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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2008

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-32268

Kite Realty Group Trust

(Exact Name of Registrant as Specified in its Charter)

Maryland
(State or other jurisdiction of incorporation or organization)

11-3715772
(IRS Employer Identification Number)

30 S. Meridian Street, Suite 1100
Indianapolis, Indiana
(Address of principal executive offices)

46204
(Zip code)

Telephone: (317) 577-5600
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The number of Common Shares outstanding as of November 7, 2008 was 34,017,345 (\$.01 par value)

**KITE REALTY GROUP TRUST
 QUARTERLY REPORT ON FORM 10-Q
 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008
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Cautionary Note About Forward-Looking Statements

This Quarterly Report on Form 10-Q, together with other statements and information publicly disseminated by Kite Realty Group Trust (the “Company”), contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Such statements are based on assumptions and expectations that may not be realized and are inherently subject to risks, uncertainties and other factors, many of which cannot be predicted with accuracy and some of which cannot be anticipated. Future events and actual results, performance, transactions or achievements, financial or otherwise, may differ materially from the results, performance, transactions or achievements, financial or otherwise, expressed or implied by the forward-looking statements. Risks, uncertainties and other factors that might cause such differences, some of which could be material, include but are not limited to:

- national and local economic, business, real estate and other market conditions;
- the ability of tenants to pay rent;
- the competitive environment in which the Company operates;
- financing risks, including access to capital on desirable terms;
- property ownership and management risks;
- the level and volatility of interest rates;
- the financial stability of tenants;
- the Company’s ability to maintain its status as a real estate investment trust (“REIT”) for federal income tax purposes;
- acquisition, disposition, development and joint venture risks;
- potential environmental and other liabilities;
- other factors affecting the real estate industry generally; and
- other risks identified in this Quarterly Report on Form 10-Q and, from time to time, in other reports we file with the Securities and Exchange Commission (the “SEC”) or in other documents that we publicly disseminate, including, in particular, the section titled “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2007, and in our quarterly reports on Form 10-Q.

The Company undertakes no obligation to publicly update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Part I. FINANCIAL INFORMATION
Item 1.

Kite Realty Group Trust
Condensed Consolidated Balance Sheets
(Unaudited)

	<u>September 30,</u> <u>2008</u>	<u>December 31,</u> <u>2007</u>
Assets:		
Investment properties, at cost:		
Land	\$ 237,864,199	\$ 210,486,125
Land held for development	25,431,845	23,622,458
Buildings and improvements	700,868,371	624,500,501
Furniture, equipment and other	4,993,966	4,571,354
Construction in progress	180,087,721	187,006,760
	<u>1,149,246,102</u>	<u>1,050,187,198</u>
Less: accumulated depreciation	<u>(100,582,227)</u>	<u>(84,603,939)</u>
	1,048,663,875	965,583,259
Cash and cash equivalents	11,597,842	19,002,268
Tenant receivables, including accrued straight-line rent of \$7,610,684 and \$6,653,244, respectively, net of allowance for uncollectible accounts	17,236,771	17,200,458
Other receivables	8,775,409	7,124,485
Investments in unconsolidated entities, at equity	1,575,710	1,079,937
Escrow deposits	12,782,323	14,036,877
Deferred costs, net	22,133,104	20,563,664
Prepaid and other assets	4,012,382	3,643,696
Total Assets	\$ <u>1,126,777,416</u>	\$ <u>1,048,234,644</u>
Liabilities and Shareholders' Equity:		
Mortgage and other indebtedness	\$ 728,823,323	\$ 646,833,633
Accounts payable and accrued expenses	44,696,193	36,173,195
Deferred revenue and other liabilities	24,353,570	26,127,043
Cash distributions and losses in excess of net investment in unconsolidated entities, at equity	825,483	234,618
Minority interest	4,416,656	4,731,211
Total Liabilities	803,115,225	714,099,700
Commitments and contingencies		
Limited Partners' interests in Operating Partnership	70,882,020	74,512,093
Shareholders' Equity:		
Preferred Shares, \$.01 par value, 40,000,000 shares authorized, no shares issued and outstanding	—	—
Common Shares, \$.01 par value, 200,000,000 shares authorized 29,266,493 shares and 28,981,594 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	292,665	289,816
Additional paid in capital and other	295,889,905	293,897,673
Accumulated other comprehensive loss	(2,118,126)	(3,122,482)
Accumulated deficit	(41,284,273)	(31,442,156)
Total Shareholders' Equity	252,780,171	259,622,851
Total Liabilities and Shareholders' Equity	\$ <u>1,126,777,416</u>	\$ <u>1,048,234,644</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Kite Realty Group Trust
Condensed Consolidated Statements of Operations
(Unaudited)

	<u>Three Months Ended September 30,</u>		<u>Nine Month Ended September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Revenue:				
Minimum rent	\$ 19,113,753	\$ 17,986,066	\$ 56,292,261	\$ 53,718,366
Tenant reimbursements	4,734,427	4,525,236	14,676,286	13,865,960
Other property related revenue	3,797,675	3,223,938	11,934,334	7,961,957
Construction and service fee revenue	7,355,282	7,583,235	19,955,122	23,630,103
Total revenue	<u>35,001,137</u>	<u>33,318,475</u>	<u>102,858,003</u>	<u>99,176,386</u>
Expenses:				
Property operating	4,184,274	3,827,878	12,690,912	11,436,900
Real estate taxes	3,619,869	3,132,986	10,169,369	8,848,531
Cost of construction and services	6,139,131	6,539,643	16,927,765	21,126,869
General, administrative, and other	1,452,845	1,702,354	4,422,201	4,758,278
Depreciation and amortization	8,295,167	7,019,703	24,915,498	23,858,996
Total expenses	<u>23,691,286</u>	<u>22,222,564</u>	<u>69,125,745</u>	<u>70,029,574</u>
Operating income	<u>11,309,851</u>	<u>11,095,911</u>	<u>33,732,258</u>	<u>29,146,812</u>
Interest expense	(7,512,825)	(6,619,179)	(22,117,890)	(18,916,607)
Income tax expense of taxable REIT subsidiary	(131,691)	(32,789)	(1,536,777)	(295,395)
Other income	45,619	519,760	142,527	719,355
Minority interest in income of consolidated subsidiaries	(22,230)	(14,781)	(37,830)	(264,002)
Equity in earnings of unconsolidated entities	65,640	48,024	212,935	217,899
Limited Partners' interests in the Operating Partnership	(833,468)	(1,124,927)	(2,307,739)	(2,376,206)
Income from continuing operations	<u>2,920,896</u>	<u>3,872,019</u>	<u>8,087,484</u>	<u>8,231,856</u>
Operating income from discontinued operations, net of Limited Partners' interests	—	19,376	—	63,716
Net income	<u>\$ 2,920,896</u>	<u>\$ 3,891,395</u>	<u>\$ 8,087,484</u>	<u>\$ 8,295,572</u>
Income per common share – basic				
Continuing operations	\$ 0.10	\$ 0.13	\$ 0.28	\$ 0.29
Discontinued operations	—	—	—	—
	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.28</u>	<u>\$ 0.29</u>
Income per common share – diluted				
Continuing operations	\$ 0.10	\$ 0.13	\$ 0.28	\$ 0.28
Discontinued operations	—	—	—	—
	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>
Weighted average common shares outstanding - basic	<u>29,189,424</u>	<u>28,915,137</u>	<u>29,122,272</u>	<u>28,889,279</u>
Weighted average common shares outstanding - diluted	<u>29,201,838</u>	<u>29,139,244</u>	<u>29,152,576</u>	<u>29,180,860</u>
Dividends declared per common share	<u>\$ 0.205</u>	<u>\$ 0.205</u>	<u>\$ 0.615</u>	<u>\$ 0.595</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

Kite Realty Group Trust
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended September 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 8,087,484	\$ 8,295,572
Adjustments to reconcile net income to net cash provided by operating activities:		
Minority interest in income of consolidated subsidiaries	37,830	264,002
Equity in earnings of unconsolidated entities	(212,935)	(217,899)
Limited Partners' interests in Operating Partnership	2,307,739	2,394,599
Straight-line rent	(957,440)	(1,151,580)
Depreciation and amortization	25,756,803	24,724,006
Provision for credit losses	442,075	522,323
Compensation expense for equity awards	626,640	568,087
Amortization of debt fair value net premium	(323,144)	(323,144)
Amortization of in-place lease liabilities	(2,800,053)	(3,826,101)
Minority interest distributions	(470,286)	(416,479)
Distributions of income from unconsolidated entities	297,105	289,792
Changes in assets and liabilities:		
Tenant receivables	479,052	(423,578)
Deferred costs and other assets	(6,215,967)	(1,702,652)
Accounts payable, accrued expenses, deferred revenue and other liabilities	3,631,524	(1,523,754)
Net cash provided by operating activities	30,686,427	27,473,194
Cash flows from investing activities:		
Acquisitions of interests in properties and capital expenditures, net	(97,504,490)	(87,038,239)
Change in construction payables	(1,167,916)	2,356,155
Cash receipts on notes receivable	729,167	3,426,820
Contributions to unconsolidated entities	(615,364)	—
Distributions of capital from unconsolidated entities	725,235	106,728
Net cash used in investing activities	(97,833,368)	(81,148,536)
Cash flows from financing activities:		
Offering proceeds, net of offering costs	856,269	495,814
Loan proceeds	175,017,497	202,975,750
Loan transaction costs	(1,303,470)	(1,249,080)
Loan payments	(91,824,043)	(138,342,313)
Proceeds from exercise of stock options	—	11,996
Purchase of Limited Partner's interests	—	(55,803)
Distributions paid - shareholders	(17,885,480)	(16,895,064)
Distributions paid - unitholders	(5,118,258)	(4,913,375)
Net cash provided by financing activities	59,742,515	42,027,925
Net change in cash and cash equivalents	(7,404,426)	(11,647,417)
Cash and cash equivalents, beginning of period	19,002,268	23,952,594
Cash and cash equivalents, end of period	\$ 11,597,842	\$ 12,305,177

The accompanying notes are an integral part of these condensed consolidated financial statements.

Kite Realty Group Trust
Notes to Condensed Consolidated Financial Statements
September 30, 2008
(Unaudited)

Note 1. Organization

Kite Realty Group Trust (the “Company”), through its majority-owned subsidiary, Kite Realty Group, L.P. (the “Operating Partnership”), is engaged in the ownership, operation, management, leasing, acquisition, construction, expansion and development of neighborhood and community shopping centers and certain commercial real estate properties in selected markets in the United States. The Company also provides real estate facilities management, construction, development and other advisory services to third parties through its taxable REIT subsidiary. At September 30, 2008, the Company owned interests in 57 operating properties (consisting of 52 retail properties, four commercial operating properties and an associated parking garage) and owned 10 properties under development or redevelopment (including Shops at Eagle Creek, Bolton Plaza, Rivers Edge, Courthouse Shadows, and Four Corner Square, all of which are undergoing a redevelopment). Of the 67 total properties held at September 30, 2008, the Company owned a controlling interest in all but two operating properties and one parcel of pre-development land (collectively the “unconsolidated joint venture properties”), all three of which are accounted for under the equity method.

Note 2. Basis of Presentation

The accompanying financial statements of the Company are presented on a consolidated basis and include all accounts of the Company, the Operating Partnership, the taxable REIT subsidiary of the Operating Partnership and any variable interest entities (“VIEs”) in which the Company is the primary beneficiary. The Company consolidates properties that are wholly owned as well as properties it controls but in which it owns less than a 100% interest. Control of a property is demonstrated by:

- our ability to manage day-to-day operations of the property;
- our ability to refinance debt and sell the property without the consent of any other partner or owner;
- the inability of any other partner or owner to replace us as a manager of the property; or
- being the primary beneficiary of a variable interest entity.

As of September 30, 2008 the Company had investments in seven joint ventures that are VIEs in which the Company is the primary beneficiary. As of September 30, 2008, these VIEs had total debt of approximately \$112 million which is secured by assets of the VIEs totaling approximately \$189 million. The Operating Partnership guarantees the debt of these VIEs.

The Company’s management has prepared the accompanying unaudited financial statements pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) may have been condensed or omitted pursuant to such rules and regulations, although management believes that the disclosures are adequate to make the presentation not misleading. The unaudited financial statements as of September 30, 2008 and for the three and nine months ended September 30, 2008 and 2007 include, in the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary to present fairly the financial information set forth therein. The consolidated financial statements in this Form 10-Q should be read in conjunction with the audited consolidated financial statements and related notes thereto included in the Company’s 2007 Annual Report on Form 10-K. The preparation of financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the disclosure of contingent assets and liabilities and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates. The results of operations for the interim periods are not necessarily indicative of the results that may be expected on an annual basis.

Certain prior year amounts related only to discontinued operations have been reclassified to conform to the current year presentation. Such reclassifications had no effect on net income previously reported.

The Company allocates net operating results of the Operating Partnership based on the partners’ respective weighted average ownership interest. The Company adjusts the Limited Partners’ interests in the Operating Partnership at the end of each period to reflect their interests in the Operating Partnership. This adjustment is reflected in the Company’s shareholders’ equity. The Company’s and the Limited Partners’ interests in the Operating Partnership for the three and nine months ended September 30, 2008 and 2007 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Company's weighted average diluted interest in Operating Partnership	77.9%	77.6%	77.8%	77.6%
Limited Partners' weighted average diluted interests in Operating Partnership	22.1%	22.4%	22.2%	22.4%

The Company's and the Limited Partners' interests in the Operating Partnership at September 30, 2008 and December 31, 2007 were as follows:

	At September 30, 2008	At December 31, 2007
Company's interest in Operating Partnership	78.1%	77.7%
Limited Partners' interests in Operating Partnership	21.9%	22.3%

Note 3. Earnings Per Share

Basic earnings per share is calculated based on the weighted average number of shares outstanding during the period. Diluted earnings per share is determined based on the weighted average number of shares outstanding combined with the incremental average shares that would have been outstanding assuming all potentially dilutive shares were converted into common shares as of the earliest date possible.

Potentially dilutive securities include outstanding share options, units in the Operating Partnership, which may be exchanged for cash or shares under certain circumstances, and deferred share units, which may be credited to the accounts of non-employee trustees in lieu of the payment of cash compensation or the issuance of common shares to such trustees. For the three and nine months ended September 30, 2008 and 2007, all of the Company's outstanding deferred share units had a potentially dilutive effect. In addition, for the three months ended September 30, 2007 and the nine months ended September 30, 2008 and 2007, outstanding share options also had a potentially dilutive effect. The dilutive effect of these securities was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Dilutive effect of outstanding share options to outstanding common shares	—	216,861	19,930	286,759
Dilutive effect of deferred share units to outstanding common shares	12,414	7,246	10,373	4,822
Total dilutive effect	12,414	224,107	30,303	291,581

For the three and nine month periods ended September 30, 2008, approximately 1.4 million and 0.9 million, respectively, outstanding common share options were excluded from the computation of diluted earnings per share because their impact was anti-dilutive.

Note 4. Significant Acquisition Activities

2008 Acquisitions

The Company made the following significant acquisitions in the first nine months of 2008:

- On July 15, 2008, the Company purchased approximately 123 acres of land in Holly Springs, North Carolina for \$21.6 million, which was funded with borrowings from the Company's unsecured revolving credit facility. In addition, on October 1, 2008, the Company purchased an additional 18 acres of land adjacent to this location for approximately \$5.0 million, which was also funded with borrowings from the Company's unsecured revolving credit facility. These land parcels are connected to land previously purchased by the Company and will be used for future development purposes.
- In April 2008, one of the Company's consolidated joint ventures, in which the Company owns an 85% interest, purchased approximately 4 acres of land in Indianapolis, Indiana, commonly known as Pan Am Plaza, for approximately \$3.8 million. The Company funded the joint venture's purchase with borrowings from the Company's unsecured revolving

credit facility. This land is situated across the street from the Convention Center and adjacent to the recently constructed Indianapolis Colts football stadium. The joint venture intends to develop restaurants and retail space on this property.

- In February 2008, the Company purchased Rivers Edge Shopping Center, a 111,000 square foot shopping center located in Indianapolis, Indiana, for \$18.3 million, with the intent to redevelop it (See Note 5). The Company utilized approximately \$2.7 million of proceeds from the November 2007 sale of its 176th & Meridian property. The remaining purchase price of \$15.6 million was funded initially through a draw on the Company's unsecured credit facility and subsequently refinanced with a variable rate loan bearing interest at LIBOR + 125 basis points and maturing on February 3, 2009. In October 2008, the Company extended the maturity date on this loan one additional year. The Company is in the process of redeveloping this property. The results of operations of 176th & Meridian have been reflected as discontinued operations for the three and nine month periods ended September 30, 2007.
- In February 2008, the Company acquired the remaining 15% economic interest from its joint venture partner in Bolton Plaza in Jacksonville, Florida for \$0.3 million. The Company is currently in the process of redeveloping this property.

The Company allocates the purchase price of properties to tangible and identified intangibles acquired based on their fair values in accordance with the provisions of Statement of Financial Accounting Standards No 141, "Business Combinations" ("SFAS No. 141"). The fair value of real estate acquired is allocated to land and buildings, while the fair value of in-place leases, consisting of above-market and below-market rents and other intangibles, is allocated to intangible assets and liabilities. Purchase price allocations for the Rivers Edge Shopping Center are preliminary until finalized in 2009.

Note 5. Redevelopment Activity

Glendale Town Center

In 2007, the Company began to redevelop the Glendale Mall property in Indianapolis, Indiana into a 685,000 total square foot power center (renamed Glendale Town Center). This center's primary anchor, a new 129,000 square foot (non-owned) Target, opened in July 2008. The center also includes Macy's, Lowe's Home Improvement (non-owned), Staples, Kerasotes Theatre, Panera Bread, the Indianapolis-Marion County Public Library, a number of new small shops and professional office spaces and one additional outlot. As of September 30, 2008, this center was approximately 92% leased. The redevelopment of this property is substantially complete and, accordingly, it was transferred into the operating portfolio from the redevelopment pipeline in the third quarter of 2008.

Shops at Eagle Creek

The Company is currently redeveloping the space formerly occupied by Winn-Dixie at the Shops at Eagle Creek in Naples, Florida into two smaller spaces. Staples signed a lease for approximately 25,800 square feet of the space and opened for business in August 2008. The Company is continuing to market the remaining space for lease. The Company has also completed a number of additional renovations at the property through the first nine months of 2008, including a new roof on the Staples and remaining junior anchor spaces, new store fronts, masonry additions to the façade and columns as well as new parking lot pavement, parking bumpers and striping. The Company currently anticipates its total investment in the redevelopment at Shops at Eagle Creek will be approximately \$3.5 million.

Bolton Plaza

The Company is in the process of redeveloping its Bolton Plaza Shopping Center in Jacksonville, Florida. The former anchor tenant's lease at the shopping center expired in May 2008 and was not renewed. This property was moved to the redevelopment pipeline in the second quarter of 2008. The Company currently anticipates its total investment in the redevelopment at Bolton Plaza will be approximately \$6.2 million.

Rivers Edge

The Company is in the process of redeveloping its Rivers Edge Shopping Center in Indianapolis, Indiana. The current anchor tenant's lease at this property will expire in March 2010 and the Company is marketing the space to potential anchor tenants for the center upon that anchor tenant's departure. This property was moved to the redevelopment pipeline in the second quarter of 2008. The Company currently anticipates its total investment in the redevelopment at Rivers Edge will be approximately \$5 million.

Courthouse Shadows

The Company is in the process of redeveloping its Courthouse Shadows Shopping Center in Naples, Florida. In addition to the existing center, the Company may construct an additional building to support approximately 6,000 square feet of small shop space. The Company also intends to modify the existing façade, pylon signage, and upgrade the landscaping and lighting. This property was moved to the redevelopment pipeline in the third quarter of 2008. The Company currently anticipates its total investment in the redevelopment at Courthouse Shadows will be approximately \$2.5 million.

Four Corner Square

The Company is currently redeveloping its Four Corner Square Shopping Center in Maple Valley, Washington. In addition to the existing center, the Company also owns approximately ten acres of land adjacent to the center which will be utilized in the redevelopment. The Company intends to construct several new buildings as well as maintaining portions of the existing buildings at the center. The Company anticipates the majority of the existing center will remain open during the redevelopment. This property was moved to the redevelopment pipeline in the third quarter of 2008. The Company currently anticipates its total investment in the redevelopment at Four Corner Square will be approximately \$0.5 million.

Note 6. Mortgage and Other Indebtedness

Mortgage and other indebtedness consisted of the following at September 30, 2008 and December 31, 2007:

	Balance at	
	September 30, 2008	December 31, 2007
Line of credit	\$ 148,574,024 ¹	\$ 152,774,024
Term loan	55,000,000	—
Mortgage notes payable - fixed rate	331,814,897	337,544,839
Construction notes payable - variable rate	167,139,919	150,128,993
Mortgage notes payable - variable rate	24,778,141	4,546,291
Net premiums on acquired debt	1,516,342	1,839,486
Total mortgage and other indebtedness	<u>\$ 728,823,323</u>	<u>\$ 646,833,633</u>

- ¹ On October 7, 2008, as further discussed below and in Note 12, the Company completed an offering of 4,750,000 common shares under a previously filed registration statement, for net offering proceeds of approximately \$47.8 million, all of which were used to repay borrowings under the Company's unsecured revolving credit facility.

Consolidated indebtedness, including weighted average maturities and weighted average interest rates at September 30, 2008, is summarized below:

	Amount	Weighted Average Maturity (Years)	Weighted Average Interest Rate	Percentage of Total
Fixed rate debt	\$ 331,814,897	6.2	6.01%	46%
Floating rate debt (hedged)	188,700,000	1.9	5.99%	26%
Total fixed rate debt	520,514,897	4.7	6.00%	72%
Construction debt	167,139,919	0.7	5.47%	23%
Other variable rate debt	228,352,165	2.3	5.59%	31%
Floating rate debt (hedged)	(188,700,000)	-1.9	-5.69%	-26%
Total variable rate debt	206,792,084	1.4	5.40%	28%
Net premiums on acquired debt	1,516,342	N/A	N/A	N/A
Total debt	<u>\$ 728,823,323</u>	<u>3.7</u>	<u>5.83%</u>	<u>100%</u>

Mortgage and construction loans are collateralized by certain real estate properties. Mortgage loans are generally due in monthly installments of interest and principal and mature over various terms through 2022. Variable interest rates on mortgage and construction loans are based on LIBOR plus a spread of 115 to 200 basis points. At September 30, 2008, the one-month LIBOR interest rate was 3.93%. Fixed interest rates on mortgage loans range from 5.11% to 7.65%.

For the nine months ended September 30, 2008, the Company had loan borrowing proceeds of \$175.0 million and loan repayments of \$92.7 million. The major components of this activity are as follows:

- In July 2008, as further described below, the Company entered into a \$30 million unsecured term loan agreement which has an accordion feature that enables the Company to increase the loan amount up to a total of \$60 million, subject to certain conditions. In August 2008, the Company entered into an amendment to the unsecured term loan agreement which, among other things, increased the amount available for borrowing under the original term loan agreement by an additional \$25 million, which amount was subsequently drawn, resulting in an aggregate amount outstanding under the term loan of \$55 million, the majority of which was used to pay down the Company's unsecured revolving credit facility;
- In July 2008, the Company purchased approximately 123 acres of land in Holly Springs, North Carolina for \$21.6 million (see Note 4), which was funded with borrowings from the Company's unsecured revolving credit facility;
- In April 2008, one of the Company's consolidated joint ventures, in which the Company owns an 85% interest, purchased a parcel of land at Pan Am Plaza (see Note 4), for approximately \$3.8 million. The Company funded the joint venture's purchase with borrowings from the Company's unsecured revolving credit facility;
- In February 2008, the Company purchased Rivers Edge Shopping Center (see Note 4) with a \$15.6 million draw on the Company's unsecured revolving credit facility and \$2.7 million of the proceeds from the November 2007 sale of its 176th & Meridian property. Subsequently, the Company placed \$16.6 million of variable rate debt on this property with an interest rate of LIBOR + 1.25% and a maturity date of February 3, 2009, the proceeds of which were used to pay down the unsecured revolving credit facility. In October 2008, the Company extended the maturity date on this loan one additional year;
- In addition to the preceding activity, the Company used proceeds from its unsecured revolving credit facility and other borrowings (exclusive of repayments) totaling approximately \$39.1 million for development, redevelopment, acquisitions and general working capital purposes; and
- The Company made scheduled principal payments totaling approximately \$2.3 million during the nine months ended September 30, 2008.

Term Loan

On July 15, 2008, the Operating Partnership entered into a \$30 million unsecured term loan agreement (the "Term Loan") arranged by KeyBanc Capital Markets Inc., which has an accordion feature that enables the Operating Partnership to increase the loan amount up to a total of \$60 million, subject to certain conditions. The Operating Partnership's ability to borrow under the Term Loan is subject to ongoing compliance by the Company, the Operating Partnership and their subsidiaries with various restrictive covenants, including with respect to liens, indebtedness, investments, dividends, mergers and asset sales. In addition, the Term Loan requires that the Company satisfy certain financial covenants. The Term Loan matures on July 15, 2011 and bears interest at LIBOR plus 265 basis points. A significant portion of the initial \$30 million of proceeds from the Term Loan was used to pay down the Company's unsecured revolving credit facility.

On August 18, 2008, the Operating Partnership entered into an amendment to the Term Loan, which, among other things, increased the amount available for borrowing under the original term loan agreement by an additional \$25 million. This amount was subsequently drawn, resulting in an aggregate amount outstanding under the Term Loan of \$55 million. The additional \$25 million of proceeds of borrowings under the Term Loan were used to pay down our unsecured revolving credit facility. In connection with the term loan, in September 2008, we entered into a cash flow hedge for the entire \$55 million outstanding at an interest rate of 5.92%.

Unsecured Revolving Credit Facility

In February 2007, the Operating Partnership entered into an amended and restated four-year \$200 million unsecured revolving credit facility (the "unsecured facility") with a group of financial institutions led by Key Bank National Association, as agent. The Company and several of the Operating Partnership's subsidiaries are guarantors of the Operating Partnership's obligations under the unsecured facility. The unsecured facility has a maturity date of February 20, 2011, with a one-year extension option. Initial proceeds of approximately \$118 million were drawn from the unsecured facility to repay the principal amount outstanding under the Company's then-existing secured revolving credit facility and retire the secured revolving credit facility. Borrowings under the unsecured facility bear interest at a floating interest rate of LIBOR plus 115 to 135 basis points, depending on the Company's leverage ratio. The unsecured facility has a 0.125% to 0.20% commitment fee applicable to the average daily unused amount. Subject to certain conditions, including the prior consent of the lenders, the Company has the option to increase its borrowings under the unsecured facility to a maximum of \$400 million if there are sufficient unencumbered assets

to support the additional borrowings. The unsecured facility also includes a short-term borrowing line of \$25 million with a variable interest rate. Borrowings under the short-term line may not be outstanding for more than five days.

The amount that the Company may borrow under the unsecured facility is based on the value of properties in its unencumbered property pool. The Company currently has 46 unencumbered assets, 45 of which are wholly owned and used to calculate the amount available for borrowing under the unsecured credit facility and one of which is a joint venture asset. The major unencumbered assets include: Broadstone Station, Circuit City Plaza, Courthouse Shadows, Eagle Creek Lowes, Eastgate Pavilion, Four Corner Square, Glendale Town Center, Hamilton Crossing, King’s Lake, Market Street Village, PEN Products, Publix at Acworth, Shops at Eagle Creek, Silver Glen, Union Station Parking Garage, Wal-Mart Plaza, and Waterford Lakes. As of September 30, 2008, the total amount available for borrowing under the unsecured facility was approximately \$51.4 million.

On October 7, 2008, as further discussed in Note 12, the Company completed an equity offering of 4,750,000 common shares under a previously filed registration statement, for net offering proceeds of approximately \$47.8 million, all of which was used to repay borrowings under the Company’s unsecured revolving credit facility. As of November 10, 2008 approximately \$80 million was available to be drawn under this facility.

Refinancing Activity

In October 2008, the Company extended the maturity dates from 2009 to 2010 on its variable rate debt at four of its consolidated properties (Estero Town Center, Tarpon Springs Plaza, Rivers Edge Shopping Center, and Bridgewater Marketplace). In addition, in October 2008, the Company also refinanced its variable rate debt at its Gateway Shopping Center and extended the maturity date from August 2009 to October 2011. As a result of these activities, the Company extended the maturity dates to 2010 or later on approximately \$78.8 million of indebtedness previously due in 2009. In addition, the Company is also pursuing additional refinancing options on certain of its other variable rate debt instruments, including a loan commitment currently in place to extend the maturity date from 2009 to 2011 on variable rate debt of approximately \$21.0 million at one of its properties and another loan commitment currently in place for \$22.4 million of new borrowings at one of its unencumbered properties, the proceeds of which the Company anticipates utilizing to extinguish debt at three of its operating properties. The Company expects both of these loan commitments to close in the fourth quarter of 2008. Also see our discussion in “Liquidity and Capital Resources” beginning on page 27 of this report for further details on the Company’s refinancing activities.

Giving effect of the accomplished October 2008 debt refinancing activities discussed above, the Company’s scheduled principal repayments on consolidated mortgage and other indebtedness is detailed below:

2008	\$ 18,683,997
2009 ^{1,2}	111,470,136
2010 ¹	74,237,941
2011 ^{2,3}	247,746,499
2012	38,904,933
Thereafter	236,263,475
	<u>727,306,981</u>
Unamortized Premiums	1,516,342
Total	<u>\$ 728,823,323</u>

- 1 In October 2008, the Company extended the maturity dates from 2009 to 2010 on its variable rate debt at four of its consolidated properties. As a result, \$60.9 million of obligations previously due in 2009 are now due in 2010, as reflected in the table above.
- 2 In February 2008, the Company refinanced variable rate debt at one of its consolidated properties and extended the maturity date from 2009 to 2011. As a result, \$17.9 million of obligations previously due in 2008 are now due in 2011, as reflected in the table above.
- 3 Amount due in 2011 includes the outstanding balance on our unsecured revolving credit facility, which has a one-year extension option.

Note 7. Shareholders’ Equity

On August 5, 2008, the Company’s Board of Trustees declared a regular cash distribution of \$0.205 per common share for the third quarter of 2008. Simultaneously, the Company’s Board of Trustees declared a cash distribution of \$0.205 per Operating

Partnership unit for the same period. These distributions were accrued as of September 30, 2008 and were paid on October 17, 2008 to shareholders and unitholders of record as of October 7, 2008.

In March 2008, the Compensation Committee of the Company's Board of Trustees approved a long-term equity incentive compensation award to the three executive officers of the Company. These awards were payable in restricted shares or share options, at the election of the recipient, with options being valued using a Black-Scholes valuation methodology. Each of the individuals elected to receive share options, and as a result, a total of 429,692 share options were issued with an exercise price of \$12.29. These options will vest ratably over five years beginning on the first anniversary date of the grant.

Note 8. Derivative Instruments, Hedging Activities and Other Comprehensive Income

The Company is exposed to capital market risk, including changes in interest rates. In order to manage volatility relating to interest rate risk, the Company enters into interest rate hedging transactions from time to time. The Company does not use derivatives for trading or speculative purposes nor does the Company currently have any derivatives that are not designated as cash flow hedges. As of September 30, 2008, the Company was party to seven consolidated cash flow hedge agreements for a total of \$188.7 million, which fix interest rates at 5.13% to 6.42% and mature over various terms through 2011. In addition, one of the Company's unconsolidated joint venture properties is party to a cash flow hedge agreement for \$42 million, of which the Company's share is \$16.8 million, that fixes the interest rate at 5.60% and matures in March 2009.

The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves, implied volatilities, and the creditworthiness of both the Company and the counterparty.

On January 1, 2008, the Company adopted Statement of Financial Accounting Standards No. 157, "Fair Value Measurements" ("SFAS No. 157"). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

SFAS No. 157 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy).

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that a company has the ability to access. Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset or liability (other than quoted prices), such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity. In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

To comply with the provisions of SFAS No. 157, the Company incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty's nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of September 30, 2008, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative

positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The only assets or liabilities that the Company records at fair value on a recurring basis are interest rate hedge agreements. The fair value of the Company's share of the consolidated interest rate hedge agreements as of September 30, 2008 was approximately \$2.9 million, including accrued interest.

The following sets forth comprehensive income for the three and nine months ended September 30, 2008 and 2007:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Net income	\$ 2,920,896	\$ 3,891,395	\$ 8,087,484	\$ 8,295,572
Other comprehensive income (loss), net of Limited Partners' interests ¹	560,529	(1,423,083)	1,004,356	(1,383,122)
Comprehensive income	<u>\$ 3,481,425</u>	<u>\$ 2,468,312</u>	<u>\$ 9,091,840</u>	<u>\$ 6,912,450</u>

1 Represents the Company's share of the changes in the fair value of derivative instruments accounted for as cash flow hedges.

Note 9. Segment Data

The operations of the Company are aligned into two business segments: (1) real estate operation and (2) development, construction and advisory services. Segment data of the Company for the three and nine months ended September 30, 2008 and 2007 are as follows:

<u>Three Months Ended September 30, 2008</u>	<u>Real Estate Operation</u>	<u>Development, Construction and Advisory Services</u>	<u>Subtotal</u>	<u>Intersegment Eliminations</u>	<u>Total</u>
Revenues	\$ 27,970,278	\$ 21,129,226	\$ 49,099,504	\$ (14,098,367)	\$ 35,001,137
Operating expenses, cost of construction and services, general, administrative and other	8,528,680	20,893,948	29,422,628	(14,026,509)	15,396,119
Depreciation and amortization	8,253,448	41,719	8,295,167	—	8,295,167
Operating income	11,188,150	193,559	11,381,709	(71,858)	11,309,851
Interest expense	(7,640,125)	(60,031)	(7,700,156)	187,331	(7,512,825)
Income tax expense of taxable REIT subsidiary	—	(131,691)	(131,691)	—	(131,691)
Other income	229,307	3,643	232,950	(187,331)	45,619
Minority interest in income of consolidated subsidiaries	(22,230)	—	(22,230)	—	(22,230)
Equity in earnings of unconsolidated entities	65,640	—	65,640	—	65,640
Limited Partners' interests in the Operating Partnership	(848,204)	(1,217)	(849,421)	15,953	(833,468)
Net income (loss)	<u>\$ 2,972,538</u>	<u>\$ 4,263</u>	<u>\$ 2,976,801</u>	<u>\$ (55,905)</u>	<u>\$ 2,920,896</u>
Total assets	<u>\$ 1,112,709,583</u>	<u>\$ 56,880,750</u>	<u>\$ 1,165,590,333</u>	<u>\$ (42,812,917)</u>	<u>\$ 1,126,777,416</u>

<u>Three Months Ended September 30, 2007</u>	<u>Real Estate Operation</u>	<u>Development, Construction and Advisory Services</u>	<u>Subtotal</u>	<u>Intersegment Eliminations</u>	<u>Total</u>
Revenues	\$ 26,266,572	\$ 27,118,188	\$ 53,384,760	\$ (20,066,285)	\$ 33,318,475
Operating expenses, cost of construction and services, general, administrative and other	7,953,342	25,898,013	33,851,355	(18,648,494)	15,202,861
Depreciation and amortization	6,983,045	36,658	7,019,703	—	7,019,703
Operating income	11,330,185	1,183,517	12,513,702	(1,417,791)	11,095,911
Interest expense	(6,711,227)	(225,625)	(6,936,852)	317,673	(6,619,179)
Income tax expense of taxable REIT subsidiary	—	(32,789)	(32,789)	—	(32,789)

Other income	519,760	—	519,760	—	519,760
Minority interest in income of consolidated subsidiaries	(14,781)	—	(14,781)	—	(14,781)
Equity in earnings of unconsolidated entities	48,024	—	48,024	—	48,024
Limited Partners' interests in the Operating Partnership	(1,163,424)	(208,438)	(1,371,862)	246,935	(1,124,927)
Income from continuing operations	4,008,537	716,665	4,725,202	(853,183)	3,872,019
Operating income from discontinued operations, net of Limited Partners' interests	19,376	—	19,376	—	19,376
Net income	\$ 4,027,913	\$ 716,665	\$ 4,744,578	\$ (853,183)	\$ 3,891,395
Total assets	\$ 1,032,727,425	\$ 47,108,079	\$ 1,079,835,504	\$ (46,019,568)	\$ 1,033,815,936

Nine Months Ended September 30, 2008	Real Estate	Development,	Subtotal	Intersegment	Total
	Operation	Construction and Advisory Services		Eliminations	
Revenues	\$ 80,536,382	\$ 57,321,668	\$ 137,858,050	\$ (35,000,047)	\$ 102,858,003
Operating expenses, cost of construction and services, general, administrative and other	25,079,029	53,469,052	78,548,081	(34,337,834)	44,210,247
Depreciation and amortization	24,792,949	122,549	24,915,498	—	24,915,498
Operating income	30,664,404	3,730,067	34,394,471	(662,213)	33,732,258
Interest expense	(22,334,390)	(329,932)	(22,664,322)	546,432	(22,117,890)
Income tax expense of taxable REIT subsidiary	—	(1,536,777) ¹	(1,536,777)	—	(1,536,777)
Other income	686,567	2,392	688,959	(546,432)	142,527
Minority interest in income of consolidated subsidiaries	(37,830)	—	(37,830)	—	(37,830)
Equity in earnings of unconsolidated entities	212,935	—	212,935	—	212,935
Limited Partners' interests in the Operating Partnership	(2,040,554)	(414,196)	(2,454,750)	147,011	(2,307,739)
Net income	\$ 7,151,132	\$ 1,451,554	\$ 8,602,686	\$ (515,202)	\$ 8,087,484
Total assets	\$ 1,112,709,583	\$ 56,880,750	\$ 1,165,590,333	\$ (42,812,917)	\$ 1,126,777,416

1 Revenue includes \$3.0 million of net proceeds from the sale of land at a property within the Company's taxable REIT subsidiary. Income tax expense related to this sale was approximately \$1.1 million.

Nine Months Ended September 30, 2007	Real Estate	Development,	Subtotal	Intersegment	Total
	Operation	Construction and Advisory Services		Eliminations	
Revenues	\$ 76,859,666	\$ 73,771,872	\$ 150,631,538	\$ (51,455,152)	\$ 99,176,386
Operating expenses, cost of construction and services, general, administrative and other	24,553,040	70,734,885	95,287,925	(49,117,347)	46,170,578
Depreciation and amortization	23,785,781	73,215	23,858,996	—	23,858,996
Operating income	28,520,845	2,963,772	31,484,617	(2,337,805)	29,146,812
Interest expense	(19,117,103)	(528,301)	(19,645,404)	728,797	(18,916,607)
Income tax expense of taxable REIT subsidiary	—	(295,395)	(295,395)	—	(295,395)
Other income	719,355	—	719,355	—	719,355
Minority interest in income of consolidated subsidiaries	(264,002)	—	(264,002)	—	(264,002)
Equity in earnings of unconsolidated entities	217,899	—	217,899	—	217,899
Limited Partners' interests in the Operating Partnership	(2,257,246)	(479,378)	(2,736,624)	360,418	(2,376,206)
Income from continuing operations	7,819,748	1,660,698	9,480,446	(1,248,590)	8,231,856
Operating income from discontinued operations, net of Limited Partners' interests	63,716	—	63,716	—	63,716

interests										
Net income	\$	<u>7,883,464</u>	\$	<u>1,660,698</u>	\$	<u>9,544,162</u>	\$	<u>(1,248,590)</u>	\$	<u>8,295,572</u>
Total assets	\$	<u>1,032,727,425</u>	\$	<u>47,108,079</u>	\$	<u>1,079,835,504</u>	\$	<u>(46,019,568)</u>	\$	<u>1,033,815,936</u>

Note 10. New Accounting Pronouncements

In March 2008, the FASB issued SFAS No. 161 “Disclosures about Derivative Instruments and Hedging Activities, an amendment to SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities.” SFAS No. 161 requires enhanced disclosures about an entity’s derivative and hedging activities and thereby improves the transparency of financial reporting. SFAS No. 161 is effective for financial statements issued for fiscal years beginning after November 15, 2008. The Company does not believe the adoption of SFAS No. 161 will have a material impact on the Company’s financial position or results of operations.

In December 2007, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 160 “Non-controlling Interests in Consolidated Financial Statements.” SFAS No. 160 clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements. The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. SFAS No. 160 requires a reclassification of minority interest within the equity section of the balance sheet and presentation on the consolidated statement of operations as an allocation of net income, rather than an expense recorded to arrive at net income. Although the presentation of the Company’s noncontrolling interests in subsidiaries will change as a result of the adoption of SFAS No. 160, the Company does not believe the adoption of SFAS No. 160 will have a material impact on the Company’s financial position or results of operations.

In December 2007, the FASB issued SFAS No. 141(R) “Business Combinations – Revised.” SFAS No. 141(R) requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, measured at their fair values as of that date, with goodwill being the excess value over the net identifiable assets acquired. SFAS No. 141(R) will modify SFAS No. 141’s cost-allocation process, which currently requires the cost of an acquisition to be allocated to the individual assets acquired and liabilities assumed based on their estimated fair values. SFAS No. 141(R) requires the costs of an acquisition to be recognized in the period incurred. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. The Company will apply the provisions of SFAS 141(R) to assets acquired in fiscal years beginning after December 15, 2008. Otherwise, the Company does not believe the adoption of SFAS No. 141(R) will have a material impact on the Company’s financial position or results of operations.

In February 2007, the FASB issued SFAS No. 159 “The Fair Value Option for Financial Assets and Financial Liabilities.” SFAS No. 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective of SFAS No. 159 is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 does not permit fair value measurement for certain assets and liabilities, including consolidated subsidiaries, interests in VIEs, and assets and liabilities recognized as leases under SFAS No. 13 “Accounting for Leases”. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption of this Statement as of January 1, 2008 did not have a material impact on the Company’s financial position or results of operations.

Note 11. Commitments and Contingencies

Eddy Street Commons

In the second quarter of 2008, the Company commenced construction activity on Eddy Street Commons at the University of Notre Dame, a multi-use development located adjacent to the university in South Bend, Indiana, that includes retail, office, hotels, a parking garage, apartments and residential units. The City of South Bend has agreed to contribute \$35 million to the development, funded by tax increment financing (TIF) bonds issued by the City in the form of parking garage and infrastructure improvements and a cash commitment from the City.

This development will be completed in several phases. The initial phase of the project is currently under construction and is expected to consist of the retail, office and apartment components which are estimated to cost a total of \$70 million, of which the Company’s share is estimated to be \$35 million. The Company will own the retail and office components while the apartments will be owned and operated by an unrelated third party. Portions of this initial phase are scheduled to open in late 2009.

The hotel components of the project will be owned through a joint venture while the apartments and residential units are planned to be sold through relationships with developers, owners and operators that specialize in residential real estate. The Company does not expect to own either the residential or the apartment complex components of the project, although it does expect to guarantee construction debt financing to be obtained by the apartment complex developer. The Company expects to receive development, construction management, guaranty, and other fees from various aspects of this project.

The Company has a contractual obligation in the form of a completion guarantee to the University of Notre Dame and to the City of South Bend to complete all phases of the project, with the exception of certain of the residential units, consistent with commitments it typically makes in connection with other bank-funded development projects. To the extent the hotel joint venture partner, the apartment developer/owner or the residential developer/owner fail to complete those aspects of the project, the Company will be required to complete the construction, at which time the Company expects that it would seek title to the assets and assume any construction borrowings related to the assets. The Company will have certain remedies against the developers if they fail to complete the construction. The majority of the Company's equity requirement for this project, if any, is expected to be satisfied through future borrowings.

Joint Venture Indebtedness

Joint venture debt is the liability of the joint venture under circumstances where the lender has limited recourse to the Company. As of September 30, 2008, the Company's share of unconsolidated joint venture indebtedness was approximately \$30.0 million. As of September 30, 2008, the Operating Partnership had guaranteed unconsolidated joint venture debt of \$22.0 million in the event the joint venture partnership defaults under the terms of the underlying arrangement. Mortgages which are guaranteed by the Operating Partnership are secured by the property of the joint venture, and the Operating Partnership has the right to attempt to sell the property in order to satisfy the outstanding obligation.

Other Commitments and Contingencies

The Company is not subject to any material litigation nor, to management's knowledge, is any material litigation currently threatened against the Company other than routine litigation, claims and administrative proceedings arising in the ordinary course of business. Management believes that such routine litigation, claims and administrative proceedings will not have a material adverse impact on the Company's consolidated financial position or consolidated results of operations.

As of September 30, 2008, the Company had outstanding letters of credit totaling \$9.8 million. At that date, there were no amounts advanced against these instruments.

Note 12. Subsequent Events

On November 4, 2008, the Company's Board of Trustees declared a cash distribution of \$0.205 per common share for the fourth quarter of 2008. Simultaneously, the Company's Board of Trustees declared a cash distribution of \$0.205 per Operating Partnership unit for the same period. These distributions are payable on January 16, 2008 to shareholders and unitholders of record as of January 7, 2008.

On October 7, 2008, the Company completed an equity offering of 4,750,000 common shares at a gross offering price of \$10.55 per share under a previously filed registration statement, for net offering proceeds of approximately \$47.8 million, all of which was used to repay borrowings under the Company's unsecured revolving credit facility, upon which the Company expects to later draw to fund a portion of its development and redevelopment projects and future acquisitions, to repay indebtedness, and for working capital and other general corporate purposes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in connection with the accompanying historical financial statements and related notes thereto. In this discussion, unless the context suggests otherwise, references to "our Company," "we," "us" and "our" mean Kite Realty Group Trust and its subsidiaries.

Overview

Our Business and Properties

Kite Realty Group Trust, through its majority-owned subsidiary, Kite Realty Group, L.P., is engaged in the ownership, operation, management, leasing, acquisition, construction, expansion and development of neighborhood and community shopping centers and certain commercial real estate properties in selected markets in the United States. We also provide real estate facility management, construction, development and other advisory services to third parties. We derive revenues primarily from rents and reimbursement payments received from tenants under existing leases at each of our properties. We also derive revenues from providing management, leasing, real estate development, construction and real estate advisory services through our taxable REIT subsidiary. Our operating results therefore depend materially on the ability of our tenants to make required payments and overall real estate market conditions.

As of September 30, 2008, we owned interests in a portfolio of 52 operating retail properties totaling approximately 8.5 million square feet of gross leasable area (including non-owned anchor space) and also owned interests in four operating commercial properties totaling approximately 563,000 square feet of net rentable area and an associated parking garage. Also, as of September 30, 2008, we had an interest in 10 properties in our development/redevelopment pipeline (including our Shops at Eagle Creek, Bolton Plaza, Rivers Edge, Courthouse Shadows, and Four Corner Square properties, all of which are undergoing a major redevelopment). Upon completion, our development/redevelopment properties are anticipated to have approximately 1.3 million square feet of total gross leasable area.

In addition to our current development/redevelopment pipeline, we have a "visible shadow" development pipeline which includes land parcels that are undergoing pre-development activity and are in the final stages of preparation for construction to commence. As of September 30, 2008, this visible shadow pipeline consisted of five projects, four of which are consolidated, one of which is unconsolidated, that are expected to contain approximately 2.9 million square feet of total gross leasable area upon completion.

Finally, as of September 30, 2008, we also owned interests in other land parcels comprising approximately 106 acres. These land parcels are classified as "Land held for development" in the accompanying consolidated balance sheet.

Recent Turmoil in Financial Markets and Current Economic Conditions

The United States stock and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many stocks to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. The recent turmoil in the stock and credit markets has exacerbated an already difficult environment for obtaining financing, discussed below.

At the beginning of the credit crisis in 2007, concerns about high risk, or sub-prime, mortgage loans in the housing market and their investment derivatives led to significant consolidation in the financial services industry. The historically high level of delinquencies and foreclosures among sub-prime mortgage borrowers in the United States is expected to continue in the foreseeable future. These conditions, brought on by fluctuations in interest rates, falling real estate prices and the number of borrowers with sub-prime mortgages, have caused lending institutions to tighten credit standards, making it more difficult for individuals and companies, including some of our tenants, to obtain financing on favorable terms, if at all. The tightening of credit standards has caused credit risk spreads to widen dramatically and securitization activity to be severely hampered. Many financial institutions that have relied heavily on short-term financing in repurchase markets are now facing much more stringent borrowing conditions. Asset prices continue to be volatile and many financial markets and institutions remain under considerable stress. As a result of these conditions, a number of major financial institutions have had to record significant losses and write-downs of their assets to their current fair values. These actions have intensified concerns about credit and liquidity risks and have resulted in a further sharp reduction of market liquidity and in some cases, bank buy-outs and failures.

In October 2008, in an effort to curtail the downward trend of the credit market and to promote stability of the U.S. financial system as a whole, the U.S. Congress passed into law the Emergency Economic Stabilization Act of 2008 (the "EESA"). The EESA authorizes the U.S. Secretary of the Treasury to spend up to \$700 billion to purchase distressed assets, especially mortgage-backed securities, from the nation's banks. The purpose of the plan is to purchase bad assets from these banks in an attempt to reduce uncertainty regarding the worth of the remaining assets and restore confidence in the credit markets. It is not yet known what effect, if any, the EESA will have on financial institutions and markets or the economy.

The turbulence in the financial markets has amplified an increasingly uncertain and challenging economic environment, both in the United States in general, and in the specific markets in which we operate. In addition to the financial industries, events in the financial markets are having a negative effect on many businesses, consumers and the economy as a whole. Companies of all types and sizes are finding it increasingly more difficult to address their liquidity and capital needs and consumers are dealing with increasing levels of unemployment and decreasing levels of confidence, resulting in less consumer spending.

Impact of Recent Events on Us and Our Growth Strategy

Like other real estate companies, the downturn in the U.S. economy and the tightening of the credit markets has had a significant impact on us and our business. As an owner and developer of community and neighborhood shopping centers, our performance is directly linked to economic conditions in the retail industry in those markets where our operating centers and development properties are located. This is particularly true in Indiana, Florida and Texas, the states where the majority of our properties are located and in North Carolina, where a significant amount of our development projects and land parcels held for development are located. In addition, the current state of the economy, including the effects of inflation, consumer credit availability, consumer debt levels, energy costs, business layoffs, downsizing and industry slowdowns, is affecting the operations of some of our tenants. In turn, this is having an impact on our business. Some of our existing tenants are having a more difficult time paying their rent obligations, and as a result we have had to restructure certain leases with such tenants. We have also had certain tenants terminate their leases with us, including Circuit City at our Sunland Towne Center property and Barnes and Noble and Linens 'N Things, both of which were tenants at our Cedar Hill Plaza property. In addition, due to the challenging economic environment, some of our existing and prospective tenants may be unwilling to enter into or renew leases with us on favorable terms or at all. These conditions are negatively affecting the market for retail space. As a result, the overall tenancy for our retail space has declined somewhat over the last 12 months and may continue to decline in the future. As of September 30, 2008, our retail operating portfolio was approximately 92% leased compared to approximately 95% as of September 30, 2007. In addition, these conditions make it more difficult for us to lease space in our development projects, which may adversely affect the expected returns from these projects or delay their completion.

On November 10, 2008, Circuit City Stores, Inc. filed a petition for bankruptcy protection under Chapter 11 of the federal bankruptcy laws. As of this date, Circuit City leased space at three of our properties, which, under the federal bankruptcy laws, it can elect to affirm or reject. It may also seek to receive rent reductions or deferrals or other lease modifications from us. At this time, Circuit City has not announced its plans with respect to its three leases with us. As of the date of its bankruptcy filing, Circuit City represented a total of approximately 2.0% of our total operating portfolio annualized base rent and approximately 1.6% of our total operating portfolio owned gross leasable area.

From a capital perspective, as of September 30, 2008, approximately \$206 million of our debt matures either in the fourth quarter of 2008 or in 2009 (approximately \$230 million including our share of unconsolidated debt), excluding scheduled monthly principal payments for the remainder of 2008 and 2009. While we believe we have good relationships with a number of banks and other financial institutions that will allow us to refinance substantially all of this debt (with the existing lender or a replacement lender), even in this current challenging environment, it is important that we identify alternative sources of capital in the event we are not able to refinance these loans on satisfactory terms, or at all.

Since July 2008, we have raised approximately \$102.8 million in proceeds from a new term loan that matures in July 2011 and from an equity offering of 4,750,000 of our common shares for net proceeds of approximately \$47.8 million. These funds were primarily used to pay down our unsecured revolving credit facility, which created additional availability under this facility to pay down debt as it matures, if necessary. As of November 10, 2008, approximately \$80 million was available to be drawn under this facility and we had an additional approximately \$12 million of cash and cash equivalents on hand. In addition, we have sought, and will continue to seek, to extend or refinance our debt that is maturing in the near term. For example, in October 2008, we extended the maturity dates from 2009 to 2010 on our variable rate debt at four of our consolidated properties (Estero Town Center, Tarpon Springs Plaza, Rivers Edge Shopping Center, and Bridgewater Marketplace). In addition, in October 2008, we also refinanced our variable rate debt at our Gateway Shopping Center from and extended the maturity date from 2009 to 2011. As a result of these activities, we extended the maturity dates to 2010 or later on approximately \$78.8 million of indebtedness previously due in 2009. As a result of these capital raising efforts and the current state of negotiations with existing and

replacement lenders for our near-term maturing debt, we believe we will have the ability to extend, refinance, or repay all debt that is maturing through at least 2009. In addition, we are also pursuing additional refinancing options on certain of our other variable rate debt instruments, including a loan commitment currently in place to extend the maturity date from 2009 to 2011 on variable rate debt of approximately \$21.0 million at one of our properties and another loan commitment currently in place for \$22.4 million of new borrowings at one of our unencumbered properties, the proceeds of which we anticipate utilizing to extinguish debt at three of our operating properties. We currently anticipate both of these loan commitments to close in the fourth quarter of 2008.

Obtaining favorable financing also is important to our business due to, among other things, the capital needs of our existing development and redevelopment projects. Our development and redevelopment pipelines, which are the primary drivers for our growth, require a substantial amount of capital. As of September 30, 2008, our unfunded share of the total known estimated cost of our development and redevelopment pipelines was approximately \$56 million. While we believe we will have access to sufficient funding to be able to fund our investments in these projects through a combination of new and existing construction loans and draws on our unsecured credit facility (which, as noted above, currently has \$80 million of availability), a prolonged credit crisis will make it more costly to raise necessary capital, or could cause us to reevaluate some of these projects.

We will continue to take advantage of our access to reliable capital and a historically low interest rate environment to the extent available to us in this environment to refinance our maturing debt and other capital needs. We also believe that, notwithstanding the challenging conditions, our strong demographics, experience with prior downturns in the economy and solid development pipeline will allow us to continue to execute our business strategy in the near term. For a more detailed discussion of our capital needs, see “*Liquidity and Capital Resources – Short and Long-Term Liquidity Needs – Upcoming Debt Maturities*” below.

Results of Operations

At September 30, 2008, we owned interests in 57 operating properties (consisting of 52 retail properties, four operating commercial properties and an associated parking garage) and 10 entities that held development or redevelopment properties in which we have an interest (including Shops at Eagle Creek, Bolton Plaza, Courthouse Shadows, and Four Corner Square properties, all of which are undergoing major redevelopment and Rivers Edge, a shopping center purchased in February 2008 that the Company intends to redevelop). Of the 67 total properties held at September 30, 2008, two operating properties and one parcel of pre-development land were owned through joint ventures and accounted for under the equity method.

At September 30, 2007, we owned interests in 55 operating properties (consisting of 50 retail properties, four operating commercial properties and an associated parking garage) and 11 entities that held development or redevelopment properties in which we have an interest (including our Glendale Town Center and Shops at Eagle Creek properties which were also undergoing major redevelopment at that time). Of the 66 total properties held at September 30, 2007, two operating properties were owned through joint ventures and accounted for under the equity method.

The comparability of results of operations is significantly affected by our development, redevelopment, and operating property acquisition and disposition activities in 2007 and 2008, discussed below.

Development Activities

The following development properties became operational or partially operational from January 1, 2007 through September 30, 2008:

<u>Property Name</u>	<u>MSA</u>	<u>Economic Occupancy Date</u> ¹	<u>Owned GLA</u>
Bridgewater Marketplace I	Indianapolis, IN	January 2007	26,000
Sandifur Plaza ²	Tri-Cities, WA	January 2007	12,538
Gateway Shopping Center Phase I & II	Marysville, WA	April 2007	83,000
Tarpon Springs Plaza	Naples, FL	July 2007	82,546
Bayport Commons	Tampa, FL	September 2007	97,200
Cornelius Gateway	Portland, OR	September 2007	21,000
Beacon Hill Phase II	Crown Point, IN	December 2007	19,160
54 th & College	Indianapolis, IN	June 2008	N/A ³

1 Represents the month in which we started receiving rental payments under tenant leases or ground leases at the

- property or the tenant took possession of the property, which ever is sooner.
- 2 Sandifur Plaza is a build-to-suit property that we intend to sell. Therefore, it is excluded from the total number of operating properties as of September 30, 2008.
 - 3 Property consists of a ground lease only, the Company does not own any GLA at the property.

Operating Property Acquisition & Disposition Activities

In February 2008, we purchased Rivers Edge Shopping Center, a 111,000 square foot shopping center located in Indianapolis, Indiana, for \$18.3 million. We utilized approximately \$2.7 million of proceeds from the November 2007 sale of our 176th & Meridian property. The remaining purchase price of \$15.6 million was funded initially through a draw on our unsecured revolving credit facility and subsequently refinanced with a variable rate loan bearing interest at LIBOR + 125 basis points and maturing on February 3, 2009. In October 2008, we extended the maturity date on this loan one additional year. We intend to redevelop this property. The results of operations of 176th & Meridian have been reflected as discontinued operations in the accompanying consolidated statement of operations for the three and nine month periods ended September 30, 2007.

Redevelopment Activities

Glendale Town Center

In 2007, we began to redevelop our Glendale Mall property in Indianapolis, Indiana into a 685,000 total square foot power center (renamed Glendale Town Center). This center's primary anchor, a new 129,000 square foot (non-owned) Target, opened in July 2008. The center also includes Macy's, Lowe's Home Improvement (non-owned), Staples, Kerasotes Theatre, Panera Bread, the Indianapolis-Marion County Public Library, a number of new small shops and professional office spaces and one additional outlet. As of September 30, 2008, this center was approximately 92% leased. The redevelopment of this property is substantially complete and, accordingly, it was transferred into our operating portfolio from the redevelopment pipeline in the third quarter of 2008.

Shops at Eagle Creek

We are currently redeveloping the space formerly occupied by Winn-Dixie at the Shops at Eagle Creek in Naples, Florida into two smaller spaces. Staples has signed a lease for approximately 25,800 square feet of the space and opened for business in August 2008. We are continuing to market the remaining space for lease. We have also completed a number of additional renovations at the property throughout the first nine months of 2008, including a new roof on the Staples and remaining junior anchor spaces, new store fronts, masonry additions to the façade and columns as well as new parking lot pavement, parking bumpers and striping. This property was transitioned into the redevelopment pipeline in the fourth quarter of 2006. We currently anticipate our total investment in the redevelopment at Shops at Eagle Creek will be approximately \$3.5 million.

Bolton Plaza

We are currently redeveloping Bolton Plaza Shopping Center in Jacksonville, Florida. The former anchor tenant's lease at the shopping center expired in May 2008 and was not renewed. This property was moved to the redevelopment pipeline in the second quarter of 2008. We currently anticipate our total investment in the redevelopment at Bolton Plaza will be approximately \$6.2 million.

Rivers Edge

We are currently in the process of redeveloping our Rivers Edge Shopping Center in Indianapolis, Indiana. The current anchor tenant's lease at this property will expire in March 2010 and we are marketing the space to potential anchor tenants for the center upon that anchor tenant's departure. This property was moved to the redevelopment pipeline in the second quarter of 2008. We currently anticipate our total investment in the redevelopment at Rivers Edge will be approximately \$5 million.

Courthouse Shadows

We are currently redeveloping our Courthouse Shadows Shopping Center in Naples, Florida. In addition to the existing center, we may construct an additional building to support approximately 6,000 square feet of small shop space. We also intend to modify the existing façade, pylon signage, and upgrade the landscaping and lighting. This property was moved to the

redevelopment pipeline in the third quarter of 2008. We currently anticipate our total investment in the redevelopment at Courthouse Shadows will be approximately \$2.5 million.

Four Corner Square

We are currently redeveloping our Four Corner Square Shopping Center in Maple Valley, Washington. In addition to the existing center, we also own approximately ten acres of land adjacent to the center which will be utilized in the redevelopment. We intend to construct several new buildings as well as maintaining portions of the existing buildings at the center. We anticipate the majority of the existing center will remain open during the redevelopment. This property was transitioned to the redevelopment pipeline in the third quarter of 2008. This property was moved to the redevelopment pipeline in the third quarter of 2008. We currently anticipate our total investment in the redevelopment Four Corner Square will be approximately \$0.5 million.

Comparison of Operating Results for the Three Months Ended September 30, 2008 to the Three Months Ended September 30, 2007

The following table reflects our consolidated statements of operations for the three months ended September 30, 2008 and 2007 (unaudited):

	Three Months Ended September 30		Increase (Decrease) 2008 to 2007
	2008	2007	
Revenue:			
Rental income (including tenant reimbursements)	\$ 23,848,180	\$ 22,511,302	\$ 1,336,878
Other property related revenue	3,797,675	3,223,938	573,737
Construction and service fee revenue	7,355,282	7,583,235	(227,953)
Expenses:			
Property operating expense	4,184,274	3,827,878	356,396
Real estate taxes	3,619,869	3,132,986	486,883
Cost of construction and services	6,139,131	6,539,643	(400,512)
General, administrative, and other	1,452,845	1,702,354	(249,509)
Depreciation and amortization	8,295,167	7,019,703	1,275,464
Operating income	11,309,851	11,095,911	213,940
Add:			
Other income, net	45,619	519,760	(474,141)
Equity in earnings of unconsolidated entities	65,640	48,024	17,616
Deduct:			
Interest expense	7,512,825	6,619,179	893,646
Income tax expense of taxable REIT subsidiary	131,691	32,789	98,902
Minority interest in income of consolidated subsidiaries	22,230	14,781	7,449
Limited Partners' interests in the continuing operations of the Operating Partnership	833,468	1,124,927	(291,459)
Income from continuing operations	2,920,896	3,872,019	(951,123)
Operating income from discontinued operations, net of Limited Partners' interests	—	19,376	(19,376)
Net income	<u>\$ 2,920,896</u>	<u>\$ 3,891,395</u>	<u>\$ (970,499)</u>

Rental income (including tenant reimbursements) increased approximately \$1.3 million, or 6%, due to the following:

	Increase (Decrease) 2008 to 2007
Development properties that became operational or partially operational in 2007 or 2008	\$ 1,530,461
Property acquired during 2008	482,935
Properties under redevelopment during 2007 and 2008	(101,513)
Properties fully operational during 2007 and 2008 & other	(575,005)
Total	<u>\$ 1,336,878</u>

Excluding the changes due to transitioned development properties, the acquisition of a property, and the properties under redevelopment, the net \$0.6 million decrease in rental income was primarily due to the following:

- \$0.6 million decrease at five of our properties due to the termination of tenants in 2007 and the first nine months of 2008, which includes the net effect of the loss of rent as well and the write-off to income of intangible lease related amounts; and
- \$0.2 million decrease in real estate tax refund, net of related professional fees, reimbursable to tenants at our Galleria Plaza property for fiscal years 2006 and 2007, which was received in the third quarter of 2008.

These decreases were partially offset by an increase of \$0.1 million due to the termination of a tenant at one of our properties in the third quarter of 2008, which included the write-off to income of intangible lease obligations.

Other property related revenue primarily consists of parking revenues, overage rent, lease settlement income and gains on land sales. This revenue increased approximately \$0.6 million, or 18%, primarily as a result of an increase of \$0.4 million in parking revenue at our Union Station parking garage related to the change in structure of our agreement from a lease to a management agreement with a third party and a \$0.3 million increase in gains on land sales. These increases were partially offset by a \$0.1 million decrease in overage rent due to the termination of a tenant at our Bolton Plaza property.

Construction revenue and service fees decreased approximately \$0.2 million, or 3%, primarily due to decreased levels of third party construction contracts as the Company continues to increase consolidated joint venture construction activities, which is eliminated in consolidation.

Property operating expenses increased approximately \$0.4 million, or 9%, due to the following:

	<u>Increase (Decrease) 2008 to 2007</u>
Development properties that became operational or partially operational in 2007 or 2008	\$ 282,877
Property acquired during 2008	60,245
Properties under redevelopment during 2007 and 2008	119,848
Properties fully operational during 2007 and 2008 & other	(106,574)
Total	\$ 356,396

Excluding the changes due to transitioned development properties, the acquisition of a property, and the properties under redevelopment, the net \$0.1 million decrease in property operating expenses was primarily due to a \$0.2 million decrease in landscaping expense at a number of our operating properties, which was partially offset by a net increase of \$0.1 million in administrative expenses at our Union Station parking garage property related to a change in the structure of our agreement from a lease to a management agreement with a third party.

Real estate taxes increased approximately \$0.5 million, or 16%, due to the following:

	<u>Increase 2008 to 2007</u>
Development properties that became operational or partially operational in 2007 or 2008	\$ 126,480
Property acquired during 2008	21,966
Properties under redevelopment during 2007 and 2008	3,332
Properties fully operational during 2007 and 2008 & other	335,105
Total	\$ 486,883

Excluding the changes due to transitioned development properties, the acquisition of a property, and the properties under redevelopment, the net \$0.3 million increase in real estate taxes was primarily due to a net increase in real estate tax expenses, primarily at our Indiana properties as a result of reassessments, a portion of which is recoverable from our tenants. This increase was partially offset by a real estate tax refund, net of related professional fees, of \$0.2 million for fiscal years 2006 and 2007, at our Galleria Plaza property, which was received in the third quarter of 2008.

Cost of construction and services decreased approximately \$0.4 million, or 6%, primarily due to decreased levels of third party construction contracts as the Company continues to increase consolidated joint venture construction activities, which is eliminated in consolidation.

General, administrative and other expenses decreased approximately \$0.2 million, or 15%. For the three months ended September 30, 2008, general, administrative and other expenses were 4.2% of total revenue compared to 5.1% for the three months ended September 30, 2007. This decrease is primarily due to decreased salaries, benefits and incentive compensation expense.

Depreciation and amortization expense increased approximately \$1.3 million, or 18%, due to the following:

	<u>Increase (Decrease)</u> <u>2008 to 2007</u>
Development properties that became operational or partially operational in 2007 or 2008	\$ 885,378
Property acquired during 2008	252,136
Properties under redevelopment during 2007 and 2008	(111,146)
Properties fully operational during 2007 and 2008 & other	249,096
Total	<u>\$ 1,275,464</u>

Excluding the changes due to transitioned development properties, the acquisition of a property, and the properties under redevelopment, the net \$0.2 million increase in depreciation and amortization expense was primarily due to the following:

- \$0.4 million increase related to the acceleration of depreciation and amortization of vacated tenant costs related to the termination of tenants at three of our operating properties in the third quarter of 2008; and
- \$0.1 million increase at our 30 South property related to the depreciation and amortization expense of tenant improvements and leasing costs related to a significant new tenant that began occupying space beginning in the first quarter of 2008. This space was previously unoccupied as it was being built-out for this new tenant in the third quarter of 2007.

These increases were partially offset a \$0.2 million decrease related to the acceleration of depreciation and amortization of vacated tenant costs related to the termination of tenants at three of our operating properties in the third quarter of 2007.

Other income decreased approximately \$0.5 million, or 91%, primarily as a result of a \$0.5 million payment received from a lender in consideration for our agreement to terminate a loan commitment in the third quarter of 2007.

Interest expense increased approximately \$0.9 million, or 14%, due to the following:

	<u>Increase (Decrease)</u> <u>2008 to 2007</u>
Development properties that became operational or partially operational in 2007 or 2008	\$ 1,063,752
Property acquired during 2008	160,000
Properties fully operational during 2007 and 2008 & other	(330,106)
Total	<u>\$ 893,646</u>

Excluding the changes due to transitioned development properties and the acquisition of a property, the net \$0.3 million decrease in interest expense was primarily due to lower LIBOR rates on our variable rate debt, including the line of credit, in the third quarter of 2008 compared to the third quarter of 2007, partially offset by increased interest expense related to the \$55 million outstanding on the term loan, which was entered into in July 2008.

Income tax expense increased \$0.1 million, or 302%, primarily due to higher taxable income at our taxable REIT subsidiary in the third quarter of 2008 compared to the third quarter of 2007.

Comparison of Operating Results for the Nine Months Ended September 30, 2008 to the Nine Months Ended September 30, 2007

The following table reflects our consolidated statements of operations for the nine months ended September 30, 2008 and 2007 (unaudited):

	<u>Nine Months Ended September 30</u>		<u>Increase (Decrease) 2008 to 2007</u>
	<u>2008</u>	<u>2007</u>	
Revenue:			
Rental income (including tenant reimbursements)	\$ 70,968,547	\$ 67,584,326	\$ 3,384,221
Other property related revenue	11,934,334	7,961,957	3,972,377
Construction and service fee revenue	19,955,122	23,630,103	(3,674,981)
Expenses:			
Property operating expense	12,690,912	11,436,900	1,254,012
Real estate taxes	10,169,369	8,848,531	1,320,838
Cost of construction and services	16,927,765	21,126,869	(4,199,104)
General, administrative, and other	4,422,201	4,758,278	(336,077)
Depreciation and amortization	24,915,498	23,858,996	1,056,502
Operating income	<u>33,732,258</u>	<u>29,146,812</u>	<u>4,585,446</u>
Add:			
Other income, net	142,527	719,355	(576,828)
Equity in earnings of unconsolidated entities	212,935	217,899	(4,964)
Deduct:			
Interest expense	22,117,890	18,916,607	3,201,283
Income tax expense of taxable REIT subsidiary	1,536,777	295,395	1,241,382
Minority interest in income of consolidated subsidiaries	37,830	264,002	(226,172)
Limited Partners' interests in the continuing operations of the Operating Partnership	<u>2,307,739</u>	<u>2,376,206</u>	<u>(68,467)</u>
Income from continuing operations	8,087,484	8,231,856	(144,372)
Operating income from discontinued operations, net of Limited Partners' interests	—	63,716	(63,716)
Net income	<u>\$ 8,087,484</u>	<u>\$ 8,295,572</u>	<u>\$ (208,088)</u>

Rental income (including tenant reimbursements) increased approximately \$3.4 million, or 5%, due to the following:

	<u>Increase (Decrease) 2008 to 2007</u>
Development properties that became operational or partially operational in 2007 or 2008	\$ 4,854,683
Property acquired during 2008	1,344,794
Properties under redevelopment during 2007 and 2008	659,569
Properties fully operational during 2007 and 2008 & other	(3,474,825)
Total	<u>\$ 3,384,221</u>

Excluding the changes due to transitioned development properties, the acquisition of a property, and the properties under redevelopment, the net \$3.5 million decrease in rental income was primarily due to the following:

- \$2.4 million decrease at six of our properties due to the termination of tenants in 2007 and the first nine months of 2008, which includes the loss of rent as well as the write-off to income of intangible lease related amounts;
- \$0.3 million decrease at our Union Station parking garage related to the change in structure of our agreement from a lease to a management agreement with a third party;
- \$0.3 million real estate tax refund, net of related professional fees, reimbursable to tenants at our Market Street Village property for fiscal years 2006 and 2007, which was received in the second quarter of 2008;
- \$0.2 million real estate tax refund, net of related professional fees, reimbursable to tenants at our Galleria Plaza property for fiscal years 2006 and 2007, which was received in the third quarter of 2008; and
- \$0.2 million decrease in common area maintenance and property insurance recoveries at a number of our properties.

Other property related revenue primarily consists of parking revenues, overage rent, lease settlement income and gains on land sales. This revenue increased approximately \$4.0 million, or 50%, primarily as a result of a \$3.7 million increase in gains on land sales and an increase of \$1.1 million in parking revenue at our Union Station parking garage property related to the change in structure of our agreement from a lease to a management agreement with a third party. These increases were partially offset by a \$0.6 million decrease in lease settlement income as well as a \$0.2 million decrease in overage rent due to the termination of a tenant at our Bolton Plaza property.

Construction revenue and service fees decreased approximately \$3.7 million, or 16%, primarily due to decreased levels of third party construction contracts as the Company continues to increase consolidated joint venture construction activities, which is eliminated in consolidation.

Property operating expenses increased approximately \$1.3 million, or 11%, due to the following:

	<u>Increase (Decrease) 2008 to 2007</u>
Development properties that became operational or partially operational in 2007 or 2008	\$ 1,027,233
Property acquired during 2008	193,747
Properties under redevelopment during 2007 and 2008	47,435
Properties fully operational during 2007 and 2008 & other	(14,403)
Total	\$ 1,254,012

Excluding the changes due to transitioned development properties, the acquisition of a property, and the properties under redevelopment, the net \$14,403 decrease in property operating expenses was primarily due to a \$0.2 million decrease in landscaping expense at a number of our operating properties, which was partially offset by a \$0.2 million increase in administrative expenses at our Union Station parking garage property related to a change in the structure of our agreement from a lease to a management agreement with a third party.

Real estate taxes increased approximately \$1.3 million, or 15%, due to the following:

	<u>Increase 2008 to 2007</u>
Development properties that became operational or partially operational in 2007 or 2008	\$ 457,635
Property acquired during 2008	142,243
Properties under redevelopment during 2007 and 2008	238,401
Properties fully operational during 2007 and 2008 & other	482,559
Total	\$ 1,320,838

Excluding the changes due to transitioned development properties, the acquisition of a property, and the properties under redevelopment, the net \$0.5 million increase in real estate taxes was primarily due to a net increase in real estate tax assessments at a number of our operating properties, some of which are recoverable from tenants. These increases were partially offset by the following:

- \$0.3 million real estate tax refund, net of related professional fees, reimbursable to tenants at our Market Street Village property for fiscal years 2006 and 2007, which was received in the second quarter of 2008; and
- \$0.2 million real estate tax refund, net of related professional fees, reimbursable to tenants at our Galleria Plaza property for fiscal years 2006 and 2007, which was received in the third quarter of 2008.

Cost of construction and services decreased approximately \$4.2 million, or 20%, primarily due to decreased levels of third party construction contracts as we continue to increase consolidated joint venture construction activities, which is eliminated in consolidation.

General, administrative and other expenses decreased approximately \$0.3 million, or 7%. For the nine months ended September 30, 2008, general, administrative and other expenses were 4.3% of total revenue compared to 4.8% for the nine months ended September 30, 2007. This decrease is primarily due to decreased salaries, benefits and incentive compensation expense.

Depreciation and amortization expense increased approximately \$1.1 million, or 4%, due to the following:

	<u>Increase (Decrease) 2008 to 2007</u>
Development properties that became operational or partially operational in 2007 or 2008	\$ 2,230,003
Property acquired during 2008	670,620
Properties under redevelopment during 2007 and 2008	(1,701,281)
Properties fully operational during 2007 and 2008 & other	(142,840)
Total	<u>\$ 1,056,502</u>

Excluding the changes due to transitioned development properties, the acquisition of a property, and the properties under redevelopment, the net \$0.1 million decrease in depreciation and amortization expense was primarily due to approximately \$1.5 million decrease in depreciation expense at three of our operating properties, including the acceleration of depreciation and amortization of vacated tenant costs related to the termination of tenants in the first nine months of 2007. This decrease was partially offset by the following:

- \$1.1 million increase in depreciation expense at five our operating properties, including the acceleration of depreciation and amortization of vacated tenant costs related to the termination of tenants in the first nine months of 2008; and
- \$0.2 million increase at our 30 South property related to the depreciation and amortization expense of tenant improvements and leasing costs related to a significant new tenant that began occupying space beginning in the first quarter of 2008. This space was previously unoccupied as it was being built-out for this new tenant in the third quarter of 2007.

Other income decreased approximately \$0.6 million, or 80%, primarily as a result of a \$0.5 million payment received from a lender in consideration for our agreement to terminate a loan commitment in the third quarter of 2007.

Interest expense increased approximately \$3.2 million, or 17%, due to the following:

	<u>Increase (Decrease) 2008 to 2007</u>
Development properties that became operational or partially operational in 2007 or 2008	\$ 3,133,402
Property acquired during 2008	435,147
Properties fully operational during 2007 and 2008 & other	(367,266)
Total	<u>\$ 3,201,283</u>

Excluding the changes due to transitioned development properties and the acquisition of a property, the net \$0.4 million decrease in interest expense was primarily due to lower LIBOR rates on our variable rate debt, including the line of credit, in the first nine months of 2008 compared to the first nine months of 2007, partially offset by increased interest expense related to the \$55 million outstanding on the term loan, which was entered into in July 2008.

Income tax expense increased \$1.2 million, or 420%, primarily due to income taxes incurred by our taxable REIT subsidiary associated with the gain on the sale of land in the first quarter of 2008 and higher taxable fee income in the first nine months of 2008.

Minority interest in income of consolidated subsidiaries decreased \$0.2 million, or 86%, primarily as a result of the minority partners' share of income related to the sale of an outlot at our Beacon Hill property in the second quarter of 2007.

Liquidity and Capital Resources

Current State of Capital Markets and Our Financing Strategy

As discussed in more detail above in "Overview", obtaining financing on favorable terms is important to our business due to, among other things, the capital needs of our existing development projects. In addition, we will need to refinance the current indebtedness on our properties and therefore we require access to the credit markets. However, the recent turmoil in the United States stock and credit markets have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing. This has exacerbated an already difficult

environment for obtaining financing, going back to the initial credit crisis that began in 2007. This uncertainty could make it more challenging for us to carry out our financing objectives.

In light of this uncertainty in the credit markets in particular and in the economy in general, as well as the economies of the areas in which we operate, we intend to aggressively and prudently manage our balance sheet. We have sought, and will continue to seek, to reduce the aggregate amount of indebtedness outstanding under our unsecured credit facility in an effort to have that source of financing available to, among other things, fund our development and redevelopment projects and pay down maturing debt if a refinancing of that debt is not feasible. For example, in July and August 2008, we obtained \$55 million of proceeds from a term loan that matures in July 2011, as described in more detail below. In addition, in October 2008, we completed an equity offering that raised approximately \$47.8 million of net proceeds. The majority of the proceeds from these transactions was used to pay down amounts outstanding under our unsecured credit facility, and as a result, approximately \$80 million is available for draw under that facility as of November 10, 2008.

In addition, we have sought, and will continue to seek, to extend or refinance our debt that is maturing through the year 2009. For example, in October 2008, we extended the maturity dates from 2009 to 2010 on our variable rate debt at four of our consolidated properties (Estero Town Center, Tarpon Springs Plaza, Rivers Edge Shopping Center, and Bridgewater Marketplace). In addition, in October 2008, we also refinanced our variable rate debt at our Gateway Shopping Center and extended the maturity date from 2009 to 2011. As a result of these activities, we extended the maturity dates to 2010 or later on approximately \$78.8 million of indebtedness previously due in 2009. As a result of these capital raising efforts and the current state of negotiations with existing and replacement lenders for our near-term maturing debt, we believe we have the ability to extend, refinance, or repay all debt that is maturing through at least 2009. In addition, we are also pursuing additional refinancing options on certain of our other variable rate debt instruments, including a loan commitment currently in place to extend the maturity date from 2009 to 2011 on variable rate debt of approximately \$21.0 million at one of our properties and another loan commitment currently in place for \$22.4 million of new borrowings at one of our unencumbered properties, the proceeds of which we anticipate utilizing to extinguish debt at three of our operating properties. We currently anticipate both of these loan commitments will close in the fourth quarter of 2008.

In the future, we may raise additional capital by pursuing additional joint venture capital partners and/or disposing of properties that are no longer core to our growth strategy. We will continue to monitor the capital markets and may consider raising additional capital through the issuance of our common shares, preferred shares or other securities.

As of September 30, 2008, we had cash and cash equivalents on hand of \$11.6 million. We may be subject to concentrations of credit risk with regards to our cash and cash equivalents. We place our cash and temporary cash investments with high-credit-quality financial institutions. At times, such investments may be in excess of FDIC and SIPC insurance limits.

Our Unsecured Revolving Credit Facility

Our Operating Partnership has entered into an amended and restated four-year \$200 million unsecured revolving credit facility with a group of lenders and Key Bank National Association, as agent (the “unsecured facility”). As of September 30, 2008, our outstanding indebtedness under the unsecured facility was approximately \$148.6 million, bearing interest at a rate of LIBOR plus 135 basis points, or 5.28%, per year. Giving effect to the paying down of approximately \$47.8 million of the unsecured credit facility with proceeds from our October 2008 equity offering, our outstanding indebtedness under the facility is approximately \$120 million, as of November 10, 2008, resulting in approximately \$80 million available to us for future draws.

The Company and several of the Operating Partnership’s subsidiaries are guarantors of the Operating Partnership’s obligations under the unsecured facility. The unsecured facility has a maturity date of February 20, 2011, with a one-year extension option. Borrowings under the unsecured facility bear interest at a floating interest rate of LIBOR plus 115 to 135 basis points, depending on our leverage ratio. The unsecured facility has a 0.125% to 0.20% commitment fee applicable to the average daily unused amount. Subject to certain conditions, including the prior consent of the lenders, we have the option to increase our borrowings under the unsecured facility to a maximum of \$400 million if there are sufficient unencumbered assets to support the additional borrowings. The unsecured facility also includes a short-term borrowing line of \$25 million with a variable interest rate. Borrowings under the short-term line may not be outstanding for more than five days.

The amount that we may borrow under the unsecured facility is based on the value of properties in the unencumbered property pool. We currently have 46 unencumbered assets, 45 of which are wholly owned and used to calculate the amount available for borrowing under the unsecured credit facility and one of which is a joint venture asset. The major unencumbered assets include: Broadstone Station, Circuit City Plaza, Courthouse Shadows, Eagle Creek Lowes, Eastgate Pavilion, Four Corner

Square, Glendale Town Center, Hamilton Crossing, King's Lake, Market Street Village, PEN Products, Publix at Acworth, Shops at Eagle Creek, Silver Glen, Union Station Parking Garage, Wal-Mart Plaza, and Waterford Lakes.

Our ability to borrow under the unsecured facility is subject to ongoing compliance with various restrictive covenants, including with respect to liens, indebtedness, investments, dividends, mergers and asset sales. In addition, the unsecured facility requires that the Company satisfy certain financial covenants, including:

- a maximum leverage ratio of 65% (or up to 70% in certain circumstances);
- Adjusted EBITDA (as defined in the unsecured facility) to fixed charges coverage ratio of at least 1.50 to 1;
- minimum tangible net worth (defined as Total Asset Value less Total Indebtedness) of \$300 million (plus 75% of the net proceeds of any future equity issuances);
- ratio of net operating income of unencumbered property to debt service under the unsecured facility of at least 1.50 to 1;
- minimum unencumbered property pool occupancy rate of 80%;
- ratio of floating rate indebtedness to total asset value of no more than 0.35 to 1; and
- ratio of recourse indebtedness to total asset value of no more than 0.30 to 1.

We were in compliance with all applicable covenants under the unsecured facility as of September 30, 2008.

Under the terms of the unsecured facility, we are permitted to make distributions to our shareholders of up to 95% of our funds from operations provided that no event of default exists. If an event of default exists, we may only make distributions sufficient to maintain our REIT status. However, we may not make any distributions if an event of default resulting from nonpayment or bankruptcy exists, or if our obligations under the credit facility are accelerated.

Term Loan

On August 18, 2008, we entered into an amendment to a \$30 million unsecured term loan (the "Term Loan Amendment") with KeyBank National Association, as Original Lender and Agent, Raymond James Bank and Royal Bank of Canada that was originally entered into on July 15, 2008. The Term Loan Amendment, among other things, increased the amount of borrowings under the original term loan agreement by an additional \$25 million, which amount was subsequently drawn, resulting in an aggregate amount outstanding under the term loan of \$55 million. The Operating Partnership is the borrower under the term loan and the Company and several of the Operating Partnership's subsidiaries are guarantors of the Operating Partnership's obligations there under. The majority of the proceeds of borrowings under the term loan were used to pay down our unsecured revolving credit facility. In connection with the term loan, in September 2008, we entered into a cash flow hedge for \$55 million at an interest rate of 5.92%.

The term loan has a scheduled maturity date of July 15, 2011. Borrowings under the term loan will bear interest at a floating interest rate of LIBOR plus 265 basis points. Our ability to borrow under the term loan will be subject to ongoing compliance by the Company, the Operating Partnership and their subsidiaries with various restrictive covenants, including with respect to liens, indebtedness, investments, dividends, mergers and asset sales. In addition, the term loan requires that we satisfy certain financial covenants that are substantially similar to the covenants under the unsecured credit facility, as described above. We were in compliance with all applicable covenants under the Term Loan as of September 30, 2008.

Short and Long-Term Liquidity Needs

Overview

We derive the majority of our revenue from tenants who lease space from us at our properties. Therefore, our ability to generate cash from operations is dependent on the rents that we are able to charge and collect from our tenants. While we believe that the nature of the properties in which we typically invest—primarily neighborhood and community shopping centers—provides a relatively stable revenue flow in uncertain economic times, the current general economic downturn is adversely affecting the

ability of some of our tenants to meet their lease obligations, as discussed in more detail above in “*Overview*” on page 18. If the downturn in the financial markets and economy is prolonged, our cash flow from operations could be materially affected.

Short-Term Liquidity Needs

The nature of our business, coupled with the requirements for qualifying for REIT status (which includes the stipulation that we distribute to shareholders at least 90% of our annual REIT taxable income) and to avoid paying tax on our income, necessitate that we distribute a substantial majority of our income on an annual basis, which will cause us to have substantial liquidity needs over both the short term and the long term. Our short-term liquidity needs consist primarily of funds necessary to pay operating expenses associated with our operating properties, interest expense and scheduled principal payments on our debt, expected dividend payments (including distributions to persons who hold units in our Operating Partnership) and recurring capital expenditures. Each quarter we discuss with our Board of Trustees (the “Board”) our liquidity requirements along with other relevant factors before the Board decides whether and in what amount to declare a distribution.

When we lease space to new tenants, or renew leases for existing tenants, we also incur expenditures for tenant improvements and external leasing commissions. This amount, as well as the amount of recurring capital expenditures that we incur, will vary from year to year. During the nine months ended September 30, 2008, we incurred approximately \$0.5 million of costs for recurring capital expenditures on operating properties and also incurred approximately \$0.9 million of costs for tenant improvements and external leasing commissions. In addition, we currently anticipate incurring approximately \$2.2 million in additional tenant improvements within the next twelve months at our Sunland Town Center property to replace the former anchor tenant’s space with the property’s new anchor as well as to reconfigure some of the existing space into small shop space.

We expect to meet our short-term liquidity needs through cash generated from operations and, to the extent necessary, borrowings under the unsecured facility, new construction loans, and accessing the public equity and debt markets to the extent that we are able.

Upcoming Debt Maturities

As of September 30, 2008, approximately \$206 million of our consolidated outstanding debt was scheduled to mature in the remainder of 2008 or in 2009 (approximately \$230 million including our share of unconsolidated debt), excluding scheduled monthly principal payments for the remainder of 2008 and 2009. Our current plans with respect to each of these loans are as follows:

- In October 2008, we extended the maturity dates from 2009 to 2010 on a total of approximately \$60.9 million of our variable rate debt at four of our consolidated properties (Estero Town Center, Tarpon Springs Plaza, Rivers Edge Shopping Center, and Bridgewater Marketplace). In addition, in the future, we may extinguish the debt at Tarpon Springs Plaza and Estero Town Center or we may replace the existing debt with new debt that has a longer term of three to four years;
- In October 2008, we refinanced \$17.9 million of variable rate debt at our Gateway Shopping Center and extended the maturity date from August 2009 to October 2011;
- We currently have a loan commitment in place to extend the maturity date from 2009 to 2011 on variable rate debt of approximately \$21.0 million at Bayport Commons Shopping Center; we currently anticipate this loan will close in the fourth quarter of 2008;
- We currently have a loan commitment in place for \$22.4 million of new borrowings on one of our unencumbered properties. We currently anticipate this loan will close in the fourth quarter of 2008 and that we will utilize these proceeds to extinguish indebtedness at three of our operating properties; and
- We are currently pursuing additional refinancing options on portions of the remaining \$107.8 million of variable rate indebtedness (including our share of unconsolidated indebtedness) that matures in 2009.

Giving effect of the October 2008 debt refinancing activities discussed above, our scheduled principal repayments on consolidated mortgage and other indebtedness is detailed below:

2008	\$ 18,683,997
2009 ^{1,2}	111,470,136
2010 ¹	74,237,941
2011 ^{2,3}	247,746,499
2012	38,904,933
Thereafter	236,263,475
	<u>727,306,981</u>
Unamortized Premiums	1,516,342
Total	<u>\$ 728,823,323</u>

- 1 In October 2008, we extended the maturity dates from 2009 to 2010 on our variable rate debt at four of our consolidated properties. As a result, \$60.9 million of obligations previously due in 2009 are now due in 2010, as reflected in the table above.
- 2 In February 2008, we refinanced variable rate debt at one of our consolidated properties and extended the maturity date from 2009 to 2011. As a result, \$17.9 million of obligations previously due in 2008 are now due in 2011, as reflected in the table above.
- 3 Amount due in 2011 includes the outstanding balance on our unsecured revolving credit facility, which has a one-year extension option.

Long-Term Liquidity Needs

Our long-term liquidity needs consist primarily of funds necessary to pay for development of new properties, redevelopment of existing properties, non-recurring capital expenditures, acquisitions of properties, and payment of indebtedness at maturity. As of September 30, 2008, five of our properties (Shops at Eagle Creek, Bolton Plaza, Rivers Edge, Courthouse Shadows and Four Corner Square) were undergoing major redevelopment activities. We anticipate our investment in these redevelopment projects will be a total of approximately \$17.7 million, which we currently have sufficient financing in place to fund through draws on our unsecured facility.

As of September 30, 2008, we had five development projects in our current development pipeline. The total estimated cost, including our share and our joint venture partners' share, for these projects is approximately \$105 million, of which approximately \$57 million had been incurred as of September 30, 2008. Our share of the total estimated cost is approximately \$74 million, of which we have incurred approximately \$33 million as of September 30, 2008. We currently have sufficient financing in place to fund these projects and expect to do so primarily through a combination of existing construction loans and a new construction loan at our Eddy Street Commons project, where we currently have a loan commitment in place for an approximately \$30 million variable rate construction loan with a three-year term. We currently anticipate that loan will close in the fourth quarter of 2008. In addition, if necessary, we may make draws on our unsecured credit facility.

One of the projects in our current development pipeline is Eddy Street Commons at the University of Notre Dame, a multi-use development located adjacent to the university in South Bend, Indiana, that includes retail, office, hotels, a parking garage, apartments and residential units. The City of South Bend has agreed to contribute \$35 million to the development, funded by tax increment financing (TIF) bonds issued by the City in the form of parking garage and infrastructure improvements and a cash commitment from the City. This development will be completed in several phases. The initial phase of the project is currently under construction and will consist of the retail, office and apartment components which are estimated to cost a total of \$70 million, of which the Company's share is estimated to be \$35 million. We will own the retail and office components while the apartments will be owned by a third party. Portions of this initial phase are scheduled to open in late 2009. The hotel components of the project will be owned through a joint venture while the apartments and residential units are planned to be sold and operated through relationships with developers, owners and operators that specialize in residential real estate. We do not expect to own either the residential or the apartment complex components of the project, although we do expect to guarantee construction debt financing to be obtained by the apartment complex developer. We expect to receive development, construction management, guaranty and other fees from various aspects of this project.

We have a contractual obligation in the form of a completion guarantee to the University of Notre Dame and to the City of South Bend to complete all phases of the project, with the exception of certain of the residential units, consistent with commitments it typically makes in connection with other bank-funded development projects. To the extent the hotel joint venture

partner, the apartment developer/owner or the residential developer/owner fail to complete those aspects of the project, we will be required to complete the construction, at which time we expect that we would seek title to the assets and assume any construction borrowings related to the assets. We will have certain remedies against the developers if they were to fail to complete the construction. The majority of our equity requirement for this project, if any, is expected to be satisfied through future borrowings.

In addition to our current development pipeline, we have a “visible shadow” development pipeline which includes land parcels that are in the final stages of preparation for construction to commence. As of September 30, 2008, this visible shadow pipeline consisted of five projects that are expected to contain approximately 2.9 million square feet. We currently anticipate the total estimated cost of these five projects will be approximately \$383 million, of which our share is currently expected to be approximately \$214 million. However, we are generally not contractually obligated to complete any projects in our visible shadow pipeline, as these consist of land parcels on which we have not yet commenced construction. With respect to each asset in the visible shadow pipeline, our policy is to not commence vertical construction until appropriate pre-leasing thresholds are met and the requisite third-party financing is in place. Once these projects are transitioned to the current development pipeline, we expect to fund our investment in these projects primarily through new construction loans, as well as draws on our unsecured facility, if necessary.

We may selectively pursue the acquisition and development of other properties, which, if pursued, would require additional capital. We do not expect to have sufficient funds on hand to meet these long-term cash requirements. We will have to satisfy these needs through participation in joint venture transactions, additional borrowings, sales of common or preferred shares and/or cash generated through property dispositions. We cannot be certain that we will have access to these sources of capital on favorable terms, if at all, to fund our long-term liquidity requirements. Our ability to access the capital markets will be dependent on a number of factors, including general capital market conditions, which is discussed in more detail above in “*Overview*”.

The Company has entered into an agreement (the “Venture”) with Prudential Real Estate Investors (“PREI”) to pursue joint venture opportunities for the development and selected acquisition of community shopping centers in the United States. The agreement allows for the Venture to develop or acquire up to \$1.25 billion of well-positioned community shopping centers in strategic markets in the United States. Under the terms of the agreement, the Company has agreed to present to PREI opportunities to develop or acquire community shopping centers, each with estimated project costs in excess of \$50 million. The Company has the option to present to PREI additional opportunities with estimated project costs under \$50 million. The agreement allows for equity capital contributions of up to \$500 million to be made to the Venture for qualifying projects. The Company expects contributions would be made on a project-by-project basis with PREI contributing 80% and the Company contributing 20% of the equity required. Our first project with PREI is Parkside Town Commons, which is currently in our visible shadow development pipeline.

We have filed a registration statement, and subsequent prospectus supplements related thereto, with the Securities and Exchange Commission allowing us to offer, from time to time, common shares or preferred shares for an aggregate initial public offering price of up to \$500 million. In October 2008, we issued 4,750,000 common shares under this registration statement for offering proceeds, net of offering costs, of approximately \$47.8 million. In addition, in April 2008, we issued 60,000 common shares under this registration statement for offering proceeds, net of offering costs, of approximately \$0.9 million.

Cash Flows

Comparison of the Nine Months Ended September 30, 2008 to the Nine Months Ended September 30, 2007

Cash provided by operating activities was \$30.7 million for the nine months ended September 30, 2008, an increase of \$3.2 million from the first nine months of 2007. The increase in cash provided by operations was largely the result of the change in accounts payable, accrued expenses, deferred revenue and other liabilities between periods of \$5.2 million as well the increase in depreciation and amortization, net of the decrease in the amortization of in-place lease liabilities, between periods of \$2.1 million, which was primarily due to tenant terminations in the first nine months of 2008 compared to the same period in 2007, which included the acceleration of depreciation and amortization of vacated tenant costs. This increase was partially offset by a change in deferred costs and other assets between years of approximately \$4.5 million.

Cash used in investing activities was \$97.8 million for the nine months ended September 30, 2008, an increase of \$16.7 million compared to the first nine months of 2007. The increase in cash used in investing activities was primarily a result of an increase of \$10.5 million in property acquisitions and capital expenditures in the first nine months of 2008 compared to the first nine months of 2007, as well as a change in construction payables of approximately \$3.5 million.

Cash provided by financing activities was \$59.7 million for the nine months ended September 30, 2008, an increase of \$17.7 million compared to the first nine months of 2007. Loan payments decreased approximately \$46.5 million primarily as a result of the repayment of the principal amount outstanding under our then-existing secured credit facility in the first quarter of 2007, partially offset by amounts repaid in 2008 under our unsecured revolving credit facility. This decrease was partially offset by a decrease in loan proceeds, net of offering costs, of approximately \$28.0 million, which was primarily related to the draw of \$118.1 million in the first quarter of 2007 from the new unsecured credit facility to repay the principal amount outstanding under our then-existing secured revolving credit facility and retire the secured revolving credit facility, partially offset by the \$55 million proceeds received in the third quarter of 2008 under the Term Loan as well as amounts drawn under our unsecured revolving credit facility.

Funds From Operations

Funds From Operations (“FFO”), is a widely used performance measure for real estate companies and is provided here as a supplemental measure of operating performance. We calculate FFO in accordance with the best practices described in the April 2002 National Policy Bulletin of the National Association of Real Estate Investment Trusts (NAREIT), which we refer to as the White Paper. The White Paper defines FFO as net income (computed in accordance with GAAP), excluding gains (or losses) from sales of depreciated property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures.

Given the nature of our business as a real estate owner and operator, we believe that FFO is helpful to investors as a starting point in measuring our operational performance because it excludes various items included in net income that do not relate to or are not indicative of our operating performance, such as gains (or losses) from sales of depreciated property and depreciation and amortization, which can make periodic and peer analyses of operating performance more difficult. FFO should not be considered as an alternative to net income (determined in accordance with GAAP) as an indicator of our financial performance, is not an alternative to cash flow from operating activities (determined in accordance with GAAP) as a measure of our liquidity, and is not indicative of funds available to satisfy our cash needs, including our ability to make distributions. Our computation of FFO may not be comparable to FFO reported by other REITs that do not define the term in accordance with the current NAREIT definition or that interpret the current NAREIT definitions differently than we do.

The following table reconciles our net income to FFO for the three and nine months ended September 30, 2008 and 2007 (unaudited):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Net income	\$ 2,920,896	\$ 3,891,395	\$ 8,087,484	\$ 8,295,572
Add Limited Partners’ interests in income	833,468	1,130,594	2,307,739	2,394,599
Add depreciation and amortization of consolidated entities, net of minority interest	8,105,171	6,873,292	24,406,665	23,520,510
Add depreciation and amortization of unconsolidated entities	101,944	100,864	304,572	302,828
Funds From Operations of the Kite Portfolio ¹	11,961,479	11,996,145	35,106,460	34,513,509
Deduct Limited Partners’ interests in Funds From Operations	(2,655,448)	(2,709,654)	(7,793,634)	(7,731,026)
Funds From Operations allocable to the Company ¹	\$ 9,306,031	\$ 9,286,491	\$ 27,312,826	\$ 26,782,483

- 1 “Funds From Operations of the Kite Portfolio” measures 100% of the operating performance of the Operating Partnership’s real estate properties and construction and service subsidiaries in which the Company owns an interest. “Funds From Operations allocable to the Company” reflects a reduction for the Limited Partners’ weighted average diluted interest in the Operating Partnership.

Off-Balance Sheet Arrangements

We do not currently have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources. We do, however, have certain obligations to some of our unconsolidated joint venture arrangements, including our joint venture with PREI with respect to our Parkside Town Commons development. As of September

30, 2008, we owned a 40% interest in this joint venture which, under the terms of this joint venture, will be reduced to 20% upon the commencement of construction.

As of September 30, 2008, our share of unconsolidated joint venture indebtedness was \$30.0 million. Unconsolidated joint venture debt is the liability of the joint venture and is typically secured by the assets of the joint venture. As of September 30, 2008, the Operating Partnership had guaranteed unconsolidated joint venture debt of \$22.0 million in the event the joint venture partnership defaults under the terms of the underlying arrangement. Mortgages which are guaranteed by the Operating Partnership are secured by the property of the joint venture and that property could be sold in order to satisfy the outstanding obligation.

Contractual Obligations

Construction Contracts

Eddy Street Commons

The only significant change to our construction contracts with third parties since December 31, 2007 are the commitments undertaken in connection with the commencement of construction activities in the second quarter of 2008 at our Eddy Street Commons development at the University of Notre Dame. Eddy Street Commons is a multi-use development located adjacent to the university in South Bend, Indiana, that includes retail, office, hotels, a parking garage, apartments and residential units. The City of South Bend has agreed to contribute \$35 million to the development, funded by tax increment financing (TIF) bonds issued by the City in the form of parking garage and infrastructure improvements and a cash commitment from the City.

This development will be completed in several phases. The initial phase of the project is currently under construction and will consist of the retail, office and apartment components which are estimated to cost a total of \$70 million, of which the Company's share is estimated to be \$35 million. We will own the retail and office components while the apartments will be owned and operated by a third party. Portions of this initial phase are scheduled to open in late 2009.

The hotel components of the project will be owned through a joint venture while the apartments and residential units are planned to be sold and operated through relationships with developers, owners and operators that specialize in residential real estate. We do not expect to own either the residential or the apartment complex components of the project, although we do expect to guarantee construction debt financing to be obtained by the apartment complex developer. We expect to receive development, construction management, guaranty and other fees from various aspects of this project.

We have a contractual obligation in the form of a completion guarantee to the University of Notre Dame and to the City of South Bend to complete all phases of the project, with the exception of certain of the residential units, consistent with commitments we typically make in connection with other bank-funded development projects. To the extent the hotel joint venture partner, the apartment developer/owner or the residential developer/owner fail to complete those aspects of the project, we will be required to complete the construction, at which time we expect that we would seek title to the assets and assume any construction borrowings related to the assets. We will have certain remedies against the developers if they were to fail to complete the construction. The majority of our equity requirement for this project, if any, is expected to be satisfied through future borrowings.

Obligations in Connection with Our Development, Redevelopment and Visible Shadow Pipeline

We are obligated under various contractual arrangements to complete the projects in our development pipeline. We currently anticipate our share of the cost of the five projects in our development pipeline will be approximately \$74 million (including \$35 million of costs associated with Phase I of our Eddy Street Commons development discussed above), of which approximately \$42 of our share was unfunded as of September 30, 2008. We currently have sufficient financing in place to fund these projects and expect to do so primarily through a combination of existing construction loans and a new construction loan at our Eddy Street Commons project, where we currently have a loan commitment in place for an approximately \$30 million variable rate construction loan with a three-year term. We currently anticipate that loan will close in the fourth quarter of 2008. In addition, if necessary, we may make draws on our unsecured credit facility.

In addition to our current development pipeline, we also have a redevelopment pipeline and a "visible shadow" development pipeline, which includes land parcels that are undergoing pre-development activity and are in the final stages of preparation for construction to commence. Generally, we are not contractually obligated to complete any projects in our redevelopment or visible shadow pipeline, as these consist of land parcels on which we have not yet commenced construction. With respect to each asset in

the visible shadow pipeline, our policy is to not commence vertical construction until appropriate pre-leasing thresholds are met and the requisite third-party financing is in place.

Consolidated Long-Term Debt

In October 2008, we extended the maturity dates from 2009 to 2010 on our variable rate debt at four of our consolidated properties (Estero Town Center, Tarpon Springs Plaza, Rivers Edge Shopping Center, and Bridgewater Marketplace). In addition, in October 2008, we also refinanced our variable rate debt at our Gateway Shopping Center and extended the maturity date from 2009 to 2011. As a result of these activities, we extended the maturity dates to 2010 or later on approximately \$78.8 million of indebtedness previously due in 2009.

Giving effect of the October 2008 debt refinancing activities discussed above, our scheduled principal repayments on consolidated mortgage and other indebtedness is detailed below:

2008	\$ 18,683,997
2009 ^{1,2}	111,470,136
2010 ¹	74,237,941
2011 ^{2,3}	247,746,499
2012	38,904,933
Thereafter	236,263,475
	<u>727,306,981</u>
Unamortized Premiums	1,516,342
Total	<u>\$ 728,823,323</u>

1 In October 2008, we extended the maturity dates from 2009 to 2010 on our variable rate debt at four of our consolidated properties and extended the maturity dates from 2009 to 2010. As a result, \$60.9 million of obligations previously due in 2009 are now due in 2010, as reflected in the table above.

2 In February 2008, we refinanced variable rate debt at one of our consolidated properties and extended the maturity date from 2009 to 2011. As a result, \$17.9 million of obligations previously due in 2008 are now due in 2011, as reflected in the table above.

3 Amount due in 2011 includes the outstanding balance on our unsecured revolving credit facility, which has a one-year extension option.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Our future income, cash flows and fair values relevant to financial instruments depend upon prevailing interest rates. Market risk refers to the risk of loss from adverse changes in interest rates of debt instruments of similar maturities and terms.

Market Risk Related to Fixed and Variable Rate Debt

We had approximately \$728.8 million of outstanding consolidated indebtedness as of September 30, 2008 (inclusive of net premiums on acquired debt of \$1.5 million). As of September 30, 2008, we were party to seven consolidated interest rate hedge agreements for a total of \$188.7 million, with interest rates ranging from 5.13% to 6.42% and maturities over various terms through 2011. Including the effects of these swaps, our fixed and variable rate debt would have been approximately \$520.5 million (72%) and \$206.8 million (28%), respectively, of our total consolidated indebtedness at September 30, 2008. Reflecting our share of unconsolidated debt and the effect of their swaps, our fixed and variable rate debt is also 72% and 28%, respectively, of total consolidated and our share of unconsolidated indebtedness at September 30, 2008.

On October 7, 2008, we completed an equity offering of 4,750,000 common shares under a previously filed registration statement, for net offering proceeds of approximately \$47.8 million, all of which was used to repay borrowings under our unsecured revolving credit facility. Including the effect of the aforementioned swaps and the pay down of our unsecured revolving credit facility, our fixed and variable rate debt would have been approximately \$520.5 million (77%) and \$159.0 million (23%), respectively of our total indebtedness. Reflecting our share of unconsolidated debt and the effect of their swaps, our fixed and variable rate debt is also 77% and 23%, respectively, of total consolidated and our share of unconsolidated indebtedness.

Based on the amount of our fixed rate debt at September 30, 2008, a 100 basis point increase in market interest rates would result in a decrease in its fair value of approximately \$16.3 million. A 100 basis point decrease in market interest rates would result in an increase in the fair value of our fixed rate debt of approximately \$17.5 million. A 100 basis point increase or decrease in interest rates on our variable rate debt as of September 30, 2008 would increase or decrease our annual cash flow by approximately \$2.1 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting

In the second quarter of 2008, the Company began a phased implementation of a new information technology system to be used as our primary accounting system. The implementation is currently scheduled to be completed in multiple phases through the remainder of 2008. The transition to the new information technology system includes significant testing of the system prior to implementation, training of employees who will be using the system and updating of our internal control process and procedures that will be impacted by the implementation. During each phase of the implementation, an appropriate level of testing and monitoring of the financial results recorded in the system will be conducted and our management will update the system of internal control over the impacted areas.

During the three months and nine months ended September 30, 2008, a portion of our accounting and financial reporting was performed on the new system. Accordingly, our system of internal control over accounting and financial reporting has been updated.

Other than the foregoing, there has been no change in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) identified in connection with the evaluation required by Rule 13a-15(b) under the Securities Exchange Act of 1934 of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of September 30, 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

The Company is party to various actions representing routine litigation and administrative proceedings arising out of the ordinary course of business. None of these actions are expected to have a material adverse effect on our consolidated financial condition, results of operations or cash flows taken as a whole.

Item 1A. Risk Factors

Recent disruptions in the financial markets could affect our ability to obtain financing for development of our properties and other purposes on reasonable terms and have other adverse effects on us and the market price of our common stock.

The United States financial and credit markets have recently experienced significant price volatility, dislocations and liquidity disruptions, which have caused market prices of many financial instruments to fluctuate substantially and the spreads on prospective debt financings to widen considerably. These circumstances have materially impacted liquidity in the financial markets, making terms for certain financings less attractive, and in some cases have resulted in the unavailability of financing.

Continued uncertainty in the stock and credit markets may negatively impact our ability to access additional financing for development of our properties and other purposes at reasonable terms, which may negatively affect our business. A prolonged

downturn in the financial markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plan accordingly. These events also may make it more difficult or costly for us to raise capital through the issuance of our common stock or preferred stock. The disruptions in the financial markets may have a material adverse effect on the market value of our common stock and other adverse effects on us and our business.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not Applicable

Item 3. Defaults Upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits

Exhibit No.	Description	Location
10.1	Original Term Loan Agreement, dated July 15, 2008, by and among the Operating Partnership, the Company, KeyBank National Association, as Administrative Agent and Lender, KeyBanc Capital Markets, as Lead Arranger	incorporated by reference to the registrant's Form 8-K filed with the Commission on August 22, 2008
10.2	First Amendment to Term Loan Agreement, dated August 18, 2008, by and amount the Operating Partnership, the Company, KeyBank National Association, as Original Lender and Agent, and Raymond James Bank and Royal Bank of Canada, collectively as "New Lenders"	incorporated by reference to the registrant's Form 8-K filed with the Commission on August 22, 2008
10.3	Form of Guaranty, dated as of July 15, 2008, by the Company.	incorporated by reference to the registrant's Form 8-K filed with the Commission on August 22, 2008
10.4	Indemnification Agreement, dated as of November 10, 2008 and effective as of November 3, 2008, by and between Kite Realty Group, L.P. and Darell E. Zink, Jr.	Filed herewith
31.1	Certification of principal executive officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification of principal financial officer required by Rule 13a-14(a)/15d-14(a) under the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith

SIGNATURES

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

November 10, 2008
(Date)

KITE REALTY GROUP TRUST

By: /s/ John A. Kite
John A. Kite
Chief Executive Officer and President
(Principal Executive Officer)

November 10, 2008
(Date)

By: /s/ Daniel R. Sink
Daniel R. Sink
Chief Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this “Agreement”) is entered into as of November 10, 2008 and effective as of November 3, 2008, by and among Kite Realty Group Trust, a Maryland real estate investment trust (the “Company”), Kite Realty Group, L.P., a Delaware limited partnership (the “Operating Partnership” and together with the Company, the “Indemnitors”), and Darell E. Zink, Jr. (the “Indemnitee”).

WHEREAS, the Indemnitee is an officer or a member of the Board of Trustees of the Company and in such capacity is performing a valuable service for the Company and the Operating Partnership;

WHEREAS, Maryland law permits the Company to enter into contracts with its officers or members of its Board of Trustees with respect to indemnification of, and advancement of expenses to, such persons;

WHEREAS, the Declaration of Trust of the Company (the “Declaration of Trust”) authorizes the Company to indemnify and advance expenses to its officers and trustees to the maximum extent permitted by Maryland law in effect from time to time;

WHEREAS, the Amended and Restated Bylaws of the Company (the “Bylaws”) provide that each officer and trustee of the Company shall be indemnified by the Company to the maximum extent permitted by Maryland law in effect from time to time and shall be entitled to advancement of expenses consistent with Maryland law;

WHEREAS, the Company is the general partner of, and conducts substantially all of its business through, the Operating Partnership;

WHEREAS, the Amended and Restated Partnership Agreement of the Operating Partnership (the “Partnership Agreement”) provides for indemnification and advancement of expenses to the Company and its officers and trustees consistent with the applicable provisions of Maryland law, subject to the same limitations on indemnity and advancement of expenses that apply under Maryland law to indemnity and advancement of expenses by the Company of its officers and trustees; and

WHEREAS, to induce the Indemnitee to provide services to the Company as an officer or a member of the Board of Trustees, and to provide the Indemnitee with specific contractual assurance that indemnification will be available to the Indemnitee regardless of, among other things, any amendment to or revocation of the Declaration of Trust, the Bylaws or the Partnership Agreement, or any acquisition transaction relating to the Company, the Indemnitors desire to provide the Indemnitee with protection against personal liability as set forth herein;

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Indemnitors and the Indemnitee hereby agree as follows:

1. **DEFINITIONS.**

For purposes of this Agreement:

- (A) “Change in Control” shall mean
- i. the dissolution or liquidation of the Company;
 - ii. the merger, consolidation, or reorganization of the Company with one or more other entities in which the Company is not the surviving entity or immediately following which the persons or entities who were beneficial owners (as determined pursuant to Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) of voting securities of the Company immediately prior thereto cease to beneficially own more than fifty percent (50%) of the voting securities of the surviving entity immediately thereafter;
 - iii. a sale of all or substantially all of the assets of the Company to another person or entity;
 - iv. any transaction (including without limitation a merger or reorganization in which the Company is the surviving entity) that results in any person or entity or “group” (within the meaning of Section 13(d)(3) or

14(d)(2) of the Exchange Act) (other than persons who are shareholders or affiliates immediately prior to the transaction) owning thirty percent (30%) or more of the combined voting power of all classes of shares of the Company; or

- v. individuals who, as of the date hereof, constitute the Board of Trustees (the “Incumbent Board”) cease for any reason to constitute at least a majority of the Board of Trustees; provided, however, that any individual becoming a trustee subsequent to the date hereof whose election, or nomination for election by the Company’s shareholders, was approved by a vote of at least a majority of the trustees then comprising the Incumbent Board (either by a specific vote or by approval of the proxy statement of the Company in which such person is named as a nominee for trustee, without written objection to such nomination) shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of trustees or other actual or threatened solicitation of proxies or contests by or on behalf of a person other than the Board of Trustees.
- (B) “Corporate Status” describes the status of a person who is or was a trustee or officer of the Company (or of any domestic or foreign predecessor entity of the Company in a merger, consolidation or other transaction in which the predecessor’s interest ceased upon consummation of the transaction) or is or was serving at the request of the Company (or any such predecessor entity) as a director, officer, partner (limited or general), member, trustee, employee or agent of any other foreign or domestic corporation, partnership, joint venture, limited liability company, trust, other enterprise (whether conducted for profit or not for profit) or employee benefit plan. The Company (and any domestic or foreign predecessor entity of the Company in a merger, consolidation or other transaction in which the predecessor’s existence ceased upon consummation of the transaction) shall be deemed to have requested the Indemnitee to serve an employee benefit plan where the performance of the Indemnitee’s duties to the Company (or any such predecessor entity) also imposes or imposed duties on, or otherwise involves or involved services by, the Indemnitee to the plan or participants or beneficiaries of the plan.
 - (C) “Expenses” shall include all attorneys’ and paralegals’ fees, retainers, court costs, transcript costs, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, or being or preparing to be a witness in a Proceeding.
 - (D) “Proceeding” includes any action, suit, arbitration, alternate dispute resolution mechanism, investigation, administrative hearing, or any other proceeding, including appeals therefrom, whether civil, criminal, administrative, or investigative, except one initiated by the Indemnitee pursuant to paragraph 8 of this Agreement to enforce such Indemnitee’s rights under this Agreement.
 - (E) “Special Legal Counsel” means a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, or in the past two years has been, retained to represent (i) the Indemnitors or the Indemnitee in any matter material to either such party, or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder.

2. **INDEMNIFICATION**

The Indemnitee shall be entitled to the rights of indemnification provided in this paragraph 2 and under applicable law, the Declaration of Trust, the Bylaws, the Partnership Agreement, any other agreement, a vote of shareholders or resolution of the Board of Trustees or otherwise if, by reason of such Indemnitee’s Corporate Status, such Indemnitee is, or is threatened to be made, a party to any threatened, pending, or completed Proceeding, including a Proceeding by or in the right of the Company or the Operating Partnership. Unless prohibited by paragraph 13 hereof and subject to the other provisions of this Agreement, the Indemnitee shall be indemnified hereunder, to the maximum extent provided by Maryland law in effect from time to time, against judgments, penalties, fines, and settlements and reasonable Expenses actually incurred by or on behalf of such Indemnitee in connection with such Proceeding or any claim, issue or matter therein; provided, however, that if such Proceeding was one by or in the right of the Company or the Operating Partnership, indemnification may not be made in respect of such Proceeding if the Indemnitee shall have been adjudged to be liable to the Company or the Operating Partnership. For purposes of this paragraph 2, excise taxes assessed on the Indemnitee with respect to an employee benefit plan pursuant to applicable law shall be deemed fines.

3. **EXPENSES OF A SUCCESSFUL PARTY**

Without limiting the effect of any other provision of this Agreement and without regard to the provisions of paragraph 6 hereof, to the extent that the Indemnitee is, by reason of such Indemnitee's Corporate Status, a party to and is successful, on the merits or otherwise, in any Proceeding pursuant to a final non-appealable order, such Indemnitee shall be indemnified against all reasonable Expenses actually incurred by or on behalf of such Indemnitee in connection therewith. If the Indemnitee is not wholly successful in such Proceeding pursuant to a final non-appealable order but is successful, on the merits or otherwise, as to one or more but less than all claims, issues, or matters in such Proceeding pursuant to a final non-appealable order, the Indemnitors shall indemnify the Indemnitee against all reasonable Expenses actually incurred by or on behalf of such Indemnitee in connection with each successfully resolved claim, issue or matter. For purposes of this paragraph and without limitation, the termination of any claim, issue or matter in such Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

4. **ADVANCEMENT OF EXPENSES**

The Indemnitors shall advance all reasonable Expenses incurred by or on behalf of the Indemnitee in connection with any Proceeding within 20 days after the receipt by the Indemnitors of a statement from the Indemnitee requesting such advance from time to time, whether prior to or after final disposition of such Proceeding. Such statement shall reasonably evidence the Expenses incurred or to be incurred by the Indemnitee and shall include or be preceded or accompanied by (i) a written affirmation by the Indemnitee of the Indemnitee's good faith belief that the standard of conduct necessary for indemnification by the Indemnitors as authorized by this Agreement has been met and (ii) a written undertaking by or on behalf of the Indemnitee to repay the amounts advanced if it should ultimately be determined that the standard of conduct has not been met. The undertaking required by clause (ii) of the immediately preceding sentence shall be an unlimited general obligation of the Indemnitee but need not be secured and may be accepted without reference to financial ability to make the repayment.

5. **WITNESS EXPENSES**

Notwithstanding any other provision of this Agreement, to the extent that the Indemnitee is, by reason of such Indemnitee's Corporate Status, a witness for any reason in any Proceeding to which such Indemnitee is not a named defendant or respondent, such Indemnitee shall be indemnified by the Indemnitors against all Expenses actually incurred by or on behalf of such Indemnitee in connection therewith.

6. **DETERMINATION OF ENTITLEMENT TO AND AUTHORIZATION OF INDEMNIFICATION**

- (A) To obtain indemnification under this Agreement, the Indemnitee shall submit to the Indemnitors a written request, including therewith such documentation and information reasonably necessary to determine whether and to what extent the Indemnitee is entitled to indemnification.
- (B) Indemnification under this Agreement may not be made unless authorized for a specific Proceeding after a determination has been made in accordance with this Section 6(B) that indemnification of the Indemnitee is permissible in the circumstances because the Indemnitee has met the following standard of conduct: the Indemnitors shall indemnify the Indemnitee in accordance with the provisions of paragraph 2 hereof, unless it is established that: (a) the act or omission of the Indemnitee was material to the matter giving rise to the Proceeding and (x) was committed in bad faith or (y) was the result of active and deliberate dishonesty; (b) the Indemnitee actually received an improper personal benefit in money, property or services; or (c) in the case of any criminal proceeding, the Indemnitee had reasonable cause to believe that the act or omission was unlawful. Upon receipt by the Indemnitors of the Indemnitee's written request for indemnification pursuant to subparagraph 6(A), a determination as to whether the applicable standard of conduct has been met shall be made within the period specified in paragraph 6(E): (i) if a Change in Control shall have occurred, by Special Legal Counsel in a written opinion to the Board of Trustees, a copy of which shall be delivered to the Indemnitee, with Special Legal Counsel selected by the Indemnitee (unless the Indemnitee shall request that such determination be made by the person or persons and in the manner provided in clause (ii) of this paragraph 6(B), in which event the provisions of such clause (ii) shall apply) (If the Indemnitee selects Special Legal Counsel to make the determination under this clause (i), the Indemnitee shall give prompt written notice to the Indemnitors advising them of the identity of the Special Legal Counsel so selected); or (ii) if a Change in Control shall not have occurred, (A) by the Board of Trustees by a majority vote of a quorum consisting of trustees not, at the time, parties to the Proceeding, or, if such quorum cannot be obtained, then by a majority vote of a committee of the Board of Trustees consisting solely of two or more trustees not, at the time, parties to such Proceeding and who were duly designated to act in the matter by a majority vote of the full Board of Trustees in which the designated

trustees who are parties may participate, (B) by Special Legal Counsel in a written opinion to the Board of Trustees, a copy of which shall be delivered to the Indemnitee, with Special Legal Counsel selected by the Board of Trustees or a committee of the Board of Trustees by vote as set forth in subparagraph (ii)(A) of this paragraph 6(B), or, if the requisite quorum of the full Board of Trustees cannot be obtained therefor and the committee cannot be established, by a majority of the full Board of Trustees in which trustees who are parties to the Proceeding may participate (If the Indemnitors select Special Legal Counsel to make the determination under this clause (ii), the Indemnitors shall give prompt written notice to the Indemnitee advising him or her of the identity of the Special Legal Counsel so selected) or (C) by the shareholders of the Company. If it is so determined that the Indemnitee is entitled to indemnification, payment to the Indemnitee shall be made within 10 days after such determination. Authorization of indemnification and determination as to reasonableness of Expenses shall be made in the same manner as the determination that indemnification is permissible. However, if the determination that indemnification is permissible is made by Special Legal Counsel under clause (B) above, authorization of indemnification and determination as to reasonableness of Expenses shall be made in the manner specified under clause (B) above for the selection of such Special Legal Counsel.

- (C) The Indemnitee shall cooperate with the person or entity making such determination with respect to the Indemnitee's entitlement to indemnification, including providing upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to the Indemnitee and reasonably necessary to such determination. Any reasonable costs or expenses (including reasonable attorneys' fees and disbursements) incurred by the Indemnitee in so cooperating shall be borne by the Indemnitors (irrespective of the determination as to the Indemnitee's entitlement to indemnification) and the Indemnitors hereby indemnify and agree to hold the Indemnitee's harmless therefrom.
- (D) In the event the determination of entitlement to indemnification is to be made by Special Legal Counsel pursuant to paragraph 6(B) hereof, the Indemnitee, or the Indemnitors, as the case may be, may, within seven days after such written notice of selection shall have been given, deliver to the Indemnitors or to the Indemnitee, as the case may be, a written objection to such selection. Such objection may be asserted only on the grounds that the Special Legal Counsel so selected does not meet the requirements of "Special Legal Counsel" as defined in paragraph 1 of this Agreement. If such written objection is made, the Special Legal Counsel so selected may not serve as Special Legal Counsel until a court has determined that such objection is without merit. If, within 20 days after submission by the Indemnitee of a written request for indemnification pursuant to paragraph 6(A) hereof, no Special Legal Counsel shall have been selected or, if selected, shall have been objected to, either the Indemnitors or the Indemnitee may petition a court for resolution of any objection which shall have been made by the Indemnitors or the Indemnitee to the other's selection of Special Legal Counsel and/or for the appointment as Special Legal Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom an objection is so resolved or the person so appointed shall act as Special Legal Counsel under paragraph 6(B) hereof. The Indemnitors shall pay all reasonable fees and expenses of Special Legal Counsel incurred in connection with acting pursuant to paragraph 6(B) hereof, and all reasonable fees and expenses incident to the selection of such Special Legal Counsel pursuant to this paragraph 6(D). In the event that a determination of entitlement to indemnification is to be made by Special Legal Counsel and such determination shall not have been made and delivered in a written opinion within ninety (90) days after the receipt by the Indemnitors of the Indemnitee's request in accordance with paragraph 6(A), upon the due commencement of any judicial proceeding in accordance with paragraph 8(A) of this Agreement, Special Legal Counsel shall be discharged and relieved of any further responsibility in such capacity.
- (E) If the person or entity making the determination whether the Indemnitee is entitled to indemnification shall not have made a determination within 60 days after receipt by the Indemnitors of the request therefor, the requisite determination of entitlement to indemnification shall be deemed to have been made and the Indemnitee shall be entitled to such indemnification, absent: (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law. Such 60-day period may be extended for a reasonable time, not to exceed an additional 30 days, if the person or entity making said determination in good faith requires additional time for the obtaining or evaluating of documentation and/or information relating thereto. The foregoing provisions of this paragraph 6(E) shall not apply: (i) if the determination of entitlement to indemnification is to be made by the shareholders and if within 15 days after receipt by the Indemnitors of the request for such determination the Board of Trustees resolves to submit such determination to the shareholders for consideration at an annual or special meeting thereof to be held within 75 days after such receipt and such determination is made at such meeting, or (ii) if the determination of entitlement to indemnification is to be made by Special Legal Counsel pursuant to paragraph 6(B) of this Agreement.

7. **PRESUMPTIONS**

- (A) In making a determination with respect to entitlement or authorization of indemnification hereunder, the person or entity making such determination shall presume that the Indemnitee is entitled to indemnification under this Agreement and the Indemnitors shall have the burden of proof to overcome such presumption.
- (B) The termination of any Proceeding by conviction, or upon a plea of nolo contendere or its equivalent, or an entry of an order of probation prior to judgment, creates a rebuttable presumption that the Indemnitee did not meet the requisite standard of conduct described herein for indemnification.

8. **REMEDIES**

- (A) In the event that: (i) a determination is made in accordance with the provisions of paragraph 6 that the Indemnitee is not entitled to indemnification under this Agreement, or (ii) advancement of reasonable Expenses is not timely made pursuant to this Agreement, or (iii) payment of indemnification due the Indemnitee under this Agreement is not timely made, the Indemnitee shall be entitled to an adjudication in an appropriate court of competent jurisdiction of such Indemnitee's entitlement to such indemnification or advancement of Expenses.
- (B) In the event that a determination shall have been made pursuant to paragraph 6 of this Agreement that the Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this paragraph 8 shall be conducted in all respects as a de novo trial on the merits. The fact that a determination had been made earlier pursuant to paragraph 6 of this Agreement that the Indemnitee was not entitled to indemnification shall not be taken into account in any judicial proceeding commenced pursuant to this paragraph 8 and the Indemnitee shall not be prejudiced in any way by reason of that adverse determination. In any judicial proceeding commenced pursuant to this paragraph 8, the Indemnitors shall have the burden of proving that the Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.
- (C) If a determination shall have been made or deemed to have been made pursuant to this Agreement that the Indemnitee is entitled to indemnification, the Indemnitors shall be bound by such determination in any judicial proceeding commenced pursuant to this paragraph 8, absent: (i) a misstatement by the Indemnitee of a material fact, or an omission of a material fact necessary to make the Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.
- (D) The Indemnitors shall be precluded from asserting in any judicial proceeding commenced pursuant to this paragraph 8 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court that the Indemnitors are bound by all the provisions of this Agreement.
- (E) In the event that the Indemnitee, pursuant to this paragraph 8, seeks a judicial adjudication of such Indemnitee's rights under, or to recover damages for breach of, this Agreement, if successful in whole or in part, the Indemnitee shall be entitled to recover from the Indemnitors, and shall be indemnified by the Indemnitors against, any and all reasonable Expenses actually incurred by such Indemnitee in such judicial adjudication.

9. **NOTIFICATION AND DEFENSE OF CLAIMS**

The Indemnitee agrees promptly to notify the Indemnitors in writing upon being served with any summons, citation, subpoena, complaint, indictment, information, or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder, but the failure so to notify the Indemnitors will not relieve the Indemnitors from any liability that the Indemnitors may have to Indemnitee under this Agreement unless the Indemnitors are materially prejudiced thereby. With respect to any such Proceeding as to which Indemnitee notifies the Indemnitors of the commencement thereof:

- (A) The Indemnitors will be entitled to participate therein at their own expense.
- (B) Except as otherwise provided below, the Indemnitors will be entitled to assume the defense thereof, with counsel reasonably satisfactory to Indemnitee. After notice from the Indemnitors to Indemnitee of the Indemnitors' election so to assume the defense thereof, the Indemnitors will not be liable to Indemnitee under this Agreement for any legal or other expenses subsequently incurred by Indemnitee in connection with the defense thereof other than reasonable costs of investigation or as otherwise provided below. Indemnitee shall have the right to employ

Indemnitee's own counsel in such Proceeding, but the fees and disbursements of such counsel incurred after notice from the Indemnitors of the Indemnitors' assumption of the defense thereof shall be at the expense of Indemnitee unless (a) the employment by counsel by Indemnitee has been authorized by the Indemnitors, (b) the Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Indemnitors and the Indemnitee in the conduct of the defense of such action, (c) such Proceeding seeks penalties or other relief against the Indemnitee with respect to which the Indemnitors could not provide monetary indemnification to the Indemnitee (such as injunctive relief or incarceration) or (d) the Indemnitors shall not in fact have employed counsel to assume the defense of such action, in each of which cases the fees and disbursements of counsel shall be at the expense of the Indemnitors. The Indemnitors shall not be entitled to assume the defense of any Proceeding brought by or on behalf of the Indemnitors, or as to which Indemnitee shall have reached the conclusion specified in clause (b) above, or which involves penalties or other relief against Indemnitee of the type referred to in clause (c) above.

- (C) The Indemnitors shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any action or claim effected without the Indemnitors' written consent. The Indemnitors shall not settle any action or claim in any manner that would impose any penalty or limitation on Indemnitee without Indemnitee's written consent. Neither the Indemnitors nor Indemnitee will unreasonably withhold or delay consent to any proposed settlement.

10. **NON-EXCLUSIVITY; SURVIVAL OF RIGHTS; INSURANCE SUBROGATION**

- (A) The rights of indemnification and to receive advancement of reasonable Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which the Indemnitee may at any time be entitled under applicable law, the Declaration of Trust, the Bylaws, the Operating Partnership's Partnership Agreement, any other agreement, a vote of shareholders, a resolution of the Board of Trustees or otherwise. No amendment, alteration or repeal of this Agreement or any provision hereof shall be effective as to the Indemnitee with respect to any action taken or omitted by the Indemnitee as a member of the Board of Trustees prior to such amendment, alteration or repeal.
- (B) To the extent that the Company maintains an insurance policy or policies providing liability insurance for trustees and officers of the Company, the Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available and upon any "Change in Control" the Company shall use commercially reasonable efforts to obtain or arrange for continuation and/or "tail" coverage for the Indemnitee to the maximum extent obtainable at such time.
- (C) In the event of any payment under this Agreement, the Indemnitors shall be subrogated to the extent of such payment to all of the rights of recovery of the Indemnitee, who shall execute all papers required and take all actions necessary to secure such rights, including execution of such documents as are necessary to enable the Indemnitors to bring suit to enforce such rights.
- (D) The Indemnitors shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable hereunder if and to the extent that the Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement, or otherwise.

11. **CONTINUATION OF INDEMNITY**

- (A) All agreements and obligations of the Indemnitors contained herein shall continue during the period the Indemnitee is an officer or a member of the Board of Trustees of the Company and shall continue thereafter so long as the Indemnitee shall be subject to any threatened, pending or completed Proceeding by reason of such Indemnitee's Corporate Status and during the period of statute of limitations for any act or omission occurring during the Indemnitee's term of Corporate Status. This Agreement shall be binding upon the Indemnitors and their respective successors and assigns and shall inure to the benefit of the Indemnitee and such Indemnitee's heirs, executors and administrators.
- (B) The Company and the Operating Partnership shall require and cause any successor (whether direct or indirect by purchase, merger, consolidation or otherwise) to all, substantially all or a substantial part, of the business and/or assets of the Company or the Operating Partnership, by written agreement in form and substance reasonably satisfactory to the Indemnitee, expressly to assume and agree to perform this Agreement in the same manner and

to the same extent that the Company and the Operating Partnership would be required to perform if no such succession had taken place.

12. SEVERABILITY

If any provision or provisions of this Agreement shall be held to be invalid, illegal, or unenforceable for any reason whatsoever, (i) the validity, legality, and enforceability of the remaining provisions of this Agreement (including, without limitation, each portion of any paragraph of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that is not itself invalid, illegal, or unenforceable) shall not in any way be affected or impaired thereby, and (ii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any paragraph of this Agreement containing any such provision held to be invalid, illegal, or unenforceable, that is not itself invalid, illegal, or unenforceable) shall be construed so as to give effect to the intent manifested by the provisions held invalid, illegal, or unenforceable.

13. EXCEPTION TO RIGHT OF INDEMNIFICATION OR ADVANCEMENT OF EXPENSES

Notwithstanding any other provisions of this Agreement, the Indemnitee shall not be entitled to indemnification or advancement of reasonable Expenses under this Agreement with respect to any Proceeding initiated by such Indemnitee against the Indemnitors other than a proceeding commenced pursuant to paragraph 8.

14. NOTICE TO THE COMPANY SHAREHOLDERS

Any indemnification of, or advancement of reasonable Expenses, to an Indemnitee in accordance with this Agreement, if arising out of a Proceeding by or in the right of the Company, shall be reported in writing to the shareholders of the Company with the notice of the next the Company shareholders' meeting or prior to the meeting.

15. PAYMENT BY THE OPERATING PARTNERSHIP OF AMOUNTS REQUIRED TO BE PAID OR ADVANCED BY THE COMPANY

The obligations of the Company and the Operating Partnership under this Agreement shall be joint and several. The Operating Partnership shall promptly pay upon demand by the Company or the Indemnitee all amounts the Company is required to pay or advance hereunder.

16. HEADINGS

The headings of the paragraph of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

17. MODIFICATION AND WAIVER

No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by each of the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver.

18. NOTICES

All notices, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given if (i) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, or (ii) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, if so delivered or mailed, as the case may be, to the following addresses:

If to the Indemnitee, to the address set forth in the records of the Company.

If to the Indemnitors, to:

Kite Realty Group Trust
Kite Realty Group, L.P.
30 S. Meridian Street
Suite 1100
Indianapolis, Indiana 46204
Attention: Daniel R. Sink
Fax No.: 317/577-5605

or to such other address as may have been furnished to the Indemnitee by the Indemnitors or to the Indemnitors by the Indemnitee, as the case may be.

19. **GOVERNING LAW**

The parties agree that this Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of Maryland, without application of the conflict of laws principles thereof.

20. **COUNTERPARTS**

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together constitute an agreement binding on all of the parties hereto.

(Remainder of page intentionally left blank.)

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

KITE REALTY GROUP TRUST

By: /s/ Daniel R. Sink
Name: Daniel R. Sink
Title: Chief Financial Officer

KITE REALTY GROUP, L.P.

By: Kite Realty Group Trust,
its general partner

By: /s/ Daniel R. Sink
Name: Daniel R. Sink
Title: Chief Financial Officer

INDEMNITEE:

/s/ Darell E. Zink, Jr
Darell E. Zink, Jr.

CERTIFICATION

I, John A. Kite, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kite Realty Group Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

By: /s/ John A. Kite
John A. Kite
Chief Executive Officer and President

CERTIFICATION

I, Daniel R. Sink, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Kite Realty Group Trust;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Trustees (or persons performing equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 10, 2008

By: /s/ Daniel R. Sink
Daniel R. Sink
Chief Financial Officer

CERTIFICATION

The undersigned, John A. Kite, Chief Executive Officer and President of Kite Realty Group Trust (the “Company”), and Daniel R. Sink, Chief Financial Officer of the Company, each hereby certifies that, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to his knowledge on the date hereof:

1. The Quarterly Report on Form 10-Q of the Company for the quarter ended September 30, 2008 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 10, 2008

By: /s/ John A. Kite
John A. Kite
Chief Executive Officer and President

Date: November 10, 2008

By: /s/ Daniel R. Sink
Daniel R. Sink
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.