected with the non-U.S. shareholder's trade or business.

*Return of Capital Distributions.* Unless (A) our shares constitute a USRPI, as described in "Dispositions of Our Shares" below, or

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(B) either (1) the non-U.S. shareholder's investment in our shares is effectively connected with a U.S. trade or business conducted by such non-U.S. shareholder (in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain) or (2) the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United

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States (in which case the non-U.S. shareholder will be subject to a 30% tax on the individual's net capital gain for the year), distributions that we make which are not dividends out of our earnings and profits will not be subject to U.S. federal income tax. If we cannot determine at the time a distribution is made whether or not the distribution will exceed current and accumulated earnings and profits, the distribution will be subject to withholding at the rate applicable to dividends. The non-U.S. shareholder may seek a refund from the IRS of any amounts withheld if it subsequently is determined that the distribution was, in fact, in excess of our current and accumulated earnings and profits. If our shares constitute a USRPI, as described below, distributions that we make in excess of the sum of (1) the non-U.S. shareholder's proportionate share of our earnings and profits, and (2) the non-U.S. shareholder's basis in its shares, will be taxed under FIRPTA at the rate of tax, including any applicable capital gains rates, that would apply to a U.S. shareholder of the same type (e.g., an individual or a corporation, as the case may be), and the collection of the tax will be enforced by a refundable withholding tax at a rate of 10% of the amount by which the distribution exceeds the non-U.S. shareholder's share of our earnings and profits.

*Capital Gain Dividends.* A distribution paid by us to a non-U.S. shareholder will be treated as long-term capital gain if the distribution is paid out of our current or accumulated earnings and profits and:

the distribution is attributable to our net capital gain (other than from the sale of USRPIs) and we timely designate the distribution as a capital gain dividend; or

the distribution is attributable to our net capital gain from the sale of USRPIs and the non-U.S. common shareholder owns more than 5% of the value of common shares at any point during the one-year period ending on the date on which the distribution is paid.

Long-term capital gain that a non-U.S. shareholder is deemed to receive from a capital gain dividend that is not attributable to the sale of USRPIs generally will not be subject to U.S. federal income tax in the hands of the non-U.S. shareholder unless:

the non-U.S. shareholder's investment in our shares is effectively connected with a U.S. trade or business of the non-U.S. shareholder, in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to any gain, except that a non-U.S. shareholder that is a corporation also may be subject to the 30% branch profits tax; or

the non-U.S. shareholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States in which case the nonresident alien individual will be subject to a 30% tax on his capital gains.

Under FIRPTA, distributions that are attributable to net capital gain from the sale by us of USRPIs and paid to a non-U.S. shareholder that owns more than 5% of the value of our shares at any time during the one-year period ending on the date on which the distribution is paid will be subject to U.S. tax as income effectively connected with a U.S. trade or business. The FIRPTA tax will apply to these distributions whether or not the distribution is designated as a capital gain dividend, and, in the case of a non-U.S. shareholder that is a corporation, such distributions also may be subject to the 30% branch profits tax.

Any distribution paid by us that is treated as a capital gain dividend or that could be treated as a capital gain dividend with respect to a particular non-U.S. shareholder will be subject to special withholding rules under FIRPTA. We will withhold and remit to the IRS 35% of any distribution that could be treated as a capital gain dividend with respect to the non-U.S. shareholder, to the extent that the distribution is attributable to the sale by us of USRPIs. The amount withheld is creditable against the non-U.S. shareholder's U.S. federal income tax liability or refundable when the non-U.S. shareholder properly and timely files a tax return with the IRS.

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*Undistributed Capital Gain.* Although the law is not entirely clear on the matter, it appears that amounts designated by us as undistributed capital gains in respect of our shares held by non-U.S. shareholders generally should be treated in the same manner as actual distributions by us of capital gain dividends. Under this approach, the non-U.S. shareholder would be able to offset as a credit against their U.S. federal income tax liability resulting therefrom their proportionate share of the tax paid by us on the undistributed capital gains treated as long-term capital gains to the non-U.S. shareholder, and generally receive from the IRS a refund to the extent their proportionate share of the tax paid by us were to exceed the non-U.S. shareholder's actual U.S. federal income tax liability on such long-term capital gain. If we were to designate any portion of our net capital gain as undistributed capital gain, a non-U.S. shareholder should consult its tax advisors regarding taxation of such undistributed capital gain.

*Dispositions of Our Shares.* Unless our shares constitute a USRPI, a sale of our shares by a non-U.S. shareholder generally will not be subject to U.S. federal income taxation under FIRPTA. Generally, with respect to any particular shareholder, our shares will constitute a USRPI only if each of the following three statements is true:

Fifty percent or more of our assets on any of certain testing dates during a prescribed testing period consist of interests in real property located within the United States, excluding for this purpose, interests in real property solely in a capacity as creditor;

We are not a "domestically-controlled qualified investment entity." A domestically-controlled qualified investment entity includes a REIT, less than 50% of value of which is held directly or indirectly by non-U.S. shareholders at all times during a specified testing period. Although we believe that we are and will remain a domestically-controlled REIT, because our shares are publicly traded, we cannot guarantee that we are or will remain a domestically-controlled qualified investment entity; and

Either (a) our shares are not "regularly traded," as defined by applicable Treasury regulations, on an established securities market; or (b) our shares are "regularly traded" on an established securities market and the selling non-U.S. shareholder has held over 5% of our outstanding common shares any time during the five-year period ending on the date of the sale.

Specific wash sales rules applicable to sales of shares in a domestically-controlled REIT could result in gain recognition, taxable under FIRPTA, upon the sale of our shares even if we are a domestically-controlled qualified investment entity. These rules would apply if a non-U.S. shareholder (1) disposes of our shares within a 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been taxable to such non-U.S. shareholder as gain from the sale or exchange of a USRPI, and (2) acquires, or enters into a contract or option to acquire, other shares of our shares during the 61-day period that begins 30 days prior to such ex-dividend date.

If gain on the sale of our shares were subject to taxation under FIRPTA, the non-U.S. shareholder would be required to file a U.S. federal income tax return and would be subject to the same treatment as a U.S. shareholder with respect to such gain, subject to the applicable alternative minimum tax and a special alternative minimum tax in the case of non-resident alien individuals, and the purchaser of the shares could be required to withhold 10% of the purchase price and remit such amount to the IRS.

Gain from the sale of our shares that would not otherwise be subject to FIRPTA will nonetheless be taxable in the United States to a non-U.S. shareholder as follows: (1) if the non-U.S. shareholder's investment in our shares is effectively connected with a U.S. trade or business conducted by such non-U.S. shareholder, the non-U.S. shareholder will be subject to the same treatment as a U.S. shareholder with respect to such gain, or (2) if the non-U.S. shareholder is a nonresident alien individual who was present in the U.S. for 183 days or more during the taxable year and has a "tax

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home" in the United States, the nonresident alien individual will be subject to a 30% tax on the individual's capital gain.

***Information Reporting and Backup Withholding Tax Applicable to Shareholders***

*U.S. Shareholders Generally*

In general, information-reporting requirements will apply to payments of distributions on our shares and payments of the proceeds of the sale of our shares to some U.S. shareholders, unless an exception applies. Further, the payer will be required to withhold backup withholding tax on such payments if:

- (1) the payee fails to furnish a taxpayer identification number, or TIN, to the payer or to establish an exemption from backup withholding;
- (2) the IRS notifies the payer that the TIN furnished by the payee is incorrect;
- (3) there has been a notified payee under-reporting with respect to interest, dividends or original issue discount described in Section 3406(c) of the Code; or
- (4) there has been a failure of the payee to certify under the penalty of perjury that the payee is not subject to backup withholding under the Code.

Some shareholders may be exempt from backup withholding. Any amounts withheld under the backup withholding rules from a payment to a shareholder will be allowed as a credit against the shareholder's U.S. federal income tax liability and may entitle the shareholder to a refund, provided that the required information is furnished to the IRS.

*Non-U.S. Shareholders Generally*

With certain exceptions, as a general matter, the information reporting and backup withholding requirements described above for a U.S. shareholder will apply to a non-U.S. stockholder with respect to distributions on, or the proceeds from the sale of, our common shares.

Generally, non-U.S. shareholders can document their status (and thereby generally avoid backup withholding) by providing a proper IRS withholding certificate (such as the IRS Form W-8BEN). In the absence of a proper withholding certificate, applicable Treasury Regulations provide presumptions regarding the status of holders of our common shares when payments to the holders cannot be reliably associated with appropriate documentation provided to the payor. If a non-U.S. shareholder fails to comply with the information reporting requirement, payments to such person may be subject to the full withholding tax even if such person might have been eligible for a reduced rate of withholding or no withholding under applicable income tax treaty. Any payment subject to a withholding tax will not be again subject to any backup withholding. Backup withholding is not an additional tax. Any amounts that we withhold under the backup withholding rules will be refunded or credited against the non-U.S. shareholder's federal income tax liability if certain required information is furnished to the IRS. Non-U.S. shareholders should consult their own tax advisors regarding application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury regulations.

*Non-U.S. Shareholders Withholding on Payments to Certain Foreign Entities*

The Foreign Account Tax Compliance Act ("FATCA"), which was enacted in 2010, imposes a 30% withholding tax on certain types of payments made to "foreign financial institutions" and certain other non-U.S. entities unless certain due diligence, reporting, withholding, and certification requirements are satisfied.



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On January 17, 2013, final regulations under FATCA were published. As a general matter, FATCA imposes a 30% withholding tax on dividends on, and gross proceeds from the sale or other disposition of, our stock if paid to a foreign entity unless either (i) the foreign entity is a "foreign financial institution" that undertakes certain due diligence, reporting, withholding, and certification obligations, (ii) the foreign entity is not a "foreign financial institution" and identifies certain of its U.S. investors, or (iii) the foreign entity otherwise is excepted under FATCA.

Under delayed effective dates provided for in the final regulations and subsequent guidance, the required withholding does not begin until July 1, 2014 with respect to dividends on our stock, and January 1, 2017 with respect to gross proceeds from a sale or other disposition of our stock.

If withholding is required under FATCA on a payment related to our stock, investors that otherwise would not be subject to withholding (or that otherwise would be entitled to a reduced rate of withholding) generally will be required to seek a refund or credit from the IRS to obtain the benefit of such exemption or reduction (provided that such benefit is available). Stockholders should consult their tax advisors regarding the effect of FATCA in their particular circumstances.

***Other Tax Consequences***

*State, Local and Foreign Taxes*

We may be required to pay tax in various state or local jurisdictions, including those in which we transact business, and our shareholders may be required to pay tax in various state or local jurisdictions, including those in which they reside. Our state and local tax treatment may not conform to the U.S. federal income tax consequences discussed above. In addition, a shareholder's state and local tax treatment may not conform to the U.S. federal income tax consequences discussed above. Consequently, prospective investors should consult with their tax advisors regarding the effect of state and local tax laws on an investment in our shares and depositary shares.

A portion of our income is earned through our taxable REIT subsidiaries. The taxable REIT subsidiaries are subject to federal, state and local income tax at the full applicable corporate rates. In addition, a taxable REIT subsidiary will be limited in its ability to deduct interest payments in excess of a certain amount made directly or indirectly to us. To the extent that our taxable REIT subsidiaries and we are required to pay U.S. federal, state or local taxes, we will have less cash available for distribution to shareholders.

*Tax Shelter Reporting*

If a holder of our common shares recognizes a loss as a result of a transaction with respect to our common shares of at least (i) for a holder that is an individual, S corporation, trust or a partnership with at least one non-corporate partner, \$2 million or more in a single taxable year or \$4 million or more in a combination of taxable years, or (ii) for a holder that is either a corporation or a partnership with only corporate partners, \$10 million or more in a single taxable year or \$20 million or more in a combination of taxable years, such holder may be required to file a disclosure statement with the IRS on Form 8886. Direct shareholders of portfolio securities are in many cases exempt from this reporting requirement, but shareholders of a REIT currently are not exempted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Shareholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

**Accounting Treatment**

Kite Realty prepares its financial statements in accordance with accounting principles generally accepted in the United States, which we refer to as GAAP. The merger will be accounted for by

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applying the acquisition method, which requires the identification of the acquirer, the determination of the acquisition date, the recognition and measurement, at fair value, of the identifiable assets acquired, liabilities assumed and any noncontrolling interest in the consolidated subsidiaries of the acquiree and recognition and measurement of goodwill or a gain from a bargain purchase. The accounting guidance for business combinations, referred to as ASC 805, provides that in a business combination involving the exchange of equity interests, the entity issuing the equity interests is usually the acquirer; however, all pertinent facts and circumstances must be considered, including the relative voting rights of the stockholders of the constituent companies in the combined entity, the composition of the board of directors and senior management of the combined entity, the relative size of the company and the terms of the exchange of equity interests in the business combination, including payment of a premium.

Based on the fact that Kite Realty is the entity issuing the equity securities and that Kite Realty Board members and senior management will represent a majority of the board and senior management of the Combined Company, and based on other factors including the fact that the Combined Company will continue to use Kite Realty's NYSE listing and name and will continue to be traded on the NYSE under Kite Realty's ticker symbol after the merger, the fact that the Combined Company's headquarters will be located at Kite Realty's current headquarters in Indianapolis, Indiana, and the fact that the Combined Company will operate with Kite Realty's policies, people, systems, processes, controls, and strategy following the merger, Kite Realty is considered the acquirer for accounting purposes. Therefore, Kite Realty will recognize and measure, at fair value, the identifiable assets acquired, liabilities assumed and any noncontrolling interests in the consolidated subsidiaries of Inland Diversified, and Kite Realty will recognize and measure goodwill and any gain from a bargain purchase, in each case, upon completion of the merger.

**No Dissenters' or Appraisal Rights in the Merger**

Holders of Kite Realty common shares are not entitled to dissenters' or appraisal rights in connection with the merger because, among other things, the common shares of Kite Realty are listed on the NYSE.

Holders of Inland Diversified common stock are not entitled to dissenters' or appraisal rights and may not exercise the rights of objecting stockholders to receive the fair value of their shares in connection with the merger because, as permitted by the MGCL, Inland Diversified's charter provides that stockholders shall not be entitled to exercise any appraisal rights unless the Inland Diversified Board, upon the affirmative vote of a majority of the board, shall determine that such rights apply. The Inland Diversified Board has made no such determination.

**Exchange of Shares in the Merger**

Kite Realty has appointed Broadridge Financial Solutions, Inc., which we refer to as the exchange agent, to act as the exchange agent for the exchange of shares of Inland Diversified common stock for Kite Realty common shares. As soon as reasonably practicable after the effective time of the merger, the exchange agent will send to each holder of record of Inland Diversified common stock at the effective time of the merger a statement reflecting any whole Kite Realty common shares that such holder is entitled to receive and cash in lieu of any fractional Kite Realty common shares such holder is entitled to receive under the merger agreement. After the effective time of the merger, Inland Diversified will not register any transfers of shares of Inland Diversified common stock.

Kite Realty shareholders need not take any action with respect to their share certificates or book-entry shares.

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**Dividends**

Kite Realty currently pays a quarterly dividend on its common shares at an annualized rate of \$0.26 per share and Inland Diversified currently pays a daily dividend on its shares of common stock, aggregated and paid monthly, at an annualized rate of \$0.60 per share. Each of Kite Realty and Inland Diversified plan to continue its current dividend policy until the closing of the merger. In addition, the merger agreement permits Kite Realty to continue to pay regular dividends, aggregated and paid quarterly in accordance with past practice, at an annualized rate not to exceed \$0.30 per common share, and any distribution that is reasonably necessary to maintain its REIT qualification and/or to avoid the imposition of U.S. federal income or excise tax. The merger agreement permits Inland Diversified to pay regular daily dividends, aggregated and paid monthly in accordance with past practice, at an annualized rate not to exceed \$0.60 per share of common stock and any distribution that is reasonably necessary to maintain its REIT qualification and/or to avoid the imposition of U.S. federal income or excise tax. In addition, the merger agreement permits Kite Realty to pay to its shareholders immediately prior to the effective time of the merger an additional dividend at an annualized rate not to exceed \$0.30 per share if the last regular quarterly dividend paid by Kite Realty was paid more than 15 days prior to the closing date of the merger.

Following the closing of the merger, Kite Realty expects to continue its current dividend policy for shareholders of the Combined Company, subject to the discretion of the Combined Company's board of trustees, which reserves the right to change the Combined Company's dividend policy at any time and for any reason. See "Risk Factors Risks Related to an Investment in the Combined Company's Common Shares Following the merger, the Combined Company will not pay dividends at the rate currently paid by Inland Diversified and may not continue to pay dividends at or above the rate currently paid by Kite Realty" on page 39.

**Listing of Kite Realty Common Shares**

It is a condition to the completion of the merger that the Kite Realty common shares issuable in connection with the merger be approved for listing on the NYSE, subject to official notice of issuance.

**Deregistration of Inland Diversified Common Stock**

If the merger is completed, Inland Diversified common stock will be deregistered under the Exchange Act, and Inland Diversified will no longer file periodic reports with the SEC.

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**THE MERGER AGREEMENT**

*This section of this joint proxy statement/prospectus summarizes the material provisions of the merger agreement, which is attached as Annex A to this joint proxy statement/prospectus and is incorporated herein by reference. As a shareholder, you are not a third party beneficiary of the merger agreement and therefore you may not directly enforce any of its terms and conditions.*

*This summary may not contain all of the information about the merger agreement that is important to you. Kite Realty and Inland Diversified urge you to carefully read the full text of the merger agreement because it is the legal document that governs the merger. The merger agreement is not intended to provide you with any factual information about Kite Realty or Inland Diversified. In particular, the assertions embodied in the representations and warranties contained in the merger agreement (and summarized below) are qualified by information each of Kite Realty and Inland Diversified filed with the SEC prior to the effective date of the merger agreement, as well as by certain disclosure letters each of the parties delivered to the other in connection with the signing of the merger agreement, that modify, qualify and create exceptions to the representations and warranties set forth in the merger agreement. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date, may apply contractual standards of materiality in a way that is different from what may be viewed as material by investors or that is different from standards of materiality generally applicable under the U.S. federal securities laws or may not be intended as statements of fact, but rather as a way of allocating risk among the parties to the merger agreement. The representations and warranties and other provisions of the merger agreement and the description of such provisions in this document should not be read alone but instead should be read in conjunction with the other information contained in the reports, statements and filings that each of Kite Realty and Inland Diversified file with the SEC and the other information in this joint proxy statement/prospectus. See "Where You Can Find More Information and Incorporation by Reference" beginning on page 208.*

*Kite Realty and Inland Diversified acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, each of them is responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this joint proxy statement/prospectus not misleading.*

**Form, Effective Time and Closing of the Merger**

The merger agreement provides for the combination of Inland Diversified and Kite Realty through the merger of Inland Diversified with and into Merger Sub, with Merger Sub surviving the merger upon the terms and subject to the conditions set forth in the merger agreement. The merger will become effective upon the date and at the time set forth in the articles of merger filed with the Maryland State Department of Assessments and Taxation.

The merger agreement provides that the closing of the merger will take place on a date and at a time to be mutually agreed upon by Kite Realty, Merger Sub and Inland Diversified but in no event later than the third business day following the date on which the last of the conditions to closing of the merger (described below under " Conditions to Completion of the Merger") have been satisfied or validly waived by the party entitled to the benefit of such condition (subject to applicable law and other than the conditions that by their terms are to be satisfied or waived at the closing of the merger, but subject to the satisfaction or valid waiver of those conditions), except that Kite Realty may elect to delay the closing of the merger until the earlier of (i) the receipt of certain lender consents, or (ii) the outside date, which date will be automatically extended until the date that is 225 days after the closing of the sale by Inland Diversified of certain net-leased commercial real estate properties to Realty Income Corporation, if all conditions to closing have been satisfied by August 31, 2014 other than the redeployment of the proceeds of these property sale transactions to acquire replacement properties for

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purposes of Section 1031 of the Code, the subsequent approval of Kite Realty's shareholders and other conditions that by their nature are to be and are capable of being satisfied at closing.

Immediately following the effectiveness of the merger, Kite Realty expects to convey its membership interest in Merger Sub to Kite Realty OP, the operating partnership of Kite Realty of which Kite Realty serves as sole general partner and which we refer to as Kite Realty OP, in exchange for the receipt by Kite Realty of a number of additional limited partnership units in Kite Realty OP equal to the number of Kite Realty common shares issued to the stockholders of Inland Diversified in connection with the merger. At such time, Merger Sub will become a wholly owned subsidiary of Kite Realty OP.

**Organizational Documents of the Surviving Entity**

At the effective time of the merger and by virtue of the merger, the certificate of formation and limited liability company agreement of Merger Sub as in effect immediately prior to the effective time of the merger will be the certificate of formation and limited liability company agreement of the surviving entity, until thereafter amended in accordance with applicable law and the applicable provisions of such certificate of formation and limited liability company agreement.

**Officers of the Surviving Entity**

From and after the effective time of the merger, until successors are duly elected or appointed, the officers of Merger Sub immediately prior to the effective time of the merger will be and remain the officers of the surviving entity.

**Board of Trustees of the Combined Company**

The Kite Realty Board will take all action necessary to, upon and subject to the occurrence of the effective time of the merger, cause the Kite Realty Board to consist of nine trustees, with six current Kite Realty trustees, including John A. Kite, William E. Bindley, Victor J. Coleman, Christie B. Kelly, David R. O'Reilly and Barton R. Peterson, continuing as directors of the Combined Company. The Kite Realty Board will fill the three vacancies on the Kite Realty Board by immediately appointing each of Lee A. Daniels, Gerald W. Grupe and Charles H. Wurtz bach, which members are referred to herein as the Inland Diversified designees, provided that each Inland Diversified designee must (i) meet the definition of "independent director" set forth in the rules and regulations of the NYSE for companies listed on the NYSE and applicable regulations promulgated by the SEC; (ii) meet the independence standards set forth in Kite Realty's corporation governance guidelines; and (iii) not have been party to or involved in an event that would be required to be disclosed pursuant to Item 401(f) of Regulation S-K under the Securities Act and the Exchange Act. In the event that any such Inland Diversified designee does not satisfy the applicable independence requirements set forth in clauses (i), (ii), and (iii) above, then Kite Realty and Inland Diversified will work together in good faith to select qualified candidates in a number sufficient to result in a total of three designees of Inland Diversified to serve as trustees on the Kite Realty Board.

The Inland Diversified designees will serve as trustees of Kite Realty until the next annual meeting of Kite Realty's shareholders and until their successors are duly elected and qualified in accordance with the organizational documents of Kite Realty. The Corporate Governance and Nominating Committee of the Kite Realty Board must consider in good faith the nomination for reelection of each of the Inland Diversified designees at each subsequent annual meeting of Kite Realty's shareholders through the 2015 annual meeting.

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**Merger Consideration; Effects of the Merger**

***Merger Consideration***

At the effective time of the merger, each share of common stock of Inland Diversified outstanding immediately prior to the effective time of the merger will be cancelled and automatically converted into the right to receive between 1.707 and 1.650 Kite Realty common shares, based on the volume-weighted average trading price of Kite Realty common shares for the 10 consecutive trading days ending on the third trading day immediately preceding Inland Diversified's stockholder meeting with respect to the approval of the merger and the other transactions contemplated by the merger agreement.

If the average trading price is equal to or less than \$6.36, the exchange ratio will equal 1.707, if the average trading price is between \$6.36 and \$6.58, the exchange ratio will equal \$10.85 divided by the average trading price, and if the average trading price is \$6.58 or greater, the exchange ratio will equal 1.650.

If, for example, the average trading price of Kite Realty common shares was \$6.20, which was the closing price of Kite Realty common shares on April 28, 2014, it would result in an exchange ratio of 1.707 and an implied value per share of Inland Diversified common stock of \$10.58 based on such average trading price. The actual exchange ratio may be lower but not higher than this example depending upon the actual average trading price. In addition, the market value of the Kite Realty common shares will continue to fluctuate after the determination of the actual exchange ratio, depending on the trading price of the Kite Realty common shares after such determination. Neither Kite Realty, nor any Kite Realty subsidiary, will receive any merger consideration for any share of Inland Diversified common stock owned by them.

To the extent that an Inland Diversified stockholder would otherwise be entitled to receive a fraction of a Kite Realty common share, computed on the basis of the aggregate number of shares of Inland Diversified common stock held by such holder, such holder shall instead receive a cash payment in lieu of a fractional share in an amount equal to such fraction multiplied by the volume-weighted average price of a Kite Realty common share for the last full trading day ending immediately prior to the effective time of the merger, as reported by Bloomberg.

***Procedures for Surrendering Inland Diversified Stock***

The conversion of Inland Diversified common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. In accordance with the merger agreement, Kite Realty has appointed an exchange agent to handle the payment and delivery of the merger consideration and the cash payments to be delivered in lieu of fractional shares. At or before the effective time of the merger, Kite Realty will deliver to the exchange agent evidence of the Kite Realty common shares in book-entry form equal to the aggregate shares to be issued as merger consideration and cash in immediately available funds in an amount sufficient to pay for any fractional shares and certain dividends or other distributions on Kite Realty common shares that may be payable to holders of book-entry shares of Inland Diversified common stock not transferred.

Each Inland Diversified stockholder will be entitled to receive the merger consideration due to such stockholder (including cash in lieu of any fractional shares and any amounts that such stockholder has the right to receive in respect of certain dividends or other distributions on Kite Realty common shares). After the effective time of the merger, each book-entry share that previously represented Inland Diversified common stock will only represent the right to receive the merger consideration into which those shares of Inland Diversified common stock have been converted.

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***Withholding***

All payments under the merger agreement are subject to applicable withholding requirements.

***No Dissenters' or Appraisal Rights***

Holders of Kite Realty common shares are not entitled to dissenters' or appraisal rights in connection with the merger because the common shares of Kite Realty are listed on the NYSE.

Holders of Inland Diversified common stock are not entitled to dissenters' or appraisal rights and may not exercise the rights of objecting stockholders to receive the fair value of their shares in connection with the merger because, as permitted by the MGCL, Inland Diversified's charter provides that stockholders shall not be entitled to exercise any appraisal rights unless the Inland Diversified Board, upon the affirmative vote of a majority of the board, shall determine that such rights apply. The Inland Diversified Board has made no such determination.

**Representations and Warranties**

The merger agreement contains a number of representations and warranties made by Inland Diversified, on the one hand, and Kite Realty, on the other hand. The representations and warranties were made by the parties as of the date of the merger agreement and do not survive the effective time of the merger. Certain of these representations and warranties are subject to specified exceptions and qualifications contained in the merger agreement and qualified by information each of Inland Diversified and Kite Realty filed with the SEC prior to the date of the merger agreement and in the disclosure letters delivered in connection with the merger agreement.

***Representations and Warranties of Inland Diversified***

The merger agreement includes representations and warranties by Inland Diversified relating to, among other things:

organization, valid existence, good standing and qualification to conduct business;

organizational documents;

capital structure;

due authorization, execution, delivery and validity of the merger agreement;

enforceability of the merger agreement (subject to certain applicable creditors' rights laws and general principles of equity);

absence of any conflict with or violation of organizational documents or applicable laws, and the absence of any violation or breach of, or default or consent requirements under, certain agreements;

permits and compliance with law;

SEC filings and financial statements;

absence of certain changes to Inland Diversified's business since December 31, 2012;

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absence of undisclosed material liabilities;

absence of existing defaults or violations under organizational documents or certain other agreements;

litigation;

tax matters, including qualification as a REIT;



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employee benefit plans and employees;

accuracy of information supplied for inclusion in the joint proxy statement/prospectus or registration statement;

intellectual property;

environmental matters;

real property and leases;

material contracts;

insurance;

opinion of financial advisor;

stockholder vote required in order to approve the merger agreement, the merger and the other transactions contemplated by the merger agreement;

broker's, finder's and similar fees or commissions;

inapplicability of the Investment Company Act of 1940, as amended;

exemption of the merger and the other transactions contemplated by the merger agreement from Maryland anti-takeover statutes;

related party transactions;

the net-lease transactions (as further described below under the heading " Covenants and Agreements Net-Lease Transactions"); and

transaction expenses.

***Representations and Warranties of Kite Realty***

The merger agreement includes representations and warranties by Kite Realty relating to, among other things:

organization, valid existence, good standing and qualification to conduct business;

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organizational documents;

capital structure;

due authorization, execution, delivery and validity of the merger agreement;

enforceability of the merger agreement (subject to certain applicable creditors' rights laws and general principles of equity);

absence of any conflict with or violation of organizational documents or applicable laws, and the absence of any violation or breach of, or default or consent requirements under, certain agreements;

permits and compliance with law;

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SEC filings and financial statements;

absence of certain changes to Kite Realty's business since December 31, 2012;

absence of undisclosed material liabilities;

absence of existing default or violation under organizational documents or certain other agreements;

litigation;

tax matters, including qualification as a REIT;

employee benefit plans and employees;

accuracy of information supplied for inclusion in the joint proxy statement/prospectus or registration statement;

intellectual property;

environmental matters;

real property and leases;

material contracts;

insurance;

opinions of financial advisors;

shareholder vote required in order to approve the issuance of Kite Realty common shares in connection with the merger and the approval of the Kite Realty declaration of trust amendment;

broker's, finder's and similar fees or commissions;

inapplicability of the Investment Company Act of 1940, as amended;

exemption of the merger and the other transactions contemplated by the merger agreement from Maryland anti-takeover statutes;

related party transactions; and

sufficiency of funds to pay the fractional share consideration and all amounts required to be paid by Kite Realty in connection with the transactions contemplated by the merger agreement and any other related fees and expenses.

**Definition of "Material Adverse Effect"**

Many of the representations of Inland Diversified and Kite Realty are qualified by a "material adverse effect" standard (that is, they will not be deemed to be untrue or incorrect unless their failure to be true or correct, individually or in the aggregate, would reasonably be expected to have a material adverse effect). For the purposes of the merger agreement, "material adverse effect" means any event, circumstance, change, effect, development, condition or occurrence that (i) has had or would have a material adverse effect on the business, assets, liabilities, condition (financial or otherwise) or results of operations of Inland Diversified and its subsidiaries, taken as a whole, or Kite Realty and its subsidiaries, taken as a whole, as the case may be, or (ii) would prevent or materially impair the ability of Inland Diversified or Kite Realty, as the case may be, to consummate the merger before August 31, 2014. However, for purposes of clause (i) above, any event, circumstance, change, effect, development,

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condition or occurrence will not be considered a material adverse effect to the extent arising out of or resulting from the following:

any failure of Inland Diversified or Kite Realty, as applicable, to meet any projections or forecasts, or, in the case of Kite Realty, any decrease in the market price of Kite Realty common shares, or any estimates of earnings, revenues or other metrics for any period (provided, that any event, circumstance, change, effect, development, condition or occurrence giving rise to such failure or decrease may be taken into account in determining whether there has been a material adverse effect);

any events, circumstances, changes or effects that affect the commercial real estate industry generally;

any changes in the United States or global economy or capital, financial or securities markets generally, including changes in interest or exchange rates;

any changes in the legal, regulatory or political conditions in the United States or in any other country or region of the world;

the commencement, escalation or worsening of a war or armed hostilities or the occurrence of acts of terrorism or sabotage occurring after the date of the merger agreement;

the negotiation, execution and delivery of the merger agreement, the consummation or anticipation of consummation of the merger or the other transactions contemplated by the merger agreement, or the public announcement of the merger agreement, the merger or the other transactions contemplated by the merger agreement;

the taking of any action expressly required by, or the failure to take any action expressly prohibited by, the merger agreement, or the taking of any action at the written request or with the prior written consent of the other party;

earthquakes, hurricanes, floods or other natural disasters;

any damage or destruction of any Inland Diversified or Kite Realty property that is substantially covered by insurance;

changes in law or GAAP (or any binding interpretation thereof);

in the case of Inland Diversified, any termination, or threatened termination, of the net-lease purchase agreements or failure of the net-lease transactions to be completed prior to the effective time of the merger (as further described below under the heading "Covenants and Agreements - Net-Lease Transactions"); or

any action made or initiated by any holder of Inland Diversified common stock or Kite Realty common shares, as the case may be, including any derivative claims, arising out of or relating to the merger agreement of the transactions contemplated thereby;

which, (i) in the case of the second, third, fourth, fifth and tenth bullet points above, do not disproportionately affect Inland Diversified and its subsidiaries, taken as a whole, or Kite Realty and its subsidiaries, taken as a whole, as applicable, relative to others in the commercial real estate industry in the United States, and (ii) in the case of the eighth bullet point above, do not disproportionately affect Inland Diversified and its subsidiaries, taken as a whole, or Kite Realty and its subsidiaries, taken as a whole, as applicable, relative to others in the commercial real estate industry in the geographic regions in which Inland Diversified and its subsidiaries, or Kite Realty and its subsidiaries, as applicable, operate.



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**Covenants and Agreements**

***Conduct of Business of Inland Diversified Pending the Merger***

Inland Diversified has agreed to certain restrictions on the conduct of its business and that of its subsidiaries until the earlier to occur of the effective time of the merger and the date, if any, on which the merger agreement is validly terminated. In general, except with Kite Realty's prior written consent (which consent shall not to be unreasonably withheld, delayed or conditioned) or as otherwise expressly required or permitted by the merger agreement, required by law, or as set forth in the Inland Diversified disclosure letter, Inland Diversified has agreed that it will, and will cause each of its subsidiaries to, conduct its business in all material respects in the ordinary course and in a manner consistent with past practice, and use its commercially reasonable efforts to (i) maintain its material assets and properties in their current condition (normal wear and tear and damage caused by casualty or by any reason outside of Inland Diversified's or any of its subsidiaries' control excepted), (ii) preserve intact in all material respects its current business organization, goodwill, ongoing businesses and significant relationships with third parties, (iii) keep available the services of its present officers, (iv) maintain all Inland Diversified insurance policies, and (v) maintain the status of Inland Diversified as a REIT.

Without limiting the foregoing, Inland Diversified has also agreed that, subject to certain specified exceptions, including those discussed below, and except with Kite Realty's prior written consent (which consent shall not to be unreasonably withheld, delayed or conditioned), to the extent required by law, or as otherwise expressly required or permitted by the merger agreement or as set forth in the Inland Diversified disclosure letter, it will not, and it will not cause or permit any of its subsidiaries to, do any of the following:

amend or propose to amend its organizational documents or waive the stock ownership limitations set forth in its organizational documents;

split, combine, reclassify or subdivide any shares of stock or other equity securities or ownership interests of Inland Diversified or any of its subsidiaries (other than any wholly owned Inland Diversified subsidiary);

declare, set aside or pay any dividend on or make any other distributions (whether in cash, stock, property, or otherwise) with respect to shares of capital stock or other equity securities or ownership interests in Inland Diversified or any of its subsidiaries, except for (i) the declaration and payment by Inland Diversified of regular daily dividends, aggregated and paid monthly in accordance with past practice, at an annualized rate not to exceed \$0.60 per share of Inland Diversified common stock, (ii) the payment on the closing date of dividends that have been declared on shares of Inland Diversified common stock in accordance with clause (i) above with record dates prior to the effective time of the merger but that have not been paid, (iii) the declaration and payment of dividends or other distributions to Inland Diversified by any directly or indirectly wholly owned subsidiary of Inland Diversified, (iv) distributions by any subsidiary of Inland Diversified that is not wholly owned, directly or indirectly, by Inland Diversified, in accordance with the requirements of such subsidiary's organizational documents, and (v) distributions reasonably necessary for Inland Diversified to maintain its status as a REIT and avoid or reduce the imposition of entity-level income or excise taxes;

redeem, repurchase or otherwise acquire, directly or indirectly, any shares of its capital stock or other equity interests of Inland Diversified or any of its subsidiaries, or reinstate or otherwise permit the redemption, reinvestment or repurchase of shares of Inland Diversified common stock under Inland Diversified's Third Amended and Restated Distribution Reinvestment Plan or Amended and Restated Share Repurchase Program;

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issue, sell, pledge, dispose, encumber or grant any shares of Inland Diversified's or any of its subsidiaries' capital stock, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of Inland Diversified's or any of its subsidiaries' capital stock or other equity interests;

acquire or agree to acquire (including by merger, consolidation or acquisition of stock or assets) any real property, personal property (other than personal property at a total cost of less than \$150,000 in the aggregate), corporation, partnership, limited liability company, other business organization or any division or material amount of assets thereof, except acquisitions by Inland Diversified or any wholly owned Inland Diversified subsidiary of or from an existing wholly owned Inland Diversified subsidiary, or acquisitions of real property in the ordinary course of business consistent with past practice that would not, or not reasonably be expected to, prevent, materially alter, or materially delay the ability of Inland Diversified to consummate the merger, or with respect to certain pending acquisitions;

sell, mortgage, pledge, lease, assign, transfer, dispose of or encumber, or effect a deed in lieu of foreclosure with respect to, any property or assets, except (i) pursuant to the net-lease transactions, (ii) sales, transfers or other dispositions of any property or assets, including deeds in lieu of foreclosure, at a total value less than \$10 million in the aggregate (less any indebtedness paid off, assumed or for which Inland Diversified or any subsidiary of Inland Diversified is no longer a primary obligor thereunder) in the ordinary course of business consistent with past practice and that would not, or would not reasonably be expected to, prevent, materially alter or materially delay the ability of Inland Diversified to consummate the merger, and (iii) certain pledges of equity interests under Inland Diversified's existing revolving credit facility;

incur, create, assume, refinance, replace or prepay any indebtedness for borrowed money or issue or amend the terms of any debt securities of Inland Diversified or any of its subsidiaries, or assume, guarantee or endorse, or otherwise become responsible (whether directly, contingently or otherwise) for the indebtedness of any other person (other than any wholly owned Inland Diversified subsidiary), except for (i) certain indebtedness incurred under Inland Diversified's existing revolving credit facility, (ii) in connection with the funding of otherwise permitted transactions in amounts not to exceed \$50 million in the aggregate, (iii) indebtedness that does not exceed \$10 million, individually or in the aggregate, (iv) in connection with any tenant improvements, or (v) in connection with the refinancing of existing indebtedness, subject to certain limitations;

make any loans, advances or capital contributions to, or investments in, any other person or entity (including to any of its officers, directors, affiliates, agents or consultants), make any change in its existing borrowing or lending arrangements for or on behalf of such persons or entities, or enter into any "keep well" or similar agreement to maintain the financial condition of another entity, other than (i) by Inland Diversified or a wholly owned subsidiary of Inland Diversified to Inland Diversified or a wholly owned subsidiary of Inland Diversified, (ii) loans, advances or investments required to be made under any of Inland Diversified's leases or ground leases pursuant to which any third party is a lessee or sublessee on any Inland Diversified property or any existing joint venture arrangements to which an Inland Diversified Subsidiary is a party as of February 9, 2014, and (iii) certain otherwise permitted investments;

enter into, renew, modify, amend or terminate, or waive, release, compromise or assign any rights or claims under, any material contract or related party agreement, except (i) any termination or renewal in accordance with the terms of any such contract that occurs automatically without any action (other than notice of renewal) by Inland Diversified or any Inland Diversified subsidiary, (ii) the entry into any modification or amendment of, or waiver or



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consent under, any indebtedness to which Inland Diversified or any Inland Diversified subsidiary is a party as required or necessitated by the merger agreement or the transactions contemplated by the merger agreement, subject to certain limitations, (iii) in connection with any tenant improvements, or (iv) as may be reasonably necessary to comply with the merger agreement;

enter into, renew, modify, amend, or terminate, or waive, release, compromise or assign any rights or claims under, any material lease, except for any termination, modification or renewal in accordance with the terms of any such lease that occurs automatically without any action (other than notice of renewal) by Inland Diversified or any Inland Diversified subsidiary;

make any payment, direct or indirect, of any liability of Inland Diversified or any of its subsidiaries before the same comes due in accordance with its terms, other than in the ordinary course of business consistent with past practice or in connection with net-lease transactions, and certain other dispositions or refinancings otherwise permitted by the merger agreement;

waive, release, assign, settle or compromise any claim or action, other than waivers, releases, assignments, settlements or compromises that (i) with respect to the payment of monetary damages, involve only the payment of monetary damages (excluding any portion of such payment payable under an existing property-level insurance policy) (x) equal to or less than the amounts specifically reserved for such action on the most recent balance sheet of Inland Diversified filed with the SEC and publicly available prior to February 9, 2014, or (y) that do not exceed \$250,000 individually or \$1 million in the aggregate, (ii) do not involve the imposition of injunctive relief against Inland Diversified, its subsidiaries, or Merger Sub, (iii) do not provide for any admission of material liability by Inland Diversified or any of its subsidiaries, excluding certain tax matters and certain condemnation proceedings, and (iv) relate to actions by any present, former or purported holders or group of holders of Inland Diversified common stock;

hire or terminate (without cause) any employee, officer or director of Inland Diversified or any of its subsidiaries or appoint any person to a position of officer or director of Inland Diversified or any of its subsidiaries;

increase in any manner the amount, rate or terms of compensation or benefits of any officer or director of Inland Diversified or any of its subsidiaries, other than in the ordinary course of business consistent with past practice;

enter into or adopt any employment, bonus, severance or retirement contract or other compensation or employee benefits arrangement;

take any action that would, or fail to take any action, the failure of which to be taken would, reasonably be expected to adversely interfere with, do harm to, or compromise the relationship or potential relationship between certain employees of the Inland Diversified's external managers and advisors and Kite Realty or its affiliates;

fail to maintain all financial books and records in all material respects in accordance with GAAP (or any interpretation thereof) or make any material change to its methods of accounting in effect at January 1, 2013, or make any change with respect to accounting policies, principles or practices, unless required by GAAP or the SEC;

enter into any new line of business;

fail to duly and timely file all material reports and other material documents required to be filed with any governmental authority;

enter into or modify in a manner adverse to Inland Diversified or Kite Realty any tax protection agreement;

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make, change or rescind any material election relating to taxes, change a material method of tax accounting, file or amend any material tax return, settle or compromise any material federal, state, local or foreign tax liability, audit, claim or assessment, enter into any material closing agreement related to taxes, or knowingly surrender any right to claim any material tax refund, except, in each case, to maintain Inland Diversified's REIT qualification or to qualify or preserve the status of a subsidiary of Inland Diversified as a disregarded entity or partnership or as a qualified REIT subsidiary or a taxable REIT subsidiary, as the case may be;

take any action that would, or fail to take any action, the failure of which to be taken would, reasonably be expected to cause Inland Diversified to fail to qualify as a REIT or any of Inland Diversified's subsidiaries to cease to be treated as a partnership or other disregarded entity for federal income tax purposes, a qualified REIT subsidiary or a taxable REIT subsidiary, as the case may be;

adopt a plan of merger, complete or partial liquidation or resolutions providing for or authorizing such merger, liquidation or a dissolution, consolidation, recapitalization or bankruptcy reorganization;

form any new funds or joint ventures;

make or commit to make any capital expenditures in excess of a specified threshold;

amend or modify the compensation terms or any other obligations of Inland Diversified contained in the engagement letter with its financial advisor in connection with the merger in a manner materially adverse to Inland Diversified, any of its subsidiaries, Kite Realty or Merger Sub or engage other financial advisors in connection with the transactions contemplated by the merger agreement;

take any action that would, or would reasonably be expected to, prevent or delay the consummation of transactions contemplated by the merger agreement; or

authorize, or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

The above restrictions, however, will not prohibit Inland Diversified from taking any action that, in the reasonable judgment of the Inland Diversified Board, upon advice of counsel, is reasonably necessary for Inland Diversified to avoid or continue to avoid incurring entity-level income or excise taxes under the Code or to maintain its qualification as a REIT under the Code for any period or portion thereof ending on or prior to the effective time of the merger or to qualify or preserve certain tax status of Inland Diversified subsidiaries.

***Conduct of Business of Kite Realty Pending the Merger***

Kite Realty has agreed to certain restrictions on the conduct of its business and that of its subsidiaries until the earlier to occur of the effective time of the merger and the date, if any, on which the merger agreement is validly terminated. In general, except with Inland Diversified's prior written consent (which consent shall not be unreasonably withheld, delayed or conditioned) or as otherwise expressly required or permitted by the merger agreement, required by law, or as set forth in the Kite Realty disclosure letter, Kite Realty has agreed that it will, and will cause each of its subsidiaries to, conduct its business in all material respects in the ordinary course and in a manner consistent with past practice, and use its commercially reasonable efforts to (i) maintain its material assets and properties in their current condition (normal wear and tear and damage caused by casualty or by any reason outside of Kite Realty's or any of its subsidiaries' control excepted), (ii) preserve intact in all material respects its current business organization, goodwill, ongoing businesses and significant relationships with third

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parties, (iii) keep available the services of its present officers, (iv) maintain all Kite Realty insurance policies, and (v) maintain the status of Kite Realty as a REIT.

Without limiting the foregoing, Kite Realty has also agreed that, subject to certain specified exceptions, including those discussed below, and except with Inland Diversified's prior written consent (which consent shall not to be unreasonably withheld, delayed or conditioned), to the extent required by law, or as otherwise expressly required or permitted by the merger agreement or as set forth in the Kite Realty disclosure letter, it will not, and it will not cause or permit any of its subsidiaries to, do any of the following:

amend or propose to amend its organizational documents or waive the stock ownership limitations set forth in its organizational documents;

split, combine, reclassify or subdivide any shares of stock or other equity securities or ownership interests of Kite Realty or any of its subsidiaries (other than any wholly owned Kite Realty subsidiary);

declare, set aside or pay any dividend on or make any other distributions (whether in cash, stock, property, or otherwise) with respect to shares of capital stock or other equity securities or ownership interests in Kite Realty or any of its subsidiaries, except for (i) the declaration and payment by Kite Realty of regular quarterly dividends, aggregated and paid quarterly in accordance with past practice at an annualized rate not to exceed \$0.30 per Kite Realty common share, (ii) the declaration and payment of dividends on Kite Realty's 8.250% Series A Cumulative Redeemable Perpetual Preferred Shares, which we refer to as the Series A Preferred Shares, in accordance with past practice and at an annualized rate not to exceed \$2.0625 per share of Series A Cumulative Redeemable Perpetual Preferred Shares, (iii) distributions that are required to be made on units of Kite Realty OP, (iv) dividend payments immediately prior to the effective time of the merger at an annualized rate not to exceed \$0.30 per share if the last regular quarterly dividend paid by Kite Realty was paid more than 15 days prior to the closing date of the merger, (v) the declaration and payment of dividends or other distributions to Kite Realty by any directly or indirectly wholly owned subsidiary of Kite Realty, (vi) distributions by any subsidiary of Kite Realty that is not wholly owned, directly or indirectly, by Kite Realty, in accordance with the requirements of such subsidiary's organizational documents, and (vii) distributions reasonably necessary for Kite Realty to maintain its status as a REIT and avoid or reduce entity-level income or excise taxes;

redeem, repurchase or otherwise acquire, directly or indirectly, any shares of its capital stock or other equity interests of Kite Realty or any of its subsidiaries, other than pursuant to provisions of Kite Realty's organizational documents, in connection with the payment of option exercise prices, the withholding of shares to satisfy tax obligations and the redemption of units of Kite Realty OP in accordance with its partnership agreement;

issue, sell, pledge, dispose, encumber or grant any shares of Kite Realty's or any of its subsidiaries' capital stock, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of Kite Realty's or any of its subsidiaries' capital stock or other equity interests other than (i) transactions among Kite Realty and one or more of its wholly owned subsidiaries or among those subsidiaries, (ii) issuances of equity or equity-based awards under Kite Realty's equity incentive plans, (iii) redemption of units of Kite Realty OP or (iv) underwritten public offerings for cash;

acquire or agree to acquire (including by merger, consolidation or acquisition of stock or assets) any real property, personal property (other than personal property at a total cost of less than \$150,000 in the aggregate), corporation, partnership, limited liability company, other business organization or any division or material amount of assets thereof, except acquisitions by Kite

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Realty or any wholly owned Kite Realty subsidiary of or from an existing wholly owned Kite Realty subsidiary, or acquisitions of real property in the ordinary course of business consistent with past practice that would not, or not reasonably be expected to, prevent, materially alter, or materially delay the ability of Kite Realty to consummate the merger, or with respect to certain pending acquisitions;

sell, mortgage, pledge, lease, assign, transfer, dispose of or encumber, or effect a deed in lieu of foreclosure with respect to, any property or assets, except (i) by Kite Realty, or any wholly owned Kite Realty subsidiary, with, to or from, any existing wholly owned Kite Realty subsidiary, (ii) sales, transfer or dispositions of any property or assets, including deeds in lieu of foreclosure, at a total value less than \$10 million in the aggregate (less any indebtedness paid off, assumed or for which Kite Realty or any subsidiary of Kite Realty is no longer a primary obligor thereunder) in the ordinary course of business consistent with past practice and that would not, or would not reasonably be expected to, prevent, materially alter or materially delay the ability of Kite Realty to consummate the merger, and (iii) certain pledges of equity interests under Kite Realty's existing revolving credit facility;

incur, create, assume, refinance, replace or prepay any indebtedness for borrowed money or issue or amend the terms of any debt securities of Kite Realty or any of its subsidiaries, or assume, guarantee or endorse, or otherwise become responsible (whether directly, contingently or otherwise) for the indebtedness of any other person (other than any wholly owned Kite Realty subsidiary), except for (i) certain indebtedness incurred under Kite Realty's existing revolving credit facility, (ii) in connection with the funding of otherwise permitted transactions in amounts not to exceed \$50 million in the aggregate, (iii) indebtedness that does not exceed \$10 million, individually or in the aggregate, (iv) in connection with any tenant improvements, or (v) in connection with the refinancing of existing indebtedness, subject to certain limitations;

make any loans, advances or capital contributions to, or investments in, any other person or entity (including to any of its officers, directors, affiliates, agents or consultants), make any change in its existing borrowing or lending arrangements for or on behalf of such persons or entities, or enter into any "keep well" or similar agreement to maintain the financial condition of another entity, other than (i) by Kite Realty or a wholly owned subsidiary of Kite Realty to Kite Realty or a wholly owned subsidiary of Kite Realty, (ii) loans, advances or investments required to be made under any of Kite Realty's leases or ground leases pursuant to which any third party is a lessee or sublessee on any Kite Realty property or any existing joint venture arrangements to which a Kite Realty subsidiary is a party as of February 9, 2014, and (iii) certain otherwise permitted investments;

enter into, renew, modify, amend or terminate, or waive, release, compromise or assign any rights or claims under, any material contract, except (i) any termination or renewal in accordance with the terms of any such contract that occurs automatically without any action (other than notice of renewal) by Kite Realty or any Kite Realty subsidiary, (ii) the entry into any modification or amendment of, or waiver or consent under, any indebtedness to which Kite Realty or any Kite Realty subsidiary is a party as required or necessitated by the merger agreement or the transactions contemplated by the merger agreement, subject to certain limitations, (iii) in connection with any tenant improvements or certain development or redevelopment activities, or (iv) as may be reasonably necessary to comply with the merger agreement;

enter into, renew, modify, amend, or terminate, or waive, release, compromise or assign any rights or claims under, any material lease, except for any termination, modification or renewal in accordance with the terms of any such lease that occurs automatically without any action (other than notice of renewal) by Kite Realty or any Kite Realty subsidiary;

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make any payment, direct or indirect, of any liability of Kite Realty or any of its subsidiaries before the same comes due in accordance with its terms other than in the ordinary course of business consistent with past practice or in connection with dispositions of certain properties or refinancings of indebtedness that are otherwise permitted;

waive, release, assign, settle or compromise any claim or action, other than waivers, releases, assignments, settlements or compromises that (i) with respect to the payment of monetary damages, involve only the payment of monetary damages (excluding any portion of such payment payable under an existing property-level insurance policy) (x) equal to or less than the amounts specifically reserved for such action on the most recent balance sheet of Kite Realty filed with the SEC and publicly available prior to February 9, 2014, or (y) that do not exceed \$250,000 individually or \$1 million in the aggregate, (ii) do not involve the imposition of injunctive relief against Kite Realty, its subsidiaries, or Merger Sub, (iii) do not provide for any admission of material liability by Kite Realty, excluding certain tax matters and certain condemnation proceedings, and (iv) relate to actions by any present, former or purported holders or group of holders of Kite Realty common shares;

hire or terminate (without cause) any named executive officer or trustee of Kite Realty or any of its subsidiaries or promote or appoint any person to a position of named executive officer or trustee of Kite Realty or any of its subsidiaries;

materially increase the amount, rate or terms of compensation or benefits of any named executive officer or trustee of Kite Realty or any of its subsidiaries, other than in the ordinary course of business and consistent with past practice;

enter into, adopt, amend or terminate any employment, bonus, severance or retirement contract or plan or other compensation or employee benefits arrangement, other than in the ordinary course of business;

fail to maintain all financial books and records in all material respects in accordance with GAAP (or any interpretation thereof) or make any material change to its methods of accounting in effect at January 1, 2013, or make any change with respect to accounting policies, principles or practices, unless required by GAAP or the SEC;

enter into any new line of business;

fail to duly and timely file all material reports and other material documents required to be filed with any governmental authority;

enter into or modify in a manner adverse to Kite Realty or Inland Diversified any tax protection agreement;

make, change or rescind any material election relating to taxes, change a material method of tax accounting, file or amend any material tax return, settle or compromise any material federal, state, local or foreign tax liability, audit, claim or assessment, enter into any material closing agreement related to taxes, or knowingly surrender any right to claim any material tax refund except, in each case, to maintain Kite Realty's REIT qualification or to qualify or preserve the status of a subsidiary of Kite Realty as a disregarded entity or partnership or as a qualified REIT subsidiary or a taxable REIT subsidiary, as the case may be;

take any action that would, or fail to take any action, the failure of which to be taken would, reasonably be expected to cause Kite Realty to fail to qualify as a REIT or any of Kite Realty's subsidiaries to cease to be treated as a partnership or other disregarded entity for federal income tax purposes, a qualified REIT subsidiary or a taxable REIT subsidiary, as the case may be;



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adopt a plan of merger, complete or partial liquidation or resolutions providing for or authorizing such merger, liquidation or a dissolution, consolidation, recapitalization or bankruptcy reorganization;

form any new funds or joint ventures;

make or commit to make any capital expenditures in excess of a specified threshold;

amend or modify the compensation terms or any other obligations of Kite Realty contained in the engagement letters with its financial advisors in connection with the merger in a manner materially adverse to Kite Realty, any of its subsidiaries, or Inland Diversified or engage other financial advisors in connection with the transactions contemplated by the merger agreement;

take any action that would, or would reasonably be expected to, prevent or delay the consummation of transactions contemplated by the merger agreement; or

authorize, or enter into any contract, agreement, commitment or arrangement to do any of the foregoing.

The above restrictions, however, will not prohibit Kite Realty from taking any action that, in the reasonable judgment of the Kite Realty Board, upon advice of counsel, is reasonably necessary for Kite Realty to avoid or continue to avoid incurring entity-level income or excise taxes under the Code or to maintain its qualification as a REIT under the Code for any period or portion thereof ending on or prior to the effective time of the merger or to qualify or preserve certain tax status of Kite Realty subsidiaries.

### *No Solicitation of Transactions*

Prior to the closing of the merger, each of Kite Realty and Inland Diversified will not, nor will it permit any of its subsidiaries to, and will not authorize or permit any of its, or any of its subsidiaries', directors, trustees, officers, employees, advisors, agents or other representatives to (and will use its reasonable best efforts to cause its and its subsidiaries' representatives not to), directly or indirectly, (i) solicit, initiate or knowingly encourage or facilitate any inquiry, proposal or offer with respect to an Acquisition Proposal (as defined below), or any inquiry, proposal or offer that is reasonably likely to lead to any Acquisition Proposal, (ii) enter into, continue or otherwise participate or engage in any negotiations regarding, or furnish to any third party any non-public information or data in connection with, any Acquisition Proposal, (iii) approve, recommend, publicly declare advisable or enter into any letter of intent, memorandum of understanding, agreement in principle, acquisition agreement, merger agreement, share exchange agreement, consolidation agreement, option agreement, joint venture agreement, partnership agreement or other agreement in each case related to an Acquisition Proposal (other than certain confidentiality agreements) or requiring or having the effect of requiring Kite Realty or Inland Diversified, as applicable, to abandon, terminate or violate its obligations under the merger agreement or fail to consummate the merger, or (iv) agree to or propose publicly or agree to do any of the foregoing.

Additionally, each of Kite Realty and Inland Diversified will, and will cause each of its subsidiaries and will use its commercially reasonable efforts to cause its, or any of its subsidiaries', directors, trustees, officers, employees, advisors, agents and other representatives to, (i) immediately cease and cause to be terminated all existing discussions, negotiations and communications with any third party with respect to any Acquisition Proposal, (ii) request the prompt return or destruction, to the extent required by any confidentiality agreement, of all confidential information previously furnished to any such third party and its representatives, (iii) terminate the access of any such third party to any "data room" hosted by either of the parties, their respective subsidiaries or representatives relating to any Acquisition Proposal, and (iv) not terminate, waive, amend, release or modify, any provision of any confidentiality, standstill (including any standstill provisions contained in any confidentiality or other



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agreement) or any similar agreement to which it or any of its affiliates is a party, or any takeover statute, or otherwise fail to enforce any of the foregoing.

For the purposes of the merger agreement and with respect to either party and its respective subsidiaries, "Acquisition Proposal" means any proposal, offer, or inquiry from any person, entity or "group" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) relating to any direct or indirect acquisition or purchase, in one transaction or a series of transactions, including any merger, reorganization, recapitalization, restructuring, share exchange, consolidation, tender offer, exchange offer, stock acquisition, asset acquisition, business combination, liquidation, dissolution, joint venture, sale, lease, exchange, license, transfer or disposition or similar transaction, (i) of assets or businesses that generate 20% or more of the net revenues or net income or that represent 20% or more of the consolidated total assets (based on book value), taken as a whole, immediately prior to such transaction and, in the case of Inland Diversified, immediately following consummation of the net-lease transactions, or (ii) of 20% or more of any class of its capital stock, other equity security or voting power, including any tender offer or exchange offer in which any person, entity or "group" (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) seeks to acquire beneficial ownership (as such term is defined in Rule 13d-3 promulgated under the Exchange Act) or the right to acquire beneficial ownership of 20% or more of the outstanding shares of any class of voting securities, in each case other than the transactions contemplated by the merger agreement, and, in the case of Inland Diversified, other than the sale of assets or equity interests in connection with the net-lease transactions.

Notwithstanding the restrictions set forth above, the merger agreement provides that, at any time prior to obtaining the applicable approval of their shareholders at their respective shareholder meetings, each of Inland Diversified and Kite Realty may (and may authorize their applicable subsidiaries and representatives to), in response to a bona fide written Acquisition Proposal (that did not result from a breach of the merger agreement) from a third party made after February 9, 2014, (i) furnish non-public information to such third party making the Acquisition Proposal, subject to first entering into a confidentiality agreement having provisions that are no less favorable to those contained in the confidentiality agreement between Kite Realty and Inland Diversified and so long as all such information is provided to Inland Diversified or Kite Realty, as applicable, prior to or concurrently with the time that such information is provided to such third party if it has not been provided previously, and (ii) participate in negotiations with the third party making the Acquisition Proposal, in each case, so long as the Inland Diversified Board or the Kite Realty Board, as applicable, has determined in good faith (after consultation with Inland Diversified's or Kite Realty's outside counsel and financial advisors, as applicable) that the Acquisition Proposal constitutes or is reasonably likely to lead to a Superior Proposal (as defined below) and (after consultation with Inland Diversified's or Kite Realty's outside counsel, as applicable) the failure to take such actions would be inconsistent with the applicable board's duties under law.

Each of Inland Diversified and Kite Realty must notify the other party promptly (but in no event later than one business day) after receipt of any Acquisition Proposal or any request for non-public information relating to such party or any of its subsidiaries by any person that informs such party or any of its subsidiaries or their respective representatives that it is considering making, or has made, an Acquisition Proposal, or any inquiry from any person seeking to have or continue discussions or negotiations with such party relating to a possible Acquisition Proposal. The notice will be made orally and confirmed in writing, and will indicate the identity of the person making the Acquisition Proposal or request and the material terms and conditions of the Acquisition Proposal or request (including a copy of the Acquisition Proposal or request if in writing and any related documentation or correspondence). Each party will also promptly (and in any event within one business day) notify the other party, orally and in writing, if it determines to enter into negotiations concerning any Acquisition Proposal or to begin providing nonpublic information or data to any person or entity and in no event

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will begin providing such information or engaging in such discussions or negotiations prior to providing such notice. Each party will keep the other party informed in all material respects of the status and terms of any such Acquisition Proposal or request on a current basis, including by providing a copy of all documentation or correspondence that supplements or amends such Acquisition Proposal in any material respect. So long as Inland Diversified or Kite Realty, as applicable, complies with such notification and information obligations and provides a copy to the other party of any written request for clarification at least 24 hours prior to the making of the request to the third party, then Kite Realty or Inland Diversified, as applicable, and their respective representatives, may contact in writing any person submitting an unsolicited written Acquisition Proposal after February 9, 2014 (that was not the result of a violation of the no solicitation provisions of the merger agreement) solely to clarify the terms of the Acquisition Proposal for the sole purpose of the applicable board informing itself about such Acquisition Proposal.

Each of Kite Realty and Inland Diversified have agreed that in the event any of their respective representatives (or the representatives of any of their respective subsidiaries) takes any action which, if taken by Kite Realty or Inland Diversified, as applicable, would constitute a material violation of the foregoing provisions, then that party shall be deemed to be in violation of the no solicitation provisions of the merger agreement.

For purposes of the merger agreement and with respect to an Acquisition Proposal, "Superior Proposal" means any bona fide Acquisition Proposal made after the date of the merger agreement (except that, for purposes of this definition, the references in the definition of "Acquisition Proposal" to "20%" shall be replaced by "50%"), taking into account all legal, financial, regulatory and any other aspects of the proposal and the person or entity making the proposal, that (i) if consummated, would be more favorable to the stockholders of Inland Diversified or the shareholders of Kite Realty, as applicable, from a financial point of view than the transactions contemplated by the merger agreement (including any adjustment to the terms and conditions of the merger agreement proposed in writing by the other party in response to any such Acquisition Proposal or otherwise), and (ii) if accepted, is reasonably likely to be completed on the proposed terms on a timely basis.

***Adverse Recommendation Change***

Except as described below, neither the Kite Realty Board nor the Inland Diversified Board (nor any committee thereof), as applicable, may (i) withdraw, withhold, modify or qualify in any manner adverse to the other party (or propose publicly to do so), the approval, recommendation or declaration of advisability by the Kite Realty Board, the Inland Diversified Board or the Inland Diversified Special Committee, as applicable, with respect to the merger agreement or the transactions contemplated by the merger agreement, or (ii) adopt, approve or publicly recommend, endorse or otherwise declare advisable the adoption of any Acquisition Proposal. We refer to these described actions as an Adverse Recommendation Change.

Notwithstanding the foregoing, the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, may make an Adverse Recommendation Change (and in the event that the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, determines any Acquisition Proposal to be a Superior Proposal, terminate the merger agreement) prior to obtaining the approval of its respective shareholders, if and only if:

with respect to an Acquisition Proposal:

an unsolicited bona fide written Acquisition Proposal (that did not result from a breach of the non-solicitation provisions of the merger agreement) is made to Kite Realty or Inland Diversified, as applicable, and is not withdrawn; and

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the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, has determined in good faith that (i) (after consultation with Kite Realty's or Inland Diversified's outside counsel and financial advisors, as applicable) such Acquisition Proposal constitutes a Superior Proposal, and (ii) (after consultation with Kite Realty's or Inland Diversified's outside counsel, as applicable) the failure to make an Adverse Recommendation Change would be inconsistent with its duties under applicable law;

with respect to circumstances not relating to an Acquisition Proposal:

the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, determines in good faith (after consultation with Kite Realty's or Inland Diversified's outside counsel, as applicable) that a material event, circumstance, change or development that was not known or reasonably foreseeable to the applicable board on the date of the merger agreement (and which does not relate to an Acquisition Proposal) has occurred or arisen and becomes known to the applicable board before the approval of its shareholders is obtained; and

the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, determines in good faith (after consultation with Kite Realty's or Inland Diversified's outside counsel, as applicable) that failure to make such Adverse Recommendation Change would be inconsistent with its duties under applicable law;

four business days, which is referred to herein as the notice period, has elapsed since the party proposing to take such action has given written notice to the other party advising the other party that it intends to make an Adverse Recommendation Change (provided that upon any material amendment to any Superior Proposal giving rise to the notice, the notifying party is required to deliver a new notice and commence a new notice period of three business days), including (i) with respect to any Acquisition Proposal, the material terms and conditions of, and a complete copy of, any Superior Proposal that is the basis of the proposed action and the identity of the person or entity making the proposal, or (ii) with respect to any matter not related to an Acquisition Proposal, the reasons for the Adverse Recommendation Change;

during the notice period, the notifying party has negotiated with the other party in good faith regarding any adjustment or modification of the terms of the merger agreement proposed by the other party; and

following such notice period, the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, again reasonably determines in good faith that (i) with respect to any Acquisition Proposal (after consultation with Kite Realty's or Inland Diversified's outside counsel and financial advisors, as applicable), the Acquisition Proposal continues to be a Superior Proposal (taking into account any adjustment or modification of the terms of the merger agreement proposed by the other party) and that failure to terminate the merger agreement would be inconsistent with the duties of the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, under applicable law, or (ii) with respect to any matter not related to an Acquisition Proposal (after consultation with Kite Realty's or Inland Diversified's outside counsel, as applicable), failure to make the Adverse Recommendation Change would be inconsistent with the duties of the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, under applicable law.

The merger agreement does not prohibit Kite Realty, Inland Diversified, the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, directly or indirectly through its representatives, from (i) issuing a "stop, look and listen" communication pursuant to Rule 14d-9(f) under the Exchange Act pending disclosure of its position contemplated by Rule 14e-2(a) under the Exchange Act, (ii) making a statement contemplated by Rule 14d-9 under the Exchange Act or

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Item 1012(a) of Regulation M-A under the Exchange Act, or (iii) making any disclosure to its shareholders if, in the good faith judgment of the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, after consultation with outside counsel, that the failure to make such disclosure would be inconsistent with the duties of the Kite Realty Board or the Inland Diversified Board (or any committee thereof), as applicable, under applicable law. Any such communication or disclosure described in the previous sentence that addresses the approval, recommendation or declaration of advisability by the Kite Realty Board or the Inland Diversified Board (or any committee thereof) as applicable, will be deemed to be an Adverse Recommendation Change (and subject to the requirements above), unless the communication or disclosure also publicly states that its recommendation with respect to the merger agreement and the transactions contemplated by the merger agreement has not changed.

Kite Realty and Inland Diversified have agreed not to submit any Acquisition Proposal other than the merger to a vote of its respective shareholders prior to the termination of the merger agreement.

***Form S-4, Joint Proxy Statement/Prospectus; Shareholders Meetings***

The merger agreement provides that Kite Realty and Inland Diversified will prepare and cause to be filed with the SEC this joint proxy statement/prospectus and Kite Realty will prepare and cause to be filed with the SEC a registration statement on Form S-4 with respect to the common shares of Kite Realty issuable in the merger, which includes this joint proxy statement/prospectus, in each case as promptly as reasonably practicable following the date of the merger agreement. Kite Realty and Inland Diversified also will use their reasonable best efforts to (i) have the Form S-4 declared effective under the Securities Act as promptly as practicable after filing, (ii) ensure that the Form S-4 complies in all material respects with the applicable provisions of the Exchange Act and Securities Act, (iii) mail or deliver the joint proxy statement to the shareholders of Kite Realty and Inland Diversified as promptly as practicable after the Form S-4 is declared effective, and (iv) keep the Form S-4 effective for so long as necessary to complete the merger.

Each of Kite Realty and Inland Diversified will use its reasonable best efforts to cause this joint proxy statement/prospectus to be mailed to their shareholders entitled to vote at their respective shareholder meetings and obtain their respective shareholders' approvals as soon as practicable after the Form S-4 is declared effective. Kite Realty will include in the joint proxy statement/prospectus its recommendation to its shareholders that they approve the issuance of Kite Realty common shares in the merger and the approval of the Kite Realty declaration of trust amendment and will use its reasonable best efforts to hold its shareholder meeting as soon as reasonably practicable after the acquisition of the replacement properties to be acquired by Inland Diversified in connection with the net-lease transactions. Inland Diversified will include in the joint proxy statement/prospectus its recommendation to its stockholders that they approve the merger and the other transactions contemplated by the merger agreement and will use its reasonable best efforts to hold its stockholder meeting as soon as reasonably practicable after the date of the merger agreement.

***Access to Information; Confidentiality***

The merger agreement requires both Kite Realty and Inland Diversified to provide to the other, upon reasonable advance notice and during normal business hours, reasonable access to its properties, offices, books, contracts, personnel and records, and each of Kite Realty and Inland Diversified are required to furnish reasonably promptly to the other a copy of each report, schedule, registration statement and other document filed prior to closing pursuant to federal or state securities laws and all other information (financial or otherwise) concerning its business, properties and personnel as the other party may reasonably request.

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Each of Kite Realty and Inland Diversified will hold, and cause its representatives and affiliates to hold, any non-public information in confidence to the extent required by and in accordance with the terms of the existing confidentiality agreement between Kite Realty and Inland Diversified.

***Public Announcements***

Each of Kite Realty, Inland Diversified and Merger Sub have agreed, subject to certain exceptions, to consult with each other before issuing any press release or otherwise making any public statements or filings with respect to the merger agreement or any of the transactions contemplated by the merger agreement. In addition, each of Kite Realty, Inland Diversified and Merger Sub will, subject to certain exceptions, not issue any such press release or otherwise make such a public statement or filing without obtaining the other party's consent (not to be unreasonably withheld, conditioned or delayed).

***Indemnification of Directors and Officers; Insurance***

From and after the effective time of the merger, pursuant to the terms of the merger agreement and subject to certain limitations, Kite Realty and Merger Sub will indemnify and hold harmless, among others, any manager, director, officer, trustee or fiduciary of Inland Diversified and its subsidiaries and Kite Realty and its subsidiaries (which we refer to as the indemnified parties) against any losses or claims relating to (i) the indemnified parties' duties or service as a manager, director, officer, trustee or fiduciary of Inland Diversified or its subsidiaries or Kite Realty or its subsidiaries prior to the effective time of the merger, or (ii) the merger agreement or any of the transactions contemplated by the merger agreement.

For a period of six years after the effective time of the merger, Merger Sub will maintain in effect Inland Diversified's current directors' and officers' liability insurance policy for acts or omissions occurring prior to and through the effective time of the merger. In lieu of the foregoing, Merger Sub may (i) obtain insurance policies from an insurance company with the same or better rating as Inland Diversified's current insurance carrier on terms that are not materially less favorable to Inland Diversified's directors and officers than Inland Diversified's existing policies, or (ii) obtain extended reporting period coverage under Inland Diversified's existing insurance policies or purchase a "tail" policy for a period of six years after the effective time of the merger (so long as the annual premium does not exceed, in any one year, 300% of the annual aggregate premiums under Inland Diversified's existing policies).

***Efforts to Complete Transactions; Consents***

Both Kite Realty and Inland Diversified will, and will cause their respective subsidiaries to, use their reasonable best efforts to take all actions and do (and cooperate with the other party in doing) all things necessary, proper or advisable under applicable laws or pursuant to any contract or agreement to consummate and make effective, as promptly as practicable, the merger and the other transactions contemplated by the merger agreement, including, among other things, taking all actions necessary to satisfy the conditions to closing set forth in the merger agreement, obtaining all necessary or advisable actions or nonactions, waivers, consents and approvals from governmental authorities or other persons or entities necessary in connection with the merger and the other transactions contemplated by the merger agreement and defending any lawsuits or other legal proceedings challenging the merger agreement or the merger or other transactions contemplated by the merger agreement.

Kite Realty and Inland Diversified will provide any necessary notices to third parties and will use their reasonable best efforts to obtain any third-party consents that are necessary, proper or advisable to consummate the merger.

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***Notification of Certain Matters; Transaction Litigation***

Kite Realty and Inland Diversified, and their respective representatives, will provide prompt notice to the other party of any notice or other communication received by such party (i) from any governmental authority in connection with the merger or the transactions contemplated by the merger agreement, or (ii) from any person or entity alleging that its consent is or may be required in connection with the merger or the transactions contemplated by the merger agreement.

Each of Kite Realty and Inland Diversified will provide prompt notice to the other party if any representation or warranty made by it in the merger agreement becomes untrue or inaccurate such that the applicable closing conditions would reasonably be expected to be incapable of being satisfied by the outside date, or if it fails to comply with or satisfy in any material respect any covenant, condition or agreement contained in the merger agreement.

Each of Kite Realty and Inland Diversified will provide prompt notice to the other of any actions, suits, claims, investigations or proceedings commenced or threatened against, relating to or involving such party or any of its subsidiaries in connection with the merger agreement, the merger or the other transactions contemplated by the merger agreement. Each party will allow the other party the opportunity to reasonably participate in the defense and settlement of any such litigation and not to agree to a settlement of any such litigation without the other's prior written consent (not to be unreasonably withheld, conditioned or delayed).

***Net-Lease Transactions***

Prior to entering into the merger agreement, Inland Diversified entered into two purchase agreements with Realty Income Corporation, pursuant to which Inland Diversified agreed to sell 84 net-leased commercial properties to Realty Income Corporation in exchange for cash and the assumption of debt encumbering the properties to be purchased, which we refer to as the net-lease transactions. Inland Diversified will use its reasonable best efforts to cause the closings of the net-lease transactions to occur prior to the closing of the merger and the occurrence of such closings is also a condition to Kite Realty's obligation to effect the merger. Additionally, Inland Diversified will not amend, modify, terminate or grant any extension of or waiver under any of the purchase agreements related to the net-lease transactions, subject to certain exceptions, without the prior written consent of Kite Realty (such consent not to be unreasonably withheld, conditioned or delayed).

Pursuant to the terms of one of the purchase agreements related to the net-lease transactions, Inland Diversified has elected to structure the sale of nine of the net-leased properties as "like kind exchanges" under Section 1031 of the Code. Inland Diversified will select and acquire the replacement properties for such exchanges after providing Kite Realty with advance notice of and an opportunity to consult with Inland Diversified regarding the proposed replacement properties and the terms of their acquisition. The acquisition of the replacement properties is a condition to the obligations of both Inland Diversified and Kite Realty to close the merger and must be complete before the Kite Realty special meeting of shareholders. In the event the acquisition of the replacement properties and the subsequent approval of Kite Realty's shareholders are the only conditions to closing (other than those conditions that by their nature are to be and are capable of being satisfied at the closing) that have not been satisfied on the outside date, which is August 31, 2014, then the outside date will be automatically extended to the date that is 225 days after the closing of the sale of the nine net-leased properties.

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***Other Covenants and Agreements***

The merger agreement contains certain other covenants and agreements, including covenants related to:

Kite Realty using its reasonable best efforts to cause the Kite Realty common shares to be issued in the merger to be approved for listing on the NYSE;

each of Inland Diversified and Kite Realty taking all steps to ensure that any disposition of shares of Inland Diversified common stock and any acquisition of Kite Realty common shares in connection with the merger and the other transactions contemplated by the merger agreement by certain individuals are exempted pursuant to Rule 16b-3 promulgated under the Exchange Act from giving rise to any liability under Section 16(b) of the Exchange Act;

each of Inland Diversified and Kite Realty using its respective commercially reasonable efforts (before and, as relevant, after the effective time of the merger) to cause the merger to qualify as a reorganization within the meaning of Section 368(a) of the Code;

Inland Diversified's obligation to pay, immediately prior to the effective time, certain dividends that have been declared on shares of Inland Diversified common stock and have not yet been paid;

the option of each of Kite Realty and Inland Diversified to pay a ratable dividend to its respective shareholders if the other party declares or pays any dividend in order to maintain its status as a REIT under the Code or to avoid or reduce entity-level income or excise taxes;

Inland Diversified and its subsidiaries voting all Kite Realty common shares they beneficially own as of the record date of the Kite Realty special meeting, if any, in favor of the issuance of Kite Realty common shares to be issued in the merger and the amendment to Kite Realty's declaration of trust, and Kite Realty and its subsidiaries voting all shares of Inland Diversified common stock they beneficially own as of the record date of the Inland Diversified special meeting, if any, in favor of the approval of the merger agreement and the merger;

each of Kite Realty, Inland Diversified and Merger Sub using their respective reasonable best efforts to render any takeover statutes inapplicable to the merger and the other transactions contemplated by the merger agreement;

the preparation by each of Kite Realty and Inland Diversified of certain tax representation letters related to certain opinions of counsel to be delivered in connection with the merger agreement;

termination by Inland Diversified of certain related party contracts and divesting its interests in certain entities;

Inland Diversified using commercially reasonable efforts to provide Kite Realty with all reasonably necessary data for Kite Realty's determination to solicit or offer to hire certain employees of Inland Diversified's business manager and property managers and provide assistance to and cooperation with Kite Realty in connection therewith;

the Inland Diversified Board adopting such resolutions or taking such other actions as may be required to terminate Inland Diversified's Third Amended and Restated Distribution Reinvestment Plan and Amended and Restated Share Repurchase Program;

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Kite Realty changing the corporate and entity names of each of the former Inland Diversified subsidiaries within 60 days of the closing date to names that do not include "Inland" or "Inland Diversified" or any derivative thereof;



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Inland Diversified causing each of its subsidiaries that is treated as a qualified REIT subsidiary to be merged or otherwise converted into a limited liability company that is disregarded for U.S. federal income tax purposes and not treated as a qualified REIT subsidiary; and

Inland Diversified taking certain actions in order to reduce or eliminate the payment of distributions and/or the imposition of taxes resulting from the net-lease transactions.

### **Conditions to Completion of the Merger**

#### ***Mutual Closing Conditions***

The obligation of each of Kite Realty and Inland Diversified to complete the merger is subject to the satisfaction or, to the extent permitted by law, waiver by each of the parties, at or prior to the effective time of the merger, of the following conditions:

approval of the issuance of the Kite Realty common shares in connection with the merger and the Kite Realty declaration of trust amendment by the Kite Realty shareholders;

approval of the merger, the merger agreement and the other transactions contemplated by the merger agreement by the Inland Diversified stockholders;

a registration statement on Form S-4 having been declared effective, no stop order suspending the effectiveness of such Form S-4 having been issued by the SEC and no proceeding to that effect having been commenced or threatened by the SEC and not withdrawn;

the absence of any temporary restraining order, preliminary or permanent injunction or other judgment, order or decree issued by any governmental authority prohibiting the consummation of the merger or any other transactions contemplated by the merger agreement, and the absence of any law that has been enacted, entered, promulgated or enforced by any governmental authority after the date of the merger agreement that makes the consummation of the merger illegal;

the Kite Realty common shares to be issued in connection with the merger having been approved for listing on the NYSE, subject to official notice of issuance; and

the acquisition by Inland Diversified of the replacement properties following the closing of the net-lease transactions as described in "Covenants and Agreements - Net-Lease Transactions."

#### ***Additional Closing Conditions for the Benefit of Kite Realty and Merger Sub***

The obligations of Kite Realty and Merger Sub to effect the merger and to consummate the other transactions contemplated by the merger agreement are subject to the satisfaction or, to the extent permitted by law, waiver by Kite Realty, at or prior to the effective time of the merger, of the following additional conditions:

the accuracy in all material respects as of the date of the merger agreement and as of the effective time of the merger (or, in the case of representations and warranties that by their terms address matters only as of another specified date, as of that date) of certain representations and warranties made in the merger agreement by Inland Diversified regarding its organization, qualification, certain aspects of its capital structure, authority, financial advisor, stockholder approval, brokers, exemption from the Investment Company Act and the net-lease transactions;

the accuracy in all but *de minimis* respects as of the date of the merger agreement and as of the effective time of the merger (or, in the case of representations and warranties that by their terms address matters only as of another specified date, as of that date) of certain

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representations and warranties made in the merger agreement by Inland Diversified regarding certain aspects of its capital structure;

the accuracy of all other representations and warranties made in the merger agreement by Inland Diversified (disregarding any materiality or material adverse effect qualifications contained in such representations and warranties) as of the date of the merger agreement and as of the effective time of the merger (or, in the case of representations and warranties that by their terms address matters only as of another specified date, as of that date), except for any such inaccuracies that do not have and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect (as defined above) on Inland Diversified;

Inland Diversified having performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, required to be performed by it under the merger agreement on or prior to the effective time of the merger;

no event, change, or occurrence arising after the date of the merger agreement existing on the closing date that, individually, or in the aggregate constitutes, or would reasonably be expected to constitute, a material adverse effect with respect to Inland Diversified;

receipt by Kite Realty of an officer's certificate, dated as of the closing date and signed by Inland Diversified's chief executive officer or chief financial officer on behalf of Inland Diversified, certifying that the closing conditions described in the five preceding bullets have been satisfied;

receipt by Kite Realty of an opinion dated as of the closing date from Alston & Bird LLP, or other counsel reasonably satisfactory to Kite Realty, to the effect that for all taxable periods commencing with its taxable year ended December 31, 2009 and ending with its taxable year that ends with the merger, Inland Diversified has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code;

receipt by Kite Realty of an opinion dated as of the effective date of the Form S-4 from Hogan Lovells US LLP regarding the merger's qualification as a reorganization within the meaning of Section 368(a) of the Code;

receipt by Kite Realty of a certification from Inland Diversified dated no more than 30 days prior to the closing date certifying that no interest in Inland Diversified is a "United States real property interest" as defined in Section 897(c)(1) of the Code; and

the closing of the net-lease transactions having occurred.

### ***Additional Closing Conditions for the Benefit of Inland Diversified***

The obligations of Inland Diversified to effect the merger and to consummate the other transactions contemplated by the merger agreement are subject to the satisfaction or, to the extent permitted by law, waiver by Inland Diversified, at or prior to the effective time of the merger, of the following additional conditions:

the accuracy in all material respects as of the date of the merger agreement and as of the effective time of the merger (or, in the case of representations and warranties that by their terms address matters only as of another specified date, as of that date) of certain representations and warranties made in the merger agreement by Kite Realty regarding its organization, qualification, certain aspects of its capital structure, authority, financial advisors, shareholder approval, brokers and exemption from the Investment Company Act;

the accuracy in all but *de minimis* respects as of the date of the merger agreement and as of the effective time of the merger (or, in the case of representations and warranties that by their

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terms address matters only as of another specified date, as of that date) of certain representations and warranties made in the merger agreement by Kite Realty regarding certain aspects of its capital structure;

the accuracy of all other representations and warranties made in the merger agreement by Kite Realty (disregarding any materiality or material adverse effect qualifications contained in such representations and warranties) as of the date of the merger agreement and as of the effective time of the merger (or, in the case of representations and warranties that by their terms address matters only as of another specified date, as of that date), except for any such inaccuracies that do not have and would not reasonably be expected to have, individually or in the aggregate, a material adverse effect (as defined above) on Kite Realty;

Kite Realty having performed in all material respects all obligations, and complied in all material respects with the agreements and covenants, required to be performed by it under the merger agreement on or prior to the effective time of the merger;

no event, change, or occurrence arising after the date of the merger agreement existing on the closing date that, individually, or in the aggregate constitutes, or would reasonably be expected to constitute, a material adverse effect with respect to Kite Realty;

receipt by Inland Diversified of an officer's certificate, dated as of the closing date and signed by Kite Realty's chief executive officer or chief financial officer on behalf of Kite Realty, certifying that the closing conditions described in the five preceding bullets have been satisfied;

receipt by Inland Diversified of an opinion dated as of the closing date from Hogan Lovells US LLP, or other counsel reasonably acceptable to Kite Realty, to the effect that for all taxable periods commencing with its taxable year ended December 31, 2004, Kite Realty has been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code and that its past, current and intended future organization and operations will permit the Combined Company to continue to qualify for taxation as a REIT under the Code for its taxable year which includes the effective time of the merger and thereafter; and

receipt by Inland Diversified of an opinion dated as of the effective date of the Form S-4 from Alston & Bird LLP regarding the merger's qualification as a reorganization within the meaning of Section 368(a) of the Code.

### **Termination of the Merger Agreement**

#### ***Termination by Mutual Agreement***

The merger agreement may be terminated at any time before the effective time of the merger by the mutual written consent of Kite Realty and Inland Diversified.

#### ***Termination by Either Kite Realty or Inland Diversified***

The merger agreement may also be terminated prior to the effective time of the merger by either Kite Realty or Inland Diversified if:

the merger has not been consummated on or before August 31, 2014, which date will be automatically extended until the date that is 225 days after the closing of the sale by Inland Diversified of certain net-lease commercial real estate properties to Realty Income Corporation, if all conditions to closing have been satisfied by August 31, 2014 other than the redeployment of the proceeds of these property sale transactions to acquire replacement properties for purposes of Section 1031 of the Code, the subsequent approval of Kite Realty's shareholders and other conditions that by their nature are to be and are capable of being satisfied at closing (provided that this termination right will not be available to a party whose

failure to comply with

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any provision of the merger agreement has been the cause of, or resulted in, the failure of the merger to occur on or before such date);

any governmental authority of competent jurisdiction has issued an order, decree or ruling or taken any other action permanently restraining or otherwise prohibiting the merger, and such action has become final and non-appealable (provided that this termination right will not be available to a party if the issuance of such order or action was primarily due to the failure of such party to comply with any provision of the merger agreement); or

shareholders of Kite Realty failed to approve the issuance of Kite Realty common shares in connection with the merger and the Kite Realty declaration of trust amendment, or shareholders of Inland Diversified failed to approve the merger and the other transactions contemplated by the merger agreement, as applicable (provided that this termination right will not be available to a party if the failure to obtain that party's shareholder approval was primarily due to the party's material breach of certain provisions of the merger agreement).

***Termination by Kite Realty***

The merger agreement may also be terminated prior to the effective time of the merger by Kite Realty under the following circumstances:

Inland Diversified has breached any of its representations, warranties, covenants or agreements set forth in the merger agreement, which breach, either individually or in the aggregate, if occurring or continuing on the closing date, would result in the failure of certain closing conditions to be satisfied and cannot be cured or waived by the outside date (provided that this termination right will not be available if Kite Realty is in breach of any of its own representations, warranties, covenants or agreements set forth in the merger agreement such that certain closing conditions are not satisfied);

at any time prior to the approval of the Inland Diversified stockholders, if the Inland Diversified Board or any committee thereof (i) has made an Adverse Recommendation Change and Kite Realty terminates the merger agreement within 30 days of the date Kite Realty receives notice of the Adverse Recommendation Change, (ii) after public announcement or disclosure of an Acquisition Proposal or an intention to make an Acquisition Proposal for Inland Diversified, fails to recommend against such Acquisition Proposal and to publicly reaffirm its recommendation to Inland Diversified's stockholders of the approval of the merger and the other transactions contemplated by the merger agreement within 10 business days of being requested to do so by Kite Realty, (iii) fails to recommend to Inland Diversified's stockholders the approval of the merger and the other transactions contemplated by the merger agreement in this joint proxy statement/prospectus, (iv) approves, adopts, publicly endorses or recommends, or enters into or allows Inland Diversified or any of its subsidiaries to enter into a definitive agreement for, any Acquisition Proposal, or (v) has materially violated any of its obligations under the provisions of the merger agreement prohibiting the solicitation of Acquisition Proposals by Inland Diversified (other than any immaterial or inadvertent violations thereof not intended to result in the entry into an alternative acquisition agreement); or

at any time prior to the approval of the Kite Realty shareholders, in order to enter into any alternative acquisition agreement with respect to a Superior Proposal; provided, that such termination will be null and void unless Kite Realty concurrently pays the termination fee described below under " Termination Fee and Expenses Payable by Kite Realty to Inland Diversified" and enters into an alternative acquisition agreement relating to such Superior Proposal.

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***Termination by Inland Diversified***

The merger agreement may also be terminated prior to the effective time of the merger by Inland Diversified under the following circumstances:

Kite Realty has breached any of its representations, warranties, covenants or agreements set forth in the merger agreement, which breach, either individually or in the aggregate, if occurring or continuing on the closing date, would result in the failure of certain closing conditions to be satisfied and cannot be cured or waived by the outside date (provided that this termination right will not be available to Inland Diversified if it is in breach of any of its own representations, warranties, covenants or agreements set forth in the merger agreement such that certain closing conditions are not satisfied);

at any time prior to the approval of the Kite Realty shareholders, if the Kite Realty Board or any committee thereof (i) has made an Adverse Recommendation Change and Inland Diversified terminates the merger agreement within 30 days of the date Inland Diversified receives notice of the Adverse Recommendation Change, (ii) after public announcement or disclosure of an Acquisition Proposal or an intention to make an Acquisition Proposal for Kite Realty, fails to recommend against such Acquisition Proposal and to publicly reaffirm its recommendation to Kite Realty's shareholders to approve the issuance of common shares of Kite Realty in connection with the merger and approve the Kite Realty declaration of trust amendment within 10 business days of being requested to do so by Inland Diversified, (iii) fails to recommend to Kite Realty's shareholders the approval of the issuance of common shares of Kite Realty in connection with the merger and the approval of the Kite Realty declaration of trust amendment in this joint proxy statement/prospectus, (iv) approves, adopts, publicly endorses or recommends, or enters into or allows Kite Realty or any of its subsidiaries to enter into a definitive agreement for, any Acquisition Proposal, or (v) has materially violated any of its obligations under the provisions of the merger agreement prohibiting the solicitation of Acquisition Proposals by Kite Realty (other than any immaterial or inadvertent violations thereof not intended to result in the entry into an alternative acquisition agreement); or

at any time prior to the approval of the Inland Diversified stockholders, in order to enter into any alternative acquisition agreement with respect to a Superior Proposal; provided, that such termination will be null and void unless Inland Diversified concurrently pays the termination fee described below under " Termination Fee and Expenses Payable by Inland Diversified to Kite Realty" and enters into an alternative acquisition proposal relating to such Superior Proposal.

***Termination Fee and Expenses Payable by Kite Realty to Inland Diversified***

Kite Realty has agreed to pay a termination fee of \$30 million to Inland Diversified if:

all of the following events have occurred:

the merger agreement is terminated (i) by either Kite Realty or Inland Diversified because (a) the merger has not occurred by the outside date, or (b) the Kite Realty shareholders have failed to approve the issuance of Kite Realty common shares in the merger and approve the Kite Realty declaration of trust amendment, or (ii) by Inland Diversified upon a material uncured breach by Kite Realty of its representations, warranties, covenants or agreements set forth in the merger agreement;

an Acquisition Proposal with respect to Kite Realty (provided that the references to "20%" in the definition of "Acquisition Proposal" will be replaced with "50%" for purposes of determining whether a termination fee is due and payable) has been announced, disclosed, or otherwise made known, or any person or entity has publicly announced an intention to make such an Acquisition Proposal, after the date of the merger agreement and, in the case



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of termination for breach as described above, prior to the breach giving rise to such right of termination, or in the case of failure to obtain the Kite Realty shareholder approval, prior to the Kite Realty shareholder meeting; and

within 12 months after such termination, Kite Realty consummates a transaction regarding, or enters into a definitive agreement with respect to, an Acquisition Proposal which is later consummated; or

the merger agreement is terminated by Inland Diversified because, prior to the approval of the Kite Realty shareholders, the Kite Realty Board or any committee thereof (i) has made an Adverse Recommendation Change and Inland Diversified terminates the merger agreement within 30 days of the date Inland Diversified receives notice of the Adverse Recommendation Change, (ii) after public announcement or disclosure of an Acquisition Proposal or an intention to make an Acquisition Proposal for Kite Realty, fails to recommend against such Acquisition Proposal and to publicly reaffirm its recommendation to Kite Realty's shareholders to approve the issuance of common shares of Kite Realty in connection with the merger and approve the Kite Realty declaration of trust amendment within 10 business days of being requested to do so by Inland Diversified, (iii) fails to recommend to Kite Realty's shareholders the approval of the issuance of common shares of Kite Realty in connection with the merger and the approval of the Kite Realty declaration of trust amendment in this joint proxy statement/prospectus, (iv) approves, adopts, publicly endorses or recommends, or enters into or allows Kite Realty or any of its subsidiaries to enter into a definitive agreement for, an Acquisition Proposal, or (v) has materially violated any of its obligations under the provisions of the merger agreement prohibiting the solicitation of Acquisition Proposals by Kite Realty (other than any immaterial or inadvertent violations thereof not intended to result in the entry into an alternative acquisition agreement); or

the merger agreement is terminated by Kite Realty at any time prior to the approval of the issuance of Kite Realty common shares in the merger and the approval of the Kite Realty declaration of trust amendment by the Kite Realty shareholders in order to enter into any alternative acquisition agreement with respect to a Superior Proposal.

In addition, Kite Realty has agreed to pay reasonable, documented out-of-pocket expenses actually incurred by Inland Diversified up to a maximum of \$8 million if the merger agreement is terminated (i) by either Inland Diversified or Kite Realty because the Kite Realty shareholders fail to approve the issuance of Kite Realty common shares in the merger and the approval of the Kite Realty declaration of trust amendment, or (ii) by Inland Diversified upon a material uncured breach by Kite Realty of its representations, warranties, covenants or agreements set forth in the merger agreement. In no event, however, will Kite Realty be required to pay to Inland Diversified both the \$30 million termination fee and the applicable expense reimbursement amount. In the event that the \$30 million termination fee later becomes payable as described above, any expense reimbursement amount so paid will be credited against the amount of the termination fee then payable by Kite Realty.

The parties to the merger agreement have agreed that the payment of the termination fee and expense reimbursement constitutes liquidated damages in a reasonable amount that will compensate Inland Diversified in the circumstances in which the termination fee is payable. Notwithstanding the foregoing, payment of the termination fee will not limit Inland Diversified's rights with respect to any liabilities or damages incurred or suffered by Inland Diversified by reason of Kite Realty's willful and material breach of the merger agreement or fraud.

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***Termination Fee and Expenses Payable by Inland Diversified to Kite Realty***

Inland Diversified has agreed to pay a termination fee of \$43 million to Kite Realty if:

all of the following events have occurred:

the merger agreement is terminated (i) by either Inland Diversified or Kite Realty because (a) the merger has not occurred by the outside date, or (b) the Inland Diversified shareholders have failed to approve the merger and the other transactions contemplated by the merger agreement, or (ii) by Kite Realty upon a material uncured breach by Inland Diversified of its representations, warranties, covenants or agreements set forth in the merger agreement;

an Acquisition Proposal with respect to Inland Diversified (provided that the references to "20%" in the definition of "Acquisition Proposal" will be replaced with "50%" for purposes of determining whether a termination fee is due and payable) has been announced, disclosed, or otherwise made known, or any person or entity has publicly announced an intention to make such an Acquisition Proposal, after the date of the merger agreement and, in the case of termination for breach as described above, prior to the breach giving rise to such right of termination, or in the case of failure to obtain the Inland Diversified stockholder approval, prior to the Inland Diversified stockholder meeting; and

within 12 months after such termination, Inland Diversified consummates a transaction regarding, or enters into a definitive agreement with respect to, an Acquisition Proposal which is later consummated; or

the merger agreement is terminated by Kite Realty because, prior to the approval of the Inland Diversified stockholders, the Inland Diversified Board or any committee thereof (i) has made an Adverse Recommendation Change and Kite Realty terminates the merger agreement within 30 days of the date Kite Realty receives notice of the Adverse Recommendation Change, (ii) after public announcement or disclosure of an Acquisition Proposal or an intention to make an Acquisition Proposal for Inland Diversified, fails to recommend against such Acquisition Proposal and to publicly reaffirm its recommendation to Inland Diversified's stockholders of the approval of the merger and the other transactions contemplated by the merger agreement within 10 business days of being requested to do so by Kite Realty, (iii) fails to recommend to Inland Diversified's stockholders the approval of the merger and the other transactions contemplated by the merger agreement in this joint proxy statement/prospectus, (iv) approves, adopts, publicly endorses or recommends, or enters into or allows Inland Diversified or any of its subsidiaries to enter into a definitive agreement for, an Acquisition Proposal, or (v) has materially violated any of its obligations under the provisions of the merger agreement prohibiting the solicitation of Acquisition Proposals by Inland Diversified (other than any immaterial or inadvertent violations thereof not intended to result in the entry into an alternative acquisition agreement); or

the merger agreement is terminated by Inland Diversified at any time prior to the approval of the merger and the other transactions contemplated by the merger agreement by the Inland Diversified stockholders in order to enter into any alternative acquisition agreement with respect to a Superior Proposal.

In addition, Inland Diversified has agreed to pay reasonable, documented out-of-pocket expenses actually incurred up to a maximum of \$8 million if the merger agreement is terminated (i) by either Kite Realty or Inland Diversified (a) because the Inland Diversified stockholders fail to approve the merger and the other transactions contemplated by the merger agreement, or (b) because the merger has not occurred by August 31, 2014 and all closing conditions have been satisfied (other than those conditions that by their nature are to be and are capable of being satisfied at the closing), except Inland Diversified's acquisition of the replacement properties in connection with the net-lease

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transactions, or (ii) by Kite Realty, upon a material uncured breach by Inland Diversified of its representations, warranties, covenants or agreements set forth in the merger agreement. In the event that the \$43 million termination fee later becomes payable as described above, any expense reimbursement amount so paid will be credited against the amount of the termination fee then payable by Inland Diversified.

Inland Diversified has also agreed to pay a termination fee of \$3 million plus reasonable, documented out-of-pocket expenses actually incurred up to a maximum of \$8 million if the merger agreement is terminated by either Kite Realty or Inland Diversified because the merger has not occurred by August 31, 2014 and all closing conditions have been satisfied (other than those conditions that by their nature are to be and are capable of being satisfied at the closing), except the closing of the net-lease transactions, Inland Diversified's acquisition of the replacement properties in connection with the net-lease transactions and the approval of Kite Realty's shareholders at its special meeting. In the event that the \$43 million termination fee later becomes payable as described above, the amount of the \$3 million fee plus any expense reimbursement amount so paid will be credited against the amount of the termination fee then payable by Inland Diversified.

The parties to the merger agreement have agreed that the payment of the termination fee and expense reimbursement constitutes liquidated damages in a reasonable amount that will compensate Kite Realty in the circumstances in which the termination fee is payable. Notwithstanding the foregoing, payment of the termination fee will not limit Kite Realty's rights with respect to any liabilities or damages incurred or suffered by Kite Realty by reason of Inland Diversified's willful and material breach of the merger agreement or fraud.

**Miscellaneous Provisions**

*Payment of Expenses*

Other than as described above under " Termination of the Merger Agreement Termination Fee and Expenses Payable by Inland Diversified to Kite Realty" and " Termination of the Merger Agreement Termination Fee and Expenses Payable by Kite Realty to Inland Diversified," the merger agreement provides that each party will pay its own fees and expenses in connection with the merger agreement, the merger and the other transactions contemplated by the merger agreement, except that Kite Realty and Inland Diversified will share equally all expenses related to the printing, filing and distribution of the Form S-4 and this joint proxy statement/prospectus (other than attorneys' and accountants' fees).

*Specific Performance*

The parties to the merger agreement are entitled to seek injunctions to prevent breaches of the merger agreement and to enforce specifically the terms and provisions of the merger agreement in addition to any and all other remedies at law or in equity.

*Amendment*

The parties to the merger agreement may amend the merger agreement by an instrument in writing signed by each of the parties, which action must be taken or authorized by the Kite Realty Board and the Inland Diversified Special Committee, respectively, at any time before or after receipt of the required shareholder approvals and prior to the effective time of the merger; provided that, after obtaining the approval of the stockholders of Inland Diversified of the merger and the other transactions contemplated by the merger agreement and the approval of the Kite Realty shareholders of the issuance of Kite Realty common shares in the merger and the Kite Realty declaration of trust amendment, no amendment may be made which (i) changes the amount or form of consideration to be delivered to the Inland Diversified stockholders under the merger agreement or which by applicable

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law or, in the case of Kite Realty, in accordance with the rules of the NYSE requires the further approval of the stockholders of Inland Diversified or the shareholders of Kite Realty without such further approval of such stockholders or shareholders or (ii) is not permitted under applicable law.

***Waiver***

Prior to the effective time of the merger, Kite Realty, Inland Diversified or Merger Sub, by an instrument in writing signed by the applicable party, may extend the time for performance of any obligations of the other parties or waive any inaccuracies in the representations and warranties of the other party or the other party's compliance with any agreements or conditions contained in the merger agreement.

***Governing Law***

The merger agreement is governed by the laws of the State of Maryland, without giving effect to its conflict of laws principles (whether the State of Maryland or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Maryland.

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**ANCILLARY AGREEMENTS**

**Master Liquidity Event Agreement**

Concurrently with execution of the merger agreement, Inland Diversified entered into the Master Agreement with the Business Manager, the Property Managers, and certain other affiliates of the Business Manager. The Master Agreement sets forth the terms of the consideration due to the Business Manager and the Property Managers in connection with the merger, provides for the automatic termination upon the closing of the merger of the Business Management Agreement, the Property Management Agreements and certain other agreements between or among Inland Diversified and affiliates of the Business Manager and includes certain other agreements in order to facilitate the merger.

***Fees and Expenses***

The Master Agreement provides that:

The liquidity event fee payable by Inland Diversified to the Business Manager upon the consummation of the merger, which is required to be paid pursuant to the terms of the Business Management Agreement, was agreed to be \$10.24 million; provided, that the total amount of the liquidity event fee will be increased to not more than \$12.0 million in the event that the Business Manager achieves certain cost savings for Inland Diversified prior to the closing of the merger resulting from:

reduction in interest rate swap-breakage fee costs resulting from the non-payment thereof;

annualized interest savings from new indebtedness placed on properties acquired to achieve "like kind exchange" treatment for properties sold pursuant to the sale of Inland Diversified's single-tenant property portfolio; and/or

avoidance of prepayment penalties related to prepayment of certain debt of Inland Diversified.

If the savings achieved by Inland Diversified prior to the closing of the merger are at least \$3.0 million, the amount of the liquidity event fee will be increased to \$12.0 million. If the savings achieved by Inland Diversified prior to the closing of the merger are less than \$3.0 million, the Business Manager will be entitled to a pro-rata portion of the increase in the liquidity event fee based upon the amount of savings achieved.

Under the terms of the Business Management Agreement, absent agreement between the parties, the precise amount of the liquidity event fee could not be finally determined until the consummation of the merger. The parties agreed to a specific liquidity event fee payable to the Business Manager in order to provide certainty to the parties as to those costs.

The quarterly management fees payable to the Business Manager pursuant to the terms of the Business Management Agreement and the monthly management fees payable to the Property Managers pursuant to the terms of the Property Management Agreements will be paid by Inland Diversified in accordance with past practices through the closing of the merger. The prorated management fees with respect to the quarter or month, as applicable, in which the closing of the merger occurs will be paid by Inland Diversified at closing of the merger based on the Business Manager's estimates of such fees and are subject to a post-closing adjustment based on the actual amounts due, which adjustment is payable by Kite Realty, as the surviving entity in the merger, or the Business Manager, as the case may be.

The expense reimbursements payable to the Business Manager and the Property Managers pursuant to the terms of the Business Management Agreement and the Property Management

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Agreements will be reimbursed by Inland Diversified in accordance with past practices through the closing of the merger. Any unpaid expense reimbursements as of the closing of the merger will be paid following the closing of the merger by Kite Realty, as the surviving entity in the merger.

Upon the closing of the merger, Inland Diversified will reimburse the Business Managers and the Property Managers for a specified amount of severance payments and retention bonuses that may be paid by the Business Manager and the Property Managers to certain employees of the Business Manager and the Property Managers who are providing services to Inland Diversified prior to closing of the merger (excluding any executive officers of Inland Diversified, the Business Manager or the Property Managers). Kite Realty, as the surviving entity in the merger, will reimburse the Business Managers and Property Managers for any such payments which become due and payable subsequent to the closing of the merger.

Except as provided for in the Master Agreement, none of the Business Manager, the Property Managers or any of their respective affiliates will receive, in connection with the consummation of the merger or the sale of Inland Diversified's single-tenant property portfolio or any transactions contemplated thereby, any additional incentive fee or other liquidity, disposition, brokerage, or other fees of any kind from Inland Diversified or any of its affiliates.

***Termination of Agreements with Business Manager and its Affiliates***

Pursuant to the Master Agreement, each of (i) the Business Management Agreement, (ii) the Master Property Management Agreements between Inland Diversified and each of the Property Managers, (iii) the Property Management Agreements, (iv) the Property Acquisition Agreement, dated August 24, 2009, by and among the Business Manager, Inland Diversified and Inland Real Estate Acquisitions, Inc., an affiliate of the Business Manager, and (v) the Investment Advisory Agreement For Discretionary Accounts, dated August 24, 2009, by and between Inland Diversified and Inland Investment Advisors, Inc., an affiliate of the Business Manager, will automatically terminate without further notice or action, effective as of the closing of the merger, and all requirements for the delivery of notice are deemed waived in connection with such terminations. In addition, pursuant to the Master Agreement, Inland Diversified will, effective as of the closing of the merger, withdraw from the Software and Consulting Shared Services Agreement, dated as of February 13, 2006, by and among Inland Diversified, Inland Computer Services, Inc. and the other affiliated entities party thereto, and all notice requirements are deemed waived in connection with such withdrawal.

***Waiver of Non-Solicitation and Non-Hire Restrictions***

Pursuant to the Master Agreement, the Business Manager and the Property Managers waived the non-solicitation provisions and, effective as of the closing of the merger, the non-hire provisions, of the Business Management Agreement and the Property Management Agreements with respect to certain individuals employed by the Business Manager and the Property Managers in order to (i) permit Inland Diversified and Kite Realty to engage in discussions with such individuals regarding employment with Kite Realty, and (ii) permit Kite Realty or its affiliates to hire such individuals following the closing of the merger.

Pursuant to the Master Agreement, the Business Manager and the Property Managers also waived the non-solicitation and non-hire provisions of the Business Management Agreement and the Property Management Agreements with respect to the consulting agreements between Kite Realty and each of Barry L. Lazarus, JoAnn McGuinness and Elizabeth McNeely, each of whom is an executive officer of the Business Manager or Property Managers, which were entered into in connection with the execution of the merger agreement (as discussed below).

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***Negotiations with Kite Realty***

Pursuant to the Master Agreement, the Business Manager and the Property Managers agreed that in the event Kite Realty wishes to acquire assets or services at or following the closing of the merger that the Business Manager or the Property Managers owns or provides in the normal course of its business, then the Business Manager or the Property Managers, as applicable, will entertain such offers and negotiate the terms of such offers in good faith with Kite Realty.

***Removal of "Inland" Name***

Pursuant to the Master Agreement, Inland Diversified agreed to use its commercially reasonable efforts to remove the "Inland" name from the names of its subsidiaries, including any single purpose entities formed to hold title to real estate.

***Termination***

In the event that the merger agreement is terminated prior to the consummation of the merger, the Master Agreement will automatically terminate and be of no further effect.

The foregoing summary of the Master Agreement is subject to, and qualified in its entirety by reference to, the full text of the Master Agreement, a copy of which is attached hereto as *Annex B* and is incorporated herein by reference.

**Transition Services Agreement**

Concurrently with execution of the merger agreement, the Business Manager, The Inland Real Estate Group, Inc. and Kite Realty OP entered into a Transition Services Agreement pursuant to which the Business Manager will provide certain business management services following the closing of the merger in order to assist in the transition of the business management of Inland Diversified's assets from the Business Manager to Kite Realty. Pursuant to the Transition Services Agreement, the Business Manager is entitled to receive (i) a one-time management fee of \$1.36 million payable by Kite Realty OP upon the closing of the merger, and (ii) certain hourly fees for the various business services performed by the Business Manager at the request of Kite Realty OP, payable monthly by Kite Realty OP. The Transition Services Agreement has an initial term of 60 days following the closing of the merger and provides for two 30-day renewal terms at Kite Realty's option. The Transition Services Agreement will terminate automatically upon the termination of the merger agreement, and may be terminated by Kite Realty OP at any time upon five days' prior written notice.

**Consulting Arrangements**

Concurrently with the execution of the merger agreement, Barry L. Lazarus, a member of the Inland Diversified Board and the President and Chief Operating Officer of Inland Diversified, entered into an Interim Services and Consulting Agreement with Kite Realty pursuant to which Mr. Lazarus will serve as a consultant to Kite Realty in connection with transition planning and other matters related to the closing of the merger. The Consulting Agreement provides that Kite Realty will pay Mr. Lazarus a lump-sum consulting fee of \$800,000, payable upon, and subject to, the closing of the merger. In the event that Kite Realty terminates the Consulting Agreement prior to the closing of the merger other than for "cause," Kite Realty will remain obligated to pay Mr. Lazarus the full consulting fee that would otherwise be payable under the Consulting Agreement upon the closing of the merger. The Consulting Agreement defines "cause" as, among other things, (i) the willful failure to perform under or material breach of the Consulting Agreement by Mr. Lazarus, (ii) any activity by Mr. Lazarus that would constitute a material breach of the "no-shop" provisions of the merger agreement or is intended to hinder, materially delay or prevent the consummation of the merger, and (iii) Mr. Lazarus' conviction for any felony or commission of an act of fraud, theft or dishonesty.

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Concurrently with the execution of the merger agreement, JoAnn McGuinness, President of Inland Diversified Real Estate Services, LLC, and Elizabeth McNeeley, Senior Vice President, Treasurer and Secretary of Inland Diversified Real Estate Services, LLC, entered into Interim Services and Consulting Agreements with Kite Realty, pursuant to which Ms. McGuinness and Ms. McNeeley will serve as consultants to Kite Realty in connection with transition planning and other matters related to the closing of the merger. The consulting agreements provide that Kite Realty will pay Ms. McGuinness and Ms. McNeeley lump-sum consulting fees in the amounts of \$62,000 and \$10,419, respectively, payable upon, and subject to, the closing of the merger.

**Management Agreements**

Concurrently with the execution of the merger agreement, Kite Realty OP and Inland Diversified Real Estate Services LLC entered into a Management Agreement pursuant to which Inland Diversified Real Estate Services LLC will provide property management services with respect to the Inland Diversified retail properties following the closing of the merger in order to assist in the transition of retail property management to Kite Realty in exchange for a market-based monthly management fee based on a percentage of the gross revenues of the properties under management. The Management Agreement has an initial term of 90 days following the closing of the merger and provides for automatic 30-day renewal periods until either party gives notice of non-renewal. The Management Agreement will terminate automatically upon the termination of the merger agreement, and may be terminated by Kite Realty OP at any time following the initial term upon five days' prior written notice.

Concurrently with the execution of the merger agreement, Kite Realty OP and Community Property Management Corp., an affiliate of the Business Manager, entered into separate Management Agreements with respect to each Inland Diversified multi-family property pursuant to which Community Property Management Corp. will provide property management services following the closing of the merger in order to assist in the transition of the management of such properties to Kite Realty in exchange for a market-based monthly management fee based on a percentage of the gross revenues of the properties under management. These Management Agreements each have an initial term of 90 days following the closing of the merger and provide for automatic 30-day renewal periods until either party gives notice of non-renewal. These Management Agreements each terminate automatically upon the termination of the merger agreement, and may be terminated by Kite Realty OP immediately upon notice of termination if there is a sale or other disposition of the property under management, or upon 30 days' notice of non-renewal.



Table of Contents**COMPARATIVE STOCK PRICES AND DIVIDENDS**

Kite Realty's common shares are traded on the NYSE under the symbol "KRG." The following table presents trading information for Kite Realty's common shares on February 7, 2014, the last trading day before the execution of the merger agreement, and April 28, 2014, the latest practicable trading day before the date of this joint proxy statement/prospectus.

Date	Kite Realty Common Shares		
	High	Low	Close
February 7, 2014	\$ 6.20	\$ 6.06	\$ 6.15
April 28, 2014	\$ 6.21	\$ 6.09	\$ 6.20

Inland Diversified's common stock is not currently listed on any national securities exchange or quoted in the over-the-counter market. There is no established public trading market for Inland Diversified's common stock.

In addition, for illustrative purposes, the following table provides Inland Diversified equivalent per share information on each of the specified dates. Inland Diversified equivalent per share amounts are calculated by multiplying Kite Realty per share amounts by the applicable exchange ratio, which will be determined based on the volume-weighted average trading price of Kite Realty common shares for the 10 consecutive trading days ending on the third trading day immediately preceding Inland Diversified's stockholder meeting with respect to the approval of the merger and the other transactions contemplated by the merger agreement, but cannot be higher than 1.707 or lower than 1.650. If the average trading price is:

equal to or less than \$6.36, the exchange ratio will equal 1.707;

between \$6.36 and \$6.58, the exchange ratio will equal \$10.85 divided by the average trading price; and

\$6.58 or greater, the exchange ratio will equal 1.650.

Date	Kite Realty Common Shares			Inland Diversified Equivalent Per Share		
	High	Low	Close	High	Low	Close
February 7, 2014	\$ 6.20	\$ 6.06	\$ 6.15	\$ 10.58	\$ 10.34	\$ 10.50
April 28, 2014	\$ 6.21	\$ 6.09	\$ 6.20	\$ 10.60	\$ 10.40	\$ 10.58

Table of Contents**Market Prices and Dividend Data**

The following tables set forth the high and low sales prices of Kite Realty common shares as reported on the NYSE, and the quarterly cash dividends declared per share, for each of the quarterly periods indicated.

	High	Low	Dividend
<b>2011</b>			
First Quarter	\$ 5.70	\$ 4.70	\$ 0.06
Second Quarter	5.43	4.54	0.06
Third Quarter	5.08	3.53	0.06
Fourth Quarter	4.77	3.19	0.06
<b>2012</b>			
First Quarter	\$ 5.62	\$ 4.49	\$ 0.06
Second Quarter	5.54	3.81	0.06
Third Quarter	5.40	4.84	0.06
Fourth Quarter	5.69	4.48	0.06
<b>2013</b>			
First Quarter	\$ 6.91	\$ 5.47	\$ 0.06
Second Quarter	6.87	5.27	0.06
Third Quarter	6.19	5.52	0.06
Fourth Quarter	6.87	5.88	0.06
<b>2014</b>			
First Quarter	\$ 6.57	\$ 5.80	\$ 0.065

Although the exchange ratio will be adjusted for changes in the market price of Kite Realty common shares, subject to the maximum and minimum exchange ratios described above, the market value of the Kite Realty common shares that holders of Inland Diversified common stock will have the right to receive on the date the merger is completed may vary significantly from the market value of the Kite Realty common shares that holders of Inland Diversified common stock would receive if the merger were completed on the date of this joint proxy statement/prospectus. As a result, you should obtain recent market prices of Kite Realty common shares prior to voting your shares. See "Risk Factors Risks Related to the Merger" beginning on page 32.

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**DESCRIPTION OF CAPITAL SHARES**

The following is a summary of some of the terms of Kite Realty's capital shares, the Kite Realty declaration of trust, Kite Realty's amended and restated bylaws, as amended, and certain provisions of the Maryland statute governing real estate investment trusts formed under the laws of that state, which we refer to as the Maryland REIT law. You should read the Kite Realty declaration of trust and the Kite Realty bylaws and the applicable provisions of Maryland law for complete information on Kite Realty's capital shares. The following summary is not complete and is subject to, and qualified in its entirety by reference to, the provisions of the Kite Realty declaration of trust and bylaws. To obtain copies of these documents, see "Where You Can Find More Information and Incorporation by Reference" beginning on page 32.

The description of Kite Realty capital shares in this section applies to the capital shares of the Combined Company after the merger. For additional information, see "Comparison of Rights of Shareholders of Kite Realty and Stockholders of Inland Diversified" beginning on page 196.

**Shares Authorized**

Kite Realty's authorized capital shares currently consists of 200,000,000 common shares of beneficial interest, par value \$0.01 per share, and 40,000,000 preferred shares of beneficial interest, par value \$0.01 per share. If the proposal to approve the Kite Realty declaration of trust amendment is approved by the holders of two-thirds of the outstanding Kite Realty common shares, the authorized capital shares of Kite Realty will consist of 450,000,000 common shares and 40,000,000 preferred shares.

**Shares Outstanding**

As of April 24, 2014, Kite Realty had 131,527,053 common shares issued and outstanding. Kite Realty has reserved 1,960,057 common shares for issuance under Kite Realty's dividend reinvestment and share purchase plan. Upon consummation of the merger, the Combined Company is expected to have between 325.9 million and 332.6 million common shares issued and outstanding.

As of April 24, 2014, Kite Realty had 4,100,000 of its Series A Preferred Shares issued and outstanding.

**Common Shares**

***Voting Rights***

Subject to the provisions of the Kite Realty declaration of trust regarding restrictions on the transfer and ownership of shares of beneficial interest, each outstanding Kite Realty common share entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of trustees, and the holders of such common shares will possess the exclusive voting power. There is no cumulative voting in the election of trustees, which means that the holders of a plurality of the outstanding common shares, voting as a single class, can elect all of the trustees then standing for election.

Under the Maryland REIT law, a Maryland REIT generally cannot amend its declaration of trust or merge unless recommended by its board of trustees and approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all the votes entitled to be cast on the matter) is set forth in the REIT's declaration of trust. The Kite Realty declaration of trust provides for approval by a majority of all votes entitled to be cast on all other matters in all situations permitting or requiring action by shareholders except with respect to amendments to the declaration of trust (which requires two-thirds of all the votes entitled to be cast), the election of trustees (which requires a plurality of all

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the votes cast at a meeting of Kite Realty shareholders at which a quorum is present), dissolution (which requires two-thirds of all the votes entitled to be cast) and removal of trustees (which requires two-thirds of all the votes entitled to be cast). The Kite Realty declaration of trust permits Kite Realty's trustees to amend the Kite Realty declaration of trust from time to time to qualify as a REIT under the Code or the Maryland REIT law, without the affirmative vote or written consent of the shareholders.

***Dividends, Liquidation and Other Rights***

Holders of Kite Realty common shares are entitled to receive dividends when, as and if declared by the Kite Realty Board out of assets legally available for the payment of dividends. They also are entitled to share ratably in Kite Realty's assets legally available for distribution to Kite Realty shareholders in the event of Kite Realty's liquidation, dissolution or winding up, after payment of or adequate provision for all of its known debts and liabilities. These rights are subject to the preferential rights of any other class or series of Kite Realty's shares and to the provisions of the Kite Realty declaration of trust regarding the restrictions on ownership and transfer of shares.

Holders of Kite Realty common shares have no preference, conversion, exchange, sinking fund, redemption or appraisal rights and have no preemptive rights to subscribe for any of its securities. Subject to the restrictions on transfer of shares contained in the Kite Realty declaration of trust and to the ability of the Kite Realty Board to create common shares with differing voting rights, all common shares have equal dividend, liquidation and other rights.

Kite Realty common shares are subject to the restrictions on ownership and transfer designed to preserve Kite Realty's qualification as a REIT for U.S. federal income tax purposes. See "Restrictions on Ownership and Transfer" below.

**Power to Classify and Reclassify Shares and Issue Additional Common Shares or Preferred Shares**

The Kite Realty declaration of trust authorizes the Kite Realty Board to classify any unissued preferred shares and to reclassify any previously classified but unissued common shares and preferred shares of any series from time to time in one or more series, as authorized by the Kite Realty Board. Prior to issuance of shares of each class or series, the Kite Realty Board is required by the Maryland REIT law and the Kite Realty declaration of trust to set for each such class or series, subject to the provisions of the Kite Realty declaration of trust regarding the restrictions on transfer of shares of beneficial interest, the terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each such class or series. As a result, the Kite Realty Board could authorize the issuance of preferred shares that have priority over the common shares with respect to dividends and rights upon liquidation and with other terms and conditions that could have the effect of delaying, deterring or preventing a transaction or a change in control that might involve a premium price for holders of common shares or otherwise might be in their best interest. As of April 24, 2014, 4,100,000 Series A Preferred Shares were outstanding, which have priority over the common shares with respect to dividends and rights upon liquidation, among other preferences.

To permit Kite Realty increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise, the Kite Realty declaration of trust allows Kite Realty to issue additional common shares or preferred shares and to classify or reclassify unissued common shares or preferred shares and thereafter to issue the classified or reclassified shares without shareholder approval, unless shareholder approval is required by applicable law or the rules of any stock exchange or automated quotation system on which Kite Realty securities may be listed or traded. Although Kite Realty has no present intention of doing so, it could issue a class or series of shares that

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could delay, deter or prevent a transaction or a change in control that might involve a premium price for holders of common shares or might otherwise be in their best interests.

Holders of Kite Realty common shares do not have preemptive rights, which means they have no right to acquire any additional shares that Kite Realty may issue at a subsequent date.

**Certain Provisions of Maryland Law and the Kite Realty Declaration of Trust and Bylaws**

The following description of certain provisions of Maryland law and of the Kite Realty declaration of trust and bylaws is only a summary. For a complete description, we refer you to the applicable Maryland law, the Kite Realty declaration of trust and bylaws.

***Number of Trustees; Vacancies***

The Kite Realty declaration of trust and bylaws provide that the number of Kite Realty trustees will be established by a vote of a majority of the members of the Kite Realty Board. The Kite Realty Board currently consists of eight trustees. The Kite Realty bylaws provide that any vacancy, including a vacancy created by an increase in the number of trustees, may be filled only by a vote of a majority of the remaining trustees, even if the remaining trustees do not constitute a quorum. Pursuant to the Kite Realty declaration of trust, each of the Kite Realty trustees is elected by Kite Realty shareholders to serve until the next annual meeting and until their successors are duly elected and qualify. Under Maryland law, the Kite Realty Board may elect, without shareholder approval, to create staggered terms for its members.

The Kite Realty bylaws provide that at least a majority of Kite Realty trustees will be "independent," with independence being defined in the manner established by the Kite Realty Board and in a manner consistent with listing standards established by the NYSE.

***Removal of Trustees***

The Kite Realty declaration of trust provides that a trustee may be removed only with cause and only upon the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of trustees. Absent removal of all of the Kite Realty trustees, this provision, when coupled with the provision in the Kite Realty bylaws authorizing the Kite Realty Board to fill vacant trusteeships, may preclude shareholders from removing incumbent trustees and filling the vacancies created by such removal with their own nominees.

***Business Combinations***

The Kite Realty Board has approved a resolution that exempts Kite Realty from the provisions of the Maryland business combination statute described below but may opt to make these provisions applicable to Kite Realty in the future. Maryland law prohibits "business combinations" between Kite Realty and an interested shareholder or an affiliate of an interested shareholder for five years after the most recent date on which the interested shareholder becomes an interested shareholder. These business combinations include a merger, consolidation, share exchange, or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities. Maryland law defines an interested shareholder as:

any person who beneficially owns 10% or more of the voting power of Kite Realty common shares; or

an affiliate or associate of Kite Realty's who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of Kite Realty's then outstanding voting shares.

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A person is not an interested shareholder if the Kite Realty Board approves in advance the transaction by which the person otherwise would have become an interested shareholder. However, in approving a transaction, the Kite Realty Board may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the Kite Realty Board.

After the five-year prohibition, any business combination between Kite Realty and an interested shareholder generally must be recommended by the Kite Realty Board and approved by the affirmative vote of at least:

80% of the votes entitled to be cast by holders of Kite Realty's then outstanding shares of beneficial interest; and

two-thirds of the votes entitled to be cast by holders of Kite Realty's voting shares other than shares held by the interested shareholder with whom or with whose affiliate the business combination is to be effected or shares held by an affiliate or associate of the interested shareholder.

These super-majority vote requirements do not apply if Kite Realty's common shareholders receive a minimum price, as described under Maryland law, for their shares in the form of cash or other consideration in the same form as previously paid by the interested shareholder for its shares.

The statute permits various exemptions from its provisions, including business combinations that are approved by the Kite Realty Board before the time that the interested shareholder becomes an interested shareholder.

***Control Share Acquisitions***

The Kite Realty bylaws contain a provision exempting any and all acquisitions of Kite Realty common shares from the control shares provisions of Maryland law. However, the Kite Realty Board may opt to make these provisions applicable to Kite Realty at any time by amending or repealing this provision in the future, and may do so on a retroactive basis. Maryland law provides that "control shares" of a Maryland REIT acquired in a "control share acquisition" have no voting rights unless approved by a vote of two-thirds of the votes entitled to be cast on the matter. Shares owned by the acquirer or by officers or trustees who are Kite Realty's employees are excluded from the shares entitled to vote on the matter. "Control shares" are issued and outstanding voting shares that, if aggregated with all other shares previously acquired by the acquiring person, or in respect of which the acquiring person is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiring person to exercise or direct the exercise of the voting power in electing trustees within one of the following ranges of voting power:

one-tenth or more but less than one-third;

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

a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A "control share acquisition" means the acquisition of control shares subject to certain exceptions.

A person who has made or proposes to make a control share acquisition may compel the Kite Realty Board to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. The right to compel the calling of a special meeting is subject to the satisfaction of certain conditions, including an undertaking to pay the expenses of the special meeting. If no request for a special meeting is made, Kite Realty may present the question at any shareholders' meeting.

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If voting rights are not approved at the shareholders' meeting or if the acquiring person does not deliver the statement required by Maryland law, then, subject to certain conditions and limitations, Kite Realty may redeem any or all of the control shares, except those for which voting rights have previously been approved, for fair value. Fair value is determined without regard to the absence of voting rights for the control shares and as of the date of the last control share acquisition or of any meeting of shareholders at which the voting rights of the shares were considered and not approved. If voting rights for control shares are approved at a shareholders' meeting, the acquirer may then vote a majority of the shares entitled to vote, and all other shareholders may exercise appraisal rights. The fair value of the shares for purposes of these appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition. The control share acquisition statute does not apply to shares acquired in a merger, consolidation or share exchange if Kite Realty is a party to the transaction or to acquisitions approved by or exempted by the Kite Realty declaration of trust or bylaws, nor does it apply to any acquisition by any person of shares of beneficial interest of Kite Realty so long as the bylaw provision exempting any and all acquisitions of Kite Realty common shares from the control shares provisions of Maryland law remains in place.

***Merger, Amendment of Declaration of Trust***

Under the Maryland REIT law, a Maryland REIT generally cannot dissolve, amend its declaration of trust or merge with another entity unless recommended by the board of trustees and approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage, but not less than a majority of all the votes entitled to be cast on the matter, is set forth in the REIT's declaration of trust. Under the Kite Realty declaration of trust, Kite Realty cannot dissolve or merge with another entity without the affirmative vote of the holders of two-thirds of the votes entitled to be cast on the matter. The Kite Realty declaration of trust, including its provisions on removal of trustees, may be amended only by the affirmative vote of the holders of two-thirds of the votes entitled to be cast on the matter. Under the Maryland REIT law and the Kite Realty declaration of trust, Kite Realty trustees are permitted, without any action by Kite Realty shareholders, to amend the Kite Realty declaration of trust from time to time to qualify as a REIT under the Code or the Maryland REIT law without the affirmative vote or written consent of the Kite Realty shareholders.

***Limitation of Liability and Indemnification***

The Kite Realty declaration of trust limits the liability of Kite Realty trustees and officers for money damages, except for liability resulting from:

actual receipt of an improper benefit or profit in money, property or services; or

a final judgment based upon a finding of active and deliberate dishonesty by the trustee that was material to the cause of action adjudicated.

The Kite Realty declaration of trust authorizes Kite Realty, to the maximum extent permitted by Maryland law, to indemnify, and to pay or reimburse reasonable expenses to, any of Kite Realty's present or former trustees or officers or any individual who, while a trustee or officer and at Kite Realty's request, serves or has served another entity, employee benefit plan or any other enterprise as a trustee, director, officer, partner or otherwise. The indemnification covers any claim or liability against the person. The Kite Realty declaration of trust and bylaws require Kite Realty, to the maximum extent permitted by Maryland law, to indemnify each present or former trustee or officer who is made a party to a proceeding by reason of his or her service to Kite Realty.

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Maryland law will permit Kite Realty to indemnify its present and former trustees and officers against liabilities and reasonable expenses actually incurred by them in any proceeding unless:

the act or omission of the trustee or officer was material to the matter giving rise to the proceeding; and was committed in bad faith;

was the result of active and deliberate dishonesty;

the trustee or officer actually received an improper personal benefit in money, property or services; or

in a criminal proceeding, the trustee or officer had reasonable cause to believe that the act or omission was unlawful.

In addition, Maryland law will prohibit Kite Realty from indemnifying Kite Realty's present and former trustees and officers for an adverse judgment in an action by Kite Realty or in a derivative action or if the trustee or officer was adjudged to be liable for an improper personal benefit. The Kite Realty bylaws and Maryland law require Kite Realty, as a condition to advancing expenses in certain circumstances, to obtain:

a written affirmation by the trustee or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification; and

a written undertaking to repay the amount reimbursed if the standard of conduct is not met.

In addition, Kite Realty has entered into indemnification agreements with each of its trustees and executive officers that provide for indemnification to the maximum extent permitted by Maryland law.

***Operations***

Kite Realty generally is prohibited from engaging in certain activities, including acquiring or holding property or engaging in any activity that would cause it to fail to qualify as a REIT.

***Term and Termination***

The Kite Realty declaration of trust provides for Kite Realty to have a perpetual existence. Pursuant to the Kite Realty declaration of trust, and subject to the provisions of any of Kite Realty's classes or series of shares of beneficial interest then outstanding and the approval by a majority of the entire Kite Realty Board, the Kite Realty shareholders, at any meeting thereof, by the affirmative vote of at least two-thirds of all of the votes entitled to be cast on the matter, may approve a plan of liquidation and dissolution.

***Meetings of Shareholders***

Under the Kite Realty bylaws, annual meetings of shareholders are to be held each year between April 15 and May 15 at a date and time as determined by the Kite Realty Board. Special meetings of shareholders may be called by a majority of the trustees then in office, by the chairman of the Kite Realty Board, Kite Realty's president, Kite Realty's chief executive officer or upon the written request of Kite Realty shareholders entitled to cast at least a majority of all votes entitled to be cast at such meeting. Only matters set forth in the notice of the special meeting may be considered and acted upon at such a meeting. The Kite Realty bylaws provide that any action required or permitted to be taken at a meeting of shareholders may be taken without a meeting by unanimous written consent, if that consent sets forth that action and is signed by each shareholder entitled to vote on the matter.



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***Advance Notice of Trustee Nominations and New Business***

The Kite Realty bylaws provide that, with respect to an annual meeting of shareholders, nominations of persons for election to the Kite Realty Board and the proposal of business to be considered by shareholders at the annual meeting may be made only:

pursuant to Kite Realty's notice of the meeting;

by the Kite Realty Board; or

by a shareholder who was a shareholder of record both at the time of the provision of notice and at the time of the meeting who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in the Kite Realty bylaws.

With respect to special meetings of shareholders, only the business specified in Kite Realty's notice of meeting may be brought before the meeting of shareholders and nominations of persons for election to the Kite Realty Board may be made only:

pursuant to Kite Realty's notice of the meeting;

by the Kite Realty Board; or

provided that the Kite Realty Board has determined that trustees shall be elected at such meeting, by a shareholder who was a shareholder of record both at the time of the provision of notice and at the time of the meeting who is entitled to vote at the meeting and has complied with the advance notice provisions set forth in the Kite Realty bylaws.

The purpose of requiring shareholders to give advance notice of nominations and other proposals is to afford the Kite Realty Board the opportunity to consider the qualifications of the proposed nominees or the advisability of the other proposals and, to the extent considered necessary by the Kite Realty Board, to inform shareholders and make recommendations regarding the nominations or other proposals. The advance notice procedures also permit a more orderly procedure for conducting Kite Realty's shareholder meetings. Although the Kite Realty bylaws do not give the Kite Realty Board the power to disapprove timely shareholder nominations and proposals, they may have the effect of precluding a contest for the election of trustees or proposals for other action if the proper procedures are not followed, and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of trustees to the Kite Realty Board or to approve its own proposal.

***Possible Anti-Takeover Effect of Certain Provisions of Maryland Law and of the Kite Realty Declaration of Trust and Bylaws***

The business combination provisions of Maryland law (if the Kite Realty Board opts to make them applicable to Kite Realty), the control share acquisition provisions of Maryland law (if the applicable provision in the Kite Realty bylaws is rescinded), the limitations on removal of trustees, the restrictions on the acquisition of Kite Realty's shares of beneficial interest, the power to issue additional common shares or preferred shares and the advance notice provisions of the Kite Realty bylaws could have the effect of delaying, deterring or preventing a transaction or a change in the control that might involve a premium price for holders of the common shares or might otherwise be in their best interest. The "unsolicited takeovers" provisions of Maryland law permit the Kite Realty Board, without shareholder approval and regardless of what is provided in the Kite Realty declaration of trust or bylaws, to implement takeover defenses that Kite Realty may not yet have.

**Restrictions on Ownership and Transfer**

In order to qualify as a REIT under the Code, Kite Realty's shares must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate



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part of a shorter taxable year. Also, no more than 50% of the value of Kite Realty's outstanding shares (after taking into account options to acquire shares) may be owned, directly, indirectly, or through attribution, by five or fewer individuals (as defined in the Code to include certain entities).

Because the Kite Realty Board believes that it is essential for Kite Realty to qualify as a REIT and for anti-takeover reasons, the Kite Realty declaration of trust, subject to certain exceptions, contain restrictions on the number of Kite Realty's shares of beneficial interest that a person may own. The Kite Realty declaration of trust provides that:

no person, other than an excepted holder or a designated investment entity (each as defined in the Kite Realty declaration of trust), may own directly, or be deemed to own by virtue of the attribution provisions of the Code, more than 7%, in value or number of shares, whichever is more restrictive, of Kite Realty's issued and outstanding common shares;

no person may own directly or indirectly, or be deemed to own through attribution, more than 9.8% in number or value or any class of series of preferred shares;

no excepted holder, which means Alvin E. Kite, Jr., John A. Kite and Paul W. Kite, their family members and certain entities controlled by them, may currently acquire or hold, directly or indirectly, shares in excess of 21.5% in number or value, whichever is more restrictive, of Kite Realty's issued and outstanding common shares after application of the relevant attribution rules;

no designated investment entity may acquire or hold, directly or indirectly (or through attribution), shares in excess of the designated investment entity limit of 9.8%, in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of shares;

no person shall beneficially own shares that would result in Kite Realty otherwise failing to qualify as a REIT (including but not limited to ownership that would result in Kite Realty owning (directly or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by Kite Realty (either directly or indirectly through one or more partnerships or limited liability companies) from such tenant would cause Kite Realty to fail to satisfy any of the gross income requirements of Section 856(c) of the Code);

no person shall beneficially or constructively own Kite Realty's shares of beneficial interest that would result in Kite Realty being "closely held" under Section 856(h) of the Code or otherwise cause Kite Realty to fail to qualify as a REIT; and

no person shall transfer Kite Realty's shares of beneficial interest if such transfer would result in Kite Realty's shares of beneficial interest being owned by fewer than 100 persons.

The Kite Realty declaration of trust defines a "designated investment entity" as:

1. an entity that is a pension trust that qualifies for look-through treatment under Section 856(h)(3) of the Code;
2. an entity that qualifies as a regulated investment company under Section 851 of the Code; or
3. an entity that (i) for compensation engages in the business of advising others as to the value of securities or as to the advisability of investing in, purchasing, or selling securities; (ii) purchases securities in the ordinary course of its business and not with the purpose or effect of changing or influencing control of Kite Realty, nor in connection with or as a participant in any transaction having such purpose or effect, including any transaction subject to Rule 13d-3(b) of the Exchange Act; and (iii) has or shares voting power and investment power within the meaning of Rule 13d-3(a) under the Exchange Act; so long as each



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beneficial owner of such entity, or in the case of an investment management company, the individual account holders of the accounts managed by such entity, would satisfy the 7% ownership limit on common shares or the 9.8% ownership limit on preferred shares if such beneficial owner or account holder owned directly its proportionate share of the shares held by the entity.

The Kite Realty Board may waive the 7% ownership limit for common shares, the 9.8% ownership limit for preferred shares, or the 9.8% designated investment entity limit, for a shareholder that is not an individual if such shareholder provides information and makes representations to the board that are satisfactory to the board, in its reasonable discretion, to establish that such person's ownership in excess of the 7% limit for common shares, the 9.8% limit for preferred shares or the 9.8% designated investment entity limit, as applicable, would not jeopardize Kite Realty's qualification as a REIT.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of Kite Realty's shares that will or may violate any of the foregoing restrictions on transferability and ownership will be required to give written notice immediately to Kite Realty and provide the company with such other information as Kite Realty may request in order to determine the effect of such transfer on Kite Realty's status as a REIT. If any transfer of shares or any other event would otherwise result in any person violating the ownership limits described above, then the Kite Realty declaration of trust provides that (a) the transfer will be void and of no force or effect with respect to the prohibited transferee with respect to that number of shares that exceeds the ownership limits and (b) the prohibited transferee would not acquire any right or interest in the shares. The foregoing restrictions on transferability and ownership will not apply if the Kite Realty Board determines that it is no longer in Kite Realty's best interests to attempt to qualify, or to continue to qualify, as a REIT.

All certificates representing Kite Realty's shares will bear a legend referring to the restrictions described above.

Every owner of more than 5% (or such lower percentage as required by the Code or the regulations promulgated thereunder) of all classes or series of Kite Realty's shares, including common shares, will be required to give written notice to Kite Realty within 30 days after the end of each taxable year stating the name and address of such owner, the number of shares of each class and series of shares that the owner beneficially owns and a description of the manner in which such shares are held. Each such owner shall provide to Kite Realty such additional information as the company may request in order to determine the effect, if any, of such beneficial ownership on Kite Realty's status as a REIT and to ensure compliance with the ownership limitations. In addition, each shareholder shall upon demand be required to provide to Kite Realty such information as the company may request, in good faith, in order to determine Kite Realty's status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

These ownership limitations could delay, deter or prevent a transaction or a change in control that might involve a premium price for the common shares or might otherwise be in the best interest of Kite Realty's shareholders.

**REIT Qualification**

The Kite Realty declaration of trust provides that the Kite Realty Board may revoke or otherwise terminate its REIT election, without approval of Kite Realty's shareholders, if it determines that it is no longer in Kite Realty's best interests to attempt to qualify, or continue to qualify, as a REIT.

**Transfer Agent**

The registrar and transfer agent for the Kite Realty common shares is Broadridge Financial Solutions, Inc.

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**COMPARISON OF RIGHTS OF SHAREHOLDERS OF KITE REALTY AND STOCKHOLDERS OF INLAND DIVERSIFIED**

If the merger is consummated, stockholders of Inland Diversified will become shareholders of Kite Realty. The rights of Inland Diversified stockholders are currently governed by and subject to the provisions of the MGCL and the charter and bylaws of Inland Diversified. Upon consummation of the merger, the rights of the former Inland Diversified stockholders who receive Kite Realty common shares will be governed by the Maryland REIT law and the Kite Realty declaration of trust and Kite Realty bylaws, rather than the charter and bylaws of Inland Diversified.

The following is a summary of the material differences between the rights of holders of Kite Realty common shares and holders of Inland Diversified common stock, but does not purport to be a complete description of those differences or a complete description of the terms of the Kite Realty common shares subject to issuance in connection with the merger. The following summary is qualified in its entirety by reference to the relevant provisions of: (i) Maryland law; (ii) the Kite Realty declaration of trust; (iii) the Inland Diversified charter; (iv) the Kite Realty bylaws; and (v) the Inland Diversified bylaws.

This section does not include a complete description of all differences between the rights of holders of Kite Realty common shares and holders of Inland Diversified common stock, nor does it include a complete description of the specific rights of such holders. Furthermore, the identification of some of the differences in the rights of such holders as material is not intended to indicate that other differences that may be equally important do not exist. You are urged to read carefully the relevant provisions of Maryland law, as well as the governing corporate instruments of each of Kite Realty and Inland Diversified, copies of which are available, without charge, to any person, including any beneficial owner to whom this joint proxy statement/prospectus is delivered, by following the instructions listed under "Where You Can Find More Information and Incorporation by Reference."

	<b>Rights of Kite Realty Shareholders (which will be the rights of shareholders of the Combined Company following the merger)</b>	<b>Rights of Inland Diversified Stockholders</b>
<b>Corporate Governance</b>	<p>Kite Realty is a Maryland REIT.</p> <p>The rights of Kite Realty shareholders are governed by the Maryland REIT law, the Kite Realty declaration of trust and the Kite Realty bylaws.</p>	<p>Inland Diversified is a Maryland corporation that has elected to be treated as a real estate investment trust for federal income tax purposes.</p> <p>The rights of Inland Diversified stockholders are governed by the MGCL, the Inland Diversified charter and the Inland Diversified bylaws.</p>
<b>Authorized Capital Stock</b>	<p>Kite Realty is currently authorized to issue an aggregate of 200,000,000 common shares of beneficial interest, par value \$0.01 per share, and 40,000,000 preferred shares of beneficial interest, par value \$0.01 per share. If the proposal to approve the Kite Realty declaration of trust amendment is approved by the holders of two-thirds of the outstanding Kite Realty common shares, the authorized capital stock of Kite Realty will consist of 450,000,000 common shares, and 40,000,000 preferred shares.</p> <p>As of April 24, 2014, Kite Realty had 131,527,053 common shares issued and outstanding and 4,100,000 preferred shares issued and outstanding. Kite Realty has reserved 1,960,057 common shares for issuance under Kite Realty's dividend reinvestment and share purchase plan.</p>	<p>Inland Diversified is currently authorized to issue an aggregate of 2,460,000,000 shares of common stock, par value \$.001 per share, and 40,000,000 shares of preferred stock, \$.001 par value per share.</p> <p>As of April 24, 2014, Inland Diversified had 117,809,586 shares of common stock issued and outstanding and no preferred shares issued and outstanding.</p>

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	<b>Rights of Kite Realty Shareholders (which will be the rights of shareholders of the Combined Company following the merger)</b>	<b>Rights of Inland Diversified Stockholders</b>
<b>Voting Rights</b>	Subject to the provisions of the Kite Realty declaration of trust regarding restrictions on the transfer and ownership of shares of beneficial interest, each outstanding common share entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of trustees. A plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a trustee. Each share may be voted for as many individuals as there are trustees to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to approve any other matter which may properly come before the meeting, unless a higher vote is required by statute or by the bylaws or declaration of trust. Unless otherwise provided in the declaration of trust, each outstanding share, regardless of class, shall be entitled to vote on each matter submitted to a vote at a meeting of shareholders.	Subject to the provisions of the Inland Diversified charter regarding restrictions on the transfer and ownership of shares of stock, each outstanding share of common stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of the directors. The holders of a majority of shares of common stock present in person or by proxy at an annual meeting of stockholders at which a quorum is present may, without the necessity for concurrence by the Inland Diversified Board, vote to elect a director. Each share may be voted for as many individuals as there are directors to be elected and for whose election the share is entitled to be voted. A majority of the votes cast at a meeting of stockholders, duly called and at which a quorum is present, shall be sufficient to approve any other matter which may properly come before the meeting, unless more than a majority of the votes cast is required by applicable law or by the charter. Unless otherwise provided by statute or by the charter, each outstanding share, regardless of class, shall be entitled to vote on each matter submitted to a vote at a meeting of stockholders.
<b>Cumulative Voting</b>	Holders of Kite Realty stock do not have the right to cumulate their votes with respect to the election of trustees.	Inland Diversified stockholders having voting power are not entitled to exercise cumulative voting rights.
<b>Size of the Board of Trustees</b>	The number of trustees may be established by a vote of a majority of the members of the Kite Realty Board. Currently, the Kite Realty Board consists of eight trustees.	The number of directors may be established or increased or decreased from time to time by a vote of a majority of the entire Inland Diversified Board. Currently, the Inland Diversified Board consists of seven directors.
<b>Independent Trustees</b>	Upon completion of the merger, the board of trustees of the Combined Company will be increased to nine trustees. At least a majority of trustees on the Kite Realty Board must be independent trustees.	At least a majority of the directors on the Inland Diversified Board must be independent directors.
<b>Classified Board and Term of Trustees</b>	The Kite Realty Board is not classified.	The Inland Diversified Board is not classified.
<b>Election of Trustees</b>	The trustees of Kite Realty hold office for a term expiring at the next annual meeting and until their successors are duly elected and qualified. A plurality of all the votes cast at a meeting of shareholders duly called and at which a quorum is present shall be sufficient to elect a trustee.	The directors of Inland Diversified hold office for a term expiring at the next annual meeting and until their successors are duly elected and qualified. The holders of a majority of the shares of stock of Inland Diversified present in person or by proxy at an annual meeting at which a quorum is present may, without the necessity for concurrence by the Inland Diversified Board, vote to elect a director.
<b>Removal of Trustees</b>	A trustee may be removed only with cause and only upon the affirmative vote of at least two-thirds of the votes entitled to be cast in the election of trustees.	The stockholders may remove any director with or without cause by the affirmative vote of the holders of not less than a majority of the outstanding shares entitled to vote generally in the election of directors in the manner provided in the Inland Diversified charter.

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<b>Filling Vacancies of Trustees</b>	<p style="text-align: center;"><b>Rights of Kite Realty Shareholders (which will be the rights of shareholders of the Combined Company following the merger)</b></p> <p>Any vacancy (including a vacancy created by an increase in the number of trustees) may be filled by a majority of the trustees, even if the remaining trustees do not constitute a quorum. Any individual so elected as trustee shall hold office for the unexpired term of the trustee he or she is replacing and until a successor is elected and qualified.</p>	<p style="text-align: center;"><b>Rights of Inland Diversified Stockholders</b></p> <p>Vacancies resulting from the removal of a director by the stockholders may be filled by the stockholders by the affirmative vote of a majority of the shares of outstanding stock, present in person or by proxy at a meeting of stockholders at which a quorum is present and entitled to vote. Any vacancy on the Inland Diversified Board for any cause other than an increase in the number of directors or the removal of a director by the stockholders shall be filled by a majority of the remaining directors, even if such majority is less than a quorum; any vacancy in the number of directors created by an increase in the number of directors may be filled by a majority vote of the entire Inland Diversified Board; and any individual so elected as director shall serve until the next annual meeting of stockholders and until his or her successor is elected and qualifies.</p>
<b>Amendment of the Kite Realty Declaration of Trust and the Inland Diversified Charter</b>	<p>The Kite Realty declaration of trust, including its provisions on removal of trustees, may be amended only by the affirmative vote of the holders of two-thirds of the votes entitled to be cast on the matter. Under the Maryland REIT law and Kite Realty's declaration of trust, Kite Realty's trustees are permitted, without any action by Kite Realty's shareholders, to amend the declaration of trust from time to time to qualify as a REIT under the Code or the Maryland REIT law without the affirmative vote or written consent of the shareholders.</p>	<p>The Inland Diversified charter may be amended only by the affirmative vote of the holders of a majority of the then outstanding voting shares of common stock. The Inland Diversified directors may amend the charter, without any action by Inland Diversified's stockholders, with respect to any amendments permitted to be made without stockholder approval under Maryland law or by specific provision in the charter.</p>
<b>Bylaw Amendments</b>	<p>The Kite Realty Board has the exclusive power to adopt, alter or repeal any provision of the bylaws and to make new bylaws.</p>	<p>The Inland Diversified Board has the exclusive power, by a majority vote of directors present at any regular meeting or at any special meeting to adopt, alter or repeal any provision of the bylaws and to make new bylaws.</p>
<b>Merger, Consolidations or Sales of Substantially All Assets</b>	<p>Under Maryland REIT law, a Maryland REIT generally cannot dissolve or merge with another entity unless recommended by the board of trustees and approved by the affirmative vote of shareholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage, but not less than a majority of all the votes entitled to be cast on the matter, is set forth in the REIT's declaration of trust. The Kite Realty declaration of trust provides that Kite Realty cannot dissolve or merge with another entity without the affirmative vote of the holders of two-thirds of the votes entitled to be cast on the matter.</p>	<p>Under the MGCL, a Maryland corporation generally cannot dissolve, merger, consolidate, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless declared advisable by its board of directors and approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but no less than a majority of all the votes entitled to be cast on the matter) is set forth in the corporation's charter. The Inland Diversified charter provides that the Inland Diversified Board may not without the approval of holders of at least a majority of the outstanding voting shares of common stock (i) sell all or substantially all of Inland Diversified's assets other than in the ordinary course of Inland Diversified's business or in connection with liquidation and dissolution or as otherwise permitted by law, (ii) cause a merger, consolidation or share exchange of Inland Diversified except as permitted by law or (iii) dissolve or liquidate Inland Diversified.</p>



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<b>Ownership Limitations</b>	<b>Rights of Kite Realty Shareholders (which will be the rights of shareholders of the Combined Company following the merger)</b>	<b>Rights of Inland Diversified Stockholders</b>
	To qualify as a REIT, and for anti-takeover reasons, the Kite Realty declaration of trust, subject to certain exceptions, contains the following restrictions on the number of shares of beneficial interest that a person may own:	To qualify as a REIT, and for anti-takeover reasons, the Inland Diversified charter, subject to certain exceptions, contains the following restrictions on the number of shares of stock that a person may own:
	no person, other than an excepted holder or a designated investment entity (each as defined in the Kite Realty declaration of trust), may own directly, or be deemed to own by virtue of the attribution provisions of the Code, more than 7%, in value or number of shares, whichever is more restrictive, of our issued and outstanding common shares;	no person, other than an excepted holder (as defined in the Inland Diversified charter), may own directly or indirectly, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8%, in value or number of shares, whichever is more restrictive, of the aggregate of the outstanding shares of common stock of Inland Diversified;
	no person may own directly or indirectly, or be deemed to own through attribution, more than 9.8% in number or value or any class or series of preferred shares;	no person, other than an excepted holder, may own directly or indirectly, or be deemed to own by virtue of the attribution provisions of the Code, more than 9.8% in value of the outstanding shares of all classes or series of stock of Inland Diversified;
	no excepted holder, which means Alvin E. Kite, Jr., John A. Kite and Paul W. Kite, their family members and certain entities controlled by them, may currently acquire or hold, directly or indirectly, shares in excess of 21.5% in number or value, whichever is more restrictive, of Kite Realty's issued and outstanding common shares after application of the relevant attribution rules;	no excepted holder may own directly or indirectly, or be deemed to own by virtue of the attribution provisions of the Code, more than the percentage limit of equity stock established by the Inland Diversified Board for such excepted holder;
	no designated investment entity may acquire or hold, directly or indirectly (or through attribution), shares in excess of the designated investment entity limit of 9.8%, in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of shares;	no person may own directly or indirectly, or be deemed to own by virtue of the attribution provisions of the Code, shares of stock to the extent that such ownership would result in Inland Diversified being "closely held" within the meaning of Section 856(h) of the Code, or otherwise fail to qualify as a REIT; and
	no person shall beneficially own shares that would result in Kite Realty otherwise failing to qualify as a REIT (including but not limited to ownership that would result in the Kite Realty owning (directly or constructively) an interest in a tenant that is described in Section 856(d)(2)(B) of the Code if the income derived by Kite Realty (either directly or indirectly through one or more partnerships or limited liability companies) from such tenant would cause Kite Realty to fail to satisfy any of the gross income requirements of Section 856(c) of the Code);	no person shall transfer shares of stock if such transfer would result in Inland Diversified stock being beneficially owned by less than 100 persons.

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no person shall beneficially or constructively own Kite Realty's shares of beneficial interest that would result in Kite Realty being "closely held" under Section 856(h) of the Code or otherwise cause Kite Realty to fail to qualify as a REIT; and

no person shall transfer Kite Realty's shares of beneficial interest if such transfer would result in Kite Realty's shares of beneficial interest being owned by fewer than 100 persons.

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	<b>Rights of Kite Realty Shareholders (which will be the rights of shareholders of the Combined Company following the merger)</b>	<b>Rights of Inland Diversified Stockholders</b>
<b>Annual Meetings of the Shareholders</b>	Annual meetings of shareholders are to be held each year between April 15 and May 15 at a date and time as determined by the Kite Realty Board.	Annual meetings of stockholders shall be held on the day and time as the Inland Diversified Board may determine.
<b>Special Meetings of the Shareholders</b>	Special meetings of shareholders may be called by a majority of the trustees then in office, by the chairman of the Kite Realty Board, the president or the chief executive officer. Special meetings of shareholders may also be called by the chairman of the Kite Realty Board upon written request of shareholders holding in the aggregate not less than a majority of the outstanding shares of capital stock of Kite Realty entitled to vote at such meeting. Only matters set forth in the notice of the special meeting may be considered and acted upon at such a meeting.	Special meetings of the stockholders may be called by the chairman of the Inland Diversified Board, the chief executive officer, the president, a majority of the directors or a majority of the independent directors. Special meetings of stockholders may also be called by the secretary of Inland Diversified upon written request of stockholders holding in the aggregate not less than 10% of the outstanding shares of the capital stock of Inland Diversified entitled to vote at such meeting.
<b>Advance Notice Provisions for Shareholder Nominations and Shareholder Business Proposals</b>	The Kite Realty bylaws provide that, with respect to an annual meeting of shareholders, nominations of persons for election to the Kite Realty board of trustees and the proposal of business to be considered by shareholders at the annual meeting may be made only:  pursuant to Kite Realty's notice of meeting;  by Kite Realty's board of trustees; or  by a shareholder who was a shareholder of record both at the time of the provision of notice and at the time of the meeting who is entitled to vote at the meeting and has complied with the advance notice procedures set forth in Kite Realty's bylaws.  In general, written notice of shareholder nominations or business for an annual meeting must be delivered to the secretary of the trust no later than the close of business on the 90 <sup>th</sup> day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting nor earlier than the close of business on the 120 <sup>th</sup> day prior to the first anniversary of the date of mailing of the notice for the preceding year's annual meeting; provided, however, that in the event that the mailing of the notice for the preceding year's annual meeting, notice by the shareholder to be timely must be so delivered not earlier than the close of business on the 120 <sup>th</sup> day prior to the date of mailing of the notice for such annual meeting and not later than the close of business on the later of the 90 <sup>th</sup> day prior to the date of mailing of the notice for such annual meeting or the 10 <sup>th</sup> day following the day on which public announcement of the date of mailing of the notice for such meeting is first made by the trust.	The Inland Diversified bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to the Inland Diversified Board and the proposal of other business to be considered by the stockholders at an annual meeting of stockholders may be made only:  pursuant to Inland Diversified's notice of meeting;  by or at the direction of the Inland Diversified Board; or  by any stockholder of Inland Diversified who was a stockholder of record both at the time of the provision of notice and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who complied with the advance notice procedures set forth in Inland Diversified's bylaws.  In general, written notice of stockholder nominations or business for an annual meeting must be delivered to the secretary of Inland Diversified no later than 5:00 p.m., Central Time, on the 90 <sup>th</sup> day prior nor earlier than 5:00 p.m., Central Time, on the 120 <sup>th</sup> day prior to the first anniversary of the date of proxy statement for the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from the first anniversary of the date of the preceding year's annual meeting or if Inland Diversified has not previously held an annual meeting, notice by the stockholder to be timely must be so delivered not earlier than 5:00 p.m., Central Time, on the 120 <sup>th</sup> day prior to the annual meeting and not later than 5:00 p.m., Central Time, on the later of the 90 <sup>th</sup> day prior to the annual meeting or the 10 <sup>th</sup> day following the day on which public announcement of the date of the meeting is first made by Inland Diversified.

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<b>Notice of Shareholder Meetings</b>	<b>Rights of Kite Realty Shareholders (which will be the rights of shareholders of the Combined Company following the merger)</b> Not less than ten nor more than 90 days before each meeting of shareholders, the secretary shall give to each shareholder entitled to vote at such meeting and to each shareholder not entitled to vote who is entitled to notice of the meeting written or printed notice of the meeting. In the case of special meetings, such notice must state the purpose for which the meeting is called.	<b>Rights of Inland Diversified Stockholders</b> Not less than ten nor more than 90 days before the date of every stockholders' meeting, the secretary shall give to each stockholder entitled to vote at the meeting, and to each stockholder not entitled to vote who is entitled to notice of a meeting, a written or printed notice of the meeting. In the case of special meetings, such notice must state the purpose or purposes for which the meeting is called.
<b>State Anti-Takeover Statutes</b>	The business combination provisions of Maryland law (if Kite Realty's board of trustees opts to make them applicable to the trust), the control share acquisition provisions of Maryland law (if the applicable provision in Kite Realty's bylaws is rescinded), the limitations on removal of trustees, the restrictions on the acquisition of Kite Realty's shares of beneficial interest, the power to issue additional common shares or preferred shares and the advance notice provisions of Kite Realty's bylaws could have the effect of delaying, deterring or preventing a transaction or a change in the control that might involve a premium price for holders of the common shares or might otherwise be in their best interest. The "unsolicited takeovers" provisions of Maryland law permit Kite Realty's board of trustees, without shareholder approval and regardless of what is provided in Kite Realty's declaration of trust or bylaws, to implement takeover defenses that Kite Realty may not yet have.	The business combination provisions of Maryland law (if the Inland Diversified Board opts to make them applicable to Inland Diversified), the restrictions on the acquisition of Inland Diversified's stock, the power to issue additional shares of common stock or preferred stock and the advance notice provisions of Inland Diversified's bylaws could have the effect of delaying, deterring or preventing a transaction or a change in the control that might involve a premium price for holders of Inland Diversified stock or might otherwise be in their best interest. The "unsolicited takeovers" provisions of Maryland law permit the Inland Diversified Board, without stockholder approval and regardless of what is provided in Inland Diversified's charter or bylaws, to implement takeover defenses that Inland Diversified may not yet have.

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### **Liability and Indemnification of Trustees and Officers**

#### **Rights of Kite Realty Shareholders (which will be the rights of shareholders of the Combined Company following the merger)**

Kite Realty's declaration of trust limits the liability of its trustees and officers for money damages, except for liability resulting from:

actual receipt of an improper benefit or profit in money, property or services; or

a final judgment based upon a finding of active and deliberate dishonesty by the trustee that was material to the cause of action adjudicated.

Kite Realty's declaration of trust authorizes it, to the maximum extent permitted by Maryland law, to indemnify, and to pay or reimburse reasonable expenses to, any of Kite Realty's present or former trustees or officers or any individual who, while a trustee or officer and at Kite Realty's request, serves or has served another entity, employee benefit plan or any other enterprise as a trustee, director, officer, partner or otherwise. The indemnification covers any claim or liability against the person. Kite Realty's declaration of trust and bylaws require Kite Realty, to the maximum extent permitted by Maryland law, to indemnify each present or former trustee or officer who is made a party to a proceeding by reason of his or her service to Kite Realty.

Maryland law will permit Kite Realty to indemnify its present and former trustees and officers against liabilities and reasonable expenses actually incurred by them in any proceeding unless:

the act or omission of the trustee or officer was material to the matter giving rise to the proceeding; and was committed in bad faith;

was the result of active and deliberate dishonesty;

the trustee or officer actually received an improper personal benefit in money, property or services; or

in a criminal proceeding, the trustee or officer had reasonable cause to believe that the act or omission was unlawful.

#### **Rights of Inland Diversified Stockholders**

Inland Diversified's charter and bylaws authorize it to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay, advance or reimburse reasonable expenses in advance of final disposition of a proceeding to any of Inland Diversified's present or former directors or officers or any individual who, while a director or officer and at Inland Diversified's request, serves or has served as a director, officer, partner or trustee of another corporation, real estate investment trust, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity.

Inland Diversified's charter prohibits Inland Diversified from indemnifying any present and former director and officer against liabilities unless:

the Inland Diversified Board has determined, in good faith, that the course of conduct which caused the loss or liability was in the best interest of Inland Diversified;

such director or officer was acting on behalf of or performing services on the part of Inland Diversified;

such liability or loss was not the result of gross negligence or willful misconduct by any independent director or negligence or misconduct by any other indemnified party (as such term is defined in the charter) (excluding any independent directors of Inland Diversified); and

the indemnification is recoverable only out of the assets of Inland Diversified and not from the stockholders.

Inland Diversified's charter and bylaws prohibit Inland Diversified from indemnifying any director or officer for any losses, liabilities or expenses arising from an alleged violation of federal or state securities laws by such director or officer unless one or more of the following conditions are met: (i) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular director or officer; (ii) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the director or officer; or (iii) a court of competent jurisdiction approves a settlement of the claims and finds that indemnification of the settlement and related costs should be made and the court considering their request has been advised of the position of the SEC and the published opinions of any state securities regulatory authority in which securities of Inland

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In addition, Maryland law will prohibit Kite Realty from indemnifying its present and former trustees and officers for an adverse judgment in an action by Kite Realty or in a derivative action or if the trustee or officer was adjudged to be liable for an improper personal benefit. Kite Realty's bylaws and Maryland law require Kite Realty, as a condition to advancing expenses in certain circumstances, to obtain:

Diversified were offered and sold as to indemnification for violations of securities laws.

a written affirmation by the trustee or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification; and

a written undertaking to repay the amount reimbursed if the standard of conduct is not met.

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**Rights of Kite Realty Shareholders (which will be the rights of shareholders of the Combined Company following the merger)**

In addition, Kite Realty has entered into indemnification agreements with each of its trustees and executive officers that provide for indemnification to the maximum extent permitted by Maryland law.

**Rights of Inland Diversified Stockholders**

Inland Diversified's charter and bylaws allow Inland Diversified to advance amounts to a director or officer for legal and other expenses and costs incurred as a result of any legal action for which indemnification is being sought, and only if all of the following conditions are satisfied: (i) the legal action relates to acts or omissions with respect to the performance of duties or services by the director or officer, for or on behalf of Inland Diversified; (ii) the legal action is initiated by a third party who is not a stockholder or the legal action is initiated by a stockholder acting in his or her capacity as such and a court of competent jurisdiction specifically approves such advancement; and (iii) such director or officer receiving such advances undertakes in writing to repay the advanced funds to Inland Diversified, together with the applicable legal rate of interest thereon, in cases in which such director or officer is found not to be entitled to indemnification.

**Distributions**

Holders of Kite Realty common shares will be entitled to receive dividends when, as and if declared by the Kite Realty Board out of assets legally available for the payment of dividends. They also will be entitled to share ratably in our assets legally available for distribution to Kite Realty shareholders in the event of our liquidation, dissolution or winding up, after payment of or adequate provision for all of its known debts and liabilities. These rights will be subject to the preferential rights of any other class or series of our shares and to the provisions of the Kite Realty Articles regarding the restrictions on ownership and transfer of shares.

Subject to the MGCL provisions identifying or limiting funds legally available for distribution, Inland Diversified may pay distributions to its stockholders, as authorized from time to time by the Inland Diversified Board and declared by Inland Diversified.

Subject to any preferential rights in favor of any class or series of preferred stock, upon liquidation or dissolution of Inland Diversified, each issued and outstanding share of common stock will be entitled to participate pro rata in the assets of Inland Diversified remaining after paying, or making adequate provision for, all known debts and liabilities of Inland Diversified.

The Series A Preferred Shares rank senior to the Kite Realty common shares with respect to the payment of distributions

**Dissenters' Rights**

Holders of Kite Realty common shares are not entitled to dissenters' or appraisal rights in connection with the merger because the common shares of Kite Realty are listed on the NYSE.

Inland Diversified's charter provides that stockholders shall not be entitled to exercise any appraisal rights unless the Inland Diversified Board, upon the affirmative vote of a majority of the Inland Diversified Board, shall determine that such rights apply.

**REIT Qualification**

Kite Realty's declaration of trust provides that the board of trustees may revoke or otherwise terminate Kite Realty's REIT election, without approval of the shareholders, if it determines that it is no longer in Kite Realty's best interests to attempt to qualify, or continue to qualify, as a REIT.

Inland Diversified's charter provides that the Inland Diversified Board may revoke or otherwise terminate Inland Diversified's REIT election, without approval of the stockholders, if a majority of the members of the Inland Diversified Board (including a majority of the independent directors) determines that it is no longer in the best interest of Inland Diversified to qualify as a REIT.

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**INVESTMENT POLICIES AND POLICIES WITH RESPECT TO CERTAIN ACTIVITIES**

The following is a discussion of Kite Realty's investment policies and policies with respect to certain activities, including financing matters and conflicts of interest. These policies may be amended or revised from time to time at the discretion of the Kite Realty Board without a vote of the Kite Realty shareholders. Any change to any of these policies would be made by the Kite Realty Board, however, only after a review and analysis of that change, in light of then existing business and other circumstances, and then only if, in the exercise of the Kite Realty Board's business judgment, it believes that it is advisable to do so in Kite Realty's and Kite Realty's shareholders' best interests. Kite Realty cannot assure you that its investment objectives will be attained.

**Investments in Real Estate or Interests in Real Estate**

Kite Realty intends to continue to focus on targeted acquisitions and development of neighborhood and community shopping centers in attractive markets with strong economic and demographic characteristics and selected commercial properties. Kite Realty may also consider future opportunities to invest in other types of properties. Kite Realty currently expects to incur additional debt in connection with future acquisitions of real estate.

Kite Realty expects to conduct substantially all of its investment activities through Kite Realty OP and its other affiliates. Kite Realty's policy is to acquire assets primarily for current income generation. There are no limitations on the amount or percentage of Kite Realty's total assets that may be invested in any one property. Additionally, no limits have been set on the concentration of investments in any one location or facility type.

**Investments in Mortgages**

Kite Realty has not in the past engaged in any significant investments in mortgages, although Kite Realty may engage in this activity in the future.

**Investments in Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers**

Kite Realty has not generally engaged in investment activities in other entities (other than joint ventures in which it is actively involved). Subject to REIT qualification rules, Kite Realty may in the future invest in securities of entities engaged in real estate activities or securities of other issuers. Kite Realty also may invest in the securities of other issuers in connection with acquisitions of indirect interests in properties, which normally would include general or limited partnership interests in special purpose partnerships owning properties. Kite Realty may in the future acquire some, all or substantially all of the securities or assets of other REITs or similar entities where that investment would be consistent with its investment policies. Subject to REIT qualification rules, there are no limitations on the amount or percentage of Kite Realty's total assets that may be invested in any one issuer. Kite Realty does not anticipate investing in other issuers of securities for the purpose of exercising control or acquiring any investments primarily for sale in the ordinary course of business or holding any investments with a view to making short-term profits from their sale. In any event, Kite Realty does not intend that its investments in securities will require it to register as an "investment company" under the Investment Company Act and it intends to divest securities before any registration would be required. Kite Realty has not in the past acquired, and does not anticipate that it will in the future seek to acquire, loans secured by properties and has not, nor does it intend to, engage in trading, underwriting, agency distribution or sales of securities of other issuers.



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**Dispositions**

Subject to REIT qualification rules, avoidance of the 100% "prohibited transactions tax," and the tax protection obligations that Kite Realty has undertaken in connection with its formation transactions, it will consider disposing of properties if management determines that a sale of a property would be in its best interests based on the price being offered for the property, the operating performance of the property, the tax consequences of the sale and other factors and circumstances surrounding the proposed sale. Property dispositions that would give rise to an indemnification obligation under the tax protection agreement are subject to approval by a majority of Kite Realty's independent trustees.

**Financing Policies**

Kite Realty has incurred substantial debt in order to fund operations and development and acquisition activities. The Kite Realty Board will consider a number of factors when evaluating Kite Realty's level of indebtedness and when making decisions regarding the incurrence of indebtedness, including the purchase price of properties to be developed or acquired with debt financing, the estimated market value of Kite Realty's properties upon refinancing and the ability of particular properties, as well as the company as a whole, to generate cash flow to cover expected debt service.

Generally speaking, although Kite Realty may incur any of the forms of indebtedness described below, Kite Realty intends to focus primarily on financing future growth through either secured debt on an individual property or a portfolio of properties or through unsecured debt. Kite Realty may incur debt in the form of purchase money obligations to the sellers of properties, or in the form of publicly or privately placed debt instruments, financing from banks, institutional investors, or other lenders, any of which may be unsecured or may be secured by mortgages or other interests in its properties. This indebtedness may be recourse, non-recourse or cross-collateralized and, if recourse, that recourse may include Kite Realty's general assets and, if non-recourse, may be limited to the particular property to which the indebtedness relates. In addition, Kite Realty may invest in properties subject to existing loans secured by mortgages or similar liens on the properties, or may refinance properties acquired on a leveraged basis. Kite Realty may use the proceeds from any borrowings for working capital, to purchase additional interests in partnerships or joint ventures in which it participates, to refinance existing indebtedness or to finance acquisitions, expansion, redevelopment of existing properties or development of new properties. Kite Realty also may incur indebtedness for other purposes when, in the opinion of the Kite Realty Board or Kite Realty's management, it is advisable to do so. In addition, Kite Realty may need to borrow to make distributions (including distributions that may be required under the Code) if it does not have sufficient cash available to make those distributions.

**Lending Policies**

Kite Realty does not have a policy limiting its ability to make loans to other persons. Subject to REIT qualification rules, Kite Realty may consider offering purchase money financing in connection with the sale of properties where the provision of that financing will increase the value to be received by Kite Realty for the property sold. Kite Realty and Kite Realty OP may make loans to joint ventures in which it or they participate or may participate in the future. Kite Realty has not engaged in any significant lending activities in the past nor does it intend to in the future.

**Equity Capital Policies**

The Kite Realty Board has the authority, without further shareholder approval, to issue additional authorized common and preferred shares or operating partnership units or otherwise raise capital, including through the issuance of senior securities, in any manner and on those terms and for that consideration it deems appropriate, including in exchange for property. Existing shareholders will have no preemptive right to common or preferred shares or operating partnership units issued in any

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offering, and any offering might cause a dilution of a shareholder's investment in us. Although Kite Realty has no current plans to do so, it may in the future issue common shares in connection with acquisitions. Kite Realty also may issue units in Kite Realty OP in connection with acquisitions of property.

Kite Realty may, under certain circumstances, purchase its common shares in the open market or in private transactions with its shareholders, if those purchases are approved by the Kite Realty Board. Any such action would only be taken in conformity with applicable federal and state laws and the applicable requirements for qualifying as a REIT.

**Reporting Policies**

Kite Realty is subject to the full information reporting requirements of the Securities Exchange Act of 1934, as amended. Pursuant to these requirements, Kite Realty files periodic reports, proxy statements and other information, including certified financial statements, with the Securities and Exchange Commission. See "Where You Can Find More Information and Incorporation by Reference" on page 208.

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**SHAREHOLDER PROPOSALS**

**Kite Realty 2014 Annual Meeting of Shareholders and Shareholder Proposals**

Any shareholder proposal pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act, to be considered for inclusion in Kite Realty's proxy materials for the next annual meeting of shareholders must have been received at Kite Realty's principal executive offices no later than December 10, 2013.

In addition, any Kite Realty shareholder who wishes to propose a nominee to the Kite Realty Board or propose any other business to be considered by the Kite Realty shareholders (other than a shareholder proposal included in Kite Realty's proxy materials pursuant to Rule 14a-8 of the rules promulgated under the Exchange Act) must have complied with the advance notice provisions and other requirements of Article II, Section 13 of the Kite Realty bylaws, which are on file with the SEC and may be obtained from Investor Relations upon request. These notice provisions require that nominations of persons for election to the Kite Realty Board and the proposal of business to be considered by the Kite Realty shareholders for the 2014 annual meeting must have been received no earlier than December 10, 2013 and no later than January 9, 2014.

Pursuant to SEC rules, if a Kite Realty shareholder notifies Kite Realty after February 23, 2014 of an intent to present a proposal at the 2014 annual meeting of shareholders and the proposal is voted upon at the 2014 annual meeting, Kite Realty's proxy holders will have the right to exercise discretionary voting authority with respect to the proposal, if presented at the 2014 annual meeting.

**Inland Diversified 2014 Annual Stockholder Meeting and Stockholder Proposals**

If the merger is completed on the expected timetable, it is not expected that Inland Diversified will hold a 2014 annual meeting of Inland Diversified stockholders. If the merger is not completed, the Inland Diversified stockholders will continue to be entitled to attend and participate in Inland Diversified's annual meeting, and Inland Diversified will hold a 2014 annual meeting, in which case Inland Diversified will provide notice of or otherwise publicly disclose the date on which such 2014 annual meeting will be held.

If Inland Diversified's 2014 annual meeting is held, Inland Diversified stockholder proposals intended to be presented at the 2014 annual meeting must have been received by Inland Diversified no later than December 17, 2013, in order to be included in the proxy statement and form of proxy relating to that meeting pursuant to SEC Rule 14a-8; provided, that if the 2014 annual meeting of Inland Diversified stockholders is held after July 12, 2014, such proposals must be received by Inland Diversified a reasonable time before Inland Diversified begins to print and mail its proxy materials. In order to be included in the proxy statement for any 2014 annual meeting of Inland Diversified stockholders, such proposals must comply with the requirements as to form and substance established by the SEC for such proposals.

A stockholder who wishes to make a proposal at the Inland Diversified annual meeting other than pursuant to SEC Rule 14a-8 must comply with the notice and other requirements set forth in the Inland Diversified bylaws. Pursuant to the current Inland Diversified bylaws, that notice must have been submitted in writing and delivered to the secretary of Inland Diversified not earlier than December 17, 2013 and not later than January 16, 2014; provided, that if the 2014 annual meeting of Inland Diversified stockholders is held after August 11, 2014, that notice must be submitted in writing and delivered to the secretary of Inland Diversified not earlier than 5:00 p.m., Central Time, on the 120th day prior to the annual meeting and not later than 5:00 p.m., Central Time, on the later of the 90th day prior to the annual meeting or the 10th day following the day on which public announcement of the date of the meeting is first made by Inland Diversified.

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**LEGAL MATTERS**

The validity of the Kite Realty common shares to be issued in the merger will be passed upon by Hogan Lovells US LLP. It is a condition to the merger that Kite Realty and Inland Diversified receive opinions from Hogan Lovells US LLP and Alston & Bird LLP, respectively, concerning the U.S. federal income tax consequences of the merger.

**EXPERTS**

The consolidated financial statements and schedule of Kite Realty appearing in Kite Realty's Annual Report on Form 10-K for the fiscal year ended December 31, 2013 have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their report thereon, included therein, and incorporated herein by reference. Such consolidated financial statements and schedule are incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The statement of revenues and certain expenses of OZ/CLP Hunter's Creek LLC, OZ/CLP Lakewood LLC, OZ/CLP Northdale LLC, OZ/CLP Burnt Store LLC, OZ/CLP Portofino LP, OZ/CLP Kingwood Commons LP, OZ/CLP Clay LLC, OZ/CLP Trussville I LLC, OZ/CLP Trussville II LLC, and OZ/CLP Beechwood LLC for the year ended December 31, 2012, which is included in the Current Report on Form 8-K/A filed by Kite Realty on February 5, 2014, has been audited by Sellers, Richardson, Holman & West, LLP, independent auditor, as set forth in their report thereon, included therein, and incorporated herein by reference. Such statement of revenues and certain expenses is incorporated herein by reference in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

The consolidated financial statements and schedule of Inland Diversified as of December 31, 2013 and 2012, and for each of the years in the three-year period ended December 31, 2013 have been included herein in reliance upon the report of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing. The report of KPMG LLP contains an emphasis of matter paragraph that states on February 9, 2014, Inland Diversified entered into an agreement and plan of merger, which is subject to a number of closing conditions.

**WHERE YOU CAN FIND MORE INFORMATION AND INCORPORATION BY REFERENCE**

Kite Realty and Inland Diversified each file annual, quarterly, and current reports, proxy statements and other information with the SEC. You may read and copy the registration statement and any other documents filed by Kite Realty and Inland Diversified at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the Public Reference Room. Kite Realty's and Inland Diversified's SEC filings are also available to the public at the SEC's Internet site at <http://www.sec.gov>. This reference to the SEC's Internet site is intended to be an inactive textual reference only.

Investors may also consult Kite Realty's or Inland Diversified's website for more information about Kite Realty or Inland Diversified, respectively. Kite Realty's website is [www.kiterealty.com](http://www.kiterealty.com). Inland Diversified's website is [www.inlanddiversified.com](http://www.inlanddiversified.com). Information included on these websites is not incorporated by reference into this joint proxy statement/prospectus.

Kite Realty has filed with the SEC a registration statement of which this joint proxy statement/prospectus forms a part. The registration statement registers the Kite Realty common shares to be issued to Inland Diversified's stockholders in connection with the merger. The registration statement, including the exhibits and schedules thereto, contains additional relevant information about Kite Realty

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common shares. The rules and regulations of the SEC allow Kite Realty and Inland Diversified to omit certain information included in the registration statement from this joint proxy statement/prospectus.

The SEC allows Kite Realty to "incorporate by reference" into this prospectus the information it files with the SEC, which means that Kite Realty can disclose important information to you by referring you to those documents. Information incorporated by reference is deemed to be part of this prospectus. Later information filed with the SEC will update and supersede this information.

This prospectus incorporates by reference the Kite Realty documents listed below, all of which have been previously filed by Kite Realty with the SEC:

Annual Report on Form 10-K for the year ended December 31, 2013 filed with the SEC on March 7, 2014;

Definitive Proxy Statement filed with the SEC on April 8, 2014;

Current Reports on Form 8-K filed with the SEC on November 26, 2013 (as amended by the Current Report on Form 8-K/A filed with the SEC on February 5, 2014), January 8, 2014, February 10, 2014 and February 11, 2014; and

the description of Kite Realty's common shares included in Kite Realty's Registration Statement on Form 8-A filed with the SEC on August 4, 2004 under Section 12(b) of the Exchange Act and including any additional amendment or report filed for the purpose of updating such description.

Kite Realty also incorporates by reference into this prospectus additional documents that it may file with the SEC under Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act after the date of this joint proxy statement/prospectus and prior to the dates of the Inland Diversified and Kite Realty special meetings; provided, however that it is not incorporating any information furnished under either Item 2.02 or Item 7.01 of any Current Report on Form 8-K.

You may request a copy of these filings, at no cost, by contacting David Buell, Financial Reporting Manager, Kite Realty Group, 30 S. Meridian Street, Suite 1100, Indianapolis, IN 46204, by telephone at 317-577-5600, by e-mail at [dbuell@kiterealty.com](mailto:dbuell@kiterealty.com), or by visiting Kite Realty's website, [www.kiterealty.com](http://www.kiterealty.com). The information contained on Kite Realty's website is not part of this prospectus. The reference to Kite Realty's website is intended to be an inactive textual reference only.

In addition, attached as *Annex F* to this joint proxy statement/prospectus is Inland Diversified's Annual Report on Form 10-K for the year ended December 31, 2013 which is included as a part of this joint proxy statement/prospectus.

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