

KITE REALTY GROUP TRUST

Form 424B3

May 05, 2014

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**Filed pursuant to Rule 424(b)(3)**

**Registration No. 333-194670**

### **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.

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If, for example, the average trading price of Kite Realty common shares was \$6.25, which was the closing price of Kite Realty common shares on May 2, 2014, it would result in an exchange ratio of 1.707 and an implied value per share of Inland Diversified common stock of \$10.67 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 May 2, 2014, and is first being mailed to Kite Realty shareholders and Inland Diversified stockholders on or about May 9, 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  
May 2, 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 May 2, 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 May 2, 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;

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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 \$6.25, which was the closing price of Kite Realty common shares on May 2, 2014, it would result in an exchange ratio of 1.707 and an implied value per share of Inland Diversified common stock of \$10.67 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
\$ 6.25	1.707	\$ 10.67
\$ 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 \$6.25, which was the closing price of Kite Realty common shares on May 2, 2014, it would result in an exchange ratio of 1.707 and an implied value per share of Inland Diversified common stock of \$10.67 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.

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**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	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. Wurtzebach 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. Wurtzebach 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;