INLAND WESTERN RETAIL REAL ESTATE TRUST INC
Form S-11/A
July 25, 2011
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As filed with the Securities and Exchange Commission on July 25, 2011

Registration No. 333-172237

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 2 to

Form S-11

FOR REGISTRATION UNDER THE SECURITIES ACT OF 1933

OF SECURITIES OF CERTAIN REAL ESTATE COMPANIES

INLAND WESTERN RETAIL

REAL ESTATE TRUST, INC.

(Exact Name of Registrant as Specified in its Governing Instruments)

2901 Butterfield Road

Oak Brook, Illinois 60523

(630) 218-8000

(Address, Including Zip Code, and Telephone Number, including Area Code, of Registrant s Principal Executive Offices)

Steven P. Grimes

Chief Executive Officer

Inland Western Retail Real Estate Trust, Inc.

2901 Butterfield Road

Oak Brook, Illinois 60523

(630) 218-8000

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

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

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

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

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. ¨

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

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

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

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED JULY 25, 2011

PROSPECTUS

Shares

Class A Common Stock

Inland Western Retail Real Estate Trust, Inc. is a fully integrated, self administered and self-managed real estate company that owns and operates high quality, strategically located shopping centers across 35 states. We are one of the largest owners and operators of shopping centers in the United States.

We are offering shares of our Class A Common Stock as described in this prospectus. All of the shares of Class A Common Stock offered by this prospectus are being sold by us. We currently expect the public offering price to be between $ and $ per share. We have applied to have our Class A Common Stock listed on the New York Stock Exchange, or the NYSE, under the symbol IWST . Currently, our Class A Common Stock is not traded on a national securities exchange, and this will be our first listed public offering.

We are a Maryland corporation, and we have elected to qualify as a real estate investment trust, or REIT, for U.S. federal income tax purposes. Shares of our Class A Common Stock are subject to ownership limitations that are primarily intended to assist us in maintaining our qualification as a REIT. Our charter contains certain restrictions relating to the ownership and transfer of our Class A Common Stock, including, subject to certain exceptions, a 9.8% ownership limit of common stock by value or number of shares, whichever is more restrictive. See Description of Capital Stock Restrictions on Ownership and Transfer beginning on page 148 of this prospectus.

Investing in our Class A Common Stock involves risk. See Risk Factors beginning on page 17 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discount	$	$
Proceeds, before expenses, to us	$	$

We have granted the underwriters the option to purchase an additional shares of our Class A Common Stock on the same terms and conditions set forth above within 30 days after the date of this prospectus solely to cover overallotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our Class A Common Stock on or about , 2011.

J.P. Morgan Citi Deutsche Bank Securities KeyBanc Capital Markets

The date of this prospectus is , 2011.

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[PICTURE, TEXT AND/OR GRAPHICS FOR INSIDE COVER]

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You should rely only upon the information contained in this prospectus, or in any free writing prospectus prepared by us or information to which we have referred you. No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date, regardless of the time of delivery of this prospectus or of any sale of our Class A Common Stock. Our business, financial condition, liquidity, results of operations and prospects may have changed since those dates. We will update this prospectus as required by law.

We use market data throughout this prospectus. We have obtained the information under Prospectus Summary Industry Overview and Industry Overview from the market study prepared for us by Rosen Consulting Group, or Rosen, a nationally recognized real estate consulting firm, and such information is included in this prospectus in reliance on Rosen s authority as an expert in such matters. See Experts. In addition, we have obtained certain market data from publicly available information and industry publications. These sources generally state that the information they provide has been obtained from sources believed to be reliable, but the accuracy and completeness of the information are not guaranteed. The forecasts and projections are based on industry surveys and the preparers experience in the industry, and there is no assurance that any of the projections or forecasts will be achieved. We believe that the surveys and market research others have performed are reliable, but we have not independently verified this information.

On February 24, 2011, our shareholders approved an amendment and restatement of our charter that is intended to facilitate the listing of our Class A Common Stock on the NYSE. The amendment and restatement of our charter will become effective upon the filing of the amendment and restatement of our charter with the Maryland State Department of Assessments and Taxation. We expect to file the proposed amendment and restatement of our charter prior to the completion of this offering. Unless otherwise indicated, the information contained in this prospectus assumes that the amendment and restatement of our charter has become effective.

Recapitalization

Prior to the completion of this offering, we intend to declare a stock dividend pursuant to which each then outstanding share of our common stock will receive:

- one share of our Class B-1 Common Stock; plus
- one share of our Class B-2 Common Stock; plus
- one share of our Class B-3 Common Stock.

In connection with this stock dividend, we intend to redesignate our then outstanding common stock as Class A Common Stock. Prior to the declaration of the stock dividend, we intend to effectuate a to one reverse stock split of our common stock outstanding.

In this prospectus, we refer to these transactions as the Recapitalization, we refer to Class B-1 Common Stock, Class B-2 Common Stock and Class B-3 Common Stock collectively as our Class B Common Stock, and we refer to Class A and Class B Common Stock collectively as our common stock. We are offering our Class A Common Stock in this offering, and we intend to list our Class A Common Stock on the NYSE. Our Class B Common Stock will be identical to our Class A Common Stock except that (i) we do not intend to list our Class B Common Stock on a national securities exchange and (ii) shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock at specified times. Subject to the provisions of our charter, shares of our Class B-1, Class B-2 and Class B-3 Common Stock will convert automatically into shares of our Class A Common Stock months following the Listing, months following the Listing and months following the Listing, respectively. On the month anniversary of the listing of our Class A Common Stock on the NYSE (the Listing), all shares of our Class B Common Stock will have converted into our Class A Common Stock. The terms of our Class A and Class B Common Stock are described more fully under Description of Capital Stock in this prospectus.

The Recapitalization also will have the effect of reducing the total number of outstanding shares of our common stock. As of July 18, 2011, without giving effect to the Recapitalization, we had approximately 482.2 million shares of common stock outstanding. As of July 18, 2011, after giving effect to the Recapitalization, we would have had an aggregate of approximately shares of our Class A and Class B Common Stock outstanding, divided equally among our Class A, Class B-1, Class B-2 and Class B-3 Common Stock.

The Recapitalization will be effected prior to the completion of this offering. Unless otherwise indicated, all information in this prospectus gives effect to, and all share and per share amounts have been retroactively adjusted to give effect to, the Recapitalization. Unless otherwise indicated, share and per share amounts have not been adjusted to give effect to any exercise by the underwriters of their option to purchase up to shares of our Class A Common Stock solely to cover overallotments, if any.

In this prospectus:

- annualized base rent as of a specified date means monthly base rent as of the specified date, before abatements, under leases which have commenced as of the specified date multiplied by 12. Annualized base rent (i) does not include tenant reimbursements or

expenses borne by the tenants in triple net or modified gross leases, such as the expenses for real estate taxes and insurance and common area and

other operating expenses, (ii) does not reflect amounts due per percentage rent lease terms, where applicable, and (iii) is calculated on a cash basis and differs from how we calculate rent in accordance with generally accepted accounting principles in the United States of America, or GAAP, for purposes of our financial statements;

community center means a shopping center that we believe meets the International Council of Shopping Centers s, or ICSC s, definition of community center. ICSC, generally, defines a community center as a shopping center similar to a neighborhood center, defined below, but which offers a wider range of apparel and other soft goods than a neighborhood center. Community centers are usually configured as a strip, or may be laid out in an L or U shape, and are commonly anchored by supermarkets, super drugstores and discount department stores;

lifestyle center means a shopping center that we believe meets ICSC s definition of lifestyle center. ICSC, generally, defines a lifestyle center as a shopping center that is most often located near affluent residential neighborhoods and caters to the retail needs and lifestyle pursuits of consumers in its trading area. Lifestyle centers typically have open-air configurations, include at least 50,000 square feet of retail space occupied by upscale national chain specialty stores and include other elements serving its role as a multi-purpose leisure-time destination, such as restaurants and entertainment;

neighborhood center means a shopping center that we believe meets ICSC s definition of neighborhood center. ICSC, generally, defines a neighborhood center as a shopping center designed to provide convenience shopping for the day-to-day needs of consumers in the immediate neighborhood, which is usually configured as a straight-line strip with parking in the front and no enclosed walkway or mall area. Neighborhood centers are frequently anchored by a grocer or drug store and supported by stores offering drugs, sundries, snacks and personal services;

power center means a shopping center that we believe meets ICSC s definition of power center. ICSC, generally, defines a power center as a shopping center dominated by several large anchors, including discount department stores, off-price stores, warehouse clubs, or category killers, i.e., stores that offer tremendous selection in a particular merchandise category at low prices. Power centers typically consist of several anchors, some of which may be freestanding (unconnected) and only a minimum amount of small specialty tenants; and

shadow anchors means one or more retailers situated on parcels that are owned by unrelated third parties but, due to their location within or immediately adjacent to our shopping center, to the consumer appear as another retail tenant of the shopping center and, as a result, attract additional customer traffic to the center.

Unless otherwise indicated, references in this prospectus to our properties or portfolio include information with respect to properties held by us on a consolidated basis as of March 31, 2011.

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PROSPECTUS SUMMARY

This summary highlights some of the information in this prospectus. It does not contain all of the information that you should consider before investing in our Class A Common Stock. You should read carefully the more detailed information set forth under the heading Risk Factors and the other information included in this prospectus. Except where the context suggests otherwise, the terms our company, we, us and our refer to Inland Western Retail Real Estate Trust, Inc., a Maryland corporation, together with its consolidated subsidiaries. Unless otherwise indicated, the information contained in this prospectus assumes that the Class A Common Stock to be sold in the offering is sold at $ per share, the midpoint of the pricing range set forth on the cover page of this prospectus, and that the underwriters do not exercise their option to purchase up to an additional shares solely to cover overallotments, if any. Unless otherwise indicated, all property information contained in this prospectus is for our retail operating properties as of March 31, 2011 excluding seasonal leases.

Company Overview

We are one of the largest owners and operators of shopping centers in the United States. As of March 31, 2011, our retail operating portfolio consisted of 264 properties with 35.5 million square feet of gross leasable area, or GLA. Our retail operating portfolio is geographically diversified across 35 states and includes power centers, community centers, neighborhood centers and lifestyle centers, as well as single-user retail properties. Our retail properties are primarily located in strong retail districts within densely populated areas in highly visible locations with convenient access to interstates and major thoroughfares. Our retail properties have a weighted average age, based on annualized base rent, of only approximately 10.0 years since the initial construction or most recent major renovation. As of March 31, 2011, our retail operating portfolio was 88.5% leased, including leases signed but not commenced. In addition to our retail operating portfolio, as of March 31, 2011, we also held interests in 18 other operating properties, including 12 office properties and six industrial properties, 19 retail operating properties held by three unconsolidated joint ventures and eight retail properties under development.

Our shopping centers are primarily anchored or shadow anchored by strong national and regional grocers, discount retailers and other retailers that provide basic household goods or clothing, including Target, TJX Companies, PetSmart, Best Buy, Bed Bath & Beyond, Home Depot, Kohl s, Wal-Mart, Publix and Lowe s. As of March 31, 2011, over 90% of our shopping centers, based on GLA, were anchored or shadow anchored by a grocer, discount department store, wholesale club or retailers that sell basic household goods or clothing. Overall, we have a broad and highly diversified retail tenant base that includes approximately 1,600 tenants with no one tenant representing more than 3.3% of the total annualized base rent generated from our retail operating properties, or our retail annualized base rent.

We are a client-focused organization, maintaining very active relationships with our key tenants. We have 19 property management offices strategically located across the country and over 180 employees primarily dedicated to our leasing, asset management and property management activities. Our senior management team applies a hands-on approach to leasing our portfolio and is supported by over 80 property managers and senior leasing agents who have an average of 15 years of experience in the industry. We believe that the size and scale of our property management and leasing organization, the breadth of our tenant relationships and the scale of our retail portfolio provides us with a competitive advantage in dealing with national and large regional grocers and retailers. Through the efforts of our leasing team since the beginning of 2009, we have renewed over 70% of our expiring leases based on GLA at aggregate base rental rates that reflected comparatively small decreases from the base rental rates of the expiring leases and have signed 409 new leases for 3.3 million square feet of GLA, representing 9.4% of the total GLA in our retail operating portfolio.

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Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of shopping centers through the following competitive strengths:

Large, Diversified, High Quality Retail Portfolio

We own a national portfolio of high quality retail properties that is well diversified both geographically and by property type. We have retail operating properties in 35 states with no one metropolitan statistical area, or MSA, accounting for more than 5.3% of our retail annualized base rent, other than the Dallas-Fort Worth-Arlington area, which accounts for 14.1% of our retail annualized base rent. Our retail operating portfolio is also well diversified by type, including 65 power centers with 16.1 million square feet of GLA, 60 community centers with 9.1 million square feet of GLA, 43 neighborhood centers with 3.3 million square feet of GLA and seven lifestyle shopping centers with 3.3 million square feet of GLA, as well as 89 single-user retail properties with 3.7 million square feet of GLA. We believe the size and scale of our retail portfolio gives us an advantage in working with national and large regional grocers and retailers, as we offer many potential locations within a selected area from which to choose and can address multiple needs for space in different geographic areas for tenants with multiple locations.

Our shopping centers are well located within strong retail districts in densely populated areas. They have high quality anchors and shadow anchors that consistently drive traffic to our centers and make them more attractive to other potential tenants. Consistent with our entire retail operating portfolio, our shopping centers are also generally recently constructed, which makes them more appealing to shoppers and potential tenants and reduces redevelopment and renovation costs. As of March 31, 2011, 66.9% of our shopping centers, based on annualized base rent, were located in the 50 largest MSAs. These shopping centers are positioned in highly attractive markets with favorable demographics, including a weighted average population of 92,432, expected population growth of 7.3% per year and household income of approximately $80,911 within a three-mile radius, based on information derived and interpreted by us as a result of our own analysis from data provided by The Nielsen Company. We believe our shopping centers located in markets outside of the 50 largest MSAs are among the most attractive shopping centers in each of the markets in which they are located based on location, age and overall quality. As of March 31, 2011, approximately 91.4% of these shopping centers, based on annualized base rent, are anchored or shadow anchored by either Best Buy (15 locations), Target (12 locations), Home Depot (nine locations), Kohl s (nine locations), Wal-Mart (seven locations), Lowe s (five locations), or a national or regional grocer, such as Publix (six locations), Stop & Shop (three locations), Kroger (three locations) and Giant Foods (two locations).

Diversified Base of Value-Oriented Retail Tenants

Our retail portfolio has a broad and highly diversified tenant base that primarily consists of grocers, drug stores, discount retailers and other retailers that provide basic household goods or services. As of March 31, 2011, our total retail tenant base included approximately 1,600 tenants with over 3,200 leases at our retail properties, and our largest shopping center tenants include Best Buy, TJX Companies, Stop & Shop, Bed Bath & Beyond, Home Depot, PetSmart, Ross Dress for Less, Kohl s, Wal-Mart and Publix. As of March 31, 2011, no single retail tenant represented more than 3.3% of our retail annualized base rent, and our top 20 retail tenants, with 403 locations across our portfolio, represented an aggregate of 35.7% of our retail annualized base rent. Additionally, the financial strength of our tenants enhances the quality of our retail portfolio, as seven of our top ten retail tenants have investment grade credit ratings. We believe that maintaining a diversified tenant base with a value-oriented focus limits the impact of economic cycles and our exposure to any single tenant.

We generally have long-term leases with our tenants. As of March 31, 2011, the weighted average lease term of our existing retail leases, based on annualized base rent, was 6.4 years, with leases constituting less than 23.9% of our retail annualized base rent expiring before 2014. We believe the limited near-term expirations of our existing retail leases will allow us to more aggressively pursue leasing of space that is currently vacant and provide for more stable cash flows from operations.

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Demonstrated Leasing and Property Management Platform

We believe that our national leasing platform overseen by our focused executive team dedicated to leasing provides us with a distinct competitive advantage. Our executive team applies a hands-on approach and capitalizes upon a network of relationships to aggressively lease-up vacant space, maintain high tenant retention rates and creatively address the needs of our retail properties. Since the beginning of 2009, we have demonstrated our leasing capabilities through our success in addressing 3.2 million square feet of vacant space in our portfolio created by the bankruptcies of Mervyns, Linens n Things and Circuit City in 2008. Primarily as a result of these vacancies, the percentage of our retail operating portfolio that was leased decreased from 96.8% as of December 31, 2007. However, as a result of our strong leasing platform, as of March 31, 2011, we have been able to lease approximately 1.7 million square feet of this vacant space, primarily to existing tenants, and in total we have leased, sold or are in negotiations for 2.7 million square feet, or 83.5%, of the 3.2 million square feet of GLA that was vacated as a result of these bankruptcies.

As a large, national owner of retail properties, we believe that we offer national and large regional grocers and retailers a greater level of service and credibility with respect to property management than our smaller competitors. We believe that tenants value our commitment to consistently maintain the high standards of our retail properties through our in-house handling of property management and day-to-day operational functions, which has translated into tenant retention rates in excess of 70%, based on expiring GLA, since the beginning of 2009.

Capital Structure Positioned for Growth

Upon completion of this offering, our aggregate indebtedness will consist primarily of fixed rate debt, which will have staggered maturities and a weighted average maturity of approximately years based on balances as of March 31, 2011, as adjusted for our recently amended and restated credit agreement and the completion of this offering and the application of proceeds from both. We also will have a conservative leverage structure with less than $ million of debt maturing in any one year, a weighted average interest rate of % per annum and $ million of availability under our $435.0 million senior secured line of credit. Overall, we believe our capital structure will provide us with significant financial flexibility to fund future growth.

Experienced Management Team with a Proven Track Record

Our senior management team has on average over 23 years of real estate industry experience through several real estate, credit and retail cycles. They have worked together for the past five years and have proven themselves by successfully managing our large, geographically diverse portfolio through the severe economic recession that began in December 2007. Since the beginning of 2009, without accessing the public equity markets, we refinanced or repaid $2.7 billion of indebtedness, greater than 50% of our total indebtedness at the beginning of 2009, in severely constrained credit markets and in the process reduced our total indebtedness by over $930 million. Our senior management team also has significant transactional experience, having acquired, disposed of, contributed to joint ventures and developed billions of dollars of real estate throughout their careers. We believe that our senior management team s property management, leasing and operating expertise, combined with their acquisition and financing experience, provide us with a distinct competitive advantage.

Business and Growth Strategies

Our primary objective is to provide attractive risk-adjusted returns for our shareholders by increasing our cash flow from operations and realizing long-term growth strategies. The strategies we intend to execute to achieve this objective include:

Maximize Cash Flow Through Internal Growth

We believe that we will be able to generate cash flow growth through the leasing of vacant space in our retail operating portfolio. As of March 31, 2011, our retail operating portfolio was 88.5% leased, including leases signed but not commenced, and had 4.1 million square feet of available space, including a significant amount of space that was previously occupied by big box anchor and junior anchor tenants. As of March 31, 2011, we had approximately 718,000 square feet of GLA of signed leases that had not commenced, representing a total of approximately $6.2 million of annualized base rent that will increase our future cash flows. We believe the leasing of our vacant space provides a significant growth opportunity for our shareholders, particularly in light of the expansion plans that have been announced by a number of our largest retail tenants. In addition, as of March 31, 2011, 41.8% of the leases in our retail operating portfolio, based on annualized base rent, contained contractual rent increases, which will increase future cash flows.

Asset Preservation and Appreciation through Creative Transactions

We actively manage our portfolio focusing primarily on leasing opportunities, while also taking into account redevelopment, expansion and remerchandising opportunities. In pursuing these opportunities, we focus on increasing operating income and cash flows, active risk mitigation and tenant retention. Additional value enhancing strategies include cost reductions, long-term capital planning and asset sustainability initiatives. Examples of how we execute these strategies include Azalea Square, where we divided space that was vacated by Linens n Things and re-leased it to two new tenants for an 11.7% increase in total annualized base rent for the space, and Tollgate Marketplace, where we were able to anticipate that an existing grocery store tenant would not renew its lease due to the expected opening of a new Wal-Mart Supercenter in the area and re-lease the vacated space within nine months to Ashley Furniture for more than double the base rent per square foot that the grocer had been paying.

Recycle Capital Through Disposition of Non-Core Assets

We plan to pursue opportunistic dispositions of the non-retail properties and free-standing triple net retail properties in our operating portfolio in order to redeploy capital to continue to build our interest in well located, high quality shopping centers. In addition to our retail operating portfolio, as of March 31, 2011, we held interests in 18 other operating properties, including 12 office properties and six industrial properties, which had a total of 6.7 million square feet of GLA and represent 10.7% of our total operating portfolio based on annualized base rent. We believe that the disposition of these non-retail properties, along with select triple net retail properties, will serve as a source of capital for the growth of our retail portfolio.

As we have in the past, we intend to take advantage of opportunities that may arise to sell assets in our portfolio. Since the end of 2007 through March 31, 2011, we sold 22 properties for an aggregate sales price of $736.3 million, including $466.3 million of debt that was assumed, forgiven or repaid. During this time, we reduced the GLA of our non-retail properties and single-user retail properties by 28.3%. We plan to continue to pursue strategic dispositions to continue to focus our portfolio on well located, high quality shopping centers.

Pursue Acquisitions of High Quality Retail Properties

We intend to pursue disciplined and targeted acquisitions of retail properties that meet our retail property and market selection criteria and will further our strategy of focusing on well located, high quality shopping centers. Utilizing our senior management team s expertise, we intend to opportunistically acquire retail properties based on identified market and property characteristics, including: property classification, anchor tenant type, lease terms, geographic markets and demographics. We believe that the high level of diversification of our tenant base limits our exposure to any single tenant and allows us to take advantage of growth opportunities through the expansion of our existing relationships without significantly increasing our exposure to any single tenant. We believe that over the next several years the continued impact of the recent disruption in the real estate market will create opportunities to acquire retail properties that meet our investment criteria from owners facing operational and financial stress. Based on our operational expertise and capital resources, we believe that we are well positioned to take advantage of opportunities to acquire retail properties. We plan to pursue acquisitions directly and through joint ventures.

Pursue Strategic Joint Ventures to Leverage Management Platform

We intend to leverage our leasing and property management platform through the strategic formation, capitalization and management of joint ventures. In the past, we have partnered with strong institutional capital providers to supplement our capital base in a manner accretive to our shareholders. For example, in September 2010, we formed a joint venture with a wholly-owned affiliate of RioCan Real Estate Investment Trust, Canada s largest REIT, or RioCan, and agreed to contribute eight shopping centers located in Texas to the joint venture. Based on our operational expertise in the retail real estate space, we believe that we are well positioned to continue to strategically pursue additional joint ventures with high quality capital partners. Additionally, from time to time, we may form partnerships with regional developers that allow us to maximize returns on completed developments and access strategic local markets.

Maintain Our Development Activity at Sustainable Levels

We entered into joint venture arrangements with certain developers prior to the recession. Since our inception, we have invested $183.0 million of equity into nine development joint ventures. As of March 31, 2011, we had approximately 2.0 million square feet of GLA of retail space under development, including space developed for shadow anchors, through five consolidated development joint ventures and one unconsolidated development joint venture, of which 1.4 million square feet had already been constructed. Approximately 79.9% of the GLA of these retail development properties that has been constructed was leased as of March 31, 2011, representing $5.7 million of annualized base rent. As of March 31, 2011, we did not have any significant active construction ongoing at our development properties, and, currently, we only intend to develop the remaining estimated total GLA to the extent that we have pre-leased the space to be developed. We expect to stabilize these properties between 2013 and 2014, which will provide further opportunities for growth. We currently do not have plans for any new developments. It remains our philosophy to only develop what we intend to own on a long term basis and we intend to resume development when such opportunities become attractive.

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Our Properties

The following table sets forth summary information regarding our operating portfolio as of March 31, 2011. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

Property Type/Region	Number of Properties	GLA	Percent of Total GLA(1)	Percent Leased(2)	ABR(3)	Percent of ABR(1)	ABR Per Leased Sq. Ft.(4)
Consolidated:							
Retail:							
Northeast	72	8,739	24.6%	91.9%	$ 117,771	27.3%	$ 14.67
Texas	49	7,560	21.3%	85.9%	99,726	23.1%	15.36
West	49	7,293	20.6%	74.9%	80,312	18.6%	14.71
Southeast	57	6,594	18.5%	91.9%	71,967	16.7%	11.88
Midwest	37	5,305	15.0%	88.0%	61,934	14.3%	13.26
Total Retail(5)	264	35,491	100.0%	86.5%	$ 431,710	100.0%	$ 14.06
Total Retail including leases signed but not commenced(6)	264	35,491		88.5%	$ 437,874		$ 14.26
Office	12	3,335		96.5%	$ 38,963		$ 12.11
Industrial	6	3,390		100.0%	13,020		3.84
Total Other	18	6,725		98.3%	$ 51,983		$ 7.87
Total Consolidated Operating Portfolio	282	42,216		88.4%	$ 483,693		$ 12.96
Total Unconsolidated Operating Portfolio(7)	19	2,702		92.9%	$ 37,288		$ 14.86

(1) Percentages are only provided for our retail operating portfolio.
(2) Except as otherwise noted, based on leases commenced as of March 31, 2011, and calculated as leased GLA divided by total GLA.
(3) Excludes $5.7 million of annualized base rent from our consolidated development properties. Rental abatements for leases commenced as of March 31, 2011, which are excluded, were $0.5 million for our retail operating portfolio for the 12 months ending March 31, 2012. Annualized base rent does not reflect scheduled lease expirations for the 12 months ending March 31, 2012. The portion of the annualized base rent of our consolidated operating portfolio attributable to leases scheduled to expire during the 12 months ending March 31, 2012, including month-to-month leases, is approximately $35.6 million.
(4) Represents annualized base rent divided by leased GLA.
(5) Includes (i) 55 properties with 6.5 million square feet of GLA representing $85.1 million of annualized base rent held in one joint venture in which we have a 77% interest and (ii) a portion of one property with 0.3 million square feet of GLA representing $6.6 million of annualized base rent held in one joint venture in which we have a 95% interest. Regarding the 55 properties held in the joint venture in which we have a 77% interest, we currently anticipate using a portion of the net proceeds from this offering to exercise our option to repurchase the 23% interest held by others. As a result, following this offering we anticipate that we will own 100% of those properties.
(6) Includes leases signed but not commenced as of March 31, 2011 for approximately 718,000 square feet of GLA representing $6.2 million of annualized base rent as of lease commencement.
(7) Includes 15 properties with 2.5 million square feet of GLA representing $35.5 million of annualized base rent held in two separate joint ventures in which we have a 20% interest and four properties with 0.2 million square feet of GLA representing $1.8 million of annualized base rent held in one joint venture in which we have a 95.8% interest.

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Industry Overview

Since bottoming in December 2009, the economy has evidenced consistent growth. Economic growth, measured by gross domestic product, or GDP, was steady through the first three quarters of 2010, driven by improvement in consumer spending as well as an increase in private investment. Looking forward, Rosen Consulting Group, or Rosen, believes that the pace of the economic recovery that began in 2010 will accelerate in 2011. Accordingly, Rosen expects GDP growth to improve, accelerating from an estimated annual growth rate of 2.2% in 2010 to 2.8% and 3.0% in 2011 and 2012, respectively.

Recent growth in employment and consumer confidence also suggests that the U.S. economy is progressing. Since December 2009, the economy has added more than 1.3 million jobs in the private sector. In addition, consumers at year-end 2010 were much more positive regarding future economic conditions than about their current situations, as evidenced by the consumer confidence index measured by The Conference Board. The expectations component of this index has dramatically increased from its recent low of 27.3 in February 2009 to 71.9 in December 2010. Further, real per capita disposable income growth, a key metric for the retail industry, increased 1.93% year-over-year in the third quarter, after a more modest 0.44% increase in 2009. Rosen expects this upward trend to continue, projecting real per capita disposable income growth to average 2.7% annually between 2011 and 2014, compared with an estimated 1.1% average annual increase between 2007 and 2010.

As employment and income growth accelerate, Rosen expects consumer confidence to increase accordingly, driving stronger retail sales growth. Retail sales continued to recover in 2010, increasing at an average annual rate of 6.6% each month. Although sales growth is unlikely to return to peak rates, Rosen believes that annual retail sales growth (including online sales made by brick and mortar retailers) will average 2.8% during the next four years, bringing total fourth-quarter sales to more than $1 trillion in 2014, an increase of nearly $70 billion from the fourth quarter of 2010. Rosen believes that the recession caused a lasting shift in consumer behavior, providing a boost to value-oriented grocers, discount retailers and other retailers that provide basic household goods or clothing. Therefore, Rosen expects sales at these grocers and retailers to remain strong going forward.

Even as the economy recovered, retail construction activity, as measured by the value of construction put-in-place, remained very low through the first three quarters of 2010 because of the high vacancy rate and a lack of available construction financing. In the third quarter of 2010, the value of put-in-place construction totaled a seasonally adjusted annual rate of $18.2 billion, compared with fourth-quarter averages of $43.7 billion between 2002 and 2008. Rosen forecasts the value of inflation-adjusted, put-in-place construction to fall from $18.0 billion in 2010 to $16.5 billion in 2011, approximately 65% less than the recent peak of $46.8 billion in 2007.

As job growth and higher confidence levels boost consumer demand, Rosen expects retail market conditions to improve beginning in 2011. Rosen forecasts the national retail vacancy rate to fall slowly from 8.8% in 2011 to 8.0% in 2014. As demand rebounds, tenant competition for existing space is expected to increase because of the limited amount of new space becoming available.

Summary Risk Factors

An investment in shares of our Class A Common Stock involves various risks. You should consider carefully the risks discussed below and under the heading Risk Factors beginning on page 17 of this prospectus before purchasing our Class A Common Stock. If any of these risks occur, our business, prospects, financial condition, liquidity, results of operations and ability to make distributions to our shareholders could be materially and adversely affected. In that case, the trading price of our Class A Common Stock could decline and you could lose some or all of your investment.

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Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Our economic performance and the value of our properties can be affected by many of these factors, including, among others, the following:

- adverse changes in financial conditions of buyers, sellers and tenants of our properties, including bankruptcies, financial difficulties, or lease defaults by our tenants;

- the national, regional and local economy, which may be negatively impacted by concerns about inflation, deflation and government deficits, high unemployment rates, decreased consumer confidence, industry slowdowns, reduced corporate profits, liquidity concerns in our markets and other adverse business concerns;

- local real estate conditions, such as an oversupply of, or a reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants;

- vacancies or ability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;

- changes in operating costs and expenses, including, without limitation, increasing labor and material costs, insurance costs, energy prices, environmental restrictions, real estate taxes, and costs of compliance with laws, regulations and government policies, which we may be restricted from passing on to our tenants;

- fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all; and

- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds.

We may be unable to complete acquisitions and even if acquisitions are completed, we may fail to successfully operate acquired properties.

We may be unable to sell a property at the time we desire and on favorable terms or at all, which could inhibit our ability to utilize our capital to make strategic acquisitions and could adversely affect our results of operations, financial condition and ability to make distributions to our shareholders.

We have experienced aggregate net losses attributable to Company shareholders for the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, and we may experience future losses.

Our development and construction activities have inherent risks, which could adversely impact our results of operations and cash flow.

We had approximately $3.7 billion of consolidated indebtedness outstanding as of March 31, 2011, which could adversely affect our financial health and operating flexibility.

We have a high concentration of properties in the Dallas-Fort Worth-Arlington area, and adverse economic and other developments in that area could have a material adverse effect on us.

Our financial condition and ability to make distributions to our shareholders could be adversely affected by financial and other covenants and other provisions under the credit agreement governing our senior secured revolving line of credit and secured term loan or other debt agreements.

We depend on external sources of capital that are outside of our control, which may affect our ability to seize strategic opportunities, satisfy our debt obligations and make distributions to our shareholders.

Certain provisions of Maryland law could inhibit changes in control of us, which could lower the value of our Class A Common Stock.

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Failure to qualify as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our shareholders and materially and adversely affect our financial condition and results of operations.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or to liquidate otherwise attractive investments.

Because we have a large number of shareholders and our shares have not been listed on a national securities exchange prior to this offering, there may be significant pent-up demand to sell our shares. Significant sales of our Class A Common Stock, or the perception that significant sales of such shares could occur, may cause the price of our Class A Common Stock to decline significantly.

Recapitalization

Prior to the completion of this offering, we intend to declare a stock dividend pursuant to which each then outstanding share of our common stock will receive:

one share of our Class B-1 Common Stock; plus

one share of our Class B-2 Common Stock; plus

one share of our Class B-3 Common Stock.

In connection with this stock dividend, we intend to redesignate our then outstanding common stock as Class A Common Stock. Prior to the declaration of the stock dividend, we intend to effectuate a to one reverse stock split of our common stock.

Subject to the provisions of our charter, shares of our Class B-1, B-2 and B-3 Common Stock will convert automatically into shares of our Class A Common Stock months following the Listing, months following the Listing and months following the Listing, respectively. In addition, if they have not otherwise converted, all shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock on the date that is months following the Listing.

Our Class B Common Stock will be identical to our Class A Common Stock except that (i) we do not intend to list our Class B Common Stock on a national securities exchange and (ii) shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock at specified times. The aggregate number of shares of our common stock outstanding (including all shares of our Class A and Class B Common Stock) immediately following the Recapitalization will be approximately million, all of which (except for certain shares described in Shares Eligible for Future Sale) will be freely tradable upon the completion of this offering except as otherwise provided in the restrictions on ownership and transfer of stock set forth in our charter. Of this amount, approximately million shares of our Class A Common Stock will be outstanding and approximately million shares of our Class B Common Stock, representing 75% of our total outstanding common stock, will be outstanding.

Distribution Policy

The Internal Revenue Code of 1986, as amended, or the Code, generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, and imposes tax on any taxable income retained by a REIT, including capital gains. To satisfy the requirements for qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common stock out of assets legally available for such purposes. Our future distributions will be at the sole discretion of our board of directors.

Our senior secured revolving line of credit and secured term loan limit our distributions to the greater of 95% of FFO as defined in the credit agreement (which equals FFO, as set forth in Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations, excluding gains or losses from extraordinary items, impairments and other non-cash charges) or the amount necessary for us to maintain our qualification as a REIT. To the extent these limits prevent us from distributing 100% of our REIT taxable income, we will be subject to income tax, and potentially excise tax, on the retained amounts. If our operations do not generate sufficient cash flow to allow us to satisfy the REIT distribution requirements, we may be required to fund distributions from working capital, borrow funds, sell assets or reduce such distributions. Our distribution policy enables us to review the alternative funding sources available to us from time to time.

Our REIT Status

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code. We believe that we have been organized, owned and operated in conformity with the requirements for qualification and taxation as a REIT under the Code beginning with our taxable year ended December 31, 2003, and that our intended manner of ownership and operation will enable us to continue to meet the requirements for qualification and taxation as a REIT for federal income tax purposes. To maintain our qualification as a REIT, we must meet a number of organizational and operational requirements, including a requirement that we annually distribute at least 90% of our REIT taxable income to our shareholders, determined without regard to the deduction for dividends paid and excluding net capital gains. As a REIT, we generally are not subject to U.S. federal income tax on the taxable income we currently distribute to our shareholders. If we fail to qualify as a REIT in any taxable year, we will be subject to U.S. federal income tax at regular corporate rates. Even if we qualify for taxation as a REIT, we may be subject to some U.S. federal, state and local taxes on our income or property, and the taxable income of our taxable REIT subsidiaries, or TRSs, will be subject to taxation at regular corporate rates.

Restrictions on Ownership of Our Common Stock

To assist us in complying with the limitations on the concentration of ownership of a REIT imposed by the Code, among other purposes, our charter generally prohibits, with certain exceptions, any shareholder from beneficially or constructively owning, applying certain attribution rules under the Code, more than 9.8% by value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock, or 9.8% by value of the outstanding shares of our capital stock. Our board of directors may, in its sole discretion, waive (prospectively or retroactively) the 9.8% ownership limits with respect to a particular shareholder if it receives certain representations and undertakings required by our charter and is presented with evidence satisfactory to it that such ownership will not then or in the future cause us to fail to qualify as a REIT. See Description of Capital Stock Restrictions on Ownership and Transfer.

Certain Relationships and Related Transactions

The Inland Group and its affiliates were our initial sponsor, and Daniel L. Goodwin, who has not been one of our directors but beneficially owns approximately 5.1% of our common stock prior to this offering, Brenda G. Gujral, one of our current directors, and Robert D. Parks, one of our former directors, are significant shareholders and/or principals of the Inland Group and/or hold directorships and are executive officers of affiliates of the Inland Group.

We have ongoing agreements with affiliates of the Inland Group, including an office sublease for our corporate headquarters and various service agreements. With the exception of the sublease, the majority of these service agreements are non-exclusive and cancellable by providing not less than 180 days prior written notice and specifying the effective date of said termination. These service agreements are generally for administrative services. We primarily use these service agreements in situations where it is more efficient for us to obtain services from an outside party than it would be for us to obtain the dedicated internal resources necessary to

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provide similar quality services. For the three months ended March 31, 2011 and the year ended December 31, 2010, we paid a total of $1.2 million and $4.6 million, respectively, to Inland Group affiliates under these arrangements, of which $0.7 million and $2.6 million, respectively, were generally for the reimbursement of our portion of shared administrative costs and $0.2 million $0.9 million, respectively, were for amounts payable pursuant to our office sublease.

In addition, in 2009, in connection with a $625 million debt refinancing transaction, we raised additional capital of $50 million from an affiliate of the Inland Group in exchange for a 23% noncontrolling interest in a newly formed joint venture to which we contributed 55 of our properties. We currently anticipate using a portion of the net proceeds from this offering to exercise our option to repurchase this noncontrolling interest for , as a result of which we would again own 100% of these properties. In 2009, we also sold three single-user office buildings to Inland American Real Estate Trust, Inc., or IARETI, with an aggregate sales price of $161.6 million, which resulted in net sales proceeds of $52.6 million and a gain on sale of $9.3 million. IARETI is externally managed by an affiliate of the Inland Group.

All related person transactions must be approved or ratified by a majority of the disinterested directors on our board of directors, and we continue to monitor our ongoing agreements with affiliates of the Inland Group to ensure that it is in the best interests of our shareholders to maintain these agreements. See Certain Relationships and Related Transactions.

Background and Corporate Information

We are a Maryland corporation formed in March 2003, and we have been publicly held and subject to Securities and Exchange Commission, or SEC, reporting obligations since the completion of our first public offering in 2003. We were initially sponsored by The Inland Group, Inc. and its affiliates, but we have not been affiliated with The Inland Group, Inc. since the internalization of our management in November 2007. Our principal executive office is located at 2901 Butterfield Road, Oak Brook, Illinois 60523, and our telephone number is (630) 218-8000. We maintain an internet website at www.inland-western.com that contains information concerning us. The information included or referenced to on, or otherwise accessible through, our website is not intended to form a part of or be incorporated by reference into this prospectus.

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The Offering

Class A Common Stock offered by us	shares (plus up to shares that we may issue if the underwriters exercise their overallotment option in full)
Common stock to be outstanding after this offering:	
Class A Common Stock	shares[(1)]
Class B-1 Common Stock	shares[(2)]
Class B-2 Common Stock	shares[(2)]
Class B-3 Common Stock	shares[(2)]
Conversion rights	Subject to the provisions of our charter, shares of our Class B-1, B-2 and B-3 Common Stock will convert automatically into shares of our Class A Common Stock months following the Listing, months following the Listing and months following the Listing, respectively.
Dividend rights	Our Class A Common Stock and our Class B Common Stock will share equally in any distributions authorized by our board of directors and declared by us.
Voting rights	Each share of our Class A Common Stock and each share of our Class B Common Stock will entitle its holder to one vote per share.
Use of proceeds	We intend to use approximately $ million of net proceeds received from this offering to repay amounts outstanding under our senior secured revolving line of credit, $ million of net proceeds to repurchase Inland Equity Investors, LLC s, or Inland Equity s, interest in IW JV 2009, LLC, or IW JV, and the remaining net proceeds for general corporate and working capital purposes.
Proposed NYSE symbol	We have applied to have our Class A Common Stock listed on the NYSE under the symbol IWST .

(1) Excludes shares of Class A Common Stock issuable upon exercise of the underwriters overallotment option, shares of Class A Common Stock available for future issuance under our incentive award plans and shares of Class A Common Stock underlying options granted under our incentive award plans as of July 18, 2011.

(2) Excludes shares of Class B-1, B-2, and B-3 Common Stock available for future issuance under our incentive award plans and shares of Class B-1, B-2 and B-3 Common Stock underlying options granted under our incentive awards plans as of July 18, 2011.

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Summary Consolidated Financial and Operating Data

The summary consolidated financial data set forth below as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The audited consolidated financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2010 and 2009 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm. The audited consolidated financial statements for the year ended December 31, 2008 have been audited by KPMG LLP, an independent registered public accounting firm. The selected consolidated financial and operating data set forth below as of December 31, 2008 has been derived from our audited consolidated financial statements not included in this prospectus. The summary consolidated financial data set forth below as of March 31, 2011 and for the three months ended March 31, 2011 and 2010 has been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results of any interim period are not necessarily indicative of the results that may be expected for a full year. Certain amounts presented for the periods ended December 31, 2010, 2009 and 2008 have been reclassified to conform to our presentation of discontinued operations in our unaudited consolidated financial statements as of and for the three months ended March 31, 2011 and 2010.

Because the information presented below is only a summary and does not provide all of the information contained in our historical consolidated financial statements, including the related notes, you should read it in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements, including the related notes, included elsewhere in this prospectus. The amounts in the table are dollars in thousands except for share and per share information. The share and per share information set forth below gives effect to the Recapitalization.

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	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(in thousands except for per share data)				
Statements of Operations Data:					
Rental income	$ 124,011	$ 128,033	$ 510,606	$ 519,836	$ 553,396
Tenant recovery income	28,482	32,026	115,180	121,991	130,435
Other property income	2,825	3,983	16,590	18,804	19,741
Insurance captive income		713	2,996	2,261	1,938
Total revenues	$ 155,318	$ 164,755	$ 645,372	$ 662,892	$ 705,510
Property operating expenses	$ 28,764	$ 29,242	$ 106,582	$ 122,570	$ 140,312
Real estate taxes	19,274	22,978	85,971	93,197	87,257
Depreciation and amortization	60,149	61,549	246,088	248,141	249,243
Provision for impairment of investment properties	30,373		14,430	53,900	51,600
Loss on lease terminations	3,338	2,982	13,826	13,735	64,648
Insurance captive expenses		1,225	3,392	3,655	2,874
General and administrative expenses	6,328	4,826	18,119	21,191	19,997
Total expenses	$ 148,226	$ 122,802	$ 488,408	$ 556,389	$ 615,931
Operating income	$ 7,092	$ 41,953	$ 156,964	$ 106,503	$ 89,579
Dividend income	676	1,683	3,472	10,132	24,010
Interest income	180	187	740	1,483	4,329
Loss on partial sales of investment properties			(385)		
Gain on extinguishment of debt	10,723				
Equity in income (loss) of unconsolidated joint ventures	(2,178)	10	2,025	(11,299)	(4,939)
Interest expense	(61,750)	(64,026)	(260,614)	(233,739)	(209,769)
Co-venture obligation expense	(1,792)	(1,792)	(7,167)	(597)	
Recognized gain (loss) on marketable securities, net		771	4,007	18,039	(160,888)
Impairment of goodwill					(377,916)
Impairment of investment in unconsolidated entity					(5,524)
Impairment of notes receivable				(17,322)	
Gain (loss) on interest rate locks				3,989	(16,778)
Other income (expense)	582	(5,092)	(3,531)	(9,599)	(1,062)
Loss from continuing operations	(46,467)	(26,306)	$ (104,489)	$ (132,410)	$ (658,958)
Income (loss) from discontinued operations	3,790	(2,157)	9,782	17,001	(24,255)
Gain on sales of investment properties	2,660				
Net loss	$ (40,017)	$ (28,463)	$ (94,707)	$ (115,409)	$ (683,213)
Net (income) loss attributable to noncontrolling interests	(8)	(93)	(1,136)	3,074	(514)
Net loss attributable to Company shareholders	$ (40,025)	$ (28,556)	$ (95,843)	$ (112,335)	$ (683,727)
(Loss) earnings per common share basic and diluted:					
Continuing operations	$ (0.09)	$ (0.05)	$ (0.22)	$ (0.27)	$ (1.37)
Discontinued operations	0.01	(0.01)	0.02	0.04	(0.05)
Net loss per common share attributable to Company shareholders	$ (0.08)	$ (0.06)	$ (0.20)	$ (0.23)	$ (1.42)
Comprehensive loss	$ (36,417)	$ (19,039)	$ (83,725)	$ (96,158)	$ (643,557)
Comprehensive (income) loss attributable to noncontrolling interests	(8)	(93)	(1,136)	3,074	(514)
Comprehensive loss attributable to Company shareholders	$ (36,425)	$ (19,132)	$ (84,861)	$ (93,084)	$ (644,071)

	March 31, 2011		December 31,		
	As Adjusted[1]	Actual	2010	2009	2008
	(in thousands except for share and per share data)				
Selected Balance Sheet Data:					
Net investment properties less accumulated depreciation		$ 5,592,300	$ 5,686,473	$ 6,103,782	$ 6,631,506
Total assets		$ 6,249,049	$ 6,386,836	$ 6,928,365	$ 7,606,664
Mortgages and notes payable		$ 3,325,077	$ 3,602,890	$ 4,003,985	$ 4,402,602
Total liabilities		$ 4,006,795	$ 4,090,244	$ 4,482,119	$ 5,011,276
Common stock and additional paid-in-capital		$ 4,394,205	$ 4,383,758	$ 4,350,966	$ 4,313,640
Total shareholders equity		$ 2,240,491	$ 2,294,902	$ 2,441,550	$ 2,572,348
Ratio Data:					
Total net debt to Adjusted EBITDA[2][5]		8.5x	8.5x	9.2x	
Combined net debt to combined Adjusted EBITDA[2][5]		8.5x	8.5x	8.9x	

	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010	2009	2008
	(in thousands except for number of properties, share and per share data)				
Other Data:					
Number of consolidated operating properties	282	298	284	299	305
Total GLA (in thousands)	42,216	44,429	42,491	44,496	45,957
Distributions declared per common share	$ 0.06	$ 0.04	$ 0.20	$ 0.16	$ 0.64
Funds from operations[3]	$ 16,371	$35,775	$ 135,170	$ 141,844	$ (349,401)
Total net operating income[4]	$ 107,978	$ 109,939	$ 444,492	$ 442,194	$ 475,253
Combined net operating income[4]	$ 110,070	$ 111,105	$ 449,981	$ 445,980	$ 478,373
Adjusted EBITDA[5]	$ 98,917	$ 101,543	$ 427,752	$ 435,022	
Combined Adjusted EBITDA[5]	$ 103,795	$ 103,317	$ 434,182	$ 452,709	
Cash flows provided by (used in):					
Operating activities	$ 31,855	$ 38,615	$ 184,072	$ 249,837	$ 309,351
Investing activities	$ 15,234	$ (14,892)	$ 154,400	$ 193,706	$ (178,555)
Financing activities	$ (80,278)	$ (19,438)	$ (321,747)	$ (438,806)	$ (126,989)

(1) Presents historical information as of March 31, 2011 as adjusted to give effect to (i) additional amounts drawn through July 5, 2011 under our senior secured revolving line of credit (no additional amounts were drawn through July 18, 2011) and (ii) this offering and the use of the net proceeds from this offering as set forth in Use of Proceeds.

(2) Total net debt to Adjusted EBITDA represents (i) our total debt less cash and cash equivalents divided by (ii) Adjusted EBITDA for the prior 12 months. Combined net debt to combined Adjusted EBITDA represents (i) the sum of (A) our total debt less cash and cash equivalents plus (B) our pro rata share of our investment property unconsolidated joint ventures total debt less our pro rata share of these joint ventures cash and cash equivalents divided by (ii) combined Adjusted EBITDA for the prior 12 months. These ratios are not presented as of December 31, 2008. For a reconciliation of total net debt to Adjusted EBITDA and combined net debt to combined Adjusted EBITDA and a statement disclosing the reasons why our management believes that presentation of these ratios provides useful information to investors and, to the extent material, any additional purposes for which our management uses these ratios, see Selected Consolidated Financial Operating Data.

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(3) For a definition and reconciliation of funds from operations, or FFO, and a statement disclosing the reasons why our management believes that presentation of FFO provides useful information to investors and, to the extent material, any additional purposes for which our management uses FFO, see Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations.

(4) Total net operating income, or NOI, represents operating revenues (rental income, tenant recovery income, other property income, excluding straight-line rental income and amortization of acquired above and below market lease intangibles) less property operating expenses (real estate tax expense and property operating expense, excluding straight-line ground rent expense and straight-line bad debt expense). Combined net operating income, or combined NOI, represents NOI plus our pro rata share of NOI from our investment property unconsolidated joint ventures. For a reconciliation of total net operating income, or NOI, and a statement disclosing the reasons why our management believes that presentation of NOI provides useful information to investors and, to the extent material, any additional purposes for which our management uses NOI, which is also applicable to combined NOI, see Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations. For a reconciliation of combined NOI, see Selected Consolidated Financial Operating Data.

(5) Adjusted EBITDA represents net income (loss) before interest, income taxes, depreciation and amortization, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing operating performance. Combined Adjusted EBITDA represents Adjusted EBITDA plus our pro rata share of the EBITDA adjustments from our investment property unconsolidated joint ventures. Adjusted EBITDA and combined Adjusted EBITDA are not presented as of December 31, 2008. For a reconciliation of Adjusted EBITDA and combined Adjusted EBITDA and a statement disclosing the reasons why our management believes that presentation of Adjusted EBITDA and combined Adjusted EBITDA provides useful information to investors and, to the extent material, any additional purposes for which our management uses Adjusted EBITDA and combined Adjusted EBITDA, see Selected Consolidated Financial Operating Data.

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RISK FACTORS

An investment in our Class A Common Stock involves a high degree of risk. Before making an investment decision, you should carefully consider the following risk factors, which address the material risks concerning our business and an investment in our Class A Common Stock, together with the other information contained in this prospectus. If any of the risks discussed in this prospectus occur, our business, prospects, financial condition, results of operations and our ability to make distributions to our shareholders could be materially and adversely affected. In that case, the trading price of our Class A Common Stock could decline significantly and you could lose all or a part of your investment. Some statements in this prospectus, including statements in the following risk factors constitute forward-looking statements. Please refer to the section entitled Forward-Looking Statements.

RISKS RELATING TO OUR BUSINESS AND OUR PROPERTIES

There are inherent risks associated with real estate investments and with the real estate industry, each of which could have an adverse impact on our economic performance and the value of our retail properties.

Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Our economic performance and the value of our properties can be affected by many of these factors, including the following:

- adverse changes in financial conditions of buyers, sellers and tenants of our properties, including bankruptcies, financial difficulties, or lease defaults by our tenants;
- the national, regional and local economy, which may be negatively impacted by concerns about inflation, deflation and government deficits, high unemployment rates, decreased consumer confidence, industry slowdowns, reduced corporate profits, liquidity concerns in our markets and other adverse business concerns;
- local real estate conditions, such as an oversupply of, or a reduction in demand for, retail space or retail goods, and the availability and creditworthiness of current and prospective tenants;
- vacancies or ability to rent space on favorable terms, including possible market pressures to offer tenants rent abatements, tenant improvements, early termination rights or below-market renewal options;
- changes in operating costs and expenses, including, without limitation, increasing labor and material costs, insurance costs, energy prices, environmental restrictions, real estate taxes, and costs of compliance with laws, regulations and government policies, which we may be restricted from passing on to our tenants;
- fluctuations in interest rates, which could adversely affect our ability, or the ability of buyers and tenants of properties, to obtain financing on favorable terms or at all;
- competition from other real estate investors with significant capital, including other real estate operating companies, publicly traded REITs and institutional investment funds;
- the convenience and quality of competing retail properties and other retailing options such as the Internet;

perceptions by retailers or shoppers of the safety, convenience and attractiveness of the retail property;

inability to collect rent from tenants;

our ability to secure adequate insurance;

our ability to provide adequate management services and to maintain our properties;

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- changes in, and changes in enforcement of, laws, regulations and governmental policies, including, without limitation, health, safety, environmental, zoning and tax laws, government fiscal policies and the Americans with Disabilities Act of 1990, or the ADA; and

- civil unrest, acts of war, terrorist attacks and natural disasters, including earthquakes and floods, which may result in uninsured and underinsured losses.

In addition, because the yields available from equity investments in real estate depend in large part on the amount of rental income earned, as well as property operating expenses and other costs incurred, a period of economic slowdown or recession, declining demand for real estate, or the public perception that any of these events may occur, could result in a general decline in rents or an increased incidence of defaults among our existing leases, and, consequently, our properties, including those held by joint ventures, may fail to generate revenues sufficient to meet operating, debt service and other expenses. As a result, we may have to borrow amounts to cover fixed costs, and our financial condition, results of operations, cash flow, per share trading price of our Class A Common Stock and our ability to satisfy our principal and interest obligations and to make distributions to our shareholders may be adversely affected.

Continued economic weakness from the severe economic recession that the U.S. economy recently experienced may materially and adversely affect our financial condition and results of operations.

The U.S. economy is still experiencing weakness from the severe recession that it recently experienced, which resulted in increased unemployment, the bankruptcy or weakened financial condition of a number of large retailers, decreased consumer spending, a decline in residential and commercial property values and reduced demand and rental rates for retail space. Although the U.S. economy has emerged from the recent recession, high levels of unemployment have persisted, and rental rates and valuations for retail space have not fully recovered to pre-recession levels and may not for a number of years. If the economic recovery slows or stalls, we may continue to experience downward pressure on the rental rates we are able to charge as leases signed prior to the recession expire, and tenants may declare bankruptcy, announce store closings or fail to meet their lease obligations, any of which could adversely affect our cash flow, financial condition and results of operations.

Substantial international, national and local government spending and increasing deficits may adversely impact our business, financial condition and results of operations.

The values of, and the cash flows from, the properties we own are affected by developments in global, national and local economies. As a result of the recent severe recession and the significant government interventions, federal, state and local governments have incurred record deficits and assumed or guaranteed liabilities of private financial institutions or other private entities. These increased budget deficits and the weakened financial condition of federal, state and local governments may lead to reduced governmental spending, tax increases, public sector job losses, increased interest rates, currency devaluations or other adverse economic events, which may directly or indirectly adversely affect our business, financial condition and results of operations.

We face significant competition in the leasing market, which may decrease or prevent increases in the occupancy and rental rates of our properties.

We have acquired and intend to continue to acquire properties located in developed areas. Consequently, we compete with numerous developers, owners and operators of retail properties, many of which own properties similar to, and in the same market areas as, our properties. If our competitors offer space at rental rates below current market rates, or below the rental rates we currently charge our tenants, we may lose existing or potential tenants and we may be pressured to reduce our rental rates below those we currently charge in order to attract new tenants and retain existing tenants when their leases expire. Also, if our competitors develop additional retail properties in locations near our properties, there may be increased competition for customer traffic and creditworthy tenants, which may result in fewer tenants or decreased cash flow from tenants, or both, and may

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require us to make capital improvements to properties that we would not have otherwise made. As a result, our financial condition and our ability to make distributions to our shareholders may be adversely affected.

We may be required to make rent or other concessions and/or significant capital expenditures to improve our properties in order to retain and attract tenants, which could adversely affect our financial condition, results of operations and cash flow.

To the extent adverse economic conditions continue in the real estate market and demand for retail space remains low, we may be required to offer more substantial rent abatements, tenant improvements and early termination rights or accommodate requests for renovations, build-to-suit remodeling and other improvements or provide additional services to our tenants. As a result, we may have to make significant capital or other expenditures in order to retain tenants whose leases expire and to attract new tenants in sufficient numbers, which could adversely affect our results of operations and cash flow. Additionally, if we need to raise capital to make such expenditures and are unable to do so, or such capital is otherwise unavailable, we may be unable to make the required expenditures. This could result in non-renewals by tenants upon expiration of their leases, which could adversely affect to our financial condition, results of operations and cash flow.

The actual rents we receive for the properties in our portfolio may be less than our asking rents, and we may experience a lease roll-down from time to time, which may adversely affect our financial condition, results of operations and cash flow.

Our operating results depend upon our ability to maintain and increase rental rates at our properties while also maintaining or increasing occupancy. As a result of various factors, including competitive pricing pressure in our markets, the recent severe recession and the desirability of our properties compared to other properties in our markets, the rental rates that we charge tenants have generally declined and our ability to maintain our current rental rates or increase those rates in the future may be limited. Further, because current rental rates have declined as compared to expiring leases in our portfolio, the rental rates for expiring leases may be higher than starting rental rates for new leases and we may be required to offer greater rental concessions than we have historically. The degree of discrepancy between our previous asking rents and the actual rents we are able to obtain upon the expiration of our leases may vary both from property to property and among different leased spaces within a single property. If we are unable to obtain sufficient rental rates across our portfolio, our results of operations and cash flow and our ability to satisfy our debt obligations and make distributions to our shareholders will be adversely affected.

We have experienced aggregate net losses attributable to Company shareholders for the three months ended March 31, 2011 and for the years ended December 31, 2010, 2009 and 2008, and we may experience future losses.

We had net losses attributable to Company shareholders of approximately $40.0 million, $95.8 million, $112.3 million and $683.7 million for the three months ended March 31, 2011 and for the years ended December 31, 2010, 2009 and 2008, respectively. If we continue to incur net losses in the future or such losses increase, our financial condition, results of operations, cash flow and our ability to service our indebtedness and make distributions to our shareholders would be materially and adversely affected, any of which could adversely affect the market price of our Class A Common Stock.

We have a high concentration of properties in the Dallas-Fort Worth-Arlington area, and adverse economic and other developments in that area could have a material adverse effect on us.

As of March 31, 2011, approximately 11.0% of the GLA and approximately 14.1% of the annualized base rent from our retail operating portfolio were represented by properties located in the Dallas-Fort Worth-Arlington area. As a result, we are particularly susceptible to adverse economic and other developments in this area, including increased unemployment, industry slowdowns, business layoffs or downsizing, decreased consumer confidence, relocations of businesses, changes in demographics, increases in real estate and other taxes, increased regulation, and natural disasters, any of which could have a material adverse effect on us.

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Our inability to collect rents from tenants may negatively impact our financial condition and our ability to make distributions to our shareholders.

Substantially all of our income is derived from rentals of real property. Therefore, our financial condition, results of operations and cash flow materially depend on the financial stability of our tenants, any of which may experience a change in their business at any time, and our ability to continue to lease space in our properties on economically favorable terms. If the sales of stores operating in our centers decline sufficiently, tenants might be unable to pay their existing minimum rents or expense recovery charges, since these rents and charges would represent a higher percentage of their sales, and new tenants might be less willing to pay minimum rents as high as they would otherwise pay. Further, tenants may delay lease commencements, decline to extend or renew a lease upon its expiration or on favorable terms, or exercise early termination rights (to the extent available). If a number of our tenants are unable to make their rental payments to us and otherwise meet their lease obligations, our ability to meet debt and other financial obligations and to make distributions to our shareholders may be adversely affected.

We may be unable to renew leases, lease vacant space or re-let space as leases expire, which could adversely affect our financial condition and results of operations.

We cannot assure you that leases will be renewed or that our properties will be re-let at net effective rental rates equal to or above the current average net effective rental rates or that substantial rent abatements, tenant improvements, early termination rights or below-market renewal options will not be offered to attract new tenants or retain existing tenants. If the rental rates for our properties decrease, our existing tenants do not renew their leases or we do not re-let a significant portion of our available space and space for which leases will expire, our financial condition, results of operations, cash flow, cash available for distributions and per share trading price of our Class A Common Stock could be adversely affected.

If any of our anchor tenants experience a downturn in their business or terminate their leases, our financial condition and results of operations could be adversely affected.

Our financial condition and results of operations could be adversely affected in the event of a downturn in the business, or the bankruptcy or insolvency, of any anchor store or anchor tenant, particularly an anchor tenant with multiple store locations. Anchor tenants generally occupy large amounts of square footage, pay a significant portion of the total rents at a property and contribute to the success of other tenants by drawing significant numbers of customers to a property. The closing of one or more anchor stores at a property could adversely affect that property and result in lease terminations by, or reductions in rent from, other tenants whose leases permit termination or rent reduction in those circumstances or whose own operations may suffer as a result of the anchor store closing. For example, in 2008 and 2009, three of our anchor tenants, Mervyns, Linens n Things and Circuit City, declared bankruptcy, resulting in approximately 3.2 million square feet of vacant retail space and a decrease in rental income of approximately $34.8 million. Additional bankruptcies or insolvencies of, or store closings by, our anchor tenants could significantly increase vacancies and reduce our rental income. If we are unable to re-let such space on similar terms and in a timely manner, our financial condition, results of operations and ability to make distributions to our shareholders could be materially and adversely affected.

Many of the leases at our retail properties contain co-tenancy or go-dark provisions, which, if triggered, may allow tenants to pay reduced rent, cease operations or terminate their leases, any of which could adversely affect our financial condition and results of operations and/or the value of the applicable property.

Many of the leases at our retail properties contain co-tenancy provisions that condition a tenant s obligation to remain open, the amount of rent payable by the tenant or the tenant s obligation to continue occupancy on certain conditions, including: (i) the presence of a certain anchor tenant or tenants; (ii) the continued operation of an anchor tenant s store; and (iii) minimum occupancy levels at the applicable property. If a co-tenancy provision is triggered by a failure of any of these or other applicable conditions, a tenant could have the right to cease operations at the applicable property, terminate its lease early or have its rent reduced. In

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periods of prolonged economic decline such as the recent recession, there is a higher than normal risk that co-tenancy provisions will be triggered due to the higher risk of tenants closing stores or terminating leases during these periods. For example, the effects of recent tenant bankruptcies triggered some co-tenancy clauses in certain other tenant leases, which provided certain of these tenants with immediate reductions in their annual rents and permitted them to terminate their leases if an appropriate replacement was not found within the allotted time period. In addition to these co-tenancy provisions, certain of the leases at our retail properties contain go-dark provisions that allow the tenant to cease operations at the applicable property while continuing to pay rent. This could result in decreased customer traffic at the applicable property, thereby decreasing sales for our other tenants at that property, which may result in our other tenants being unable to pay their minimum rents or expense recovery charges. These provisions also may result in lower rental revenue generated under the applicable leases. To the extent co-tenancy or go-dark provisions in our retail leases result in lower revenue or tenant sales or in tenants rights to terminate their leases early or to have their rent reduced, our financial condition and results of operations and the value of the applicable property could be adversely affected.

We may be unable to collect balances due on our leases from any tenants in bankruptcy, which could adversely affect our cash flow and the amount of cash available for distribution to our shareholders.

Our leases generally do not contain provisions designed to ensure the creditworthiness of the tenant, and a number of companies in the retail industry, including some of our tenants, have declared bankruptcy or voluntarily closed certain of their stores in recent years. We cannot assure you that any tenant that files for bankruptcy protection will continue to pay us rent. Any or all of the tenant s or a guarantor of a tenant s lease obligations could be subject to a bankruptcy proceeding pursuant to Chapter 11 or Chapter 7 of the bankruptcy laws of the United States. Such a bankruptcy filing would bar all efforts by us to collect pre-bankruptcy rents from these entities or their properties, unless we receive an order from the bankruptcy court permitting us to do so. A tenant or lease guarantor bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude collection of these sums. If a lease is rejected by a tenant in bankruptcy, we would only have a general unsecured claim for damages. This claim could be paid only in the event funds were available, and then only in the same percentage as that realized on other unsecured claims, and our claim would be capped at the rent reserved under the lease, without acceleration, for the greater of one year or 15% of the remaining term of the lease, but not greater than three years, plus rent already due but unpaid. Therefore, if a lease is rejected, it is unlikely we would receive any payments from the tenant, or we would receive substantially less than the full value of any unsecured claims we hold, which would result in a reduction in our rental income, cash flow and in the amount of cash available for distribution to our shareholders. In particular, on February 16, 2011, Borders Group, Inc., or Borders, a national retailer, filed for bankruptcy under Chapter 11 and, on July 18, 2011, Borders announced that it was seeking approval for the liquidation of its remaining store assets. As of March 31, 2011, Borders leased approximately 220,000 square feet of space from us at ten locations, which leases represented $2.6 million of annualized base rent. Subsequent to March 31, 2011, Borders closed stores at five locations where it leased space from us, which leases represented approximately 115,000 square feet of GLA and $1.1 million of annualized base rent, and if Borders liquidation is approved, the stores at the five remaining locations will also likely be closed in the next several months.

Our expenses may remain constant or increase, even if income from our properties decreases, causing our financial condition and results of operations to be adversely affected.

Costs associated with our business, such as mortgage payments, real estate and personal taxes, insurance, utilities and corporate expenses, are relatively inflexible and generally do not decrease, and may increase, when a property is not fully occupied, rental rates decrease, a tenant fails to pay rent or other circumstances cause our revenues to decrease. If we are unable to decrease our operating costs when our revenue declines, our financial condition, results of operations and ability to make distributions to our shareholders may be adversely affected. In addition, inflationary price increases could result in increased operating costs for us and our tenants and, to the extent we are unable to pass along those price increases or are unable to recover operating expenses from tenants, our operating expenses may increase, which could adversely affect our financial condition, results of operations and ability to make distributions to our shareholders.

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Real estate related taxes may increase and if these increases are not passed on to tenants, our net income will be reduced.

Even if we qualify as a REIT for U.S. federal income tax purposes, we will be required to pay state and local taxes on our properties. The real property taxes may increase as property values or assessment rates change or as our properties are assessed or reassessed by taxing authorities. An increase in the assessed valuation of a property for real estate tax purposes will result in an increase in the related real estate taxes on that property. Although some leases may permit us to pass through such tax increases to our tenants, there is no assurance that renewal leases or future leases will be negotiated on the same basis. If our property taxes increase and we are unable to pass those increases through to our tenants, our net income and cash available for distribution to our shareholders could be adversely affected.

We may be unable to complete acquisitions and, even if acquisitions are completed, we may fail to successfully operate acquired properties.

We continue to evaluate the market of available properties and may acquire properties when we believe strategic opportunities exist. Our ability to acquire properties on favorable terms and successfully operate or develop them is subject to the following risks:

- we may be unable to acquire a desired property because of competition from other real estate investors with substantial capital, including from publicly traded REITs and institutional investment funds;
- even if we are able to acquire a desired property, competition from other potential acquirers may significantly increase the purchase price;
- even if we enter into agreements for the acquisition of properties, these agreements are subject to customary conditions to closing, including completion of due diligence investigations to our satisfaction;
- we may incur significant costs and divert management attention in connection with evaluation and negotiation of potential acquisitions, including ones that we are subsequently unable to complete;
- we may acquire properties that are not initially accretive to our results upon acquisition, and we may not successfully manage and lease those properties to meet our expectations;
- we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all;
- even if we are able to finance the acquisition, our cash flow may be insufficient to meet our required principal and interest payments;
- we may spend more than budgeted to make necessary improvements or renovations to acquired properties;
- we may be unable to quickly and efficiently integrate new acquisitions, particularly acquisition of portfolios of properties, into our existing operations, and as a result our results of operations and financial condition could be adversely affected;
- market conditions may result in higher than expected vacancy rates and lower than expected rental rates; and

- we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities for clean-up of undisclosed environmental contamination, claims by tenants or other persons dealing with former owners of the properties and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties.

If we cannot finance property acquisitions in a timely manner and on favorable terms, or operate acquired properties to meet our financial expectations, our financial condition, results of operations, cash flow, per share trading price of our Class A Common Stock and ability to satisfy our principal and interest obligations and to make distributions to our shareholders could be adversely affected.

We depend on external sources of capital that are outside of our control, which may affect our ability to seize strategic opportunities, satisfy our debt obligations and make distributions to our shareholders.

In order to maintain our qualification as a REIT, we are generally required under the Code to annually distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, as a REIT, we will be subject to income tax at regular corporate rates to the extent that we distribute less than 100% of our REIT taxable income, including any net capital gains. Because of these distribution requirements, we may not be able to fund future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we may rely on third-party sources to fund our capital needs. We may not be able to obtain the financing on favorable terms, in the time period we desire, or at all. Any additional debt we incur will increase our leverage, expose us to the risk of default and may impose operating restrictions on us, and any additional equity we raise could be dilutive to existing shareholders. Our access to third-party sources of capital depends, in part, on:

- general market conditions;
- the market s view of the quality of our assets;
- the market s perception of our growth potential;
- our current debt levels;
- our current and expected future earnings;
- our cash flow and cash distributions; and
- the market price per share of our Class A Common Stock.

If we cannot obtain capital from third-party sources, we may not be able to acquire or develop properties when strategic opportunities exist, satisfy our principal and interest obligations or make the cash distributions to our shareholders necessary to maintain our qualification as a REIT.

We may be unable to sell a property at the time we desire and on favorable terms or at all, which could inhibit our ability to utilize our capital to make strategic acquisitions and could adversely affect our results of operations, financial condition and ability to make distributions to our shareholders.

Real estate investments generally cannot be sold quickly. Our ability to dispose of properties on advantageous terms depends on factors beyond on our control, including competition from other sellers and the availability of attractive financing for potential buyers of our properties, and we cannot predict the various market conditions affecting real estate investments that will exist at any particular time in the future. In addition, the Code generally imposes a 100% tax on gain recognized by REITs upon the disposition of assets if the assets are held primarily for sale in the ordinary course of business, rather than for investment, which may cause us to forego or defer sales of properties that otherwise would be attractive from a pre-tax perspective. As a result of such tax laws and the uncertainty of market conditions, our ability to promptly make changes to our portfolio as necessary to respond to economic and other conditions may be limited, and we cannot provide any assurance that we will be able to sell such properties at a profit, or at all. Accordingly, our ability to access capital through dispositions may be limited which could limit our ability to acquire properties strategically and pay down indebtedness and would limit our ability to make distributions to our shareholders.

In addition, certain of our leases contain provisions giving the tenant a right to purchase the property, which can take the form of a fixed price purchase option, a fair market value purchase option, a put option, a right of first refusal or a right of first offer. When acquiring a property in the future, we may also agree to restrictions that prohibit the sale of that property for period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that property. These provisions may restrict our ability to sell a property at opportune times

or on favorable terms and, as a result, may adversely impact our cash flows and results of operations.

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Furthermore, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure our shareholders that we will have funds available to correct such defects or to make such improvements and, therefore, we may be unable to sell the asset or may have to sell it at a reduced cost.

Joint venture investments could be adversely affected by our lack of sole decision-making authority, our reliance on co-venturers financial condition and disputes between us and our co-venturers.

We have made and may continue to make investments in joint ventures or other partnership arrangements between us and our joint venture partners. As of March 31, 2011, we held 55 operating properties (as well as a portion of one other property) with 6.8 million square feet of GLA in two consolidated joint ventures and 19 operating properties with 2.6 million square feet of GLA in three unconsolidated joint ventures. Investments in joint ventures or other partnership arrangements involve risks not present were a third party not involved, including the following:

- we do not have exclusive control over the development, financing, leasing, management and other aspects of the property or joint venture, which may prevent us from taking actions that are in our best interest but opposed by our partners;

- prior consent of our joint venture partners may be required for a sale or transfer to a third party of our interest in the joint venture, which would restrict our ability to dispose of our interest in the joint venture;

- two of our unconsolidated operating joint venture agreements have, and future joint venture agreements may contain, buy-sell provisions pursuant to which one partner may initiate procedures requiring the other partner to choose between buying the other partner s interest or selling its interest to that partner;

- our partners might become bankrupt or fail to fund their share of required capital contributions necessary to refinance debt or to fund tenant improvements or development or renovation projects for the joint venture properties, which may force us to contribute more capital than we anticipated to cover the joint venture s liabilities;

- our partners may have competing interests in our markets that could create conflict of interest issues;

- our partners may have economic or business interests or goals that are inconsistent with our interests or goals and may take actions contrary to our instructions, requests, policies or objectives;

- two of our joint venture agreements have, and future joint venture agreements may contain, provisions limiting our ability to solicit or otherwise attempt to persuade any tenant to relocate to another property not owned by the joint venture;

- our partners may take actions that could jeopardize our REIT status or require us to pay tax;

- actions by partners might subject real properties owned by the joint venture to liabilities greater than those contemplated by the terms of the joint venture or other adverse consequences that may reduce our returns;

- disputes between us and partners or co-venturers may result in litigation or arbitration that would increase our expenses and prevent our officers and/or directors from focusing their time and effort on our business and could result in subjecting properties owned by

the partnership or joint venture to additional risk; and

we may in certain circumstances be liable for the actions of our third-party partners or co-venturers.

If any of the foregoing were to occur, our financial condition, results of operations and cash available for distribution to our shareholders could be adversely affected.

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Our development and construction activities have inherent risks, which could adversely impact our results of operations and cash flow.

Our construction and development activities include risks that are different and, in most cases, greater than the risks associated with our acquisition of fully developed and operating properties. We may provide a completion of construction and principal guaranty to the construction lender. As a result of such a guaranty, we may subject a property to liabilities in excess of those contemplated and thus reduce our return to investors.

In addition to the risks associated with real estate investments in general as described elsewhere, the risks associated with our development activities include:

- significant time lag between commencement and stabilization subjects us to greater risks due to fluctuations in the general economy, including national, regional and local economic downturns, and shifts in demographics;
- expenditure of money and time on projects that may never be completed;
- occupancy rates and rents at a newly completed property may not be sufficient to make the property profitable;
- inability to achieve projected occupancy and/or rental rates per square foot within the projected time frame, if at all;
- failure or inability to obtain construction or permanent financing on favorable terms or at all;
- higher than estimated construction or operating costs, including labor and material costs;
- inability to complete construction and lease-up on schedule, resulting in increased debt service expense and construction costs; and
- possible delay in completion of a project because of a number of factors, including weather, labor disruptions, construction delays or delays in receipt of zoning or other regulatory approvals, acts of terror or other acts of violence, or acts of God (such as fires, earthquakes or floods).

Additionally, the time frame required for development and lease-up of these properties means that we may not realize a significant cash return for several years. If any of the above events occur, the development of the properties may hinder our growth and have an adverse effect on our results of operations and cash flow. In addition, new development activities, regardless of whether or not they are ultimately successful, typically require substantial time and attention from management.

Bankruptcy of our developers could impose delays and costs on us with respect to the development retail properties and may adversely affect our financial condition and results of operations.

The bankruptcy of one of the developers in any of our development joint ventures could materially and adversely affect the relevant property or properties. If the relevant joint venture through which we have invested in a property has incurred recourse obligations, the discharge in bankruptcy of the developer may require us to honor a completion guarantee and therefore might result in our ultimate liability for a greater portion of those obligations than we would otherwise bear.

A number of properties in our portfolio are subject to ground leases; if we are found to be in breach of a ground lease or are unable to renew a ground lease, we could be materially and adversely affected.

We have 17 properties in our portfolio that are either completely or partially on land subject to ground leases. Accordingly, we only own a long-term leasehold or similar interest in those properties. If we are found to be in breach of a ground lease, we could lose the right to use the property. In addition, unless we can purchase a fee interest in the underlying land and improvements or extend the terms of these leases before their expiration, as to which no assurance can be given, we will lose our right to operate these properties and our interest in the

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improvements upon expiration of the leases. Assuming that we exercise all available options to extend the terms of our ground leases, all of our ground leases will expire between 2018 and 2105. However, in certain cases, our ability to exercise such options is subject to the condition that we are not in default under the terms of the ground lease at the time that we exercise such options, and we can provide no assurances that we will be able to exercise our options at such time. Furthermore, we can provide no assurances that we will be able to renew our ground lease upon expiration. If we were to lose the right to use a property due to a breach or non-renewal of the ground lease, we would be unable to derive income from such property and would be required to purchase an interest in another property to attempt to replace that income, which could materially and adversely affect us.

Uninsured losses or losses in excess of insurance coverage could materially and adversely affect our financial condition and results of operations.

Each tenant is responsible for insuring its goods and premises and, in some circumstances, may be required to reimburse us for a share of the cost of acquiring comprehensive insurance for the property, including casualty, liability, fire and extended coverage customarily obtained for similar properties in amounts which we determine are sufficient to cover reasonably foreseeable losses. Tenants on a net lease typically are required to pay all insurance costs associated with their space. However, material losses may occur in excess of insurance proceeds with respect to any property and we may not have sufficient resources to fund such losses. In addition, we may be subject to certain types of losses, generally of a catastrophic nature, such as losses due to wars, acts of terrorism, earthquakes, floods, hurricanes, pollution or environmental matters, which are either uninsurable or not economically insurable, or may be insured subject to limitations, such as large deductibles or co-payments. If we experience a loss that is uninsured or that exceeds policy limits, we could lose all or a significant portion of the capital we have invested in the damaged property, as well as the anticipated future revenue of the property, which could materially and adversely affect our financial condition and results of operations. Inflation, changes in building codes and ordinances, environmental considerations and other factors also might make it impractical or undesirable to use insurance proceeds to replace a property after it has been damaged or destroyed. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged. Furthermore, we may not be able to obtain adequate insurance coverage at reasonable costs in the future, as the costs associated with property and casualty renewals may be higher than anticipated.

In addition, insurance risks associated with potential terrorism acts could sharply increase the premium we pay for coverage against property and casualty claims. Further, mortgage lenders, in some cases, have begun to insist that specific coverage against terrorism be purchased by commercial property owners as a condition for providing mortgage loans. It is uncertain whether such insurance policies will be available, or available at reasonable costs, which could inhibit our ability to finance or refinance our properties. In such instances, we may be required to provide other financial support, either through financial assurances or self-insurance, to cover potential losses. We cannot assure our shareholders that we will have adequate coverage for such losses and, to the extent we must pay unexpectedly large amounts for insurance, our financial condition, results of operations and ability to make distributions to our shareholders could be materially and adversely affected.

Some of our properties are subject to potential natural or other disasters, which could cause significant damage to our properties and adversely affect our financial condition and results of operations.

A number of our properties are located in areas which are susceptible to, and could be significantly affected by, natural disasters that could cause significant damage to our properties. For example, many of our properties are located in coastal regions, and would therefore be affected by any future increases in sea levels or in the frequency or severity of hurricanes and tropical storms, whether such increases are caused by global climate changes or other factors. In addition, a number of our properties are located in California and other regions that are especially susceptible to earthquakes. If we experience a loss, due to such natural disasters or other relevant factors, that is uninsured or which exceeds our policy limits, we could incur significant costs and lose the capital invested in the damaged properties, as well as the anticipated future revenue from those properties, which could

adversely affect our financial condition and results of operations. In addition, if the damaged properties are subject to recourse indebtedness, we would continue to be liable for the indebtedness, even if these properties were irreparably damaged.

We may incur liability with respect to contaminated property or incur costs to comply with environmental laws, which may negatively impact our financial condition and results of operations.

Under various federal, state or local laws, ordinances and regulations, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances, waste, or petroleum products at, on, in, under or from such property, including costs for investigation, remediation, natural resource damages or third party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. In addition, the presence of contamination or the failure to remediate contamination at our properties may adversely affect our ability to sell, redevelop, or lease such property or to borrow using the property as collateral. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property. Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property or adjacent properties for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We also may be liable for the costs of remediating contamination at off-site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances at such facilities, without regard to whether we comply with environmental laws in doing so.

In addition, our properties are subject to various federal, state and local environmental, health and safety laws, including laws governing the management of wastes and underground and aboveground storage tanks. Noncompliance with these environmental, health and safety laws could subject us or our tenants to liability. These environmental liabilities could affect a tenant s ability to make rental payments to us. Moreover, changes in laws could increase the potential costs of compliance with environmental laws, health and safety laws or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have a material adverse effect on us.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material, or ACM. Environmental, health and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or releases of ACM into the environment.

We cannot assure you that costs or liabilities incurred as a result of environmental issues will not affect our ability to make distributions to our shareholders or that such costs or liabilities will not have a material adverse effect on our financial condition and results of operations.

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Our properties may contain or develop harmful mold or suffer from other indoor air quality issues, which could lead to liability for adverse health effects or property damage or cost for remediation.

When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or to increase ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants, or others if property damage or personal injury occurs.

We may incur significant costs complying with the ADA and similar laws, which could adversely affect our financial condition, results of operations, cash flow and trading price of our Class A Common Stock.

Under the ADA, all public accommodations must meet federal requirements related to access and use by disabled persons. Although we believe the properties in our portfolio substantially comply with present requirements of the ADA, we have not conducted an audit or investigation of all of our properties to determine our compliance. If one or more of the properties in our portfolio is not in compliance with the ADA, we would be required to incur additional costs to bring the property into compliance. Additional federal, state and local laws also may require modifications to our properties, or restrict our ability to renovate our properties. We cannot predict the ultimate cost of compliance with the ADA or other legislation. If we incur substantial costs to comply with the ADA and any other legislation, our financial condition, results of operations, cash flow, per share trading price of our Class A Common Stock and our ability to satisfy our debt obligations and to make distributions to our shareholders could be adversely affected.

We may experience a decline in the fair value of our assets and be forced to recognize impairment charges, which could materially and adversely impact our financial condition, liquidity and results of operations and the price of our Class A Common Stock.

A decline in the fair value of our assets may require us to recognize an impairment against such assets under GAAP if we were to determine that, with respect to any assets in unrealized loss positions, we do not have the ability and intent to hold such assets to maturity or for a period of time sufficient to allow for recovery to the amortized cost of such assets. If such a determination were to be made, we would recognize unrealized losses through earnings and write down the amortized cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be unrecoverable. Such impairment charges reflect non-cash losses at the time of recognition; subsequent disposition or sale of such assets could further affect our future losses or gains, as they are based on the difference between the sale price received and adjusted amortized cost of such assets at the time of sale. In addition, there may be significant uncertainty in the valuation, or in the stability of the value, of our properties and those of our unconsolidated joint ventures, that could result in a substantial decrease in the value of our properties and those of our unconsolidated joint ventures. As a result, we may not be able to recover the carrying amount of our properties and/or our investments in our unconsolidated joint ventures and we may be required to recognize an impairment charge. For the three months ended March 31, 2011 and for the years ended December 31, 2010, 2009 and 2008, we recognized aggregate impairment losses of $30.4 million million, $23.1 million, $82.0 million and $463.4 million, respectively. We may be required to recognize additional asset impairment charges in the future, which could materially and adversely affect our financial condition, liquidity, results of operations and the per share trading price of our Class A Common Stock.

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***Our investment in marketable securities has negatively impacted our results of operations and may do so in the future*.**

Currently, our investment in marketable securities consists of preferred and common stock that are classified as available-for-sale and recorded at fair value. We have recognized other-than-temporary impairments related to our investment in these securities primarily as a result of the severity of the decline in market value and the length of time over which these securities experienced such declines. For example, other-than-temporary impairments were $24.8 million and $160.3 million for the years ended December 31, 2009 and 2008, respectively. The Company did not recognize other-than-temporary impairments for the three months ended March 31, 2011 or the year ended December 31, 2010. As of March 31, 2011, our investment in marketable securities totaled $36.8 million, which included $24.7 million of accumulated unrealized gain. If our stock positions decline in value, we could take additional other-than-temporary impairments, which could materially and adversely affect our results of operations. In addition, we purchase a portion of our securities through a margin account. If the value of those securities declines and we face a margin call, we may be required to sell those securities at unfavorable times and record a loss or to post additional cash as collateral, which could adversely affect our financial condition, results and operations and our ability to satisfy our debt obligations and make distributions to our shareholders.

Further, we may continue to invest in marketable securities in the future. Investments in marketable securities are subject to specific risks relating to the particular issuer of the securities, including the financial condition and business outlook of the issuer, which may result in significant losses to us. Marketable securities are generally unsecured and may also be subordinated to other obligations of the issuer. As a result, investments in marketable securities are subject to risks of: (i) limited liquidity in the secondary trading market; (ii) substantial market price volatility resulting from changes in prevailing interest rates; (iii) subordination to the prior claims of banks and other senior lenders to the issuer; (iv) the possibility that earnings of the issuer may be insufficient to meet its debt service and distribution obligations; and (v) the declining creditworthiness and potential for insolvency of the issuer during periods of rising interest rates and economic downturn. These risks may adversely affect the value of outstanding marketable securities and the ability of the issuer to make distribution payments.

Our success depends on key personnel whose continued service is not guaranteed.

We depend on the efforts and expertise of our senior management team to manage our day-to-day operations and strategic business direction. We do not, however, have employment agreements with the members of our senior management team. Therefore, we cannot guarantee their continued service. Moreover, among other things, it would constitute an event of default under the credit agreement governing our senior secured revolving line of credit and secured term loan if certain members of management (or a reasonably satisfactory replacement) ceased to continue to be active on a daily basis in our management. The loss of their services, and our inability to find suitable replacements, could have an adverse effect on our operations.

RISKS RELATED TO OUR DEBT FINANCING

We had approximately $3.7 billion of consolidated indebtedness outstanding as of March 31, 2011, which could adversely affect our financial health and operating flexibility.

We have a substantial amount of indebtedness. As of March 31, 2011, we had approximately $3.7 billion of aggregate consolidated indebtedness outstanding, substantially all of which was secured by one or more of our properties or our equity interests in our joint ventures. As a result of this substantial indebtedness, we are required to use a material portion of our cash flow to service principal and interest on our debt, which will limit the cash flow available to pursue desirable business opportunities, pay operating expenses and make distributions to our shareholders.

Our substantial indebtedness could have important consequences to us and the trading price of our Class A Common Stock, including:

- limiting our ability to borrow additional amounts for working capital, capital expenditures, debt service requirements, execution of our growth strategy or other purposes;

- limiting our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to service the debt;

- increasing our vulnerability to general adverse economic and industry conditions, including increases in interest rates;

- limiting our ability to capitalize on business opportunities, including the acquisition of additional properties, and to react to competitive pressures and adverse changes in government regulation;

- limiting our ability or increasing the costs to refinance indebtedness;

- limiting our ability to enter into marketing and hedging transactions by reducing the number of counterparties with whom we can enter into such transactions as well as the volume of those transactions;

- we may be forced to dispose of one or more properties, possibly on disadvantageous terms;

- we may be forced to sell additional equity securities at prices that may be dilutive to existing shareholders;

- we may default on our obligations or violate restrictive covenants, in which case the lenders or mortgagees may accelerate our debt obligations, foreclose on the properties that secure their loans and/or take control of our properties that secure their loans and collect rents and other property income;

- in the event of a default under any of our recourse indebtedness or in certain circumstances under our mortgage indebtedness, we would be liable for any deficiency between the value of the property securing such loan and the principal and accrued interest on the loan; and

- our default under certain of our indebtedness could trigger cross-default provisions, which would result in a default on other indebtedness.

If any one of these events were to occur, our financial condition, results of operations, cash flow, per share trading price of our Class A Common Stock and our ability to satisfy our principal and interest obligations and to make distributions to our shareholders could be materially and adversely affected.

Our financial condition and ability to make distributions to our shareholders could be adversely affected by financial and other covenants and other provisions under the credit agreement governing our senior secured revolving line of credit and secured term loan or other debt agreements.

On February 4, 2011, we amended and restated our existing credit agreement to provide for a senior secured credit facility in the aggregate amount of $585.0 million, consisting of a $435.0 million senior secured revolving line of credit and a $150.0 million secured term loan with a number of financial institutions. The credit agreement governing this senior secured revolving line of credit and secured term loan requires compliance with certain financial and operating covenants, including, among other things, leverage ratios, certain coverage ratios and net worth covenants, a covenant regarding minimum occupancy, limitations on our ability to incur unhedged variable rate debt or recourse indebtedness, limitations on our investments in unimproved land, unconsolidated joint ventures, construction in progress and mortgage notes receivable. The credit agreement also requires us to obtain consent prior to selling assets above a certain value or increasing our total assets by more than a certain amount as a result of a merger. In addition, our senior secured revolving line of credit and secured term loan limit our distributions to the greater of 95% of FFO as defined in the credit agreement (which equals FFO, as set forth in Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations, excluding gains or losses from extraordinary items, impairments and other non-cash

charges) or the amount necessary for us to maintain our qualification as a REIT. The senior secured revolving line of credit and secured term loan also contain customary events of default, including but not limited to, non-payment of principal, interest fees or other amounts, breaches of covenants, defaults on any recourse indebtedness of Inland Western Retail Real Estate Trust, Inc. in excess of $20.0 million or any non-recourse indebtedness in excess of $100.0 million in the aggregate subject to certain carveouts, failure of certain members of management (or a reasonably satisfactory replacement) to continue to be active on a daily basis in our management and bankruptcy or other insolvency events. These provisions could limit our ability to make distributions to our shareholders, obtain additional funds needed to address cash shortfalls or pursue growth opportunities or transactions that

would provide substantial returns to our shareholders. In addition, a breach of these covenants or other event of default would allow the lenders to accelerate payment of advances under the credit agreement. If payment is accelerated, our assets may not be sufficient to repay such debt in full and, as a result, such an event may have a material adverse effect on our financial condition.

In addition, and in connection with the debt refinancing transaction of IW JV, we entered into a lockbox and cash management agreement pursuant to which substantially all the income generated by the IW JV properties will be deposited directly into a lockbox account established by the lender. In the event of a default or the debt service coverage ratio falling below a set amount, the cash management agreement provides that excess cash flow will be swept into a cash management account, for the benefit of the lender, to be held as additional security after the payment of interest and approved property operating expenses. Cash will not be distributed to us from these accounts until the earlier of a cash sweep event cure, or the repayment of the mortgage loan, senior mezzanine note and junior mezzanine note. As of March 31, 2011, we were in compliance with the terms of the cash management agreement, however, if an event of default were to occur, we may be forced to borrow funds in order to make distributions to our shareholders and maintain our qualification as a REIT.

Given the restrictions in our debt covenants on these and other activities, we may be significantly limited in our operating and financial flexibility and may be limited in our ability to respond to changes in our business or competitive activities in the future.

We incur mortgage indebtedness and other borrowings, which reduce the funds available for distributions required to maintain our status as a REIT and to avoid income and excise tax.

We historically have incurred mortgage indebtedness and other borrowings in order to finance acquisitions or ongoing operations and we intend to continue to do so in the future. Our debt service and repayment requirements will not be reduced regardless of our actual cash flows. In addition, in order to maintain our qualification as a REIT, we must distribute to our shareholders at least 90% of our annual REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains, and we are generally subject to corporate tax on any retained income. As a result, if our future cash flow is not sufficient to meet our debt service and repayment requirements and the REIT distribution requirements, we may be required to use cash reserves, incur additional debt, sell equity securities or liquidate assets in order to meet those requirements. However, we cannot assure you that capital will be available from such sources on favorable terms or at all, which may negatively impact our financial condition, results of operations and ability to make distributions to our shareholders.

Substantially all of the mortgage indebtedness we incur is secured, which increases our risk of loss since defaults may result in foreclosure. In addition, mortgages sometimes include cross-collateralization or cross-default provisions that increase the risk that more than one property may be affected by a default.

As of March 31, 2011, we had a total of $3.5 billion, net of premiums of $16.9 million and discounts of $2.4 million, of indebtedness secured by 275 of our 282 operating properties. Because substantially all of our properties are mortgaged to secure payments of indebtedness, we are subject to the risk of property loss since defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing the loan for which we are in default.

For example, as of July 18, 2011, we were in default on $63.5 million of mortgage loans secured by a total of four properties with 860,731 square feet of GLA representing $7.6 million of annualized base rent as of March 31, 2011. We can provide no assurance that we will be able to restructure our current obligations under the mortgage loans that were in default or that our negotiations with the lenders will result in favorable outcomes to us. Failure to restructure our mortgage obligations could result in default and foreclosure actions and loss of the underlying properties. In the event that we default on other mortgages in the future, either as result of ceasing to make debt service payments or the failure to meet applicable covenants, we may have additional properties that are subject to potential foreclosure. In addition, as a result of cross-collateralization or cross-default provisions contained in certain of our mortgage loans, a default under one mortgage loan could result in a default

on other indebtedness and cause us to lose other better performing properties, which could materially and adversely affect our financial condition and results of operations.

Further, for tax purposes, a foreclosure of any nonrecourse mortgage on any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on the foreclosure without accompanying cash proceeds, a circumstance which could hinder our ability to meet the REIT distribution requirements imposed by the Code. As a result, we may be required to identify and utilize other sources of cash for distributions to our shareholders of that income.

Dislocations in the credit markets, including the continuing effects of the severe dislocation experienced in 2008 and 2009, may adversely affect our ability to obtain debt financing at favorable rates or at all.

Dislocations in the credit markets, generally or relating to the real estate industry specifically, may adversely affect our ability to obtain debt financing at favorable rates or at all. The credit markets experienced a severe dislocation during 2008 and 2009, which, for certain periods of time, resulted in the near unavailability of debt financing for even the most creditworthy borrowers. Although the credit markets have recovered from this severe dislocation, there are a number of continuing effects, including a weakening of many traditional sources of debt financing, a reduction in the overall amount of debt financing available, lower loan to value ratios, a tightening of lender underwriting standards and terms and higher interest rate spreads. As a result, we may not be able to refinance our existing debt when it comes due or to obtain new debt financing for acquisitions or development projects, or we may be forced to accept less favorable terms, including increased collateral to secure our indebtedness, higher interest rates and/or more restrictive covenants. If we are not successful in refinancing our debt when it becomes due, we may default under our loan obligations, enter into foreclosure proceedings, or be forced to dispose of properties on disadvantageous terms, any of which might adversely affect our ability to service other debt and to meet our other obligations. In addition, if a dislocation similar to that which occurred in 2008 and 2009 occurs in the future, the values of our properties may decline further, which could limit our ability to obtain future debt financing, refinance existing debt or utilize existing debt commitments and thus materially and adversely affect on our financial condition, particularly if it occurs at a time when we have significant debt maturities coming due.

Future increases in interest rates may adversely affect any future refinancing of our debt, may require us to sell properties and could adversely affect our ability to make distributions to our shareholders.

If we incur debt in the future and do not have sufficient funds to repay such debt at maturity, it may be necessary to refinance the debt through additional debt or additional equity financings. If, at the time of any refinancing, prevailing interest rates or other factors result in higher interest rates on refinancings, our net income could be reduced and any increases in interest expense could adversely affect our cash flows. Consequently, our cash available for distribution to our shareholders would be reduced and we may be prevented from borrowing more money. Any such future increases in interest rates would result in higher interest rates on new debt and our existing variable rate debt and may adversely impact our financial condition.

Further, if we are unable to refinance our debt on acceptable terms, we may be forced to dispose of properties on disadvantageous terms, potentially resulting in losses. We may place mortgages on properties that we acquire to secure a revolving line of credit or other debt. To the extent we cannot meet future debt service obligations, we will risk losing some or all of our properties that may be pledged to secure our obligations. Also, covenants applicable to any future debt could impair our planned investment strategy, and, if violated, result in default.

RISKS RELATED TO OUR ORGANIZATIONAL STRUCTURE

Our board of directors may change significant corporate policies without shareholder approval.

Our investment, financing, borrowing and distribution policies and our policies with respect to all other activities, including growth, debt, capitalization and operations, are determined by our board of directors. These

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policies may be amended or revised at any time and from time to time at the discretion of the board of directors without a vote of our shareholders. As a result, the ability of our shareholders to control our policies and practices is extremely limited. We could make investments and engage in business activities that are different from, and possibly riskier than, the investments and businesses described in this prospectus. In addition, our board of directors may change our policies with respect to conflicts of interest provided that such changes are consistent with applicable legal and regulatory requirements, including the listing standards of the NYSE. A change in these policies could have an adverse effect on our financial condition, results of operations, cash flows, per share trading price of our Class A Common Stock and ability to satisfy our debt service obligations and to make distributions to our shareholders.

We could increase the number of authorized shares of stock and issue stock without shareholder approval.

Subject to applicable legal and regulatory requirements, our charter authorizes our board of directors, without shareholder approval, to increase the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock and to set the preferences, rights and other terms of such classified or unclassified shares. As a result, we may issue series or classes of common stock or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common stock. In addition, our board of directors could establish a series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or that our shareholders may believe is in their best interests.

Provisions of our charter may limit the ability of a third party to acquire control of our company.

Our charter provides that no person may beneficially own more than 9.8% in value or number of shares, whichever is more restrictive, of our outstanding common stock or 9.8% in value of the aggregate outstanding shares of our capital stock. These ownership limitations may prevent an acquisition of control of our company by a third party without our board of directors approval, even if our shareholders believe the change in control is in their best interests.

Certain provisions of Maryland law could inhibit changes in control of us, which could lower the value of our Class A Common Stock.

Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting or deterring a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then-prevailing market price of such shares, including:

- business combination provisions that, subject to limitations, prohibit certain business combinations between us and an interested shareholder (defined generally as any person who beneficially owns 10% or more of the voting power of our shares or an affiliate or associate of ours who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of our then outstanding voting shares) or an affiliate of an interested shareholder for five years after the most recent date on which the shareholder becomes an interested shareholder, and thereafter may impose special shareholder voting requirements unless certain minimum price conditions are satisfied; and

- control share provisions that provide that control shares of our company (defined as shares which, when aggregated with other shares controlled by the shareholder, entitle the shareholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a control share acquisition (defined as the direct or indirect acquisition of ownership or control of outstanding control shares) have no voting rights except to the extent approved by our shareholders by the affirmative vote of at least two-thirds of all the votes entitled to be cast on the matter, excluding all interested shares.

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Prior to the completion of this offering, we intend to opt out of these provisions of the MGCL, in the case of the business combination provisions of the MGCL by resolution of our board of directors, and in the case of the control share provisions of the MGCL pursuant to a provision in our bylaws. However, following our opt out, in the future, only upon the approval of our shareholders, our board of directors may by resolution elect to opt in to the business combination provisions of the MGCL and we may, only upon the approval of our shareholders, by amendment to our bylaws, opt in to the control share provisions of the MGCL.

Title 3, Subtitle 8 of the MGCL permits our board of directors, without shareholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, including adopting a classified board. Such takeover defenses may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide our common shareholders with the opportunity to realize a premium over the then current market price.

In addition, the provisions of our charter on removal of directors and the advance notice provisions of our bylaws could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our shareholders may believe to be in their best interests. Likewise, if our company s board of directors were to opt in to the business combination provisions of the MGCL or the provisions of Title 3, Subtitle 8 of the MGCL, or if the provision in our bylaws opting out of the control share acquisition provisions of the MGCL were rescinded by our board of directors and our shareholders, these provisions of the MGCL could have similar anti-takeover effects. See Certain Provisions of Maryland Law and of Our Charter and Bylaws Business Combinations and Certain Provisions of Maryland Law and of Our Charter and Bylaws Control Share Acquisitions and Certain Provisions of Maryland Law and of Our Charter and Bylaws Certain Elective Provisions of Maryland Law .

Our rights and the rights of our shareholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions that you do not believe are in your best interests.

Maryland law provides that a director or officer has no liability in that capacity if he or she satisfies his or her duties to us and our shareholders. Upon completion of this offering, as permitted by the MGCL, our charter will limit the liability of our directors and officers to us and our shareholders for money damages, except for liability resulting from:

- actual receipt of an improper benefit or profit in money, property or services; or
- a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated.

In addition, our charter will authorize us to obligate us, and our bylaws will require us, to indemnify our directors for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our charter and bylaws will also authorize us to obligate us, and indemnification agreements that we have entered into with certain of our officers will require us, to indemnify these officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our shareholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited. In addition, we will be obligated to advance the defense costs incurred by our directors and our officers with indemnification agreements, and may, in the discretion of our board of directors, advance the defense costs incurred by our employees and other agents, in connection with legal proceedings.

Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our shareholders to effect changes to our management.

Our charter provides that a director may only be removed for cause upon the affirmative vote of holders of a majority of the votes entitled to be cast in the election of directors. Vacancies may be filled only by a majority of

the remaining directors in office, even if less than a quorum. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of our company that is in the best interests of our shareholders.

RISKS RELATING TO OUR REIT STATUS

Failure to qualify as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our shareholders and materially and adversely affect our financial condition and results of operations.

We believe that we have been organized, owned and operated in conformity with the requirements for qualification and taxation as a REIT under the Code beginning with our taxable year ended December 31, 2003, and that our intended manner of ownership and operation will enable us to continue to meet the requirements for qualification and taxation as a REIT for federal income tax purposes. However, we cannot assure you that we have qualified or will qualify as such. Shareholders should be aware that qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there are only limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT or the federal income tax consequences of such qualification.

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our shareholders because:

- we would not be allowed a deduction for dividends paid to shareholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;

- we could be subject to the U.S. federal alternative minimum tax;

- we could be subject to increased state and local taxes; and

- unless we are entitled to relief under certain U.S. federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will not be required to make distributions and it could result in default under certain of our indebtedness agreements. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our stock. See "Material U.S. Federal Income Tax Considerations" for a discussion of material U.S. federal income tax consequences relating to us and our Class A Common Stock.

Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flows.

Even if we qualify for taxation as a REIT, we may be subject to certain U.S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, taxes on net income from certain "prohibited transactions," tax on income from certain activities conducted as a result of a foreclosure, and state or local income, franchise, property and transfer taxes. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. Also, our subsidiaries that are taxable REIT subsidiaries, or TRSs, will be subject to regular corporate U.S. federal, state and local taxes. To the extent that we conduct operations outside of the United States, our operations would subject us to applicable foreign taxes as well. Any of these taxes would decrease our earnings and our cash available for distributions to shareholders.

Failure to make required distributions would subject us to U.S. federal corporate income tax.

In order to qualify as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding net capital gains, each year to

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our shareholders. To the extent that we satisfy this distribution requirement, but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our shareholders for a calendar year is less than a minimum amount specified under the Code. Moreover, our senior secured revolving line of credit and secured term loan may limit our distributions to the minimum amount required to maintain REIT status. Specifically, they limit our distributions to the greater of 95% of FFO as defined in the credit agreement (which equals FFO, as set forth in Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations, excluding gains or losses from extraordinary items, impairments and other non-cash charges) or the amount necessary for us to maintain our qualification as a REIT. To the extent these limits prevent us from distributing 100% of our REIT taxable income, we will be subject to income tax, and potentially excise tax, on the retained amounts.

We may be required to borrow funds to satisfy our REIT distribution requirements.

In order to maintain our qualification as a REIT and to meet the REIT distribution requirements, we may need to borrow funds on a short-term basis or sell assets, even if the then-prevailing market conditions are not favorable for these borrowings or sales. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for U.S. federal income tax purposes, or the effect of non-deductible expenditures, such as capital expenditures, payments of compensation for which Section 162(m) of the Code denies a deduction, the creation of reserves or required debt service or amortization payments. The insufficiency of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or to sell equity securities in order to fund distributions required to maintain our qualification as a REIT. Also, although the Internal Revenue Service, or IRS, has issued Revenue Procedure 2010-12 treating certain issuances of taxable stock dividends by REITs as distributions for purposes of the REIT requirements for taxable years ending on or before December 31, 2011, no assurance can be given that the IRS will extend this treatment or that we will otherwise be able to pay taxable stock dividends to meet our REIT distribution requirements.

We may in the future choose to pay dividends in the form of our stock instead of cash, in which case shareholders may be required to pay income taxes in excess of the cash dividends they receive.

We may, in the future, distribute taxable dividends that are payable in cash and stock at the election of each shareholder or distribute other forms of taxable stock dividends. Taxable shareholders receiving such dividends or other forms of taxable stock dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, shareholders may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a shareholder sells the stock that it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, in the case of certain non-U.S. shareholders, we may be required to withhold U.S. federal income tax with respect to such dividends, including with respect to all or a portion of such dividend that is payable in stock. In addition, if a significant number of our shareholders decide to sell their shares in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our stock.

Dividends payable by REITs generally do not qualify for reduced tax rates.

Certain dividends payable to individuals, trusts and estates that are U.S. shareholders, as defined in Material U.S. Federal Income Tax Considerations below, are currently subject to U.S. federal income tax at a maximum rate of 15% and are scheduled to be taxed at ordinary income rates for taxable years beginning after December 31, 2012. Dividends payable by REITs, however, are generally not eligible for the current reduced rates. The more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends, which could adversely affect the value of the stock of REITs, including our Class A Common Stock.

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Complying with REIT requirements may cause us to forego otherwise attractive opportunities or to liquidate otherwise attractive investments.

To qualify as a REIT, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our shareholders and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make and refrain from engaging in certain activities as discussed under Material U.S. Federal Income Tax Considerations below. Thus, compliance with the REIT requirements may hinder our performance.

In addition, if we fail to comply with certain asset ownership tests described under Material U.S. Federal Income Tax Considerations, below, at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our shareholders.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our stock.

At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict if or when any new U.S. federal income tax law, regulation, or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new, U.S. federal income tax law, regulation or administrative interpretation.

You may be restricted from acquiring or transferring certain amounts of our stock.

In order to maintain our REIT qualification, among other requirements, no more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals, as defined in the Code to include certain kinds of entities, during the last half of any taxable year, other than the first year for which we made a REIT election. To assist us in qualifying as a REIT, our charter contains an aggregate stock ownership limit of 9.8% and a common stock ownership limit of 9.8%. Generally, any shares of our stock owned by affiliated owners will be added together for purposes of the aggregate stock ownership limit, and any shares of common stock owned by affiliated owners will be added together for purposes of the common stock ownership limit.

If anyone attempts to transfer or own shares of stock in a way that would violate the aggregate stock ownership limit or the common stock ownership limit, unless such ownership limits have been waived by our board of directors, or in a way that would prevent us from continuing to qualify as a REIT, those shares instead will be transferred to a trust for the benefit of a charitable beneficiary and will be either redeemed by us or sold to a person whose ownership of the shares will not violate the aggregate stock ownership limit or the common stock ownership limit. If this transfer to a trust fails to prevent such a violation or our disqualification as a REIT, then the initial intended transfer or ownership will be null and void from the outset. Anyone who acquires or owns shares of stock in violation of the aggregate stock ownership limit or the common stock ownership limit, unless such ownership limit or limits have been waived by our board of directors, or in violation of the other restrictions on transfer or ownership in our charter bears the risk of a financial loss when the shares of stock are redeemed or sold if the market price of our stock falls between the date of purchase and the date of redemption or sale.

Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities.

The REIT provisions of the Code limit our ability to hedge our liabilities. Generally, income from a hedging transaction we enter into to manage risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets does not constitute gross income for purposes of the 75% or 95% gross

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income tests. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both gross income tests. As a result of these rules, we may need to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on income or gains resulting from hedges entered into by it or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in any of our TRSs will generally not provide any tax benefit, except for being carried forward for use against future taxable income in the TRSs.

The ability of our board of directors to revoke our REIT qualification without shareholder approval may cause adverse consequences to our shareholders.

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without the approval of our shareholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to be a REIT, we will not be allowed a deduction for dividends paid to shareholders in computing our taxable income and will be subject to U.S. federal income tax at regular corporate rates and state and local taxes, which may have adverse consequences on our total return to our shareholders.

The anticipated opinion of our tax counsel regarding our status as a REIT does not guarantee our qualification as a REIT.

Our tax counsel, Goodwin Procter LLP, is expected to render an opinion to us to the effect that, commencing with our taxable year ended December 31, 2003, we have been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code and our current and proposed ownership and method of operations will allow us to satisfy the requirements for qualification and taxation as a REIT under the Code for subsequent taxable years. The opinion of Goodwin Procter LLP would be based upon various assumptions, our closing agreement with the IRS, and our representations as to our past and contemplated future ownership, investments, distributions and operations, among other things. The validity of the opinion of Goodwin Procter LLP and our qualification as a REIT will also depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis, the results of which will not be monitored by Goodwin Procter LLP. Accordingly, no assurances can be given that we have satisfied or will satisfy the REIT requirements in any taxable year. Also, the opinion of Goodwin Procter LLP would represent counsel s legal judgment based on the law in effect as of the date of the initial closing of this offering (or, with respect to past years, the law in effect for such years), would not be binding on the IRS or any court and could be subject to modification or withdrawal based on future legislative, judicial or administrative changes to the U.S. federal income tax laws, any of which could be applied retroactively. Goodwin Procter LLP will have no obligation to advise us or the holders of our stock of any subsequent change in the matters stated, represented or assumed in its opinion or of any subsequent change in applicable law.

Your investment has various tax risks.

Although the provisions of the Code generally relevant to an investment in shares of our Class A Common Stock are described in Material U.S. Federal Income Tax Considerations, we urge you to consult your tax advisor concerning the U.S. federal, state, local and foreign tax consequences to you with regard to an investment in shares of our Class A Common Stock.

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RISKS RELATED TO THIS OFFERING

There is currently no public market for our Class A Common Stock, and we cannot assure you that a public market will develop.

Prior to this offering, there has been no public market for our shares of Class A Common Stock, and we cannot assure you that an active trading market will develop or be sustained. In the absence of a public trading market, a shareholder may be unable to liquidate an investment in our Class A Common Stock. The initial public offering price for our Class A Common Stock will be determined by agreement among us and the underwriters, and we cannot assure you that our Class A Common Stock will not trade below the initial public offering price following the completion of this offering. Whether a public market for our Class A Common Stock will develop will depend on a number of factors including the extent of institutional investor interest in us, the general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities (including securities issued by other real estate-based companies), our financial performance and general stock and bond market conditions. If a robust public market for our Class A Common Stock does not develop, you may have difficulty selling shares of our Class A Common Stock, which could adversely affect the price that you receive for such shares.

The market price and trading volume of our Class A Common Stock may be volatile.

The U.S. stock markets, including the NYSE, on which we have applied to have our Class A Common Stock listed under the symbol IWST , have experienced significant price and volume fluctuations. As a result, the market price of shares of our Class A Common Stock is likely to be similarly volatile, and investors in shares of our Class A Common Stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. We cannot assure you that the market price of our Class A Common Stock will not fluctuate or decline significantly in the future.

In addition to the risks listed in this Risk Factors section, a number of factors could negatively affect our share price or result in fluctuations in the price or trading volume of our Class A Common Stock, including:

- the annual yield from distributions on our Class A Common Stock as compared to yields on other financial instruments;
- equity issuances by us, or future sales of substantial amounts of our Class A Common Stock by our existing or future shareholders, or the perception that such issuances or future sales may occur;
- conversions of our Class B Common Stock into shares of our Class A Common Stock or sales of our Class B Common Stock;
- changes in market valuations of companies in the retail or real estate industries;
- increases in market interest rates or a decrease in our distributions to shareholders that lead purchasers of our shares to demand a higher yield;
- changes in market valuations of similar companies;
- fluctuations in stock market prices and volumes;
- additions or departures of key management personnel;

our operating performance and the performance of other similar companies;

actual or anticipated differences in our quarterly operating results;

changes in expectations of future financial performance or changes in estimates of securities analysts;

publication of research reports about us or our industry by securities analysts;

failure to qualify as a REIT;

- adverse market reaction to any indebtedness we incur in the future;
- strategic decisions by us or our competitors, such as acquisitions, divestments, spin-offs, joint ventures, strategic investments or changes in business strategy;
- the passage of legislation or other regulatory developments that adversely affect us or our industry;
- speculation in the press or investment community;
- changes in our earnings;
- failure to satisfy the listing requirements of the NYSE;
- failure to comply with the requirements of the Sarbanes-Oxley Act;
- actions by institutional shareholders;
- changes in accounting principles; and
- general market conditions, including factors unrelated to our performance.

In the past, securities class action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management s attention and resources, which could have a material adverse effect on our cash flows, our ability to execute our business strategy and our ability to make distributions to our shareholders.

Because we have a large number of shareholders and our shares have not been listed on a national securities exchange prior to this offering, there may be significant pent-up demand to sell our shares. Significant sales of our Class A Common Stock, or the perception that significant sales of such shares could occur, may cause the price of our Class A Common Stock to decline significantly.

As of July 18, 2011, we had approximately million shares of common stock issued and outstanding after giving effect to the Recapitalization, consisting of approximately million shares of our Class A Common Stock and million shares of our Class B Common Stock. Prior to this offering, our common stock was not listed on any national securities exchange and the ability of shareholders to liquidate their investments was limited. Additionally, our share repurchase program, which, in any event, only allowed us to repurchase up to 5% of the weighted average number of shares of our common stock outstanding during the prior calendar year in any 12-month period, has been suspended as of November 19, 2008. As a result, there may be significant pent-up demand to sell shares of our common stock. A large volume of sales of shares of our Class A Common Stock (whether they are Class A shares that are issued in the offering, Class A shares that are held by our existing shareholders upon the closing of the offering, or Class A shares created by the automatic conversion of our Class B shares over time) could decrease the prevailing market price of our Class A Common Stock and could impair our ability to raise additional capital through the sale of equity securities in the future. Even if a substantial number of sales of our Class A shares are not effected, the mere perception of the possibility of these sales could depress the market price of our Class A Common Stock and have a negative effect on our ability to raise capital in the future.

Although our Class B Common Stock will not be listed on a national securities exchange following the closing of this offering, sales of such shares or the perception that such sales could occur could have a material adverse effect on the trading price of our Class A Common Stock.

After giving effect to this offering and the Recapitalization, approximately million shares (or million shares if the underwriters exercise their overallotment option in full) of our common stock will be issued and outstanding, of which approximately million, or % (% if the underwriters exercise their overallotment option in full), will be shares of our Class B Common Stock, which is divided equally among our Class B-1, Class B-2 and Class B-3 Common Stock. Although our Class B Common Stock will not be listed on a national securities exchange, it is not subject to transfer restrictions (other than the restrictions on ownership and transfer of stock set forth in our charter), therefore, such stock will be freely tradable. As a result, it is

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possible that a market may develop for shares of our Class B Common Stock, and sales of such shares, or the perception that such sales could occur, could have a material adverse effect on the trading price of our Class A Common Stock.

Additionally, all of our Class B Common Stock will be converted into Class A Common Stock over time. As a result, holders of shares of Class B Common Stock seeking to immediately liquidate their investment in our common stock could engage in immediate short sales of our Class A Common Stock prior to the date on which the Class B Common Stock converts into Class A Common Stock and use the shares of Class A Common Stock that they receive upon conversion of their Class B Common Stock to cover these short sales in the future. Such short sales could depress the market price of our Class A Common Stock and limit the effectiveness of the Recapitalization as a strategy for limiting the number of shares of our common stock held by our shareholder prior to this offering that may be sold shortly after this offering.

Future conversions of our Class B Common Stock could adversely affect the market price of our Class A Common Stock.

After giving effect to the Recapitalization, we will have million shares of each of our Class B-1, Class B-2 and Class B-3 Common Stock outstanding immediately following this offering. Although our Class B Common Stock will not be listed on a national securities exchange, our Class B-1 Common Stock, Class B-2 Common Stock and Class B-3 Common Stock will convert automatically into Class A Common Stock months, months and months, respectively, following the initial listing of our Class A Common Stock on the NYSE. We cannot predict the effect that the conversion of shares of our Class B Common Stock into our Class A Common Stock will have on the market price of our Class A Common Stock, but these ongoing conversions may place constant downward pressure on the price of our Class A Common Stock, particularly at the time of each conversion.

Future offerings of debt securities, which would be senior to our common stock, or equity securities, which would dilute our existing shareholders and may be senior to our common stock, may adversely affect the market price of our common stock.

In the future, we may attempt to increase our capital resources by offering debt or equity securities, including medium term notes, senior or subordinated notes and classes of preferred or common stock. Debt securities or shares of preferred stock will generally be entitled to receive interest payments or distributions, both current and in connection with any liquidation or sale, prior to the holders of our common stock. We are not required to offer any such additional debt or equity securities to existing common shareholders on a preemptive basis. Therefore, offerings of common stock or other equity securities may dilute the holdings of our existing shareholders. Future offerings of debt or equity securities, or the perception that such offerings may occur, may reduce the market price of our common stock and/or the distributions that we pay with respect to our common stock. Because we may generally issue any such debt or equity securities in the future without obtaining the consent of our shareholders, you will bear the risk of our future offerings reducing the market price of our common stock and diluting your proportionate ownership.

Our distributions to shareholders may change, which could adversely affect the market price of our Class A Common Stock.

All distributions will be at the sole discretion of our board of directors and will depend upon our actual and projected financial condition, results of operations, cash flows, liquidity and FFO, maintenance of our REIT qualification and such other matters as our board of directors may deem relevant from time to time. We may not be able to make distributions in the future or may need to fund such distributions from external sources, as to which no assurances can be given. In addition, we may choose to retain operating cash flow for investment purposes, working capital reserves or other purposes, and these retained funds, although increasing the value of our underlying assets, may not correspondingly increase the market price of our Class A Common Stock. Our failure to meet the market s expectations with regard to future cash distributions likely would adversely affect the market price of our Class A Common Stock.

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Increases in market interest rates may result in a decrease in the value of our Class A Common Stock.

One of the factors that may influence the price of our Class A Common Stock will be the dividend distribution rate on the Class A Common Stock (as a percentage of the price of our Class A Common Stock) relative to market interest rates. If market interest rates rise, prospective purchasers of shares of our Class A Common Stock may expect a higher distribution rate. Higher interest rates would not, however, result in more funds being available for distribution and, in fact, would likely increase our borrowing costs and might decrease our funds available for distribution. We therefore may not be able, or we may not choose, to provide a higher distribution rate. As a result, prospective purchasers may decide to purchase other securities rather than our Class A Common Stock, which would reduce the demand for, and result in a decline in the market price of, our Class A Common Stock.

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FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of the safe harbor from civil liability provided for such statements by the Private Securities Litigation Reform Act of 1995 (set forth in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act). In particular, statements pertaining to our capital resources, portfolio performance, dividend policy and results of operations contain forward-looking statements. Likewise, all our statements regarding anticipated growth in our portfolio from operations, acquisitions and anticipated market conditions, demographics and results of operations are forward-looking statements. Forward-looking statements involve numerous risks and uncertainties and you should not rely on them as predictions of future events. Forward-looking statements depend on assumptions, data or methods which may be incorrect or imprecise and we may not be able to realize them. We do not guarantee that the transactions and events described will happen as described (or that they will happen at all). You can identify forward-looking statements by the use of forward-looking terminology such as believes, expects, may, will, should, seeks, approximately, intends, plans, pro forma, estimates, contemplates, aims, continues, would or anticipates words and phrases or similar words or phrases. You can also identify forward-looking statements by discussions of strategies, plans or intentions. The following factors, among others, could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements:

- the factors included in this prospectus, including those set forth under the headings Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Our Business and Properties;
- general economic, business and financial conditions, and changes in our industry and changes in the real estate markets in particular;
- adverse economic and other developments in the Dallas-Fort Worth-Arlington area, where we have a high concentration of properties;
- use of proceeds of this offering;
- general volatility of the capital and credit markets and the market price of our common stock;
- changes in our business strategy;
- defaults on, early terminations of or non-renewal of leases by tenants;
- bankruptcy or insolvency of a major tenant or a significant number of smaller tenants;
- increased interest rates and operating costs;
- declining real estate valuations and impairment charges;
- availability, terms and deployment of capital;

our failure to obtain necessary outside financing;

our expected leverage;

decreased rental rates or increased vacancy rates;

our failure to generate sufficient cash flows to service our outstanding indebtedness;

difficulties in identifying properties to acquire and completing acquisitions;

risks of real estate acquisitions, dispositions and redevelopment, including the cost of construction delays and cost overruns;

our failure to successfully operate acquired properties and operations;

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- our projected operating results;
- our ability to manage our growth effectively;
- our failure to successfully redevelop properties;
- estimates relating to our ability to make distributions to our shareholders in the future;
- impact of changes in governmental regulations, tax law and rates and similar matters;
- our failure to qualify as a REIT;
- future terrorist attacks in the U.S.;
- environmental uncertainties and risks related to natural disasters;
- lack or insufficient amounts of insurance;
- financial market fluctuations;
- availability of and our ability to attract and retain qualified personnel;
- retention of our senior management team;
- our understanding of our competition;
- changes in real estate and zoning laws and increases in real property tax rates; and
- our ability to comply with the laws, rules and regulations applicable to companies and, in particular, public companies.

For a further discussion of these and other factors that could impact our future results, performance or transactions, see the section above entitled Risk Factors. You should not place undue reliance on any forward-looking statements, which are based only on information currently available to us (or to third parties making the forward-looking statements). We undertake no obligation to publicly release any revisions to such forward-looking statements to reflect events or circumstances after the date of this prospectus, except as required by applicable law.

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USE OF PROCEEDS

We estimate that the net proceeds we will receive from this offering, after deducting the underwriting discount and estimated expenses of the offering payable by us, will be approximately $ million (or approximately $ million if the underwriters exercise their overallotment option in full), assuming a public offering price of $ per share, which is the midpoint of the range set forth on the cover of this prospectus.

We intend to use approximately $ million of the net proceeds received from this offering to repay amounts outstanding under our senior secured revolving line of credit. Our senior secured revolving line of credit matures on February 3, 2013, with a one-year extension option that we may exercise in certain circumstances, and bears interest at a variable rate equal to LIBOR plus a margin of between 2.75% and 4.00% per annum based on our leverage ratio. The blended interest rate under the senior secured revolving line of credit was 3.69% and the interest rate under the secured term loan was 3.81% as of July 18, 2011. We used the amounts that we borrowed under our senior secured revolving line of credit to repay other indebtedness and for general corporate purposes. See Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Senior Secured Revolving Line of Credit and Secured Term Loan for a further discussion of the terms of our senior secured revolving line of credit.

Affiliates of J.P. Morgan Securities LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and KeyBanc Capital Markets Inc. are lenders under our senior secured revolving line of credit, and will receive their pro rata portion of the $ million of the net proceeds from this offering used to repay amounts outstanding under our senior secured revolving line of credit. Accordingly, more than 5% of the net proceeds of this offering are intended to be used to repay amounts owed to affiliates of these underwriters.

We intend to use $ million of net proceeds received from this offering to repurchase Inland Equity s interest in IW JV. Pursuant to IW JV s organizational documents, we have the option to call Inland Equity s interest in IW JV for an amount which is the greater of either: (a) fair market value of Inland Equity s interest or (b) $50 million, plus an additional distribution of $5 million and any unpaid preferred return or promote, as defined therein. As a result, following this offering we anticipate that we will own 100% of IW JV. See Certain Relationships and Related Transactions Joint Ventures with Inland Equity for a further discussion of IW JV and our relationship with Inland Equity.

We intend to use the remainder of the net proceeds received from this offering for general corporate and working capital purposes.

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RECAPITALIZATION

Prior to the completion of this offering, we intend to declare a stock dividend pursuant to which each outstanding share of our common stock will receive:

- one share of our Class B-1 Common Stock; plus
- one share of our Class B-2 Common Stock; plus
- one share of our Class B-3 Common Stock.

In connection with this stock dividend, we intend to redesignate our then outstanding common stock as Class A Common Stock. Prior to the declaration of the stock dividend, and as part of the Recapitalization, we intend to effectuate a to one reverse stock split of our common stock.

Our Class B Common Stock will be identical to our Class A Common Stock except that (i) we do not intend to list our Class B Common Stock on a national securities exchange and (ii) shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock, pursuant to provisions of our charter, on the following schedule:

- months following the Listing, in the case of our Class B-1 Common Stock;
- months following the Listing, in the case of our Class B-2 Common Stock; and
- months following the Listing, in the case of our Class B-3 Common Stock.

In addition, if they have not otherwise converted, all shares of our Class B Common Stock will convert automatically into shares of our Class A Common Stock on the date that is months following the Listing.

The Recapitalization also will have the effect of reducing the total number of outstanding shares of our common stock. As of July 18, 2011, without giving effect to the Recapitalization, we had approximately 482.2 million shares of common stock outstanding. As of July 18, 2011, after giving effect to the Recapitalization, we would have had an aggregate of approximately million shares of our Class A and Class B Common Stock outstanding, divided equally among Class A, Class B-1, Class B-2 and Class B-3. All of these shares (except for certain shares described in Shares Eligible for Future Sale) will be freely tradable upon the completion of this offering except as otherwise provided in the restrictions on ownership and transfer of stock set forth in our charter. Of this amount, approximately million shares of our Class A Common Stock will be outstanding and approximately million shares of our Class B Common Stock, representing 75% of our total outstanding common stock, will be outstanding.

The Recapitalization will be effected on a pro rata basis with respect to all of our shareholders. Accordingly, it will not affect any shareholder s proportionate ownership of our outstanding shares. We will not complete this offering unless we complete the Recapitalization.

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DISTRIBUTION POLICY

We intend to continue to qualify as a REIT for U.S. federal income tax purposes. The Code generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain, and imposes tax on any taxable income retained by a REIT, including capital gains.

To satisfy the requirements for qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common stock out of assets legally available for such purposes. Our future distributions will be at the sole discretion of our board of directors. When determining the amount of future distributions, we expect that our board of directors will consider, among other factors, (i) the amount of cash generated from our operating activities, (ii) our expectations of future cash flows, (iii) our determination of near-term cash needs for debt repayments, existing or future share repurchases, and selective acquisitions of new properties, (iv) the timing of significant re-leasing activities and the establishment of additional cash reserves for anticipated tenant improvements and general property capital improvements, (v) our ability to continue to access additional sources of capital, (vi) the amount required to be distributed to maintain our status as a REIT and to reduce any income and excise taxes that we otherwise would be required to pay and (vii) any limitations on our distributions contained in our credit or other agreements, including, without limitation, in our senior secured revolving line of credit and secured term loan, which limit our distributions to the greater of 95% of FFO as defined in the credit agreement (which equals FFO, as set forth in Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations, excluding gains or losses from extraordinary items, impairments and other non-cash charges) or the amount necessary for us to maintain our qualification as a REIT.

If our operations do not generate sufficient cash flow to allow us to satisfy the REIT distribution requirements, we may be required to fund distributions from working capital, borrow funds, sell assets or reduce such distributions. Our distribution policy enables us to review the alternative funding sources available to us from time to time. Our actual results of operations will be affected by a number of factors, including the revenues we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see Risk Factors beginning on page 17.

The table below sets forth the quarterly dividend distributions per common share for the years ended December 31, 2010, 2009 and 2008.

	Three Months Ended March 31, 2011	Year Ended December 31, 2010	2009	2008[1]
First Quarter	$ 0.05938	$ 0.04375	$ 0.0488	$ 0.1605
Second Quarter		0.04625	0.05	0.1605
Third Quarter		0.05	0.025	0.1605
Fourth Quarter		0.05625	0.0325	0.1605
Total	$ 0.05938	$ 0.19625	$ 0.1563	$ 0.6420

(1) During 2008, distributions were made on a monthly basis.

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The following table compares cash flows provided by operating activities to distributions declared for the three months ended March 31, 2011 and 2010 and for the years ended December 31, 2010, 2009 and 2008:

	Three Months Ended March 31,		Years Ended December 31,		
	2011	2010	2010	2009	2008
Cash flows provided by operating activities	$ 31,855	$ 38,615	$ 184,072	$ 249,837	$ 309,351
Distributions declared	28,433	21,109	94,579	75,040	308,798
Excess	$ 3,422	$ 17,506	$ 89,493	$ 174,797	$ 553

For each of these periods, our cash flows provided by operating activities exceeded the amount of our distributions declared.

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CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2011 (i) on a historical basis, (ii) on an as adjusted basis to reflect additional amounts drawn through July 5, 2011 under our senior secured revolving line of credit (no additional amounts were drawn through July 18, 2011) and (iii) on an as further adjusted basis to also reflect this offering and the use of the net proceeds from this offering as set forth in Use of Proceeds. All information in the following table has been adjusted to reflect the Recapitalization, which will be effected prior to the completion of this offering.

You should read this table together with Use of Proceeds, Selected Consolidated Financial and Operating Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and notes thereto included elsewhere in this prospectus.

	As of March 31, 2011		
	Historical	As Adjusted	As Further Adjusted
	(in thousands, except per share data)		
Mortgages and notes payable	$ 3,325,077		
Secured credit facility	370,000		
Shareholders equity:			
Preferred stock, $0.001 par value, 10,000 shares authorized, none outstanding, historical, as adjusted and as further adjusted			
Common stock, $0.001 par value per share, 640,000 shares authorized, 478,868 shares issued and outstanding, historical, and as adjusted and no shares issued and outstanding, as further adjusted	479		
Class A Common Stock, $0.001 par value per share, shares authorized, no shares issued and outstanding, historical and as adjusted and shares issued and outstanding, as further adjusted			
Class B-1 Common Stock, $0.001 par value per share, shares authorized, no shares issued and outstanding, historical and as adjusted shares issued and outstanding, as further adjusted			
Class B-2 Common Stock, $0.001 par value per share, shares authorized, no shares issued and outstanding, historical and as adjusted shares issued and outstanding, as further adjusted			
Class B-3 Common Stock, $0.001 par value per share, shares authorized, no shares issued and outstanding, historical and as adjusted, and as adjusted shares issued and outstanding, as further adjusted			
Additional paid-in capital	4,393,726		
Accumulated distributions in excess of earnings	(2,179,596)		
Accumulated other comprehensive income	25,882		
Total shareholders equity	2,240,491		
Noncontrolling interests	1,236		
Total equity	2,241,727		
Total Capitalization	$ 5,936,804		

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DILUTION

If you invest in our Class A Common Stock, your interest will be diluted immediately to the extent of the difference between the public offering price per share you will pay in this offering and the pro forma net tangible book value per share of our common stock immediately after this offering.

Our net tangible book value as of March 31, 2011 was approximately $2.1 billion, or on a pro forma basis, $ per share. Pro forma net tangible book value per share represents the amount of our total tangible assets minus total liabilities, divided by the total number of shares of common stock outstanding as of , after giving effect to the Recapitalization.

After giving effect to the sale of the shares of our Class A Common Stock we are offering at the public offering price of $ per share, and after deducting the underwriting discount and our estimated offering expenses, our pro forma as adjusted net tangible book value as of would have been approximately $ million, or $ per share. This represents an immediate increase in pro forma net tangible book value of $ per share and an immediate dilution of $ per share to new investors. The following table illustrates this calculation on a per share basis:

Public offering price per share of Class A Common Stock		$
Pro forma net tangible book value per share of common stock as of March 31, 2011	$	
Increase per share attributable to this offering		
Pro forma as adjusted net tangible book value per share of common stock after this offering		
Pro forma dilution per share to new investors		$

If the underwriters exercise their overallotment option in full, pro forma as adjusted net tangible book value will increase to $ per share, representing an increase to existing holders of $ per share, and an immediate dilution of $ per share to new investors.

The tables and calculations above are based on shares of our common stock outstanding as of March 31, 2011, on an actual basis, and excludes:

- shares of our common stock issuable upon the exercise of outstanding stock options as of , at a weighted average exercise price per share of $; and

- shares of our common stock reserved for future issuance under our incentive award plans as of .

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

The selected consolidated financial and operating data set forth below as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The audited consolidated financial statements as of December 31, 2010 and 2009 and for the years ended December 31, 2010 and 2009 have been audited by Deloitte & Touche LLP, an independent registered public accounting firm. The audited consolidated financial statements for the year ended December 31, 2008 have been audited by KPMG LLP, an independent registered public accounting firm. The selected consolidated financial and operating data set forth below as of December 31, 2008, 2007 and 2006 and for the years ended December 31, 2007 and 2006 have been derived from our audited consolidated financial statements not included in this prospectus. The selected consolidated financial operating data set forth below as of March 31, 2011 and for the three months ended March 31, 2011 and 2010 has been derived from our unaudited consolidated financial statements included elsewhere in this prospectus. The unaudited consolidated financial statements have been prepared on the same basis as our audited consolidated financial statements and, in the opinion of our management, reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of this data. The results of any interim period are not necessarily indicative of the results that may be expected for a full year. Certain amounts presented for the periods ended December 31, 2010, 2009, 2008, 2007 and 2006 have been reclassified to conform to our presentation of discontinued operations in our unaudited consolidated financial statements as of and for the three months ended March 31, 2011 and 2010.

Because the information presented below is only a summary and does not provide all of the information contained in our historical consolidated financial statements, including the related notes, you should read it in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our historical consolidated financial statements, including the related notes, included elsewhere in this prospectus. The amounts in the table are dollars in thousands except for share and per share information. The share and per share information set forth below gives effect to the Recapitalization.

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Year Ended December 31, 2010	2009	2008	2007	2006
			(in thousands except for per share data)				
Statements of Operations Data:							
Rental income	$ 124,011	$ 128,033	$ 510,606	$ 519,836	$ 553,396	$ 536,671	$ 515,184
Tenant recovery income	28,482	32,026	115,180	121,991	130,435	140,458	118,028
Other property income	2,825	3,983	16,590	18,804	19,741	14,523	10,741
Insurance captive income		713	2,996	2,261	1,938	1,890	177
Total revenues	$ 155,318	$ 164,755	$ 645,372	$ 662,892	$ 705,510	$ 693,542	$ 644,130
Property operating expenses	$ 28,764	$ 29,942	$ 106,582	$ 122,570	$ 140,312	$ 131,783	$ 111,350
Real estate taxes	19,274	22,978	85,971	93,197	87,257	84,757	77,314
Depreciation and amortization	60,149	61,549	246,088	248,141	249,243	240,163	228,183
Provision for impairment of investment properties	30,373		14,430	53,900	51,600	13,560	
Loss on lease terminations	3,338	2,982	13,826	13,735	64,648	11,788	4,562
Insurance captive expenses		1,225	3,392	3,655	2,874	1,598	344
General and administrative expenses	6,328	4,826	18,119	21,191	19,997	16,535	14,858
Advisor asset management fee						23,750	39,500
Total expenses	$ 148,226	$ 122,802	$ 488,408	$ 556,389	$ 615,931	$ 523,934	$ 476,111
Operating income	$ 7,092	$ 41,953	$ 156,964	$ 106,503	$ 89,579	$ 169,608	$ 168,019
Dividend income	676	1,683	3,472	10,132	24,010	23,729	37,501
Interest income	180	187	740	1,483	4,329	13,671	23,127
Gain on contribution of investment properties						11,749	
Loss on partial sales of investment properties			(385)				
Gain on extinguishment of debt	10,723					2,486	
Equity in income (loss) of unconsolidated joint ventures	(2,178)	10	2,025	(11,299)	(4,939)	96	(3,727)
Interest expense	(61,750)	(64,026)	(260,614)	(233,739)	(209,769)	(201,502)	(200,504)
Co-venture obligation expense	(1,792)	(1,792)	(7,167)	(597)			
Recognized gain (loss) on marketable securities, net		771	4,007	18,039	(160,888)	(19,967)	416
Impairment of goodwill					(377,916)		
Impairment of investment in unconsolidated entity					(5,524)		
Impairment of notes receivable				(17,322)			
Gain (loss) on interest rate locks				3,989	(16,778)		
Other (expense) income	582	(5,902)	(3,531)	(9,599)	(1,062)	237	(171)
(Loss) income from continuing operations	$ (46,467)	$ (26,036)	$ (104,489)	$ (132,410)	$ (658,958)	$ 107	$ 24,661
Income (loss) from discontinued operations	3,790	(2,157)	9,782	17,001	(24,255)	42,927	5,307
Gain on sales of investment properties	2,660						
Net (loss) income	$ (40,017)	$ (28,463)	$ (94,707)	$ (115,409)	$ (683,213)	$ 43,034	$ 29,968
Net (income) loss attributable to noncontrolling interests	(8)	(93)	(1,136)	3,074	(514)	(1,365)	1,975
Net income (loss) attributable to Company shareholders	$ (40,025)	$ (28,556)	$ (95,843)	$ (112,335)	$ (683,727)	$ 41,669	$ 31,943

(Loss) earnings per common share basic and diluted:							
Continuing operations	$ (0.09)	$ (0.05)	$ (0.22)	$ (0.27)	$ (1.37)	$	$ 0.06
Discontinued operations	0.01	(0.01)	0.02	0.04	(0.05)	0.09	0.01
Net (loss) earnings per common share attributable to Company shareholders	$ (0.08)	$ (0.06)	$ (0.20)	$ (0.23)	$ (1.42)	$ 0.09	$ 0.07
Comprehensive (loss) income	$ (36,417)	$ (19,039)	$ (83,725)	$ (96,158)	$ (643,557)	$ (5,963)	$ 29,968
Comprehensive (income) loss attributable to noncontrolling interests	(8)	(93)	(1,136)	3,074	(514)	(1,365)	1,975
Comprehensive (loss) income attributable to Company shareholders	$ (36,425)	$ (19,132)	$ (84,861)	$ (93,084)	$ (644,071)	$ (7,328)	$ 31,943

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	March 31, 2011		2010	2009	December 31, 2008	2007	2006
	As Adjusted[1]	Actual					
	(in thousands except for share and per share data)						
Selected Balance Sheet Data:							
Net investment properties less accumulated depreciation		$ 5,592,300	$ 5,686,473	$ 6,103,782	$ 6,631,506	$ 6,727,154	$ 6,873,144
Total assets		$ 6,249,049	$ 6,386,836	$ 6,928,365	$ 7,606,664	$ 8,305,831	$ 8,328,274
Mortgages and notes payable		$ 3,325,077	$ 3,602,890	$ 4,003,985	$ 4,402,602	$ 4,271,160	$ 4,313,223
Total liabilities		$ 4,006,795	$ 4,090,244	$ 4,482,119	$ 5,011,276	$ 4,685,539	$ 4,684,935
Common stock and additional paid-in-capital		$ 4,394,205	$ 4,383,758	$ 4,350,966	$ 4,313,640	$ 4,387,188	$ 3,997,044
Total shareholders equity		$ 2,240,491	$ 2,294,902	$ 2,441,550	$ 2,572,348	$ 3,598,765	$ 3,508,564
Ratio Data:							
Total net debt to Adjusted EBITDA[2][5]		8.5x	8.5x	9.2x			
Combined net debt to combined Adjusted EBITDA[2][5]		8.5x	8.5x	8.9x			

	Three Months Ended March 31, 2011	2010	Year Ended December 31, 2010	2009	2008	2007	2006
	(in thousands except for number of properties, share and per share data)						
Other Data:							
Number of consolidated operating properties	282	298	284	299	305	302	306
Total GLA (in thousands)	42,216	44,429	42,491	44,496	45,957	44,845	45,132
Distributions declared per common share	$ 0.06	$ 0.04	$ 0.20	$ 0.16	$ 0.64	$ 0.64	$ 0.64
Funds from operations[3]	$ 16,371	$ 35,775	$ 135,170	$ 141,844	$ (349,401)	$ 287,601	$ 286,398
Total net operating income[4]	$ 107,978	$ 109,939	$ 444,492	$ 442,194	$ 475,253		
Combined net operating income[4]	$ 110,070	$ 111,105	$ 449,981	$ 445,980	$ 478,373		
Adjusted EBITDA[5]	$ 98,917	$ 101,543	$ 427,752	$ 435,022			
Combined Adjusted EBITDA[5]	$ 103,795	$ 103,317	$ 434,182	$ 452,709			
Cash flows provided by (used in):							
Operating activities	$ 31,855	$ 38,615	$ 184,072	$ 249,837	$ 309,351	$ 318,641	$ 296,578
Investing activities	$ 15,234	$ (14,892)	$ 154,400	$ 193,706	$ (178,555)	$ (511,676)	$ (536,257)
Financing activities	$ (80,278)	$ (19,438)	$ (321,747)	$ (438,806)	$ (126,989)	$ 82,644	$ 168,583

(1) Presents historical information as of March 31, 2011 as adjusted to give effect to (i) additional amounts drawn through July 5, 2011 under our senior secured revolving line of credit (no additional amounts were drawn through July 18, 2011) and (ii) this offering and the use of the net proceeds from this offering as set forth in Use of Proceeds.

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(2) Total net debt to Adjusted EBITDA represents (i) our total debt less cash and cash equivalents divided by (ii) Adjusted EBITDA for the prior 12 months. Combined net debt to combined Adjusted EBITDA represents (i) the sum of (A) our total debt less cash and cash equivalents plus (B) our pro rata share of our investment property unconsolidated joint ventures total debt less our pro rata share of these joint ventures cash and cash equivalents divided by (ii) combined Adjusted EBITDA for the prior 12 months. These ratios are not presented as of December 31, 2008, 2007 or 2006. Our management believes that the ratios total net debt to Adjusted EBITDA and combined net debt to combined Adjusted EBITDA are useful because they provide investors with information regarding total debt net of cash and cash equivalents, which could be used to repay debt, compared to our performance as measured using Adjusted EBITDA and combined Adjusted EBITDA, which are described in footnote 5 below. The following table shows the reconciliation for net debt and combined net debt:

Reconciliation of Total Debt to Net Debt and Combined Net Debt

	As of March 31, 2011		As of December 31,	
	As Adjusted	Actual	2010	2009
	(in thousands)			
Total debt		$ 3,695,077	$ 3,757,237	$ 4,110,985
Less: cash and cash equivalents		(97,024)	(130,213)	(125,904)
Net debt		$ 3,598,053	$ 3,627,024	$ 3,985,081
Adjusted EBITDA[5]		425,126	427,752	435,022
Net debt to Adjusted EBITDA		8.5x	8.5x	9.2x
Net debt		$ 3,598,053	$ 3,627,024	$ 3,985,081
Add: pro rata share of our investment property unconsolidated joint ventures total debt		78,883	79,475	62,998
Less: pro rata share of our investment property unconsolidated joint ventures cash and cash equivalents		(1,749)	(1,527)	(4,116)
Combined net debt		$ 3,675,187	$ 3,704,972	$ 4,043,963
Combined Adjusted EBITDA[5]		434,660	434,182	452,709
Combined net debt to combined Adjusted EBITDA		8.5x	8.5x	8.9x

(3) For a definition and reconciliation of funds from operations, or FFO, and a statement disclosing the reasons why our management believes that presentation of FFO provides useful information to investors and, to the extent material, any additional purposes for which our management uses FFO, see Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations.

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(4) Total net operating income, or NOI, represents operating revenues (rental income, tenant recovery income, other property income, excluding straight-line rental income and amortization of acquired above and below market lease intangibles) less property operating expenses (real estate tax expense and property operating expense, excluding straight-line ground rent expense and straight-line bad debt expense) from our consolidated investments. Total NOI is not presented for the years ended December 31, 2007 or 2006. Combined net operating income, or combined NOI, represents NOI plus our pro rata share of NOI from our investment property unconsolidated joint ventures. Combined NOI is not presented for the years ended December 31, 2007 or 2006. For a reconciliation of total net operating income, or NOI, and a statement disclosing the reasons why our management believes that presentation of NOI provides useful information to investors and, to the extent material, any additional purposes for which our management uses NOI, which is also applicable to combined NOI, see Management s Discussion and Analysis of Financial Condition and Results of Operations Results of Operations. The following table shows the reconciliation between net loss from investment property unconsolidated joint ventures and combined NOI:

Reconciliation of Net Loss from Investment Property Unconsolidated Joint Ventures to Combined NOI

	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010	2009	2008
			(in thousands)		
Total net loss from investment property unconsolidated joint ventures	$ (4,408)	$ (1,211)	$ (3,373)	$ (14,393)	$ (9,108)
Adjustments:					
Straight-line rental income	$ (181)	$ (230)	$ (979)	$ (638)	$ (527)
Amortization of acquired above and below market lease intangibles	53	(31)	55	50	(124)
Interest income	(2)	(598)	(2,361)	(2,430)	(2,675)
Straight-line ground rent expense				50	40
Straight-line bad debt expense	171		56		
Depreciation and amortization	6,407	3,105	14,355	12,501	12,633
Provisions for impairment	2,477			9,411	3,639
Loss on lease terminations		496	658	718	3,316
General and administrative expenses	195	70	1,092	411	237
Interest expense	3,986	2,876	12,951	13,431	12,279
(Gain)/loss on sale of investment properties			(451)	701	
Other expense		10	16	15	
Total NOI from investment property unconsolidated joint ventures	$ 8,698	$ 4,487	$ 22,019	$ 19,827	$ 19,710
Pro rata share of NOI from investment property unconsolidated joint ventures	$ 2,092	$ 1,166	$ 5,489	$ 3,786	$ 3,120
Total NOI	$ 107,978	$ 109,939	$ 444,492	$ 442,194	$ 475,253
Combined NOI	$ 110,070	$ 111,105	$ 449,981	$ 445,980	$ 478,373

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(5) Adjusted EBITDA represents net income (loss) before interest, income taxes, depreciation and amortization, as further adjusted to eliminate the impact of certain items that we do not consider indicative of our ongoing performance. Combined Adjusted EBITDA represents Adjusted EBITDA plus our pro rata share of the EBITDA adjustments from our investment property unconsolidated joint ventures. The further adjustments that we make to Adjusted EBITDA and combined Adjusted EBITDA are itemized in the reconciliation below. In evaluating these measures, you should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of these measures should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Adjusted EBITDA and combined Adjusted EBITDA are not presented for the years ended December 31, 2008, 2007 or 2006. Our management believes that Adjusted EBITDA and combined Adjusted EBITDA are useful because they allow investors and management to evaluate and compare our performance from period to period in a meaningful and consistent manner in addition to standard financial measurements under GAAP. Adjusted EBITDA and combined Adjusted EBITDA are not measurements of financial performance under GAAP and should not be considered as alternatives to net income, as an indicator of operating performance or any measure of performance derived in accordance with GAAP. Our calculation of Adjusted EBITDA and combined Adjusted EBITDA may be different from the calculation used by other companies and, accordingly, comparability may be limited. The following table shows the reconciliation between net loss and Adjusted EBITDA and combined Adjusted EBITDA:

Reconciliation of Net Loss to Adjusted EBITDA and Combined Adjusted EBITDA

	Twelve Months Ended March 31, 2011	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Year Ended December 31, 2010	Year Ended December 31, 2009
		(in thousands)			
Net loss	$ (106,261)	$ (40,017)	$ (28,463)	$ (94,707)	$ (115,409)
Interest expense	$ 258,338	$ 61,750	$ 64,026	$ 260,614	$ 233,739
Interest expense (discontinued operations)	2,772	40	1,570	4,302	10,754
Depreciation and amortization	244,688	60,149	61,549	246,088	248,141
Depreciation and amortization (discontinued operations)	1,424	126	702	2,000	10,451
Loss on partial sales of investment properties	385			385	
Gain on sales of investment properties	(2,660)	(2,660)			
Gain on sales of investment properties (discontinued operations)	(27,213)	(3,459)	(52)	(23,806)	(26,383)
Gain on extinguishment of debt	(10,723)	(10,723)			
Loss on lease terminations	14,182	3,338	2,982	13,826	13,735
Provision for impairment of investment properties	44,803	30,373		14,430	53,900
Provision for impairment of investment properties (discontinued operations)	8,627			8,627	10,800
Impairment of notes receivable					17,322
Recognized gain on marketable securities, net	(3,236)		(771)	(4,007)	(18,039)
Gain on interest rate locks					(3,989)
Adjusted EBITDA	$ 425,126	$ 98,917	$ 101,543	$ 427,752	$ 435,022
Pro rata share of adjustments from investment property unconsolidated joint ventures:					
Interest expense	$ 2,990	$ 1,006	$ 820	$ 2,804	$ 4,294
Depreciation and amortization	4,331	1,434	884	3,781	3,372
(Gain) loss on sales of investment properties	(432)			(432)	675
Provision for impairment of investment properties	2,373	2,373			9,062
Amortization of basis (not pro rated)	272	65	70	277	284
Combined Adjusted EBITDA	$ 434,660	$ 103,795	$ 103,317	$ 434,182	$ 452,709

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MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This prospectus contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in forward-looking statements for many reasons, including the risks described in Risk Factors and elsewhere in this prospectus. Our results of operations and financial condition, as reflected in the accompanying financial statements and related notes, are subject to management s evaluation and interpretation of business conditions, changing capital market conditions and other factors that could affect the ongoing viability of our tenants. You should read the following discussion with Forward-Looking Statements, Our Business and Properties and the financial statements and related notes included elsewhere in this prospectus. Throughout this Management s Discussion and Analysis of Financial Condition and Result of Operations section, dollars, except per share and per square foot amounts, and share amounts are presented in thousands.

Executive Summary

We are one of the largest owners and operators of shopping centers in the United States. As of March 31, 2011, our retail operating portfolio consisted of 264 properties with approximately 35.5 million square feet of GLA, was geographically diversified across 35 states and includes power centers, community centers, neighborhood centers and lifestyle centers, as well as single-user retail properties. Our retail properties are primarily located in strong retail districts within densely populated areas in highly visible locations with convenient access to interstates and major thoroughfares. Our retail properties have a weighted average age, based on annualized base rent of only approximately 10.0 years since the initial construction or most recent major renovation. As of March 31, 2011, our retail operating portfolio was 88.5% leased, including leases signed but not commenced. In addition to our retail operating portfolio, as of March 31, 2011, we also held interests in 18 other operating properties, including 12 office properties and six industrial properties, 19 retail operating properties held by three unconsolidated joint ventures and eight retail properties under development. The following summarizes our consolidated operating portfolio as of March 31, 2011:

Description	Number of Properties	GLA (in thousands)	Percent Leased	Percent Leased and Leases Signed[(1)]
Retail				
Wholly-owned	209	28,949	85.7%	87.6%
Joint venture[(2)]	55	6,542	90.3%	92.7%
Total retail	264	35,491	86.5%	88.5%
Office/Industrial				
Wholly-owned	18	6,725	98.3%	98.3%
Total Consolidated Operating Portfolio	282	42,216	88.4%	90.1%

(1) Includes leases signed but not commenced.

(2) Represents 55 properties held in one joint venture in which we have a 77% interest. We currently anticipate using a portion of the net proceeds from this offering to exercise our option to repurchase the 23% interest held by others. As a result, following this offering we anticipate that we will own 100% of those properties.

Our shopping centers are primarily anchored or shadow anchored by strong national and regional grocers, discount retailers and other retailers that provide basic household goods or clothing, including Target, TJX Companies, PetSmart, Best Buy, Bed Bath & Beyond, Home Depot, Kohl s, Wal-Mart, Publix and Lowe s. As of March 31, 2011, over 90% of our shopping centers, based on GLA, were anchored or shadow anchored by a grocer, discount department store, wholesale club or retailer that sells basic household goods or clothing. Overall,

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we have a broad and highly diversified retail tenant base that includes approximately 1,600 tenants with no one tenant representing more than 3.3% of the total annualized base rent generated from our retail operating properties, or our retail annualized base rent.

We are encouraged by the leasing activity we have achieved during 2010 and the first three months of 2011. Due in large part to the downturn in the economy, we previously had approximately 3.2 million square feet of retail space become available due to the bankruptcies of Mervyns, Linens n Things and Circuit City in 2008. As of March 31, 2011, we have been able to lease approximately 1.7 million square feet of this vacant space, primarily to existing tenants. We also sold two former Mervyns locations, aggregating approximately 154,000 square feet, to institutional buyers. In addition, as of March 31, 2011, we had under letter of intent or were in active negotiations for 61.3% of the remaining 1.4 million square feet of this GLA. In total, we have leased, sold or are in negotiations for 2.7 million square feet, or 83.5% of the 3.2 million square feet of GLA that was vacated as a result of these bankruptcies. During 2010 and the three months ended March 31, 2011, based on our retail operating portfolio, we signed 509 and 130 new and renewal leases, respectively, for a total of approximately 3.1 and 1.1 million square feet, respectively. As we continue to sign new leases, rental rates have generally been below the previous rates and we have continued to see increased demands for rent abatement and capital investment, in the form of tenant improvements and leasing commissions, required from us. However, as retail sales and the overall economy continue to improve, such rental spreads are stabilizing.

Asset Dispositions and Debt Transactions

During 2010 and the three months ended March 31, 2011, we focused on strengthening our balance sheet by deleveraging through asset dispositions and debt refinancing transactions. Specifically, in 2010, we:

- sold eight operating properties aggregating 894,500 square feet for $104,635, resulting in net proceeds of $21,024 and debt extinguishment of $106,791;
- closed on partial sales of eight operating properties to our RioCan joint venture aggregating 1,146,200 square feet for $159,918, resulting in net proceeds of $48,616 and debt extinguishment of $97,888; and
- obtained mortgages and notes payable proceeds of $737,890, made mortgages and notes payable repayments of $1,018,351 and received forgiveness of debt of $50,831.

Additionally, for the three months ended March 31, 2011, we:

- sold two operating properties aggregating 271,600 square feet for a combined sales price of $22,814, resulting in net proceeds of $22,493; and
- borrowed $150,000 on our secured term loan and an additional $65,653 on our senior secured revolving line of credit, obtained mortgages payable proceeds of $10,424, made mortgages payable repayments of $265,674 and received forgiveness of debt of $10,723.

We plan to continue to pursue opportunistic dispositions of non-retail properties and free standing, triple-net retail properties to continue to focus our portfolio on well located, high quality shopping centers.

Joint Ventures

We leverage our leasing and property management platform through the strategic formation, capitalization and management of joint ventures. We partner with institutional capital providers to supplement our capital base in a manner accretive to our shareholders. On May 20, 2010, we entered into definitive agreements to form a joint venture with a wholly-owned affiliate of RioCan and agreed to contribute eight shopping centers located in Texas to the joint venture. Under the terms of the agreements, RioCan contributed cash for an 80% interest in the venture and we contributed a 20% interest in the properties. The joint venture acquired an 80% interest in the

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properties from us in exchange for cash, each of which was accounted for as a partial sale of real estate. As of March 31, 2011, our RioCan joint venture had acquired eight properties from us, all of which were acquired in 2010, for a purchase price of $159,442, and had assumed from us mortgages payable on these properties totaling approximately $97,888. In addition, we received additional earnout proceeds of $476 during the year ended December 31, 2010.

Leasing Activity

During the year ended December 31, 2010 and for the three months ended March 31, 2011, based on our retail operating portfolio, we signed 509 and 130 new and renewal leases, respectively, for a total of approximately 3.1 and 1.1 million square feet, respectively. On February 16, 2011, Borders, which, as of December 31, 2010, leased from us approximately 220,000 square feet of GLA at ten locations, which leases represented $2,600 of annualized base rent, filed for bankruptcy under Chapter 11 and, on July 18, 2011, Borders announced that it was seeking approval for the liquidation of its remaining store assets. Subsequent to March 31, 2011, Borders closed stores at five locations where it leased space from us, which leases represented approximately 115,000 square feet of GLA and $1,100 of annualized base rent, and if Borders liquidation is approved, the stores at the five remaining locations will also likely be closed in the next several months.

We are encouraged by the solid leasing activity we have achieved during 2010 and for the first three months of 2011 and believe that our occupancy will continue to increase over time.

Distributions

We declared distributions totaling $0.20 and $0.06 per share during 2010 and for the three months ended March 31, 2011, respectively. We have increased the quarterly distribution rate for six consecutive quarters.

Economic Conditions and Outlook

For a discussion of economic conditions and the outlook regarding the retail industry, see Industry Overview.

Results of Operations

We believe that property net operating income, or NOI, is a useful measure of our operating performance. We define NOI as operating revenues (rental income, tenant recovery income, other property income, excluding straight-line rental income and amortization of acquired above and below market lease intangibles) less property operating expenses (real estate tax expense and property operating expense, excluding straight-line ground rent expense and straight-line bad debt expense). Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to other REITs.

We believe that this measure provides an operating perspective not immediately apparent from GAAP operating income or net (loss) income. We use NOI to evaluate our performance on a property-by-property basis because NOI allows us to evaluate the impact that factors such as lease structure, lease rates and tenant base, which vary by property, have on our operating results. However, NOI should only be used as an alternative measure of our financial performance. For reference and as an aid in understanding our computation of NOI, a reconciliation of NOI to net (loss) income as computed in accordance with GAAP has been presented.

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Comparison of the three months ended March 31, 2011 and 2010

The table below presents operating information for our same store portfolio consisting of 282 operating properties acquired or placed in service prior to January 1, 2010, along with reconciliation to net operating income. The properties in the same store portfolios as described were owned for the three months ended March 31, 2011 and 2010. The properties in Other investment properties include our development properties, some of which have phases that are operational, and the properties that were partially sold to our RioCan joint venture during 2010, none of which qualified for discontinued operations accounting treatment.

	Three Months Ended March 31, 2011	Three Months Ended March 31, 2010	Impact	Percentage
Revenues:				
Same store investment properties (282 properties):				
Rental income	$ 121,543	$ 120,939	$ 604	0.5
Tenant recovery income	28,393	30,995	(2,602)	(8.4)
Other property income	2,823	3,903	(1,080)	(27.7)
Other investment properties:				
Rental income	1,385	4,629	(3,244)	(70.1)
Tenant recovery income	89	1,031	(942)	(91.4)
Other property income	2	80	(78)	(97.5)
Expenses:				
Same store investment properties (282 properties):				
Property operating expenses	(26,465)	(27,649)	1,184	4.3
Real estate taxes	(19,027)	(21,912)	2,885	13.2
Other investment properties:				
Property operating expenses	(518)	(1,011)	493	48.8
Real estate taxes	(247)	(1,066)	819	76.8
Property net operating income:				
Same store investment properties	107,267	106,276	991	0.9
Other investment properties	711	3,663	(2,952)	(80.6)
Total net operating income	107,978	109,939	(1,961)	(1.8)
Other income (expense):				
Straight-line rental income	723	1,920	(1,197)	
Amortization of acquired above and below market lease intangibles	375	560	(185)	
Amortization of lease inducements	(15)	(15)		
Straight-line ground rent expense	(956)	(1,128)	172	
Straight-line bad debt expense	(825)	546	(1,371)	
Insurance captive income		713	(713)	
Depreciation and amortization	(60,149)	(61,549)	1,400	
Provision for impairment of investment properties	(30,373)		(30,373)	
Loss on lease terminations	(3,338)	(2,982)	(356)	
Insurance captive expenses		(1,225)	1,225	
General and administrative expenses	(6,328)	(4,826)	(1,502)	
Dividend income	676	1,683	(1,007)	
Interest income	180	187	(7)	
Gain on extinguishment of debt	10,723		10,723	
Equity in (loss) income of unconsolidated joint ventures	(2,178)	10	(2,188)	
Interest expense	(61,750)	(64,026)	2,276	
Co-venture obligation expense	(1,792)	(1,792)		
Recognized gain on marketable securities, net		771	(771)	
Other income (expense)	582	(5,092)	5,674	
Loss from continuing operations	(46,467)	(26,306)	(20,161)	(76.6)
Discontinued operations:				
Operating income (loss)	331	(2,209)	2,540	

Gain on sales of investment properties	3,459	52	3,407	
Income (loss) from discontinued operations	3,790	(2,157)	5,947	275.7
Gain on sales of investment properties	2,660		2,660	
Net loss	(40,017)	(28,463)	(11,554)	(40.6)
Net income attributable to noncontrolling interests	(8)	(93)	85	91.4
Net loss attributable to Company shareholders	$ (40,025)	$ (28,556)	$ (11,469)	(40.2)

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Total net operating income decreased by $1,961, or 1.8%. Total rental income, tenant recovery and other property income decreased by $7,342, or 4.5%, and total property operating expenses decreased by $5,381, or 10.4%, for the three months ended March 31, 2011, as compared to March 31, 2010.

Rental income. Rental income increased $604, or 0.5%, on a same store basis from $120,939 to $121,543. The same store increase is primarily due to:

- an increase of $4,543 composed of $9,320 as a result of new tenant leases replacing former tenants partially offset by $4,777 from early terminations and natural expirations of certain tenant leases; and
- a decrease of $4,118 due to reduced rent as a result of co-tenancy provisions in certain leases, reduced percentage rent as a result of decreased tenant sales, and increased rent abatements as a result of efforts to increase occupancy.

Although same store rental income increased, overall rental income decreased $2,640, or 2.1%, from $125,568 to $122,928, primarily due to a decrease of $3,244 in other investment properties consisting of:

- a decrease of $3,380 due to the partial sale of eight investment properties to our RioCan joint venture during 2010, partially offset by
- an increase of $135 related to development properties placed into service.

Tenant recovery income. Tenant recovery income decreased $2,602, or 8.4%, on a same store basis from $30,995 to $28,393, primarily due to:

- a 9.5% decrease in common area maintenance recovery income, primarily due to reduced recoverable property operating expenses described below and a reduction in the 2010 tenant recovery income estimates as a result of the common area maintenance reconciliation process completed during the three months ended March 31, 2011, and
- a 3.5% decrease in real estate tax recovery, primarily resulting from reduced real estate tax expense as described below.

Overall, tenant recovery income decreased $3,544, or 11.1%, from $32,026 to $28,482, primarily due to the decrease in the same store portfolio described above and a decrease in recovery income of $631 resulting from properties partially sold to our RioCan joint venture during the third and fourth quarters of 2010.

Other property income. Other property income decreased overall by $1,158, or 29.1%, due to decreases in termination fee income, parking revenue and direct recovery income.

Property operating expenses. Property operating expenses decreased $1,184, or 4.3%, on a same store basis from $27,649 to $26,465. The same store decrease is primarily due to:

- a decrease in bad debt expense of $1,069, and
- a decrease in certain recoverable property operating expenses of $461 due to the continued efforts of management to contain costs, partially offset by an increase in non-recoverable property operating expenses of $348.

Overall, property operating expenses decreased $1,677, or 5.9%, from $28,660 to $26,983, due to the decrease in the same store portfolio described above, in addition to a decrease in certain non-recoverable and recoverable property operating expenses of $141 and $427,

respectively, partially offset by an increase in bad debt expense of $74 in other investment properties.

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Real estate taxes. Real estate taxes decreased $2,885, or 13.2%, on a same store basis from $21,912 to $19,027. This decrease is primarily due to:

- a decrease of $1,808 in prior year estimates adjusted during the three months ended March 31, 2011, based on actual real estate taxes paid;
- a net decrease of $1,232 over 2010 real estate tax expense primarily due to decreases in assessed values, partially offset by
- a decrease of $245 in real estate tax refunds received during the three months ended March 31, 2011 for prior year tax assessment adjustments.

Overall, real estate taxes decreased $3,704, or 16.1%, from $22,978 to $19,274, primarily due to the decrease in the same store portfolio described above and a decrease in real estate tax expense of $696 resulting from properties partially sold to our RioCan joint venture during the third and fourth quarters of 2010.

Other income (expense). Other income (expense) changed from net expense of $136,245 to net expense of $154,445. The increase in net expense of $18,200, or 13.4%, is primarily due to:

- a $30,373 increase in provision for impairment of investment properties. Based on the results of our evaluations for impairment (see Notes 12 and 13 to the condensed consolidated financial statements), we recognized impairment charges of $30,373 and none for the three months ended March 31, 2011 and 2010, respectively. Although 39 of our properties had impairment indicators at March 31, 2011, undiscounted cash flows for those properties exceeded their respective carrying values by a weighted average of 52%. Accordingly, no additional impairment provisions were warranted for these properties. This increase in provision for impairment was partially offset by
- a $10,723 increase in gain on extinguishment of debt due to debt forgiveness related to two properties which were added as collateral to the amended and restated senior secured credit facility (see Note 9 to the condensed consolidated financial statements) and
- a $5,674 positive change in other income (expense) due primarily to $4,000 of expense recorded in 2010 related to a litigation matter settlement.

Discontinued operations. Discontinued operations consist of amounts related to two properties and eight properties that were sold during the three months ended March 31, 2011 and the year ended December 31, 2010, respectively. We closed on the sale of two single-user retail properties during the three months ended March 31, 2011 aggregating 271,600 square feet, for a combined sales price of $22,814. The aggregated sales resulted in net sales proceeds totaling $22,493 and total gains of $3,459. The debt on both properties was repaid prior to sale. There were no properties that qualified for held for sale accounting treatment as of March 31, 2011. We closed on eight properties during the year ended December 31, 2010 aggregating 894,500 square feet, for a combined sales price of $104,635. The aggregated sales resulted in the extinguishment or repayment of $106,791 of debt, net sales proceeds totaling $21,024 and total gains of $23,806. The properties disposed of included two office buildings, five single-user retail properties and one medical center. Included in this was an office building aggregating 382,600 square feet that was transferred through a deed in lieu of foreclosure to the property s lender resulting in a gain on sale of $19,841. There were no properties that qualified for held for sale accounting treatment as of December 31, 2010.

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Comparison of the years ended December 31, 2010 to December 31, 2009

The table below presents operating information for our same store portfolio consisting of 282 operating properties acquired or placed in service prior to January 1, 2009, along with a reconciliation to net operating income. The properties in the same store portfolios as described were owned for the years ended December 31, 2010 and 2009. The properties in Other investment properties include the properties that were partially sold to our RioCan joint venture during 2010, none of which qualified for discontinued operations accounting treatment.

	2010	2009	Impact	Percentage
Revenues:				
Same store investment properties (282 properties):				
Rental income	$ 483,207	$ 490,675	$ (7,468)	(1.5)
Tenant recovery income	111,520	116,952	(5,432)	(4.6)
Other property income	16,131	18,713	(2,582)	(13.8)
Other investment properties:				
Rental income	17,835	18,811	(976)	(5.2)
Tenant recovery income	3,660	5,039	(1,379)	(27.4)
Other property income	459	91	368	404.4
Expenses:				
Same store investment properties (282 properties):				
Property operating expenses	(98,369)	(110,230)	11,861	10.8
Real estate taxes	(82,907)	(89,073)	6,166	6.9
Other investment properties:				
Property operating expenses	(3,980)	(4,660)	680	14.6
Real estate taxes	(3,064)	(4,124)	1,060	25.7
Property net operating income:				
Same store investment properties	429,582	427,037	2,545	0.6
Other investment properties	14,910	15,157	(247)	(1.6)
Total net operating income	444,492	442,194	2,298	0.5
Other income (expense):				
Straight-line rental income	7,595	8,010	(415)	
Amortization of acquired above and below market lease intangibles	1,969	2,340	(371)	
Straight-line ground rent expense	(4,109)	(3,987)	(122)	
Straight-line bad debt expense	(124)	(3,693)	3,569	
Insurance captive income	2,996	2,261	735	
Depreciation and amortization	(246,088)	(248,141)	2,053	
Provision for impairment of investment properties	(14,430)	(53,900)	39,470	
Loss on lease terminations	(13,826)	(13,735)	(91)	
Insurance captive expenses	(3,392)	(3,655)	263	
General and administrative expenses	(18,119)	(21,191)	3,072	
Dividend income	3,472	10,132	(6,660)	
Interest income	740	1,483	(743)	
Loss on partial sales of investment properties	(385)		(385)	
Equity in income (loss) of unconsolidated joint ventures	2,025	(11,299)	13,324	
Interest expense	(260,614)	(233,739)	(26,875)	
Co-venture obligation expense	(7,167)	(597)	(6,570)	
Recognized gain on marketable securities, net	4,007	18,039	(14,032)	
Impairment of notes receivable		(17,322)	17,322	
Gain on interest rate locks		3,989	(3,989)	
Other expense	(3,531)	(9,599)	6,068	
Loss from continuing operations	(104,489)	(132,410)	27,921	21.1
Discontinued operations:				
Operating loss	(14,024)	(9,382)	(4,642)	
Gain on sales of investment properties	23,806	26,383	(2,577)	

Income from discontinued operations	9,782	17,001	(7,219)	(42.5)
Net loss	(94,707)	(115,409)	20,702	17.9
Net (income) loss attributable to noncontrolling interests	(1,136)	3,074	(4,210)	(137.0)
Net loss attributable to Company shareholders	$ (95,843)	$ (112,335)	$ 16,492	14.7

Total net operating income increased by $2,298, or 0.5%. Total rental income, tenant recovery and other property income decreased by $17,469, or 2.7%, and total property operating expenses decreased by $19,767, or 9.5%, for the year ended December 31, 2010, as compared to December 31, 2009.

Rental income. Rental income decreased $7,468 or 1.5%, on a same store basis from $490,675 to $483,207. The same store decrease is primarily due to:

- an increase of $11,034 composed of $34,388 as a result of new tenant leases replacing former tenants partially offset by $23,354 from early terminations and natural expirations of certain tenant leases;
- a decrease of $17,616 due to reduced rent as a result of co-tenancy provisions in certain leases, reduced percentage rent as a result of decreased tenant sales, and increased rent abatements as a result of efforts to increase occupancy.

Overall, rental income decreased $8,444, or 1.7%, from $509,486 to $501,042, primarily due to the same store portfolio described above, in addition to a decrease of $976 in other investment properties primarily due to:

- a decrease of $1,795 due to the partial sale of eight investment properties to our RioCan joint venture during 2010, partially offset by
- an increase of $660 related to development properties placed into service subsequent to December 31, 2008.

Tenant recovery income. Tenant recovery income decreased $5,432, or 4.6%, on a same store basis from $116,952 to $111,520, primarily due to:

- a 9.2% decrease in common area maintenance recovery income, primarily due to reduced recoverable property operating expenses described below, and
- a 6.9% decrease in real estate tax recovery, primarily resulting from reduced real estate tax expense as described below.

Overall, tenant recovery income decreased $6,811, or 5.6%, from $121,991 to $115,180, primarily due to the decrease in the same store portfolio described above and a decrease in recovery income from properties partially sold to our RioCan joint venture.

Other property income. Other property income decreased overall by $2,214, or 11.8%, due to decreases in termination fee income, parking revenue and direct recovery income.

Property operating expenses. Property operating expenses decreased $11,861, or 10.8%, on a same store basis from $110,230 to $98,369. The same store decrease is primarily due to:

- a decrease in bad debt expense of $3,832, and
- a decrease in certain non-recoverable and recoverable property operating expenses of $2,310 and $5,001, respectively, due to the continued efforts of management to contain costs.

Overall, property operating expenses decreased $12,541, or 10.9%, from $114,890 to $102,349, due to the decrease in the same store portfolio described above, in addition to a decrease in bad debt expense of $443 and a decrease in certain non-recoverable and recoverable property operating expenses of $194 and $137, respectively, in other investment properties.

Real estate taxes. Real estate taxes decreased $6,166, or 6.9%, on a same store basis from $89,073 to $82,907. This decrease is primarily due to:

a net decrease of $4,606 over 2009 real estate tax expense primarily due to decreases in assessed values;

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- an increase of $2,089 in real estate tax refunds received during 2010 for prior year tax assessment adjustments; partially offset by

- an increase in tax consulting fees of $574 as a result of successful reductions to proposed increases to assessed valuations or tax rates at certain properties.

Overall, real estate taxes decreased $7,226, or 7.8%, from $93,197 to $85,971 primarily due to the decrease in the same store portfolio described above and a net decrease of $995 over 2009 real estate tax expense due to decreases in assessed values on certain properties partially sold to our RioCan joint venture.

Other income (expense). Other income (expense) changed from net expense of $574,604 to net expense of $548,981. The decrease in net expense of $25,623, or 4.5%, is primarily due to:

- a $39,470 decrease in provision for impairment of investment properties. Based on the results of our evaluations for impairment (see Notes 14 and 15 to the consolidated financial statements), we recognized impairment charges of $14,430 and $53,900 for the year ended December 31, 2010 and 2009, respectively. Although 41 of our properties had impairment indicators at December 31, 2010, undiscounted cash flows for those properties exceeded their respective carrying values by a weighted average of 53%. Accordingly, no additional impairment provisions were warranted for these properties;

- a $17,322 decrease in impairment of notes receivable due to the impairment of two notes receivable in 2009;

- a $13,324 decrease in equity in loss of unconsolidated joint ventures due primarily to impairments recorded by one joint venture in 2009 that did not reoccur in 2010, partially offset by

- a $14,032 decrease in recognized gain on marketable securities primarily as a result of a significant liquidation of the marketable securities portfolio in 2009 and no other-than-temporary impairment recorded in 2010 as compared to other-than-temporary impairment of $24,831 recorded in 2009; and

- a $26,875 increase in interest expense primarily due to:

  - higher interest rates on refinanced debt resulting in an increase of $15,927;

  - an increase of $16,214 related to the senior and junior mezzanine notes of IW JV that were entered into in December 2009, partially offset by

  - a decrease in prepayment penalties and other costs associated with refinancings of $2,685, and

  - a decrease in other financing costs of $1,632 due to a decrease in the amount of preferred returns paid to a joint venture partner.

Discontinued operations. Discontinued operations consist of amounts related to eight properties that were sold during each of the years ended December 31, 2010 and 2009 and two properties that were sold during the three months ended March 31, 2011, each of which qualifies as discontinued operations. We closed on eight properties during the year ended December 31, 2010 aggregating 894,500 square feet, for a combined sales price of $104,635. The aggregated sales resulted in the extinguishment or repayment of $106,791 of debt, net sales proceeds totaling $21,024 and total gains of $23,806. The properties disposed included two office buildings, five single-user retail properties and one medical center. Included in this was an office building aggregating 382,600 square feet that was transferred through a deed in lieu of foreclosure

to the property s lender resulting in a gain on sale of $19,841. There were no properties that qualified for held for sale accounting treatment as of December 31, 2010. We closed on the sale of eight properties during the year ended December 31, 2009 aggregating 1,579,000 square feet, for a combined sales price of $338,057. The aggregated sales resulted in the extinguishment or repayment of $208,552 of debt, net sales proceeds totaling $123,944 and total gains on sale of $26,383. The properties sold included three office buildings, three single-user retail properties and two multi-tenant properties.

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Comparison of the years ended December 31, 2009 to December 31, 2008

The table below presents operating information for our same store portfolio consisting of 279 operating properties acquired or placed in service prior to January 1, 2008, along with a reconciliation to net operating income. The properties in the same store portfolios as described were owned for the years ended December 31, 2009 and 2008.

	2009	2008	Impact	Percentage
Revenues:				
Same store investment properties (279 properties):				
Rental income	$ 494,151	$ 529,880	$ (35,729)	(6.7)
Tenant recovery income	118,155	128,302	(10,147)	(7.9)
Other property income	18,516	19,504	(988)	(5.1)
Other investment properties:				
Rental income	15,335	8,831	6,504	73.6
Tenant recovery income	3,836	2,133	1,703	79.8
Other property income	288	237	51	21.5
Expenses:				
Same store investment properties (279 properties):				
Property operating expenses	(110,546)	(123,340)	12,794	10.4
Real estate taxes	(89,816)	(85,774)	(4,042)	(4.7)
Other investment properties:				
Property operating expenses	(4,344)	(3,037)	(1,307)	(43.0)
Real estate taxes	(3,381)	(1,483)	(1,898)	(128.0)
Property net operating income:				
Same store investment properties	430,460	468,572	(38,122)	(8.1)
Other investment properties	11,734	6,681	5,053	75.6
Total net operating income	442,194	475,253	(33,059)	(7.0)
Other income (expense):				
Straight-line rental income	8,010	12,181	(4,171)	
Amortization of acquired above and below market lease intangibles	2,340	2,504	(164)	
Straight-line ground rent expense	(3,987)	(5,186)	1,199	
Straight-line bad debt expense	(3,693)	(8,749)	5,056	
Insurance captive income	2,261	1,938	323	
Depreciation and amortization	(248,141)	(249,243)	1,102	
Provision for impairment of investment properties	(53,900)	(51,600)	(2,300)	
Loss on lease terminations	(13,735)	(64,648)	50,913	
Insurance captive expenses	(3,655)	(2,874)	(781)	
General and administrative expenses	(21,191)	(19,997)	(1,194)	
Dividend income	10,132	24,010	(13,878)	
Interest income	1,483	4,329	(2,846)	
Equity in loss of unconsolidated joint ventures	(11,299)	(4,939)	(6,360)	
Interest expense	(233,739)	(209,769)	(23,970)	
Co-venture obligation expense	(597)		(597)	
Recognized gain (loss) on marketable securities, net	18,039	(160,888)	178,927	
Impairment of goodwill		(377,916)	377,916	
Impairment of investment in unconsolidated entity		(5,524)	5,524	
Impairment of notes receivable	(17,322)		(17,322)	
Gain (loss) on interest rate locks	3,989	(16,778)	20,767	
Other expense	(9,599)	(1,062)	(8,537)	
Loss from continuing operations	(132,410)	(658,958)	526,548	79.9
Discontinued operations:				
Operating loss	(9,382)	(24,255)	14,873	
Gain on sales of investment properties	26,383		26,383	

Income (loss) from discontinued operations	17,001	(24,255)	41,256	170.1
Net loss	(115,409)	(683,213)	567,804	83.1
Net loss (income) attributable to noncontrolling interests	3,074	(514)	3,588	698.1
Net loss attributable to Company shareholders	$ (112,335)	$ (683,727)	$ 571,392	83.6

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Net operating income decreased by $33,059, or 7.0%. Total rental income, tenant recovery and other property income decreased by $38,606, or 5.6%, and total property operating expenses decreased by $5,547, or 2.6%, for the year ended December 31, 2009, as compared to December 31, 2008.

Rental income. Rental income decreased $35,729 or 6.7%, on a same store basis from $529,880 to $494,151. The same store decrease is primarily due to:

- a decrease of $28,548 in rental income due to tenant bankruptcies, primarily Linens n Things, Circuit City and Mervyns;
- a decrease of $3,657, composed of $7,292 as a result of early termination and natural expirations of certain tenant leases, partially offset by $3,635 from new tenant leases replacing former tenants; and
- a decrease of $4,409 due to reduced rent as a result of co-tenancy provisions in certain leases and reduced percentage rent as a result of decreased tenant sales; partially offset by
- an increase of $1,939 due to earnouts completed subsequent to December 31, 2007.

Overall, rental income decreased $29,225, or 5.4%, from $538,711 to $509,486, primarily due to the same store portfolio described above, partially offset by an increase of $6,504 in other investment properties primarily due to:

- an increase of $3,158 due to investment properties acquired subsequent to December 31, 2007; and
- an increase of $2,854 related to development properties placed into service subsequent to December 31, 2007.

Tenant recovery income. Tenant recovery income decreased $10,147, or 7.9%, on a same store basis from $128,302 to $118,155, primarily due to:

- a 14.0% decrease in common area maintenance recovery income primarily due to reduced recoverable property operating expenses described below and reduced occupancy due to tenant vacancies resulting from 2008 bankruptcies and early lease terminations; and
- a 2.9% decrease in real estate tax recovery primarily resulting from reduced occupancy as described above.

Overall, tenant recovery income decreased $8,444, or 6.5%, from $130,435 to $121,991, primarily due to the decrease in the same store portfolio described above, partially offset by recovery income from investment properties purchased after December 31, 2007 and phases of developments that have been placed into service subsequent to December 31, 2007.

Other property income. Other property income decreased overall by $937, or 4.7%, due to decreases in termination fee income, parking revenue and direct recovery income.

Property operating expenses. Property operating expenses decreased $12,794, or 10.4%, on a same store basis from $123,340 to $110,546. The same store decrease is primarily due to:

- a decrease in bad debt expense of $6,674; and

- a decrease in certain non-recoverable and recoverable property operating expenses of $6,459.

Overall, property operating expenses decreased $11,487, or 9.1%, from $126,377 to $114,890, due to the decrease in the same store portfolio described above, partially offset by an increase of $1,307 in other investment properties as follows:

- an increase in bad debt expense of $209; and

- an increase in certain non-recoverable and recoverable property operating expenses of $536 and $628, respectively.

Real estate taxes. Real estate taxes increased $4,042, or 4.7%, on a same store basis from $85,774 to $89,816. The same store increase is primarily due to:

- an increase of $2,027 related to investment properties where vacated tenants with triple net leases had paid real estate taxes directly to the taxing authorities during 2008;
- an increase of $1,092 in prior year estimates adjusted during 2009, based on actual real estate taxes paid;
- a net increase of $190 over 2008 real estate tax expense due to normal increases and decreases in assessed values;
- a decrease of $445 in real estate tax refunds received during 2009 for prior year tax assessment adjustments; and
- an increase in tax consulting fees of $288 as a result of successful reductions to proposed increases to assessed valuations or tax rates at certain properties.

Overall, real estate taxes increased $5,940, or 6.8%, from $87,257 to $93,197. The other investment properties representing properties acquired subsequent to December 31, 2007 and phases of developments that have been placed into service resulted in an increase in real estate taxes of $1,898.

Other income (expense). Other income (expense) changed from net expense of $1,134,211 to net expense of $574,604. The decrease in net expense of $559,607, or 49.3% is primarily due to:

- a $377,916 impairment of goodwill recognized in 2008;
- a $178,927 decrease in recognized loss on marketable securities primarily as a result of a significant liquidation of the marketable securities portfolio in 2009 and $24,831 of other-than-temporary impairment recorded in 2009 as compared to other-than-temporary impairment of $160,327 recorded in 2008;
- a $50,913 decrease in loss on lease terminations as a result of a decrease in tenants that vacated prior to lease expiration due to tenant bankruptcies and economic challenges facing tenants during 2009 as compared to 2008; and
- a $20,767 decrease in loss on interest rate locks due to impairment recorded during 2008; partially offset by
- a $13,878 decrease in dividend income due to sales of marketable securities, dividend reductions and suspensions;
- a $4,171 decrease in straight-line rental income primarily due to reduced occupancy from tenant vacancies and tenant bankruptcies in 2008 and tenants with co-tenancy rent reductions in 2009 as a result of such bankruptcies;

a $2,846 decrease in interest income as a result of full or partial payoffs of notes receivable subsequent to December 31, 2007, the impairment of a note receivable as of June 30, 2009 and $1,623 as a result of short-term investments receiving lower interest rates in interest bearing accounts; and

an increase of $23,970 in interest expense primarily due to:

- higher interest rates on refinanced debt resulting in an increase of $6,667 and additional interest expense of $4,068 incurred prior to the completion of certain long-term refinancings;

- prepayment penalties and other costs associated with refinancings of $5,066;

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- decreases in capitalized interest of $6,256 due to certain phases of our developments being placed into service;

- an increase in interest on our line of credit of $3,389 due primarily to an increase in the interest rate; and

- an increase of $2,650 related to the fixed variable spread related to our interest rate swaps, partially offset by decreases in margin payable interest of $3,192 due to decreases in the margin payable balance.

Discontinued operations. Discontinued operations consist of amounts related to eight properties that were sold during each of the years ended December 31, 2010 and 2009 and two properties that were sold during the three months ended March 31, 2011, each of which qualifies as discontinued operations. Refer to discussion comparing 2010 and 2009 results for more detail on the transactions that resulted in discontinued operations.

Funds from Operations

Due to certain unique operating characteristics of real estate companies, the National Association of Real Estate Investment Trusts, or NAREIT, an industry trade group, has promulgated a standard known as funds from operations, or FFO. We believe that FFO, which is a non-GAAP performance measure, provides an additional and useful means to assess the operating performance of REITs. As defined by NAREIT, FFO means net (loss) income computed in accordance with GAAP, excluding gains (or losses) from sales of investment properties, plus depreciation and amortization on investment properties including adjustments for unconsolidated joint ventures in which the REIT holds an interest. We have adopted the NAREIT definition for computing FFO because management believes that, subject to the following limitations, FFO provides a basis for comparing our performance and operations to those of other REITs. FFO is not intended to be an alternative to Net Income as an indicator of our performance nor to Cash Flows from Operating Activities as determined by GAAP as a measure of our capacity to pay distributions.

Our FFO and cash flow from operating activities for the three months ended March 31, 2011 and 2010 and the years ended December 31, 2010, 2009, 2008, 2007 and 2006 is as follows:

	Three Months Ended March 31,		Year Ended December 31,				
	2011	2010	2010	2009	2008	2007	2006
Net (loss) income attributable to Company shareholders	$ (40,025)	$ (28,556)	$ (95,843)	$ (112,335)	$ (683,727)	$ 41,669	$ 31,943
Add:							
Depreciation and amortization[1]	65,447	67,245	267,500	279,361	337,070	280,688	260,042
Less:							
Gain on sales of investment properties	(6,119)	(52)	(24,465)	(21,545)		(31,313)	
Noncontrolling interests share of depreciation related to consolidated joint ventures	(2,932)	(2,862)	(12,022)	(3,637)	(2,744)	(3,443)	(5,587)
Funds from operations	$ 16,371	$ 35,775	$ 135,170	$ 141,844	$ (349,401)	$ 287,601	$ 286,398
Cash flow from operating activities	$ 31,855	$ 38,615	$ 184,072	$ 249,837	$ 309,351	$ 318,641	$ 296,578

(1) Includes our share of depreciation and amortization from unconsolidated joint ventures and depreciation and amortization from discontinued operations.

Depreciation and amortization related to investment properties for purposes of calculating FFO includes loss on lease terminations, which encompasses the write-off of tenant related assets, including tenant improvements and in-place lease values, as a result of early lease terminations. Total loss on lease terminations for the three months ended March 31, 2011 and 2010 were $3,338 and $2,982, respectively. Total loss on lease terminations for the years ended December 31, 2010, 2009, 2008, 2007 and 2006 were $13,826, $13,735, $67,092, $11,788 and $4,570, respectively.

The decrease in FFO for the three months ended March 31, 2011 compared to the same period in 2010 is primarily due to an increase in impairment on investment properties of $30,373 and a decrease in revenues of $9,437, partially offset by an increase in gain on debt extinguishment of $10,723, a positive change in other income (expense) of $5,674 and a decrease in real estate tax expense of $3,704.

Liquidity and Capital Resources

We anticipate that cash flows from operating activities will provide adequate capital for all scheduled interest and monthly principal payments on outstanding indebtedness, current and anticipated tenant improvement or other capital obligations, the shareholder distribution required to maintain REIT status and compliance with financial covenants of our credit agreement for the next twelve months and beyond.

Our primary expected uses and sources of our consolidated cash and cash equivalents are as follows:

USES	SOURCES
Short-Term:	**Short-Term:**
Tenant improvement allowances	Operating cash flow
Improvements made to individual properties that are not recoverable through common area maintenance charges to tenants	Available borrowings under revolving credit facility
Distribution payments	Distribution reinvestment plan
Debt repayment requirements, including principal, interest and costs to refinance	Secured loans collateralized by individual properties
Corporate and administrative expenses	Asset sales
	Cash and cash equivalents
Long-Term:	**Long-Term:**
Acquisitions	Secured loans collateralized by individual properties
New development	Long-term construction project financing
Major redevelopment, renovation or expansion programs at individual properties	Joint venture equity from institutional partners

Debt repayment requirements, including both principal and interest	Sales of marketable securities
	Asset sales

One of our main areas of focus over the last few years has been on strengthening our balance sheet and addressing debt maturities. We have pursued this goal through a combination of the refinancing or repayment of maturing debt, a reduction in our rate of distributions to shareholders as compared to distributions from a few years ago, the suspension of our share repurchase program and total or partial dispositions of assets through sales or contributions to joint ventures. In addition, we focused on controlling operating expenses and deferring certain discretionary capital expenditures to preserve cash. As of March 31, 2011, we had approximately $911,139 of debt scheduled to mature through the end of 2012. As of July 18, 2011, we had repaid or received debt forgiveness for $173,025 of that debt. For substantially all of the remaining $738,114 of debt, we plan on satisfying our obligations by refinancing this debt using either our senior secured credit facility or other new long-term borrowings. In certain circumstances, for non-recourse mortgage indebtedness, we may seek to negotiate a discounted payoff amount or satisfy our obligation by delivering the property to the lender. We may not be able to refinance our existing debt when it becomes due or to obtain new debt financing for acquisitions or development projects, or we may be forced to accept less favorable terms, including increased collateral to secure

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development projects, higher interest rates and/or more restrictive covenants. If we are not successful in refinancing our debt when it becomes due, we may default under our loan obligations, enter into foreclosure proceedings, or be forced to dispose of properties on disadvantageous terms, any of which might adversely affect our ability to service other debt and meet our other obligations.

Liquidity

The table below summarizes our consolidated indebtedness, net of premium and discount, at March 31, 2011:

Debt	Aggregate Principal Amount at March 31, 2011	Interest Rate/ Weighted Average Interest Rate	Years to Maturity/Weighted Average Years to Maturity
Mortgages payable	$ 2,595,247	5.88%	5.9 years
IW JV mortgages payable	494,731	7.50%	8.7 years
IW JV senior mezzanine note	85,000	12.24%	8.7 years
IW JV junior mezzanine note	40,000	14.00%	8.7 years
Construction loans	86,838	3.84%	1.0 years
Mezzanine note	13,900	11.00%	2.7 years
Margin payable	9,361	0.59%	0.8 year
Mortgages and notes payable	3,325,077		
Secured credit facility	370,000	4.31%	1.8 years
Total consolidated indebtedness	$ 3,695,077		

Mortgages Payable and Construction Loans

Mortgages payable outstanding as of March 31, 2011, including construction loans and IW JV mortgages payable which are discussed further below, were $3,176,816 and had a weighted average interest rate of 6.07% at March 31, 2011. Of this amount, $3,082,773 had fixed rates ranging from 4.44% to 8.00% (10.05% for matured mortgages payable) and a weighted average fixed rate of 6.13% at March 31, 2011. The remaining $94,043 of mortgages payable represented variable rate loans with a weighted average interest rate of 4.09% at March 31, 2011. Properties with a net carrying value of $4,750,961 at March 31, 2011 and related tenant leases are pledged as collateral for the mortgage loans and development properties with a net carrying value of $147,035 at March 31, 2011 and related tenant leases are pledged as collateral for the construction loans. Generally, other than IW JV mortgages payable, our mortgages payable are secured by individual properties or small groups of properties. As of March 31, 2011, scheduled maturities for our outstanding mortgage indebtedness had various due dates through March 1, 2037.

During the three months ended March 31, 2011, we obtained mortgages proceeds of $10,424, made mortgages repayments of $265,674 and received debt forgiveness of $10,723. The new mortgages payable that we entered into during the three months ended March 31, 2011 have interest rates ranging from 4.83% to 5.50% and maturities up to 15 years. The stated interest rates of the loans repaid during the three months ended March 31, 2011 ranged from 4.58% to 8.00%.

IW JV Mortgages Payable and Mezzanine Notes

On November 29, 2009, we transferred a portfolio of 55 investment properties and the entities which owned them into IW JV, which at the time was a newly formed wholly-owned subsidiary. Subsequently, in connection with a $625,000 debt refinancing transaction, which consisted of $500,000 of mortgages payable and $125,000 of notes payable, on December 1, 2009, we raised additional capital of $50,000 from a related party, Inland Equity, in exchange for a 23% noncontrolling interest in IW JV. We currently anticipate using a portion of net proceeds

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from this offering to repurchase Inland Equity s interest in IW JV. As a result, following this offering we will own 100% of IW JV. Inland Equity is owned by certain individuals, including Daniel L. Goodwin, who beneficially owns more than 5% of our common stock, and Robert D. Parks, who was the Chairman of our Board until October 12, 2010 and who is Chairman of the Board of certain affiliates of The Inland Group, Inc. The independent directors committee reviewed and recommended approval of this transaction to our board of directors.

Mezzanine Note and Margin Payable

During the year ended December 31, 2010, we borrowed $13,900 from a third party in the form of a mezzanine note and used the proceeds as a partial paydown of the mortgage payable, as required by the lender. The mezzanine note bears interest at 11.00% and matures in three years. Additionally, we purchase a portion of our securities through a margin account. As of March 31, 2011 and December 31, 2010, we had recorded a payable of $9,361 and $10,017, respectively, for securities purchased on margin. This debt bears a variable interest rate of LIBOR plus 35 basis points. At March 31, 2011, this rate was equal to 0.59%. This debt is due upon demand. The value of our marketable securities serves as collateral for this debt. During the three months ended March 31, 2011, we did not borrow on our margin account and paid down $656.

Senior Secured Line of Credit and Secured Term Loan

As of December 31, 2010, we had a credit agreement with KeyBank National Association and other financial institutions for borrowings up to $200,000, subject to a collateral pool requirement. The credit agreement had a maturity date of October 14, 2011. The outstanding balance on the line of credit at December 31, 2010 and December 31, 2009 was $154,347 and $107,000, respectively.

On February 4, 2011, we amended and restated our existing credit agreement to provide for a senior secured credit facility in the aggregate amount of $585,000, consisting of a $435,000 senior secured revolving line of credit and a $150,000 secured term loan from a number of financial institutions. The senior secured revolving line of credit also contains an accordion feature that allows us to increase the availability thereunder to up to $500,000 in certain circumstances.

Upon closing, we borrowed the full amount of the term loan and, as of March 31, 2011 and July 18, 2011, we had a total of $220,000 and $325,000 outstanding under the senior secured line of credit, respectively. The amount outstanding as of July 18, 2011 includes $154,347 that had been outstanding under our line of credit prior to the amendment and restatement of our credit agreement and $170,653 of additional borrowings. We used the secured term loan and the additional borrowings under our senior secured revolving line of credit to, among other things, repay $431,813 of mortgage debt, including debt forgiveness of $14,438, that was secured by 33 properties (including one partial property) and had a weighted average interest rate of 5.10% per annum. As of March 31, 2011, management believes we were not out of compliance with any financial covenants under the credit agreement.

Availability. The aggregate availability under the senior secured revolving line of credit shall at no time exceed the lesser of (x) 65% of the appraised value of the borrowing base properties through the date of the issuance of our financial statements for the quarter ending March 31, 2012 and 60% thereafter and (y) the amount that would result in a debt service coverage ratio for the borrowing base properties of not less than 1.50x through the date of the issuance of our financial statements for the quarter ending March 31, 2012 and 1.60x thereafter, in each case, less the outstanding balance under the secured term loan. As of July 18, 2011, the total availability under the senior secured revolving line of credit was $346,000, of which we had borrowed $325,000.

Maturity and Interest. The senior secured revolving line of credit and the secured term loan mature on February 3, 2013; with a one-year extension option that we may exercise as long as there is no existing default, we are in compliance with all covenants and we pay an extension fee. The senior secured revolving line of credit

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and the secured term loan bear interest at a rate per annum equal to the London Interbank Offered Rate, or LIBOR, plus a margin of between 2.75% and 4.00% based on our leverage ratio as calculated under the credit agreement. As of July 18, 2011, the interest rate under the senior secured revolving line of credit was 3.69% and the interest rate under the secured term loan was 3.81%.

Security. The senior secured revolving line of credit and secured term loan are secured by mortgages on the borrowing base properties and are our direct recourse obligation.

Financial Covenants. The senior secured revolving line of credit and secured term loan include the following financial covenants: (i) maximum leverage ratio not to exceed 67.5%, which ratio will be reduced to 65% beginning on the date of the issuance of our financial statements for the quarter ending December 31, 2011 and 60% beginning on the date of the issuance of our financial statements for the quarter ending June 30, 2012, (ii) minimum fixed charge coverage ratio of not less than 1.40x, which ratio will be increased to 1.45x beginning on the date of the issuance of our financial statements for the quarter ending December 31, 2011 and 1.50x beginning on the date of the issuance of our financial statements for the quarter ending December 31, 2012, (iii) consolidated net worth of not less than $1,750,000 plus 75% of the net proceeds of any future equity contributions or sales of treasury stock received by us (iv) minimum average economic occupancy rate of greater than 80% excluding pre-stabilization properties under construction, (v) unhedged variable rate debt of not more than 20% of total asset value, (vi) maximum dividend payout ratio of 95% of FFO as defined in the credit agreement (which equals FFO, as set forth in Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations, excluding gains or losses from extraordinary items, impairments and other non-cash charges) or an amount necessary to maintain REIT status and (vii) secured recourse indebtedness and guarantee obligations excluding the senior secured revolving line of credit and secured term loan may not exceed $100,000.

As of March 31, 2011, our leverage ratio and fixed charge coverage ratio, calculated in accordance with the terms of the senior secured revolving line of credit and secured term loan, are 64.29% and 1.52x, respectively. These ratios are presented solely for the purpose of demonstrating contractual covenant compliance, and should not be viewed as measures of our historical or future financial performance, financial position or cash flow.

Other Covenants and Events of Default. The senior secured revolving line of credit and secured term loan limit the percentage of our total asset value that may be invested in unimproved land, unconsolidated joint ventures, construction in progress and mortgage notes receivable, require that we obtain consent for any sale of assets with a value greater than 10% of our total asset value or merger resulting in an increase to our total asset value by more than 25% and contain other customary covenants. The senior secured revolving line of credit and secured term loan also contain customary events of default, including but not limited to, non-payment of principal, interest, fees or other amounts, breaches of covenants, defaults on any recourse indebtedness in excess of $20,000 or any non-recourse indebtedness in excess of $100,000 in the aggregate (subject to certain carveouts, including $26,865 of non-recourse indebtedness that is currently in default), failure of certain members of management (or a reasonably satisfactory replacement) to continue to be active on a daily basis in our management and bankruptcy or other insolvency events.

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Debt Maturities

The following table shows the scheduled maturities of mortgages payable, notes payable, margin payable and the secured credit facility as of March 31, 2011 for the remainder of 2011, each of the next four years and thereafter and does not reflect the impact of any debt activity that occurred after March 31, 2011:

	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value
Maturing debt(1):								
Fixed rate debt:								
Mortgages payable(2)	$ 392,685	$ 415,050	$ 310,124	$ 224,049	$ 471,450	$ 1,254,865	$ 3,068,223	$ 3,225,993
Notes payable			13,900			125,000	138,900	151,519
Total fixed rate debt	$ 392,685	$ 415,050	$ 324,024	$ 224,049	$ 471,450	$ 1,379,865	$ 3,207,123	$ 3,377,512
Variable rate debt:								
Mortgages payable	$ 5,821	$ 88,222	$	$	$	$	$ 94,043	$ 94,043
Secured credit facility			370,000				370,000	370,000
Margin payable	9,361						9,361	9,361
Total variable rate debt	15,182	88,222	370,000				473,404	473,404
Total maturing debt	$ 407,867	$ 503,272	$ 694,024	$ 224,049	$ 471,450	$ 1,379,865	$ 3,680,527	$ 3,850,916
Weighted average interest rate on debt:								
Fixed rate debt	5.69%	5.45%	5.55%	7.13%	5.78%	7.20%		
Variable rate debt	2.48%	3.99%	4.31%					
Total	5.57%	5.20%	4.89%	7.13%	5.78%	7.20%		

(1) The debt maturity table does not include any premiums or discounts, of which $16,925 and $(2,375), net of accumulated amortization, respectively, is outstanding as of March 31, 2011.
(2) Includes $67,504 of variable rate debt that was swapped to a fixed rate.

The maturity table excludes other financings and the co-venture obligation (see Note 1 to the condensed consolidated financial statements and Notes 1 and 10 to the consolidated financial statements). The maturity table also excludes accelerated principal payments that may be required as a result of covenants or conditions included in certain loan agreements due to the uncertainty in the timing and amount of these payments. In these cases, the total outstanding mortgage payable is included in the year corresponding to the loan maturity date or, if the mortgage payable is amortizing, the payments are presented in accordance with the loan s original amortization schedule. As of March 31, 2011, we were making accelerated principal payments on three mortgages payable with a combined outstanding principal balance of $111,008, which are reflected in the year corresponding to the loan maturity date.

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As of March 31, 2011, we had $72,957 of mortgages payable that had matured and had not been repaid or refinanced. As of March 31, 2011, in addition to the $72,957 that had matured, we had $306,339 of mortgages payable, excluding principal amortization, maturing in the remainder of 2011. The following table sets forth our progress through July 18, 2011 in addressing 2011 maturities:

	Matured as of March 31, 2011	Maturing in Remainder of 2011
Repaid or received debt forgiveness and added the underlying property as collateral to the senior secured credit facility	$ 30,765	$ 99,465
Other repayments	9,711	8,980
Total addressed subsequent to March 31, 2011	40,476	108,445
Expected to be repaid and the underlying property will be added as collateral to the senior secured credit facility in 2011		95,789
Actively marketing to sell or refinance related properties, or otherwise negotiating with lender	32,481(1)	102,105(2)
	$ 72,957	$ 306,339

(1) We have attempted to negotiate and have made offers to the lender with respect to a $26,865 mortgage loan outstanding at March 31, 2011 to determine an appropriate course of action under the non-recourse loan agreement. No assurance can be provided that these negotiations will result in favorable outcomes for us. The lender has asserted that certain events have occurred that trigger recourse to us; however, we believe that we have substantive defenses with respect to those claims.

(2) Subsequent to March 31, 2011, two additional mortgages payable with a combined outstanding principal balance of $31,064 had matured. During the second quarter of 2011, we ceased making the monthly debt service payment on one of these non-recourse mortgages payable with an outstanding principal balance of $4,520.

We continue to pursue opportunities with the nation s largest banks, life insurance companies, regional and local banks, and believe we have demonstrated reasonable success in addressing our maturing debt.

Distributions and Equity Transactions

Our distributions of current and accumulated earnings and profits for federal income tax purposes are generally taxable to shareholders as ordinary income. Distributions in excess of these earnings and profits generally are treated as a non-taxable reduction of the shareholders basis in their shares to the extent thereof (a return of capital) and thereafter as taxable gain. We intend to continue to qualify as a REIT for U.S. federal income tax purposes. The Code generally requires that a REIT distribute annually at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain, in order to qualify as a REIT, and the Code generally taxes a REIT on any retained income.

To satisfy the requirements for qualification as a REIT and generally not be subject to U.S. federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income to holders of our common stock out of assets legally available for such purposes. Our future distributions will be at the sole discretion of our board of directors. When determining the amount of future distributions, we expect that our board of directors will consider, among other factors, (i) the amount of cash generated from our operating activities, (ii) our expectations of future cash flows, (iii) our determination of near-term cash needs for debt repayments, existing or future share repurchases, and selective acquisitions of new properties, (iv) the timing of significant re-leasing activities and the establishment of additional cash reserves for anticipated tenant improvements and general property capital improvements, (v) our ability to continue to access additional sources

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of capital, (vi) the amount required to be distributed to maintain our status as a REIT and to reduce any income and excise taxes that we otherwise would be required to pay and (vii) any limitations on our distributions contained in our credit or other agreements, including, without limitation, in our senior secured revolving line of credit and secured term loan, which limit our distributions to the greater of 95% of FFO as defined in the credit agreement (which equals FFO, as set forth in Management s Discussion and Analysis of Financial Condition and Results of Operations Funds from Operations, excluding gains or losses from extraordinary items, impairments and other non-cash charges) or the amount necessary for us to maintain our qualification as a REIT.

As part of the strengthening of our balance sheet over the past few years, we have reduced the rate of our distributions to shareholders as compared to distribution rates from a few years ago. However, we have steadily increased the quarterly distribution rate and the distribution declared for the first quarter of 2011 represents the sixth consecutive quarterly increase. The following table sets forth the amount of our distributions declared during the three months ended March 31, 2011 and 2010 and for the years ended December 31, 2010, 2009 and 2008 compared to cash flows provided by operating activities for each of these periods:

	Three Months Ended March 31,		Year Ended December 31,		
	2011	2010	2010	2009	2008
Cash flows provided by operating activities	$ 31,855	$ 38,615	$ 184,072	$ 249,837	$ 309,351
Distributions declared	28,433	21,109	94,579	75,040	308,798
Excess	$ 3,422	$ 17,506	$ 89,493	$ 174,797	$ 553

Effective November 19, 2008, the board of directors voted to suspend our share repurchase program. Upon completion of this offering our share repurchase program will be terminated as our shares of Class A Common Stock will be listed on the NYSE.

We maintain a distribution reinvestment program, or DRP, which allows our shareholders who have purchased shares in our offerings to automatically reinvest distributions by purchasing additional shares from us. Such purchases under our DRP are not subject to brokerage commission fees or service charges. As of March 31, 2011, we had issued approximately 72,206 shares pursuant to the DRP for an aggregate amount of $685,934. During the three months ended March 31, 2011, we received $10,431 in investor proceeds through our DRP.

Capital Expenditures and Development Joint Venture Activity

We anticipate that capital demands to meet obligations related to capital improvements with respect to properties will be minimal for the foreseeable future (as many of our properties have recently been constructed or renovated) and can be met with funds from operations and working capital.

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The following table provides summary information regarding our consolidated and unconsolidated properties under development as of March 31, 2011. As of March 31, 2011, we did not have significant active construction ongoing at our development properties, and, currently, we only intend to develop the remaining estimated total GLA to the extent that we have pre-leased the space to be developed. If we were to pre-lease all of the remaining estimated GLA, we estimate that the total remaining costs to complete the development of this space would be $55,754, which we expect to fund through construction loans and proceeds of potential sales of our Bellevue Mall and South Billings Center development properties. As of March 31, 2011, the annualized base rent from the portion of our development properties with respect to which construction has been completed was $5,689.

Development Properties/Location	Estimated Stabilization Date(1)	Percent Owned	Current GLA(2)	Percent Leased(3)(4)	Estimated Total GLA(3)	Carrying Value(5)	Construction Loan Balance
Consolidated:							
Lake Mead Crossing/ Henderson, NV(9)	2013	25.0%	407,962	77.9%	669,201	$ 81,167	$ 48,949
Green Valley Crossing/ Henderson, NV	2014	50.0%	179,070	82.2%	272,445	25,053	11,350
Wheatland Towne Crossing/ Dallas, TX(9)	2014	75.0%	162,120	100.0%	391,725	14,838	5,730
Parkway Towne Crossing/ Frisco, TX(9)	2013	75.0%	345,239	80.6%	376,639	25,977	20,809
Bellevue Mall/ Nashville, TN(6)		100.0%				26,448	
South Billings Center/ Billings, MT(6)		44.5%	215,000	100.0%	215,000	5,072	
Unconsolidated:							
Hampton Retail Colorado/ Denver, CO(7)(8)	2013	95.8%	93,216		93,216	5,381	4,031
Total			1,402,607	79.9%	2,018,226	$ 183,936	$ 90,869

(1) Estimated stabilization date represents the date by which we currently estimate that leases with respect to 90% of the estimated total GLA will have commenced.
(2) Represents GLA with respect to which construction had been completed as of March 31, 2011.
(3) Includes space developed for shadow anchors.
(4) Represents the percentage of current GLA with respect to which leases had commenced as of March 31, 2011.
(5) Represents the carrying value of each property as of March 31, 2011, which was the total investment less accumulated depreciation through March 31, 2011.
(6) South Billings Center is entitled for an estimated total GLA of 404,800 square feet and Bellevue Mall is entitled for an estimated total GLA of 1,015,000 square feet. Currently, we have no plans to continue to develop these properties. We have entered into an agreement to sell our Bellevue Mall development property for an aggregate purchase price of $27.0 million. Subsequent to March 31, 2011, the agreement to sell our Bellevue Mall development property expired without the closing of the sale.
(7) Represents the carrying value of the two properties under development held by the joint venture, which was the total investment less accumulated depreciation through March 31, 2011. There is an additional $18.2 million of carrying value related to four operational properties held by the joint venture.
(8) The construction loan balance is only the portion related to two properties under development held by the joint venture. There is an additional $16.4 million construction loan related to four operational properties held by the joint venture.
(9) Subsequent to March 31, 2011, we closed on the dissolution of a partnership with a partner in three of our development joint ventures, which resulted in us acquiring a 100% ownership interest in Parkway Towne Crossing, a 100% ownership interest in three fully-occupied outlots at Wheatland Towne Crossing, and a 50% ownership interest in Lake Mead Crossing. The remaining property (excluding the three outlots) of Wheatland Towne Crossing was conveyed to our partner and our partner simultaneously repaid the related $5,730 construction loan. Concurrently with this transaction, we also acquired a 36.7% ownership interest in Lake Mead Crossing from another partner in that joint venture, increasing our total ownership interest in the property to 86.7%.

Asset Disposition and Operating Joint Venture Activity

During the three months ended March 31, 2011 and for the years ended December 31, 2010 and 2009 our asset sales and partial sales of assets to operating joint ventures were an integral factor in our deleveraging and recapitalization efforts. The following table highlights the results of our asset dispositions during the three months ended March 31, 2011, and for the years ended December 31, 2010 and 2009:

	Number of Assets Sold	Square Footage	Combined Sales Price	Total Debt Extinguished	Net Sales Proceeds
2011 Dispositions (through March 31, 2011)	2	271,600	$ 22,814	$	$ 22,493
2010 Dispositions	8	894,500	$ 104,635	$ 106,791	$ 21,024

2009 Dispositions	8	1,579,000	$ 338,057	$ 208,552	$ 123,944

Statement of Cash Flows Comparison for the Three Months Ended March 31, 2011 and 2010

Cash Flows from Operating Activities

Cash flows provided by operating activities were $31,855 and $38,615 for the three months ended March 31, 2011 and 2010, respectively, which consists primarily of net income from property operations, adjusted for non-cash charges for depreciation and amortization, provision for impairment of investment

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properties and marketable securities and gain on extinguishment of debt. The $6,760 decrease in operating cash flows is primarily attributable to an accrual of $4,000 related to a litigation matter that was recorded during the three months ended March 31, 2010, which increased operating cash flows for that period, a decrease in NOI of $1,961, a decrease in dividends received of $671 and an increase in leasing fees paid of $705.

Cash Flows from Investing Activities

Cash flows provided by (used in) investing activities were $15,234 and $(14,892), respectively, for the three months ended March 31, 2011 and 2010. Of these amounts, $5,430 and $22,012, respectively, represent restricted escrow activity. Those amounts were used to fund restricted escrow accounts, some of which are required under certain new mortgage debt arrangements. In addition, $6,056 and $2,206, respectively, were used for capital expenditures and tenant improvements and $996 and $615, respectively, were used for existing developments projects. During the three months ended March 31, 2011 and 2010, we sold certain properties, received condemnation proceeds and received earnout proceeds which resulted in sales proceeds of $28,335 and $10,561, respectively. In addition, during the three months ended March 31, 2011 and 2010, we received proceeds from sales of marketable securities of none and $911, respectively.

We will continue to execute our strategy to dispose of select non-retail properties and free standing, triple-net retail and other properties on an opportunistic basis; however it is uncertain given current market conditions when and whether we will be successful in disposing of these assets and whether such sales could recover our original cost. Additionally, tenant improvement costs associated with re-leasing vacant space could continue to be significant.

Cash Flows from Financing Activities

Cash flows used in financing activities were $80,278 and $19,438, respectively, for three months ended March 31, 2011 and 2010. We used $61,450 and $20,927, respectively, related to the net activity from proceeds from our secured credit facility, new mortgages secured by our properties, other financings, the co-venture arrangement, principal payments, payoffs and the payment and refund of fees and deposits. During the three months ended March 31, 2011 and 2010, we also (used)/generated $(656) and $10,886, respectively, through the net borrowing of margin debt. We paid $16,420 and $9,389, respectively, in distributions, net of distributions reinvested through DRP, to our shareholders for the three months ended March 31, 2011 and 2010.

We have addressed a significant amount of mortgage debt exposure over the past two years and with our focus on leasing activity to increase occupancy and rental income, we believe that we will be able to meet our short-term and long-term cash requirements.

Statement of Cash Flows Comparison for the Years Ended December 31, 2010, 2009 and 2008

Cash Flows from Operating Activities

Cash flows provided by operating activities were $184,072, $249,837 and $309,351 for the years ended December 31, 2010, 2009 and 2008, respectively, which consists primarily of net income from property operations, adjusted for non-cash charges for depreciation and amortization, provision for impairment of investment properties and marketable securities and gain on extinguishment of debt. The decrease in operating cash flows comparing 2010 to 2009 of $65,765 is primarily attributable to an increase in interest paid of $26,003 which resulted, in part, from our refinancing efforts, a decrease in dividends received of $8,607, net cash paid in conjunction with the litigation matter settlement of $8,006, an increase in the cash portion of co-venture obligation expense of $5,584 and an increase in leasing fees paid of $1,124. We have addressed a significant amount of mortgage debt exposure over the past two years and with our focus on leasing activity to increase occupancy and rental income, we believe that we will be able to meet our short-term and long-term cash requirements.

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Cash Flows from Investing Activities

Cash flows provided by (used in) investing activities were $154,400, $193,706 and $(178,555), respectively, for the years ended December 31, 2010, 2009 and 2008. Of these amounts, $(22,967), $(38,680) and $46,966, respectively, represent restricted escrow activity. During 2010 and 2009, those amounts were used to fund restricted escrow accounts, some of which are required under certain new mortgage debt arrangements. In addition, $35,198, $40,778 and $132,233, respectively, were used for acquisition of new properties, earnouts at existing properties, capital expenditures and tenant improvements and $3,219, $15,297 and $73,137, respectively, were used for existing developments projects. During each of the years ended December 31, 2010 and 2009, we sold eight properties, which resulted in sales proceeds of $96,059 and $172,007, respectively. During the year ended December 31, 2010, we partially sold eight properties to an unconsolidated joint venture, which resulted in proceeds of $48,616. There were no sales executed during 2008. In addition, during the years ended December 31, 2010, 2009 and 2008, we purchased marketable securities of none, $190 and $28,433, respectively, and received proceeds from sales of marketable securities of $8,629, $125,088 and $34,789, respectively.

We will continue to execute our strategy to dispose of select non-retail properties and free standing, triple-net retail and other properties on an opportunistic basis; however it is uncertain given current market conditions when and whether we will be successful in disposing of these assets and whether such sales could recover our original cost. Additionally, tenant improvement costs associated with re-leasing vacant space could continue to be significant.

Cash Flows from Financing Activities

Cash flows used in financing activities were $321,747, $438,806 and $126,989, respectively, for years ended December 31, 2010, 2009 and 2008. We (used)/generated $(280,668), $(333,423) and $306,459, respectively, related to the net activity from proceeds from new mortgages secured by our properties, the secured line of credit, other financings, the co-venture arrangement, principal payments, payoffs and the payment and refund of fees and deposits. During the years ended December 31, 2010, 2009 and 2008, we also generated/(used) $10,017, $(56,340) and $(51,700), respectively, through the net borrowing of margin debt. We paid $50,654, $47,651 and $155,592, respectively, in distributions, net of distributions reinvested through DRP, to our shareholders for the years ended December 31, 2010, 2009 and 2008.

Consolidated Indebtedness to be Outstanding After This Offering

Upon completion of this offering, we expect to have approximately $ million of total consolidated indebtedness, based on historical information as of March 31, 2011 as adjusted to give effect to (i) additional amounts drawn through July 5, 2011 under our senior secured revolving line of credit (no additional amounts were drawn through July 18, 2011) and (ii) this offering and the use of the net proceeds from this offering as set forth in Use of Proceeds, or, as adjusted. This indebtedness will be comprised of mortgage loans secured by of our properties, notes payable and amounts outstanding under our senior secured revolving line of credit and secured term loan.

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The following table summarizes our consolidated indebtedness as of March 31, 2011 on an as adjusted basis:

Debt	Aggregate Principal Amount as of March 31, 2011	Weighted Average Interest Rate	Years to Maturity/ Weighted Average Years to Maturity
Mortgages payable	$		
IW JV mortgages payable			
IW JV senior mezzanine note			
IW JV junior mezzanine note			
Construction loans			
Mezzanine note			
Margin payable			
Mortgages and notes payable			
Secured credit facility			
Total consolidated indebtedness	$		

The following table presents our obligations and commitments to make future payments under debt obligations and lease agreements as of March 31, 2011 for the remainder of 2011, each of the next four years and thereafter on an as adjusted basis:

	Year Ended December 31,						
	2011	2012	2013	2014	2015	Thereafter	Total
Long-term debt							
Fixed rate	$	$	$	$	$	$	$
Variable rate							
Interest							
Operating lease obligations							
Purchase obligations							

Off-Balance-Sheet Arrangements

Effective April 27, 2007, we formed a strategic joint venture with a large state pension fund, or MS Inland. Under the joint venture agreement we contributed 20% of the equity and our joint venture partner contributed 80% of the equity. As of March 31, 2011, the joint venture had acquired seven properties, which we contributed, with a purchase price of approximately $336,000 and had assumed from us mortgages on these properties totaling approximately $188,000 at the time of assumption.

On May 20, 2010, we entered into definitive agreements to form our RioCan joint venture. As of March 31, 2011, our RioCan joint venture had acquired eight properties from us, all of which were acquired in 2010, for a purchase price of $159,442, and had assumed from us mortgages payable on these properties totaling approximately $97,888. We had a 20% equity interest in our RioCan joint venture as of March 31, 2011.

In addition, we have entered into the two other unconsolidated joint ventures that are described in Note 10 to the condensed consolidated financial statements and Note 11 to the consolidated financial statements.

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The table below summarizes the outstanding debt of our unconsolidated joint ventures at March 31, 2011, none of which has been guaranteed by us:

Joint Venture	Ownership Interest	Aggregate Principal Amount	Weighted Average Interest Rate	Years to Maturity/Weighted Average Years to Maturity
RioCan[1]	20.0%	$ 98,093	5.57%	3.0 years
MS Inland[2]	20.0%	$ 177,131	5.29%	3.0 years
Hampton Retail Colorado[3]	95.8%	$ 20,398	5.40%	3.4 years

(1) Aggregate principal amount excludes mortgage premiums of $1,877 and discounts of $54, net of accumulated amortization.
(2) Aggregate principal amount excludes mortgage premiums of $44 and discounts of $342, net of accumulated amortization.
(3) The weighted average interest rate increases to 6.15% on September 1, 2012 and to 6.90% on September 1, 2013. Aggregate principal amount excludes mortgage premiums of $4,166, net of accumulated amortization.

Other than described above, we have no off-balance-sheet arrangements as of March 31, 2011 that are reasonably likely to have a current or future material effect on our financial condition, results of operations and cash flows.

Contractual Obligations

The table below presents our obligations and commitments to make future payments under debt obligations and lease agreements as of March 31, 2011.

	Payment due by period				
	Less than 1 year[2]	1-3 years[3]	3-5 years	More than 5 years	Total
Long-term debt[1]					
Fixed rate	$ 392,685	$ 739,074	$ 695,499	$ 1,379,865	$ 3,207,123
Variable rate	15,182	458,222			473,404
Interest	160,735	350,872	260,945	546,397	1,318,949
Operating lease obligations[4]	4,691	12,875	13,277	552,237	583,080
Purchase obligations[5]	1,400				1,400
	$ 574,693	$ 1,561,043	$ 969,721	$ 2,478,499	$ 5,583,956

(1) The Contractual Obligations table does not include any premium or discounts of which $16,925 and $(2,375) net of accumulated amortization, respectively, is outstanding as of March 31, 2011. The table also excludes accelerated principal payments that may be required as a result of conditions included in certain loan agreements and other financings and co-venture obligations, as described in Note 1 to the condensed consolidated financial statements, as we are unable to determine the exact timing and amount of future payments. Interest payments related to the variable rate debt were calculated using the corresponding interest rates as of March 31, 2011.
(2) Reflects payments under debt obligations and lease agreements as of March 31, 2011, for year ended December 31, 2011. Included in the variable rate debt is $9,361 of margin debt secured by our portfolio of marketable securities. These borrowings may be repaid over time upon sale of our portfolio of marketable securities. The remaining borrowings outstanding through December 31, 2011 include amortization and maturities of mortgages and notes payable. This includes 23 mortgage loans and one construction loan that mature in 2011. The mortgages payable of $72,957 that had matured as of March 31, 2011 are also included in these amounts. Mortgage loans are intended to be refinanced or paid off in 2011 using a combination of proceeds raised from expected asset sales, retained capital as a result of the suspension of the share repurchase program, and proceeds from our secured credit facility, which was amended in February 2011 (See Note 9 to the consolidated financial statements). The construction loans will be extended, paid off at the time of sale of the property, or converted to permanent financing upon completion.

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(3) Included in the variable rate debt is $370,000 of borrowings under our secured credit facility due in 2013.
(4) We lease land under non-cancelable leases at certain of the properties expiring in various years from 2018 to 2105. The property attached to the land will revert back to the lessor at the end of the lease. We lease office space under non-cancellable leases expiring in various years from 2011 to 2014.
(5) Purchase obligations include earnouts on previously acquired properties.

Contracts and Commitments

We have acquired certain properties which have earnout components, meaning that we did not pay for portions of these properties that were not rent producing at the time of acquisition. We are obligated, under these agreements, to pay for those portions, as additional purchase price, when a tenant moves into its space and begins to pay rent. The earnout payments are based on a predetermined formula. Each earnout agreement has a time limit regarding the obligation to pay any additional monies. The time limits generally range from one to three years. If, at the end of the time period allowed, certain space has not been leased and occupied, generally, we will own that space without any further payment obligation. As of March 31, 2011, we may pay as much as $1,400 in the future if retail space covered by earnout agreements is leased.

We have previously entered into one construction loan agreement, one secured installment note and one other installment note agreement, one of which was impaired as of December 31, 2009 and written off on March 31, 2010. In conjunction with the two remaining note agreements, we have funded our total commitments of $8,680. The combined receivable balance at both March 31, 2011 and December 31, 2010 was $8,290 net of allowances of $300.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. For example, significant estimates and assumptions have been made with respect to useful lives of assets; capitalization of development and leasing costs; fair value measurements; provision for impairment, including estimates of holding periods, capitalization rates, and discount rates (where applicable); provision for income taxes; recoverable amounts of receivables; deferred taxes and initial valuations and related amortization periods of deferred costs and intangibles, particularly with respect to property acquisitions. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

Critical Accounting Policies and Estimates

The following disclosure pertains to accounting policies and estimates we believe are most critical to the portrayal of our financial condition and results of operations which require our most difficult, subjective or complex judgments. These judgments often result from the need to make estimates about the effect of matters that are inherently uncertain. GAAP requires information in financial statements about accounting principles, methods used and disclosures pertaining to significant estimates. This discussion addresses our judgment pertaining to trends, events or uncertainties known which were taken into consideration upon the application of those policies and the likelihood that materially different amounts would be reported upon taking into consideration different conditions and assumptions.

Acquisition of Investment Property

We allocate the purchase price of each acquired investment property between the estimated fair values of land, building and improvements, acquired above market and below market lease intangibles, in-place lease

value, any assumed financing that is determined to be above or below market, and the value of customer relationships, if any, and goodwill, if determined to meet the definition of a business under the guidance. The allocation of the purchase price is an area that requires judgment and significant estimates. Beginning in 2009, transaction costs associated with any acquisitions are expensed as incurred. In some circumstances, we engage independent real estate appraisal firms to provide market information and evaluations that help support our purchase price allocations; however, we are ultimately responsible for the purchase price allocations. We determine whether any financing assumed is above or below market based upon comparison to similar financing terms at the time of acquisition for similar investment properties. We allocate a portion of the purchase price to the estimated, acquired in-place lease value based on estimated lease execution costs for similar leases, as well as, lost rental payments during an assumed lease-up period when calculating as-if-vacant fair values. We consider various factors including geographic location and size of the leased space. We also evaluate each significant acquired lease based upon current market rates at the acquisition date and consider various factors, including geographical location, size and location of the leased space within the investment property, tenant profile, and the credit risk of the tenant in determining whether the acquired lease is above or below market. If an acquired lease is determined to be above or below market, we allocate a portion of the purchase price to such above or below market leases based upon the present value of the difference between the contractual lease rate and the estimated market rate. For below market leases with fixed rate renewals, renewal periods are included in the calculation of below market lease values. The determination of the discount rate used in the present value calculation is based upon a risk adjusted rate. This discount rate is a significant factor in determining the market valuation which requires our evaluation of subjective factors such as market knowledge, economics, demographics, location, visibility, age and physical condition of the property.

Impairment of Long-Lived Assets

Our investment properties, including developments in progress, are reviewed for potential impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment indicators are assessed separately for each property and include, but are not limited to, the property s low occupancy rate, difficulty in leasing space and financially troubled tenants. Impairment indicators for developments in progress are assessed by project and include, but are not limited to, significant changes in project completion dates, development costs and market factors.

If an indicator of potential impairment exists, the asset would be tested for recoverability by comparing its carrying value to the estimated future undiscounted operating cash flows, which is based upon many factors which require us to make difficult, complex or subjective judgments. Such assumptions include, but are not limited to, projecting vacancy rates, rental rates, operating expenses, lease terms, tenant financial strength, economic factors, demographics, property location, capital expenditures, holding period, capitalization rates and sales value. An investment property is considered to be impaired when the estimated future undiscounted operating cash flows are less than its carrying value.

Our investments in unconsolidated joint ventures are reviewed for potential impairment, in addition to impairment evaluations of the individual assets underlying these investments, whenever events or changes in circumstances warrant such an evaluation. To determine whether impairment is other-than-temporary, we consider whether we have the ability and intent to hold the investment until the carrying value is fully recovered.

To the extent an impairment has occurred, the excess of the carrying value of the asset over its estimated fair value is recorded as a provision for impairment.

Cost Capitalization, Depreciation and Amortization Policies

Our policy is to review all expenses paid and capitalize any items which are deemed to be an upgrade or a tenant improvement. These costs are included in the investment properties classification as an addition to buildings and improvements.

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Depreciation expense is computed using the straight-line method. Buildings and improvements are depreciated based upon estimated useful lives of 30 years for buildings and associated improvements and 15 years for site improvements and most other capital improvements. Acquired in-place lease value, customer relationship value, if any, other leasing costs and tenant improvements are amortized on a straight-line basis over the life of the related lease as a component of depreciation and amortization expense. The portion of the purchase price allocated to acquired above market lease intangibles and acquired below market lease intangibles are amortized on a straight-line basis over the life of the related lease as an adjustment to net rental income and over the respective renewal period for below market leases with fixed renewal rates. Renewal periods are excluded for amortization periods on above market lease intangibles.

Loss on Lease Terminations

In situations in which a lease or leases associated with a significant tenant have been or are expected to be terminated early, we evaluate the remaining useful lives of depreciable or amortizable assets in the asset group related to the lease that will be terminated (i.e., tenant improvements, above and below market lease intangibles, in-place lease intangibles, and leasing commissions). Based upon consideration of the facts and circumstances of the termination, we may write-off or accelerate the depreciation and amortization associated with the applicable asset group. If we conclude that a write-off of the asset group is appropriate, such charges are reported in the consolidated statements of operations and other comprehensive loss as Loss on lease terminations.

Investment Properties Held For Sale

In determining whether to classify an investment property as held for sale, we consider whether: (i) management has committed to a plan to sell the investment property; (ii) the investment property is available for immediate sale in its present condition; (iii) we have initiated a program to locate a buyer; (iv) we believe that the sale of the investment property is probable; (v) we have received a significant non-refundable deposit for the purchase of the investment property; (vi) we are actively marketing the investment property for sale at a price that is reasonable in relation to its current value, and (vii) actions required for us to complete the plan indicate that it is unlikely that any significant changes will be made.

If all of the above criteria are met, we classify the investment property as held for sale. When these criteria are met, we suspend depreciation (including depreciation for tenant improvements and building improvements) and amortization of acquired in-place lease value and we record the investment property held for sale at the lower of cost or net realizable value. The assets and liabilities associated with those investment properties that are held for sale are classified separately on the consolidated balance sheets for the most recent reporting period. Additionally, if the operations and cash flows of the property have been eliminated from ongoing operations and we don t have significant continuing involvement in the operations of the property, then the operations for the periods presented are classified on the consolidated statements of operations and other comprehensive loss as discontinued operations for all periods presented.

Partially-Owned Entities

If we determine that we are an owner in a variable interest entity (VIE) and we hold a controlling financial interest, then we will consolidate the entity as the primary beneficiary. For partially-owned entities determined not to be a VIE, we analyze rights held by each partner to determine which would be the consolidating party. We generally consolidate entities (in the absence of other factors when determining control) when we have over a 50% ownership interest in the entity. We assess our interests in variable interest entities on an ongoing basis to determine whether or not we are a primary beneficiary. However, we also evaluate who controls the entity even in circumstances in which we have greater than a 50% ownership interest. If we do not control the entity due to the lack of decision-making abilities, we will not consolidate the entity.

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Marketable Securities

Investments in marketable securities are classified as available for sale and accordingly are carried at fair value, with unrealized gains and losses reported as a separate component of shareholders equity. Declines in the value of these investments in marketable securities that management determines are other-than-temporary are recorded as recognized gain (loss) on marketable securities on the consolidated statement of operations and other comprehensive loss.

To determine whether an impairment is other-than-temporary, we consider whether we have the ability and intent to hold the investment until a market price recovery and consider whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary, amongst other things. Evidence considered in this assessment includes the nature of the investment, the reasons for the impairment (i.e. credit or market related), the severity and duration of the impairment, changes in value subsequent to the end of the reporting period and forecasted performance of the investee. All available information is considered in making this determination with no one factor being determinative.

Allowance for Doubtful Accounts

We periodically evaluate the collectability of amounts due from tenants and maintain an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under their lease agreements. We also maintain an allowance for receivables arising from the straight-lining of rents. This receivable arises from revenue recognized in excess of amounts currently due under the lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates.

Derivative and Hedging Activities

We adopted accounting guidance as of January 1, 2009 which amends and expands the disclosure requirements related to derivative instruments and hedging activities with the intent to provide users of financial statements with an enhanced understanding of (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for, and (c) how derivative instruments and the related hedged items affect an entity s financial position, financial performance and cash flows. The guidance requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit risk related contingent features in derivative instruments.

All derivatives are recorded on the consolidated balance sheets at their fair values within Other assets, or Other liabilities. On the date that we enter into a derivative, we may designate the derivative as a hedge against the variability of cash flows that are to be paid in connection with a recognized liability. Subsequent changes in the fair value of a derivative designated as a cash flow hedge that is determined to be highly effective are recorded in other comprehensive loss until earnings are affected by the variability of cash flows of the hedged transactions. Any hedge ineffectiveness or changes in the fair value for any derivative not designated as a hedge is reported in net loss. We do not use derivatives for trading or speculative purposes**.**

Revenue Recognition

We commence revenue recognition on our leases based on a number of factors. In most cases, revenue recognition under a lease begins when the lessee takes possession of or controls the physical use of the leased asset. Generally, this occurs on the lease commencement date. The determination of who is the owner, for accounting purposes, of the tenant improvements determines the nature of the leased asset and when revenue recognition under a lease begins. If we are the owner, for accounting purposes, of the tenant improvements, then the leased asset is the finished space and revenue recognition begins when the lessee takes possession of the finished space, typically when the improvements are substantially complete. If we conclude we are not the owner, for accounting purposes, of the tenant improvements (the lessee is the owner), then the leased asset is the

unimproved space and any tenant improvement allowances funded under the lease are treated as lease incentives which reduce revenue recognized over the term of the lease. In these circumstances, we begin revenue recognition when the lessee takes possession of the unimproved space for the lessee to construct their own improvements. We consider a number of different factors to evaluate whether we or the lessee are the owner of the tenant improvements for accounting purposes. These factors include:

- whether the lease stipulates how and on what a tenant improvement allowance may be spent;
- whether the tenant or landlord retains legal title to the improvements;
- the uniqueness of the improvements;
- the expected economic life of the tenant improvements relative to the length of the lease;
- who constructs or directs the construction of the improvements, and
- whether the tenant or landlord is obligated to fund cost overruns.

The determination of who owns the tenant improvements, for accounting purposes, is subject to significant judgment. In making that determination, we consider all of the above factors. No one factor, however, necessarily establishes its determination.

Rental income is recognized on a straight-line basis over the term of each lease. The difference between rental income earned on a straight-line basis and the cash rent due under the provisions of the lease is recorded as deferred rent receivable and is included as a component of Accounts and notes receivable in the consolidated balance sheets.

Reimbursements from tenants for recoverable real estate taxes and operating expenses are accrued as revenue in the period the applicable expenditures are incurred. We make certain assumptions and judgments in estimating the reimbursements at the end of each reporting period.

We record lease termination income if there is a signed termination letter agreement, all of the conditions of the agreement have been met, the tenant is no longer occupying the property and collectibility is reasonably assured. Upon early lease termination, we provide for losses related to recognized tenant specific intangibles and other assets or adjust the remaining useful life of the assets if determined to be appropriate.

Our policy for percentage rental income is to defer recognition of contingent rental income (i.e. purchase/excess rent) until the specified target (i.e. breakpoint) that triggers the contingent rental income is achieved.

In conjunction with certain acquisitions, we receive payments under master lease agreements pertaining to certain non-revenue producing spaces either at the time of, or subsequent to, the purchase of these properties. Upon receipt of the payments, the receipts are recorded as a reduction in the purchase price of the related properties rather than as rental income. These master leases were established at the time of purchase in order to mitigate the potential negative effects of loss of rent and expense reimbursements. Master lease payments are received through a draw of funds escrowed at the time of purchase and generally cover a period from three months to three years. These funds may be released to either us or the seller when certain leasing conditions are met.

Profits from sales of real estate are not recognized under the full accrual method unless a sale is consummated; the buyer s initial and continuing investments are adequate to demonstrate a commitment to pay for the property; our receivable, if applicable, is not subject to future subordination; we have transferred to the buyer the usual risks and rewards of ownership, and we do not have substantial continuing involvement with the property.

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Impact of Recently Issued Accounting Pronouncements

Effective January 1, 2009, companies that decrease their ownership in a subsidiary that involves in-substance real estate should account for the transaction under the guidance for sales of real estate. The transfer of our 23% interest in IW JV to Inland Equity for $50,000 was accounted for as a financing transaction and is reflected in Co-venture obligation on our consolidated balance sheets.

Effective January 1, 2010, companies that issue a portion of their distributions to shareholders in stock should account for the stock portion that allows the shareholder to elect to receive cash or shares with potential limitation on the total amount of cash that all shareholders can elect to receive in the aggregate as a share issuance, which is to be reflected in earnings per share prospectively. This guidance did not have a material effect on our consolidated financial statements.

Effective January 1, 2010, the analysis for identifying the primary beneficiary of a VIE has been simplified by replacing the previous quantitative-based analysis with a framework that is based more on qualitative judgments. The analysis requires the primary beneficiary of a VIE to be identified as the party that both (a) has the power to direct the activities of a VIE that most significantly impact its economic performance and (b) has an obligation to absorb losses or a right to receive benefits that could potentially be significant to the VIE. Although the amendment significantly affects the overall consolidation analysis under previously issued guidance, the adoption on January 1, 2010 did not have a material impact on the consolidated financial statements.

Effective January 1, 2010, companies are required to separately disclose the amounts of significant transfers of assets and liabilities into and out of Level 1, Level 2 and Level 3 of the fair value hierarchy and the reasons for those transfers. Companies must also develop and disclose their policy for determining when transfers between levels are recognized. In addition, companies are required to provide fair value disclosures for each class rather than each major category of assets and liabilities. For fair value measurements using significant other observable inputs (Level 2) or significant unobservable inputs (Level 3), companies are required to disclose the valuation technique and the inputs used in determining fair value for each class of assets and liabilities. This guidance did not have a material effect on our consolidated financial statements.

Effective January 1, 2011, companies will be required to separately disclose purchases, sales, issuances and settlements on a gross basis in the reconciliation of recurring Level 3 fair value measurements. We do not expect this will have a material effect on our consolidated financial statements.

Effective January 1, 2011, public companies that enter into a business combination will be required to disclose revenue and earnings of the combined entity as though the business combination that occurred during the current year had occurred as of the beginning of the comparable prior annual reporting period only. In addition, the supplemental pro forma disclosures will be expanded. If we enter into a business combination, we will comply with the disclosure requirements of this guidance.

Subsequent Events

During the period from April 1, 2011 through July 18, 2011 we:

- closed on one mortgage payable in the amount of $60,000 with a fixed interest rate of 4.54% and a 30-year term (callable in seven years) on an existing property, of which $55,000 was used to pay down the senior secured revolving line of credit; the Company s borrowing availability decreased by $68,900 with the release of this property from the collateral pool;

- drew an additional $105,000, net of repayments, on our revolving line of credit and used the proceeds to repay $164,954 of mortgages payable (net of $3,715 of debt forgiveness) that were secured by 12 properties and had a weighted average interest rate of 5.45%. These properties were added to the collateral pool, which increased our borrowing availability by $144,560;

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- made mortgage payable repayments of $180,395 and received forgiveness of debt of $3,715 (including the $164,954 of mortgage payable repayments and $3,715 of debt forgiveness presented in the preceding bullet). The stated interest rates of the loans repaid ranged from 4.44% to 7.50%;

- had two additional mortgages payable with a combined outstanding principal balance of $31,064 mature. We ceased making the monthly debt service payment on one of these non-recourse mortgages payable with an outstanding principal balance of $4,520;

- purchased an additional 76,035 square foot building at an existing property for a purchase price of $9,750. This additional partial property was added to the collateral pool for our senior secured credit facility, increasing the borrowing availability on the line of credit by $7,930 ;

- closed on the sales of two single-user industrial properties consisting of an aggregate of approximately 1,066,800 square feet, with the combined sales prices totaling $36,000, which resulted in net gains of $701 and net proceeds of $34,619;

- closed on the sale of one single-user retail property consisting of 110,174 square feet, with a sales price of $3,250, which resulted in a gain of $1,655, net cash outflow of $58, and repayment of debt of $3,250; and

- closed on the dissolution of a partnership with a partner in three development joint ventures resulting in us acquiring a 100% ownership interest in Parkway Towne Crossing, a 100% ownership interest in three fully occupied outlots at Wheatland Towne Crossing, and a 50% ownership interest in Lake Mead Crossing. This transaction also resulted in a net loss of $8,514 related to our conveyance of the remaining property (excluding the three outlots) of Wheatland Towne Crossing and the simultaneous repayment by our partner of the related $5,730 construction loan. Concurrently, we also acquired a 36.7% ownership interest in Lake Mead Crossing from another partner in the joint venture, increasing our total ownership interest in the property to 86.7%.

On April 12, 2011, our board of directors granted an aggregate of 34 common shares to our executive officers under the Equity Compensation Plan in connection with the executive bonus program. Of the total 34 shares, 17 will vest after three years and 17 will vest after five years.

On May 20, 2011, our RioCan joint venture acquired a 124,941 square foot shopping center in Texas for a purchase price of $21,239.

On June 17, 2011, we entered into a closing agreement with the Commissioner of the IRS, or the Commissioner, whereby the Commissioner agreed that the terms and administration of our DRP did not result in our dividends paid during the taxable years 2004 through 2006 being treated as preferential dividends. As previously disclosed, we had sought to obtain this closing agreement as a result of certain aspects of the operation of our DRP that may have violated the prohibition against preferential dividends and could have resulted in the Commissioner determining that our dividends paid from January 2004 through April 2006 did not qualify for the dividends paid deduction. If none of the dividends that we paid prior to May 2006 qualified for the dividends paid deduction, we would not have qualified as a REIT beginning with our 2004 taxable year and, as a result, would have had a substantial corporate tax liability for the years in which we did not qualify as a REIT. In order to obtain this closing agreement, our former sponsor, which is an affiliate of The Inland Group, Inc., was required to pay a fee of approximately $70, including interest, to the Commissioner. We incurred no liability in connection with the closing agreement.

On July 1, 2011, our RioCan joint venture acquired a 107,626 square foot shopping center in Texas for a purchase price of $35,000.

Inflation

For our multi-tenant shopping centers, inflation is likely to increase rental income from leases to new tenants and lease renewals, subject to market conditions. Our rental income and operating expenses for those properties owned, or expected to be owned and operated under net leases, are not likely to be directly affected by

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future inflation, since rents are or will be fixed under those leases and property expenses are the responsibility of the tenants. The capital appreciation of single-user net lease properties is likely to be influenced by interest rate fluctuations. To the extent that inflation determines interest rates, future inflation may have an effect on the capital appreciation of single-user net lease properties. As of March 31, 2011, we owned 107 single-user properties, of which 91 are net lease properties.

Quantitative and Qualitative Disclosures About Market Risk

We may be exposed to interest rate changes primarily as a result of long-term debt used to maintain liquidity and fund capital expenditures and expansion of our real estate investment portfolio and operations. Our interest rate risk management objectives are to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs. To achieve our objectives we borrow primarily at fixed rates or variable rates with the lowest margins available and in some cases, with the ability to convert variable rates to fixed rates.

With regard to variable-rate financing, we assess interest rate cash flow risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. We maintain risk management control systems to monitor interest rate cash flow risk attributable to both of our outstanding or forecasted debt obligations as well as our potential offsetting hedge positions. The risk management control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on our future cash flows.

We may use additional derivative financial instruments to hedge exposures to changes in interest rates on loans secured by our properties. To the extent we do, we are exposed to credit risk and market risk. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, we generally are not exposed to the credit risk of the counterparty. It is our policy to enter into these transactions with the same party providing the financing, with the right of offset. Alternatively, we will minimize the credit risk in derivative instruments by entering into transactions with high-quality counterparties. Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates.

The carrying amount of our mortgages payable, notes payable, secured credit facility and co-venture obligation is approximately $159,283 lower than its estimated fair value as of March 31, 2011.

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Interest Rate Risk

Our interest rate risk is monitored using a variety of techniques. The table below presents, as of March 31, 2011, the scheduled maturities of mortgages payable, notes payable, margin payable and the secured credit facility and weighted average interest rates by year to evaluate the expected cash flows and sensitivity to interest rate changes, but does not reflect the impact of any debt activity that occurred after March 31, 2011.

	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value
Maturing debt(1):								
Fixed rate debt:								
Mortgages payable(2)	$ 392,685	$ 415,050	$ 310,124	$ 224,049	$ 471,450	$ 1,254,865	$ 3,068,223	$ 3,225,993
Notes payable			13,900			125,000	138,900	151,519
Total fixed rate debt	$ 392,685	$ 415,050	$ 324,024	$ 224,049	$ 471,450	$ 1,379,865	$ 3,207,123	$ 3,377,512
Variable rate debt:								
Mortgages payable	$ 5,821	$ 88,222	$	$	$	$	$ 94,043	$ 94,043
Secured credit facility			370,000				370,000	370,000
Margin payable	9,361						9,361	9,361
Total variable rate debt	15,182	88,222	370,000				473,404	473,404
Total maturing debt	$ 407,867	$ 503,272	$ 694,024	$ 224,049	$ 471,450	$ 1,379,865	$ 3,680,527	$ 3,850,916
Weighted average interest rate on debt:								
Fixed rate debt	5.69%	5.45%	5.55%	7.13%	5.78%	7.20%		
Variable rate debt	2.48%	3.99%	4.31%					
Total	5.57%	5.20%	4.89%	7.13%	5.78%	7.20%		

(1) The debt maturity table does not include any premiums or discounts, of which $16,925 and $(2,375), net of accumulated amortization, respectively, is outstanding as of March 31, 2011.

(2) Includes $67,504 of variable rate debt that was swapped to a fixed rate.

The maturity table excludes other financings and co-venture obligations (see Note 1 to the condensed consolidated financial statements and Notes 1 and 10 to the consolidated financial statements). The maturity table also excludes accelerated principal payments that may be required as a result of covenants or conditions included in certain loan agreements due to the uncertainty in the timing and amount of these payments. In these cases, the total outstanding mortgage payable is included in the year corresponding to the loan maturity date or, if the mortgage payable is amortizing, the payments are presented in accordance with the loan s original amortization schedule. As of March 31, 2011, we were making accelerated principal payments on three mortgages payable with a combined outstanding principal balance of $111,008, which are reflected in the year corresponding to the loan maturity date.

We had $473,404 of variable-rate debt, with interest rates varying based upon LIBOR, with a weighted average interest rate of 4.19% at March 31, 2011. An increase in the variable interest rate on this debt constitutes a market risk. If interest rates increase by 1%, based on debt outstanding as of March 31, 2011, interest expense would increase by approximately $4,734 on an annualized basis.

The table incorporates only those interest rate exposures that existed as of March 31, 2011. It does not consider those interest rate exposures or positions that could arise after that date. The information presented herein is merely an estimate and has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on the interest rate exposures that arise during the period, our hedging strategies at that time and future changes in the level of interest rates.

Equity Price Risk

We are exposed to equity price risk as a result of our investments in marketable securities. Equity price risk changes as the volatility of equity prices changes or the values of corresponding equity indices change.

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Other-than-temporary impairments were $24,831 and $160,327 for the years ended December 31, 2009 and 2008, respectively. The Company did not recognize other-than-temporary impairments for the three months ended March 31, 2011 or the year ended December 31, 2010. These impairments resulted from declines in the fair value of our REIT stock investments that we considered to be other-than-temporary. At this point in time, certain of our investments continue to generate dividend income while other investments of ours have ceased generating dividend income or are doing so at reduced rates. As the equity market has begun to recover, we have been able to sell some marketable securities at prices in excess of our current book values. However, if our stock positions do not continue to recover in 2011, we could take additional other-than-temporary impairments, which could be material to our operations.

As of March 31, 2011, our investment in marketable securities totaled $36,793, which included $24,669 of accumulated unrealized gain. In the event that the value of our marketable securities declined by 50%, our investment would be reduced to $18,397 and, if we then sold all of our marketable securities at this value, we would recognize a gain on marketable securities of $6,272. For the three months ended March 31, 2011, our cash flows from operating activities included $671 that we received as distributions on our marketable securities. We could lose some or all of these cash flows if these distributions were reduced or eliminated in the future. Because all of our marketable securities are equity securities, the issuers of these securities could determine to reduce or eliminate these distributions at any time in their discretion.

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INDUSTRY OVERVIEW

Unless otherwise indicated, all information contained in this Industry Overview section is derived from a market study prepared for us by Rosen as of February 11, 2011 and the projections and beliefs of Rosen stated herein are as of that date.

As employment and income growth accelerate, Rosen expects consumer confidence to increase accordingly, driving stronger retail sales growth of 2.3% and 3.8% in 2011 and 2012, respectively. Rosen believes that the recession caused a lasting shift in consumer behavior, providing a boost to value-oriented grocers, discount retailers and other retailers that provide basic household goods or clothing. Therefore, Rosen expects sales at these grocers and retailers to remain strong going forward.

Economic Outlook

Since bottoming in December 2009, the economy has added more than 1.3 million jobs in the private sector. According to a January 2011 survey by the National Association for Business Economics, 42% of companies planned to increase their workforce during the first half of 2011, an increase from the January 2010 survey, when 29% of firms planned to increase their workforce during the first half of 2010. Also, the percentage of companies that planned to decrease their number of workers during the first half of the year declined to 7% as of the January 2011 survey, from 23% as of the January 2010 survey. The survey results reflect businesses higher confidence in the economic recovery. Rosen expects the rate of job creation to accelerate to 1.3% in 2011 and 2012, followed by 0.9% and 1.5% growth in 2013 and 2014, respectively. In total, Rosen expects 6.65 million new jobs to be created between 2011 and 2014, bringing employment back to mid-2008 levels. The unemployment rate is forecasted to decline from 9.6% in 2010 to 7.0% in 2014.

Economic growth, measured by gross domestic product, or GDP, was steady through the first three quarters of 2010, driven by improvement in consumer spending as well as an increase in private investment. Adjusted for inflation and seasonal factors, GDP for the third quarter of 2010 increased by 0.63% over the second quarter and by 3.25% compared to the same quarter in the prior year. The increased contribution from the private sector in driving economic growth was a positive sign regarding the progress of the recovery. Looking forward, Rosen believes that the pace of the economic recovery that began in 2010 will accelerate in 2011. Rosen expects GDP growth to improve, accelerating from an estimated annual growth rate of 2.2% in 2010 to 2.8% and 3.0% in 2011 and 2012, respectively. The forecast calls for GDP growth to decelerate to 1.5% in 2013, as inflationary pressures and higher interest rates result in a national economic slowdown. Thereafter, Rosen expects GDP growth to increase to 2.0% in 2014.

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Consumer and Retail Sales Outlook

Consumer confidence levels have increased from recessionary lows, although uncertainty regarding the sustainability of the economic recovery prevented the indices from improving more significantly in 2010. Consumers at year-end 2010 were much more positive regarding future economic conditions than about their current situations, as evidenced by the consumer confidence index measured by The Conference Board. The index is divided into two components: (i) the present situation component, which measures consumers assessment of the present situation, and (ii) the expectations component, which measures consumer sentiment regarding the next six months. Both components have risen from their recessionary lows, but the expectations component has increased more dramatically, standing at 71.9 in December 2010, compared to its recent low of 27.3 in February 2009. Both components should increase as the pace of job creation accelerates in 2011, resulting in higher consumer spending. Rosen expects the consumer confidence index, which represents the sum of two-fifths of the present situation component and three-fifths of the expectations component, to rebound to 80.0 in 2011 and 90.0 in 2012. Rosen believes that the index will decline to 80.0 in 2013 as the economy slows, before rising to 95.0 in 2014, on par with 2004 levels.

Following five consecutive year-over-year decreases, aggregate personal income increased at an annual rate of 0.66% in the second quarter of 2010, accelerating to 2.10% growth in the third quarter. Real per capita disposable income growth, a key metric for the retail industry, was 1.93% year-over-year in the third quarter, after a more modest 0.44% increase in 2009. These positive income trends are expected to result in increased consumer spending, particularly as consumer confidence increases. Rosen expects stronger income growth to increase consumers spending capacity, driving retail sales growth. The forecast calls for real per capita disposable income growth to average 2.7% annually between 2011 and 2014, compared with an estimated 1.1% average annual increase between 2007 and 2010. With credit standards tighter and home equity lines of credit no longer a viable option for many households, stronger income growth will be a key factor in supporting retail sales growth going forward.

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Retail sales continued to recover in 2010, increasing at an average annual rate of 6.6% each month. According to the U.S. Census Bureau s Monthly Retail Trade Survey, total retail sales excluding motor vehicles and parts dealers neared a seasonally adjusted total of $312.8 billion in December 2010, surpassing the previous peak total of $312.7 billion in July 2008. According to the ICSC Chain Store Sales Trends report, holiday sales at stores open at least one year increased by 3.8%, the fastest rate since 2006. As consumer demand strengthens, Rosen expects a corresponding increase in sales compared with recent years. Although sales growth is unlikely to return to peak rates, Rosen believes that annual retail sales growth (including online sales made by brick and mortar retailers) will average 2.8% during the next four years, bringing total fourth-quarter sales to more than $1 trillion in 2014, an increase of nearly $70 billion from the fourth quarter of 2010. Rosen expects sales at value-oriented grocers, discount retailers and other retailers that provide basic household goods or clothing, which maintained positive sales growth or posted only small declines during the recession, to continue to post strong sales growth going forward.

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Retail Real Estate Market

As consumer demand rebounded in 2010, the outlook for the retail market improved. Following a substantial number of retailer bankruptcies and closures during the recession, store closing announcements slowed sharply in 2009 and 2010 as consumer demand started to stabilize. According to the International Council of Shopping Centers (ICSC), store closing announcements by major retailers slowed in 2009, to 4,811 announced closures, after more than 6,900 closures were announced in 2008. Although nearly as many store closings were announced during the first half of 2010 as during all of 2009, the pace slowed sharply during the third quarter, when just 350 closings were announced. Because of the strong holiday shopping season, typically the make-or-break period for troubled retailers, as well as effective cost-cutting and inventory management, few retailers have announced closures or bankruptcies as of early 2011. Rosen believes that the bulk of closures have already occurred. According to a recent survey by the National Retail Federation, 41% of retailers intend to expand domestically this year, compared with 25% one year ago.

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Construction Activity and Outlook

Retail construction activity, as measured by the value of construction put-in-place, remained very low through the first three quarters of 2010 because of the high vacancy rate and a lack of available construction financing. In the third quarter of 2010, the value of put-in-place construction totaled a seasonally adjusted annual rate of $18.2 billion, compared with fourth-quarter averages of $43.7 billion between 2002 and 2008. As demand rebounds, tenant competition for existing space will increase because of the small amount of new space becoming available. Rosen forecasts the value of inflation-adjusted, put-in-place construction to fall from $18.0 billion in 2010 to $16.5 billion in 2011, approximately 65% less than the recent peak of $46.8 billion in 2007. Thereafter, construction activity should increase to $19.5 billion, $23.0 billion and $30.0 billion in 2012, 2013 and 2014, respectively, still significantly less than in recent years. The limited amount of new space should help the market tighten, supporting stronger rent growth as tenants compete for a diminishing amount of existing space.

Rent and Vacancy Rate Trends and Outlook

Market fundamentals weakened since 2006 because of the many store closings, bankruptcies and liquidations, coupled with a large amount of new space completed during that period. The retail vacancy rate increased to 8.7% in 2009, up from a cyclical low of 6.9% in 2006, and rents either increased at a slower pace or declined for neighborhood and community centers, power centers and regional malls. Neighborhood and community centers were the healthiest throughout the downturn because of the relative stability of typical tenants at these types of centers, including drug stores and grocery stores. Demand remained stronger for the non-discretionary goods typically sold at these centers, enabling landlords to continue to increase rents throughout the downturn and recovery period, including 0.6% annual growth in the third quarter of 2010. Power centers were the most adversely affected due to closures by large national tenants including Circuit City and Linens n Things. While rents dropped 0.7% year-over-year in the third quarter of 2010, leasing activity for this type of space began to increase. Strong national tenants that typically occupy big-box space are leasing well-located buildings in power centers and should continue to drive absorption of this property type.

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As job growth and higher confidence levels boost consumer demand, Rosen expects retail market conditions to improve beginning in 2011. Rosen forecasts the national retail vacancy rate to fall slowly from 8.8% in 2011 to 8.0% in 2014. As vacant space is absorbed, landlords should be able to increase rents at an accelerating pace. Rosen expects rent growth of 1.7% for neighborhood and community centers and 1.5% for power centers in 2011, accelerating for both property types to more than 2.0% by 2012, and to the 3% range by 2014, on par with annual growth rates at the peak of the most recent cycle in 2006 and 2007.

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OUR BUSINESS AND PROPERTIES

Overview

We are one of the largest owners and operators of shopping centers in the United States. As of March 31, 2011, our retail operating portfolio consisted of 264 properties with 35.5 million square feet of GLA. Our retail operating portfolio is geographically diversified across 35 states and includes power centers, community centers, neighborhood centers and lifestyle centers, as well as single-user retail properties. Our retail properties are primarily located in strong retail districts within densely populated areas in highly visible locations with convenient access to interstates and major thoroughfares. Our retail properties have a weighted average age, based on annualized base rent, of only approximately 10.0 years since the initial construction or most recent major renovation. As of March 31, 2011, our retail operating portfolio was 88.5% leased, including leases signed but not commenced. In addition to our retail operating portfolio, as of March 31, 2011, we also held interests in 18 other operating properties, including 12 office properties and six industrial properties, 19 retail operating properties held by three unconsolidated joint ventures and eight retail properties under development.

Our shopping centers are primarily anchored or shadow anchored by strong national and regional grocers, discount retailers and other retailers that provide basic household goods or clothing, including Target, TJX Companies, PetSmart, Best Buy, Bed Bath and Beyond, Home Depot, Kohl s, Wal-Mart, Publix and Lowe s. As of March 31, 2011, over 90% of our shopping centers, based on GLA, were anchored or shadow anchored by a grocer, discount department store, a wholesale club or retailers that sell basic household goods or clothing. Overall, we have a broad and highly diversified retail tenant base that includes approximately 1,600 tenants with no one tenant representing more than 3.3% of the total annualized base rent generated from our retail operating properties, or our retail annualized base rent.

We are a client-focused organization, maintaining very active relationships with our key tenants. We have 19 property management offices strategically located across the country and over 180 employees primarily dedicated to our leasing, asset management and property management activities. Our senior management team applies a hands-on approach to leasing our portfolio and is supported by over 80 property managers and senior leasing agents who have an average of 15 years of experience in the industry. We believe that the size and scale of our property management and leasing organization, the breadth of our tenant relationships and the scale of our retail portfolio provides us with a competitive advantage in dealing with national and large regional grocers and retailers. Through the efforts of our leasing team since the beginning of 2009, we have renewed over 70% of our expiring leases based on GLA at aggregate base rental rates that reflected comparatively small decreases from the base rental rates of the expiring leases and have signed 409 new leases for 3.3 million square feet of GLA, representing 9.4% of the total GLA in our retail operating portfolio.

Competitive Strengths

We believe that we distinguish ourselves from other owners and operators of shopping centers through the following competitive strengths:

Large, Diversified, High Quality Retail Portfolio

We own a national portfolio of high quality retail properties that is well diversified both geographically and by property type. We have retail operating properties in 35 states with no one metropolitan statistical area, or MSA, accounting for more than 5.3% of our retail annualized base rent, other than the Dallas-Fort Worth-Arlington area, which accounts for 14.1% of our retail annualized base rent. Our retail operating portfolio is also well diversified by type, including 65 power centers with 16.1 million square feet of GLA, 60 community centers with 9.1 million square feet of GLA, 43 neighborhood centers with 3.3 million square feet of GLA and seven lifestyle shopping centers with 3.3 million square feet of GLA, as well as 89 single-user retail properties with 3.7 million square feet of GLA. We believe the size and scale of our retail portfolio gives us an advantage in working with national and large

regional grocers and retailers, as we offer many potential locations to choose from within a selected area and can address multiple needs for space in different geographic areas for tenants with multiple locations. The scale of our portfolio and our tenant relationships have resulted in 29 of our tenants each leasing space at more than 15 locations in our retail operating portfolio, representing a total of 9.4 million square feet of GLA. The following charts show the diversity of our retail operating portfolio by region and by type of property based on GLA:

Our shopping centers are well located within strong retail districts in densely populated areas. They have high quality anchors and shadow anchors that consistently drive traffic to our centers and make them more attractive to other potential tenants. Consistent with our entire retail operating portfolio, our shopping centers are also generally recently constructed, which makes them more appealing to shoppers and potential tenants and reduces redevelopment and renovation costs.

As of March 31, 2011, 66.9% of our shopping centers, based on annualized base rent, were located in the 50 largest MSAs. These shopping centers are positioned in highly attractive markets with favorable demographics, including a weighted average population of 92,432, expected population growth of 7.3% per year and household income of approximately $80,911 within a three-mile radius, based on information derived and interpreted by us as a result of our own analysis from data provided by The Nielsen Company. We believe that growing populations and relatively high household incomes in our markets will increase demand for goods and services sold by our tenants. In addition, as of March 31, 2011, these shopping centers were 86.6% leased with average annualized base rent of $14.98 per leased square foot.

We believe our shopping centers located in markets outside of the 50 largest MSAs are among the most attractive shopping centers in each of the markets in which they are located based on location, age and overall quality. As of March 31, 2011, approximately 91.4% of these shopping centers, based on annualized base rent, are anchored or shadow anchored by either Best Buy (15 locations), Target (12 locations), Home Depot (nine locations), Kohl s (nine locations), Wal-Mart (seven locations), Lowe s (five locations), or a national or regional grocer, such as Publix (six locations), Stop & Shop (three locations), Kroger (three locations) and Giant Foods (two locations). As of March 31, 2011, these shopping centers were 91.4% leased with average annualized base rent of $12.21 per leased square foot.

Diversified Base of Value-Oriented Retail Tenants

Our retail portfolio has a broad and highly diversified tenant base that primarily consists of grocers, drug stores, discount retailers and other retailers that provide basic household goods or services. As of March 31, 2011, our total retail tenant base included approximately 1,600 tenants with over 3,200 leases at our retail properties, and our largest shopping center tenants include Best Buy, TJX Companies, Stop & Shop, Bed Bath & Beyond, Home Depot, PetSmart, Ross Dress for Less, Kohl s, Wal-Mart and Publix. As of March 31, 2011, no single retail tenant represented more than 3.3% of our retail annualized base rent, and our top 20 retail tenants, with 403 locations across our portfolio, represented an aggregate of 35.7% of our retail annualized base rent. Additionally, the financial strength of our tenants enhances the quality of our retail portfolio, as seven of our top ten retail tenants have investment grade credit ratings. We believe that maintaining a diversified tenant base with a value-oriented focus limits the impact of economic cycles and our exposure to any single tenant.

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The following table sets forth information regarding the 20 largest tenants in our retail operating portfolio, based on annualized base rent, as of March 31, 2011. Dollars (other than per square foot information) and square feet of GLA are presented in thousands.

Tenant(1)	Credit Ratings(2)	Number of Stores	Total GLA	Percent of Leased GLA(3)	ABR	Percent of ABR(4)	ABR Per Leased Sq. Ft.(5)	Type of Business
Best Buy(6)	BBB-/Baa2	27	1,050	3.4%	$ 14,241	3.3%	$ 13.56	Electronics
The TJX Companies, Inc.(7)	A/A3	37	1,120	3.6%	10,617	2.5%	9.48	Discount Clothing
Rite Aid Store	B-/Caa2	34	421	1.4%	10,320	2.4%	24.51	Drug Store
Stop & Shop	BBB/Baa3	10	479	1.6%	10,007	2.3%	20.90	Grocery
Ross Dress for Less	BBB/-	32	955	3.1%	9,202	2.1%	9.64	Discount Clothing
Home Depot	BBB+/Baa1	9	1,097	3.6%	9,137	2.1%	8.33	Home Improvement
Bed Bath & Beyond, Inc.(8)	BBB/-	26	710	2.3%	9,029	2.1%	12.71	Home Goods
PetSmart(9)	BB/-	30	643	2.1%	8,614	2.0%	13.39	Pet Supplies
The Sports Authority		17	723	2.4%	8,423	2.0%	11.64	Sporting Goods
Kohl s	BBB+/Baa1	15	1,154	3.8%	8,071	1.9%	7.00	Discount Department Store
Publix		16	635	2.1%	6,723	1.6%	10.58	Grocery
Edwards		2	219	0.7%	6,558	1.5%	29.92	Theatre
Wal-Mart Stores, Inc.(10)	AA/Aa2	5	861	2.8%	5,876	1.4%	6.82	Discount Department Store
Pier 1 Imports	B/B2	36	370	1.2%	5,875	1.4%	15.89	Home Goods
Office Depot		21	437	1.4%	5,864	1.4%	13.43	Office Supplies
Michaels	B-/B3	23	530	1.7%	5,727	1.3%	10.81	Arts & Crafts
Dick s Sporting Goods		9	465	1.5%	5,473	1.2%	11.78	Sporting Goods
Gap Inc.(11)	BB+/Baa3	26	401	1.3%	4,893	1.1%	12.21	Clothing
The Kroger Co.(12)	BBB/Baa2	13	550	1.8%	4,784	1.1%	8.70	Grocery
CVS	BBB+/Baa2	15	185	0.6%	4,756	1.0%	25.72	Drug Store
Total		**403**	**13,005**	**42.4%**	**$ 154,190**	**35.7%**	**$ 11.86**	

(1) Excludes two office tenants, Hewitt Associates LLC, consisting of 1.2 million square feet of GLA and $15.1 million of annualized base rent, and Zurich American Insurance Company, consisting of 0.9 million square feet of GLA and $10.5 million of annualized base rent.
(2) The credit ratings are for the operating companies and not necessarily the entities with which we have entered into lease agreements.
(3) Represents GLA as a percentage of leased GLA in our retail operating portfolio.
(4) Represents the percentage of our retail annualized base rent as of March 31, 2011.
(5) Represents annualized base rent divided by leased GLA.
(6) Includes Best Buy (26 locations) and Pacific Sales (one location).
(7) Includes TJ Maxx (17 locations), Marshalls (17 locations), HomeGoods (three locations).
(8) Includes Bed Bath & Beyond (25 locations) and the Christmas Tree Shops (one location).
(9) We also lease a one million square foot distribution center to PetSmart with annualized base rent of $3.4 million.
(10) Includes Wal-Mart (four locations) and Sam s Club (one location).
(11) Includes Old Navy (19 locations), The Gap (five locations) and Banana Republic (two locations).
(12) Includes Kroger (10 locations), Food 4 Less (one location), King Soopers Grocery Store (one location) and King Soopers Fuel Site (one location).

We generally have long-term leases with our tenants. As of March 31, 2011, the weighted average lease term of our existing retail leases, based on annualized base rent, was 6.4 years, with leases constituting less than 23.9% of our retail annualized base rent expiring before 2014. We believe the limited near-term expirations of our existing retail leases will allow us to more aggressively pursue leasing of space that is currently vacant and provide for more stable cash flows from operations.

Demonstrated Leasing and Property Management Platform

We believe that our national leasing platform overseen by our focused executive team dedicated to leasing provides us with a distinct competitive advantage. Our executive team applies a hands-on approach and capitalizes upon a network of relationships to aggressively lease-up vacant space, maintain high tenant retention rates and creatively address the needs of our retail properties. In addition, our leasing department and asset managers maintain an active dialogue with local, regional and national retailers, as well as the retail brokerage community. We believe our national footprint provides greater access to national and large regional grocers and retailers than our smaller competitors.

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Since the beginning of 2009, we have demonstrated our leasing capabilities through our success in addressing vacant space in our portfolio created by three large tenant bankruptcies in 2008. Due to the bankruptcy of Mervyns, our largest tenant at the time, in July 2008, Linens n Things in May 2008 and Circuit City in November 2008, approximately 3.2 million square feet of GLA became available in our retail operating portfolio. Primarily as a result of these vacancies, the percentage of our retail operating portfolio that was leased decreased from 96.8% as of December 31, 2007. In the case of each of these bankruptcy filings, we immediately began assessing which spaces were likely to be vacated as a result of the bankruptcy evaluating the expansion needs of our existing tenants in order to be prepared to lease space in locations that we expected Mervyns, Circuit City and Linens n Things to vacate. As a result, as of March 31, 2011, we have been able to lease approximately 1.7 million square feet of this vacant space, primarily to existing tenants, including four locations to Kohl s aggregating 294,000 square feet, four locations to Burlington Coat Factory aggregating 309,000 square feet, five locations to TJX Companies aggregating 145,000 square feet, four locations to Best Buy aggregating 144,000 square feet, four locations to HH Gregg aggregating 128,000 square feet and four locations to BigLots aggregating 112,000 square feet. We also sold two former Mervyns locations aggregating approximately 154,000 square feet to institutional buyers after re-leasing the space or obtaining a letter of intent from a national retailer for an aggregate combined sale price of approximately $24.5 million, or an average of $158 per square foot. In addition, as of March 31, 2011, we had under letter of intent or were in active negotiations for 61.3% of the remaining 1.4 million square feet of this GLA. In total, we have leased, sold or are in negotiations for 2.7 million square feet, or 83.5%, of the 3.2 million square feet of GLA that was vacated as a result of these bankruptcies.

As a large, national owner of retail properties, we believe that we offer national and large regional grocers and retailers a greater level of service and credibility with respect to property management than our smaller competitors. We believe that tenants value our commitment to consistently maintain the high standards of our retail properties through our in-house handling of property management and day-to-day operational functions, which has translated into tenant retention rates in excess of 70%, based on expiring GLA, since the beginning of 2009. In this very challenging leasing environment, we renewed approximately 810 leases for a total of 3.8 million square feet of GLA, based on our retail operating portfolio at March 31, 2011, at aggregate base rental rates that reflected comparatively small decreases from the base rental rates of the expiring leases.

Capital Structure Positioned for Growth

Upon completion of this offering, our aggregate indebtedness will consist primarily of fixed rate debt, which will have staggered maturities and a weighted average maturity of approximately years based on balances as of March 31, 2011, as adjusted for our recently amended and restated credit agreement and the completion of this offering and the application of proceeds from both. We will have less than $ million of debt maturing in any one year and a weighted average interest rate of % per annum. We also will have a conservative leverage structure, with a ratio of total net debt as of March 31, 2011, as adjusted, to Adjusted EBITDA for the 12 months ended March 31, 2011 of .

The majority of our indebtedness is property specific, non-recourse, mortgage debt. The recent amendment and restatement of our credit agreement for our existing line of credit provides for a senior secured credit facility in the aggregate amount of $585.0 million, consisting of a $435.0 million senior secured revolving line of credit and a $150.0 million secured term loan from a number of financial institutions, including affiliates of certain of the underwriters of this offering. Upon completion of this offering, our senior secured revolving line of credit will be undrawn and have approximately two years remaining until the initial maturity, with a one-year extension option subject to certain conditions. As a result, we will be able to utilize this line of credit to fund tenant improvements, acquisitions, development activities, general corporate matters and working capital. Overall, we believe our capital structure will provide us with significant financial flexibility to fund future growth.

Experienced Management Team with a Proven Track Record

Our senior management team has on average over 23 years of real estate industry experience through several real estate, credit and retail cycles. They have worked together for the past five years and have proven

themselves by successfully managing our large, geographically diverse portfolio through the severe economic recession that began in December 2007. Since the beginning of 2009, without accessing the public equity markets, we refinanced or repaid $2.7 billion of indebtedness, greater than 50% of our total indebtedness at the beginning of 2009, in severely constrained credit markets and in the process reduced our total indebtedness by over $930 million. Our senior management team also has significant transactional experience, having acquired, disposed of, contributed to joint ventures and developed billions of dollars of real estate throughout their careers. We believe that our senior management team s property management, leasing and operating expertise, combined with their acquisition and financing experience, provide us with a distinct competitive advantage.

Business and Growth Strategies

Our primary objective is to provide attractive risk-adjusted returns for our shareholders by increasing our cash flow from operations and realizing long-term growth strategies. The strategies we intend to execute to achieve this objective include:

Maximize Cash Flow Through Internal Growth

We believe that we will be able to generate cash flow growth through the leasing of vacant space in our retail operating portfolio. As of March 31, 2011, our retail operating portfolio was 88.5% leased including leases signed but not commenced, and had 4.1 million square feet of available space, including a significant amount of space that was previously occupied by big box anchor and junior anchor tenants and is located at properties that do not have one of our top 20 tenants. As of March 31, 2011, we had approximately 718,000 square feet of GLA of signed leases that had not commenced, representing a total of approximately $6.2 million of annualized base rent that will increase our future cash flows. We believe the leasing of this vacant space provides a significant growth opportunity for our shareholders.

A major component of our leasing strategy is to pursue leasing opportunities with our existing tenants. We cultivate our existing tenant relationships through regular portfolio reviews, store concept updates, streamlining site selection and meeting critical retailer shopping event needs. For example, we meet with senior executives at each of our top 25 tenants on an annual or more frequent basis in order to perform portfolio reviews. During these reviews, we are able to actively review the growth plans of these tenants, which enables us to more strategically manage the leasing and repositioning of our retail portfolio as a whole. We utilize these reviews and our relationships with our existing tenants to generate leasing opportunities as these tenants seek to expand or relocate. For example, several of our national retail tenants have announced expansion plans (net of store closings) over the next few years, as outlined in the table below.

Tenant	Rank[1]	Number of Locations[2]	Announced U.S. Expansion Plans
Best Buy	1	27	6-8 new stores in fiscal 2012[3]
The TJX Companies	2	37	64 new stores in fiscal 2012[4]
Ross Dress for Less	5	32	80 new stores in 2011
Bed Bath & Beyond, Inc.	7	26	40 new stores in 2011
PetSmart	8	30	45-50 net new stores in 2011
Kohl s	10	15	40 new stores in 2011
Publix	11	16	26 new stores in 2011
Wal-Mart Stores, Inc.	13	5	185-205 new stores in fiscal year 2012[4]
Michaels	16	23	20-30 net new stores in fiscal 2011
Dick s Sporting Goods	17	9	34 new stores in 2011
CVS	20	15	150 net new stores in 2011

(1) Rank in our retail portfolio based on retail annualized base rent as of March 31, 2011.
(2) Represents number of stores in our retail portfolio.
(3) Fiscal 2012 represents March 1, 2011 February 28, 2012.
(4) Fiscal 2012 represents February 1, 2011 January 31, 2012

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In addition, the leases we sign are often structured with contractual rent increases. As of March 31, 2011, 41.8% of the leases in our retail operating portfolio, based on annualized base rent, contained contractual rent increases. The average annualized fixed percentage increase in contractual base rent for these leases, based on the difference between the base rent as of March 31, 2011 and the base rent at the time of expiration, was 2.1%.

Asset Preservation and Appreciation through Creative Transactions

We actively manage our portfolio focusing primarily on leasing opportunities, while also taking into account redevelopment, expansion and remerchandising opportunities. In pursuing these opportunities, we focus on increasing operating income and cash flows, active risk mitigation and tenant retention. Additional value enhancing strategies include cost reductions, long-term capital planning and asset sustainability initiatives. Examples of past projects where we executed these strategies include:

Azalea Square: Azalea Square is a 272,000 square foot power center located in Summerville, South Carolina. The major tenants in this shopping center include Dick s Sporting Goods, Ross Dress for Less, Best Buy, PetSmart and TJ Maxx. In addition, Target and Kohl s are shadow anchors at the center. At September 30, 2008, the shopping center had an occupancy rate of 100% with Linens n Things leasing 25,400 square feet for $10.75 per square foot. In December 2008, the Linens n Things lease was terminated in connection with its bankruptcy. In response, in June 2009, we divided the former Linens n Things space and leased 10,350 square feet to Ulta Cosmetics for ten years at a starting rent of $17.00 per square foot and 12,400 square feet to Party City for ten years at a starting rent of $10.40 per square foot, which resulted in an 11.7% increase in annualized base rent for the space. Following the re-leasing of the Linens n Things space, the center is again fully occupied.

Tollgate Marketplace: Tollgate Marketplace is a 393,000 square foot power center located in Bel Air, Maryland. The major tenants in this shopping center include Staples, JoAnn Fabrics, Michaels, Toys R Us and TJ Maxx. At December 31, 2008, the shopping center had an occupancy rate of 99.6% with Circuit City leasing 33,800 square feet and Giant Foods leasing 40,400 square feet. In March 2009, Circuit City s lease was terminated due to its bankruptcy, at which time Circuit City was paying rent of $12.70 per square foot. In addition, in March 2010, Giant Foods lease expired and was not renewed. Giant Foods was paying rent of $4.36 per square foot at the time its lease expired. In December 2009, we leased the former Circuit City space to HH Gregg, which was a new relationship at the time, for a term of ten years with starting rent of $10.50 per square foot. Since the signing of this lease, we have completed three additional leases with HH Gregg, all in spaces formerly occupied by Circuit City or Linens n Things. In addition, in early 2009, as a result of our local presence, we became aware that a Wal-Mart Supercenter would be moving into the market, and therefore began marketing the center to our non-grocery retail partners. As a result of this marketing effort, in December 2010, Ashley Furniture, an existing tenant that was leasing space at three of our other properties, signed a ten-year lease for the former Giant Foods space that will commence during the third quarter of 2011 with a starting rent of $9.00 per square foot. Once this new lease commences, the center will again be 99.6% occupied and the annualized base rent from the space vacated by Circuit City and Giant Foods will have increased by 17.3%.

Recycle Capital Through Disposition of Non-Core Assets

We plan to pursue opportunistic dispositions of the non-retail properties and free-standing, triple net retail properties in our operating portfolio in order redeploy capital to continue to build our interest in well located, high quality shopping centers. In addition to our retail operating portfolio, as of March 31, 2011, we held interests in 18 other operating properties, including 12 office properties and six industrial properties, which had a total of 6.7 million square feet of GLA and represent 10.7% of our total operating portfolio based on annualized base rent. We believe that the disposition of these non-retail properties, along with select triple net retail properties, will serve as a source of capital for the growth of our retail portfolio.

As we have in the past, we intend to take advantage of opportunities that may arise to sell assets in our portfolio. Since the end of 2007 through March 31, 2011, we sold 22 properties for an aggregate sales price of $736.3 million, including $466.3 million of debt that was assumed, forgiven or repaid. During this time, we reduced the GLA of our non-retail properties and single-user retail properties by 28.3%. We plan to continue to pursue strategic dispositions to continue to focus our portfolio on well located, high quality shopping centers. An example of a past disposition where we executed on this strategy is as follows:

American Express. We acquired eight office buildings occupied by American Express in a sale/leaseback transaction in December 2004 at a 6.5% capitalization rate, with the intention of adding another investment grade tenant to the portfolio. As our overall strategy and portfolio began to take shape, we decided to opportunistically market the assets for sale in June 2007 in order to replace these non-core office buildings with multi-tenant retail properties. Ultimately, in 2007, we sold four of these buildings for an aggregate sales price of $270.8 million, including the assumption of $150.5 million of debt, which equated to a 6.1% capitalization rate or a $19.6 million gain on sale.

Pursue Acquisitions of High Quality Retail Properties

We intend to pursue disciplined and targeted acquisitions of retail properties that meet our retail property and market selection criteria and will further our strategy of focusing on well located, high quality shopping centers. Utilizing our senior management team s expertise, we intend to opportunistically acquire retail properties based on identified market and property characteristics, including: property classification, anchor tenant type, lease terms, geographic markets and demographics. We believe that the high level of diversification of our tenant base limits our exposure to any single tenant and allows us to take advantage of growth opportunities through the expansion of our existing relationships without significantly increasing our exposure to any single tenant. We believe that over the next several years the continued impact of the recent disruption in the real estate market will create opportunities to acquire retail properties that meet our investment criteria from owners facing operational and financial stress. Based on our operational expertise and capital resources, we believe that we are well positioned to take advantage of opportunities to acquire retail properties. We plan to pursue acquisitions directly and through joint ventures. We have proven our ability to acquire retail properties creatively, for example:

Southlake Town Square, Southlake, Texas: We acquired this 841,000 square foot shopping center in the northwest suburbs of Dallas in phases over a four year period, in off market transactions. We consider this shopping center to be one of the premier lifestyle centers in the United States. This shopping center features restaurants, offices, a first run movie theater, a Southlake Hilton Hotel, townhomes, city/county town hall and library, post office and a wide variety of first class retailers such as Brooks Brothers, Banana Republic and Williams Sonoma.

We acquired the initial three phases, totaling 472,000 square feet of GLA, in 2004, for an initial investment of approximately $143 million. As part of the transaction, and to ensure we maintained control of this premier expanding asset, we approached the developer as a lender and agreed to fund up to $93 million of construction loans to be used to construct the fourth phase consisting of an additional 311,000 square feet of retail space. The loans were secured and provided us, as lender, with approval rights over construction and leasing, among other things, as well as immediate cash flow. This phase was completed in early 2007, and was purchased by us for approximately $89 million in May 2007, including $80 million that we had previously funded under the construction loan. We purchased two final phases, comprised of approximately 35,000 square feet of retail space and 23,000 square feet of office space, in 2008 for $22 million, which resulted in a total investment in the property of $254 million. Net operating income for the property for 2009 was in excess of $17.6 million, representing a 7.0% annual return on our total purchase price for the property.

The property has strong demographics and is well located between Dallas and Fort Worth. The retail portion of the center is over 85% leased as of March 31, 2011, with several leases in negotiation.

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Pursue Strategic Joint Ventures to Leverage Management Platform

We intend to leverage our leasing and property management platform through the strategic formation, capitalization and management of joint ventures. In the past, we have partnered with strong institutional capital providers to supplement our capital base in a manner accretive to our shareholders. Based on our operational expertise in the retail real estate space, we believe that we are well positioned to continue to strategically pursue additional joint ventures with high quality capital partners. Additionally, from time to time we may form partnerships with regional developers that allow us to maximize returns on completed developments and access strategic local markets.

In April 2007, we formed a strategic joint venture with a large state pension fund that currently owns seven retail properties, which we contributed to the venture. During 2010, we formed a joint venture with a wholly-owned affiliate of RioCan and, under the terms of the joint venture agreement, contributed eight shopping centers located in Texas to the joint venture. In total, we have contributed 15 retail properties valued at $496.6 million to these joint ventures. In connection with these contributions, these joint ventures have assumed a total of $285.7 million of debt and we have received cash proceeds of $168.8 million and retained a 20% interest in each joint venture. The use of the joint venture allows us to recycle capital and leverage our own equity capital when pursuing acquisitions, while also generating property management, asset management and other fees from the joint venture. We believe that our existing relationships and our proven ability to manage retail real estate for our joint ventures will facilitate our ability to utilize joint ventures with institutional investors in the future.

Maintain Our Development Activity at Sustainable Levels

We entered into joint venture arrangements with certain developers prior to the recession. Since our inception, we have invested $183.0 million of equity into nine development joint ventures. As of March 31, 2011, we had approximately 2.0 million square feet of GLA of retail space under development, including space developed for shadow anchors, through five consolidated development joint ventures and one unconsolidated development joint venture, of which 1.4 million square feet had already been constructed. Approximately 79.9% of the GLA of these retail development properties that has been constructed was leased as of March 31, 2011, representing $5.7 million of annualized base rent. As of March 31, 2011, we did not have any significant active construction ongoing at our development properties, and, currently, we only intend to develop the remaining estimated total GLA to the extent that we have pre-leased the space to be developed. We expect to stabilize these properties between 2013 and 2014, which will provide further opportunities for growth. We currently do not have plans for any new developments. It remains our philosophy to only develop what we intend to own on a long term basis and we intend to resume development when such opportunities become attractive. An example of one of our completed developments is as follows:

Midtown Center: In January 2005, we purchased this urban, in-fill community center, which is anchored by Wal-Mart, Marshalls, Office Depot and Pick n Save, for $53.0 million with the intent of fully building out the existing entitlements through our retail tenant relationships. At closing, the surrounding land acquired with the asset was fully zoned and could accommodate the additional development of up to 110,000 square feet of commercial space. Before beginning the expansion at the center, we approached the City of Milwaukee to explore partnership opportunities in our redevelopment plans and we were awarded a $600,000 low interest loan, as the expansion would add jobs to the surrounding community. The expansion was completed in two phases starting with a ground breaking in May 2006. The first phase was completed in late fall of 2006, consisting of 25,000 square feet, and was 94% pre-leased to Anna s Linens and Barefoot Shoes to minimize development risk. The second phase broke ground in the spring of 2007, was completed in early 2008 and features a blend of regional and national tenants including Fashion Bug, Casual Male, Simply Fashion and Office Depot s first location in the City of Milwaukee. To date, the total cost of the additional 86,000 square feet of constructed space is $9.3 million and the aggregate net operating income has increased from $3.4 million in 2008 to $4.2 million in 2010.

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Our Properties

Portfolio Summary

The following table summarizes the number, total GLA, percentage leased and annualized base rent as of March 31, 2011, of the operating properties included in our portfolio and the operating properties held by our unconsolidated joint ventures. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

Property Type/Region/State	Number of Properties	GLA	Percent of Total GLA[1]	Percentage Leased[2]	ABR [3] [4]	Percent of ABR[1]	ABR Per Leased Sq. Ft. [5]
Consolidated:							
Retail:							
Northeast:							
Connecticut	5	449	1.3%	92.0%	$ 7,500	1.7%	$ 18.17
Massachusetts	5	1,183	3.3%	91.9%	12,297	2.9%	11.31
Maryland	8	2,300	6.5%	86.3%	32,059	7.4%	16.16
Maine	2	423	1.2%	94.7%	4,124	1.0%	10.29
New Jersey	3	373	1.0%	96.4%	3,933	0.9%	10.94
New York	31	1,509	4.2%	98.4%	23,660	5.5%	15.94
Pennsylvania	12	1,362	3.8%	95.4%	16,516	3.8%	12.71
Rhode Island	3	269	0.8%	85.3%	3,330	0.8%	14.51
Virginia	2	386	1.1%	94.8%	7,086	1.6%	19.36
Vermont	1	485	1.4%	83.4%	7,266	1.7%	17.97
Subtotal	72	8,739	24.6%	91.9%	$ 117,771	27.3%	$ 14.67
Texas	49	7,560	21.3%	85.9%	$ 99,726	23.1%	$ 15.36
West:							
Arizona	6	981	2.8%	75.3%	$ 11,699	2.7%	$ 15.83
California	31	2,968	8.4%	61.7%	28,177	6.5%	15.37
Colorado	2	479	1.3%	88.1%	4,573	1.1%	10.85
Montana	1	162	0.5%	100.0%	1,868	0.4%	11.53
New Mexico	1	224	0.6%	97.4%	3,224	0.8%	14.77
Nevada	2	384	1.1%	90.4%	6,054	1.4%	17.44
Utah	2	719	2.0%	90.3%	11,344	2.6%	17.48
Washington	4	1,376	3.9%	79.2%	13,373	3.1%	12.27
Subtotal	49	7,293	20.6%	74.9%	$ 80,312	18.6%	$ 14.71
Southeast:							
Alabama	6	372	1.0%	79.6%	$ 4,207	1.0%	$ 14.23
Florida	14	1,579	4.4%	87.3%	20,043	4.6%	14.55
Georgia	14	1,927	5.4%	94.6%	19,718	4.6%	10.80
North Carolina	4	733	2.1%	97.1%	6,988	1.6%	9.82
South Carolina	12	1,271	3.6%	94.4%	13,809	3.2%	11.51
Tennessee	7	712	2.0%	90.8%	7,202	1.7%	11.14
Subtotal	57	6,594	18.5%	91.9%	$ 71,967	16.7%	$ 11.88

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Property Type/Region/State	Number of Properties	GLA	Percent of Total GLA[1]	Percentage Leased[2]	ABR [3] [4]	Percent of ABR[1]	ABR Per Leased Sq. Ft. [5]
Midwest:							
Iowa	1	134	0.4%	95.0%	1,619	0.4%	12.70
Illinois	6	999	2.8%	85.9%	15,237	3.5%	17.75
Indiana	4	653	1.8%	88.3%	5,494	1.3%	9.52
Kansas	1	236	0.7%	95.8%	1,927	0.5%	8.51
Louisiana	3	311	0.9%	93.5%	3,329	0.8%	11.43
Michigan	2	467	1.3%	97.1%	7,478	1.7%	16.49
Missouri	5	811	2.3%	83.9%	7,883	1.8%	11.59
Ohio	7	1,107	3.1%	80.8%	11,654	2.7%	13.04
Oklahoma	6	164	0.5%	100.0%	2,357	0.5%	14.40
Wisconsin	2	423	1.2%	94.3%	4,956	1.1%	12.43
Subtotal	37	5,305	15.0%	88.0%	$ 61,934	14.3%	$ 13.26
Total Retail[6] [7]	264	35,491	100.0%	86.5%	$ 431,710	100.0%	$ 14.06
Total Retail including leases signed but not commenced[8]	264	35,491		88.5%	$ 437,874		$ 14.26
Office	12	3,335		96.5%	$ 38,963		$ 12.11
Industrial	6	3,390		100.0%	13,020		3.84
Total Other	18	6,725		98.3%	$ 51,983		$ 7.87
Total Consolidated Operating Portfolio	282	42,216		88.4%	$ 483,693		$ 12.96
Total Unconsolidated Operating Properties[9]	19	2,702		92.9%	$ 37,288		$ 14.86

(1) Percentages are only provided for our retail operating portfolio.

(2) Except as otherwise noted, based on leases commenced as of March 31, 2011, and calculated as leased GLA divided by total GLA.

(3) Excludes $5.7 million of annualized base rent from our consolidated development properties. Rental abatements for leases commenced as of March 31, 2011, which are excluded, were $0.5 million for our retail operating portfolio for the 12 months ending March 31, 2012. Annualized base rent does not reflect scheduled lease expirations for the 12 months ending March 31, 2012. The portion of the annualized base rent of our total operating portfolio attributable to leases scheduled to expire during the 12 months ending March 31, 2012, including month-to-month leases, is approximately $35.6 million.

(4) As of March 31, 2011, we had 17 properties that we did not have title to but held, either partially or completely, pursuant to ground leases, which expire from 2018 to 2105. For three of the 17 properties we have an option to purchase the property subject to the ground lease by providing written notice before a specified date or, for one ground lease, any time during the term of the lease. As of March 31, 2011, the annualized base rent due from us under these ground leases was $6.1 million.

(5) Represents annualized base rent divided by leased GLA.

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(6) Occasionally our leases contain provisions giving the tenant rights to purchase the property, which can take the form of a fixed price purchase option, a fair market value option or a put option, which requires us to either put the property to the tenant or accept a significant reduction in rent. The following chart summarizes such rights as of March 31, 2011 (GLA and annualized base rent in thousands):

	Number of Leases	GLA	ABR
Fixed Price Purchase Options	2	236	$ 3,013
Fair Market Value Options	1	7	$ 154
Put Option	2	257	$ 1,519

In addition, certain of our leases contain provisions granting the tenant a right of first offer or right of first refusal in the event that we want to dispose of the property.

(7) Includes 55 properties with 6.5 million square feet of GLA representing $85.1 million of annualized base rent held in one joint venture in which we have a 77% interest and includes a portion of one property with 0.3 million square feet of GLA representing $6.6 million of annualized base rent held in one joint venture in which we have a 95% interest. Regarding the 55 properties held in the joint venture in which we have a 77% interest, we currently anticipate using a portion of the net proceeds from this offering to exercise our option to repurchase the 23% interest held by others. As a result, following this offering we anticipate that we will own 100% of those properties.

(8) Includes leases signed but not commenced as of March 31, 2011 for approximately 718,000 square feet of GLA representing $6.2 million of annualized base rent as of lease commencement.

(9) Includes 15 properties with 2.5 million square feet of GLA representing $35.5 million of annualized base rent held in two separate joint ventures in which we have a 20% interest and four properties with 0.2 million square feet of GLA representing $1.8 million of annualized base rent held in one joint venture in which we have a 95.8% interest.

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Top 25 Properties

The following table provides summary information as of March 31, 2011 regarding the 25 largest properties, based on our annualized base rent as of March 31, 2011, in our retail operating portfolio. Except as noted below, all properties described below are wholly-owned by us. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

Property Name/Location	Year Built/ Renovated(1)	Metropolitan Statistical Area	GLA	Percent Leased(2)	ABR	ABR per Leased Sq. Ft.(3)	Anchors (Shadow Anchors)
Southlake Town Square/ Southlake, TX(4)	2004	Dallas-Fort Worth-Arlington	841	83.6%	$ 19,296	$ 27.46	The Cheesecake Factory, Barnes & Noble, Harkins Theatres, Apple Store, Brooks Brothers, Container Store
Gateway/ Salt Lake City, UT	2002	Salt Lake City	624	91.9%	10,370	18.08	Barnes & Noble, Urban Outfitters, Abercrombie, Dick s Sporting Goods, Gateway Theatres
The Shops at Legacy/ Plano, TX	2004	Dallas-Fort Worth-Arlington	391	88.5%	8,753	25.28	Bob s Steak & Chop House, Jasper s Restaurant, Sambuka 360, Urban Outfitters, Angelika Film Center
Boulevard at The Capital Ctr/ Largo, MD	2004	Washington-Arlington-Alexandria	486	84.40%	8,581	20.94	DSW, HH Gregg, Magic Johnson Theaters, Sports Authority
Southpark Meadows II/ Austin, TX	2006	Austin-Round Rock	654	96.8%	8,546	13.49	Beall s, Bed Bath & Beyond, Best Buy, JC Penney, Marshalls, Ross Dress for Less, Sports Authority, (Super Target, Ashley Home)
Reisterstown Road Plaza/ Baltimore, MD	2004	Baltimore-Towson	797	82.1%	8,025	12.27	Burlington Coat Factory, Giant Foods, Home Depot, Marshalls
Maple Tree Place/ Williston, VT	2005	N/A	485	83.4%	7,266	17.97	Best Buy, Christmas Tree Shops, Dick s Sporting Goods, Majestic Cinema, Shaw s Supermarkets, Staples
Eastwood Towne Center/ Lansing, MI	2002	N/A	332	95.9%	6,105	19.16	Dick s Sporting Goods, DSW, Pottery Barn, J. Crew, P.F. Chang s, (Wal-Mart, Sam s Club)
Lincoln Plaza/ Worcester, MA	2004	N/A	536	96.9%	5,511	10.61	Target, Lowe s, Dick s Sporting Goods, Stop & Shop, Barnes & Noble
Central Texas Marketplace/ Waco, TX	2004	N/A	526	91.9%	5,336	11.04	Bed Bath & Beyond, Belks, Kohl s, Marshalls, Ross Dress for Less, Sports Authority
Brickyard/ Chicago, IL	2004	Chicago-Naperville-Joliet	261	93.3%	5,145	21.09	Jewel-Osco, Marshalls, Pier 1, (Lowe s, Target)
Jefferson Commons/ Newport News, VA	2005	Virginia Beach-Norfolk-Newport	306	95.5%	5,056	17.29	Trader Joe s, Ross Dress for Less, TJ Maxx, Ulta, Petco, (Kohl s)
Fullerton MetroCenter/ Fullerton, CA(5)	1988	Los Angeles- Long Beach-	253	91.0%	5,045	21.90	Sports Authority, Henry s Farmers Market, PetSmart, (Target)

		Santa Ana					
Tollgate Marketplace/ Bel Air, MD	1994	Baltimore-Towson	393	86.2%	5,043	14.89	Barnes & Noble, HH Gregg, JoAnn Fabrics, Michaels, Staples, TJ Maxx, Toys R Us

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Property Name/Location	Year Built/ Renovated(1)	Metropolitan Statistical Area	GLA	Percent Leased(2)	ABR	ABR per Leased Sq. Ft.(3)	Anchors (Shadow Anchors)
Henry Town Center/ McDonough, GA	2002	Atlanta-Sandy Springs-Marietta	444	99.6%	4,790	10.82	Belks, Bed Bath & Beyond, Marshalls, Michaels, Ross Dress for Less, Staples, (Super Target, Home Depot)
Denton Town Crossing/ Denton TX(5)	2004	Dallas-Fort Worth- Arlington	339	95.6%	4,674	14.43	Kroger, Best Buy, TJ Maxx, Bed Bath & Beyond, Michaels, Sports Authority
Midtown Center/ Milwaukee, WI	1987	Milwaukee-Waukesha-West Allis	409	94.1%	4,636	12.05	Marshalls, Office Depot, Pick n Save, Wal-Mart
The Market at Polaris/ Columbus, OH	2005	Columbus	209	98.9%	4,532	21.97	Rave Theatres, Dick s Sporting Goods, Bed Bath & Beyond, PetSmart
Lakewood Towne Center/ Lakewood, WA	2003	Seattle-Tacoma-Bellevue	579	65.9%	4,519	11.84	Bed Bath & Beyond, Burlington Coat Factory, Michaels, Ross Dress for Less, 24 Hour Fitness, Barnes & Noble, Cineplex Odeon, (Super Target)
Gateway Plaza/ Southlake, TX	2000	Dallas-Fort Worth-Arlington	370	92.9%	4,389	12.76	Bed Bath & Beyond, Kohl s, Michael s, Old Navy, TJ Maxx, Ulta
Newnan Crossing/ Newnan, GA	2004	N/A	416	99.6%	4,351	10.50	Ashley Furniture, Babies R Us, BJ s Wholesale Club, HH Gregg, Michaels, Old Navy, TJ Maxx, (Target)
Gateway Pavilions/ Arondale, AZ(5)	2004	Phoenix-Mesa-Scottsdale	302	92.8%	4,319	15.42	Harkins Theatres, Marshalls, Sports Authority, (Costco)
Shops at 5/ Plymouth, MA	2005	Boston-Cambridge-Quincy	422	90.5%	3,834	10.05	BJ s Wholesale Club, Kohl s, PetSmart, Sports Authority, TJ Maxx
Northpointe Plaza/ Annapolis, MD(5)	1993	N/A	378	86.5%	3,825	11.71	Safeway, Big Lots, Best Buy, TJ Maxx, Sports Authority, Staples, (Target)
Gateway Village/ Annapolis, MD	1996	Baltimore-Towson	274	95.9%	3,782	14.38	Best Buy, Burlington Coat Factory, PetSmart, Safeway, Staples

(1) Represents the year in which the property was built, based on the completion date, or, if applicable, the year in which the most recent major renovation of the property was completed.
(2) Based on leases commenced as of March 31, 2011, and calculated as leased GLA divided by total GLA.
(3) Represents annualized base rent divided by leased GLA.
(4) Approximately 311,000 square feet of GLA of this property is held in one joint venture in which we have a 95% interest. GLA includes 23,000 square feet of office space.
(5) This property is held in one joint venture in which we have a 77% interest. We currently anticipate using the net proceeds from this offering to exercise our right to repurchase the 23% interest held by others. As a result, following this offering we anticipate that we will own 100% of this property.

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Properties Under Development

The following table provides summary information regarding our consolidated and unconsolidated properties under development as of March 31, 2011. As of March 31, 2011, we did not have significant active construction ongoing at our development properties, and, currently, we only intend to develop the remaining estimated total GLA to the extent that we have pre-leased the space to be developed. If we were to pre-lease all of the estimated total GLA included in the table below, we estimate that the total remaining costs to complete the development of this space would be $55.8 million, which we expect to fund through construction loans and proceeds of potential sales of our Bellevue Mall and South Billings Center development properties. As of March 31, 2011, the annualized base rent from the portion of our development properties with respect to which construction has been completed was $5.7 million. Dollars and square feet of GLA are presented in thousands in the table.

Development Properties/Location	Estimated Stabilization Date[1]	Percent Owned	Current GLA[2][3]	Percent Leased[3][4]	Estimated Total GLA[3]	Carrying Value[5]	Construction Loan Balance
Consolidated:							
Lake Mead Crossing/ Henderson, NV[9]	2013	25.0%	408	77.9%	669	$ 81,167	$ 48,949
Green Valley Crossing/ Henderson, NV	2014	50.0%	179	82.2%	272	25,053	11,350
Wheatland Towne Crossing/ Dallas, TX[9]	2014	75.0%	162	100.0%	392	14,838	5,730
Parkway Towne Crossing/ Frisco, TX[9]	2013	75.0%	346	80.6%	377	25,977	20,809
Bellevue Mall/ Nashville, TN[6]		100.0%				26,448	
South Billings Center/ Billings, MT[6]		44.5%	215	100.0%	215	5,072	
Unconsolidated:							
Hampton Retail Colorado (two properties)/ Denver, CO[7][8]	2013	95.8%	93		93	5,381	4,031
Total			1,403	79.9%	2,018	$ 183,936	$ 90,869

(1) Estimated stabilization date represents the date by which we currently estimate that leases with respect to 90% of the estimated total GLA will have commenced.
(2) Represents GLA with respect to which construction had been completed as of March 31, 2011.
(3) Includes space developed for shadow anchors.
(4) Represents the percentage of current GLA with respect to which leases had commenced as of March 31, 2011.
(5) Represents the carrying value of each property as of March 31, 2011, which was the total investment less accumulated depreciation through March 31, 2011.
(6) South Billings Center is entitled for an estimated total GLA of 404,800 square feet and Bellevue Mall is entitled for an estimated total GLA of 1,015,000 square feet. Currently, we have no plans to continue to develop these properties. We have entered into an agreement to sell our Bellevue Mall development property for an aggregate purchase price of $27.0 million. Subsequent to March 31, 2011, the agreement to sell our Bellevue Mall development property expired without the closing of the sale.
(7) Represents the carrying value of the two properties under development held by the joint venture, which was the total investment less accumulated depreciation through March 31, 2011. There is an additional $18.2 million of carrying value related to four operational properties held by the joint venture.
(8) The construction loan balance is only the portion related to two properties under development held by the joint venture. There is an additional $16.4 million construction loan related to four operational properties held by the joint venture.

(9) Subsequent to March 31, 2011, we closed on the dissolution of a partnership with a partner in three of our development joint ventures, which resulted in us acquiring a 100% ownership interest in Parkway Towne Crossing, a 100% ownership interest in three fully-occupied outlots at Wheatland Towne Crossing, and a 50% ownership interest in Lake Mead Crossing. The remaining property (excluding the three outlots) of Wheatland Towne Crossing was conveyed to our partner and our partner simultaneously repaid the related $5,730 construction loan. Concurrently with this transaction, we also acquired a 36.7% ownership interest in Lake Mead Crossing from another partner in that joint venture, increasing our total ownership interest in the property to 86.7%.

Lease Expirations

The following table sets forth a summary, as of March 31, 2011, of lease expirations scheduled to occur during the remainder of 2011, each of the nine calendar years from 2012 to 2020 and thereafter, assuming no exercise of renewal options or early termination rights. The following table is based on leases commenced as of March 31, 2011 for our retail operating portfolio. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

Lease Expiration Year	Number of Expiring Leases	GLA	Percent of Leased GLA	Percent of Total GLA	ABR	Percent of Total ABR	ABR per Leased Sq. Ft.(1)	ABR at Exp.(2)	ABR Per Leased Sq. Ft. at Exp.(3)
2011(4)	267	1,035	3.4%	2.9%	17,453	4.0%	16.86	17,453	16.86
2012	488	2,143	7.0%	6.0%	36,506	8.5%	17.03	37,020	17.27
2013	542	2,859	9.3%	8.1%	45,305	10.5%	15.85	46,342	16.21
2014	583	3,999	13.0%	11.3%	60,793	14.1%	15.20	62,205	15.56
2015	400	3,331	10.8%	9.4%	46,290	10.7%	13.90	47,930	14.39
2016	271	2,425	7.9%	6.8%	36,941	8.6%	15.23	39,444	16.27
2017	109	1,560	5.1%	4.4%	19,511	4.5%	12.51	20,463	13.12
2018	85	1,055	3.4%	3.0%	16,633	3.9%	15.77	17,995	17.06
2019	90	1,713	5.6%	4.8%	24,360	5.6%	14.22	25,780	15.05
2020	94	1,996	6.5%	5.6%	23,729	5.5%	11.89	25,336	12.69
Thereafter	241	8,298	27.0%	23.4%	100,280	23.2%	12.08	107,721	12.98
Month to month	68	294	1.0%	0.8%	3,909	0.9%	13.30	3,909	13.30
Leased Total	3,238	30,708	100.0%	86.5%	$ 431,710	100.0%	$ 14.06	$ 451,598	$ 14.71
Leases signed but not commenced(5)	2	718		2.0%	6,164		$ 8.58	6,584	$ 9.17
Available		4,065		11.5%					

(1) Represents annualized base rent, divided by leased GLA.

(2) Represents annualized base rent at the scheduled expiration of the lease giving effect to contractual increases in base rent.

(3) Represents annualized base rent at the scheduled expiration of the lease, giving effect to contractual increases in base rent, divided by leased GLA. Does not reflect contractual increases based on the Consumer Price Index.

(4) Excludes month-to-month leases.

(5) Represents leases signed but not commenced as of March 31, 2011.

As of March 31, 2011, the weighted average lease term of leases at our office and industrial properties, based on annualized base rent, was 6.6 years, with no expirations prior to 2014.

Lease Distribution

The following table sets forth information relating to the distribution of leases in our retail operating portfolio, based on leases commenced as of March 31, 2011. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

GLA Under Lease	Number of Leases	GLA	Percent of Leased GLA	ABR	Percent of ABR	ABR Per Leased Sq. Ft.
Ground Lease	148	2,620	8.5%	$ 22,699	5.3%	$ 8.66
2,500 or less	1,417	2,082	6.8%	51,685	12.0%	24.82
2,501 10,000	1,018	4,948	16.1%	104,992	24.2%	21.22
10,001 25,000	341	5,618	18.3%	81,565	18.9%	14.52
25,001 40,000	155	4,671	15.2%	49,880	11.6%	10.68
40,001 100,000	139	8,089	26.4%	96,632	22.4%	11.95
Greater than 100,000	20	2,680	8.7%	24,257	5.6%	9.05
Leased Total	3,238	30,708	100.0%	$ 431,710	100.0%	$ 14.06

Historical Leasing Activity

The following table sets forth certain historical information regarding leasing activity at the properties in our retail operating portfolio as of March 31, 2011.

	Three Months Ended March 31, 2011	Year Ended December 31,			
		2010	2009	2008	2007
Expirations(1)					
Number of leases	111	416	641	383	292
GLA (square feet at end of period, in thousands)	886	1,834	2,446	1,151	961
Expiring base rent per square foot	$ 12.04	$ 15.77	$ 16.05	$ 18.06	$ 16.97
Renewals(2) (3)					
Number of leases	89	306	416	247	223
GLA leased (square feet at end of period, in thousands)	780	1,349	1,685	808	793
Expiring base rent per square foot	$ 11.21	$ 16.26	$ 16.10	$ 17.56	$ 16.81
New base rent per square foot(4)	$ 11.42	$ 15.55	$ 16.23	$ 18.86	$ 17.95
Renewal rate (based on GLA)	88.0%	73.6%	68.9%	70.2%	82.5%
New Leases(5)					
Number of leases	41	203	165	153	170
GLA leased (square feet at end of period, in thousands)	295	1,702	1,331	476	652
New base rent per square foot(4)	$ 14.06	$ 11.17	$ 12.92	$ 19.59	$ 19.59
Total New Leases and Renewals					
Number of leases	130	509	581	400	393
GLA leased (square feet at end of period, in thousands)	1,075	3,051	3,016	1,284	1,445
New base rent per square foot(4)	$ 12.14	$ 13.11	$ 14.77	$ 19.13	$ 18.69

(1) Excludes month-to-month leases.

(2)

Includes retained tenants that have relocated or expanded into new space within our portfolio. Monthly renewals of month-to-month tenants are not included.

(3) Lease renewals are shown in the period the prior term expires.

(4) Based upon GLA of signed leases for the period presented.

(5) Does not include retained tenants that have relocated or expanded into new space within our portfolio.

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Historical Percentage Leased and Rental Rates

The following table sets forth, as of the indicated dates, the percentage leased and annualized base rent per leased square foot for the properties in our retail operating portfolio as of March 31, 2011. Square feet of GLA are presented in thousands in the table.

Date	Total GLA	Percentage Leased[1]	Annualized Base Rent Per Leased Square Foot[2]
March 31, 2011	35,491	86.5%	$ 14.06
December 31, 2010	35,766	86.8%	$ 13.94
December 31, 2009	35,730	85.5%	$ 14.07
December 31, 2008	35,612	88.6%	$ 14.12
December 31, 2007	34,564	96.8%	$ 13.74
December 31, 2006	32,697	97.8%	$ 14.52

(1) Based on leases commenced as of the date presented, and calculated as leased GLA divided by total GLA.
(2) Represents (i) annualized base rent under leases commenced as of date indicated divided by (ii) leased GLA as of the period indicated.

Tenant Improvement and Leasing Commissions

The following table sets forth certain historical information regarding tenant improvement and leasing commission costs for tenants at the properties in our retail operating portfolio as of March 31, 2011. The tenant improvement and leasing commission costs presented are based on when the expenses were incurred, which may be during different periods than when the leases were signed. Dollars and square feet of GLA are presented in thousands in the table.

	Three Months Ended March 31, 2011	Year Ended December 31, 2010	2009	2008	2007
Total New Leases and Renewals					
Number of leases signed[1]	130	509	581	400	393
GLA	1,075	3,051	3,016	1,284	1,445
Leasing commission costs	$ 2,056	$ 5,568	$ 3,870	$ 3,093	$ 2,856
Tenant improvement costs	$ 5,415	$ 22,756	$ 13,282	$ 7,412	$ 5,239
Total leasing commission costs and tenant improvement costs	$ 7,471	$ 28,324	$ 17,152	$ 10,505	$ 8,095

(1) Lease renewals are shown in the period the prior term expires.

Historical Capital Expenditures

The following table sets forth certain information regarding historical recurring capital expenditures at the properties in our retail operating portfolio as of March 31, 2011. Dollars (other than per square foot information) and square feet of GLA are presented in thousands in the table.

Three Months Ended	Year Ended December 31, 2010	2009	2008	2007

	March 31, 2011				
Recurring capital expenditures	$ 1,349	$ 5,732	$ 5,119	$ 7,266	$ 3,243
GLA	35,491	35,766	35,730	35,612	34,564
Recurring capital expenditures per square foot[1]	$ 0.15	$ 0.16	$ 0.14	$ 0.20	$ 0.09

(1) Recurring capital expenditures for properties acquired during the period are annualized.

Mortgages

As of March 31, 2011, we had mortgages secured by 275 of our consolidated operating properties and our unconsolidated joint ventures had mortgages secured by 19 operating properties. The following is a summary of these mortgages and the properties securing these mortgages as of March 31, 2011. For the mortgages secured by our consolidated operating properties, we have grouped this information together based on the year in which the mortgage is scheduled to mature. Dollars and square feet of GLA are presented in thousands in the table.

	Mortgages		**Properties Securing Mortgages[1]**		
Maturity Date By Year	**Outstanding Principal Amount[2]**	**Weighted Average Interest Rate[3]**	**Number of Props.**	**GLA**	**ABR[4]**
Consolidated Operating:					
2011[5]	$ 392,776	5.69%	20	4,158	42,838
2012	422,164	5.48%	35	4,064	41,393
2013	680,124	4.77%	47	9,280	94,573
2014	224,049	7.13%	16	2,921	33,546
2015	471,450	5.78%	68	4,717	62,044
Thereafter[6]	1,254,865	6.65%	89	15,873	204,607
Total-Encumbered	$ 3,445,428	5.94%	275	41,013	$ 479,001
Unencumbered			7	1,203	4,691
Total	$ 3,445,428	5.94%	282	42,216	$ 483,692
Unconsolidated Operating[7]	$ 295,622	5.39%	19	2,630	$ 36,343

(1) For eight of our consolidated operating properties, we have separate mortgages for different portions, or phases, of the property that mature in different years. For each of these properties, the portion of the total square feet of GLA of the property that is securing each mortgage (and the annualized base rent attributable to that GLA) is presented in the year in which such mortgage matures. However, for purposes of presenting the number of properties, each of these properties is only included in the property count for the year in which the mortgage with the largest principal balance matures.

(2) Maturities for each year include amortization paid. For mortgages maturing each year, the following sets forth the amount of the outstanding principal amount as of March 31, 2011 that is included as an amount maturing in a prior year in the table due to scheduled amortization:

Year	**Amount of Prior Amortization**
	(in thousands)
2012	664
2013	1,753
2014	3,760
2015	17,672
Thereafter	78,082

(3) Based on interest as of March 31, 2011 for all variable rate debt.

(4) Excludes $5.7 million of annualized base rent from our consolidated development properties. Rental abatements for leases commenced as of March 31, 2011, which are excluded, were $0.5 million for our retail operating portfolio for the 12 months ending March 31, 2012. Annualized base rent does not reflect scheduled lease expirations for the 12 months ending March 31, 2012. The portion of the annualized base rent of our total operating portfolio attributable to leases scheduled to expire during the 12 months ending March 31, 2012, including

month-to-month leases, is approximately $35.6 million.

(5) Amount for 2011 includes $73.0 million of mortgage loans that had matured but had not been repaid as of March 31, 2011. As of July 18, 2011, $32.5 million of mortgage loans that matured in 2010 and $31.0 million

that had matured in 2011 remained outstanding. We are currently in negotiations with the lenders regarding an appropriate course of action with respect to these mortgages payable. Collectively, these mortgages are secured by a total of four properties with 860,731 square feet of GLA representing $7.6 million of annualized base rent as of March 31, 2011.

(6) Excludes $125.0 million of debt secured by our equity interest in the IW JV, which, as of March 31, 2011, held 55 retail operating properties with 6.5 million square feet of GLA representing $85.1 million of annualized base rent. We currently anticipate using a portion of the net proceeds from this offering to exercise our option to repurchase Inland Equity s interest in IW JV, as a result of which we will own 100% of IW JV.

(7) Includes mortgages with an aggregate principal amount of $275.2 million with a weighted average maturity date of 3.0 years owed by two separate joint ventures in which we have a 20% interest and a construction loan with a principal balance of $20.4 million with a maturity date of September 1, 2014 owed by one joint venture in which we have a 95.8% interest. The construction loan is secured by two properties under development and four operating properties held by the joint venture.

Operating History

We are a Maryland corporation formed in March 2003, and we have been publicly held and subject to SEC reporting obligations since the completion of our first public offering in 2003. As of March 31, 2011, we had over 111,000 shareholders of record. We were initially sponsored by The Inland Group, Inc. and its affiliates, but we have not been affiliated with The Inland Group since the internalization of our management in November 2007.

2007 Internalization

On November 15, 2007, pursuant to an agreement and plan of merger, approved by our shareholders on November 13, 2007, we acquired, through a series of mergers, four entities affiliated with our former sponsor, IREIC, which entities provided business management/advisory and property management services to us. Shareholders of the acquired entities received an aggregate of 37,500,000 shares of our common stock, valued under the merger agreement at $10.00 per share. In December 2010, certain of the shareholders returned 9,000,000 shares of our common stock to us in connection with our settlement of a lawsuit relating to this acquisition. As a result of the mergers, we now perform substantially all of our key operational activities internally. In connection with the mergers, we and our former business manager/advisor or our former property managers entered into a number agreements and amendments to agreements, with The Inland Group, Inc. and certain of its affiliates. See Certain Relationships and Related Transactions.

Recapitalization

Prior to the completion of this offering, we intend to complete the Recapitalization. See Recapitalization.

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Regulation

General

The properties in our portfolio are subject to various laws, ordinances and regulations, including regulations relating to common areas. We believe each of the existing properties has the necessary permits and approvals to operate its business.

Americans with Disabilities Act

Our properties must comply with Title III of the ADA to the extent that such properties are public accommodations as defined by the ADA. The ADA may require removal of structural barriers to access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe the existing properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, noncompliance with the ADA could result in imposition of fines or an award of damages to private litigants. The obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect.

Environmental Matters

Under various federal, state or local laws, ordinances and regulations, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances, waste, or petroleum products at, on, in, under or from such property, including costs for investigation, remediation, natural resource damages or third party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. In addition, the presence of contamination or the failure to remediate contamination at our properties may adversely affect our ability to sell, redevelop, or lease such property or to borrow using the property as collateral. Environmental laws also may create liens on contaminated sites in favor of the government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property. Some of our properties have been or may be impacted by contamination arising from current or prior uses of the property or adjacent properties for commercial or industrial purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We also may be liable for the costs of remediating contamination at off-site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances at such facilities, without regard to whether we comply with environmental laws in doing so.

Independent environmental consultants have conducted Phase I Environmental Site Assessments or similar environmental audits for all our investment properties at the time they were acquired. A Phase I Environmental Site Assessment is a written report that identifies existing or potential environmental conditions associated with a particular property. These environmental site assessments generally involve a review of records and visual inspection of the property but do not include soil sampling or ground water analysis. These environmental site assessments have not revealed, nor are we aware of, any environmental liability that we believe will have a material adverse effect on our operations. These environmental site assessments have a limited scope, however, and may not reveal all potential environmental liabilities. Further, material environmental conditions may have arisen after the review was completed or may arise in the future, and future laws, ordinances or regulations may impose additional material environmental liability beyond what was known at the time the site assessment was conducted.

In addition, our properties are subject to various federal, state and local environmental, health and safety laws, including laws governing the management of wastes and underground and aboveground storage tanks.

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Noncompliance with these environmental, health and safety laws could subject us or our tenants to liability. These environmental liabilities could affect a tenant s ability to make rental payments to us. Moreover, changes in laws could increase the potential costs of compliance with environmental laws, health and safety laws or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise materially and adversely affect our operations, or those of our tenants, which could in turn have a material adverse effect on us.

As the owner or operator of real property, we may also incur liability based on various building conditions. For example, buildings and other structures on properties that we currently own or operate or those we acquire or operate in the future contain, may contain, or may have contained, asbestos-containing material, or ACM. Environmental, health, and safety laws require that ACM be properly managed and maintained and may impose fines or penalties on owners, operators or employers for non-compliance with those requirements. These requirements include special precautions, such as removal, abatement or air monitoring, if ACM would be disturbed during maintenance, renovation, or demolition of a building, potentially resulting in substantial costs. In addition, we may be subject to liability for personal injury or property damage sustained as a result of exposure to ACM or releases of ACM into the environment.

We also may incur liability arising from mold growth in the buildings we own or operate. When excessive moisture accumulates in buildings or on building materials, mold growth may occur, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Some molds may produce airborne toxins or irritants. Indoor air quality issues can also stem from inadequate ventilation, chemical contamination from indoor or outdoor sources, and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or increase ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants, employees of our tenants, or others if property damage or personal injury occurs.

Insurance

We carry comprehensive liability, fire, extended coverage, earthquake, terrorism and rental loss insurance covering all of the properties in our portfolio under a blanket policy. We believe the policy specifications and insured limits are appropriate given the relative risk of loss, the cost of the coverage and industry practice and, in the opinion of our management, the properties in our portfolio are adequately insured. Our terrorism insurance is subject to exclusions for loss or damage caused by nuclear substances, pollutants, contaminants and biological and chemical weapons. We do not carry insurance for generally uninsured losses such as loss from riots or acts of God. In addition, we carry terrorism insurance on all of our properties in an amount and with deductibles which we believe are commercially reasonable. See Risk Factors Risks Relating to Our Business and Our Properties If we suffer losses that are not covered by insurance or that are in excess of insurance coverage, we could lose invested capital and anticipated profits and Some of our properties are subject to potential natural and other disasters, which could cause significant damage to our properties and result in substantial costs to us or loss of our invested capital in the properties.

Competition

In seeking new investment opportunities, we compete with other real estate investors, including pension funds, insurance companies, foreign investors, real estate partnerships, other REITs, private individuals and other real estate companies, some of which have greater financial resources than we do. With respect to properties presently owned by us, we compete with other owners of like properties for tenants. There can be no assurance that we will be able to successfully compete with such entities in development, acquisition, and leasing activities in the future.

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Our business is inherently competitive. Property owners, including us, compete on the basis of location, visibility, quality and aesthetic value of construction, volume of traffic, strength and name recognition of tenants and other factors. These factors combine to determine the level of occupancy and rental rates that we are able to achieve at our properties. Further, our tenants compete with other forms of retailing, including e-commerce, catalog companies and direct consumer sales. We may, at times, compete with newer properties or those in more desirable locations. To remain competitive, we evaluate all of the factors affecting our centers and try to position them accordingly. For example, we may decide to focus on renting space to specific retailers who will complement our existing tenants and increase traffic. We believe the principal factors that retailers consider in making their leasing decision include:

- consumer demographics;
- quality, design and location of properties;
- total number and geographic distribution of properties;
- diversity of retailers and anchor tenants at shopping center locations;
- management and operational expertise; and
- rental rates.

Based on these factors, we believe that the size and scope of our property portfolio, as well as the overall quality and attractiveness of our individual properties, enable us to compete effectively for retail tenants in our local markets. Because our revenue potential may be linked to the success of retailers, we indirectly share exposure to the same competitive factors that our retail tenants experience in their respective markets when trying to attract individual shoppers. These dynamics include general competition from other regional shopping centers, including outlet malls and other discount shopping centers, as well as competition with discount shopping clubs, catalog companies, Internet sales and telemarketing.

Employees

As of July 18, 2011, we had approximately 260 employees.

Legal Proceedings

From time to time, we are party to various lawsuits, claims for negligence and other legal proceedings that arise in the ordinary course of our business. We are not currently a party, as plaintiff or defendant, to any legal proceedings which, individually or in the aggregate, would be expected to have a material effect on our business, financial condition or results of operations if determined adversely to us.

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MANAGEMENT

Directors and Executive Officers

Currently, our board of directors consists of nine directors. Our board of directors has determined that seven of our directors are independent directors for purposes of applicable NYSE rules. Pursuant to our charter, our directors are elected annually by our shareholders to serve until the next annual meeting or until their successors are duly elected and qualify. The next annual meeting of our shareholders after this offering will be held in 2011. Our officers serve at the discretion of our board of directors.

Certain information regarding our executive officers and directors is set forth below:

Name	Age	Position
Steven P. Grimes	44	Chief Executive Officer, President, Chief Financial Officer, Treasurer and Director
Dennis K. Holland	59	Executive Vice President, General Counsel and Secretary
Shane C. Garrison	41	Executive Vice President and Chief Investment Officer
Niall J. Byrne	55	Executive Vice President and President of Property Management
James W. Kleifges	61	Executive Vice President and Chief Accounting Officer
Gerald M. Gorski*	68	Director and Chairman of the Board
Kenneth H. Beard*	71	Director
Frank A. Catalano, Jr*	50	Director
Paul R. Gauvreau*	71	Director
Brenda G. Gujral	68	Director
Richard P. Imperiale*	51	Director
Kenneth E. Masick*	65	Director
Barbara A. Murphy*	73	Director

* Determined by our board of directors to be an independent director within the meaning of the NYSE listing standards.

The following are biographical summaries of the experience of our executive officers and directors.

Steven P. Grimes serves as our Chief Executive Officer, President, Chief Financial Officer, Treasurer and as a Director. Mr. Grimes has served as one of our directors since March 8, 2011 and as Chief Executive Officer and President since October 13, 2009. Previously, Mr. Grimes served as our Chief Operating Officer and Chief Financial Officer since the internalization of our management on November 15, 2007. Prior to our internalization, Mr. Grimes served as Principal Financial Officer and Treasurer and the Chief Financial Officer of Inland Western Retail Real Estate Advisory Services, Inc., which was our former business manager/advisor, since February 2004. Prior to joining our former business manager/advisor, Mr. Grimes served as a Director with Cohen Financial, a mortgage brokerage firm, and as a senior manager with Deloitte in their Chicago-based real estate practice, where he was a national deputy real estate industry leader. Mr. Grimes is also an active member of various real estate trade associations, including the Real Estate Roundtable. Mr. Grimes received his B.S. in Accounting from Indiana University and is a Certified Public Accountant.

Dennis K. Holland serves as our Executive Vice President, General Counsel and Secretary. In this role, Mr. Holland manages our legal department and is involved in all aspects of our business, including real estate acquisitions and financings, sales, securities laws, corporate governance matters, leasing and tenant matters and litigation management. Mr. Holland has served in these positions since the internalization of our management on November 15, 2007. Prior to that time, he served as Associate Counsel of The Inland Real Estate Group, Inc., an affiliate of our former business manager/advisor, since December 2003. Prior to December 2003, Mr. Holland served as Deputy General Counsel of Heller Financial, Inc., and General Counsel of its real estate group, and in a business role with GE Capital following its acquisition of Heller Financial. Mr. Holland received his B.S. in Economics from Bradley University in 1974 and a J.D. from the John Marshall Law School in 1979.

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Shane C. Garrison serves as our Executive Vice President and Chief Investment Officer. In this role, Mr. Garrison is responsible for several operating functions within the company, including leasing, construction operations, joint ventures, and overall asset management, which includes acquisitions and dispositions. Mr. Garrison has served in this position since the internalization of our management on November 15, 2007. Prior to that time, Mr. Garrison served as Vice President of Asset Management of Inland US Management LLC, which was a property management company affiliated with our former business manager/advisor, since 2004. In this prior role, Mr. Garrison underwrote over $1.2 billion of assets acquired by us, and went on to spearhead our development and joint venture initiatives. Previously, Mr. Garrison had served as head of asset management for ECI Properties, a small boutique owner of industrial and retail properties, and the general manager of the Midwest region for Circuit City, a large electronics retailer. Mr. Garrison received his B.S. in Business Administration from Illinois State University and an MBA in Real Estate Finance from DePaul University.

Niall J. Byrne serves as our Executive Vice President and President of Property Management. In this role, Mr. Byrne is responsible for the oversight of all the property management functions for our portfolio. Mr. Byrne has served in this position since the internalization of our management on November 15, 2007. Prior to that time, he served as a Senior Vice President of Inland Holdco Management LLC, which was a property management company affiliated with our former business manager/advisor, since 2005. In this role, Mr. Byrne was responsible for the oversight of all of the property management, leasing and marketing activities for our portfolio and was involved in our development, acquisitions and joint venture initiatives. Previously, from 2004 to 2005, Mr. Byrne served as Vice President of Asset Management of American Landmark Properties, Ltd., a private real estate company, where he was responsible for a large commercial and residential portfolio of properties. Prior to joining American Landmark Properties, Ltd., Mr. Byrne served as Senior Vice President/Director of Operations for Providence Management Company, LLC, or PMC Chicago, from 2000 to 2004. At PMC Chicago, he oversaw all aspects of property operations, daily management and asset management functions for an 8,000-unit multi-family portfolio. Prior to joining PMC Chicago, Mr. Byrne also had over fifteen years of real estate experience with the Chicago-based Habitat Company and with American Express/Balcor and five years of public accounting experience. Mr. Byrne received his B.S. in Accounting from DePaul University and is a Certified Public Accountant.

James W. Kleifges serves as our Executive Vice President and Chief Accounting Officer. Mr. Kleifges has served in this position since the internalization of our management on November 15, 2007. Prior to that time, he served as Chief Accounting Officer of Inland Western Retail Real Estate Advisory Services, Inc., our former business manager/advisor, since March 2007. Mr. Kleifges served as Vice President, Chief Financial Officer, Treasurer and Assistant Secretary of Inland Retail Real Estate Trust, Inc., a publicly held retail real estate investment trust, from January 2005 until the acquisition of the company by a third party in February 2007 in a transaction valued in excess of $6 billion. From August 2004 through December 2004, Mr. Kleifges was the Vice President, Corporate Controller for the external business manager/advisor of Inland Retail Real Estate Trust, Inc. From April 1999 to January 2004, Mr. Kleifges was Vice President/Corporate Controller of Prime Group Realty Trust, an office and industrial real estate investment trust based in Chicago, Illinois, with assets in excess of $1 billion. Prior to joining Prime Group, Mr. Kleifges held senior financial and operational positions in various private and public real estate companies located in Chicago, Illinois and Denver, Colorado. Mr. Kleifges also was a Senior Manager with KPMG in Chicago, Illinois completing a career in public accounting from June 1972 to December 1982. Mr. Kleifges earned his B.A. in Accounting from St. Mary s University in Winona, Minnesota and has been a Certified Public Accountant since 1974.

Gerald M. Gorski serves as a Director and Chairman of the Board. Mr. Gorski has been one of our directors since July 1, 2003. He has been a Partner in the law firm of Gorski & Good LLP, Wheaton, Illinois since 1978. Mr. Gorski s practice is focused on governmental law, and he represents numerous units of local government in Illinois. Mr. Gorski has served as a Special Assistant State s Attorney and Special Assistant Attorney General in Illinois. He received a B.A from North Central College with majors in Political Science and Economics and a J.D. from DePaul University Law School. Mr. Gorski serves as the Vice Chairman of the Board of

Commissioners for the DuPage Airport Authority. Further, Mr. Gorski has also served as Chairman of the Board of Directors of the DuPage National Technology Park. He has written numerous articles on various legal issues facing Illinois municipalities and has been a speaker at a number of municipal law conferences.

Kenneth H. Beard serves as a Director. Mr. Beard has been one of our directors since our inception on March 5, 2003. He is President and Chief Executive Officer of KHB Group, Inc. and Midwest Mechanical Construction, mechanical engineering and construction companies. From 1999 to 2002, he was President and Chief Executive Officer of Exelon Services, a subsidiary of Exelon Corporation that engaged in the design, installation and servicing of heating, ventilation and air conditioning facilities for commercial and industrial customers and provided energy-related services. From 1974 to 1999, Mr. Beard was President and Chief Executive Officer of Midwest Mechanical, Inc., a heating, ventilation and air conditioning construction and service company that he founded in 1974. From 1964 to 1974, Mr. Beard was employed by The Trane Company, a manufacturer of heating, ventilating and air conditioning equipment. Mr. Beard holds an MBA and BSCE from the University of Kentucky and is a licensed mechanical engineer. He is past chairman of the foundation board of the Wellness House in Hinsdale, Illinois, a cancer support organization and serves on the Dean s Advisory Council of the University of Kentucky, School of Engineering. Mr. Beard is a past member of the Oak Brook, Illinois, Plan Commission (1981 to 1991) and a past board member of Harris Bank, Hinsdale, Illinois (1985 to 2004).

Frank A. Catalano, Jr. serves as a Director. Mr. Catalano has been one of our directors since our inception on March 5, 2003. Mr. Catalano s experience also includes mortgage banking. Since February 1, 2008, he has been with Gateway Funding Diversified Mortgage Services, L.P., a residential mortgage banking company, as their Regional Vice President. From 2002 until August 2007, he was a Vice President of American Home Mortgage Company. He also was President and Chief Executive Officer of CCS Mortgage, Inc. from 1995 through 2000. Since 1999, Mr. Catalano has also served as President of Catalano & Associates. Catalano & Associates is a real estate company that engages in brokerage and property management services and the rehabilitation and leasing of office buildings. Mr. Catalano is currently a member of the Elmhurst Memorial Healthcare Board of Governors and formerly served as the chairman of the board of the Elmhurst Chamber of Commerce. Mr. Catalano holds a mortgage banker s license.

Paul R. Gauvreau serves as a Director. Mr. Gauvreau has been one of our directors since our inception on March 5, 2003. He is the retired Chief Financial Officer, Financial Vice President and Treasurer of Pittway Corporation, a NYSE listed manufacturer and distributor of professional burglar and fire alarm systems and equipment from 1966 until its sale to Honeywell, Inc. in 2001. He was President of Pittway s non-operating real estate and leasing subsidiaries through 2001. He also was a financial consultant to Honeywell, Inc., Genesis Cable, L.L.C. and ADUSA, Inc. Additionally, he was a director and audit committee member of Cylink Corporation, a NASDAQ Stock Market listed manufacturer of voice and data security products from 1998 until its merger with Safenet, Inc. in February 2003. Mr. Gauvreau holds an MBA from the University of Chicago and a BSC from Loyola University of Chicago. He is on the Board of Trustees, Chairman of the Finance Committee and Treasurer of Benedictine University, Lisle, Illinois and a member of the Board of Directors of the Children s Brittle Bone Foundation, Pleasant Prairie, Wisconsin.

Brenda G. Gujral serves as a Director. Ms. Gujral has been one of our Directors since our inception and previously served as our Chief Executive Officer from June 2005 until the internalization of our management on November 15, 2007. She is the Chief Executive Officer of Inland Real Estate Investment Corporation, or IREIC, which is a sponsor of real estate investment trusts and limited partnerships that is affiliated with The Inland Group, Inc. Ms. Gujral has served as the Chief Executive Officer of IREIC since January 2008 and as its President from January 1998 through January 2011 and from July 1987 through September 1992. Ms. Gujral currently serves as a director of Inland American Real Estate Trust, Inc. and Inland Diversified Real Estate Trust, Inc., and previously served as a director of Inland Retail Real Estate Trust, Inc. from its inception in September 1998 until it was acquired in February 2007. Prior to joining The Inland Group, Inc., she worked for the Land Use Planning Commission establishing an office in Portland, Oregon, to implement land use legislation for that state. She is a graduate of California State University. She holds Series 7, 22, 39 and 63 certifications from the Financial Industry Regulatory Authority and is a licensed real estate salesperson.

Richard P. Imperiale serves as a Director. Mr. Imperiale has been one of our directors since January 2008. Mr. Imperiale is President and founder of Forward Uniplan Advisors, Inc., a Milwaukee, Wisconsin based investment advisory holding company that, together with its affiliates, manages and advises over $500 million in client accounts. Forward Uniplan Advisors, Inc. was founded by Mr. Imperiale in 1984 and specializes in managing equity, REIT and specialty portfolios for clients. Mr. Imperiale started his career as a credit analyst for the First Wisconsin National Bank (now U.S. Bank). In 1983, Mr. Imperiale joined B.C. Ziegler & Company, a Midwest regional brokerage firm where he was instrumental in the development of portfolio strategies for one of the first hedged municipal bond mutual funds in the country. Mr. Imperiale is widely quoted in local and national media on matters pertaining to investments and authored the book *Real Estate Investment Trusts: New Strategies For Portfolio Management*, published by John Wiley & Sons, 2002. He attended Marquette University Business School where he received a B.S. in Finance.

Kenneth E. Masick serves as a Director. Mr. Masick has been one of our directors since January 2008. He retired from Wolf & Company LLP, certified public accountants, in April 2009, having been there as a partner since its formation in 1978. That firm, one of the largest in the Chicago area, specializes in audit, tax and consulting services to privately owned businesses. Mr. Masick was partner-in-charge of the firm s audit and accounting department and was responsible for the firm s quality control. His accounting experience also includes feasibility studies and due diligence activities with acquisitions. Mr. Masick has been in public accounting since his graduation from Southern Illinois University in 1967. Mr. Masick also holds Series 7, 24, 27 and 63 licenses from Financial Industry Regulatory Authority. He also was treasurer and director of Wolf Financial Management LLC, a securities broker-dealer firm. Mr. Masick was a director of Inland Retail Real Estate Trust, Inc. from December 1998 until it was acquired in February 2007.

Barbara A. Murphy serves as a Director. Ms. Murphy has been one of our directors since July 1, 2003. Ms. Murphy is the Chairwoman of the DuPage Republican Party and current Committeeman for The Milton Township Republican Central Committee in Illinois. After serving for twenty years, she recently retired as a Trustee of Milton Township in Illinois. Ms. Murphy is currently a member of the Illinois Motor Vehicle Review Board and the Matrimonial Fee Arbitration Board, and has previously served on the DuPage Civic Center Authority Board, the DuPage County Domestic Violence Task Force and the Illinois Toll Highway Advisory Committee and as a founding member of the Family Shelter Service Board. Ms. Murphy also previously served as the Chairman for the Milton Township Republican Central Committee in Illinois and as the Republican Party s State Central Committeewoman for the Sixth Congressional District. Ms. Murphy also has experience as the co-owner of a small retail business.

Director Qualifications. In concluding that each of the foregoing Directors should serve as a Director, the Nominating and Corporate Governance Committee and the Board focused on each Director s participation and performance on the Board during his or her tenure, as well as each Director s experience, qualifications, attributes and skills discussed in each of the Directors individual biographies set forth elsewhere herein. In particular, with respect to each Director, the Nominating and Corporate Governance Committee and the Board noted the following:

Mr. Grimes s experience and position as our Chief Executive Officer;

Mr. Gorski s experience as a lawyer and focus on local government law not only gives the Board a valuable perspective on the numerous legal issues (including land use law) that we face, but also on local political issues;

Mr. Beard s experience in engineering and construction services, as well as his expertise in corporate acquisition and finance, enable him to provide insight relating to our joint venture, development and other activities;

Mr. Catalano s experience in running a firm engaged in the brokerage, management, rehabilitation and leasing of commercial property coincides closely with our business;

Mr. Gauvreau s financial experience, including his serving as the chief financial officer of a NYSE-listed company and on the audit committee of a NASDAQ-listed company, qualifies him to serve as chairman of our Audit Committee;

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- Ms. Gujral s experience in the real estate industry and the securities brokerage business provides guidance to us as well as assistance in maintaining our relationship not only with the brokers and advisors who have sold our stock, but also with the investors who purchased our stock;

- Mr. Imperiale s experience in the brokerage and investment advisory industries allow him to provide useful oversight and advice as we look to refinance debt and strengthen our balance sheet, as well as to address issues with respect to our securities portfolio;

- Mr. Masick s experience as a certified public accountant and experience in providing audit, tax and consulting services to privately-owned businesses provides financial expertise to the Board and the Audit Committee; and

- Ms. Murphy s public service and experience in operating her own business bring a different perspective to evaluating our relationships with public officials, tenants and customers of our tenants.

Corporate Governance Profile

We have structured our corporate governance in a manner we believe closely aligns our interests with those of our shareholders. Notable features of our corporate governance structure include the following:

- our board of directors is not staggered, with each of our directors subject to re-election annually;

- of the nine persons who currently serve on our board of directors, seven have been affirmatively determined by our board of directors to be independent for purposes of the NYSE s listing standards and Rule 10A-3 under the Exchange Act;

- at least one of our directors qualifies as an audit committee financial expert as defined by the Securities and Exchange Commission, or the SEC;

- we have an independent Chairman of our board of directors;

- prior to the completion of this offering, we intend to opt out of the Maryland business combination and control share acquisition statutes and provide that we may not opt in without shareholder approval; and

- we do not have a shareholder rights plan and, prior to the completion of this offering we intend to provide that, in the future, we will not adopt a shareholder rights plan unless our shareholders approve in advance the adoption of a plan or, if adopted by our board of directors, we will submit the shareholder rights plan to our shareholders for a ratification vote within 12 months of adoption or the plan will terminate.

Board Committees

Our board of directors has established three standing committees: the Audit Committee, the Executive Compensation Committee and the Nominating and Corporate Governance Committee. The composition of each of the Audit Committee, the Executive Compensation Committee and the Nominating and Corporate Governance Committee complies with the listing requirements and other rules and regulations of the NYSE, as amended or modified from time to time. All members of the committees described below are independent as such term is defined in the NYSE s listing standards and as affirmatively determined by our board of directors, other than Ms. Gujral.

Board Committee	Chairman	Members
Audit Committee	Paul R. Gauvreau	Kenneth H. Beard
		Kenneth E. Masick
Executive Compensation Committee	Frank A. Catalano, Jr.	Richard P. Imperiale
		Brenda G. Gujral
		Barbara A. Murphy
Nominating & Corporate Governance Committee[1]	Richard P. Imperiale	Gerald M. Gorski
		Kenneth E. Masick

(1) Robert D. Parks served as a member of our Nominating and Corporate Governance Committee and Board of Directors until our annual meeting of shareholders on October 12, 2010. Mr. Parks was not independent as such term is defined in the NYSE s listing standards.

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Audit Committee

Our Board has established an Audit Committee comprised of Messrs. Beard, Gauvreau, and Masick. Mr. Gauvreau serves as the Chair of the Audit Committee and qualifies as our financial expert under the SEC rules. The Audit Committee operates under a written charter approved by the Board of Directors.

The Audit Committee is responsible for the engagement of our independent registered public accounting firm, reviewing the plans and results of the audit engagement with our independent registered public accounting firm, approving services performed by, and the independence of, our independent registered public accounting firm, considering the range of audit and non-audit fees, and consulting with our independent registered public accounting firm regarding the adequacy of our internal accounting controls.

Executive Compensation Committee

Our Board has established an Executive Compensation Committee comprised of Mr. Catalano, Mr. Imperiale, Ms. Gujral and Ms. Murphy. Mr. Catalano serves as the chair of the Executive Compensation Committee. Each of the members of the Executive Compensation Committee satisfies the definition of independent under the NYSE s listing standards, other than Ms. Gujral. The Executive Compensation Committee operates under a written charter approved by the Board of Directors.

The Executive Compensation Committee makes recommendations to our Board concerning compensation policies and programs, including salaries and incentive compensation, for our executive officers, and administers our employee benefit plans. The Executive Compensation Committee has not delegated its authority to others. It is likely that our chief executive officer will provide input into executive compensation decisions. We did not hire a compensation consultant to assist the Executive Compensation Committee in determining compensation for 2010.

Nominating and Corporate Governance Committee

Our Board has established a Nominating and Corporate Governance Committee, or Nominating Committee comprised of Messrs. Gorski, Imperiale and Masick. Mr. Imperiale serves as the chair of the Nominating Committee. Each of the Members of the Nominating Committee satisfies the definition of independent under the NYSE s listing standards. The Nominating Committee operates under a written charter approved by the Board of Directors.

The Nominating Committee identifies possible director nominees (whether through a recommendation from a shareholder or otherwise), and makes initial determinations as to whether to conduct a full evaluation of the candidate(s). This initial determination is based on the information provided to the Nominating Committee when the candidate is recommended, the Nominating Committee s own knowledge of the prospective candidate and information, if any, obtained by the Nominating Committee s inquiries. The preliminary determination is based primarily on the need for additional Board members to fill vacancies, expand the size of the Board of Directors or obtain representation in market areas without Board representation and the likelihood that the candidate can satisfy the evaluation factors described below. If the members of the Nominating Committee determine that additional consideration is warranted, the Nominating Committee may gather additional information about the candidate s background and experience. The members of the Nominating Committee then evaluate the prospective nominee against the following standards and qualifications:

- achievement, experience and independence;
- wisdom, integrity and judgment;
- understanding of the business environment; and
- willingness to devote adequate time to Board duties.

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The members of the Nominating Committee also consider such other relevant factors as they deem appropriate, including the current composition of the Board, the need for audit committee or other expertise and the evaluations of other candidates. In connection with this evaluation, the members of the Nominating Committee determine whether to interview the candidate. If the members of the Nominating Committee decide that an interview is warranted, one or more of those members, and others as appropriate, interview the candidate in person or by telephone. After completing this evaluation and interview, the full Board would nominate such candidates for election.

Guidelines on Corporate Governance and Code of Business Conduct and Ethics

Our board of directors, upon the recommendation of the Nominating and Corporate Governance Committee, has adopted guidelines on corporate governance establishing a common set of expectations to assist the board of directors in performing its responsibilities. The corporate governance policies and guidelines address a number of topics, including, among other things, director qualification standards, director responsibilities, the responsibilities and composition of the board committees, director access to management and independent advisors, director compensation, management succession and evaluations of the performance of the board. Prior to the completion of this offering, we intend to amend our corporate governance policies and guidelines to comply with the requirements of the NYSE s listing standards. Our board of directors also has adopted a code of business conduct and ethics, which includes a conflicts of interest policy that applies to all of our directors and executive officers. The Code of Business Conduct and Ethics meets the requirements of a code of ethics as defined by the rules and regulations of the SEC.

Executive Compensation

The following discussion and analysis is set forth with respect to the compensation and benefits for the Company s Chief Executive Officer and Chief Financial Officer and the other three officers included in the Summary Executive Compensation Table included herein (together, the Company s Named Executive Officers) for the Company s fiscal year ended December 31, 2010 (fiscal 2010).

Compensation Committee Members, Independence and Responsibility

The compensation and benefits payable to the Named Executive Officers are established by the Board with the assistance of the Executive Compensation Committee of the Board (the Committee). The Committee is currently comprised of Frank A. Catalano, Jr. (Chairman), Brenda G. Gujral, Richard P. Imperiale, and Barbara A. Murphy. Each of Messrs. Catalano and Imperiale and Ms. Murphy (but not Ms. Gujral) is (i) an independent director within the meaning of the NYSE s listing standards, (ii) a non-employee director within the meaning of Rule 16b-3 of the Securities Exchange Act of 1934, as amended, and (iii) an outside director within the meaning of the regulations promulgated pursuant to Section 162(m) of the Code.

The Committee operates under a written charter adopted by the Board. Pursuant to its charter, the Committee is charged with reviewing and approving the Company s compensation philosophy and is responsible for assuring that the officers and key management personnel of the Company and its subsidiaries are effectively compensated in terms that are motivating, internally equitable and externally competitive. Pursuant to its charter, the Committee s function is to:

- review (in consultation with management or the Board), recommend to the Board for approval and evaluate the compensation plans, policies and programs of the Company, especially those regarding executive compensation;
- determine the compensation of the chief executive officer and all other executive officers of the Company; and
- produce an annual report on executive compensation for inclusion in the Company s proxy materials in accordance with applicable rules and regulations.

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Objectives and Structure of Our Compensation Program

The primary objectives of our executive compensation programs are: (i) to attract, retain and reward experienced, highly-motivated executives who are capable of leading us effectively and contributing to our long-term growth and profitability, (ii) to motivate and direct the performance of management with clearly-defined goals and measures of achievement, and (iii) to align the interests of management with the interests of our shareholders.

We attempt to achieve our objectives through offering the opportunity to earn a combination of cash and equity-based compensation to provide appropriate incentives for our executives. Executive officers are eligible to receive a combination of (i) annual base salary, (ii) annual cash or equity incentive compensation, and (iii) option grants under our Stock Incentive Plan. Each of the Named Executive Officers participates in the same benefits programs available to all of our employees: health and dental insurance; group term life insurance; short-term disability coverage; and tax-qualified 401(k) plan. The Company does not provide additional perquisites to the Named Executive Officers. The Committee did not engage a compensation consultant for 2010.

When we were initially formed in 2003, we did not have any employees. Instead, we had agreements with related parties who provided all of our services and employees in exchange for fees. At that time, those related parties compensated their employees, including each of the Named Executive Officers, from the time they started their employment with such related parties. We were not a part of any compensation decisions or arrangements. On November 15, 2007, we acquired those related parties and hired substantially all of those employees who were employed by those related parties and provided services to us in a transaction referred to as the internalization. As part of the internalization, we entered into employment agreements with four of our executive officers, including Steven P. Grimes, our current Chief Executive Officer, President, Chief Financial Officer and Treasurer; Shane C. Garrison, our Executive Vice President and Chief Investment Officer and Niall J. Byrne, our Executive Vice President and President of our property management companies. The term of our initial employment agreements with each of the individuals listed above began on November 15, 2007, the closing date of the internalization. The employment agreements provided that each Named Executive Officer was to receive a salary, but made no provision for a incentive compensation or equity compensation.

In late 2007, our Board established the Committee. In February 2008, the Board adopted a charter for the Committee and it began meeting to examine and establish compensation programs for our chief executive officer and other executive officers.

In August 2008, the Company finalized new employment agreements for all of the Named Executive Officers for the year ended on December 31, 2008 (except for Mr. Holland s employment agreement which continued until December 31, 2009) retroactive to January 1, 2008. The Committee determined not to enter into any new employment agreements with the Named Executive Officers for 2009 and 2010.

As a part of its efforts, the Committee set the objectives of our compensation program. While the Committee informally compared compensation against peer group data to gain a sense of current market compensation, no benchmarking was used. The peer group selected by the Committee consists of the following nine publicly-traded REITs with a substantial retail shopping center portfolio:

Developers Diversified Realty Corporation	Inland Real Estate Corporation
Regency Centers Corporation	Kimco Realty Corporation
Cedar Shopping Centers, Inc.	Ramco-Gershenson Properties Trust
Equity One, Inc.	Weingarten Realty Investments
Federal Realty Investment Trust	

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2010 Executive Compensation

In fiscal 2010, the Committee considered a combination of base salary, incentive compensation, annual long-term equity awards in the form of stock options and other benefits noted above to meet its compensation objectives. The proportions of these elements were determined by the Committee in its discretion, considering, among other things, the prevailing practices in the marketplace, including the peer group, and the historical compensation by the Company and the prior employers of the Company s Named Executive Officers. In establishing base salaries for 2010, the Committee considered present compensation, market competitiveness in relation to the Company s performance and capital structure, the roles, responsibilities and performance of each of the Named Executive Officers, the contribution of each of the Named Executive Officers to the Company s business, an analysis of job requirements, and the prior experience and accomplishments of each of the Named Executive Officers. For 2010, the Committee approved an executive bonus program pursuant to which each of the Named Executive Officers was eligible to receive a bonus payable in shares of restricted common stock. For each of our Named Executive Officers, a portion of the bonus was to be based on the achievement of pre-established corporate performance measures and the remainder was to be based on individual performance as determined by the Committee in its discretion, as described in more detail below. The Committee determined that this program would provide an appropriate balance between using objective, pre-established corporate performance measures and retaining discretion over a portion of incentive compensation to allow the Company to reward achievement and effort by the Named Executive Officers that may not be adequately measured using pre-established formulas. Discretionary incentive compensation also assists in the Company s efforts to retain outstanding executive officers. Finally, the Committee views the granting of restricted common stock as a means of aligning management and shareholder interests, providing incentives and rewarding management s long-term perspective, and retaining the services of the Named Executive Officers.

In determining overall compensation for each Named Executive officer for fiscal 2010, the Committee generally considered a number of factors on a subjective basis, including, but not limited to, (i) the scope of the officer s responsibilities within the Company; (ii) the experience of the officer within our industry and at the Company; (iii) performance of the Named Executive Officer and his or her contribution to the Company; (iv) the Company s financial budget and general wage level throughout the Company for fiscal 2010; (v) a review of historical compensation information for the individual officer; (vi) a subjective determination of the compensation needed to motivate and retain that individual; (vii) the recommendations of the Chief Executive Officer (and the recommendation of the Chairman of the Board with respect to the Chief Executive Officer); (viii) data regarding compensation paid to officers with comparable titles, positions or responsibilities at REITs that are approximately similar in size to the Company, and (ix) general industry and market conditions and their impact upon the ability of the Company to achieve objective performance goals and the time commitment required of the Named Executive Officers. An officer s target compensation is not mechanically set to be a particular percentage of the peer group average, although as noted the Committee does review the officer s compensation relative to the peer group to help the Committee perform the subjective analysis described above. Peer group data is not used as the determining factor in setting compensation for the following reasons: (a) the average actual compensation for comparable officers at the peer companies may be the result of a year of over performance or under performance by the peer group (i.e., historically, the Company has not had access to the target compensation set for the peer group, but only to the actual compensation paid, so setting target compensation strictly by reference to actual compensation data for peers would be inappropriate); and (b) the Committee believes that ultimately the decision as to appropriate target compensation for a particular office should be made based on the full review described above. The Committee also reviews competitive market compensation data for the peer group.

Steven P. Grimes. For 2010, Mr. Grimes, our Chief Executive Officer, President, Chief Financial Officer and Treasurer, received a base salary of $450,000. On October 12, 2010, the Board increased the annual base salary for Mr. Grimes to $525,000, effective January 1, 2011.

Dennis K. Holland. For 2010, Mr. Holland, our Executive Vice President, General Counsel and Secretary, received a base salary of $265,000. On October 12, 2010, the Board increased the annual base salary for Mr. Holland to $325,000, effective January 1, 2011.

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Shane C. Garrison. For 2010, Mr. Garrison, our Executive Vice President and Chief Investment Officer, received a base salary of $250,000. On October 12, 2010, the Board increased the annual base salary for Mr. Garrison to $350,000, effective January 1, 2011.

Niall J. Byrne. For 2010, Mr. Byrne, our Executive Vice President and President of Property Management, received a base salary of $250,000. On October 12, 2010, the Board increased the annual base salary for Mr. Byrne to $275,000, effective January 1, 2011.

On October 12, 2010, we increased the annual base salaries for the Named Executive Officers, effective January 1, 2011. Among other reasons, the Board made these adjustments as none of the management team, other than Mr. Grimes, has had an increase in base salary during the period from January 1, 2008 through January 1, 2011, the effective date of such adjustments, while undertaking increased workloads due to the recent economic recession and the reallocation of duties of the Company s previous President and Chief Executive Officer, who left in 2009. In addition, the Board made these adjustments at this time in view of the fact that the adjustments to the management team s base salaries aggregated $260,000, which is less than the $375,000 in executive compensation savings achieved by the combining of the role of the Chief Financial Officer with the Chief Executive Officer.

For 2010, the Committee approved an executive bonus program pursuant to which Messrs. Grimes, Holland, Garrison and Byrne are each eligible to receive a bonus payable in shares of restricted common stock with a value of $225,000, $66,250, $62,500 and $62,500, respectively. Under this program, the number of shares of restricted stock to be awarded to each Executive Officer was calculated by dividing the value of the bonus earned by the Named Executive Officer by the fair value of our common stock as determined by the Board of Directors or the Committee on the date the Committee determined whether the corporate performance measures for the bonuses have been achieved. Each of Messrs. Grimes and Holland was eligible to earn 50% of their bonus if two corporate performance measures, a target occupancy rate of 90% for 2010 and target amount of cash flows from operations of $200.0 million for the year ended December 31, 2010, were achieved. Messrs. Grimes and Holland were eligible to receive the remaining 50% of their bonuses based upon individual performance as determined by the Committee in its discretion. Mr. Garrison was eligible to earn 80% of his bonus if the target occupancy rate for 2010 was achieved. Mr. Byrne was eligible to earn 80% of his bonus if the target amount of cash flows from operations for the year ended December 31, 2010 was achieved. Messrs. Garrison and Byrne were eligible to receive the remaining 20% of their bonuses based upon individual performance as determined by the Committee in its discretion. On April 12, 2011, the Committee made its determinations under the executive bonus program. The Committee determined that the Company had exceeded the target occupancy rate that had been established under the executive bonus program, but did not meet the target amount of cash flows from operations. Accordingly, Mr. Garrison earned the full amount of his bonus that was based on pre-established corporate performance measures, and Messrs. Grimes, Holland and Byrne did not receive the portion of their bonus that was based on pre-established corporate performance measures. The Committee decided to award each of Messrs. Grimes, Holland, Garrison and Byrne the full amount of the discretionary portion of their bonus under the executive bonus program. This decision was primarily based on the overall performance of the Company during the year, including the Company s achievements in refinancing and repaying maturing debt, signing new leases, establishing the RioCan joint venture, disposing of non-core assets and generating cash flows from operations. As a result, on April 12, 2011, restricted stock awards in the following amounts were made to our Named Executive Officers: Mr. Grimes 16,423 shares; Mr. Holland 4,836 shares; Mr. Garrison 9,125 shares; and Mr. Byrne 1,825 shares. In accordance with the originally established terms of the executive bonus program, 50% of the restricted stock grants will fully vest on each of the third and fifth anniversaries of the grant date. Additionally, on May 10, 2011, the Board of Directors awarded, as a supplement to the executive bonus program, a one-time, nominal award of $20,000 in cash to each of Messrs. Grimes, Holland, Garrison and Byrne in recognition of their performance in 2010.

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2010 Executive Compensation Table

The following table sets forth information with respect to all compensation paid or earned for services rendered to us by the Named Executive Officers for the years ended December 31, 2010, 2009 and 2008.

Summary Compensation Table

Name and Principal Position	Year	Salary($)	Bonus($)	Stock Awards($)	All Other Compensation[1]($)	Total($)
Steven P. Grimes	2010	450,000		[2]		450,000
	2009	375,000			2,000	377,000
Chief Executive Officer, President, Chief Financial Officer and Treasurer	2008	375,000	93,750		1,000	469,750
Shane C. Garrison	2010	250,000		[2]		250,000
	2009	250,000			2,000	252,000
Executive Vice President and Chief Investment Officer	2008	250,000	46,126		1,232	297,358
Niall J. Byrne	2010	250,000		[2]		250,000
	2009	250,000			2,000	252,000
Executive Vice President and President of Property Management	2008	250,000	31,250		1,825	283,075
Dennis K. Holland	2010	265,000		[2]		265,000
	2009	265,000	26,500		2,000	293,500
Executive Vice President, General Counsel and Secretary	2008	265,000	26,500		1,797	293,297

(1) Represents company match to 401(k) plan.
(2) The amounts reported are based on the probable outcome of the applicable corporate performance measures as of the service inception date for accounting purposes. Assuming the applicable corporate performance measures were achieved for these restricted stock bonuses, the fair value of the portion of the restricted stock bonuses that is based on achieving the applicable corporate performance measures would have been as follows for each of the Named Executive Officers: Mr. Grimes $112,500; Mr. Garrison $50,000; Mr. Byrne $50,000; and Mr. Holland $33,125.

Grants of Plan-Based Awards

We have provided the following Grants of Plan-Based Awards table to provide additional information about restricted stock bonuses program for our Named Executive Officers during the year ended December 31, 2010.

2010 Grants of Plan-Based Awards

Name	Grant Date[1]	Estimated Possible Payouts Under Equity Incentive Plan Awards Target($)[2][3][4]	Grant Date Fair Value of Stock Awards($)[5]
Steven P. Grimes	May 11, 2010	112,500	
Shane C. Garrison	May 11, 2010	50,000	
Niall J. Byrne	May 11, 2010	50,000	
Dennis K. Holland	May 11, 2010	33,125	

(1) For purposes of this table, the date reported represents the service inception date for accounting purposes.
(2) The number of shares of restricted stock awarded was calculated by dividing the value of the bonus earned by the fair value of our common stock as determined by the Board of Directors or the Committee on the date the Committee determined whether the corporate performance measures for the bonuses were achieved.

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(3) Represents the portion of the potential restricted stock bonuses that is based on achieving the applicable corporate performance measures.
(4) The corporate performance measures are specific targets and do not provide for threshold or maximum amounts. Accordingly, no threshold or maximum columns have been included in the table.
(5) The amounts reported are based on the probable outcome of the applicable corporate performance measures as of the service inception date for accounting purposes.

Outstanding Equity Awards at Fiscal Year-End

We have provided the following Outstanding Equity Awards at Fiscal Year-End table to provide additional information about restricted stock bonuses program for our Named Executive Officers during the year ended December 31, 2010.

Outstanding Equity Awards at 2010 Fiscal Year-End

	Stock Awards	
Name	Number of Shares or Units of Stock That Have Not Vested (#)[1]	Market Value of Shares or Units of Stock That Have Not Vested ($)[1]
Steven P. Grimes		
Shane C. Garrison	7,300	50,000
Niall J. Byrne		
Dennis K. Holland		

(1) Represents the portion of the restricted stock bonuses that was earned based on achieving the applicable corporate performance measures.

Employment Agreements

The Committee determined not to enter into any new employment agreements with the Named Executive Officers for 2010.

Equity Plans

2008 Long-Term Equity Compensation Plan

We currently maintain the 2008 Long-Term Equity Compensation Plan, which we refer to as the 2008 Equity Plan, under which officers and key employees are eligible to receive equity compensation.

Administration

The 2008 Equity Plan is administered by the Executive Compensation Committee of the Board of Directors.

Eligibility

Our officers and key employees, and those of our subsidiaries, are eligible to participate in the 2008 Equity Plan.

Stock Available for Issuance Through the 2008 Equity Plan

The 2008 Equity Plan provides for a number of forms of stock based compensation, as further described below. Up to shares of our common stock, are authorized for issuance through the 2008 Equity Plan.

Shares issued under the 2008 Equity Plan may be either authorized but unissued shares, treasury shares, or any combination thereof. Provisions in the 2008 Equity Plan permit the reuse or reissuance by the 2008 Equity Plan of shares of common stock underlying canceled, expired, or forfeited awards of stock based compensation.

Stock based compensation is typically issued in consideration for the performance of services to us. At the time of exercise, the full exercise price for a stock option must be paid in cash or, if the Executive Compensation Committee so provides, in shares of common stock, by cashless exercise or by any other means designated by the Executive Compensation Committee.

Description of Awards under the Plan

The Executive Compensation Committee may award to eligible employees incentive and nonqualified stock options, stock appreciation rights, restricted stock, and performance units/performance shares. As separately described below under Performance Measures, the Executive Compensation Committee may also grant awards subject to satisfaction of specific performance goals. The forms of awards are described in greater detail below.

Stock Options. The Executive Compensation Committee has discretion to award incentive stock options, or ISOs, which are intended to comply with Section 422 of the Internal Revenue Code, or nonqualified stock options, or NQSOs, which are not intended to comply with Section 422 of the Internal Revenue Code. Each option issued under the 2008 Equity Plan must be exercised within a period of ten years from the date of the grant, and the exercise price of an option may not be less than the fair market value of the underlying shares of Class A Common Stock on the date of grant. If an award of stock options or stock appreciation rights is intended to qualify as performance based compensation under Internal Revenue Code Section 162(m), the maximum number of shares which may be subject to stock options with or without tandem stock appreciation rights, or freestanding stock appreciation rights, granted in any calendar year to any one participant is . Subject to the specific terms of the 2008 Equity Plan, the Executive Compensation Committee has discretion to set such additional limitations on such grants as it deems appropriate.

Options granted to employees under the 2008 Equity Plan expire at such times as the Executive Compensation Committee determines at the time of the grant; provided, however, that no option is exercisable later than ten years from the date of grant. Each option award agreement sets forth the extent to which the participant has the right to exercise the option following termination of the participant s employment with us. The termination provisions are determined within the discretion of the Executive Compensation Committee, may not be uniform among all participants and may reflect distinctions based on the reasons for termination of employment.

Upon the exercise of an option granted under the 2008 Equity Plan, the option price is payable in full to us, either: (a) in cash or its equivalent, or (b) if permitted in the award agreement, by tendering shares having a fair market value at the time of exercise equal to the total option price (provided such shares have been held for at least six months prior to their tender), (c) by withholding shares which otherwise would be acquired on exercise having a fair market value at the time of exercise equal to the total option price, (d) by promissory note, or (e) any combination of the foregoing methods of payment. The Executive Compensation Committee may also allow options granted under the 2008 Equity Plan to be exercised by a cashless exercise, as permitted under Federal Reserve Board Regulation T, or any other means the Executive Compensation Committee determines to be consistent with the 2008 Equity Plan s purpose and applicable law.

Stock Appreciation Rights. The Executive Compensation Committee may also award stock appreciation rights, or SARs, under the 2008 Equity Plan upon such terms and conditions as it shall establish. The exercise price of a freestanding SAR equals the fair market value of a share of common stock on the date of grant while the exercise price of a tandem SAR issued in connection with a stock option equals the option price of the related option. If an award of SARs is intended to qualify as performance based compensation under Internal Revenue Code Section 162(m), the maximum number of shares which may be subject to SARs is described above under Stock Options.

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Restricted Stock. The Executive Compensation Committee also may award shares of restricted common stock under the 2008 Equity Plan upon such terms and conditions as it shall establish. If an award of restricted stock is intended to qualify as performance based compensation under Internal Revenue Code Section 162(m), the maximum number of shares which may be granted in the form of restricted stock in any one calendar year to any one participant is . The award agreement specifies the period(s) of restriction, the number of shares of restricted common stock granted, restrictions based upon continued service or the achievement of specific performance objectives and/or restrictions under applicable federal or state securities laws. Although recipients may have the right to vote these shares from the date of grant, they do not have the right to sell or otherwise transfer the shares during the applicable period of restriction or until earlier satisfaction of other conditions imposed by the Executive Compensation Committee in its sole discretion. Participants may receive dividends on their shares of restricted stock.

Each award agreement for restricted stock sets forth the extent to which the participant will have the right to retain unvested restricted stock following termination of the participant s employment with us. These provisions are determined in the sole discretion of the Executive Compensation Committee, need not be uniform among all shares of restricted stock issued pursuant to the 2008 Equity Plan and may reflect distinctions based on reasons for termination of employment.

Performance Units/Shares. The Executive Compensation Committee has the discretion to award performance units and performance shares under the 2008 Equity Plan upon such terms and conditions as it shall establish. If an award of performance units or performance shares is intended to qualify as performance based compensation under Internal Revenue Code Section 162(m), the maximum aggregate payout for awards of performance units or performance shares which may be granted in any one calendar year to any one participant is limited to the fair market value of shares of common stock. Each performance share has an initial value equal to one share of common stock. The payout on the number and value of the performance units and performance shares is a function of the extent to which corresponding performance goals are met.

Performance Measures

The Executive Compensation Committee may grant awards under the 2008 Equity Plan to eligible employees subject to the attainment of certain specified performance measures. The number of performance based awards granted to an officer or key employee in any year is determined by the Executive Compensation Committee in its sole discretion.

The value of each performance based award is determined solely upon the achievement of certain preestablished objective performance goals during each performance period. The duration of a performance period is set by the Executive Compensation Committee. A new performance period may begin every year, or at more frequent or less frequent intervals, as determined by the Executive Compensation Committee.

The value of performance based awards may be based on absolute measures or on a comparison of our financial measures during a performance period to the financial measures of a group of competitors. The performance measures are net income either before or after taxes, market share, customer satisfaction, profits, share price, earnings per share, total shareholder return, return on assets, return on equity, operating income, return on capital or investments, and economic value added.

The Executive Compensation Committee determines the objective performance goals applicable to the valuation of performance based awards granted in each performance period, the performance measures which are used to determine the achievement of those performance goals, and any formulas or methods used to determine the value of the performance based awards.

Following the end of a performance period, the Executive Compensation Committee determines the value of the performance based awards granted for the period based on the attainment of the pre-established objective performance goals. The Executive Compensation Committee also has discretion to reduce (but not to increase) the value of a performance based award.

The Executive Compensation Committee certifies, in writing, that the award is based on the degree of attainment of the preestablished objective performance goals. As soon as practicable thereafter, payment of the awards to employees, if any, is made in the form of shares of common stock or cash, as applicable.

Conditions to Award Payments

All rights of a participant under any award under the 2008 Equity Plan will cease on and as of a date on which it is determined by the Executive Compensation Committee that a participant acted in a manner inimical to our best interests. Participants who terminate employment with us for any reason other than death while any award under the 2008 Equity Plan remains outstanding, receive such shares or benefit only if, during the entire period from his or her date of termination to the date of such receipt, the participant (i) consults and cooperates with us on matters under his or her supervision during the participant s employment, and (ii) refrains from engaging in any activity that is directly or indirectly in competition with any activity of ours. In the event a participant fails to comply with such requirement, the participant s rights under any outstanding award are forfeited unless otherwise provided by us.

Adjustment and Amendments

The 2008 Equity Plan provides for appropriate adjustments in the number of shares of common stock subject to awards and available for future awards in the event of changes in outstanding common stock by reason of a merger, stock split, or certain other events.

The 2008 Equity Plan may be modified or amended by the Board at any time and for any purpose which the Board deems appropriate. However, an amendment adversely affecting any outstanding awards requires the affected holder s consent.

Change in Control

In the event of a change in control, all options and SARs granted under the 2008 Equity Plan will become immediately exercisable, restriction periods and other restrictions imposed on restricted stock which is not performance-based will lapse, and the target payout opportunities attainable under all outstanding awards of performance-based restricted stock, performance shares and performance units will be deemed to have been fully earned for the entire performance period as of the effective date of the change in control. The vesting of such awards will be accelerated.

Nontransferability

No derivative security (including, without limitation, options) granted pursuant to, and no right to payment under, the 2008 Equity Plan is assignable or transferable by a participant except by will or by the laws of descent and distribution, and any option or similar right will be exercisable during a participant s lifetime only by the participant or by the participant s guardian or legal representative. These limitations may be waived by the Executive Compensation Committee, subject to restrictions imposed under the SEC s short swing trading rules and federal tax requirements relating to incentive stock options.

Duration of the Plan

The 2008 Equity Plan will remain in effect until all options and rights granted thereunder have been satisfied or terminated pursuant to the terms of the plan, and all performance periods for performance based awards granted thereunder have been completed. However, in no event will an award be granted under the 2008 Equity Plan on or after May 13, 2018.

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Independent Director Stock Option Plan

We have an Independent Director Stock Option Plan under which non-employee directors, as defined under Rule 16b-3 of the Exchange Act, are eligible to participate. Only those directors who are not employees of The Inland Group, Inc. or its affiliates are eligible to participate in this plan.

Stock Available for Issuance

A total of shares of our common stock are authorized and reserved for issuance under our Independent Director Stock Option Plan. The number and type of shares which could be issued under the plan may be adjusted if we are the surviving entity after a reorganization or merger or if our stock splits or is consolidated or we are recapitalized. If this occurs, the exercise price of the options will be correspondingly adjusted.

Description of Option Awards

Each non-employee director is entitled to be granted an option under our Independent Director Stock Option Plan to acquire shares as of the date he or she initially becomes a director. In addition, each non-employee director is entitled to be granted an option to acquire shares on the date of each annual shareholders meeting, so long as the director remains a member of the Board on such date. All such options are granted at the fair market value of a share on the last business day preceding the date of each annual shareholders meeting and become fully exercisable on the second anniversary of the date of grant.

Options granted under the Independent Director Stock Option Plan are exercisable until the first to occur of:

- the tenth anniversary of the date of grant,
- the removal for cause of the director as a director, or
- three months following the date the director ceases to be a director for any other reason except death or disability.

The options may be exercised by payment of cash or through the delivery of our common stock. They are generally exercisable in the case of death or disability for a period of one year after death or the disabling event, provided that the death or disabling event occurs while the person is a director. However, if the option is exercised within the first six months after it becomes exercisable, any shares issued pursuant to such exercise may not be sold until the six month anniversary of the date of the grant of the option. Notwithstanding any other provisions of the Independent Director Stock Option Plan to the contrary, no option issued pursuant thereto may be exercised if such exercise would jeopardize our status as a REIT under the Code.

Nontransferability

No option may be sold, pledged, assigned or transferred by a director in any manner otherwise than by will or by the laws of descent or distribution.

Change in Control

Upon our dissolution, liquidation, reorganization, merger or consolidation as a result of which we are not the surviving corporation, or upon sale of all or substantially all of our property, the Independent Director Stock Option Plan will terminate, and any outstanding unexercised options will terminate and be forfeited. However, holders of options may exercise any options that are otherwise exercisable immediately prior to the dissolution, liquidation, reorganization, merger or consolidation. Additionally, our Board may provide for any or all of the following alternatives:

for the assumption by the successor corporation of the options previously granted or the substitution by the corporation for the options covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and exercise prices;

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for the continuance of the Independent Director Stock Option Plan by such successor corporation in which event the Independent Director Stock Option Plan and the options will continue in the manner and under the terms so provided; or

for the payment in cash or common stock in lieu of and in complete satisfaction of the options.

Director Compensation

Cash Compensation

From January 1, 2008 to December 31, 2010, each director (other than Ms. Gujral, who is not entitled to receive any compensation from the Company for her service on the Board of Directors or any of its committees) received an annual director fee of $40,000. This amount increased to $50,000 beginning January 1, 2011. The independent chairman of the Board of Directors receives an additional annual fee of $25,000, the chairman of the Audit Committee receives an additional annual fee of $10,000, and the chairmen of the Executive Compensation Committee and the Nominating and Corporate Governance Committee receive an additional annual fee of $5,000. In addition, each director receives $1,000 for attending in person or $750 for attending via telephone, each meeting of the Board, and $500 for attending, whether in person or via telephone, each committee meeting. Members of a special committee formed to evaluate two transactions with a related party received $1,000 for attending each meeting, whether in person or via telephone, of the special committee.

Equity Compensation

Each non-employee director is entitled to be granted an option under our Independent Director Stock Option Plan to acquire shares as of the date he or she initially becomes a director. In addition, each non-employee director is entitled to be granted an option to acquire shares on the date of each annual shareholders meeting, so long as the director remains a member of the Board on such date. All such options are granted at the fair market value of a share on the last business day preceding the date of each annual shareholders meeting and become fully exercisable on the second anniversary of the date of grant.

Options granted under the Independent Director Stock Option Plan are exercisable until the first to occur of:

the tenth anniversary of the date of grant,

the removal for cause of the director as a director, or

three months following the date the director ceases to be a director for any other reason except death or disability.

The options may be exercised by payment of cash or through the delivery of our common stock. They are generally exercisable in the case of death or disability for a period of one year after death or the disabling event, provided that the death or disabling event occurs while the person is a director. However, if the option is exercised within the first six months after it becomes exercisable, any shares issued pursuant to such exercise may not be sold until the six month anniversary of the date of the grant of the option. Notwithstanding any other provisions of the Independent Director Stock Option Plan to the contrary, no option issued pursuant thereto may be exercised if such exercise would jeopardize our status as a REIT under the Code.

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2010 Director Compensation Table

The following table sets forth a summary of the compensation we paid to our directors during 2010:

2010 Summary Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)[2] [3]	Total ($)
Paul R. Gauvreau	71,000	6,902	77,902
Gerald M. Gorski	70,250	6,902	77,152
Frank A. Catalano, Jr.	62,500	6,902	69,402
Barbara A. Murphy	61,250	6,902	68,152
Kenneth H. Beard	60,750	6,902	67,652
Richard P. Imperiale	58,500	6,902	65,402
Kenneth E. Masick	57,750	6,902	64,652
Robert D. Parks[1]			
Brenda G. Gujral[1]			

(1) Mr. Parks and Ms. Gujral do not receive any fees or other remuneration for serving as our directors.

(2) As of March 31, 2011, each of the directors other than Mses. Gujral and Murphy and Mr. Parks held unexercised options to purchase 10,000 shares of Class A Common Stock and shares of Class B Common Stock. As of March 31, 2011, Ms. Murphy held unexercised options to purchase 8,500 shares of Class A Common Stock and shares of Class B Common Stock and Ms. Gujral and Mr. Parks held no unexercised options.

(3) The option awards were valued using the Black-Scholes option pricing model and the following assumptions: expected term of options 5 years, expected volatility 35%, expected dividend yield 1.87% and risk-free interest rate 1.13%.

Compensation Committee Interlocks and Insider Participation

During 2010, the members of the Executive Compensation Committee consisted of Frank A. Catalano, Jr. (chair), Brenda G. Gujral, Richard P. Imperiale and Barbara A. Murphy. Brenda G. Gujral served as our Chief Executive Officer until November 15, 2007. Additionally, we are required to disclose certain relationships and related transactions with Ms. Gujral. See Certain Relationships and Related Transactions. None of the other members of the Executive Compensation Committee has any relationship with us requiring disclosure under applicable rules and regulations of the SEC. No other member of our Executive Compensation Committee is a current or former officer or employee of ours or any of our subsidiaries. None of our named executive officers serves as a member of the board of directors or compensation committee of any company that has one or more of its executive officers serving as a member of our board of directors or Executive Compensation Committee.

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PRINCIPAL STOCKHOLDERS

The following table sets forth information as of March 31, 2011, after giving effect to the Recapitalization, regarding the number and percentage of shares beneficially owned by: (i) each director; (ii) each named executive officer; (iii) all directors and executive officers as a group; and (iv) any person known to us to be the beneficial owner of more than 5% of our outstanding shares. The percent of the Class A Common Stock, Class B Common Stock and total common stock before this offering is based on shares of Class A Common Stock and shares of Class B Common Stock outstanding as of March 31, 2011, on a pro forma basis to give effect to the Recapitalization, plus, for each person, the number of shares that person has the right to acquire within 60 days after such date. The percent of the total common stock after this offering also includes as outstanding the shares of Class A Common Stock to be sold in this offering, but assumes that the underwriters do not exercise their option to purchase up to an additional shares of Class A Common Stock solely to cover overallotments. As of March 31, 2011, we had over 111,000 shareholders of record.

	Class A Common Stock		Class B Common Stock		Total Common Stock		
Name and Address of Beneficial Owner[1]	Number of Shares[2]	Percent Before Offering	Number of Shares[2]	Percent Before Offering	Number of Shares[2]	Percent Before Offering	Percent After Offering
Directors and Named Executive Officers							
Brenda G. Gujral	97,673	*		*			
Kenneth H. Beard[3]	75,305	*		*			
Frank A. Catalano, Jr.[3]	13,632	*		*			
Paul R. Gauvreau[3]	121,732	*		*			
Gerald M. Gorski[3]	12,740	*		*			
Richard P. Imperiale[3]	10,000	*		*			
Kenneth E. Masick[3]	10,000	*		*			
Barbara A. Murphy[4]	10,000	*		*			
Steven P. Grimes	29,104	*		*			
Shane C. Garrison							
Niall J. Byrne							
James W. Kleifges							
Dennis K. Holland	4,718	*		*			
All directors and executive officers as a group (13 persons)	384,904	*		*			
5% Shareholders							
Daniel L. Goodwin[5]	24,400,151	5.10%		5.10%			

* Less than 1%

(1) The address of each of the persons listed above is 2901 Butterfield Road, Oak Brook, IL 60523.

(2) Beneficial ownership includes outstanding shares and shares which are not outstanding that any person has the right to acquire within 60 days after the date of this table. However, any such shares which are not outstanding are not deemed to be outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investing power with respect to all shares beneficially owned by them.

(3) Includes 10,000 shares of Class A Common Stock and shares of Class B Common Stock issuable upon exercise of options granted under our Independent Director Stock Option Plan, which are currently exercisable or will become exercisable within 60 days after the date of this table.

(4) Includes 8,500 shares of Class A Common Stock and shares of Class B Common Stock issuable upon exercise of options granted under our Independent Director Stock Option Plan, which are currently exercisable or will become exercisable within 60 days after the date of this table.

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(5) Includes 128,182 shares of Class A Common Stock and shares of Class B Common Stock, as applicable, held jointly by Mr. Goodwin and his spouse. Also includes 6,112,869, 8,510,493, 215,531, 71,438 and 2,903 shares of Class A Common Stock and , , , and shares of Class B Common Stock, as applicable, owned by Inland Corporate Holdings Corporation, Inland Funding Corporation, IREIC, Partnership Ownership Corporation and Inland Condo Investor Loan Corporation, respectively.

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CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Inland Group, Inc., or the Inland Group, and its affiliates are related parties because of our relationships with Daniel L. Goodwin, Robert D. Parks and Brenda G. Gujral, each of whom are significant shareholders and/or principals of the Inland Group or hold directorships and are executive officers of affiliates of the Inland Group. Specifically, Mr. Goodwin is the Chairman, chief executive officer and a significant shareholder of the Inland Group. Mr. Parks is a principal and significant shareholder of the Inland Group. Messrs. Goodwin and Parks and Ms. Gujral hold a variety of positions as directors and executive officers of Inland Group affiliates. With respect to our company, Mr. Goodwin is a beneficial owner of more than 5% of our common stock, Mr. Parks was a director and Chairman of our board of directors until October 12, 2010 and Ms. Gujral is currently one of our directors and has held this directorship since 2003. Therefore, due to these relationships, transactions involving the Inland Group and /or its affiliates are set forth below.

Ongoing Services Agreements

The following provides a summary of a number of ongoing agreements that we have with Inland Group affiliates that we are actively using:

An Inland Group affiliate, which is a registered investment advisor, provides investment advisory services to us related to our securities investment account for a fee (paid monthly) of up to one percent per annum based upon the aggregate fair value of our assets invested. Subject to our approval and the investment guidelines we provide to them, the Inland Group affiliate has discretionary authority with respect to the investment and reinvestment and sale (including by tender) of all securities held in that account. The Inland Group affiliate has also been granted power to vote all investments held in the account. We incurred fees totaling $71,000 for the three months ended March 31, 2011 and $272,000, $67,000 and $1.4 million for the years ended December 31, 2010, 2009 and 2008, respectively. As of March 31, 2011 and December 31, 2010, 2009 and 2008, fees of $48,000, $22,000, $20,000 and $160,000 remained unpaid, respectively. The agreement is cancellable by providing not less than 30 days prior written notice and specification of the effective date of said termination. Effective for the period from November 1, 2008 through September 30, 2009, the investment advisor agreed to waive all fees due at our request. Fees were incurred again beginning on October 1, 2009.

An Inland Group affiliate provides loan servicing for us for a monthly fee based upon the number of loans being serviced. Such fees totaled $52,000 for the three months ended March 31, 2011 and $282,000, $372,000 and $405,000 for the years ended December 31, 2010, 2009 and 2008, respectively. As of March 31, 2011 and December 31, 2010, 2009 and 2008, no amounts remained unpaid. The agreement is non-exclusive as to both parties and is cancellable by providing not less than 180 days prior written notice and specification of the effective date of said termination.

An Inland Group affiliate has a legal services agreement with us, where that Inland Group affiliate will provide us with certain legal services in connection with our real estate business. We will pay the Inland Group affiliate for legal services rendered under the agreement on the basis of actual time billed by attorneys and paralegals at the Inland Group affiliate s hourly billing rate then in effect. The billing rate is subject to change on an annual basis, provided, however, that the billing rates charged by the Inland Group affiliate will not be greater than the billing rates charged to any other client and will not be greater than 90% of the billing rate of attorneys of similar experience and position employed by nationally recognized law firms located in Chicago, Illinois performing similar services. For the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, we incurred $82,000, $343,000, $551,000 and $500,000, respectively, of these costs. Legal services costs totaling $88,000, $100,000, $123,000 and $189,000 remained unpaid as of March 31, 2011 and December 31, 2010, 2009 and 2008, respectively. The agreement is non-exclusive as to both parties and is cancellable by providing not less than 180 days prior written notice and specification of the effective date of said termination.

We have service agreements with certain Inland Group affiliates, including office and facilities management services, insurance and risk management services, computer services, personnel services, property tax services

and communications services. Some of these agreements provide that we obtain certain services from the Inland Group affiliates through the reimbursement of a portion of their general and administrative costs. For the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, we incurred $716,000, $2.6 million, $3.0 million and $2.8 million, respectively, of these reimbursements. Of these costs, $223,000, $248,000, $194,000 and $209,000 remained unpaid as of March 31, 2011 and December 31, 2010, 2009 and 2008, respectively. The services are to be provided on a non-exclusive basis in that we shall be permitted to employ other parties to perform any one or more of the services and that the applicable counterparty shall be permitted to perform any one or more of the services to other parties. The agreements have various expiration dates, but are cancellable by providing not less than 180 days prior written notice and specification of the effective date of said termination.

Office Sublease

We sublease our office space from an Inland Group affiliate. The lease calls for annual base rent of $496,000 and additional rent in any calendar year of our proportionate share of taxes and common area maintenance costs. Additionally, the Inland Group affiliate paid certain tenant improvements under the lease in the amount of $395,000 and such improvements are being repaid by us over a period of five years. The sublease calls for an initial term of five years which expires in November 2012, with one option to extend for an additional five years. Of these costs, $194,000, $155,000, $175,000 and none remained unpaid as of March 31, 2011 and December 31, 2010, 2009 and 2008, respectively.

Elective Services Agreements

The following provides a summary of a number of agreements that we have with Inland Group affiliates that we are not actively using and do not expect to use:

An Inland Group affiliate facilitates the mortgage financing we obtain on some of our properties. We pay the Inland Group affiliate 0.2% of the principal amount of each loan obtained on our behalf. Such costs are capitalized as loan fees and amortized over the respective loan term as a component of interest expense. For the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, we incurred none, $88,000, none and $1.3 million, respectively, of loan fees to this Inland Group affiliate. As of March 31, 2011 and December 31, 2010, 2009 and 2008, no amounts remained unpaid. The agreement is non-exclusive as to both parties and is cancellable by providing not less than 180 days prior written notice and specification of the effective date of said termination.

We have a transition property due diligence services agreement with an Inland Group affiliate. In connection with our acquisition of new properties, the Inland Group affiliate will give us a first right as to all retail, mixed use and single-user properties and, if requested, provide various services including services to negotiate property acquisition transactions on our behalf and prepare suitability, due diligence, and preliminary and final pro forma analyses of properties proposed to be acquired. We will pay all reasonable third-party out-of-pocket costs incurred by this entity in providing such services; pay an overhead cost reimbursement of $12,000 per transaction, and, to the extent these services are requested, pay a cost of $7,000 for due diligence expenses and a cost of $25,000 for negotiation expenses per transaction. We incurred no such costs for the three months ended March 31, 2011 and the years ended December 31, 2010 and 2009 and $19,000 of such costs for the year ended December 31, 2008. None of these costs remained unpaid as of March 31, 2011 and December 31, 2010, 2009 and 2008. The agreement is cancellable by providing not less than 60 days prior written notice and specification of the effective date of said termination.

We have an institutional investor relationships services agreement with an Inland Group affiliate. Under the terms of the agreement, the Inland Group affiliate will attempt to secure institutional investor commitments in exchange for advisory and client fees and reimbursement of project expenses. We incurred none, $18,000, $34,000 and $10,000 during the three months ended March 31, 2011 and the years ended December 31, 2010, 2009 and 2008, respectively. None of these costs remained unpaid as of March 31, 2011 and December 31, 2010, 2009 and 2008. The agreement is non-exclusive as to both parties and is cancellable by providing not less than 180 days prior written notice and specification of the effective date of said termination.

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Sales of Properties to Inland American

On April 30, 2009, we sold two single-user office buildings to Inland American Real Estate Trust, Inc., or IARETI, with an aggregate sales price of $99.0 million which resulted in net sales proceeds of $34.6 million and a gain on sale of $7.0 million. The properties were located in Salt Lake City, Utah and Greensboro, North Carolina with approximately 395,800 square feet and 389,400 square feet, respectively. The sale resulted in the assumption of debt in the amount of $63.2 million by IARETI. A special committee, consisting of independent directors, reviewed and recommended approval of these sales to our board of directors.

On June 24, 2009, we sold an approximately 185,200 square foot single-user office building located in Canton, Massachusetts, to IARETI with a sales price of $62.6 million, which resulted in net sales proceeds of $18.0 million and a gain on sale of $2.3 million. The sale resulted in the assumption of debt in the amount of $44.5 million by IARETI. A special committee, consisting of independent directors, reviewed and recommended approval of this sale to our board of directors.

Joint Ventures with Inland Equity

On November 29, 2009, we formed IW JV, a wholly-owned subsidiary, and transferred a portfolio of 55 investment properties and the entities which owned them into it. Subsequently, in connection with a $625 million debt refinancing transaction, which consisted of $500 million of mortgages payable and $125 million of notes payable, on December 1, 2009, we raised additional capital of $50 million from a related party, Inland Equity in exchange for a 23% noncontrolling interest in IW JV. IW JV, which is controlled by us and, therefore, consolidated, has an aggregate of approximately $1 billion in total assets and will continue to be managed and operated by us. Inland Equity is an LLC owned by certain individuals, including Daniel L. Goodwin, who beneficially owns more than 5% of our common stock, and Robert D. Parks, who was the Chairman of our Board until October 12, 2010 and who is Chairman of the Board of certain affiliates of the Inland Group. The Independent Committee reviewed and recommended approval of this transaction to our board of directors.

The organizational documents of IW JV contain provisions that require the entity to be liquidated through the sale of its assets upon reaching a future date as specified in the organizational documents or through a call arrangement. As controlling member, we have an obligation to cause these property owning entities to distribute proceeds from liquidation to the noncontrolling interest partner only if the net proceeds received by each of the entities from the sale of assets warrant a distribution based on the agreements. In addition, at any time after 90 days from the date of Inland Equity s contribution, we have the option to call Inland Equity s interest in IW JV for an amount which is the greater of either: (a) fair market value of Inland Equity s interest or (b) $50 million, plus an additional distribution of $5 million and any unpaid preferred return or promote, as defined within the organizational documents.

Further, if Inland Equity retains an ownership interest in IW JV through the liquidation of the joint venture, Inland Equity may be entitled to receive an additional distribution of $5 million, depending on the availability of proceeds at the time of liquidation. Pursuant to the terms of the IW JV agreement, Inland Equity earns a preferred return of 6% annually, paid monthly and cumulative on any unpaid balance. Inland Equity earns an additional 5% annually, set aside monthly and paid quarterly, if the portfolio net income is above a target amount as specified in the organizational documents.

We currently anticipate using a portion of the net proceeds from this offering to exercise our call option. As a result, following this offering we would again own 100% of the IW JV properties.

Related Person Transaction Policy

Our board of directors has adopted a Related Person Transaction Approval and Disclosure Policy for the review, approval or ratification of any related person transaction. This written policy provides that all related person transactions must be reviewed and approved by a majority of the disinterested directors on our board of directors in advance of us or any of our subsidiaries entering into the transaction; provided that, if we or any of

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our subsidiaries enter into a transaction without recognizing that such transaction constitutes a related person transaction, the approval requirement will be satisfied if such transaction is ratified by a majority of the disinterested directors on our board of directors promptly after we recognize that such transaction constituted a related person transaction. Disinterested directors are directors that do not have a personal financial interest in the transaction that is adverse to our financial interest or that of our shareholders. The term related person transaction refers to a transaction required to be disclosed by us pursuant to Item 404 of Regulation S-K (or any successor provision) promulgated by the SEC.

Previously, the Independent Directors Committee, a committee comprised of all of the independent directors, assisted the board of directors in discharging its responsibilities relating to reviewing, authorizing, approving, ratifying and monitoring all related person transactions, agreements and relationships. In particular, the Independent Directors Committee was responsible for evaluating, negotiating and concluding (or rejecting) any proposed contract or transaction with a related party; monitoring the performance of all related person contracts or transactions entered into; and determining whether existing and proposed related person contracts and transactions were fair and reasonable to us. The Independent Directors Committee operated under a written charter approved by our board of directors.

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POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of certain of our investment, financing and other policies that will be in place following the completion of this offering. These policies have been determined by our board of directors and, in general, may be amended and revised from time to time at the discretion of our board of directors without notice to or a vote of our shareholders.

Investment Policies

Investment in Real Estate or Interests in Real Estate

Our investment objectives are to increase cash flow from operations, achieve sustainable long-term growth and maximize shareholder value to allow for stable dividends and stock appreciation. We have not established a specific policy regarding the relative priority of these investment objectives. For a discussion of our properties and our acquisition and other strategic objectives, see Our Business and Properties.

We intend to invest primarily in well located, high quality, shopping centers. Future investment activities will not be limited to any geographic area, product type or to a specified percentage of our assets. While we may diversify in terms of property locations, size and market or submarket, we do not have any limit on the amount or percentage of our assets that may be invested in any one property or any one geographic area. We intend to engage in such future investment or development activities in a manner that is consistent with our qualification as a REIT for U.S. federal income tax purposes. We do not have a specific policy to acquire assets primarily for capital gain or primarily for income. In addition, we may purchase or lease income-producing commercial and other types of properties for long-term investment, expand and improve the properties we presently own or other acquired properties, or sell such properties, in whole or in part, when circumstances warrant.

We participate with third parties in property ownership, through joint ventures or other types of co-ownership, and we may engage in such activities in the future if we determine that doing so would be the most effective means of owning or acquiring properties. We do not expect, however, to enter into a joint venture or other partnership arrangement to make an investment that would not otherwise meet our investment policies. We also may acquire real estate or interests in real estate in exchange for the issuance of common stock, preferred stock or options to purchase stock.

Equity investments in acquired properties may be subject to existing mortgage financing and other indebtedness or to new indebtedness which may be incurred in connection with acquiring or refinancing these investments. Principal and interest on our debt will have a priority over any dividends with respect to our common stock. Investments are also subject to our policy not to be required to register as an investment company under the Investment Company Act of 1940, as amended, or the 1940 Act.

Investments in Real Estate Mortgages

Our business objectives emphasize equity investments in retail real estate. Although we do not presently intend to invest in mortgages or deeds of trust, other than in a manner that is ancillary to an equity investment, we may elect, in our discretion, to invest in mortgages and other types of real estate interests, including, without limitation, participating or convertible mortgages; *provided*, in each case, that such investment is consistent with our qualification as a REIT. Investments in real estate mortgages run the risk that one or more borrowers may default under certain mortgages and that the collateral securing certain mortgages may not be sufficient to enable us to recoup our full investment.

Securities of or Interests in Persons Primarily Engaged in Real Estate Activities and Other Issuers

Subject to the asset tests and gross income tests necessary for REIT qualification, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers, including

for the purpose of exercising control over such entities. We do not currently have any policy limiting the types of entities in which we may invest or the proportion of assets to be so invested, whether through acquisition of an entity s common stock, limited liability or partnership interests, interests in another REIT or entry into a joint venture. As of March 31, 2011, our investment in marketable securities totaled $36.8 million, which included $24.7 million of accumulated unrealized gain, and we also held interests in three unconsolidated joint ventures. Our investments in marketable securities as of December 31, 2010, 2009 and 2008 were $34.2 million, $29.1 million and $118.4 million, respectively. To the extent we make such investments in the future, we intend to invest primarily in entities that own retail real estate. We have no current plans to make additional investments in entities that are not engaged in real estate activities. Our investment objectives are to maximize the cash flow of our investments, acquire investments with growth potential and provide cash distributions and long-term capital appreciation to our shareholders through increases in the value of our company. We have not established a specific policy regarding the relative priority of these investment objectives.

Investment in Other Securities

Other than as described above, we do not intend to invest in any additional securities such as bonds, preferred stocks or common stock.

Dispositions

We may from time to time dispose of properties if, based upon management s periodic review of our portfolio, our board of directors determines such action would be in our best interest. In addition, we may elect to enter into joint ventures or other types of co-ownership with respect to properties that we already own, either in connection with acquiring interests in other properties (as discussed above in Investment in Real Estate or Interests in Real Estate) or from investors to raise equity capital. See Our Business and Properties Business and Growth Strategies for a description of our current plans.

Financing Policies

We expect to employ leverage in our capital structure in amounts determined from time to time by our board of directors. Although our board of directors has not adopted a policy that limits the total amount of indebtedness that we may incur, it will consider a number of factors in evaluating our level of indebtedness from time to time, as well as the amount of such indebtedness that will be either fixed or variable rate. Our charter and bylaws that will be in effect following this offering will not limit the amount or percentage of indebtedness that we may incur nor will they restrict the form in which our indebtedness will be taken (including recourse or non-recourse debt, cross collateralized debt, etc.). Our board of directors may from time to time modify our debt policy in light of the then-current economic conditions, relative costs of debt and equity capital, market values of our properties, general market conditions for debt and equity securities, fluctuations in the market price of our common stock, growth and acquisition opportunities and other factors.

To the extent our board of directors determines to obtain additional capital, we may, without shareholder approval, issue debt or equity securities, retain earnings (subject to the REIT distribution requirements for U.S. federal income tax purposes) or pursue a combination of these methods.

Conflict of Interest Policies

We have adopted certain policies designed to eliminate or minimize certain potential conflicts of interest. Specifically, we adopted a code of business conduct and ethics that generally prohibits conflicts of interest between our officers, employees and directors on the one hand, and our company on the other hand. Our code of business conduct and ethics will also generally limit our employees, officers and directors from competing with our company or taking for themselves opportunities that are discovered through use of property or information of

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or position with our company. Waivers of our code of business conduct and ethics may be granted by a committee of independent directors. In addition, certain provisions of Maryland law are also designed to minimize conflicts. However, we cannot assure you these policies or provisions of law will always succeed in eliminating the influence of such conflicts. If they are not successful, decisions could be made that might fail to reflect fully the interests of all shareholders.

Policies with Respect to Other Activities

We have authority to offer common stock, preferred stock, options to purchase stock or other securities in exchange for property, repurchase or otherwise acquire our common stock or other securities in the open market or otherwise, and we may engage in such activities in the future. We previously maintained a share repurchase program pursuant to which we repurchased shares of our common stock. Effective November 19, 2008, our board of directors voted to suspend this program and it will be terminated upon the completion of this offering. During the years ended December 31, 2008 and 2007, we repurchased $227.2 million and $140.1 million, respectively, of our common stock pursuant to the share repurchase program. Our board of directors has no present intention of causing us to repurchase any common stock, although we may do so in the future. We may issue preferred stock from time to time, in one or more series, as authorized by our board of directors without the need for shareholder approval. See Description of Capital Stock. We have not engaged in trading, underwriting or agency distribution or sale of securities of other issuers and do not intend to do so. At all times, we intend to make investments in such a manner as to qualify as a REIT, unless because of circumstances or changes in the Code or the Treasury Regulations our board of directors determines that it is no longer in our best interest to qualify as a REIT. We may make loans to third parties, including, without limitation, to joint ventures in which we participate. As of March 31, 2011 and December 31, 2010, 2009 and 2008, we had $8.3 million, $8.3 million, $8.3 million and $25.7 million, respectively, of notes receivable representing a loan we made to a consolidated joint venture for development of one of our properties and a note that we invested in. We intend to make investments in such a way that we will not be treated as an investment company under the 1940 Act.

Reporting Policies

We intend to make available to our shareholders our annual reports, including our audited financial statements. We are subject to the information reporting requirements of the Exchange Act. Pursuant to those requirements, we are required to file annual and periodic reports, proxy statements and other information, including audited financial statements, with the SEC.

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DESCRIPTION OF CAPITAL STOCK

The following is a summary of the rights and preferences of our capital stock. Unless otherwise indicated, the following summary assumes that (i) the amendment and restatement of our charter approved by our shareholders on February 24, 2011 has become effective, (ii) the Recapitalization is completed, (iii) certain amendments to our charter that we expect to make in connection with the Recapitalization have become effective and (iv) certain changes to our bylaws, corporate governance guidelines and other corporate governance documents that we expect to make prior to the completion of this offering have been made. While we believe that the following description covers the material terms of our capital stock, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire prospectus, our charter and bylaws and the relevant provisions of Maryland law for a more complete understanding of our capital stock. Copies of our charter and bylaws are filed as exhibits to the registration statement of which this prospectus is a part and the following summary, to the extent it relates to those documents, is qualified in its entirety by reference thereto. See Where You Can Find More Information.

General

Our charter provides that we may issue up to shares of common stock and shares of preferred stock, both having par value $0.001 per share. Upon completion of this offering, shares of Class A Common Stock, shares of Class B-1 Common Stock, share of Class B-2 Common Stock and shares of Class B-3 Common Stock will be issued and outstanding and no shares of preferred stock will be issued and outstanding. Our board of directors, without any action on the part of our shareholders, may authorize the issuance of common or preferred stock, may establish the terms of any stock to be issued, and, with the approval of a majority of the entire board, may amend our charter from time to time to increase or decrease the aggregate number of authorized shares of stock or the number of shares of stock of any class or series. Under Maryland law, our shareholders generally are not personally liable for our debts and obligations solely as a result of their status as shareholders.

Common Stock

All shares of our common stock have equal rights as to earnings, assets, dividends and voting. Subject to our charter restrictions on the transfer and ownership of our stock and the preferential rights of holders of any other class or series of our stock, distributions may be made to the holders of our common stock if, as and when authorized by our board of directors out of funds legally available therefor. Shares of our common stock generally have no preemptive, appraisal, preferential exchange, conversion (except for Class B Common Stock), sinking fund or redemption rights and are freely transferable, except where their transfer is restricted by federal and state securities laws, by contract or by the restrictions in our charter. In the event of our liquidation, dissolution or winding up, each share of our common stock would be entitled to share ratably in all of our assets that are legally available for distribution after payment of or adequate provision for all of our known debts and other liabilities and subject to any preferential rights of holders of our preferred stock, if any preferred stock is outstanding at such time, and our charter restrictions on the transfer and ownership of our stock. Subject to our charter restrictions on the transfer and ownership of our stock and except as may otherwise be specified in the terms of any class or series of common stock, each share of our common stock entitles the holder to one vote on all matters submitted to a vote of shareholders, including the election of directors. Except as may be provided with respect to any other class or series of stock, the holders of our common stock will possess exclusive voting power. Except as required under Maryland law, holders of all classes of our common stock will vote together as a single class.

Under Maryland law, a Maryland corporation generally cannot amend its charter, consolidate, merge, sell all or substantially all of its assets, engage in a share exchange or dissolve unless the action is advised by our board of directors and approved by the affirmative vote of at least two-thirds of the votes entitled to be cast with respect to such matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast with respect to such matter. As

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permitted by Maryland law, our charter provides that any of these actions may be approved by the affirmative vote of a majority of all the votes entitled to be cast with respect to such matter. In addition, all other matters to be voted on by shareholders, other than the election of directors, must be approved by a majority of the votes cast at a meeting at which a quorum is present, voting together as a single class, subject to any voting rights granted to holders of any then outstanding preferred stock. In elections of directors, a director will be elected by a plurality of the votes cast in the election of directors. There is no cumulative voting in the election of directors, which means that holders of a majority of the outstanding shares of common stock can elect all of our directors. For more information regarding the voting standard for director elections, see Certain Provisions of Maryland Law and of Our Charter and Bylaws Annual Elections.

Power to Reclassify Our Unissued Shares of Stock

Our charter authorizes our board of directors to classify and reclassify any unissued shares of common or preferred stock into other classes or series of shares of stock. Prior to the issuance of shares of each class or series, our board of directors is required by Maryland law and by our charter to set, subject to our charter restrictions on transfer and ownership of shares of stock, the terms, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption for each class or series. Therefore, our board of directors could authorize the issuance of shares of common or preferred stock with terms and conditions that could have the effect of delaying, deferring or preventing a change in control or other transaction that might involve a premium price for our shares of common stock or otherwise be in the best interest of our shareholders. No shares of preferred stock are presently outstanding, and we have no present plans to issue any shares of preferred stock.

Power to Increase or Decrease Authorized Shares of Common Stock and Issue Additional Shares of Common and Preferred Stock

We believe that the power of our board of directors to amend our charter to increase or decrease the number of authorized shares of stock, to issue additional authorized but unissued shares of common or preferred stock and to classify or reclassify unissued shares of common or preferred stock and thereafter to issue such classified or reclassified shares of stock will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the shares of common stock, will be available for issuance without further action by our shareholders, unless such action is required by applicable law or the rules of any stock exchange or market system on which our securities may be listed or traded. Therefore, our board of directors could authorize us to issue a class or series that could, depending upon the terms of the particular class or series, delay, defer or prevent a change in control or other transaction that might involve a premium price for our shares of common stock or otherwise be in the best interest of our shareholders.

Restrictions on Ownership and Transfer

In order for us to qualify as a REIT under the Code, our stock must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year (other than the first year for which an election to be a REIT has been made). Also, not more than 50% of the value of the outstanding shares of our stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities such as private foundations) during the last half of a taxable year (other than the first taxable year for which an election to be a REIT has been made).

Our charter contains restrictions on the ownership and transfer of our stock. The relevant sections of our charter provide that, after the amendment and restatement of our charter and subject to the exceptions and the constructive ownership rules described below, no person may beneficially or constructively own more than 9.8% in value of the aggregate of our outstanding shares of stock or more than 9.8% in value or number (whichever is more restrictive) of the outstanding shares of our common stock. We refer to these restrictions as the ownership limits.

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The applicable constructive ownership rules under the Code are complex and may cause stock owned actually or constructively by a group of related individuals and/or entities to be treated as owned by one individual or entity. As a result, the acquisition of less than 9.8% in value of our outstanding stock or less than 9.8% in value or number of our outstanding shares of common stock (or the acquisition of an interest in an entity that owns, actually or constructively, our stock) by an individual or entity could, nevertheless cause that individual or entity, or another individual or entity, to own, constructively or beneficially in excess of 9.8% in value of our outstanding stock or 9.8% in value or number of our outstanding shares of common stock.

In addition to the ownership limits, our charter prohibits any person from actually or constructively owning shares of our stock to the extent that such ownership would cause any of our income that would otherwise qualify as rents from real property for purposes of Section 856(d) of the Code to fail to qualify as such. Our charter also prohibits any person from beneficially owning shares of our stock to the extent that such ownership would result in our being closely held within the meaning of Section 856(h) of the Code, without regard to whether the ownership interest is held during the last half of a taxable year.

Our board of directors may, in its sole discretion, exempt a person from the ownership limits and certain other limits on ownership and transfer of our stock described above, and may establish a different limit on ownership for any such person. However, the board of directors may not exempt any person whose ownership of our outstanding stock in violation of these limits would result in our failing to qualify as a REIT. In order to be considered by the board of directors for exemption, a person must make such representations and undertakings as are reasonably necessary to ascertain that such person s beneficial or constructive ownership of our stock will not now or in the future jeopardize our ability to qualify as a REIT under the Code and must agree that any violation or attempted violation of such representations or undertakings will result in the shares of stock being automatically transferred to a trust as described below. As a condition of its waiver, our board of directors may require an opinion of counsel or IRS ruling satisfactory to our board of directors with respect to our qualification as a REIT and may impose such other conditions as it deems appropriate in connection with the granting of the waiver.

In connection with the waiver of the ownership limits or at any other time, our board of directors may from time to time increase the ownership limits for one or more persons and decrease the ownership limits for all other persons; provided that the new ownership limits may not, after giving effect to such increase, result in us being closely held within the meaning of Section 856(h) of the Code (without regard to whether the ownership interests are held during the last half of a taxable year). Reduced ownership limits will not apply to any person whose percentage ownership of our shares of common stock or total shares of stock, as applicable, is in excess of such decreased ownership limits until such time as such person s percentage of our shares of common stock or total shares of stock, as applicable, equals or falls below the decreased ownership limits, but any further acquisition of our shares of common stock or total shares of stock, as applicable, in excess of such percentage ownership of our shares of common stock or total shares of stock will be in violation of the ownership limits.

Our charter further prohibits:

- any person from transferring shares of our stock if such transfer would result in shares of our stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution); and

- any person from beneficially or constructively owning shares of our stock if such ownership would result in our failing to qualify as a REIT.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of our stock that will or may violate the ownership limits or any of the other foregoing restrictions on transferability and ownership will be required to give notice to us immediately (or, in the case of a proposed or attempted transaction, at least 15 days prior to such transaction) and provide us with such other information as we may request in order to determine the effect, if any, of such transfer on our qualification as a REIT. The foregoing provisions on transferability and ownership will not apply if our board of directors determines that it is no longer in our best interests to attempt to qualify, or to continue to qualify, as a REIT.

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Pursuant to our charter, if there is any purported transfer of our stock or other event that, if effective, would violate any of the restrictions described above, then the number of shares causing the violation (rounded up to the nearest whole share) will be automatically transferred to a trust for the exclusive benefit of a designated charitable beneficiary, except that any transfer that results in the violation of the restriction relating to our stock being beneficially owned by fewer than 100 persons will be automatically void and of no force or effect. The automatic transfer will be effective as of the close of business on the business day prior to the date of the purported transfer or other event that results in a transfer to the trust. Any dividend or other distribution paid to the purported transferee, prior to our discovery that the shares had been automatically transferred to a trust as described above, must be repaid to the trustee upon demand. If the transfer to the trust as described above is not automatically effective, for any reason, to prevent violation of the applicable restriction contained in our charter, then the transfer of the excess shares will be automatically void and of no force or effect.

Shares of our stock transferred to the trustee are deemed to be offered for sale to us or our designee at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in such transfer to the trust (or, in the case of a devise or gift, the market price at the time of such devise or gift) and (ii) the market price on the date we accept, or our designee accepts, such offer. We have the right to accept such offer until the trustee has sold the shares of our stock held in the trust pursuant to the clauses discussed below. Upon a sale to us, the interest of the charitable beneficiary in the shares sold terminates and the trustee must distribute the net proceeds of the sale to the purported transferee, except that the trustee may reduce the amount payable to the purported transferee by the amount of any dividends or other distributions that we paid to the purported transferee prior to our discovery that the shares had been transferred to the trust and that is owed by the purported transferee to the trustee as described above. Any net sales proceeds in excess of the amount payable to the purported transferee shall be immediately paid to the charitable beneficiary, and any dividends or other distributions held by the trustee with respect to such stock will be paid to the charitable beneficiary.

If we do not buy the shares, the trustee must, as soon as reasonably practicable (and, if the shares are listed on a national securities exchange, within 20 days) of receiving notice from us of the transfer of shares to the trust, sell the shares to a person or entity designated by the trustee who could own the shares without violating the restrictions described above. Upon such a sale, the trustee must distribute to the purported transferee an amount equal to the lesser of (i) the price paid by the purported transferee for the shares or, if the purported transferee did not give value for the shares in connection with the event causing the shares to be held in trust (e.g., in the case of a gift, devise or other such transaction), the market price of the shares on the day of the event causing the shares to be held in the trust, and (ii) the sales proceeds (net of commissions and other expenses of sale) received by the trustee for the shares. The trustee may reduce the amount payable to the purported transferee by the amount of any dividends or other distributions that we paid to the purported transferee before our discovery that the shares had been transferred to the trust and that is owed by the purported transferee to the trustee as described above. Any net sales proceeds in excess of the amount payable to the purported transferee will be immediately paid to the charitable beneficiary, together with any dividends or other distributions thereon. In addition, if prior to discovery by us that shares of our stock have been transferred to a trust, such shares of stock are sold by a purported transferee, then such shares shall be deemed to have been sold on behalf of the trust and, to the extent that the purported transferee received an amount for or in respect of such shares that exceeds the amount that such purported transferee was entitled to receive, such excess amount shall be paid to the trustee upon demand. The purported transferee has no rights in the shares held by the trustee.

The trustee shall be designated by us and shall be unaffiliated with us and with any purported transferee. Prior to the sale of any shares by the trust, the trustee will receive, in trust for the beneficiary, all dividends and other distributions paid by us with respect to the shares, and may also exercise all voting rights with respect to the shares.

Subject to Maryland law, effective as of the date that the shares have been transferred to the trust, the trustee shall have the authority, at the trustee s sole discretion:

- to rescind as void any vote cast by a purported transferee prior to our discovery that the shares have been transferred to the trust; and
- to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary of the trust.

However, if we have already taken irreversible corporate action, then the trustee may not rescind and recast the vote.

In addition, if our board of directors determines in good faith that a proposed transfer would violate the restrictions on ownership and transfer of our stock set forth in our charter, our board of directors will take such action as it deems advisable to refuse to give effect to or to prevent such violation, including, but not limited to, causing the company to redeem shares of common stock or preferred stock, refusing to give effect to the transfer on our books or instituting proceedings to enjoin the transfer.

Following the end of each REIT taxable year, every owner of 5% or more (or such lower percentage as required by the Code or the regulations promulgated thereunder) of the outstanding shares of any class or series of our stock, must, upon request, provide us written notice of the person s name and address, the number of shares of each class and series of our stock that the person beneficially owns and a description of the manner in which the shares are held. Each such owner shall also provide us with such additional information as we may request in order to determine the effect, if any, of such owner s beneficial ownership on our qualification as a REIT and to ensure compliance with the ownership limits. In addition, each beneficial owner or constructive owner of our stock, and any person (including the shareholder of record) who is holding shares of our stock for a beneficial owner or constructive owner shall, upon demand, be required to provide us with such information as we may request in good faith in order to determine our qualification as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine such compliance.

All certificates representing shares of capital stock, if any, will bear a legend referring to the restrictions described above.

These ownership limits could delay, defer or prevent a transaction or a change in control that might involve a premium price for the common stock or otherwise be in the best interest of the shareholders.

Listing

We have applied to list our Class A Common Stock on the NYSE under the symbol IWST .

Transfer Agent and Registrar

The transfer agent and registrar for our shares of common stock is Registrar and Transfer Company.

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CERTAIN PROVISIONS OF MARYLAND LAW AND OF OUR CHARTER AND BYLAWS

The following is a summary of certain provisions of Maryland law and of our charter and bylaws. Unless otherwise indicated, the following summary assumes that (i) the amendment and restatement of our charter approved by our shareholders on February 24, 2011 has become effective, (ii) the Recapitalization is completed, (iii) certain amendments to our charter that we expect to make in connection with the Recapitalization have become effective and (iv) certain changes to our bylaws, corporate governance guidelines and other corporate governance documents that we expect to make prior to the completion of this offering have been made. While we believe that the following description covers the material aspects of these provisions, the description may not contain all of the information that is important to you. We encourage you to read carefully this entire prospectus, our charter and bylaws and the relevant provisions of Maryland law, for a more complete understanding of these provisions. Copies of our charter and bylaws are filed as exhibits to the registration statement of which this prospectus is a part and the following summary, to the extent it relates to those documents, is qualified in its entirety by reference thereto. See Where You Can Find More Information.

Number of Directors; Vacancies

Our charter provides that the number of directors will be set only by the board of directors in accordance with our bylaws. Our bylaws provide that a majority of our entire board of directors may at any time increase or decrease the number of directors. However, the number of directors may never be less than the minimum number required by the MGCL, which is one.

Our charter also provides that we elect to be subject to the provision of Subtitle 8 of Title 3 of the MGCL regarding the filling of vacancies on our board of directors. Accordingly, except as may be provided by our board of directors in setting the terms of any class or series of shares, any and all vacancies on our board of directors may be filled only by the affirmative vote of a majority of the remaining directors in office, even if the remaining directors do not constitute a quorum, and any individual elected to fill such vacancy will serve for the remainder of the full term of the class in which the vacancy occurred and until a successor is duly elected and qualifies.

Annual Elections

Each of our directors will be elected by our shareholders to serve for a one-year term and until his or her successor is duly elected and qualifies. Directors will be elected by a plurality of the votes cast at a meeting of shareholders at which a quorum is present.

Removal of Directors

Our charter provides that, subject to the rights, if any, of holders of any class or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause, and then only by the affirmative vote of at least a majority of the votes entitled to be cast generally in the election of directors. Cause is defined in our charter to mean conviction of a director of a felony or a final judgment of a court of competent jurisdiction holding that a director caused demonstrable, material harm to us through bad faith or active and deliberate dishonesty.

Calling of Special Meetings of Shareholders

Our bylaws provide that special meetings of shareholders may be called by our board of directors and certain of our officers. Additionally, our bylaws provide that, subject to the satisfaction of certain procedural and informational requirements by the shareholders requesting the meeting, a special meeting of shareholders to act on any matter that may properly be considered at a meeting of shareholders shall be called by the secretary of the corporation upon the written request of shareholders entitled to cast a majority of all the votes entitled to be cast on such matter at such meeting.

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Action by Shareholders

Our charter provides that shareholder action can be taken at an annual or special meeting of shareholders or by written consent in lieu of a meeting only if it is approved unanimously. These provisions, combined with the requirements of our bylaws regarding advance notice of nominations and other business to be considered at a meeting of shareholders and the calling of a shareholder-requested special meeting of shareholders discussed below, may have the effect of delaying consideration of a shareholder proposal.

Advance Notice Provisions for Shareholder Nominations and Shareholder Proposals

Our bylaws provide that, with respect to an annual meeting of shareholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by shareholders may be made only (i) by or at the direction of the board of directors or (ii) by a shareholder who was a shareholder of record both at the time of giving of notice by such shareholder as provided for in our bylaws and at the time of the annual meeting and who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has complied with the advance notice procedures and provided the information required by our bylaws. With respect to special meetings of shareholders, only the business specified in the notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (i) by or at the direction of the board of directors or (ii) provided that the special meeting has been called for the purpose of electing directors, by a shareholder who was a shareholder of record both at the time of giving of notice by such shareholder as provided for in our bylaws and at the time of the special meeting, and who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions and provided the information required by our bylaws.

The purpose of requiring shareholders to give us advance notice of nominations and other business is to afford our board of directors a meaningful opportunity to consider the qualifications of the proposed nominees and the advisability of any other proposed business and, to the extent deemed necessary or desirable by our board of directors, to inform shareholders and make recommendations about such qualifications or business. Although our bylaws do not give our board of directors any power to disapprove shareholder nominations for the election of directors or proposals recommending certain action, they may have the effect of precluding a contest for the election of directors or the consideration of shareholder proposals if proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal without regard to whether consideration of such nominees or proposals might be harmful or beneficial to us and our shareholders.

Approval of Extraordinary Corporate Actions, Amendment of Charter and Bylaws

Under Maryland law, a Maryland corporation generally cannot amend its charter, consolidate, merge, sell all or substantially all of its assets, engage in a share exchange or dissolve unless the action is declared advisable by our board of directors and approved by the affirmative vote of at least two-thirds of the votes entitled to be cast with respect to such matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast with respect to such matter. As permitted by Maryland law, our charter provides that any of these actions may be approved of the shareholders entitled to cast at least a majority of the votes entitled to be cast on the matter.

Our board of directors has the exclusive power to adopt, alter or repeal any provision of our bylaws and to make new bylaws, except the following bylaw provisions, each of which may be amended only with the affirmative vote of a majority of the votes cast on such an amendment by holders of outstanding shares of our common stock:

- provisions opting out of the control share acquisition statute; and

- provisions prohibiting our board or directors without the approval of a majority of the votes entitled to be the cast by holders of outstanding shares of our common stock, from revoking altering or amending

any resolution, or adopting any resolution inconsistent with any previously-adopted resolution of our board of directors, that exempts any business combination between us and any other person or entity from the business combination provisions of the MGCL.

In addition, any amendment to the provisions governing amendments of our bylaws requires the approval of a majority of the votes entitled to be cast by the holders of outstanding shares of our common stock.

No Shareholder Rights Plan

We have no shareholder rights plan. In the future, we do not intend to adopt a shareholder rights plan unless our shareholders approve in advance the adoption of a plan or, if adopted by our board of directors, we submit the shareholder rights plan to our shareholders for a ratification vote within 12 months of adoption or the plan will terminate.

Business Combinations

Under the MGCL, certain business combinations (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested shareholder (defined as any person who beneficially owns 10% or more of the voting power of the corporation s shares or an affiliate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding voting stock of the corporation), or an affiliate of an interested shareholder are prohibited for five years after the most recent date on which the interested shareholder becomes an interested shareholder. A person is not an interested shareholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested shareholder. The board of directors may provide that its approval is subject to compliance with any terms and conditions determined by it.

Any such business combination entered into after the five-year prohibition must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (a) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (b) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested shareholder with whom (or with whose affiliate) the business combination is to be effected, unless, among other conditions, the corporation s common shareholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested shareholder for its shares.

These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested shareholder becomes an interested shareholder. Our board of directors has adopted a resolution exempting any business combination between us and any other person or entity from the business combination provisions of the MGCL. Our bylaws provide that this resolution or any other resolution of our board of directors exempting any business combination from the business combination provisions of the MGCL may only be revoked, altered or amended, and our board of directors may only adopt any resolution inconsistent with any such resolution, with the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock.

Control Share Acquisitions

The MGCL provides that control shares of a Maryland corporation acquired in a control share acquisition have no voting rights except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock of a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors: (i) a person who makes or proposes to make a control share acquisition,

(ii) an officer of the corporation or (iii) an employee of the corporation who is also a director of the corporation. Control shares are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquiror or in respect of which the acquiror is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquiror to exercise voting power in electing directors within one of the following ranges of voting power: (i) one-tenth or more but less than one-third, (ii) one-third or more but less than a majority, or (iii) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained shareholder approval. A control share acquisition means the acquisition of control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel our board of directors to call a special meeting of shareholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any shareholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquiror or of any meeting of shareholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a shareholders meeting and the acquiror becomes entitled to vote a majority of the shares entitled to vote, all other shareholders may exercise appraisal rights, unless appraisal rights are eliminated under the charter. Our charter eliminates all appraisal rights of shareholders

The control share acquisition statute does not apply (a) to shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (b) to acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws exempt any and all acquisitions of shares of our stock from the control share acquisition statute, and this provision of our bylaws may not be amended without the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock.

Certain Elective Provisions of Maryland Law

Title 3, Subtitle 8 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any of (1) a classified board, (2) a two-thirds vote requirement for removing a director, (3) a requirement that the number of directors be fixed only by vote of the directors, (4) a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the class of directors in which the vacancy occurred, or (5) a majority requirement for the calling of a special meeting of shareholders. Our charter provides that we elect to be subject to the provisions of Subtitle 8 regarding the filing of vacancies on our board of directors. Otherwise, we have not elected to be governed by these specific provisions. However, at the completion of this offering we will have seven independent directors and a class of equity securities registered under the Exchange Act, so our board of directors could elect to provide for any of the foregoing provisions.

Anti-Takeover Effect of Certain Provisions of Maryland Law and of Our Charter and Bylaws

The provisions of the MGCL, our charter and our bylaws described above could delay, defer or prevent a transaction or a change in control of our company that might involve a premium price for holders of our common

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stock or otherwise be in the best interests of our shareholders. Likewise, if our board of directors were to opt in to the business combination provisions of the MGCL or certain of the provisions of Subtitle 8 of Title 3 of the MGCL or if the provision in the bylaws opting out of the control share acquisition provisions of the MGCL were amended or rescinded, in each case following the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock, these provisions of the MGCL could have similar anti-takeover effects. Additionally, through provisions in our charter and bylaws unrelated to Subtitle 8, we already (1) vest in the board the exclusive power to fix the number of directors and (2) require, unless called by our chairman of the board, chief executive officer or president or the board of directors, the written request of shareholders of not less than a majority of all votes entitled to be cast at such a meeting to call a special meeting.

Interested Director and Officer Transactions

Pursuant to the MGCL, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director s vote in favor thereof, if:

- the fact of the common directorship or interest is disclosed to our board of directors or a committee of our board, and our board or such committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;

- the fact of the common directorship or interest is disclosed to our shareholders entitled to vote thereon, and the transaction or contract is authorized, approved or ratified by a majority of the votes cast by the shareholders entitled to vote, excluding votes cast by the interested director or corporation or other entity; or

- the transaction or contract is fair and reasonable to us.

We adopted a policy which requires that all contracts and transactions between us or any of our subsidiaries, on the one hand, and any of our directors or executive officers or any entity in which such director or executive officer is a director or has a material financial interest, on the other hand, must be approved by the affirmative vote of a majority of the disinterested directors, even if less than a quorum. Where appropriate in the judgment of the disinterested directors, our board of directors may obtain a fairness opinion or engage independent counsel to represent the interests of non-affiliated security holders, although our board of directors will have no obligation to do so.

Indemnification and Limitation of Directors and Officers Liability

Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its shareholders for money damages, except for liability resulting from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. Our charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.

Our charter authorizes us, to the maximum extent that Maryland law in effect from time to time permits, to obligate us to indemnify any present or former director or officer or any individual who, while a director or officer of our company and at our request, serves or has served another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise as a director, officer, partner, member, manager or trustee, from and against any claim or liability to which that individual may become subject or which that individual may incur by reason of his or her service in any such capacity and to pay or reimburse his or her reasonable expenses in advance of final disposition of a proceeding. Our bylaws obligate

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us, to the fullest extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to:

- any present or former director who is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity; or
- any individual who, while a director of our company and at our request, serves or has served another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or any other enterprise as a director, officer, partner, member, manager or trustee of such corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise and who is made a party to the proceeding by reason of his or her service in that capacity.

Our charter and bylaws also permit us to indemnify and advance expenses to any person who served a predecessor of ours in any of the capacities described above and to any officer, employee or agent of our company or a predecessor of our company.

The MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or are threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;
- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received. A court may order indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, even though the director or officer did not meet the prescribed standard of conduct, was adjudged liable to the corporation or was adjudged liable on the basis that personal benefit was improperly received. However, indemnification for an adverse judgment in a suit by or in the right of the corporation, or for a judgment of liability on the basis that personal benefit was improperly received, is limited to expenses.

In addition, the MGCL permits a corporation to advance reasonable expenses to a director or officer upon the corporation s receipt of:

- a written affirmation by the director or officer of his good faith belief that he has met the standard of conduct necessary for indemnification by the corporation; and
- a written undertaking by the director or officer or on the director s or officer s behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

Insofar as the foregoing provisions permit indemnification of directors, officers or persons controlling us for liability arising under the Securities Act, we have been informed that in the opinion of the SEC, this indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

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We have entered into indemnification agreements with each of our executive officers and directors whereby we indemnify such executive officers and directors and pay or reimburse reasonable expenses in advance of final disposition of a proceeding if such director or executive officer is made or threatened to be made a party to the proceeding by reason of his or her service in that capacity to the fullest extent permitted by Maryland law against all expenses and liabilities, subject to limited exceptions. These indemnification agreements also provide that upon an application for indemnity by an executive officer or director to a court of appropriate jurisdiction, such court may order us to indemnify such executive officer or director.

REIT Qualification

Our charter provides that our board of directors may revoke or otherwise terminate our REIT election, without approval of our shareholders, if it determines that it is no longer in our best interests to continue to qualify as a REIT.

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SHARES ELIGIBLE FOR FUTURE SALE

General

Trading of our Class A Common Stock on the NYSE is expected to commence immediately following the completion of this offering. We cannot predict the effect, if any, that sales of shares or the availability of shares for sale will have on the market price of our Class A Common Stock prevailing from time to time. Sales of substantial amounts of our Class A Common Stock in the public market, or the perception that such sales could occur, could adversely affect the prevailing market price of our Class A Common Stock. See Risk Factors Risks Related to this Offering.

As of July 18, 2011, after giving effect to the Recapitalization, we had shares of our common stock issued and outstanding, consisting of shares of our Class A Common Stock, shares of our Class B-1 Common Stock, shares of our Class B-2 Common Stock and shares of our Class B-3 Common Stock. Upon completion of this offering, we will have outstanding an aggregate of shares of our Class A Common Stock (shares if the underwriters overallotment option is exercised in full), excluding:

- shares of our Class A Common Stock issuable upon conversion of our Class B-1 Common Stock months after the Listing;
- shares of our Class A Common Stock issuable upon conversion of our Class B-2 Common Stock months after the Listing;
- shares of our Class A Common Stock issuable upon conversion of our Class B-3 Common Stock months after the Listing;
- shares of each of our Class A, Class B-1, Class B-2 and Class B-3 Common Stock issuable upon the exercise of outstanding stock options granted to our directors as of , 2011;
- shares of each of our Class A, Class B-1, Class B-2 and Class B-3 Common Stock reserved for future issuance under our 2008 Equity Plan as of , 2011; and
- shares of each of our Class A, Class B-1, Class B-2 and Class B-3 Common Stock reserved for future issuance under our Independent Director Stock Option Plan as of , 2011.

All of the shares of Class A Common Stock to be sold in this offering (shares if the underwriters overallotment option is exercised in full) will be freely tradable without restriction or further registration under the Securities Act, subject to the restrictions on ownership and transfer set forth in our charter, and except for the shares that are held by any of our affiliates, as that term is defined in Rule 144 under the Securities Act. In addition, assuming that none of the outstanding shares of Class A Common Stock were acquired from one of our affiliates in a transaction not involving a public offering, shares of our Class A Common Stock outstanding as of , 2011, after giving effect to the Recapitalization, will be freely tradable without restriction or further registration under the Securities Act, subject to the restrictions on ownership and transfer set forth in our charter. The remaining shares of our Class A Common Stock outstanding as of , 2011, after giving effect to the Recapitalization, are restricted securities as that term is defined in Rule 144, and may only be sold in the public market if registered or if the sales qualify for an exemption from registration, including an exemption under Rule 144 under the Securities Act, which is discussed below.

As of , 2011, after giving effect to the Recapitalization, the shares of our Class A Common Stock that were outstanding or issuable upon the conversion of our Class B-1, Class B-2 and Class B-3 Common

Stock will, assuming that none of the shares were acquired from one of our affiliates in a transaction not involving a public offering and no shares are released from the lock-up agreements described below prior to 180 days after the date of this prospectus, become eligible for sale without registration approximately as follows:

Number of Shares of Class A Common Stock	Date Eligible For Sale
shares[1] [2]	Immediately
shares[2] [3]	180 days after the date of this prospectus upon the expiration of the lock-up agreements
shares issuable upon conversion of Class B-1 Common Stock[2] [4]	months after the Listing
shares issuable upon conversion of Class B-2 Common Stock[2] [4]	months after the Listing
shares issuable upon conversion of Class B-3 Common Stock[2] [4]	months after the Listing

(1) Includes shares that are not restricted securities and restricted securities eligible to be resold under Rule 144(b)(1)(i) without regard to the current public information requirements.
(2) Assumes that the only persons qualifying as affiliates for purposes of Rule 144 are our directors and executive officers.
(3) Includes shares that constitute restricted securities eligible to be resold under Rule 144(b)(2) subject to satisfaction of volume limitations, manner of sale provisions, current public information requirements and notice requirements.
(4) Includes shares that are not restricted securities, restricted securities eligible to be resold under Rule 144(b)(1)(i) without regard to the current public information requirements and shares that constitute restricted securities eligible to be resold under Rule 144(b)(2) subject to satisfaction of volume limitations, manner of sale provisions, current public information requirements and notice requirements.

Prior to conversion into our Class A Common Stock, all of our outstanding Class B Common Stock will be freely tradable without restriction or further registration under the Securities Act, subject to the restrictions on ownership and transfer set forth in our charter without registration, except for the shares of each of our Class B-1, Class B-2 and Class B-3 Common Stock that will be subject to the lock-up agreements described below. The shares subject to the lock-up agreement includes shares of each of our Class B-1, Class B-2 and Class B-3 Common Stock that constitute restricted securities eligible to be resold under Rule 144(b)(2) subject to satisfaction of volume limitations, manner of sale provisions, current public information requirements and notice requirements. However, our Class B Common Stock will not be listed on a national stock exchange, and we do not expect a market to develop for shares of our Class B Common Stock.

For a description of certain restrictions on ownership and transfer of shares of our common stock, see Description of Capital Stock Restrictions on Ownership and Transfer.

Rule 144(b)(1)

Rule 144(b)(1) provides a safe harbor pursuant to which certain persons may sell shares of our stock that constitute restricted securities without registration under the Securities Act. Restricted securities include, among other things, securities acquired directly or indirectly from the issuer, or from an affiliate of the issuer, in a transaction or chain of transactions not involving any public offering. In general, the conditions that must be met for a person to sell shares of our stock pursuant to Rule 144(b)(1) are as follows: (i) the person selling the shares must not be an affiliate of ours at the time of the sale, and must not have been an affiliate of ours during the preceding three months, and (ii) either (A) at least one year must have elapsed since the date of acquisition of the restricted securities from us or any of our affiliates or (ii) if we satisfy the current public information requirements set forth in Rule 144, at least six months have elapsed since the date of acquisition of the restricted securities from us or any of our affiliates.

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Rule 144(b)(2)

Rule 144(b)(2) provides a safe harbor pursuant to which persons who are affiliates of ours may sell shares of our stock, whether restricted securities or not, without registration under the Securities Act if certain conditions are met. In general, the conditions that must be met for a person who is an affiliate of ours (or has been within three months prior to the date of sale) to sell shares of our stock pursuant to Rule 144(b)(2) are as follows (i) at least six months must have elapsed since the date of acquisition of the shares of stock from us or any of our affiliates, (ii) the seller must comply with volume limitations, manner of sale restrictions and notice requirements and (iii) we must satisfy the current public information requirements set forth in Rule 144. In order to comply with the volume limitations, a seller may not sell, in any three-month period, more than the following number of shares:

- 1% of the shares of the class outstanding as shown by the most recent report or statement published by us;

- the average weekly reported volume of trading in such securities on all national securities exchanges and/or reported through the automated quotation system of a registered securities association during the four calendar weeks preceding the filing of the notice required to be filed by the seller under Rule 144 or if no such notice is required, the date of receipt of the order to execute the transaction by the broker or the date of execution of the transaction directly with a market maker; or

- the average weekly volume of trading in such securities reported pursuant to an effective transaction report plan or an effective national market system plan, as defined in Regulation NMS under the Securities Exchange Act of 1934, as amended, during the four week period described in the preceding bullet.

As of , 2011, after giving effect to the Recapitalization, none of our directors or executive officers owned more than 1% of any class of our outstanding shares of common stock.

Our Equity Plans

Under our 2008 Equity Plan, we authorized shares of our Class A Common Stock, shares of our Class B-1 Common Stock, shares of our Class B-2 Common Stock and shares of our Class B-3 Common Stock for issuance to our employees. Our employees are eligible under our 2008 Equity Plan to receive stock options, stock appreciation rights (either in tandem with a stock option or alone and unrelated to a stock option), restricted stock and performance units/shares. As of , 2011, we had issued shares under our 2008 Equity Plan and shares authorized remained available for grant.

Under our Independent Director Stock Option Plan, we authorized shares of our Class A Common Stock, shares of our Class B-1 Common Stock, shares of our Class B-2 Common Stock and shares of our Class B-3 Common Stock for issuance to our non-employee directors. Our non-employee directors are eligible to receive stock options under our Independent Director Stock Option Plan. As of , 2011, after giving effect to the Recapitalization, shares of each of our Class A, Class B-1, Class B-2 and Class B-3 Common Stock were subject to outstanding stock options granted under our Independent Director Stock Option Plan and shares of each of our Class A, Class B-1, Class B-2 and Class B-3 Common Stock remained available for issuance under our Independent Director Stock Option Plan.

We have filed a registration statement on Form S-8 with respect to the shares issuable under our 2008 Equity Plan and our Independent Director Stock Option Plan. Shares covered by such registration statement will be eligible for transfer or resale without restriction under the Securities Act unless held by affiliates.

Lock-up Agreements

We and all of our directors and executive officers have agreed that, without the prior written consent of the each of the representatives, we and they will not, for a period of 180 days after the date of this prospectus:

offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of,

directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our Class A Common Stock or securities convertible into or exchangeable or exercisable for any share of our Class A Common Stock (including, without limitation, shares of our Class A Common Stock or such other securities which may be deemed to be beneficially owned by such directors and officers in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant), or publicly disclose the intention to make any offer, sale, pledge, disposition or filing;

enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences associated with the ownership of any shares of our Class A Common Stock or any such other securities (regardless of whether any of the transactions described in this bullet or the immediately preceding bullet are to be settled by the delivery of shares of our Class A Common Stock or such other securities, in cash or otherwise), other than, with respect to us, the shares of our Class A Common Stock to be sold hereunder and in respect of any shares of our Class A Common Stock issued under our existing incentive plans; or

in the case of our directors and officers, make any demand for or exercise any right with respect to the registration of any shares of our Class A Common Stock or any security convertible into or exercisable or exchangeable for shares of our Class A Common Stock.

However, each of our directors and executive officers may transfer or dispose of our shares during the 180-day restricted period in the case of gifts or for estate planning purposes where the transferee agrees to a similar lock-up agreement for the remainder of the 180-day restricted period, provided that no report is required to be filed by the transferor under the Exchange Act as a result of the transfer. Notwithstanding the foregoing, if (i) during the last 17 days of the 180-day restricted period, we issue an earnings release or material news or a material event relating to our company occurs; or (ii) prior to the expiration of the 180-day restricted period, we announce that we will release earnings results during the 16-day period beginning on the last day of the 180-day period, the restrictions described above shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event.

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MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS

The following summary addresses U.S. federal income tax considerations related to our election to be subject to taxation as a REIT and the ownership and disposition of our Class A Common Stock that we anticipate being material to holders of our Class A Common Stock. This summary does not address any foreign, state, or local tax consequences of holding our Class A Common Stock. The provisions of the Code concerning the U.S. federal income tax treatment of a REIT are highly technical and complex; the following discussion sets forth only certain aspects of those provisions. This summary is intended to provide you with general information only and is not intended as a substitute for careful tax planning.

This summary is based on provisions of the Code, applicable final and temporary Treasury Regulations, judicial decisions, and administrative rulings and practice, all in effect as of the date of this prospectus, and should not be construed as legal or tax advice. No assurance can be given that future legislative or administrative changes or judicial decisions will not affect the accuracy of the descriptions or conclusions contained in this summary. In addition, any such changes may be retroactive and apply to transactions entered into prior to the date of their enactment, promulgation or release. We do not expect to seek a ruling from the IRS regarding any of the U.S. federal income tax issues discussed in this prospectus, and no assurance can be given that the IRS will not challenge any of the positions we take and that such a challenge will not succeed. This discussion does not purport to address all aspects of federal income taxation that may be relevant to you in light of your particular investment circumstances, or if you are a type of investor subject to special tax rules. ***Prospective purchasers of our Class A Common Stock are urged to consult their tax advisors prior to any investment in our Class A Common Stock concerning the potential U.S. federal, state, local, and foreign tax consequences of the investment with specific reference to their own tax situations.***

Except as otherwise noted, references in this discussion of Material U.S. Federal Income Tax Considerations to we, our, us and our company refer to Inland Western Retail Real Estate Trust, Inc.

Taxation of our Company

We have elected to be taxed as a REIT under Sections 856 through 860 of the Code. We believe that we have been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code beginning with our taxable year ended December 31, 2003, and that our intended manner of operation will enable us to continue to meet the requirements for qualification and taxation as a REIT for federal income tax purposes.

In connection with this offering, our tax counsel, Goodwin Procter LLP, is expected to render an opinion to us to the effect that, commencing with our taxable year ended December 31, 2003, we have been organized and operated in conformity with the requirements for qualification and taxation as a REIT under the Code and our current and proposed ownership and method of operations will allow us to satisfy the requirements for qualification and taxation as a REIT under the Code for subsequent taxable years. The opinion of Goodwin Procter LLP would be based upon various assumptions, our closing agreement with the IRS, and our representations as to our past and contemplated future ownership, investments, distributions and operations, among other things. The opinion of Goodwin Procter LLP would be expressly conditioned upon the accuracy of these and other assumptions and upon our representations, which Goodwin Procter LLP will not verify. Moreover, our qualification and taxation as a REIT will depend upon our ability to meet, through actual annual operating results, distribution levels, and diversity of stock ownership, the various and complex REIT qualification tests imposed under the Code, the results of which will not be reviewed or verified by Goodwin Procter LLP. See Qualification as a REIT below. Accordingly, no assurance can be given that we have satisfied or will satisfy such requirements. The opinion of Goodwin Procter LLP would be based upon current law, which is subject to change either prospectively or retroactively (or, with respect to past years, the law in

effect for such years). Opinions of counsel impose no obligation on counsel to advise us or the holders of our stock of any subsequent change in the matters stated, represented or assumed, or of any subsequent change in the applicable law. Changes in applicable law could modify the conclusions expressed in the opinion. Unlike a ruling from the IRS, an opinion of Goodwin Procter LLP is not binding on the IRS, and no assurance can be given that the IRS could not successfully challenge our qualification as a REIT.

If we qualify as a REIT, we generally will be allowed to deduct dividends paid to our shareholders, and, as a result, we generally will not be subject to U.S. federal income tax on that portion of our ordinary income and net capital gain that we currently distribute to our shareholders. We intend to make distributions to our shareholders on a regular basis as necessary to avoid material U.S. federal income tax and to comply with the REIT requirements. See Qualification as a REIT Annual Distribution Requirements below.

Notwithstanding the foregoing, even if we qualify for taxation as a REIT, we nonetheless may be subject to U.S. federal income tax in certain circumstances, including the following:

- We will be required to pay U.S. federal income tax on our undistributed REIT taxable income, including net capital gain;
- We may be subject to the alternative minimum tax;
- We may be subject to tax at the highest corporate rate on certain income from foreclosure property (generally, property acquired by reason of default on a lease or indebtedness held by us);