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5" COLSPAN="2">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.

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.

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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.

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.

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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.

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

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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	

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

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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.

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

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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.

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.

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(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

		Estimated Possible Payouts Under Equity Incentive Plan Awards	
Name	**Grant Date**[1]	**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.
(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.

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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.

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.

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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.

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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.

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.

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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;

- 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 received an annual director fee of $40,000, except for Mr. Parks and Ms. Gujral, who were not entitled to receive any compensation from the Company for their service on the Board of Directors or any of its committees, and Mr. Grimes, who was not a director during this period. Beginning January 1, 2011, each director is entitled to receive an annual director fee of $50,000, except for Mr. Grimes and Ms. Gujral, who will not be entitled to receive any compensation from the Company for their service on the Board of Directors or any of its committees. 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.

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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.

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 June 30, 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 June 30, 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 October 3, 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 October 3, 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 October 3, 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)]	80,305	*		*			
Frank A. Catalano, Jr.[(3)]	18,697	*		*			
Paul R. Gauvreau[(3)]	126,732	*		*			
Gerald M. Gorski[(3)]	17,789	*		*			
Richard P. Imperiale[(3)]	15,000	*		*			
Kenneth E. Masick[(3)]	15,000	*		*			
Barbara A. Murphy[(4)]	15,000	*		*			
Steven P. Grimes	45,527	*		*			
Shane C. Garrison	9,125	*		*			
Niall J. Byrne	1,825	*		*			
James W. Kleifges	1,825	*		*			
Dennis K. Holland	9,554	*		*			
All directors and executive officers as a group (13 persons)	454,052	*		*			
5% Shareholders							
Daniel L. Goodwin[(5)]	24,429,632	5.07%		5.07%			

* 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 15,000 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 13,500 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 2,955 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 $141,000 for the six months ended June 30, 2011 and $272,000, $67,000 and $1.4 million for the years ended December 31, 2010, 2009 and 2008, respectively. As of June 30, 2011 and December 31, 2010, 2009 and 2008, fees of $23,000, $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 $98,000 for the six months ended June 30, 2011 and $282,000, $372,000 and $405,000 for the years ended December 31, 2010, 2009 and 2008, respectively. As of June 30, 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 six months ended June 30, 2011 and the years ended December 31, 2010, 2009 and 2008, we incurred $202,000, $343,000, $551,000 and $500,000, respectively, of these costs. Legal services costs totaling $155,000, $100,000, $123,000 and $189,000 remained unpaid as of June 30, 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 six months ended June 30, 2011 and the years ended December 31, 2010, 2009 and 2008, we incurred $1.5 million, $2.6 million, $3.0 million and $2.8 million, respectively, of these reimbursements. Of these costs, $380,000, $248,000, $194,000 and $209,000 remained unpaid as of June 30, 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, $233,000, $155,000, $175,000 and none remained unpaid as of June 30, 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 six months ended June 30, 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 June 30, 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 six months ended June 30, 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 June 30, 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 six months ended June 30, 2011 and the years ended December 31, 2010, 2009 and 2008, respectively. None of these costs remained unpaid as of June 30, 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.

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 June 30, 2011, our investment in marketable securities totaled $36.3 million, which included $24.2 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 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 June 30, 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 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.

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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.

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

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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,

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(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 October 3, 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

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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,

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- 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);

- We will be subject to a 100% U.S. federal income tax on net income from prohibited transactions (generally, certain sales or other dispositions of property, sometimes referred to as dealer property, held primarily for sale to customers in the ordinary course of business, other than foreclosure property) unless the gain is realized in a taxable REIT subsidiary, or TRS, or such property has been held by us for at least two years and certain other requirements are satisfied;

- If we fail to satisfy the 75% gross income test or the 95% gross income test (discussed below), but nonetheless maintain our qualification as a REIT pursuant to certain relief provisions, we will be subject to a 100% U.S. federal income tax on the greater of (i) the amount by which we fail the 75% gross income test or (ii) the amount by which we fail the 95% gross income test, in either case, multiplied by a fraction intended to reflect our profitability;

- If we fail to satisfy any of the asset tests, other than the 5% or the 10% asset tests that qualify under the De Minimis Exception, and the failure qualifies under the General Exception, as described below under Qualification as a REIT Asset Tests, then we will have to pay an excise tax equal to the greater of (i) $50,000 and (ii) an amount determined by multiplying the net income generated during a specified period by the assets that caused the failure by the highest U.S. federal income tax applicable to corporations;

- If we fail to satisfy any REIT requirements other than the income test or asset test requirements, described below under Qualification as a REIT Income Tests and Qualification as a REIT Asset Tests, respectively, and we qualify for a reasonable cause exception, then we will have to pay a penalty equal to $50,000 for each such failure;

- We will be subject to a 4% excise tax if certain distribution requirements are not satisfied;

- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT s shareholders, as described below in Recordkeeping Requirements;

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If we dispose of an asset acquired by us from a C corporation in a transaction in which we took the C corporation s tax basis in the asset, we may be subject to tax at the highest regular corporate rate on the appreciation inherent in such asset as of the date of acquisition by us;

We will be required to pay a 100% tax on any re-determined rents, re-determined deductions, and excess interest. In general, re-determined rents are rents from real property that are overstated as a result of services furnished to any of our tenants by one of our TRSs. Re-determined deductions and excess interest generally represent amounts that are deducted by a TRS for amounts paid to us that are in excess of the amounts that would have been deducted based on arm s-length negotiations; and

Income earned by our TRSs or any other subsidiaries that are taxable as C corporations will be subject to tax at regular corporate rates.

No assurance can be given that the amount of any such U.S. federal income taxes will not be substantial. In addition, we and our subsidiaries may be subject to a variety of taxes, including payroll taxes and state, local and foreign income, property and other taxes on assets and operations. We could also be subject to tax in situations and on transactions not presently contemplated.

Qualification as a REIT

In General

The REIT provisions of the Code apply to a domestic corporation, trust, or association (i) that is managed by one or more trustees or directors, (ii) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest, (iii) that properly elects to be taxed as a REIT and such election has not been terminated or revoked, (iv) that is neither a financial institution nor an insurance company, (v) that uses a calendar year for U.S. federal income tax purposes and complies with applicable recordkeeping requirements, and (vi) that meets the additional requirements discussed below.

Ownership Tests

In order to qualify as a REIT, commencing with our second REIT taxable year, (i) the beneficial ownership of our stock must be held by 100 or more persons during at least 335 days of a 12-month taxable year (or during a proportionate part of a taxable year of less than 12 months) for each of our taxable years and (ii) during the last half of each taxable year, no more than 50% in value of our stock may be owned, directly or indirectly, by or for five or fewer individuals (the 5/50 Test). Stock ownership for purposes of the 5/50 Test is determined by applying the constructive ownership provisions of Section 544(a) of the Code, subject to certain modifications. The term individual for purposes of the 5/50 Test includes a private foundation, a trust providing for the payment of supplemental unemployment compensation benefits, and a portion of a trust permanently set aside or to be used exclusively for charitable purposes. A qualified trust described in Section 401(a) of the Code and exempt from tax under Section 501(a) of the Code generally is not treated as an individual; rather, stock held by it is treated as owned proportionately by its beneficiaries.

We believe that we have satisfied and will continue to satisfy the above ownership requirements. In addition, our charter restricts ownership and transfers of our stock that would violate these requirements, although these restrictions may not be effective in all circumstances to prevent a violation. We will be deemed to have satisfied the 5/50 Test for a particular taxable year if we have complied with all the requirements for ascertaining the ownership of our outstanding stock in that taxable year and have no reason to know that we have violated the 5/50 Test.

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Income Tests

In order to maintain qualification as a REIT, we must annually satisfy two gross income requirements:

(1) First, at least 75% of our gross income (excluding gross income from prohibited transactions and certain other income and gains as described below) for each taxable year must be derived, directly or indirectly, from investments relating to real property or mortgages on real property or from certain types of temporary investments (or any combination thereof). Qualifying income for purposes of this 75% gross income test generally includes: (a) rents from real property, (b) interest on obligations secured by mortgages on real property or on interests in real property, (c) dividends or other distributions on, and gain from the sale of, shares in other REITs, (d) gain from the sale of real estate assets (other than gain from prohibited transactions), (e) income and gain derived from foreclosure property, and (f) income from certain types of temporary investments; and

(2) Second, in general, at least 95% of our gross income (excluding gross income from prohibited transactions and certain other income and gains as described below) for each taxable year must be derived from the real property investments described above and from other types of dividends and interest, gain from the sale or disposition of stock or securities that are not dealer property, or any combination of the above.

Rents we receive will qualify as rents from real property in satisfying the gross income requirements for a REIT described above only if several conditions are met. First, the amount of rent generally must not be based in whole or in part on the income or profits of any person. However, an amount received or accrued generally will not be excluded from the term rents from real property solely by reason of being based on a fixed percentage or percentages of receipts or sales. Second, rents received from a related party tenant will not qualify as rents from real property in satisfying the gross income tests unless the tenant is a TRS and either (i) at least 90% of the property is leased to unrelated tenants and the rent paid by the TRS is substantially comparable to the rent paid by the unrelated tenants for comparable space, or (ii) the property leased is a qualified lodging facility, as defined in Section 856(d)(9)(D) of the Code, or a qualified health care property, as defined in Section 856(e)(6)(D)(i), and certain other conditions are satisfied. A tenant is a related party tenant if the REIT, or an actual or constructive owner of 10% or more of the REIT, actually or constructively owns 10% or more of the tenant. Third, if rent attributable to personal property, leased in connection with a lease of real property, is greater than 15% of the total rent received under the lease, then the portion of rent attributable to the personal property will not qualify as rents from real property.

Generally, for rents to qualify as rents from real property for the purpose of satisfying the gross income tests, we may provide directly only an insignificant amount of services, unless those services are usually or customarily rendered in connection with the rental of real property and not otherwise considered rendered to the occupant under the applicable tax rules. Accordingly, we may not provide impermissible services to tenants (except through an independent contractor from whom we derive no revenue and that meets other requirements or through a TRS) without giving rise to impermissible tenant service income. Impermissible tenant service income is deemed to be at least 150% of the direct cost to us of providing the service. If the impermissible tenant service income exceeds 1% of our total income from a property, then all of the income from that property will fail to qualify as rents from real property. If the total amount of impermissible tenant service income from a property does not exceed 1% of our total income from the property, the services will not disqualify any other income from the property that qualifies as rents from real property, but the impermissible tenant service income will not qualify as rents from real property.

We do not intend to charge significant rent that is based in whole or in part on the income or profits of any person, derive significant rents from related party tenants, derive rent attributable to personal property leased in connection with real property that exceeds 15% of the total rents from that property, or derive impermissible tenant service income that exceeds 1% of our total income from any property if the treatment of the rents from such property as nonqualified rents could cause us to fail to qualify as a REIT.

Distributions that we receive from a TRS will be classified as dividend income to the extent of the earnings and profits of the TRS. Such distributions will generally constitute qualifying income for purposes of the 95% gross income test, but not under the 75% gross income test unless attributable to investments of certain new capital during the one-year period beginning on the date of receipt of the new capital. Any dividends received by us from a REIT will be qualifying income for purposes of both the 95% and 75% gross income tests.

If we fail to satisfy one or both of the 75% or the 95% gross income tests, we may nevertheless qualify as a REIT for a particular year if we are entitled to relief under certain provisions of the Code. Those relief provisions generally will be available if our failure to meet such tests is due to reasonable cause and not due to willful neglect and we file a schedule describing each item of our gross income for such year(s) in accordance with the applicable Treasury Regulations. It is not possible, however, to state whether in all circumstances we would be entitled to the benefit of these relief provisions. As discussed above in Taxation of Our Company, even if these relief provisions were to apply, we would be subject to U.S. federal income tax to the extent we fail to meet the 75% or 95% gross income tests.

Foreclosure property. Foreclosure property is real property (including interests in real property) and any personal property incident to such real property (1) that is acquired by a REIT as a result of the REIT having bid in the property at foreclosure, or having otherwise reduced the property to ownership or possession by agreement or process of law, after there was a default (or default was imminent) on a lease of the property or a mortgage loan held by the REIT and secured by the property, (2) for which the related loan or lease was made, entered into or acquired by the REIT at a time when default was not imminent or anticipated and (3) for which such REIT makes an election to treat the property as foreclosure property. REITs generally are subject to tax at the maximum corporate rate (currently 35%) on any net income from foreclosure property, including any gain from the disposition of the foreclosure property, other than income that would otherwise be qualifying income for purposes of the 75% gross income test. Any gain from the sale of property for which a foreclosure property election has been made will not be subject to the 100% tax on gains from prohibited transactions described above, even if the property is held primarily for sale to customers in the ordinary course of a trade or business.

Hedging transactions. We may enter into hedging transactions with respect to one or more of our assets or liabilities. Hedging transactions could take a variety of forms, including interest rate swaps or cap agreements, options, futures contracts, forward rate agreements or similar financial instruments. Except to the extent as may be provided by future Treasury Regulations, any income from a hedging transaction which is clearly identified as such before the close of the day on which it was acquired, originated or entered into, including gain from the disposition or termination of such a transaction, will not constitute gross income for purposes of the 95% and 75% gross income tests, provided that the hedging transaction is entered into (i) in the normal course of our business primarily to manage risk of interest rate or price changes or currency fluctuations with respect to indebtedness incurred or to be incurred by us to acquire or carry real estate assets or (ii) primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% income tests (or any property which generates such income or gain). To the extent 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 the 75% and 95% gross income tests. We intend to structure and monitor our hedging transactions so that such transactions do not jeopardize our ability to qualify as a REIT.

Qualified temporary investment income. Income derived from certain types of temporary stock and debt investments made with the proceeds of this offering, not otherwise treated as qualifying income for the 75% gross income test, generally will nonetheless constitute qualifying income for purposes of the 75% gross income test for the year following this offering. More specifically, qualifying income for purposes of the 75% gross income test includes qualified temporary investment income, which generally means any income that is attributable to stock or a debt instrument, is attributable to the temporary investment of new equity capital and certain debt capital, and is received or accrued during the one-year period beginning on the date on which the REIT receives such new capital. After the one year period following this offering, income from investments of the proceeds of this offering will be qualifying income for purposes of the 75% income test only if derived from one of the other qualifying sources enumerated above.

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Asset Tests

At the close of each quarter of each taxable year, we must also satisfy four tests relating to the nature of our assets. First, real estate assets, cash and cash items, and government securities must represent at least 75% of the value of our total assets. Second, not more than 25% of our total assets may be represented by securities other than those in the 75% asset class. Third, of the investments that are not included in the 75% asset class and that are not securities of our TRSs, (i) the value of any one issuer s securities owned by us may not exceed 5% of the value of our total assets and (ii) we may not own more than 10% by vote or by value of any one issuer s outstanding securities. For purposes of the 10% value test, debt instruments issued by a partnership are not classified as securities to the extent of our interest as a partner in such partnership (based on our proportionate share of the partnership s equity interests and certain debt securities) or if at least 75% of the partnership s gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test. For purposes of the 10% value test, the term securities also does not include debt securities issued by another REIT, certain straight debt securities (for example, qualifying debt securities of a corporation of which we own no more than a de minimis amount of equity interest), loans to individuals or estates, and accrued obligations to pay rent. Fourth, securities of our TRSs cannot represent more than 25% of our total assets. Although we believe we have met these asset tests and we intend to continue to meet them, no assurance can be given that we have met them or will be able to do so. For purposes of these asset tests, we are treated as holding our proportionate share of our subsidiary partnerships assets. Also, for purposes of these asset tests, the term real estate assets includes any property that is not otherwise a real estate asset and that is attributable to the temporary investment of new capital, but only if such property is stock or a debt instrument, and only for the one-year period beginning on the date the REIT receives such capital. Real estate assets include our investments in stocks of other REITs but do not include stock of any real estate company, or other company, that does not qualify as a REIT (unless eligible for the special rule for temporary investment of new capital).

We will monitor the status of our assets for purposes of the various asset tests and will endeavor to manage our portfolio in order to comply at all times with such tests. If we fail to satisfy the asset tests at the end of a calendar quarter, other than the first calendar quarter, we will not lose our REIT status if one of the following exceptions applies:

- We satisfied the asset tests at the end of the preceding calendar quarter, and the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets; or

- We eliminate any discrepancy within 30 days after the close of the calendar quarter in which it arose.

Moreover, if we fail to satisfy the asset tests at the end of a calendar quarter during a taxable year, we will not lose our REIT status if one of the following additional exceptions applies:

- *De Minimis Exception*: The failure is due to a violation of the 5% or 10% asset tests referenced above and is de minimis (meaning that the failure is one that arises from our ownership of assets the total value of which does not exceed the lesser of 1% of the total value of our assets at the end of the quarter in which the failure occurred and $10 million), and we either dispose of the assets that caused the failure or otherwise satisfy the asset tests within six months after the last day of the quarter in which our identification of the failure occurred; or

- *General Exception*: All of the following requirements are satisfied: (i) the failure is not due to the above De Minimis Exception, (ii) the failure is due to reasonable cause and not willful neglect, (iii) we file a schedule in accordance with Treasury Regulations providing a description of each asset that caused the failure, (iv) we either dispose of the assets that caused the failure or otherwise satisfy the asset tests within six months after the last day of the quarter in which our identification of the failure occurred, and (v) we pay an excise tax as described above in Taxation of Our Company.

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Annual Distribution Requirements

In order to qualify as a REIT, each taxable year we must distribute dividends (other than capital gain dividends) to our shareholders in an amount at least equal to (A) the sum of (i) 90% of our REIT taxable income, determined without regard to the dividends paid deduction and by excluding any net capital gain, and (ii) 90% of the net income (after tax), if any, from foreclosure property, minus (B) the sum of certain items of non-cash income. We generally must pay such distributions in the taxable year to which they relate, or in the following taxable year if declared before we timely file our tax return for such year and if paid on or before the first regular dividend payment after such declaration. Subject to certain requirements, we may satisfy our distribution requirement by paying a taxable stock dividend.

To the extent that we do not distribute all of our net capital gain and taxable income, we will be subject to U.S. federal, state and local tax on the undistributed amount at regular corporate income tax rates. Furthermore, if we should fail to distribute during each calendar year at least the sum of (i) 85% of our REIT taxable income (subject to certain adjustments) for such year, (ii) 95% of our capital gain net income for such year, and (iii) 100% of any corresponding undistributed amounts from prior periods, we will be subject to a 4% nondeductible excise tax on the excess of such required distribution over the sum of amounts actually distributed plus retained income from such taxable year on which we paid corporate income tax.

Under certain circumstances, we may be able to rectify a failure to meet the distribution requirement for a year by paying deficiency dividends to our shareholders in a later year that may be included in our deduction for dividends paid for the earlier year. Thus, we may be able to avoid being taxed on amounts distributed as deficiency dividends; however, we will be required to pay interest based upon the amount of any deduction taken for deficiency dividends.

In order to satisfy the REIT distribution requirements, the dividends we pay must not be preferential within the meaning of the Code. A dividend determined to be preferential will not qualify for the dividends paid deduction. To avoid paying preferential dividends, we must treat every shareholder of a class of stock with respect to which we make a distribution the same as every other shareholder of that class, and we must not treat any class of stock other than according to its dividend rights as a class. If any part of a distribution is preferential, none of that distribution will be applied towards satisfying our REIT distribution requirements.

Pursuant to an IRS ruling, the prohibition on preferential dividends does not prohibit REITs from offering shares under a distribution reinvestment plan at discounts of up to 5% of fair market value, but a discount in excess of 5% of the fair market value of the shares would be considered a preferential dividend. Our DRP has offered participants the opportunity to acquire newly-issued shares of our common stock and any discount we have offered was intended to fall within the safe harbor for such discounts set forth in the ruling published by the IRS; however, the fair market value of our common stock prior to the listing of our Class A Common Stock on a national securities exchange has not been susceptible to a definitive determination. If the discount in the purchase price under the DRP is deemed to have exceeded 5% at any time, we could fail to qualify as a REIT for any such affected year. See Failure to Qualify.

In addition, certain aspects of the operation of our DRP prior to May 2006 may have violated the prohibition against preferential dividends, and to address those issues we entered into a closing agreement with the Commissioner in June 2011, whereby the Commissioner agreed that the terms and administration of our DRP did not result in our dividends paid during taxable years 2004 through 2006 being treated as preferential dividends.

Preferential dividends could include certain share repurchases that are taxed to the selling shareholder in the same manner as a regular distribution (e.g., as a taxable dividend to the extent paid out of earnings and profits), rather than as a sale or exchange. We believe that our share repurchases were properly treated as sales or exchanges for federal income tax purposes.

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We may retain and pay income tax on net long-term capital gains we received during the tax year. To the extent we so elect, (i) each shareholder must include in its income (as long-term capital gain) its proportionate share of our undistributed long-term capital gains, (ii) each shareholder is deemed to have paid, and receives a credit for, its proportionate share of the tax paid by us on the undistributed long-term capital gains, and (iii) each shareholder s basis in its stock is increased by the included amount of the undistributed long-term capital gains less their share of the tax paid by us.

To qualify as a REIT, we may not have, at the end of any taxable year, any undistributed earnings and profits accumulated in any non-REIT taxable year. We believe that we have not had any non-REIT earnings and profits at the end of any taxable year and we intend to distribute any non-REIT earnings and profits that we accumulate before the end of any taxable year in which we accumulate such earnings and profits.

Failure to Qualify

If we fail to qualify as a REIT and such failure is not an asset test or income test failure subject to the cure provisions described above, or the result of preferential dividends, we generally will be eligible for a relief provision if the failure is due to reasonable cause and not willful neglect and we pay a penalty of $50,000 with respect to such failure.

If we fail to qualify for taxation as a REIT in any taxable year and no relief provisions apply, we generally will be subject to tax (including any applicable alternative minimum tax) on our taxable income at regular corporate rates. Distributions to our shareholders in any year in which we fail to qualify as a REIT will not be deductible by us nor will they be required to be made. In such event, to the extent of our current or accumulated earnings and profits, all distributions to our shareholders will be taxable as dividend income. Subject to certain limitations in the Code, corporate shareholders may be eligible for the dividends received deduction, and individual, trust and estate shareholders may be eligible to treat the dividends received from us as qualified dividend income taxable as net capital gains, under the provisions of Section 1(h)(11) of the Code, through the end of 2012. Unless entitled to relief under specific statutory provisions, we also will be ineligible to elect to be taxed as a REIT again prior to the fifth taxable year following the first year in which we failed to qualify as a REIT under the Code.

Our qualification as a REIT for U.S. federal income tax purposes will depend on our continuing to meet the various requirements summarized above governing the ownership of our outstanding stock, the nature of our assets, the sources of our income, and the amount of our distributions to our shareholders. Although we intend to operate in a manner that will enable us to comply with such requirements, there can be no certainty that such intention will be realized. In addition, because the relevant laws may change, compliance with one or more of the REIT requirements may become impossible or impracticable for us.

Prohibited Transaction Tax

Any gain realized by us on the sale of any property held (other than foreclosure property) as inventory or other property held primarily for sale to customers in the ordinary course of business, including our share of any such gain realized by our subsidiary partnerships and taking into account any related foreign currency gains or losses, will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Whether property is held as inventory or primarily for sale to customers in the ordinary course of a trade or business depends upon all the facts and circumstances with respect to the particular transaction. However, the Code provides a safe harbor pursuant to which sales of properties held for at least two years and meeting certain other requirements will not give rise to prohibited transaction income.

We generally intend to hold properties for investment, but we have made and will make sales of properties consistent with our strategic objectives. We believe our past sales in open tax years qualified for the statutory safe harbor. In the future, however, we may make sales at a gain that do not satisfy the safe harbor requirements

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described above. There can be no assurance that the IRS will not contend that one or more of these sales are subject to the 100% penalty tax. The 100% tax will not apply to gains from the sale of property realized through a TRS or other taxable corporation, although such income will be subject to tax at regular corporate income tax rates.

Recordkeeping Requirements

To avoid a monetary penalty, we must request on an annual basis information from certain of our shareholders designed to disclose the actual ownership of our outstanding stock. We intend to comply with these requirements.

Qualified REIT Subsidiaries and Disregarded Entities

If a REIT owns a corporate subsidiary that is a qualified REIT subsidiary, or QRS, or if a REIT owns 100% of the membership interests in a domestic limited liability company or other domestic unincorporated entity that does not elect to be treated as a corporation for U.S. federal income tax purposes, the separate existence of the QRS, limited liability company or other unincorporated entity generally will be disregarded for federal income tax purposes. Generally, a QRS is a corporation, other than a TRS, all of the stock of which is owned by a REIT. A limited liability company or other unincorporated entity 100% owned by a single member that does not elect to be treated as a corporation for U.S. federal income tax purposes (or, in the case of certain foreign entities, such an entity that affirmatively elects not to be treated as a corporation) generally is disregarded as an entity separate from its owner for federal income tax purposes. All assets, liabilities, and items of income, deduction, and credit of the QRS or disregarded entity will be treated as assets, liabilities, and items of income, deduction, and credit of its owner. To the extent we own a QRS or a disregarded entity, neither will be subject to U.S. federal corporate income taxation, although such entities may be subject to state and local taxation in some states or foreign taxes if they do business or own property outside the United States.

Taxation of Subsidiary Partnerships

We hold investments through entities that are classified as partnerships for U.S. federal income tax purposes. Under the Code, a partnership is not subject to U.S. federal income tax, but is required to file a partnership tax return each year. In general, the character of each partner s share of each item of income, gain, loss, deduction, credit, and tax preference is determined at the partnership level. Each partner is then allocated a distributive share of such items and is required to take such items into account in determining the partner s income. Each partner includes such amount in income for any taxable year of the partnership ending within or with the taxable year of the partner, without regard to whether the partner has received or will receive any cash distributions from the partnership. Cash distributions, if any, from a partnership to a partner generally are not taxable unless and to the extent they exceed the partner s basis in its partnership interest immediately before the distribution. Any amounts in excess of such tax basis will generally be treated as a sale of such partner s interest in the partnership.

A REIT that is a partner in a partnership will be deemed to own its proportionate share of the assets of the partnership and, for purposes of the REIT income and asset tests, will be deemed to earn its proportionate share of the partnership s income. The assets and gross income of the partnership retain the same character in the hands of the REIT for purposes of the gross income and asset tests applicable to REITs. Our proportionate share of the assets and items of income of any subsidiary partnership, including such partnership s share of the assets and liabilities and items of income with respect to any partnership or disregarded entity in which it holds an interest, will be treated as our assets and liabilities and items of income for purposes of applying the REIT asset and income tests.

We may form joint ventures in the form of subsidiary partnerships and our joint venture partners may contribute property to such subsidiary partnerships. In such a transaction, the subsidiary partnership s initial tax

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basis in the property acquired generally will be less than the purchase price of the property. Although the rules of Section 704(c) of the Code would generally attempt to provide us as the non-contributing partner with the depreciation comparable to what we would receive if the subsidiary partnership purchased the appreciated assets for cash, absent certain elections, which would accelerate gain to the contributor, the depreciation would be limited to tax basis. Consequently, our depreciation deductions for such properties may be less than the deductions that we would have if the subsidiary partnership acquired these properties in taxable transactions. Alternatively, if we contribute property with a tax basis that is less than its fair market value to a subsidiary partnership, such partnership may elect to use a method of allocation under Section 704(c) that accelerates gain to us.

The discussion above assumes that our subsidiary partnerships will be treated as partnerships for U.S. federal income tax purposes. Generally, a domestic unincorporated entity with two or more partners is treated as a partnership for U.S. federal income tax purposes unless it affirmatively elects to be treated as a corporation. However, certain publicly traded partnerships are treated as corporations for U.S. federal income tax purposes. Pursuant to Section 7704 of the Code, a partnership that does not elect to be treated as a corporation nevertheless will be treated as a corporation for U.S. federal income tax purposes if it is a publicly traded partnership and it does not derive at least 90% of its gross income from certain specified sources of qualifying income within the meaning of that provision. A publicly traded partnership is any partnership (i) the interests in which are traded on an established securities market or (ii) the interests in which are readily tradable on a secondary market or the substantial equivalent thereof. Under the relevant Treasury Regulations, interests in a partnership will not be considered readily tradable on a secondary market or on the substantial equivalent of a secondary market if the partnership qualifies for specified safe harbors, which are based on the specific facts and circumstances relating to the partnership. For example, interests in a partnership are not readily tradable on a secondary market or the substantial equivalent thereof if (i) all interests in the partnership were issued in a transaction (or transactions) that was not required to be registered under the Securities Act of 1933, and (ii) the partnership does not have more than 100 partners at any time during the taxable year of the partnership (determined by counting indirect partners who held their partnership interest through certain flow through entities). If any subsidiary partnership were a publicly traded partnership, it would be taxed as a corporation unless at least 90% of its gross income consists of qualifying income under Section 7704 of the Code. Qualifying income is generally real property rents and other types of passive income, and the income requirements applicable to us to qualify as a REIT under the Code and the definition of qualifying income under the publicly traded partnership rules are very similar. We intend to operate so that our subsidiary partnerships will satisfy at least one of the above-mentioned safe harbors, and/or comply with the qualifying income exception, so as to avoid being taxed as a corporation under these rules. However, we do not control all of our subsidiary partnerships, and treatment of a subsidiary partnership as a corporation could prevent us from qualifying as a REIT.

Investments in Certain Debt Instruments

We may acquire mortgage, mezzanine, bridge loans and other debt investments. Interest income constitutes qualifying mortgage interest for purposes of the 75% gross income test (as described above) to the extent that the obligation upon which such interest is paid is secured by a mortgage on real property. If we receive interest income with respect to a mortgage loan that is secured by both real property and other property, and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property on the date that we committed to acquire or originate the loan, or agreed to modify the loan in a manner that is treated as an acquisition of a new loan for U.S. federal income tax purposes, then the interest income will be apportioned between the real property and the other collateral, and our income from the loan will qualify for purposes of the 75% gross income test only to the extent that the interest is allocable to the real property. For purposes of the preceding sentence, however, under recently issued IRS guidance we do not need to re-determine the fair market value of real property in connection with a loan modification that is occasioned by a default or made at a time when we reasonably believe the modification to the loan will substantially reduce a significant risk of default on the original loan, and any such modification will not be treated as a prohibited transaction. Even if a loan is not secured by real property, or is under-secured, the income that it generates may nonetheless qualify for purposes of the 95% gross income test. To the extent that we derive interest income from a mortgage

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loan where all or a portion of the amount of interest payable is contingent, such income generally will qualify for purposes of the gross income tests only if it is based upon the gross receipts or sales, and not the net income or profits, of the borrower. This limitation does not apply, however, where the borrower leases substantially all of its interest in the property to tenants or subtenants, to the extent that the rental income derived by the borrower would qualify as rents from real property had we earned the income directly.

If the outstanding principal balance of a mortgage loan exceeds the fair market value of the real property securing the loan at the time we commit to acquire the loan, or agree to modify the loan in a manner that is treated as an acquisition of a new loan for U.S. federal income tax purposes, then a portion of such loan may not be a qualifying real estate asset. Under current law it is not clear how to determine what portion of such a loan will be treated as a qualifying real estate asset. Under recently issued guidance, the IRS has stated that it will not challenge a REIT s treatment of a loan as being in part a real estate asset if the REIT treats the loan as being a real estate asset in an amount that is equal to the lesser of the fair market value of the real property securing the loan, as of the date we committed to acquire or modify the loan, and the fair market value of the loan. The value of this guidance may be limited, however, because appreciation in the value of the real property collateral (and loan value) could give rise to a nonqualifying asset.

The application of the REIT provisions of the Code to certain mezzanine loans, which are loans secured by equity interests in an entity that directly or indirectly owns real property rather than by a direct mortgage of the real property, is not entirely clear. A safe harbor in Revenue Procedure 2003-65 provides that if a mezzanine loan meets certain requirements then it will be treated by the IRS as a real estate asset for purposes of the REIT asset tests and interest derived from it will be treated as qualifying mortgage interest for purposes of the 75% income test. However, to the extent that mezzanine loans do not meet all of the requirements for reliance on the safe harbor set forth in the Revenue Procedure, such loans may not be real estate assets and could adversely affect our REIT qualification if we acquired them. As such, the REIT provisions of the Code may limit our ability to acquire mortgage, mezzanine or other loans that we might otherwise desire to acquire.

Investments in debt instruments may require recognition of taxable income prior to receipt of cash from such investments and may cause portions of gain to be treated as ordinary income. For example, we may purchase debt instruments at a discount from face value. To the extent we purchase any instruments at a discount in connection with their original issuances, the discount will be original issue discount if it exceeds certain de minimis amounts, which must be accrued on a constant yield method even though we may not receive the corresponding cash payment until maturity. To the extent debt instruments are purchased by us at a discount after their original issuances, the discount may represent market discount. Unlike original issue discount, market discount is not required to be included in income on a constant yield method. However, if we sell a debt instrument with market discount, we will be required to treat gain up to an amount equal to the market discount that has accrued while we held the debt instrument as ordinary income. Additionally, any principal payments we receive in respect of our debt instruments must be treated as ordinary income to the extent of any accrued market discount. If we ultimately collect less on a debt instrument than our purchase price and any original issue discount or accrued market discount that we have included in income, there may be limitations on our ability to use any losses resulting from that debt instrument. We may acquire distressed debt instruments that are subsequently modified by agreement with the borrower. Under applicable Treasury Regulations, these modifications may be treated as a taxable event in which we exchange the old debt instrument for a new debt instrument, the value of which may be treated as equal to the face amount of the new debt instrument. Because distressed debt instruments are often acquired at a substantial discount from face value, the difference between our amount realized and our tax basis in the old note could be significant, resulting in significant income without any corresponding receipt of cash. Similarly, if we acquire a distressed debt instrument and subsequently foreclose, we could have taxable income to the extent that the fair market value of the property we receive exceeds our tax basis in the debt instrument. Such a scenario could also result in significant taxable income without any receipt of cash. In the event that any debt instruments acquired by us are delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular debt instrument are not made when due, we may nonetheless be required to continue to recognize the unpaid interest as taxable income.

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Investments in TRSs

We own subsidiaries that have elected to be treated as TRSs for federal income tax purposes. A TRS of ours is a corporation in which we directly or indirectly own stock and that jointly elects with us to be treated as a TRS under Section 856(*l*) of the Code. In addition, if one of our TRSs owns, directly or indirectly, securities representing 35% or more of the vote or value of a subsidiary corporation, that subsidiary will also be treated as a TRS of ours. A domestic TRS (or a foreign TRS with income from a U.S. business) pays U.S. federal, state, and local income taxes at the full applicable corporate rates on its taxable income prior to payment of any dividends. A TRS owning property outside of the U.S. may pay foreign taxes. The taxes owed by a TRS could be substantial. To the extent that our TRSs are required to pay U.S. federal, state, local, or foreign taxes, the cash available for distribution by us will be reduced accordingly.

A TRS is permitted to engage in certain kinds of activities that cannot be performed directly by us without jeopardizing our qualification as a REIT. Certain payments made by any of our TRSs to us may not be deductible by the TRS (which could materially increase the TRS s taxable income). In addition, we will be subject to a 100% tax on the amounts of any rents from real property, deductions, or excess interest received from a TRS that would be reduced through reapportionment under Section 482 of the Code in order to more clearly reflect the income of the TRS.

Taxation of U.S. Shareholders

The term U.S. shareholder means an investor in our Class A Common Stock that, for U.S. federal income tax purposes, is (i) a citizen or resident of the United States, (ii) a corporation or other entity treated as a corporation that is created or organized in or under the laws of the United States, any of its states or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (a) if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (b) that has a valid election in effect under the applicable Treasury Regulations to be treated as a U.S. person under the Code.

In addition, as used herein, the term U.S. shareholder does not include any individuals or entities that are subject to special treatment under the Code, such as (i) insurance companies; (ii) tax-exempt organizations (except to the limited extent discussed below); (iii) financial institutions or broker-dealers; (iv) non-U.S. individuals and foreign corporations (except to the limited extent discussed below); (v) U.S. expatriates; (vi) persons who mark-to-market our Class A Common Stock; (vii) subchapter S corporations; (viii) U.S. shareholders whose functional currency is not the U.S. dollar; (ix) regulated investment companies; (x) holders who receive our Class A Common Stock through the exercise of employee stock options or otherwise as compensation; (xi) persons holding shares of our Class A Common Stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment; (xii) persons subject to the alternative minimum tax provisions of the Code; (xiii) persons holding our Class A Common Stock through a partnership or similar pass-through entity; and (xiv) persons holding a 10% or more (by vote or value) beneficial interest in our stock. If a partnership, including any entity treated as a partnership for U.S. federal income tax purposes, holds our stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding our stock, you are urged to consult your tax advisor regarding the consequences of the ownership and disposition of shares of our stock by the partnership. This summary assumes that shareholders hold our stock as capital assets for U.S. federal income tax purposes, which generally means property held for investment.

Distributions

Distributions by us, other than capital gain dividends, will constitute ordinary dividends to the extent of our current or accumulated earnings and profits as determined for U.S. federal income tax purposes. In general, these dividends will be taxable as ordinary income and will not be eligible for the dividends-received

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deduction for corporate shareholders. Our ordinary dividends generally will not qualify as qualified dividend income currently taxed as net capital gain for U.S. shareholders that are individuals, trusts, or estates. However, provided we properly designate the distributions, distributions to U.S. shareholders that are individuals, trusts, or estates generally will constitute qualified dividend income taxed as net capital gains to the extent the U.S. shareholder satisfies certain holding period requirements and to the extent the dividends are attributable to (i) qualified dividend income we receive from other corporations during the taxable year, including from our TRSs, and (ii) our undistributed earnings or built-in gains taxed at the corporate level during the immediately preceding year. We do not anticipate distributing a significant amount of qualified dividend income. Absent an extension, the favorable rates for qualified dividend income will not apply for taxable years beginning after December 31, 2012.

The discussion in this section applies equally to distributions payable in cash and taxable stock distributions. Under IRS Revenue Procedure 2010-12, we may distribute taxable dividends that are partially payable in cash and partially payable in our stock in order to meet the annual REIT distribution requirements. Under the IRS guidance, up to 90% of any such taxable dividend declared in 2010 or 2011 could be payable in stock. The Code also provides that certain other distributions payable in stock will be treated as taxable stock dividends. In addition, shares acquired through a distribution reinvestment plan are treated as taxable stock dividends. Taxable U.S. shareholders receiving taxable dividends of stock will be required to include as dividend income the fair market value of the stock received plus any cash or other property received in the distribution, to the extent of our current and accumulated earnings and profits for U.S. federal income tax purposes. As a result, a U.S. shareholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. shareholder sells the stock it receives as a dividend, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of the stock at the time of the sale.

To the extent that we make a distribution in excess of our current and accumulated earnings and profits (a return of capital distribution), the distribution will be treated first as a tax-free return of capital, reducing the tax basis in a U.S. shareholder s stock. To the extent a return of capital distribution exceeds a U.S. shareholder s tax basis in its stock, the distribution will be taxable as capital gain realized from the sale of such stock.

Dividends declared by us in October, November or December and payable to a shareholder of record on a specified date in any such month shall be treated both as paid by us and as received by the shareholder on December 31 of the year, provided that the dividend is actually paid by us during January of the following calendar year.

We will be treated as having sufficient earnings and profits to treat as a dividend any distribution up to the amount required to be distributed in order to avoid imposition of the 4% excise tax generally applicable to REITs if certain distribution requirements are not met. Moreover, any deficiency dividend will be treated as an ordinary or a capital gain dividend, as the case may be, regardless of our earnings and profits at the time the distribution is actually made. As a result, shareholders may be required to treat certain distributions as taxable dividends that would otherwise result in a tax-free return of capital.

Distributions that are properly designated as capital gain dividends will be taxed as long-term capital gains (to the extent they do not exceed our actual net capital gain for the taxable year) without regard to the period for which the shareholder has held its stock. However, corporate shareholders may be required to treat up to 20% of certain capital gain dividends as ordinary income. In addition, U.S. shareholders may be required to treat a portion of any capital gain dividend as unrecaptured Section 1250 gain, taxable at a maximum rate of 25%, if we incur such gain. Capital gain dividends are not eligible for the dividends-received deduction for corporations.

The REIT provisions of the Code do not require us to distribute our long-term capital gain, and we may elect to retain and pay income tax on our net long-term capital gains received during the taxable year. If we so elect for a taxable year, our shareholders would include in income as long-term capital gains their proportionate share of retained net long-term capital gains for the taxable year as we may designate. A U.S. shareholder would be deemed to have paid its share of the tax paid by us on such undistributed capital gains, which would be credited or refunded to the shareholder. The U.S. shareholder s basis in its stock would be increased by the amount of undistributed long-term capital gains (less the capital gains tax paid by us) included in the U.S. shareholder s long-term capital gains.

Passive Activity Loss and Investment Interest Limitations; No Pass Through of Losses

Our distributions and gain from the disposition of our Class A Common Stock will not be treated as passive activity income and, therefore, U.S. shareholders will not be able to apply any passive losses against such income. With respect to non-corporate U.S. shareholders, our distributions (to the extent they do not constitute a return of capital) that are taxed at ordinary income rates will generally be treated as investment income for purposes of the investment interest limitation; however, net capital gain from the disposition of our Class A Common Stock (or distributions treated as such), capital gain dividends, and dividends taxed at net capital gains rates generally will be excluded from investment income except to the extent the U.S. shareholder elects to treat such amounts as ordinary income for U.S. federal income tax purposes. U.S. shareholders may not include in their own U.S. federal income tax returns any of our net operating or net capital losses.

Sale or Disposition of Stock

In general, any gain or loss realized upon a taxable disposition of shares of our Class A Common Stock by a shareholder that is not a dealer in securities will be a long-term capital gain or loss if the stock has been held for more than one year and otherwise will be a short-term capital gain or loss. However, any loss upon a sale or exchange of the stock by a shareholder who has held such stock for six months or less (after applying certain holding period rules) will be treated as a long-term capital loss to the extent of our distributions or undistributed capital gains required to be treated by such shareholder as long-term capital gain. All or a portion of any loss realized upon a taxable disposition of shares of our Class A Common Stock may be disallowed if the taxpayer purchases other shares of our common stock within 30 days before or after the disposition.

Medicare Tax on Unearned Income

For taxable years beginning after December 31, 2012, certain U.S. shareholders that are individuals, estates or trusts will be required to pay an additional 3.8% tax (the Medicare Tax) on, among other things, certain dividends on and capital gains from the sale or other disposition of stock. U.S. shareholders that are individuals, estates or trusts should consult their tax advisors regarding the effect, if any, of the Medicare Tax on their ownership and disposition of our Class A Common Stock.

Taxation of U.S. Tax-Exempt Shareholders

In General

In general, a tax-exempt organization is exempt from U.S. federal income tax on its income, except to the extent of its unrelated business taxable income or UBTI, which is defined by the Code as the gross income derived from any trade or business which is regularly carried on by a tax-exempt entity and unrelated to its exempt purposes, less any directly connected deductions and subject to certain modifications. For this purpose, the Code generally excludes from UBTI any gain or loss from the sale or other disposition of property (other than stock in trade or property held primarily for sale in the ordinary course of a trade or business), dividends, interest, rents from real property, and certain other items. However, a portion of any such gains, dividends, interest, rents, and other items generally is UBTI to the extent derived from debt-financed property, based on the amount of acquisition indebtedness with respect to such debt-financed property. Before making an investment in shares of our Class A Common Stock, a tax-exempt shareholder should consult its tax advisors with regard to UBTI and the suitability of the investment in our stock.

Distributions we make to a tax-exempt employee pension trust or other domestic tax-exempt shareholder or gains from the disposition of our Class A Common Stock held as capital assets generally will not constitute

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UBTI unless the exempt organization s stock is debt-financed property (e.g., the shareholder has incurred acquisition indebtedness with respect to such stock). However, if we are a pension-held REIT, this general rule may not apply to distributions to certain pension trusts that are qualified trusts (as defined above) and that hold more than 10% (by value) of our stock. We will be treated as a pension-held REIT if (i) treating qualified trusts as individuals would cause us to fail the 5/50 Test (as defined above) and (ii) we are predominantly held by qualified trusts. We will be predominantly held by qualified trusts if either (i) a single qualified trust holds more than 25% by value of our stock or (ii) one or more qualified trusts, each owning more than 10% by value of our stock, hold in the aggregate more than 50% by value of our stock. In the event we are a pension-held REIT, the percentage of any dividend received from us treated as UBTI would be equal to the ratio of (a) the gross UBTI (less certain associated expenses) earned by us (treating us as if we were a qualified trust and, therefore, subject to tax on UBTI) to (b) our total gross income (less certain associated expenses). A de minimis exception applies where the ratio set forth in the preceding sentence is less than 5% for any year; in that case, no dividends are treated as UBTI. We cannot assure you that we will not be treated as a pension-held REIT.

Special Issues

Social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts, and qualified group legal services plans that are exempt from taxation under paragraphs (7), (9), (17), and (20), respectively, of Section 501(c) of the Code are subject to different UBTI rules, which generally will require them to characterize distributions from us as UBTI.

Taxation of Non-U.S. Shareholders

The rules governing U.S. federal income taxation of non-U.S. shareholders, such as nonresident alien individuals, foreign corporations, and foreign trusts and estates (non-U.S. shareholders), are complex. This section is only a partial discussion of such rules. This discussion does not attempt to address the considerations that may be relevant for non-U.S. shareholders that are partnerships or other pass-through entities, that hold their Class A Common Stock through intermediate entities, that have special statuses (such as sovereigns), or that otherwise are subject to special rules. ***Prospective non-U.S. shareholders are urged to consult their tax advisors to determine the impact of U.S. federal, state, local and foreign income tax laws on their ownership of our Class A Common Stock, including any reporting requirements.***

Distributions

A non-U.S. shareholder that receives a distribution that is not attributable to gain from our sale or exchange of United States real property interests (as defined below) and that we do not designate as a capital gain dividend or retained capital gain generally will recognize ordinary income to the extent that we pay the distribution out of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply unless an applicable tax treaty reduces or eliminates the tax. Under some treaties, lower withholding rates do not apply to dividends from REITs or are available in limited circumstances. However, if a distribution is treated as effectively connected with the non-U.S. shareholder s conduct of a U.S. trade or business, the non-U.S. shareholder generally will be subject to U.S. federal income tax on the distribution at graduated rates (in the same manner as U.S. shareholders are taxed on distributions) and also may be subject to the 30% branch profits tax in the case of a corporate non-U.S. shareholder. We plan to withhold U.S. income tax at the rate of 30% on the gross amount of any distribution paid to a non-U.S. shareholder (including any portion of any dividend that is payable in our stock) that is neither a capital gain dividend nor a distribution that is attributable to gain from the sale or exchange of United States real property interests unless either (i) a lower treaty rate or special provision of the Code (e.g., Section 892) applies and the non-U.S. shareholder files with us any required IRS Form W-8 (for example, an IRS Form W-8BEN) evidencing eligibility for that reduced rate or (ii) the non-U.S. shareholder files with us an IRS Form W-8ECI claiming that the distribution is effectively connected income.

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A non-U.S. shareholder generally will not incur tax on a return of capital distribution in excess of our current and accumulated earnings and profits that is not attributable to the gain from our disposition of a United States real property interest if the excess portion of the distribution does not exceed the adjusted basis of the non-U.S. shareholder s stock. Instead, the excess portion of the distribution will reduce the adjusted basis of the stock. However, a non-U.S. shareholder will be subject to tax on such a distribution that exceeds both our current and accumulated earnings and profits and the non-U.S. shareholder s adjusted basis in the stock, if the non-U.S. shareholder otherwise would be subject to tax on gain from the sale or disposition of its stock, as described below. Because we generally cannot determine at the time we make a distribution whether or not the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on a dividend. However, a non-U.S. shareholder may file a U.S. federal income tax return and obtain a refund from the IRS of amounts that we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

We may be required to withhold 10% of any distribution that exceeds our current and accumulated earnings and profits. Consequently, although we intend to withhold at a rate of 30% on the entire amount of any distribution that is neither attributable to the gain from our disposition of a United States real property interest nor designated by us as a capital gain dividend, to the extent that we do not do so, we will withhold at a rate of 10% on any portion of a distribution not subject to withholding at a rate of 30%, unless we conclude that an exemption applies.

Subject to the exception discussed below for 5% or smaller holders of classes of stock that are regularly traded on an established securities market located in the United States, a non-U.S. shareholder will incur tax on distributions that are attributable to gain from our sale or exchange of United States real property interests under special provisions of the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA, regardless of whether we designate such distributions as capital gain distributions. The term United States real property interests includes interests in U.S. real property and stock in U.S. corporations at least 50% of whose assets consist of interests in U.S. real property. Under those rules, a non-U.S. shareholder is taxed on distributions attributable to gain from sales of United States real property interests as if the gain were effectively connected with the non-U.S. shareholder s conduct of a U.S. trade or business. A non-U.S. shareholder thus would be taxed on such a distribution at the normal capital gain rates applicable to U.S. shareholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A corporate non-U.S. shareholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution. We generally must withhold 35% of any distribution subject to these rules (35% FIRPTA Withholding). A non-U.S. shareholder may receive a credit against its tax liability for the amount we withhold.

A non-U.S. shareholder that owns no more than 5% of our Class A Common Stock at all times during the one-year period ending on the date of a distribution will not be subject to FIRPTA, branch profits tax or 35% FIRPTA Withholding with respect to a distribution on Class A Common Stock that is attributable to gain from our sale or exchange of United States real property interests, provided that our Class A Common Stock continues to be regularly traded on an established securities market located in the United States. Instead, any such distributions made to such non-U.S. shareholder will be subject to the general withholding rules discussed above, which generally impose a withholding tax equal to 30% of the gross amount of each distribution (unless reduced by treaty).

Distributions that are designated by us as capital gain dividends, other than those attributable to the disposition of a U.S. real property interest, generally should not be subject to U.S. federal income taxation unless:

- such distribution is effectively connected with the non-U.S. shareholder s U.S. trade or business and, if certain treaties apply, is attributable to a U.S. permanent establishment maintained by the non-U.S. shareholder, in which case the non-U.S. shareholder will be subject to tax on a net basis in a manner similar to the taxation of U.S. shareholders with respect to such gain, except that a holder that is a foreign corporation may also be subject to the additional 30% branch profits tax; or

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the non-U.S. shareholder is a nonresident alien individual who is present in the United States for 183 days or more during the taxable year and has a tax home in the United States, in which case such nonresident alien individual generally will be subject to a 30% tax on the individual s net U.S. source capital gain.

It is not entirely clear to what extent we are required to withhold on distributions to non-U.S. shareholders that are not treated as ordinary income and are not attributable to the disposition of a United States real property interest. Unless the law is clarified to the contrary, we will generally withhold and remit to the IRS 35% of any distribution to a non-U.S. shareholder that is designated as a capital gain dividend (or, if greater, 35% of a distribution that could have been designated as a capital gain dividend). Distributions can be designated as capital gain dividends to the extent of our net capital gain for the taxable year of the distribution. The amount withheld is creditable against the non-U.S. shareholder s U.S. federal income tax liability.

It is also not entirely clear whether distributions that are (i) otherwise treated as capital gain dividends, (ii) not attributable to the disposition of a U.S. real property interest, and (iii) paid to non-U.S. shareholders who own 5% or less of the value of our Class A Common Stock at all times during the one-year period ending on the date of the distribution, will be treated as (a) long-term capital gain to such non-U.S. shareholders or as (b) ordinary dividends taxable in the manner described above. If we were to pay a capital gain dividend described in the prior sentence, non-U.S. shareholders should consult their tax advisors regarding the taxation of such distribution in their particular circumstances.

Dispositions

If gain on the sale of the Class A Common Stock were taxed under FIRPTA, a non-U.S. shareholder would be taxed on that gain in the same manner as U.S. shareholders with respect to that gain, subject to applicable alternative minimum tax, and a special alternative minimum tax in the case of nonresident alien individuals. A non-U.S. shareholder generally will not incur tax under FIRPTA on a sale or other disposition of our Class A Common Stock if we are a domestically controlled qualified investment entity, which requires that, during the shorter of the period since our formation and the five-year period ending on the date of the distribution or disposition, non-U.S. shareholders hold, directly or indirectly, less than 50% in value of our stock and we are qualified as a REIT. We cannot assure you that we will be a domestically controlled qualified investment entity. However, the gain from a sale of our Class A Common Stock by a non-U.S. shareholder will not be subject to tax under FIRPTA if (i) our Class A Common Stock is considered regularly traded under applicable Treasury Regulations on an established securities market, such as the NYSE, and (ii) the non-U.S. shareholder owned, actually and constructively, 5% or less of our Class A Common Stock at all times during a specified testing period. Following the completion of our initial public offering, we expect our Class A Common Stock to be regularly traded on an established securities market. Accordingly, a non-U.S. shareholder should not incur tax under FIRPTA with respect to gain on a sale of our Class A Common Stock unless it owns, actually or constructively, more than 5% of our Class A Common Stock provided that our Class A Common Stock continues to be regularly traded on an established securities market.

In addition, even if we are a domestically controlled qualified investment entity, upon a disposition of our Class A Common Stock, a non-U.S. shareholder may be treated as having gain from the sale or exchange of a United States real property interest if the non-U.S. shareholder (i) disposes of an interest in our Class A Common Stock during the 30-day period preceding the ex-dividend date of a distribution, any portion of which, but for the disposition, would have been treated as gain from sale or exchange of a United States real property interest, and (ii) directly or indirectly acquires, enters into a contract or option to acquire, or is deemed to acquire, other shares of our Class A Common Stock within 30 days before or after such ex-dividend date. The foregoing rule does not apply if the exception described above for dispositions by 5% or smaller holders of regularly traded classes of stock is satisfied.

Furthermore, a non-U.S. shareholder generally will incur tax on gain not subject to FIRPTA if (i) the gain is effectively connected with the non-U.S. shareholder s U.S. trade or business and, if certain treaties apply, is attributable to a U.S. permanent establishment maintained by the non-U.S. shareholder, in which case the non-U.S. shareholder will be subject to the same treatment as U.S. shareholders with respect to such gain, or (ii) the non-U.S. shareholder is a nonresident alien individual who was present in the United States for 183 days or more during the taxable year and has a tax home in the United States, in which case the non-U.S. shareholder will generally incur a 30% tax on his or her net U.S. source capital gains.

Purchasers of our Class A Common Stock from a non-U.S. shareholder generally will be required to withhold and remit to the IRS 10% of the purchase price unless at the time of purchase (i) any class of our stock is regularly traded on an established securities market (subject to certain limits if the shares of stock sold are not themselves part of such a regularly traded class) or (ii) we are a domestically controlled qualified investment entity. The non-U.S. shareholder may receive a credit against its U.S. tax liability for the amount withheld.

U.S. Federal Income Tax Returns

If a non-U.S. shareholder is subject to taxation under FIRPTA on proceeds from the sale of our Class A Common Stock or on capital gain distributions, the non-U.S. shareholder will be required to file a U.S. federal income tax return. Prospective non-U.S. shareholders are urged to consult their tax advisors to determine the impact of U.S. federal, state, local and foreign income tax laws on their ownership of our Class A Common Stock, including any reporting requirements.

Information Reporting Requirements and Backup Withholding Tax

We will report to our U.S. shareholders and to the IRS the amount of distributions paid during each calendar year, and the amount of tax withheld, if any. Under the backup withholding rules, a U.S. shareholder may be subject to backup withholding at the current rate of 28% with respect to distributions paid, unless such shareholder (i) is a corporation or other exempt entity and, when required, proves its status or (ii) certifies under penalties of perjury that the taxpayer identification number the shareholder has furnished to us is correct and the shareholder is not subject to backup withholding and otherwise complies with the applicable requirements of the backup withholding rules. A U.S. shareholder that does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS.

We will also report annually to the IRS and to each non-U.S. shareholder the amount of dividends paid to such holder and the tax withheld with respect to such dividends, regardless of whether withholding was required. Copies of the information returns reporting such dividends and withholding may also be made available to the tax authorities in the country in which the non-U.S. shareholder resides under the provisions of an applicable income tax treaty. A non-U.S. shareholder may be subject to back-up withholding unless applicable certification requirements are met.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against such holder s U.S. federal income tax liability, provided the required information is furnished to the IRS.

Additional U.S. Federal Income Tax Withholding Rules

Additional U.S. federal income tax withholding rules apply to certain payments made after December 31, 2012 to foreign financial institutions and certain other non-U.S. entities. A withholding tax of 30% would apply to dividends and the gross proceeds of a disposition of our stock paid to certain foreign entities unless various information reporting requirements are satisfied. For these purposes, a foreign financial institution generally is defined as any non-U.S. entity that (i) accepts deposits in the ordinary course of a banking or similar business, (ii) as a substantial portion of its business, holds financial assets for the account of others, or (iii) is engaged or holds itself out as being engaged primarily in the business of investing, reinvesting, or trading in securities, partnership interests, commodities, or any interest in such assets. Prospective investors are encouraged to consult their tax advisors regarding the implications of these rules with respect to their investment in our Class A Common Stock, as well as the status of any related federal regulations.

Sunset of Reduced Tax Rate Provisions

Several of the tax considerations described herein are subject to a sunset provision. The sunset provisions generally provide that for taxable years beginning after December 31, 2012, certain provisions that are currently in the Code will revert back to a prior version of those provisions. These provisions include provisions related to the reduced maximum U.S. federal income tax rate for long-term capital gains of 15% (rather than 20%) for taxpayers taxed at individual rates, the application of the 15% U.S. federal income tax rate for qualified dividend income, and certain other tax rate provisions described herein. The impact of this reversion generally is not discussed herein. Prospective shareholders are urged to consult their tax advisors regarding the effect of sunset provisions on an investment in our Class A Common Stock.

Legislative or Other Actions Affecting REITs

The rules dealing with U.S. federal income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department. No assurance can be given as to whether, when, or in what form, the U.S. federal income tax laws applicable to us and our shareholders may be enacted. Changes to the U.S. federal tax laws and interpretations of federal tax laws could adversely affect an investment in our Class A Common Stock.

State, Local and Foreign Tax

We may be subject to state, local and foreign tax in states, localities and foreign countries in which we do business or own property. The tax treatment applicable to us and our shareholders in such jurisdictions may differ from the U.S. federal income tax treatment described above.

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ERISA CONSIDERATIONS

Overview

The following is a summary of some considerations associated with an investment in our shares of common stock by an employee benefit plan which is subject to the fiduciary responsibility and prohibited transaction provisions of the Employee Retirement Income Security Act of 1974 (ERISA) or a plan or arrangement which is subject to the prohibited transaction provisions of the Code or an entity, the assets of which are treated as plan assets under the U.S. Department of Labor s Plan Asset Regulations as currently set forth at 29 C.F.R. Section 2510.3-101, except as expressly modified by Section 3(42) of ERISA (each a Benefit Plan). We cannot assure you that there will be no adverse tax or labor decisions or legislative, regulatory or administrative changes with respect to ERISA or the Code or the Plan Asset Regulations that could significantly modify the discussion of ERISA Considerations which follow.

General

Each fiduciary of a Benefit Plan subject to ERISA (such as a profit sharing, Section 401(k) or pension plan) or Section 4975 of the Code (such as an IRA) seeking to invest plan assets in shares of our common stock should consider (after taking into account the facts and circumstances unique to such Benefit Plan) among other matters:

- whether the investment is consistent with the applicable provisions of ERISA and the Code;
- whether, under the facts and circumstances relevant to the Benefit Plan in question, the fiduciary s responsibility to the plan has been satisfied; and
- whether the investment will produce unrelated business taxable income (UBTI) to the Benefit Plan (see Material U.S. Federal Income Tax Considerations Taxation of U.S. Shareholders Treatment of Tax-Exempt Shareholders).

Under ERISA, a fiduciary for a Benefit Plan has responsibilities which include the following:

- to act solely in the interest of plan participants and beneficiaries and for the exclusive purpose of providing benefits to them, as well as defraying reasonable expenses of plan administration;
- to invest plan assets prudently;
- to diversify the investments of the plan, unless it is clearly prudent not to do so;
- to ensure sufficient liquidity for the plan;
- to ensure that plan investments are made in accordance with plan documents; and
- to consider whether making or holding an investment could constitute or give rise to a prohibited transaction under ERISA or the Code.

ERISA also requires that, with certain exceptions, the assets of a Benefit Plan be held in trust and that the trustee, or a duly authorized named fiduciary or investment manager, have exclusive authority and discretion to manage and control the assets of the plan.

Prohibited Transactions

Section 406 of ERISA and Section 4975 of the Code prohibit specific transactions involving the assets of a Benefit Plan if the transactions are between the plan and any party in interest (as defined in ERISA) or disqualified person (as defined in the Code) with respect to that Benefit Plan unless there is an administrative or statutory exemption for the transaction. These transactions are prohibited regardless of how beneficial they may be for the Benefit Plan. Prohibited transactions include the sale, exchange or leasing of property, and the lending of money or the extension of credit, between a Benefit Plan and a party in interest or disqualified person

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with respect to such plan. The transfer to (or use by or for the benefit of) a party in interest or disqualified person of any assets of a Benefit Plan is also prohibited, as is the furnishing of services between a plan and a party in interest. A fiduciary of a Benefit Plan is also prohibited from engaging in self-dealing, acting for a person who has an interest adverse to the plan in connection with a transaction involving the plan or receiving any consideration for its own account from a party dealing with the plan in a transaction involving plan assets. Furthermore, there are adverse tax consequences for an IRA if the assets of the IRA are commingled with other assets except in a common trust fund or common investment fund.

Plan Asset Considerations

One key question related to the prohibited transaction issue and the IRA asset commingling issue is whether our underlying assets will be treated as the assets of each Benefit Plan which purchases and holds our common stock. The general rule is that the underlying assets of the entity in which a Benefit Plan makes an equity investment will be treated as the assets of the Benefit Plan absent a statutory or administrative exemption, and there are administrative exemptions under the Plan Asset Regulations.

The most appropriate exemption for us under the Plan Assets Regulations is the exemption for a publicly-offered security. A publicly-offered security must be:

- sold as part of a public offering registered under the Securities Act and be part of a class of securities registered under the Exchange Act within a specified time period;
- part of a class of securities that is owned by 100 or more persons who are independent of the issuer and one another; and
- freely transferable.

Our shares of common stock are being sold as part of an underwritten offering of securities to the public pursuant to an effective registration statement under the Securities Act and are part of a class of securities that has been registered under the Exchange Act within the specified period, we have well in excess of 100 independent shareholders and we believe that our shares of common stock will be treated as freely transferable under the Plan Asset Regulations. Accordingly, we do not believe that our underlying assets will be treated under the Plan Asset Regulations as the assets of any Benefit Plan which purchases and holds our common stock.

On the other hand, if we fail to qualify for any exemption under the Plan Asset Regulations, we could be treated as a fiduciary with respect to each Benefit Plan shareholder, and the fiduciary of each Benefit Plan shareholder could be exposed to co-fiduciary liability under ERISA for any breach by us of our fiduciary duties under ERISA. Furthermore, if we were treated as a fiduciary with respect to Benefit Plan shareholders, there is a risk that transactions entered into by us in the ordinary course of business could be treated as prohibited transactions under ERISA and the Code. We therefore might need to avoid transactions with persons who are affiliated with or related to us or our affiliates or restructure our activities in order to come within an exemption from the prohibited transaction provisions of ERISA and the Code. Finally, if our assets were deemed to be plan assets, an investment by an IRA in our shares might be deemed to result in an impermissible commingling of IRA assets with other property.

If a prohibited transaction were to occur, the Code imposes an excise tax equal to 15% of the amount involved and authorizes the IRS to impose an additional 100% excise tax if the prohibited transaction is not corrected in a timely manner. These taxes would be imposed on any disqualified person who participates in the prohibited transaction. In addition, other fiduciaries of Benefit Plan shareholders subject to ERISA who permitted the prohibited transaction to occur or who otherwise breached their fiduciary responsibilities (or a non-fiduciary participating in a prohibited transaction) could be required to restore to the Benefit Plan any profits they realized as a result of the transaction or breach and make good to the Benefit Plan any losses incurred by the Benefit Plan as a result of the transaction or breach. With respect to an IRA that invests in shares of common stock, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiary, would cause the IRA to lose its tax-exempt status.

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Other Prohibited Transactions

Even if the shares of our common stock qualify for the publicly-offered security exemption under the Plan Assets Regulations, a prohibited transaction could occur if we, any of our underwriters or any of their affiliates is a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to a Benefit Plan and the plan purchases shares of our common stock unless a statutory or administrative exemption is available. The most likely applicable administration exemption is Prohibited Transaction Class Exemption 75-1, as amended, and the terms and conditions of this exemption should be reviewed by a plan s counsel if there is any question over whether we, any of our underwriters or any of their affiliates is a fiduciary with respect to the plan. A person is a fiduciary with respect to a Benefit Plan under Section 3(21) of ERISA if, among other things, the person has discretionary authority or control with respect to the Benefit Plan or its plan assets, or provides investment advice for a fee with respect to its plan assets. Under a regulation issued by the U.S. Department of Labor, a person shall be deemed to be providing investment advice if that person renders advice as to the advisability of investing in our shares and that person regularly provides investment advice to the Benefit Plan pursuant to a mutual agreement or understanding (written or otherwise) (1) that the advice will serve as the primary basis for investment decisions and (2) that the advice will be individualized for the Benefit Plan based on its particular needs.

The sale of our common stock to a Benefit Plan is in no respect a representation by us or any other person associated with the offering of our common stock that such an investment meets all relevant legal requirements with respect to investments by Benefit Plans generally or any particular Benefit Plan, or that such an investment is appropriate for Benefit Plans generally or any particular Benefit Plan.

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UNDERWRITING

We are offering the shares of our Class A Common Stock through a number of underwriters. J.P. Morgan Securities LLC, Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and KeyBanc Capital Markets Inc. are acting as joint book-running managers of this offering and as representatives of the underwriters. We have entered into an underwriting agreement with the representatives acting on behalf of the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discount set forth on the cover page of this prospectus, the number of shares of our Class A Common Stock listed next to its name in the following table:

Name	Number of Shares
J.P. Morgan Securities LLC	
Citigroup Global Markets Inc.	
Deutsche Bank Securities Inc.	
KeyBanc Capital Markets Inc.	
Total	

The underwriters are committed to purchase all the shares of our Class A Common Stock offered by us if they purchase any shares. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the shares of our Class A Common Stock directly to the public at the price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per share. Any such dealers may resell shares to certain other brokers or dealers at a discount of up to $ per share from the public offering price. After the initial offering of the shares of Class A Common Stock, the offering price and other selling terms may be changed by the underwriters. Sales of shares made outside of the United States may be made by affiliates of the underwriters. The representatives have advised us that the underwriters do not intend to confirm discretionary sales in excess of 5% of the shares of our Class A Common Stock offered in this offering.

The underwriters have an option to buy up to additional shares of Class A Common Stock from us to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days from the date of this prospectus to exercise this overallotment option. If any shares are purchased with this overallotment option, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of our Class A Common Stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares referred to in the above table are being offered.

The underwriting fee is equal to the public offering price per share less the amount paid by the underwriters to us per share. The underwriting fee is $ per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters option to purchase additional shares.

Underwriting Discount	Without Overallotment Exercise	With Full Overallotment Exercise
Per Share	$	$
Total	$	$

We estimate that our total expenses of the offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately $.

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A prospectus in electronic format may be made available on the websites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

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.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

We have applied to have our Class A Common Stock approved for listing on the NYSE under the symbol IWST . In order to meet the requirements for listing on the NYSE, the underwriters have undertaken to sell shares of our Class A Common Stock in a manner so that, prior to listing as of the original listing date, a minimum number of shares of our Class A Common Stock will be held by a minimum number of beneficial owners as required by that exchange.

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling shares of our Class A Common Stock in the open market for the purpose of preventing or retarding a decline in the market price of the shares while this offering is in progress. These

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stabilizing transactions may include making short sales of shares of our Class A Common Stock, which involves the sale by the underwriters of a greater number of shares of our Class A Common Stock than they are required to purchase in this offering, and purchasing shares of our Class A Common Stock on the open market to cover positions created by short sales. Short sales may be covered shorts, which are short positions in an amount not greater than the underwriters overallotment option referred to above, or may be naked shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their overallotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the price of shares of our Class A Common Stock available for purchase in the open market compared to the price at which the underwriters may purchase shares through the overallotment option. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our Class A Common Stock in the open market that could adversely affect investors who purchase in the offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the shares of our Class A Common Stock, including the imposition of penalty bids. This means that if the representatives purchase shares of our Class A Common Stock in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of shares of our Class A Common Stock or preventing or retarding a decline in the market price of our shares, and, as a result, the price of our shares may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the NYSE, in the over-the-counter market or otherwise.

Prior to this offering, our common stock has not been listed on a national securities exchange and there has been no public trading market for our Class A Common Stock. The public offering price of our Class A Common Stock will be determined by negotiations between us and the representatives. In determining the public offering price, we and the representatives will consider a number of factors, including:

- the information set forth in this prospectus and otherwise available to the representatives;
- the history of, and prospects for, our company and the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded shares of common stock of generally comparable companies; and
- other factors deemed relevant by the representatives and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for shares of our Class A Common Stock, or that the shares will trade in the public market at or above the public offering price.

Certain of the underwriters and their affiliates have provided, and in the future may provide, from time to time certain commercial banking, financial advisory, investment banking and other services for us in the ordinary course of their business, for which they may receive customary fees and commissions. In particular, of our debt

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that was outstanding as of June 30, 2011, affiliates of J.P. Morgan Securities LLC, acting as lenders, have originated approximately $1.0 billion of mortgage debt and notes for certain of our consolidated properties, including, among other things, amounts provided pursuant to a $300.0 million forward loan commitment that we entered into with JP Morgan Chase on January 8, 2010 and the full amount of our IW JV mortgages and notes payable. Affiliates of J.P. Morgan Securities LLC have also acted as lenders to our joint venture with RioCan. Further, during 2010, we paid affiliates of Citigroup Global Markets Inc. approximately $1.6 million for investment banking services. In addition, 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 and secured term loan. Accordingly, more than 5% of the net proceeds of this offering are intended be used to repay amounts owed to affiliates of these underwriters. In their capacity as lenders, these affiliates of the underwriters will receive certain financing fees in connection with the line of credit in addition to the underwriting discount that may result from this offering. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our securities, and may do so in the future.

At our request, the underwriters have reserved for sale, at the public offering price, up to 5.0% of the shares of our Class A Common Stock offered hereby for officers, directors, employees and certain other persons associated with us. The number of shares of our Class A Common Stock available for sale to the general public will be reduced to the extent such persons purchase such reserved shares of our Class A Common Stock. Any reserved shares of our Class A Common Stock not so purchased will be offered by the underwriters to the general public on the same basis as the other shares of our Class A Common Stock offered hereby. Any participants in this program shall be prohibited from selling, pledging or assigning any shares of our Class A Common Stock sold to them pursuant to this program for a period of 180 days after the date of this prospectus.

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

This document is only being distributed to and is only directed at (i) persons who are outside the United Kingdom or (ii) to investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the Order) or (iii) high net worth entities, and other persons to whom it may lawfully be communicated, falling with Article 49(2)(a) to (d) of the Order (all such persons together being referred to as relevant persons). The securities are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire such securities will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this document or any of its contents.

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State), from and including the date on which the European Union Prospectus Directive (the EU Prospectus Directive) is implemented in that Relevant Member State (the Relevant Implementation Date) an offer of securities described in this prospectus may not be made to the public in that Relevant Member State prior to the publication of a prospectus in relation to shares of our Class A Common Stock which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the EU Prospectus Directive, except that it may, with effect from and

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including the Relevant Implementation Date, make an offer of shares of our Class A Common Stock to the public in that Relevant Member State at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than 43,000,000 and (3) an annual net turnover of more than 50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive) subject to obtaining the prior consent of the book-running manager for any such offer; or

- in any other circumstances which do not require the publication by the issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an offer of securities to the public in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State and the expression EU Prospectus Directive means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

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LEGAL MATTERS

Certain legal matters, including the validity of Class A Common Stock offered hereby and our qualification as a real estate investment trust, will be passed upon for us by Goodwin Procter LLP. Certain legal matters relating to this offering will be passed upon for the underwriters by Hogan Lovells US LLP. We have been advised with respect to certain legal matters relating to Maryland law by Venable LLP.

EXPERTS

The consolidated financial statements as of and for the years ended December 31, 2010 and 2009 and the related financial statement schedules included in this Prospectus have been audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their report appearing herein (which report expresses an unqualified opinion on the 2010 and 2009 consolidated financial statements and financial statement schedules and includes an explanatory paragraph referring to the Company s change in method of accounting for noncontrolling interests). Such consolidated financial statements and financial statement schedules have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The consolidated statements of operations and other comprehensive loss, equity, and cash flows of Inland Western Retail Real Estate Trust, Inc. for the year ended December 31, 2008, and the 2008 information in the related financial statement schedules, have been included herein in reliance upon the report of KPMG LLP, an independent registered public accounting firm, included herein, and upon the authority of said firm as experts in accounting and auditing. The audit report with respect to the consolidated financial statements makes reference to the Company retrospectively applying certain reclassifications associated with discontinued operations and upon the adoption of an accounting standard related to noncontrolling interests.

Unless otherwise indicated, we have obtained the information under Prospectus Summary Industry Overview and Industry Overview from the market study prepared for us by 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.

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WHERE YOU CAN FIND MORE INFORMATION

We have filed a registration statement on Form S-11 with the SEC with respect to the shares of our Class A Common Stock to be issued in this offering. This prospectus is a part of that registration statement and, as allowed by SEC rules, does not include all of the information you can find in the registration statement or the exhibits to the registration statement. For additional information relating to us, we refer you to the registration statement and the exhibits to the registration statement. Statements contained in this prospectus as to the contents of any contract or document referred to are necessarily summaries of such contract or document and in each instance, if the contract or document is filed as an exhibit to the registration statement, we refer you to the copy of the contract or document filed as an exhibit to the registration statement.

We are subject to the information requirements of the Exchange Act, and in accordance with the Exchange Act, we file annual, quarterly and current reports, proxy statements and other information with the SEC. We furnish our shareholders by mail (or, where permitted, by electronic delivery and notification) with annual reports containing consolidated financial statements certified by an independent registered public accounting firm. The registration statement is, and all of these filings with the SEC are, available to the public over the internet at the SEC s website at http://www.sec.gov. You may also read and copy any filed document at the SEC s public reference room in Washington, D.C. at 100 F. Street, N.E., Room 1580, Washington D.C. Please call the SEC at (800) SEC-0330 for further information about the public reference room.

We also maintain a website at www.inland-western.com at which there is additional information about us. The information on this website is not incorporated by reference in or otherwise a part of this prospectus.

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Condensed Consolidated Balance Sheets

As of June 30, 2011 and December 31, 2010

(Unaudited)

(in thousands, except per share amounts)

	June 30, 2011	December 31, 2010
Assets		
Investment properties:		
Land	$ 1,363,782	$ 1,375,155
Building and other improvements	5,173,301	5,258,992
Developments in progress	72,920	87,095
	6,610,003	6,721,242
Less accumulated depreciation	(1,108,155)	(1,034,769)
Net investment properties	5,501,848	5,686,473
Cash and cash equivalents	119,934	130,213
Investment in marketable securities	36,268	34,230
Investment in unconsolidated joint ventures	31,725	33,465
Accounts and notes receivable (net of allowances of $9,592 and $9,138, respectively)	101,049	112,915
Acquired lease intangibles, net	203,787	230,046
Other assets, net	169,317	159,494
Total assets	$ 6,163,928	$ 6,386,836
Liabilities and Equity		
Liabilities:		
Mortgages and notes payable	$ 3,210,496	$ 3,602,890
Secured credit facility	435,000	154,347
Accounts payable and accrued expenses	72,226	84,570
Distributions payable	30,031	26,851
Acquired below market lease intangibles, net	88,208	92,099
Other financings	8,477	8,477
Co-venture obligation	51,847	51,264
Other liabilities	66,982	69,746
Total liabilities	3,963,267	4,090,244
Redeemable noncontrolling interests	525	527
Commitments and contingencies		
Equity:		
Preferred stock, $0.001 par value, 10,000 shares authorized, none issued or outstanding		
Common stock, $0.001 par value, 640,000 shares authorized, 480,496 and 477,345 issued and outstanding at June 30, 2011 and December 31, 2010, respectively	480	477
Additional paid-in capital	4,404,682	4,383,281
Accumulated distributions in excess of earnings	(2,231,834)	(2,111,138)

Accumulated other comprehensive income	25,513	22,282
Total shareholders equity	2,198,841	2,294,902
Noncontrolling interests	1,295	1,163
Total equity	2,200,136	2,296,065
Total liabilities and equity	$ 6,163,928	$ 6,386,836

See accompanying notes to condensed consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Condensed Consolidated Statements of Operations and Other Comprehensive Loss

For the Three and Six Months Ended June 30, 2011 and 2010

(Unaudited)

(in thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30	
	2011	2010	2011	2010
Revenues:				
Rental income	$ 122,686	$ 127,738	$ 245,934	$ 254,977
Tenant recovery income	24,843	28,555	53,117	60,364
Other property income	2,789	3,600	5,614	7,583
Insurance captive income		693		1,406
Total revenues	150,318	160,586	304,665	324,330
Expenses:				
Property operating expenses	24,329	25,716	53,080	54,945
Real estate taxes	20,292	22,216	39,367	44,995
Depreciation and amortization	59,555	61,088	119,314	122,251
Provision for impairment of investment properties		7,857	30,373	7,857
Loss on lease terminations	3,357	1,422	6,695	4,404
Insurance captive expenses		898		2,123
General and administrative expenses	5,077	4,417	11,405	9,243
Total expenses	112,610	123,614	260,234	245,818
Operating income	37,708	36,972	44,431	78,512
Dividend income	522	681	1,198	2,364
Interest income	170	173	350	360
Gain on extinguishment of debt	3,715		14,438	
Equity in (loss) income of unconsolidated joint ventures	(1,981)	724	(4,159)	734
Interest expense	(55,702)	(66,988)	(117,312)	(130,602)
Co-venture obligation expense	(1,792)	(1,792)	(3,584)	(3,584)
Recognized gain on marketable securities, net	277		277	771
Other income (expense)	171	(163)	753	(5,254)
Loss from continuing operations	(16,912)	(30,393)	(63,608)	(56,699)
Discontinued operations:				
Operating income (loss)	92	(9,719)	652	(11,928)
Gain on sales of investment properties	702	2,005	4,161	2,057
Income (loss) from discontinued operations	794	(7,714)	4,813	(9,871)
Gain on sales of investment properties	2,402		5,062	
Net loss	(13,716)	(38,107)	(53,733)	(66,570)
Net income attributable to noncontrolling interests	(8)	(242)	(16)	(335)

Net loss attributable to Company shareholders	$ (13,724)	$ (38,349)	$ (53,749)	$ (66,905)
(Loss) earnings per common share-basic and diluted:				
Continuing operations	$ (0.03)	$ (0.06)	$ (0.12)	$ (0.12)
Discontinued operations		(0.02)	0.01	(0.02)
Net loss per common share attributable to Company shareholders	$ (0.03)	$ (0.08)	$ (0.11)	$ (0.14)
Net loss	$ (13,716)	$ (38,107)	$ (53,733)	$ (66,570)
Other comprehensive loss:				
Net unrealized gain on derivative instruments	74	616	1,111	803
Net unrealized gain on marketable securities	(166)	(3,631)	2,397	6,377
Reversal of unrealized gain to recognized gain on marketable securities, net	(277)		(277)	(771)
Comprehensive loss	(14,085)	(41,122)	(50,502)	(60,161)
Comprehensive income attributable to noncontrolling interests	(8)	(242)	(16)	(335)
Comprehensive loss attributable to Company shareholders	$ (14,093)	$ (41,364)	$ (50,518)	$ (60,496)
Weighted average number of common shares outstanding-basic and diluted	480,285	483,590	479,503	482,996

See accompanying notes to condensed consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Condensed Consolidated Statements of Equity

For the Six Months Ended June 30, 2011 and 2010

(Unaudited)

(in thousands, except per share amounts)

	Shares	Common Stock	Additional Paid-in Capital	Accumulated Distributions in Excess of Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders Equity	Non-controlling Interests	Total Equity
Balance at January 1, 2010	481,743	$ 482	$ 4,350,484	$ (1,920,716)	$ 11,300	$ 2,441,550	$ 4,169	$ 2,445,719
Net (loss) income (excluding net income of $16 attributable to redeemable noncontrolling interests)				(66,905)		(66,905)	319	(66,586)
Net unrealized gain on derivative instruments					803	803		803
Net unrealized gain on marketable securities					6,377	6,377		6,377
Reversal of unrealized gain to recognized gain on marketable securities, net					(771)	(771)		(771)
Contributions from noncontrolling interests							84	84
Distributions declared ($0.09 per weighted average number of common shares outstanding)				(43,480)		(43,480)		(43,480)
Distribution reinvestment program (DRP)	1,955	2	14,605			14,607		14,607
Stock based compensation expense			22			22		22
Balance at June 30, 2010	483,698	$ 484	$ 4,365,111	$ (2,031,101)	$ 17,709	$ 2,352,203	$ 4,572	$ 2,356,775
Balance at January 1, 2011	477,345	$ 477	$ 4,383,281	$ (2,111,138)	$ 22,282	$ 2,294,902	$ 1,163	$ 2,296,065
Net loss (excluding net income of $16 attributable to redeemable noncontrolling interests)				(53,749)		(53,749)		(53,749)
Distribution upon dissolution of Partnership				(8,483)		(8,483)	(1)	(8,484)
Net unrealized gain on derivative instruments					1,111	1,111		1,111
Net unrealized gain on marketable securities					2,397	2,397		2,397
Reversal of unrealized gain on marketable securities, net					(277)	(277)		(277)
Contributions from noncontrolling interests							133	133
Distributions declared ($0.12 per weighted average number of common shares outstanding)				(58,464)		(58,464)		(58,464)
DRP	3,117	3	21,344			21,347		21,347

Issuance of restricted common stock	34							
Amortization of equity awards			25			25		25
Stock based compensation expense			32			32		32
Balance at June 30, 2011	480,496	$ 480	$ 4,404,682	$ (2,231,834)	$ 25,513	$ 2,198,841	$ 1,295	$ 2,200,136

See accompanying notes to condensed consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Condensed Consolidated Statements of Cash Flows

For the Six Months Ended June 30, 2011 and 2010

(Unaudited)

(in thousands, except per share amounts)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from operating activities:		
Net loss	$ (53,733)	$ (66,570)
Adjustments to reconcile net loss to net cash provided by operating activities (including discontinued operations):		
Depreciation and amortization	119,960	124,323
Provision for impairment of investment properties	30,373	16,484
Gain on sales of investment properties	(9,223)	(2,057)
Gain on extinguishment of debt	(14,438)	
Loss on lease terminations	6,695	4,404
Non-cash co-venture obligation expense	583	542
Amortization of loan fees	6,937	7,024
Amortization of acquired above and below market lease intangibles	(805)	(1,044)
Amortization of mortgage debt premium	(5,909)	(400)
Amortization of discount on debt assumed	254	254
Amortization of lease inducements	48	30
Straight-line rental income	(585)	(5,326)
Straight-line ground rent expense	1,904	2,125
Stock based compensation expense	32	22
Amortization of equity awards	25	
Equity in loss (income) of unconsolidated joint ventures	4,159	(734)
Distributions from unconsolidated joint ventures	961	2,460
Recognized gain on sale of marketable securities	(277)	(771)
Provision for bad debt	1,987	3,934
Payment of leasing fees	(3,596)	(2,360)
Payments associated with dissolution of partnership	(24)	
Costs associated with refinancings	337	1,050
Changes in assets and liabilities:		
Accounts receivable, net	10,018	12,188
Other assets	4,324	9,570
Accounts payable and accrued expenses	(9,763)	(2,348)
Other liabilities	(5,233)	(8,789)
Net cash provided by operating activities	85,011	94,011
Cash flows from investing activities:		
Proceeds from sale of marketable securities	359	911
Changes in restricted escrows	(8,990)	(31,019)
Purchase of investment properties		(651)
Capital expenditures and tenant improvements	(14,599)	(10,642)

Proceeds from sales of investment properties	65,446	78,851
Investment in developments in progress	(1,658)	(1,931)
Investment in unconsolidated joint ventures	(5,764)	(1,464)
Distributions of investments in unconsolidated joint ventures	2,384	
Payments received under master lease agreements	129	392
Proceeds of notes receivable	20	20
Net cash provided by investing activities	$ 37,327	$ 34,467

See accompanying notes to condensed consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Condensed Consolidated Statements of Cash Flows (continued)

For the Six Months Ended June 30, 2011 and 2010

(Unaudited)

(in thousands, except per share amounts)

	Six Months Ended June 30, 2011	Six Months Ended June 30, 2010
Cash flows from financing activities:		
Proceeds from margin debt related to marketable securities	$	$ 22,860
Payoff of margin debt related to marketable securities	(1,518)	(3,321)
Proceeds from mortgages and notes payable	70,424	553,175
Principal payments on mortgages and notes payable	(20,288)	(13,345)
Repayments of mortgages and notes payable	(415,190)	(690,137)
Proceeds from secured credit facility	404,764	60,000
Payoff of secured credit facility	(124,111)	(33,758)
Funds released from escrow restrictions, net	(166)	
Payment of rate lock deposits		(12,290)
Refund of rate lock deposits		8,021
Payment of loan fees and deposits	(10,291)	(8,852)
Payment of offering costs	(2,421)	
Distributions paid, net of DRP	(33,937)	(22,158)
Distributions to redeemable noncontrolling interests	(16)	(16)
Contributions from noncontrolling interests	133	84
Repayment of other financings		(3,410)
Net cash used in financing activities	(132,617)	(143,147)
Net (decrease) increase in cash and cash equivalents	(10,279)	(14,669)
Cash and cash equivalents, at beginning of period	130,213	125,904
Cash and cash equivalents, at end of period	$ 119,934	$ 111,235
Supplemental cash flow disclosure, including non-cash activities:		
Cash paid for interest, net of interest capitalized	$ 112,125	$ 119,511
Distributions payable	$ 30,031	$ 22,371
Distributions reinvested	$ 21,347	$ 14,607
Accrued capital expenditures and tenant improvements	$ 2,118	$
Developments payable	$ 232	$ 284
Forgiveness of mortgage debt	$ 14,438	$ 19,561
Proceeds from sales of investment properties:		
Land	$ 6,699	$ 20,711

Building and other improvements, net of accumulated depreciation	43,652	53,095
Accounts and notes receivable	427	474
Acquired lease intangibles and other assets	3,653	3,073
Forgiveness of mortgage debt		(486)
Acquired below market value intangibles and other liabilities	(713)	(73)
Deferred gains	2,505	
Gain on sales of investment properties	9,223	2,057
	$ 65,446	$ 78,851
Payments associated with dissolution of partnership:		
Construction in progress	$ 14,235	$
Loan fees and other assets	21	
Repayment of construction loan by partner at closing	(5,730)	
Other liabilities	(64)	
Redeemable noncontrolling interests	(2)	
Distribution upon dissolution of partnership	(8,484)	
	$ (24)	$

See accompanying notes to condensed consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Notes to Condensed Consolidated Financial Statements

In the opinion of management, all adjustments necessary, all of which were of normal nature, for a fair presentation have been included in these condensed consolidated financial statements.

(1) Organization and Basis of Presentation

Inland Western Retail Real Estate Trust, Inc. (the Company) was formed on March 5, 2003 to acquire and manage a diversified portfolio of real estate, primarily multi-tenant shopping centers and single-user net lease properties.

All amounts in the notes to the condensed consolidated financial statements are stated in thousands with the exception of per share amounts, square foot amounts, number of properties, number of states, number of leases and number of employees.

The Company, through two public offerings from 2003 through 2005 and a merger consummated in 2007, issued a total of 459,484 shares of its common stock at $10.00 per share, resulting in gross proceeds, including merger consideration, of $4,595,193. In addition, as of June 30, 2011, the Company had issued 73,800 shares through its distribution reinvestment program (DRP) at prices ranging from $6.85 to $10.00 per share for gross proceeds of $696,850 and had repurchased a total of 43,823 shares through its share repurchase program (SRP) (suspended as of November 19, 2008) at prices ranging from $9.25 to $10.00 per share for an aggregate cost of $432,487. During the year ended December 31, 2010, one share was issued through the exercise of stock options at a price of $8.95 per share for gross proceeds of $13. In addition, in December 2010, 9,000 shares of common stock were transferred back to the Company from shares of common stock issued to the owners of certain entities that were acquired by the Company in its internalization transaction in conjunction with a litigation settlement. On April 12, 2011, the Company s board of directors granted an aggregate of 34 common shares to its 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. As of June 30, 2011, amortization of these equity awards totaled $25. As a result, the Company had total shares outstanding of 480,496 and had realized total net offering proceeds of $4,859,594 as of June 30, 2011.

The Company has elected to be taxed as a real estate investment trust under the Internal Revenue Code of 1986, as amended, or the Code, commencing with the tax year ended December 31, 2003. The Company believes it qualifies for taxation as a real estate investment trust (REIT) and, as such, the Company generally will not be subject to federal income tax on taxable income that is distributed to shareholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate tax rates. Certain aspects of the operation of the Company s DRP prior to May 2006 may have violated the prohibition against preferential dividends. To address those issues, on June 17, 2011, the Company entered into a closing agreement with the Internal Revenue Service, or IRS, whereby the IRS, agreed the terms and administration of the Company s DRP did not result in the Company s dividends paid during taxable years 2004 through 2006 being treated as preferential.

Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income, property or net worth and federal income and excise taxes on its undistributed income. The Company has one wholly-owned subsidiary that has elected to be treated as a taxable REIT subsidiary (TRS) for federal income tax purposes. A TRS is taxed on its taxable income at regular corporate tax rates. The income tax expense incurred as a result of the TRS did not have a material impact on the Company s accompanying condensed consolidated financial statements. On November 15, 2007, the Company acquired four qualified REIT subsidiaries. Their income is consolidated with REIT income for federal and state income tax purposes.

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

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disclosure of contingent assets and liabilities at the date of the condensed 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.

Certain reclassifications as a result of discontinued operations have been made to the 2010 condensed consolidated financial statements to conform to the 2011 presentation.

The accompanying condensed consolidated financial statements include the accounts of the Company, as well as all wholly-owned subsidiaries and consolidated joint venture investments. Wholly-owned subsidiaries generally consist of limited liability companies (LLCs) and limited partnerships (LPs).

The Company s property ownership as of June 30, 2011 is summarized below:

	Wholly-owned	Consolidated Joint Ventures[(a)]	Unconsolidated Joint Ventures[(b)]
Operating properties[(c)]	227	56	20
Development properties[(c)]	1	2	2

(a) The Company has ownership interests ranging from 49% to 87% in four LLCs or LPs
(b) The Company has ownership interests ranging from 20% to 96% in three LLCs or LPs
(c) During the three months ended June 30, 2011, three properties previously considered development were transitioned to operating

The Company consolidates certain property holding entities and other subsidiaries in which it owns less than a 100% equity interest if it is deemed to be the primary beneficiary in a variable interest entity (VIE), (an entity in which the contractual, ownership, or pecuniary interests change with changes in the fair value of the entity s net assets, as defined by the Financial Accounting Standards Board (FASB)). The Company also consolidates entities that are not VIEs in which it has financial and operating control in accordance with GAAP. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in real estate joint ventures in which the Company has the ability to exercise significant influence, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company s share of the income (or loss) of these unconsolidated joint ventures is included in consolidated net (loss) income in the accompanying condensed consolidated statements of operations and other comprehensive loss.

The Company is the controlling member in various consolidated entities. The organizational documents of these entities contain provisions that require the entities to be liquidated through the sale of their assets upon reaching a future date as specified in each respective organizational document or through put/call arrangements. As controlling member, the Company has an obligation to cause these property-owning entities to distribute proceeds of liquidation to the noncontrolling interest partners in these partially-owned entities only if the net proceeds received by each of the entities from the sale of assets warrant a distribution based on the agreements. Some of the LLC or LP agreements for these entities contain put/call provisions which grant the right to the outside owners and the Company to require each LLC or LP to redeem the ownership interest of the outside owners during future periods. In instances where outside ownership interests are subject to put/call arrangements requiring settlement for fixed amounts, the LLC or LP is treated as a 100% owned subsidiary by the Company with the amount due to the outside owner reflected as a financing arrangement and included in Other financings in the accompanying condensed consolidated balance sheets. Interest expense is recorded on such liabilities in amounts equal to the preferential returns due to the outside owners as provided in the LLC or LP agreements. In instances where outside ownership interests are subject to call arrangements without fixed

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settlement amounts, the LLC is treated as a 100% owned subsidiary by the Company with the amount due to the outside owner reflected as a financing and included in Co-venture obligation in the accompanying condensed consolidated balance sheets. Co-venture obligation expense is recorded on such liabilities in amounts equal to the preferential returns due to the outside owners as provided in the LLC agreement.

On the condensed consolidated statements of operations and other comprehensive loss, revenues, expenses and net income or loss from less-than-wholly-owned subsidiaries are reported at the consolidated amounts, including both the amounts attributable to Company shareholders and noncontrolling interests. Condensed consolidated statements of equity are included in the quarterly financial statements, including beginning balances, activity for the period and ending balances for shareholders equity, noncontrolling interests and total equity. Noncontrolling interests are adjusted for additional contributions by noncontrolling interest holders and distributions to noncontrolling interest holders, as well as the noncontrolling interest holders share of the net income or loss of each respective entity.

On April 29, 2011, the Company dissolved a partnership with a partner in three of its development joint ventures resulting in increases to the Company s ownership interests to 100% in Parkway Towne Crossing, 100% in three fully occupied outlots at Wheatland Towne Crossing and 50% in Lake Mead Crossing. The remaining property of Wheatland Towne Crossing (excluding the three outlots) was conveyed to the Company s partner who simultaneously repaid the related $5,730 construction loan. Concurrently with this transaction, the Company also acquired a 36.7% ownership interest in Lake Mead Crossing from another partner in that joint venture, increasing the Company s total ownership interest in the property to 86.7%. The Company accounted for this transaction, including the conveyance of property, as a nonmonetary distribution of $8,483, reflected in the accompanying condensed consolidated financial statements as an increase to Accumulated distributions in excess of earnings.

Below is a table reflecting the activity of the redeemable noncontrolling interests for the six months ended June 30, 2011 and 2010:

	2011	2010
Balance at January 1,	$ 527	$ 527
Redeemable noncontrolling interest income	16	16
Distributions	(16)	(16)
Dissolution of partnership	(2)	
Balance at June 30,	$ 525	$ 527

The Company is party to an agreement with an LLC formed as an insurance association captive (the Captive), which is wholly-owned by the Company and three related parties, Inland Real Estate Corporation (IREC), Inland American Real Estate Trust, Inc. (IARETI) and Inland Diversified Real Estate Trust, Inc. (IDRETI). The Captive is serviced by a related party, Inland Risk and Management Services, Inc. for a fee of $25 per quarter. It has been determined that the Captive is a VIE and, as the Company received the most benefit of all members through November 30, 2010, the Company was deemed to be the primary beneficiary. Therefore, the Captive was consolidated by the Company through November 30, 2010. Prior to November 30, 2010, the other members interests are reflected as Noncontrolling interests in the accompanying condensed consolidated financial statements. Effective November 30, 2010, it was determined that the Company no longer received the most benefit, nor had the highest risk of loss and, therefore, was no longer the primary beneficiary. As a result, the Captive was deconsolidated and recorded under the equity method of accounting. As of June 30, 2011, the Company s interest in the Captive is reflected in Investment in unconsolidated joint ventures in the accompanying condensed consolidated balance sheets. The Company s share of net income of the Captive for the three and six months ended June 30, 2011 is reflected in Equity in (loss) income of unconsolidated joint ventures in the accompanying condensed consolidated statements of operations and other comprehensive loss.

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(2) Summary of Significant Accounting Policies

There have been no changes to the Company s significant accounting policies in the six months ended June 30, 2011. Refer to Note 2 to the audited consolidated financial statements for a summary of the Company s significant accounting policies.

Recent Accounting Pronouncements

Effective January 1, 2011, companies are required to separately disclose purchases, sales, issuances and settlements on a gross basis in the reconciliation of recurring Level 3 fair value measurements. This guidance did not have a material effect on the Company s condensed consolidated financial statements.

Effective January 1, 2011, public companies that enter into a business combination are 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, supplemental pro forma disclosures are expanded. If the Company enters into a qualifying business combination, it will comply with the disclosure requirements of this guidance.

Effective January 1, 2012, guidance on how to measure fair value and on what disclosures to provide about fair value measurements will be converged with international standards. The Company does not expect the adoption will have a material effect on its financial statements.

Effective January 1, 2012, public companies will be required to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. This guidance does not change the items that must be reported in other comprehensive income. The Company does not expect the adoption will have any effect on its financial statements.

(3) Discontinued Operations and Investment Properties Held for Sale

The Company employs a business model that utilizes asset management as a key component of monitoring its investment properties to ensure that each property continues to meet expected investment returns and standards. This strategy incorporates the sale of non-core assets that no longer meet the Company s criteria.

The Company sold four properties during the six months ended June 30, 2011, as summarized below:

Date	Square Footage	Property Type	Location	Sales Price	Net Sales Proceeds	Gain
April 28, 2011	1,066,800	Single-user industrial	Various(a)	$ 36,000	$ 34,619	$ 702
March 7, 2011	183,200	Single-user retail	Blytheville, Arkansas	12,632	12,438	2,069
March 7, 2011	88,400	Single-user retail	Georgetown, Kentucky	10,182	10,055	1,390
	1,338,400			$ 58,814	$ 57,112	$ 4,161

(a) The terms of the sale of two properties located in North Liberty, Iowa and El Paso, Texas were negotiated as a single transaction.

In addition to the property sales that qualified for discontinued operations treatment, during the six months ended June 30, 2011, the Company received net proceeds of $8,334 and recorded gains of $5,062 from condemnation awards, earnouts and the sale of a parcel at one of its operating properties. The aggregate net proceeds from the property sales and these additional transactions totaled $65,446 with aggregate gains of $9,223.

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During 2010, the Company sold eight properties, of which five were sold during the six months ended June 30, 2010, which resulted in net sales proceeds of $18,416 and gain on sale of $2,057.

The Company does not allocate general corporate interest expense to discontinued operations. The results of operations for the three and six months ended June 30, 2011 and 2010 for the investment properties that are accounted for as discontinued operations are presented in the table below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Revenues:				
Rental income	$ 198	$ 1,658	$ 1,258	$ 4,494
Tenant recovery income	61	312	280	331
Other property income		12	20	27
Total revenues	259	1,982	1,558	4,852
Expenses:				
Property operating expenses	25	313	(118)	1,770
Real estate taxes	13	261	201	810
Depreciation and amortization	130	984	646	2,072
Provision for impairment of investment properties		8,627		8,627
Interest expense	(1)	1,478	177	3,463
Other expense		38		38
Total expenses	167	11,701	906	16,780
Operating income (loss) from discontinued operations	$ 92	$ (9,719)	$ 652	$ (11,928)

There were no properties classified as held for sale as of June 30, 2011 and December 31, 2010.

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(4) Transactions with Related Parties

The Inland Group, Inc., or the Inland Group, and its affiliates are related parties because of the Company s 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 the Company, Mr. Goodwin is a beneficial owner of more than 5% of the Company s common stock, Mr. Parks was a director and Chairman of the Company s board of directors until October 12, 2010 and Ms. Gujral is currently one of the Company s 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.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		Unpaid Amount as of	
Fee Category	**2011**	**2010**	**2011**	**2010**	**June 30, 2011**	**December 31, 2010**
Investment advisor	$ 70	$ 61	$ 141	$ 130	$ 23	$ 22
Loan servicing	46	53	98	119		
Legal	120	90	202	157	155	100
Computer services	385	420	721	703	274	166
Office and facilities management services	109	129	247	254	98	82
Other service agreements	259	148	501	390	8	
Office rent and reimbursements	242	281	484	464	233	155
Total	$ 1,231	$ 1,182	$ 2,394	$ 2,217	$ 791	$ 525

On December 1, 2009, the Company raised additional capital of $50,000 from a related party, Inland Equity Investors, LLC (Inland Equity), in exchange for a 23% noncontrolling interest in IW JV 2009, LLC (IW JV). IW JV, which is controlled by the Company, and therefore consolidated, will continue to be managed and operated by the Company. Inland Equity is owned by certain individuals, including Daniel L. Goodwin and Robert D. Parks. 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 agreement. 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 $5,000, depending on the availability of proceeds at the time of liquidation. The independent directors committee reviewed and recommended approval of this transaction to the Company s board of directors.

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(5) Marketable Securities

The following tables summarize the Company s investment in marketable securities:

	Common Stock	Preferred Stock	Total Available-for-Sale Securities
As of June 30, 2011:			
Fair value	$ 14,227	$ 22,041	$ 36,268
Amortized cost basis	$ 28,997	$ 38,242	$ 67,239
Total other-than-temporary impairment recognized	$ 23,889	$ 31,308	$ 55,197
Adjusted cost basis	$ 5,108	$ 6,934	$ 12,042
Net gains in accumulated other comprehensive income (OCI)	$ 9,119	$ 15,107	$ 24,226
As of December 31, 2010:			
Fair value	$ 15,117	$ 19,113	$ 34,230
Amortized cost basis	$ 28,997	$ 38,592	$ 67,589
Total other-than-temporary impairment recognized	$ 23,889	$ 31,576	$ 55,465
Adjusted cost basis	$ 5,108	$ 7,016	$ 12,124
Net gains in accumulated OCI	$ 10,009	$ 12,097	$ 22,106

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Net unrealized OCI gain	$ (166)	$ (3,631)	$ 2,397	$ 6,377
Net gain on sales of securities	$ 277	$	$ 277	$ 771

(6) Stock Option Plan and Board of Directors Activity

On October 14, 2008, the Company s shareholders approved the establishment of the Equity Compensation Plan (Equity Plan), which, subject to certain conditions, authorizes the issuance of stock options, restricted stock, stock appreciation rights and other similar awards to the Company s employees in connection with compensation and incentive arrangements that may be established by the Company s board of directors. As of June 30, 2011, 34 shares under the Equity Plan had been granted. On April 12, 2011, these 34 shares were granted, 17 of which will vest after three years and 17 of which will vest after five years. The Company recorded compensation expense of $15 and $17 during the three and six months ended June 30, 2011, respectively, related to these grants.

The Company s Independent Director Stock Option Plan (Option Plan), as amended, provides, subject to certain conditions, for the grant to each independent director of options to acquire shares following their becoming a director and for the grant of additional options to acquire shares on the date of each annual shareholders meeting.

As of June 30, 2011 and December 31, 2010, options to purchase 140 shares of common stock had been granted, of which options to purchase one share had been exercised and none had expired.

The Company calculates the per share weighted average fair value of options granted on the date of the grant using the Black Scholes option pricing model utilizing certain assumptions regarding the expected dividend yield (1.87%), risk free interest rate (1.13%), expected life (five years) and expected volatility rate (35%). Compensation expense of $16 and $11 related to these stock options was recorded during the three months ended June 30, 2011 and 2010, respectively. Compensation expense of $32 and $22 related to these stock options was recorded during the six months ended June 30, 2011 and 2010, respectively.

On March 8, 2011, the Company s board of directors increased the number of directors comprising the board of directors from eight to nine and elected Steven P. Grimes, who serves as Chief Executive Officer, President, Chief Financial Officer and Treasurer of the Company, to the board of directors, effective immediately.

On June 14, 2011, the Company s board of directors established an estimated per-share value of the Company s common stock of $6.95, solely to assist broker dealers in connection with their obligations under applicable Financial Industry Regulatory Authority (FINRA) rules and to assist fiduciaries in discharging their obligations under Employee Retirement Income Security Act (ERISA) reporting requirements, and amended the DRP, effective August 31, 2011, solely to modify the purchase price. Thus, on or after August 31, 2011, additional shares of common stock purchased under the DRP will be purchased at $6.95 per share.

(7) Leases

Master Lease Agreements

In conjunction with certain acquisitions, the Company receives payments under master lease agreements pertaining to certain non-revenue producing spaces at the time of purchase for periods, generally ranging from three months to three years after the date of purchase or until the spaces are leased. As these payments are received, they are recorded as a reduction in the purchase price of the respective property rather than as rental income. The cumulative amount of such payments was $27,495 and $27,366, as of June 30, 2011 and December 31, 2010, respectively.

Operating Leases

The majority of revenues from the Company s properties consist of rents received under long-term operating leases. Some leases provide for the payment of fixed base rent paid monthly in advance, and for the reimbursement by tenants to the Company for the tenant s pro rata share of certain operating expenses including real estate taxes, special assessments, insurance, utilities, common area maintenance, management fees and certain building repairs paid by the landlord and recoverable under the terms of the lease. Under these leases, the landlord pays all expenses and is reimbursed by the tenant for the tenant s pro rata share of recoverable expenses paid. Certain other tenants are subject to net leases which provide that the tenant is responsible for fixed based rent, as well as all costs and expenses associated with occupancy. Under net leases where all expenses are paid directly by the tenant rather than the landlord, such expenses are not included on the accompanying condensed consolidated statements of operations and other comprehensive loss. Under net leases where all expenses are paid by the landlord, subject to reimbursement by the tenant, the expenses are included in Property operating expenses and reimbursements are included in Tenant recovery income on the accompanying condensed consolidated statements of operations and other comprehensive loss.

In certain municipalities, the Company is required to remit sales taxes to governmental authorities based upon the rental income received from properties in those regions. These taxes may be reimbursed by the tenant to the Company depending upon the terms of the applicable tenant lease. As with other recoverable expenses, the presentation of the remittance and reimbursement of these taxes is on a gross basis whereby sales tax expenses are included in Property operating expenses and sales tax reimbursements are included in Other property income on the accompanying condensed consolidated statements of operations and other comprehensive loss. Such taxes remitted to governmental authorities and reimbursed by tenants were $504 and $465 for the three months ended June 30, 2011 and 2010, respectively. Such taxes remitted to governmental authorities and reimbursed by tenants were $1,016 and $1,000 for the six months ended June 30, 2011 and 2010, respectively.

In certain properties where there are large tenants, other tenants may have co-tenancy provisions within their leases that provide a right of termination or reduced rent if certain large tenants or shadow tenants discontinue operations. The Company does not expect that such co-tenancy provisions will have a material impact on the future operating results.

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The Company leases land under non-cancellable operating leases at certain of its properties expiring in various years from 2018 to 2105. The related ground lease rent expense is included in Property operating expenses on the accompanying condensed consolidated statements of operations and other comprehensive loss. In addition, the Company leases office space for certain management offices from third parties and the Company subleases its corporate office space from an Inland affiliate. Office rent expense is included in Property operating expenses in the accompanying condensed consolidated statements of operations and other comprehensive loss.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Ground lease rent expense	$ 2,533	$ 2,540	$ 5,060	$ 5,196
Office rent expense related party	$ 124	$ 124	$ 248	$ 248
Office rent expense third party	$ 88	$ 84	$ 174	$ 168

(8) Mortgages and Notes Payable

The following table summarizes the Company s mortgages and notes payable at June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
Fixed rate mortgages payable:		
Mortgage loans[(a)]	$ 2,965,540	$ 3,334,784
Premium, net of accumulated amortization	11,625	17,534
Discount, net of accumulated amortization	(2,248)	(2,502)
	2,974,917	3,349,816
Variable rate mortgages payable:		
Mortgage loans	7,176	17,389
Construction loans	81,004	86,768
	88,180	104,157
Mortgages payable	3,063,097	3,453,973
Notes payable	138,900	138,900
Margin payable	8,499	10,017
Mortgages and notes payable	$ 3,210,496	$ 3,602,890

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

Mortgages Payable

Mortgages payable outstanding as of June 30, 2011 were $3,063,097 and had a weighted average interest rate of 6.04% at June 30, 2011. Of this amount, $2,974,917 had fixed rates ranging from 4.54% to 8.00% (10.00% for matured mortgages payable) and a weighted average fixed rate of 6.10% at June 30, 2011. The weighted average interest rate for the fixed rate mortgages payable excludes the impact of the premium and discount amortization. The remaining $88,180 of mortgages payable represented variable rate loans with a weighted average interest rate of 3.95% at June 30, 2011. Properties with a net carrying value of $4,618,471 at June 30, 2011 and related tenant leases are pledged as collateral for the mortgage loans. Properties with a net carrying value of $132,745 at June 30, 2011 and related tenant leases are pledged as collateral for the construction loans. As of June 30, 2011, scheduled maturities for the Company s outstanding mortgage indebtedness had various due dates through June 1, 2041.

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During the six months ended June 30, 2011, the Company obtained mortgages payable proceeds of $70,424, made mortgages payable repayments of $415,190 and received forgiveness of debt of $14,438. The new mortgages payable that the Company entered into during the six months ended June 30, 2011 have interest rates ranging from 4.54% to 5.50% and maturities up to 30 years. The stated interest rates of the loans repaid during the six months ended June 30, 2011 ranged from 4.44% to 8.00%. The Company also entered into modifications of two existing loan agreements which extended the maturities of $16,239 of mortgages payable to May 1, 2014.

Mortgages payable outstanding as of December 31, 2010 were $3,453,973 and had a weighted average interest rate of 5.99% at December 31, 2010. Of this amount, $3,349,816 had fixed rates ranging from 4.44% to 8.00% (10.04% for matured mortgages payable) and a weighted average fixed rate of 6.04% at December 31, 2010. The weighted average interest rate for the fixed rate mortgages payable excludes the impact of the premium and discount amortization. The remaining $104,157 of mortgages payable represented variable rate loans with a weighted average interest rate of 4.47% at December 31, 2010. Properties with a net carrying value of $5,170,029 at December 31, 2010 and related tenant leases are pledged as collateral for the mortgage loans. Properties with a net carrying value of $62,704 at December 31, 2010 and related tenant leases are pledged as collateral for the construction loans. As of December 31, 2010, scheduled maturities for the Company s outstanding mortgage indebtedness had various due dates through March 1, 2037.

The majority of the Company s mortgages payable require monthly payments of principal and interest, as well as reserves for real estate taxes, insurance and certain other costs. Although the loans obtained by the Company are generally non-recourse, occasionally, when it is deemed to be necessary, the Company may guarantee all or a portion of the debt on a full-recourse basis. As of June 30, 2011, the Company had guaranteed $26,190 of the outstanding mortgages payable with maturity dates up to August 1, 2014 (see Note 14). At times, the Company has borrowed funds financed as part of a cross-collateralized package, with cross-default provisions, in order to enhance the financial benefits. In those circumstances, one or more of the properties may secure the debt of another of the Company s properties. Individual decisions regarding interest rates, loan-to-value, debt yield, fixed versus variable-rate financing, term and related matters are often based on the condition of the financial markets at the time the debt is issued, which may vary from time to time.

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As of June 30, 2011, the Company had $63,869 of mortgages payable that had matured and had not been repaid or refinanced. During the second quarter of 2010, in order to prompt discussions with the lender, the Company ceased making the monthly debt service payment on a $29,965 mortgage loan. That loan has matured and the $26,865 that was outstanding at June 30, 2011 is included in the $63,869 of total matured debt. The non-payment of this monthly debt service payment amounts to $1,311 annualized and does not result in noncompliance under any of the Company s other mortgages payable and secured credit agreements. The Company has attempted to negotiate and has made offers to the lender to determine an appropriate course of action under the non-recourse loan agreement; however, no assurance can be provided that negotiations will result in a favorable outcome for the Company. The lender has asserted that certain events have occurred that trigger recourse to the Company. However, the Company believes that it has substantive defenses with respect to those claims. In addition, the Company ceased making the monthly debt service payment on a $4,520 non-recourse mortgage loan during the three months ended June 30, 2011. Negotiations with the lender are ongoing; however, no assurance can be provided that these negotiations will result in a favorable outcome for the Company. As of June 30, 2011, in addition to the $63,869 that had matured, the Company had $193,587 of mortgages payable, excluding principal amortization, maturing in the remainder of 2011. The following table sets forth the Company s progress as of the date of this filing in addressing its 2011 maturities:

	Matured as of June 30, 2011	Maturing in Remainder of 2011
Repaid or received debt forgiveness and added the underlying property as collateral to the senior secured credit facility	$	$ 25,148
Other repayments		3,600
Total addressed subsequent to June 30, 2011		28,748
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, refinance or seeking extensions on related properties, or otherwise negotiating with the lender	63,869[(a)]	69,050
	$ 63,869	$ 193,587

(a) The Company has attempted to negotiate and has made offers to the lender with respect to a $26,865 mortgage loan outstanding at June 30, 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 a favorable outcome for the Company. The lender has asserted that certain events have occurred that trigger recourse to the Company; however, the Company believes that it has substantive defenses with respect to those claims.

Some of the mortgage payable agreements include periodic reporting requirements and/or debt service coverage ratios which allow the lender to control property cash flow if the Company fails to meet such requirements. Management believes the Company was not out of compliance with such provisions as of June 30, 2011.

Notes Payable

The following table summarizes the Company s notes payable as of June 30, 2011 and December 31, 2010:

	June 30, 2011	December 31, 2010
IW JV Senior Mezzanine Note	$ 85,000	$ 85,000
IW JV Junior Mezzanine Note	40,000	40,000
Mezzanine Note	13,900	13,900
	$ 138,900	$ 138,900

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Notes payable outstanding as of June 30, 2011 were $138,900 and had a weighted average interest rate of 12.62% at June 30, 2011. Of this amount, $125,000 represents notes payable proceeds from a third party lender related to the debt refinancing transaction for IW JV. The notes have fixed interest rates ranging from 12.24% to 14.00%, mature on December 1, 2019 and are secured by 100% of the Company s equity interest in the entity owning the IW JV investment properties.

During the year ended December 31, 2010, the Company 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 on December 16, 2013.

Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risk, including interest rate, liquidity and credit risk primarily by managing the amount, sources, and duration of its debt funding and, to a limited extent, the use of derivative instruments.

Specifically, the Company has entered into derivative instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company s derivative instruments, described below, are used to manage differences in the amount, timing, and duration of the Company s known or expected cash payments principally related to certain of the Company s borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company s objective in using interest rate derivatives is to manage exposure to interest rate movements and add stability to interest expense. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The Company utilizes two interest rate swaps to hedge the variable cash flows associated with variable-rate debt. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and six months ended June 30, 2011, the Company recorded hedge ineffectiveness of $8 and $9, respectively, related to an off-market hedging relationship as a result of changing the critical terms of the hedging relationship on one of its hedges in December 2010 and therefore ending that hedging relationship. As a result, the Company has reclassified all of the previously deferred accumulated other comprehensive income into earnings as of June 30, 2011. During the three and six months ended June 30, 2010, the Company recorded hedge ineffectiveness of $42 (loss).

Amounts reported in Accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company s variable-rate debt. Over the next year, the Company estimates that an additional $1,019 will be reclassified as an increase to interest expense. During the three and six months ended June 30, 2011 and 2010, the Company accelerated none and $117 (loss), respectively, from other comprehensive income into earnings as a result of the hedged forecasted transactions becoming probable not to occur.

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As of June 30, 2011 and December 31, 2010, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivatives	Number of Instruments	Notional
Interest Rate Swap	2	$ 67,504

The table below presents the fair value of the Company s derivative financial instruments as well as their classification on the condensed consolidated balance sheets as of June 30, 2011 and December 31, 2010.

	Liability Derivatives			
	June 30, 2011		December 31, 2010	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest rate swaps	Other liabilities	$ 3,000	Other liabilities	$ 2,967

The table below presents the effect of the Company s derivative financial instruments on the condensed consolidated statements of operations and other comprehensive loss for the three and six months ended June 30, 2011 and 2010.

Derivatives in Cash Flow Hedging Relationships	Amount of Loss Recognized in OCI on Derivative (Effective Portion)			Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion)		Location of Loss Recognized in Income on Derivative	Amount of Loss Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing and Missed Forecasted Transactions)	
Interest rate swaps	Three Months Ended June 30,	Six Months Ended June 30,	Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Three Months Ended June 30,	Six Months Ended June 30,	(Ineffective Portion and Amount Excluded From Effectiveness Testing)	Three Months Ended June 30,	Six Months Ended June 30,
2011	$ 922	$ 870	Interest Expense	$ 996	$ 1,981	Other Expense	$ 8	$ 9
2010	$ 288	$ 893	Interest Expense	$ 904	$ 1,696	Other Expense	$ 159	$ 159

Credit-risk-related Contingent Features

Derivative financial investments expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company believes it minimizes the credit risk by transacting with major creditworthy financial institutions. As part of the Company s on-going control procedures, it monitors the credit ratings of counterparties and the exposure to any single entity, which minimizes credit risk concentration. The Company believes the potential impact of realized losses from counterparty non-performance is immaterial.

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on the related indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its corresponding derivative obligation. The Company was not in default with respect to these agreements at June 30, 2011.

The Company s agreements with each of its derivative counterparties also contain a provision whereby if the Company consolidates with, merges with or into, or transfers all or substantially all its assets to another entity and the creditworthiness of the resulting, surviving, or transferee entity is materially weaker than the Company s, the counterparty has the right to terminate the derivative obligations. As of June 30, 2011, the termination value of derivatives in a liability position, which includes accrued interest of $143 but excludes any adjustment for nonperformance risk, which the Company has deemed immaterial, was $3,256. As of June 30, 2011, the

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Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at June 30, 2011, it could have been required to settle its obligations under the agreements at their termination value of $3,256.

Margin Payable

The Company purchases a portion of its securities through a margin account. As of June 30, 2011 and December 31, 2010, the Company had recorded a payable of $8,499 and $10,017, respectively, for securities purchased on margin. This debt bears a variable interest rate of the London Interbank Offered Rate, or LIBOR, plus 35 basis points. At June 30, 2011, this rate was equal to 0.54%. Interest expense on this debt in the amount of $13 and $30 is recognized within Interest expense in the accompanying condensed consolidated statements of operations and other comprehensive loss for the three months ended June 30, 2011 and 2010, respectively. Interest expense on this debt in the amount of $28 and $44 is recognized within Interest expense in the accompanying condensed consolidated statements of operations and other comprehensive loss for the six months ended June 30, 2011 and 2010, respectively. This debt is due upon demand. The value of the Company s marketable securities serves as collateral for this debt. During the three and six months ended June 30, 2011, the Company did not borrow on its margin account, but paid down $862 and $1,518, respectively.

Debt Maturities

The following table shows the scheduled maturities of the Company s mortgages payable, notes payable, margin payable and secured credit facility (as described in Note 9) as of June 30, 2011 for the remainder of 2011, the next four years and thereafter and does not reflect the impact of any debt activity that occurred after June 30, 2011:

	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value
Maturing debt[(a)] :								
Fixed rate debt:								
Mortgages payable[(b)]	$ 270,563	$ 399,620	$ 310,810	$ 240,057	$ 468,684	$ 1,275,806	$ 2,965,540	$ 3,142,618
Notes payable			13,900			125,000	138,900	159,788
Total fixed rate debt	$ 270,563	$ 399,620	$ 324,710	$ 240,057	$ 468,684	$ 1,400,806	$ 3,104,440	$ 3,302,406
Variable rate debt:								
Mortgages payable	$ 62	$ 88,118	$	$	$	$	$ 88,180	$ 88,180
Secured credit facility			435,000				435,000	435,000
Margin payable	8,499						8,499	8,499
Total variable rate debt	8,561	88,118	435,000				531,679	531,679
Total maturing debt	$ 279,124	$ 487,738	$ 759,710	$ 240,057	$ 468,684	$ 1,400,806	$ 3,636,119	$ 3,834,085
Weighted average interest rate on debt:								
Fixed rate debt	5.67%	5.39%	5.55%	7.12%	5.78%	7.09%		
Variable rate debt	0.58%	3.95%	3.78%					
Total	5.51%	5.13%	4.53%	7.12%	5.78%	7.09%		

(a) The debt maturity table does not include any premium or discount, of which $11,625 and $(2,248), net of accumulated amortization, respectively, is outstanding as of June 30, 2011.

(b) 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 as described in Note 1. 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 indebtedness 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

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original amortization schedule. As of June 30, 2011, the Company was making accelerated principal payments on two mortgages payable with a combined outstanding principal balance of $97,596, which are reflected in the year corresponding to the loan maturity date. See the mortgages payable section above for additional information on how the Company is addressing its 2011 mortgages payable maturities.

(9) Secured Credit Facility

On February 4, 2011, the Company amended and restated its secured credit agreement with KeyBank National Association and other financial institutions and currently has a $585,000 senior secured credit facility that matures on February 3, 2013 (with the ability to extend for one year at the Company s option). The credit facility consists of a $435,000 senior secured revolving line of credit and a $150,000 secured term loan, with the ability to increase available borrowings up to $500,000 under the revolving line of credit in certain circumstances. As of June 30, 2011, the terms of the agreement stipulate:

- monthly interest-only payments on the outstanding balance at a rate of LIBOR plus a margin of 2.75% to 4.00%, depending on leverage levels;
- quarterly unused fees ranging from 0.40% to 0.50% per annum, depending on the undrawn amount;
- the requirement for a comprehensive collateral pool (secured by mortgage interests in each asset) subject to certain covenants, including a maximum advance rate on the appraised value of the collateral pool of 65% (reduced to 60% after the issuance of the Company s financial statements for the quarter ending March 31, 2012) and minimum requirements related to the value and number of properties included in the collateral pool; and
- $20,000 of recourse cross-default permissions and $100,000 of non-recourse cross-default permissions, subject to certain carve-outs and allowances for maturity defaults under non-recourse indebtedness for up to 90 days subject to extension at the discretion of the lenders.

This full recourse credit agreement requires compliance with certain covenants, such as, among other things, a leverage ratio, fixed charge coverage, debt service coverage, minimum net worth requirements, distribution limitations and investment restrictions, as well as limitations on the Company s ability to incur recourse indebtedness. It also contains customary default provisions including the failure to timely pay debt service payable thereunder, the failure to comply with the Company s financial and operating covenants and the failure to pay when the consolidated indebtedness becomes due. In the event the lenders under the credit agreement declare a default, as defined in the credit agreement, this could result in an acceleration of any outstanding borrowings on the line of credit. As of June 30, 2011, the Company was not out of compliance with any of the financial covenants under the credit agreement. As of June 30, 2011, the weighted-average interest rate of the revolving line of credit was 3.76% and the interest rate of the term loan was 3.81%. Upon closing the amended credit agreement, the Company borrowed the full amount of the term loan. As of June 30, 2011, the total availability under the revolving line of credit was $304,000, of which the Company had borrowed $285,000. As of December 31, 2010, the outstanding balance on the line of credit was $154,347.

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(10) Investment in Unconsolidated Joint Ventures

The following table summarizes the Company s investments in unconsolidated joint ventures:

				Ownership Interest		Investment at	
Joint Venture	Location	Date of Investment	Date of Redemption	June 30, 2011	December 31, 2010	June 30, 2011	December 31, 2010
MS Inland	Various	04/27/2007	N/A	20.0%	20.0%	$ 9,414	$ 9,884
Hampton Retail Colorado	Denver, CO	08/31/2007	N/A	95.8%	95.8%	807	4,059
RioCan	Various	09/30/2010	N/A	20.0%	20.0%	14,309	12,292
Oak Property and Casualty	Burlington, VT	10/01/2006	N/A	25.0%	25.0%	7,195	7,230
						$ 31,725	$ 33,465

The Company has the ability to exercise significant influence, but does not have the financial or operating control over these investments, and as a result the Company accounts for these investments using the equity method of accounting. Under the equity method of accounting, the net equity investment of the Company is reflected on the accompanying condensed consolidated balance sheets and the accompanying condensed consolidated statements of operations and other comprehensive loss includes the Company s share of net income or loss from the unconsolidated joint venture. Distributions from these investments that are related to income from operations are included as operating activities and distributions that are related to capital transactions are included in investing activities in the Company s condensed consolidated statements of cash flows.

Effective April 27, 2007, the Company formed a joint venture (MS Inland) with a large state pension fund (the institutional investor). Under the terms of the agreement, the profits and losses of MS Inland are split 80% and 20% between the institutional investor and the Company, respectively. The Company s share of (losses) profits in MS Inland was $(65) and $384, for the three months ended June 30, 2011 and 2010, respectively. The Company s share of (losses) profits in MS Inland was $(191) and $634, for the six months ended June 30, 2011 and 2010, respectively. The Company received net cash distributions from MS Inland totaling $440 and $2,380, for the six months ended June 30, 2011 and 2010, respectively.

The difference between the Company s investment in MS Inland and the amount of the underlying equity in net assets of MS Inland is due to basis differences resulting from the Company s contribution of property assets at their historical net book value versus the fair value of the contributed properties. Such differences are amortized over the depreciable lives of MS Inland s property assets. The Company recorded $80 and $81 of amortization related to this difference for the three months ended June 30, 2011 and 2010, which is included in Equity in (loss) income of unconsolidated joint ventures in the condensed consolidated statements of operations and other comprehensive loss. The Company recorded $161 and $162 of amortization related to this difference during the six months ended June 30, 2011 and 2010, respectively.

MS Inland may acquire additional assets using leverage, consistent with its existing business plan, of approximately 50% of the original purchase price or current fair value, if higher. The Company is the managing member of MS Inland and earns fees for providing property management, acquisition and leasing services to MS Inland. The Company earned fees of $242 and $255 during the three months ended June 30, 2011 and 2010, respectively. The Company earned fees of $551 and $604 during the six months ended June 30, 2011 and 2010, respectively.

On August 28, 2007, the Company formed an unconsolidated joint venture, Hampton Retail Colorado (Hampton), which subsequently, through wholly-owned subsidiaries Hampton Owned Colorado (Hampton Owned) and Hampton Leased Colorado (Hampton Leased), acquired nine single-user retail properties and eight leasehold assets, respectively. The ownership percentages associated with Hampton at June 30, 2011 and

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December 31, 2010, are based upon the Company s pro-rata share of capital contributions to date. Based upon the maximum capital contribution obligations outlined in the joint venture agreement, the Company s ownership percentage could increase to 96.3%. During the three and six months ended June 30, 2011, Hampton determined that the carrying value of certain of its assets were not recoverable and, accordingly, recorded impairment charges in the amounts of $1,590 and $4,067, respectively, of which the Company s share is $1,523 and $3,897, respectively. No impairment charges were recorded during the three and six months ended June 30, 2010. The joint venture s estimated fair value relating to this impairment assessment was based on estimated contract prices. The Company s share of net (loss) income in Hampton was $(1,306) and $270 for the three months ended June 30, 2011 and 2010, respectively, and is included in Equity in (loss) income of unconsolidated joint ventures in the condensed consolidated statements of operations and other comprehensive loss. The Company s share of net losses in Hampton was $3,546 and $41 for the six months ended June 30, 2011 and 2010, respectively.

As of June 30, 2011, there were six properties remaining in the Hampton joint venture, all of which are included in Hampton Owned. The remaining properties have been disposed of primarily through sales and assignment.

On May 20, 2010, the Company entered into definitive agreements to form a joint venture with RioCan Real Estate Investment Trust (RioCan), a REIT based in Canada. The initial RioCan joint venture investment included up to eight grocery and necessity-based-anchored shopping centers located in Texas. Under the terms of the joint venture agreements, RioCan contributed cash for an 80% interest in the venture and the Company contributed a 20% interest in the properties. The joint venture acquired an 80% interest in the properties from the Company in exchange for cash, each of which was accounted for as a partial sale of real estate. Each property closing occurred individually over time based on timing of lender consent or refinance of the related mortgages payable. Certain of the properties contain earnout provisions which, if met, would result in additional sales proceeds to the Company. All eight of the initial investment properties were acquired in 2010. These transactions do not qualify as discontinued operations in the Company s condensed consolidated statements of operations and other comprehensive loss as a result of the Company s 20% ownership in the joint venture. On May 20, 2011, the RioCan joint venture acquired a 124,941 square foot multi-tenant retail property in Temple, Texas for which the Company contributed $4,313 as its share of the acquisition price net of closing costs. The Company s share of net loss in the RioCan joint venture was $295 and $577 for the three and six months ended June 30, 2011, respectively. The Company paid net cash contributions to the RioCan joint venture totaling $1,622 and $1,711 for the three and six months ended June 30, 2011, respectively.

The difference between the Company s investment in the RioCan joint venture and the amount of the underlying equity in net assets of the joint venture is due to basis differences resulting from the Company s contribution of property assets at their historical net book value versus the fair value of the contributed properties. Such differences are amortized over the depreciable lives of the RioCan joint venture s property assets.

The Company is the general partner of the RioCan joint venture and earns fees for providing property management, asset management and other customary fees for the joint venture. The Company earned fees of $187 and $414 during the three and six months ended June 30, 2011, respectively.

On December 1, 2010, it was determined that the Company was no longer the primary beneficiary of the Captive, or Oak Property & Casualty. As a result, the Captive has been reflected as an equity method investment by the Company since December 1, 2010. Refer to Note 1 for further information. The Company s share of net (loss) income in the Captive was $(377) and $27 for the three and six months ended June 30, 2011, respectively.

The Company s 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,

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the Company considers whether it has the ability and intent to hold the investment until the carrying value is fully recovered. As a result, the carrying value of its investment in the unconsolidated joint ventures was determined to be fully recoverable as of June 30, 2011 and December 31, 2010.

(11) Earnings per Share

In connection with the April 12, 2011 issuance of restricted common stock to certain executive officers, beginning with the June 30, 2011 computations, earnings (loss) per share (EPS) is calculated pursuant to the two-class method which specifies that all outstanding unvested share-based payment awards that contain nonforfeitable rights to distributions are considered participating securities and should be included in the computation of EPS.

The Company presents both basic and diluted EPS amounts. Basic EPS is calculated by dividing net distributed and undistributed earnings allocated to common shareholders, excluding participating securities, by the weighted-average number of common shares outstanding. The Company s participating securities consist of its unvested share-based payment awards that contain nonforfeitable rights to distributions. As of June 30, 2011, no distributions had been paid on the unvested shares. Diluted EPS includes the components of basic EPS and, in addition, reflects the impact of other potentially dilutive shares outstanding during the period using the two-class method.

Shares of the Company s common stock related to the restricted common stock issuance are not included in the denominator of basic EPS until contingencies are resolved and the shares are released. Shares of the Company s common stock are not included in diluted EPS unless the contingency has been met assuming that the contingency period ended on the date of the condensed consolidated balance sheet.

The following is reconciliation between weighted average shares used in the basic and diluted EPS calculations, excluding amounts attributable to noncontrolling interests:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
Numerator:				
Net loss from continuing operations	$ (16,912)	$ (30,393)	$ (63,608)	$ (56,699)
Gain on sales of investment properties	2,402		5,062	
Income from continuing operations attributable to noncontrolling interests	(8)	(242)	(16)	(335)
Loss from continuing operations attributable to Company shareholders	(14,518)	(30,635)	(58,562)	(57,034)
Income (loss) from discontinued operations	794	(7,714)	4,813	(9,871)
Net loss attributable to Company shareholders	$ (13,724)	$ (38,349)	$ (53,749)	$ (66,905)
Denominator:				
Denominator for loss per common share-basic:				
Weighted average number of common shares outstanding	480,285 [a]	483,590	479,503 [a]	482,996
Effect of dilutive securities:				
Stock options	[b]	[b]	[b]	[b]
Equity awards	[c]		[c]	
Denominator for loss per common share-diluted:				
Weighted average number of common and common equivalent shares outstanding	480,285	483,590	479,503	482,996

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(a) Excluded from these weighted average amounts are 34 shares of restricted common stock, which equate to 30 and 15 shares, respectively, on a weighted average basis for the three and six months ended June 30, 2011.
(b) Outstanding options to purchase shares of common stock, the effect of which would be anti-dilutive, were 139 and 105 shares as of June 30, 2011 and 2010, respectively, at the weighted average exercise price of $8.68 and $9.30, respectively. These shares were not included in the computation of diluted earnings per share because a loss was reported for the respective periods.
(c) Potential common shares issuable from the vesting of restricted share awards are anti-dilutive in periods in which a loss was reported and therefore excluded from the computation of diluted earnings per share as the Company had a loss from continuing operations for the three and six months ended June 30, 2011.

(12) Provision for Impairment of Investment Properties

The Company identified certain indicators of impairment for certain of its properties, such as a low occupancy rate, difficulty in leasing space and related cost of re-leasing, reduced anticipated holding periods and financially troubled tenants. The Company performed cash flow analyses and determined that the carrying value of one of these properties exceeded the respective undiscounted cash flows based upon the estimated holding period for the asset. Therefore, the Company has recorded an impairment loss related to this property consisting of the excess carrying value of the asset over the estimated fair value within the accompanying condensed consolidated statements of operations and other comprehensive loss.

During the six months ended June 30, 2011, the Company recorded investment property impairment charges as summarized below:

Location	Property Type	Impairment Date	Approximate Square Footage	Provision for Impairment of Investment Properties
Winston-Salem, North Carolina	Single-user office property	March 31, 2011	501,000	$ 30,373
		Estimated fair value of impaired property		$ 16,714

During the six months ended June 30, 2010, the Company recorded investment property impairment charges as summarized below:

Location	Property Type	Impairment Date	Approximate Square Footage	Provision for Impairment of Investment Properties
Sugarland, Texas (a)	Multi-tenant retail property	June 30, 2010	61,000	$ 1,576
University Heights, Ohio	Multi-tenant retail property	June 30, 2010	287,000	6,281
				7,857
Discontinued Operations:				
Richmond, Virginia	Single-user retail property	June 30, 2010	383,000	7,806
Hinsdale, Illinois	Single-user retail property	May 28, 2010	49,000	821
				8,627
			Total	$ 16,484
				$ 41,526

	Estimated fair value of impaired properties

(a) This property was subsequently acquired by the RioCan joint venture. The impairment was based upon the estimated net realizable value inclusive of the projected fair value of earnout proceeds.

The Company can provide no assurance that material impairment charges with respect to the Company s investment properties will not occur in future periods.

(13) Fair Value Measurements

Fair Value of Financial Instruments

The following table presents the carrying value and estimated fair value of the Company s financial instruments at June 30, 2011 and December 31, 2010. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date.

	June 30, 2011		December 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Investment in marketable securities	$ 36,268	$ 36,268	$ 34,230	$ 34,230
Notes receivable	8,270	8,327	8,290	8,245
Financial liabilities:				
Mortgages and notes payable	$ 3,210,496	$ 3,399,085	$ 3,602,890	$ 3,628,042
Secured credit facility	435,000	435,000	154,347	154,347
Other financings	8,477	8,477	8,477	8,477
Co-venture obligation	51,847	55,000	51,264	55,000
Derivative liability	3,000	3,000	2,967	2,967

The carrying values shown in the table are included in the condensed consolidated balance sheets under the indicated captions, except for notes receivable and derivative liability, which are included in Accounts and notes receivable and Other liabilities, respectively.

The fair value of the financial instruments shown in the above table as of June 30, 2011 and December 31, 2010 represent the Company s best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in a transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company s own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in those circumstances.

The following methods and assumptions were used to estimate the fair value of each financial instrument:

Investment in marketable securities**:** Marketable securities classified as available-for-sale are measured using quoted market prices at the reporting date multiplied by the quantity held.

Notes receivable**:** The Company estimates the fair value of its notes receivable by discounting the future cash flows of each instrument at rates that approximate those offered by lending institutions for loans with similar terms to companies with comparable risk. The rates used are not directly observable in the marketplace and judgment is used in determining the appropriate rate based upon the specific terms of the individual notes receivable agreement.

Mortgages and notes payable: The Company estimates the fair value of its mortgages and notes payable by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Company s lenders. The rates used are not directly observable in the marketplace and judgment is used in determining the appropriate rate for each of the Company s individual mortgages and notes payable based upon the specific terms of the agreement, including the term to maturity, the quality and nature of the underlying property and its leverage ratio.

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Secured credit facility: The carrying value of the Company s secured credit facility approximates fair value due to the periodic variable rate pricing and the loan pricing spreads based on the Company s leverage ratio.

Other financings: Other financings on the condensed consolidated balance sheets represent the equity interest of the noncontrolling member in certain consolidated entities where the LLC or LP agreement contains put/call arrangements, which grant the right to the outside owners and the Company to require each LLC or LP to redeem the ownership interest in future periods for fixed amounts. The Company believes the fair value of other financings is that amount which is the fixed amount at which it would settle, which approximates its carrying value.

Co-venture obligation: The Company estimates the fair value of co-venture obligation based on the amount at which it believes the obligation will settle and the timing of such payment. The fair value of the co-venture obligation includes the estimated additional amount the Company would be required to pay upon exercise of the call option. The carrying value as of June 30, 2011 of the co-venture obligation includes $1,847 of cumulative co-venture obligation expense accretion relating to the estimated additional distribution.

Derivative liability*:* The fair value of the derivative liability is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The Company also incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered any applicable credit enhancements.

Fair Value Hierarchy

GAAP specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The fair value hierarchy is summarized as follows:

Level 1 Inputs Unadjusted quoted market prices for identical assets and liabilities in an active market which the Company has the ability to access.

Level 2 Inputs Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3 Inputs Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

The guidance requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of June 30, 2011 and December 31, 2010, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation. As a result, the Company has determined that its derivative valuations in their entirety are classified within Level 2 of the fair value hierarchy.

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The following table presents the Company s financial instruments, which are measured at fair value on a recurring basis, by the level in the fair value hierarchy within which those measurements fall as of June 30, 2011 and December 31, 2010.

	Level 1	Level 2	Level 3	Total
June 30, 2011				
Investment in marketable securities	$ 36,268			$ 36,268
Derivative liability	$	3,000		$ 3,000
December 31, 2010				
Investment in marketable securities	$ 34,230			$ 34,230
Derivative liability	$	2,967		$ 2,967

There were no transfers of assets or liabilities between the levels of the fair value hierarchy and there were no purchases, sales, issuances or settlements of Level 3 assets or liabilities during the six months ended June 30, 2011.

During the six months ended June 30, 2011, the Company recorded asset impairment charges of $30,373 related to one of its consolidated operating properties with an estimated fair value of $16,714. There were no asset impairment charges recorded during the three months ended June 30, 2011. During the three and six months ended June 30, 2010, the Company recorded asset impairment charges of $16,484 related to two of its consolidated operating properties and two properties that have been sold with a combined estimated value of $41,526. The Company s estimated fair value, measured on a non-recurring basis, relating to this impairment assessment was based upon a discounted cash flow model that included all estimated cash inflows and outflows over a specific holding period or the purchase price, if applicable. These cash flows are comprised of unobservable inputs which include contractual rental revenues and forecasted rental revenues and expenses based upon market conditions and expectation for growth. Capitalization rates and discount rates utilized in this model were based upon observable rates that the Company believed to be within a reasonable range of current market rates for the property. Based on these inputs, the Company had determined that its valuation of its consolidated operating property was classified within Level 3 of the fair value hierarchy. As the estimated fair value of the Company s unconsolidated properties was based on estimated contract prices, the Company had determined that its valuation was classified within Level 2 of the fair value hierarchy.

(14) Commitments and Contingencies

The Company has acquired certain properties which have earnout components, meaning the Company did not pay for portions of these properties that were not rent producing at the time of acquisition. The Company is obligated, under these agreements, to pay for those portions 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, the Company will generally not have any further payment obligation to the seller. As of June 30, 2011, the Company could pay as much as $1,400 in the future pursuant to earnout agreements.

The Company 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 agreements, the Company has funded its total commitments of $8,680. One of the two remaining loans requires monthly interest payments with the entire principal balance due at maturity. The combined receivable balance at June 30, 2011 and December 31, 2010 was $8,270 and $8,290, respectively, net of allowances of $300.

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Although the loans obtained by the Company are generally non-recourse, occasionally, when it is deemed necessary, the Company may guarantee all or a portion of the debt on a full-recourse basis. As of June 30, 2011, the Company has guaranteed $435,000 and $26,190 of its outstanding secured credit facility and mortgage loans, respectively, with maturity dates up to August 1, 2014. As of June 30, 2011, the Company also guaranteed $25,939 which represents a portion of the construction debt associated with certain of its wholly-owned and consolidated joint ventures properties. The guarantees are released as certain leasing parameters are met. The following table summarizes these guarantees:

Location	Joint Venture	Construction Loan Balance at June 30, 2011	Percentage/ Amount Guaranteed by the Company	Guarantee Amount
Frisco, Texas	Parkway Towne Crossing	$ 20,705	35%	$ 7,247
Henderson, Nevada	Lake Mead Crossing	48,949	15%	7,342
Henderson, Nevada	Green Valley Crossing	11,350	$ 11,350	11,350
		$ 81,004		$ 25,939

(15) Subsequent Events

During the period from July 1, 2011 through the date of the Company s quarterly report on Form 10-Q filed on August 8, 2011, the Company:

drew $30,000, net of repayments, on its senior secured revolving line of credit and used the proceeds to repay $25,148 of mortgage debt that was secured by one property, had an interest rate of 4.68% and was maturing in 2011. This property and four others were added to the collateral pool, which increased the Company s borrowing availability by $42,575;

purchased two additional phases of existing properties consisting of an aggregate of 120,069 square feet for a combined purchase price of $16,900;

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

filed the second amendment to the registration statement on Form S-11/A with the Securities and Exchange Commission regarding a proposed public offering of the Company s common stock.

On July 1, 2011, the RioCan joint venture acquired a 107,626 square foot shopping center in Houston, Texas for which the Company contributed $2,258 as its share of the acquisition price net of closing costs.

On July 18, 2011, Borders Group, Inc. (Borders) announced that it was seeking approval for the liquidation of its remaining store assets. On July 21, 2011, Borders liquidation plan was approved. As a result, the stores at the five remaining locations where Borders leases space from the Company will likely be closed in the next several months.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of

Inland Western Retail Real Estate Trust, Inc.:

We have audited the accompanying consolidated balance sheets of Inland Western Retail Real Estate Trust, Inc., and subsidiaries (the Company) as of December 31, 2010 and 2009, and the related consolidated statements of operations and other comprehensive loss, equity, and cash flows for each of the two years in the period ended December 31, 2010. Our audits also included the 2010 and 2009 information included in financial statement schedules II and III. These financial statements and financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Inland Western Retail Real Estate Trust, Inc., and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, on January 1, 2009, the Company changed its method of accounting for noncontrolling interests and retrospectively adjusted all periods presented in the consolidated financial statements.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2010, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report (not presented herein) dated February 23, 2011 expressed an unqualified opinion on the Company s internal control over financial reporting.

/s/ Deloitte & Touche LLP

Chicago, Illinois

February 23, 2011

(August 10, 2011 as to the effects of the 2011 discontinued operations described in Note 3)

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders

Inland Western Retail Real Estate Trust, Inc:

We have audited the accompanying consolidated statements of operations and other comprehensive loss, equity, and cash flows of Inland Western Retail Real Estate Trust, Inc. (the Company) and subsidiaries for the year ended December 31, 2008. In connection with our audit of the consolidated financial statements, we also have audited the 2008 information in financial statement schedules II and III. These consolidated financial statements and financial statement schedules are the responsibility of the Company s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedules based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of the operations and cash flows of Inland Western Retail Real Estate Trust, Inc. for the year ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the 2008 information in the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in notes 1, 2, 3, 12, 13, and 14 to the consolidated financial statements, Inland Western Retail Real Estate Trust, Inc. and subsidiaries retrospectively applied certain reclassifications associated with discontinued operations and upon the adoption of an accounting standard related to noncontrolling interests.

/s/ KPMG LLP

Chicago, Illinois

March 31, 2009, except for notes 1, 2, 3, 12, 13, and 14, which are as of August 10, 2011

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

CONSOLIDATED BALANCE SHEETS

As of December 31, 2010 and 2009

(in thousands, except per share amounts)

	2010	2009
Assets		
Investment properties:		
Land	$ 1,375,155	$ 1,435,871
Building and other improvements	5,258,992	5,421,907
Developments in progress	87,095	112,173
	6,721,242	6,969,951
Less accumulated depreciation	(1,034,769)	(866,169)
Net investment properties	5,686,473	6,103,782
Cash and cash equivalents	130,213	125,904
Investment in marketable securities	34,230	29,117
Investment in unconsolidated joint ventures	33,465	78,957
Accounts and notes receivable (net of allowances of $9,138 and $31,014, respectively)	112,915	118,172
Acquired lease intangibles, net	230,046	295,720
Investment properties held for sale		46,435
Other assets, net	159,494	130,278
Total assets	$ 6,386,836	$ 6,928,365
Liabilities and Equity		
Liabilities:		
Mortgages and notes payable	$ 3,602,890	$ 4,003,985
Line of credit	154,347	107,000
Accounts payable and accrued expenses	84,570	73,793
Distributions payable	26,851	15,657
Acquired below market lease intangibles, net	92,099	103,134
Other financings	8,477	11,887
Co-venture obligation	51,264	50,139
Liabilities associated with investment properties held for sale		34,795
Other liabilities	69,746	81,729
Total liabilities	4,090,244	4,482,119
Redeemable noncontrolling interests	527	527
Commitments and contingencies		
Equity:		
Preferred stock, $0.001 par value, 10,000 shares authorized, none issued or outstanding		
Common stock, $0.001 par value, 640,000 shares authorized, 477,345 and 481,743 issued and outstanding at December 31, 2010 and 2009, respectively	477	482
Additional paid-in capital	4,383,281	4,350,484
Accumulated distributions in excess of earnings	(2,111,138)	(1,920,716)

Accumulated other comprehensive income	22,282	11,300
Total shareholders equity	2,294,902	2,441,550
Noncontrolling interests	1,163	4,169
Total equity	2,296,065	2,445,719
Total liabilities and equity	$ 6,386,836	$ 6,928,365

See accompanying notes to consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Consolidated Statements of Operations and Other Comprehensive Loss

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands, except per share amounts)

	2010	2009	2008
Revenues:			
Rental income	$ 507,430	$ 516,461	$ 550,108
Tenant recovery income	114,342	121,149	129,675
Other property income	16,590	18,804	19,740
Insurance captive income	2,996	2,261	1,938
Total revenues	641,358	658,675	701,461
Expenses:			
Property operating expenses	106,523	122,515	140,227
Real estate taxes	85,160	92,523	86,404
Depreciation and amortization	244,531	246,535	247,689
Provision for impairment of investment properties	14,430	53,900	51,600
Loss on lease terminations	13,826	13,735	64,648
Insurance captive expenses	3,392	3,655	2,874
General and administrative expenses	18,119	21,191	19,997
Total expenses	485,981	554,054	613,439
Operating income	155,377	104,621	88,022
Dividend income	3,472	10,132	24,010
Interest income	740	1,483	4,329
Loss on partial sales of investment properties	(385)		
Equity in income (loss) of unconsolidated joint ventures	2,025	(11,299)	(4,939)
Interest expense	(259,561)	(232,433)	(208,555)
Co-venture obligation expense	(7,167)	(597)	
Recognized gain (loss) on marketable securities, net	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 expense	(3,492)	(9,599)	(1,062)
Loss from continuing operations	(104,984)	(132,986)	(659,301)
Discontinued operations:			
Operating loss	(13,529)	(8,806)	(23,912)
Gain on sales of investment properties	23,806	26,383	
Income (loss) from discontinued operations	10,277	17,577	(23,912)
Net loss	(94,707)	(115,409)	(683,213)
Net (income) loss attributable to noncontrolling interests	(1,136)	3,074	(514)
Net loss attributable to Company shareholders	$ (95,843)	$ (112,335)	$ (683,727)

(Loss) earnings per common share-basic and diluted:			
Continuing operations	$ (0.22)	$ (0.27)	$ (1.37)
Discontinued operations	0.02	0.04	(0.05)
Net loss per common share attributable to Company shareholders	$ (0.20)	$ (0.23)	$ (1.42)
Net loss	$ (94,707)	$ (115,409)	$ (683,213)
Other comprehensive loss:			
Net unrealized gain (loss) on derivative instruments	1,247	1,696	(5,516)
Net unrealized gain (loss) on marketable securities	13,742	35,594	(115,716)
Reversal of unrealized (gain) loss to recognized (gain) loss on marketable securities, net	(4,007)	(18,039)	160,888
Comprehensive loss	(83,725)	(96,158)	(643,557)
Comprehensive (income) loss attributable to noncontrolling interests	(1,136)	3,074	(514)
Comprehensive loss attributable to Company shareholders	$ (84,861)	$ (93,084)	$ (644,071)
Weighted average number of common shares outstanding-basic and diluted	483,743	480,310	481,442

See accompanying notes to consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Consolidated Statements of Equity

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands, except per share amounts)

	Shares	Common Stock	Additional Paid-in Capital	Accumulated Distributions in Excess of Net Loss	Accumulated Other Comprehensive Income (Loss)	Total Share-holders Equity	Noncontrolling Interests	Total Equity
Balance at January 1, 2008	484,921	$ 485	$ 4,386,703	$ (740,816)	$ (47,607)	$ 3,598,765	$ 2,230	$ 3,600,995
Net (loss) income (excluding net loss of $32 attributable to redeemable noncontrolling interests)				(683,727)		(683,727)	482	(683,245)
Net unrealized loss on derivative instruments					(5,516)	(5,516)		(5,516)
Net unrealized loss on marketable securities					(115,716)	(115,716)		(115,716)
Reversal of unrealized loss to recognized loss on marketable securities, net					160,888	160,888		160,888
Contributions from noncontrolling interests							1,011	1,011
Distributions declared ($0.64 per weighted average number of common shares outstanding)				(308,798)		(308,798)		(308,798)
Distribution reinvestment program (DRP)	15,360	15	153,585			153,600		153,600
Share repurchase program (SRP)	(22,715)	(23)	(227,133)			(227,156)		(227,156)
Stock based compensation expense			8			8		8
Balance at December 31, 2008	477,566	$ 477	$ 4,313,163	$ (1,733,341)	$ (7,951)	$ 2,572,348	$ 3,723	$ 2,576,071
Net (loss) income (excluding net loss of $3,332 attributable to redeemable noncontrolling interests)		$	$	$ (112,335)	$	$ (112,335)	$ 258	$ (112,077)
Net unrealized gain on derivative instruments					1,696	1,696		1,696
Net unrealized gain on marketable securities					35,594	35,594		35,594
Reversal of unrealized gain to recognized gain on marketable securities, net					(18,039)	(18,039)		(18,039)
Contributions from noncontrolling interests							188	188
Distributions declared ($0.16 per weighted average number of common shares outstanding)				(75,040)		(75,040)		(75,040)
DRP	4,177	5	37,297			37,302		37,302
Stock based compensation expense			24			24		24
Balance at December 31, 2009	481,743	$ 482	$ 4,350,484	$ (1,920,716)	$ 11,300	$ 2,441,550	$ 4,169	$ 2,445,719

Net (loss) income (excluding net income of $31 attributable to redeemable noncontrolling interests)		$	$	$ (95,843)	$	$ (95,843)	$ 1,105	$ (94,738)
Net unrealized gain on derivative instruments					1,247	1,247		1,247
Net unrealized gain on marketable securities					13,742	13,742		13,742
Reversal of unrealized gain to recognized gain on marketable securities, net					(4,007)	(4,007)		(4,007)
Contributions from noncontrolling interests							151	151
De-consolidation of variable interest entity							(4,262)	(4,262)
Distributions declared ($0.20 per weighted average number of common shares outstanding)				(94,579)		(94,579)		(94,579)
DRP	4,601	4	32,727			32,731		32,731
Shares returned from litigation settlement	(9,000)	(9)	9					
Exercise of stock options	1		13			13		13
Stock based compensation expense			48			48		48
Balance at December 31, 2010	477,345	$ 477	$ 4,383,281	$ (2,111,138)	$ 22,282	$ 2,294,902	$ 1,163	$ 2,296,065

See accompanying notes to consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Consolidated Statements of Cash Flows

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands, except per share amounts)

	2010	2009	2008
Cash flows from operating activities:			
Net loss	$ (94,707)	$ (115,409)	$ (683,213)
Adjustments to reconcile net loss to net cash provided by operating activities (including discontinued operations):			
Depreciation and amortization	248,089	258,592	265,587
Provision for impairment of investment properties	23,057	64,700	80,000
Impairment of marketable securities		24,831	160,327
Impairment of goodwill			377,916
Impairment of notes receivable		17,322	
Impairment of investment in unconsolidated entity			5,524
Gain on sales of investment properties	(23,806)	(26,383)	
Loss on partial sales of investment properties	385		
Loss on lease terminations	13,826	13,735	67,092
(Gain) loss on interest rate locks		(3,989)	16,778
Loss on redemption of noncontrolling interests		3,447	
Non-cash co-venture obligation expense	1,125	139	
Amortization of loan fees	12,733	13,295	10,583
Amortization of acquired above and below market lease intangibles	(1,969)	(2,340)	(2,953)
Amortization of mortgage debt premium	(1,541)		
Amortization of discount on debt assumed	509	509	424
Amortization of lease inducements	60	182	
Straight-line rental income	(7,643)	(8,281)	(12,954)
Straight-line ground rent expense	4,109	3,987	5,186
Stock based compensation expense	48	24	8
Equity in (income) loss of unconsolidated joint ventures	(2,025)	11,299	4,939
Distributions from unconsolidated joint ventures	5,721	4,176	5,168
Recognized (gain) loss on sale of marketable securities	(4,007)	(42,870)	561
Provision for bad debt	3,103	9,617	22,910
Payment of leasing fees	(6,172)	(5,048)	(6,003)
Costs associated with refinancings	1,190		
Changes in assets and liabilities:			
Accounts receivable, net	8,336	1,467	(5,146)
Other assets	(184)	2,259	(4,824)
Accounts payable and accrued expenses	13,313	11,136	4,477
Other liabilities	(9,478)	13,440	(3,036)
Net cash provided by operating activities	184,072	249,837	309,351
Cash flows from investing activities:			
Purchase of marketable securities		(190)	(28,433)
Proceeds from sale of marketable securities	8,629	125,088	34,789
Changes in restricted escrows	(22,967)	(38,680)	46,966
Purchase of investment properties, capital expenditures and tenant improvements	(35,198)	(40,778)	(132,233)

Proceeds from partial sales of investment properties	48,616		
Proceeds from sales of investment properties	96,059	172,007	
Investment in developments in progress	(3,219)	(15,297)	(73,137)
Acquired lease intangible assets		(6,972)	(22,495)
Acquired above market lease intangibles		(38)	(4,833)
Acquired below market lease intangibles		152	9,741
Investment in unconsolidated joint ventures	(3,589)	(2,879)	(3,427)
Return of escrowed funds from unconsolidated joint venture	65,240		
Payments received under master lease agreements	789	1,231	3,067
Funding of notes receivable			(12,744)
Payoff of notes receivable	40	62	4,184
Net cash provided by (used in) investing activities	$ 154,400	$ 193,706	$ (178,555)

See accompanying notes to consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Consolidated Statements of Cash Flows (continued)

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands, except per share amounts)

	2010	2009	2008
Cash flows from financing activities:			
Shares repurchased through SRP	$	$	$ (227,156)
Proceeds from margin debt related to marketable securities	22,860	29,750	18,348
Payoff of margin debt related to marketable securities	(12,843)	(86,090)	(70,048)
Proceeds from mortgages and notes payable	737,890	974,938	224,172
Principal payments on mortgages and notes payable	(32,646)	(5,428)	(2,560)
Repayments of mortgages and notes payable	(1,018,351)	(1,152,767)	(57,820)
Proceeds from line of credit	90,000	30,000	275,000
Payoff of line of credit	(42,653)	(148,000)	(125,000)
Payment of rate lock deposits	(12,290)		(7,650)
Refund of rate lock deposits	12,290	5,209	
Payment of loan fees and deposits	(11,498)	(31,376)	(3,890)
Exercise of stock options	13		
Payment of offering costs	(575)		
Distributions paid, net of DRP	(50,654)	(47,651)	(155,592)
Distributions to redeemable noncontrolling interests	(31)	(32)	(31)
Redemption of redeemable noncontrolling interests		(1,548)	
Contributions from noncontrolling interests	151	188	1,011
Contributions from redeemable noncontrolling interests			20
Repayment of other financings	(3,410)	(55,999)	
Proceeds from other financings			4,207
Proceeds from co-venture obligation		50,000	
Net cash used in financing activities	(321,747)	(438,806)	(126,989)
Net increase in cash and cash equivalents	16,725	4,737	3,807
Cash and cash equivalents, at beginning of year	125,904	121,167	117,360
Cash decrease due to deconsolidation of variable interest entity	(12,416)		
Cash and cash equivalents, at end of year	$ 130,213	$ 125,904	$ 121,167
Supplemental cash flow disclosure, including non-cash activities:			
Cash paid for interest, net of interest capitalized	$ 248,576	$ 222,573	$ 229,647
Distributions payable	$ 26,851	$ 15,657	$ 25,570
Distributions reinvested	$ 32,731	$ 37,302	$ 153,600
Accrued offering costs	$ 309	$	$
Purchase of investment properties:			

Land, building and other improvements	$	(35,198)	$	(40,778)	$	(203,315)
Assumption of mortgages payable						56,500
Conversion of investment in joint venture to investment property						2,179
Conversion of notes receivable to investment property						16,347
Other financings						
Mortgage discount						(3,944)
	$	(35,198)	$	(40,778)	$	(132,233)
Developments in progress placed in service	$	28,312	$	35,126	$	84,629
Developments payable	$	499	$	485	$	4,339
Forgiveness of mortgage debt	$	50,831	$		$	
Shares of common stock returned as a result of litigation settlement		9,000				

See accompanying notes to consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Consolidated Statements of Cash Flows (continued)

For the Years Ended December 31, 2010, 2009 and 2008

(in thousands, except per share amounts)

	2010	2009	2008
Proceeds from sales of investment properties:			
Land	$ 36,600	$ 50,846	$
Building and other improvements, net of accumulated depreciation	71,891	237,789	
Accounts and notes receivable	474	2,425	
Acquired lease intangibles and other assets	(4,883)	20,972	
Mortgages and notes payable assumption		(160,489)	
Forgiveness of mortgage debt	(31,756)		
Acquired below market lease intangibles and other liabilities	(73)	(5,919)	
Gain on sales of investment properties	23,806	26,383	
	$ 96,059	$ 172,007	$
Proceeds from partial sales of investment properties:			
Land	$ 37,377	$	$
Building and other improvements, net of accumulated depreciation	113,440		
Accounts and notes receivable	2,062		
Acquired lease intangibles and other assets	(2,350)		
Mortgages and notes payable assumption	(97,888)		
Acquired below market lease intangibles and other liabilities	(3,640)		
Loss on partial sales of investment properties	(385)		
	$ 48,616	$	$
Redemption of redeemable noncontrolling interests:			
Redeemable noncontrolling interests	$	$ 15,426	$
Land		(11,488)	
Building and other improvements, net of accumulated depreciation			
Investment in unconsolidated joint ventures			
Restricted cash		(2,390)	
Acquired lease intangibles and other assets			
Mortgages and notes payable			
Acquired below market lease intangibles and other liabilities			
	$	$ 1,548	$
Deconsolidation of variable interest entity:			
Investment in unconsolidated joint ventures	$ 7,230	$	$
Other assets, net	(6,386)		
Accounts payable and accrued expenses	124		
Other liabilities	7,186		
Noncontrolling interests	4,262		

Cash decrease due to deconsolidation of variable interest entity	$ 12,416	$	$

See accompanying notes to consolidated financial statements

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2010, 2009 and 2008

(1) Organization and Basis of Presentation

Inland Western Retail Real Estate Trust, Inc. (the Company) was formed on March 5, 2003 to acquire and manage a diversified portfolio of real estate, primarily multi-tenant shopping centers and single-user net lease properties.

All amounts in the notes to the consolidated financial statements are stated in thousands with the exception of per share amounts, square foot amounts, number of properties, number of states, number of leases and number of employees.

The Company issued a total of 459,484 shares of its common stock at $10.00 per share, resulting in gross proceeds of $4,595,193. In addition, as of December 31, 2010, the Company had issued 70,683 shares through its DRP at prices ranging from $6.85 to $10.00 per share for gross proceeds of $675,503 and had repurchased a total of 43,823 shares through its SRP (suspended as of November 19, 2008) at prices ranging from $9.25 to $10.00 per share for an aggregate cost of $432,487. During September 2010, one thousand five hundred shares were issued through the exercise of stock options at a price of $8.95 per share for gross proceeds of $13. In addition, nine million shares of common stock were transferred back to the Company in December 2010 from shares of common stock issued to the owners of certain entities that were acquired by the Company in its internalization transaction in conjunction with the litigation settlement. See Note 17 for further details on the litigation settlement. As a result, the Company had total shares outstanding of 477,345 and had realized total net offering proceeds of $4,838,222 as of December 31, 2010.

On November 15, 2007, pursuant to an agreement and plan of merger approved by its shareholders on November 13, 2007, the Company acquired, through a series of mergers, four entities affiliated with its former sponsor, Inland Real Estate Investment Corporation, which provided business management/advisory and property management services to the Company. Shareholders of the acquired companies received an aggregate of 37,500 shares of the Company s common stock, valued under the merger agreement at $10.00 per share. In December 2010, certain of the shareholders returned 9,000 shares of the Company s common stock in connection with the settlement of a lawsuit related to this acquisition.

The Company accounted for the merger transaction as a consummation of a business combination between parties with a pre-existing relationship. The assets and liabilities of the acquired companies were recorded at their estimated fair value at the date of the transaction. The purchase price in excess of the fair value of the assets and liabilities of the acquired companies was allocated to goodwill in the amount of $377,916. In determining the purchase price, an independent third party rendered an opinion on the $10.00 per share value of the shares, as well as the aggregate purchase price of $375,000. Additional costs totaling $4,019 were also incurred as part of the merger transaction consisting of financial and legal advisory services and accounting and proxy related costs. As part of the merger, the Company assigned values to these tangible and intangible assets at their estimated fair values.

The Company performed its goodwill impairment analysis using the two step method on an annual basis and whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. The Company completed its annual goodwill impairment test during the fourth quarter of 2008 and determined that the carrying value exceeded its fair value, indicating potential goodwill impairment existed. Certain unanticipated events occurring primarily in the fourth quarter of 2008 caused the carrying value of goodwill to exceed its fair value. The primary events were the severe dislocations and liquidity disruptions in the credit and equity markets that took place late in 2008 and three significant tenants who declared bankruptcy liquidations during the fourth quarter of 2008 and early in 2009. As a result of the two step test performed during the fourth quarter of 2008, the Company determined that the entire goodwill balance was impaired and, as such, the Company recorded impairment of $377,916.

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The Company has elected to be taxed as a real estate investment trust (REIT) under the Internal Revenue Code of 1986, as amended, or the Code, commencing with the tax year ended December 31, 2003. The Company believes it qualifies for taxation as a REIT and, as such, the Company generally will not be subject to federal income tax on taxable income that is distributed to shareholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate tax rates. However, on January 20, 2011, the Company filed a request for a closing agreement from the Internal Revenue Service, or IRS, whereby the IRS, would agree that the Company s dividends paid deduction for the taxable years 2004 through 2006, the years for which it had positive taxable income, was sufficient for the Company to qualify for taxation as a REIT. The IRS is currently reviewing the Company s request and continues to move it through its review process (see Note 13). Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income, property or net worth and federal income and excise taxes on its undistributed income. The Company has one wholly-owned subsidiary that has elected to be treated as a taxable REIT subsidiary (TRS) for federal income tax purposes. A TRS is taxed on its taxable income at regular corporate tax rates. The income tax expense incurred as a result of the TRS did not have a material impact on the Company s accompanying consolidated financial statements. On November 15, 2007, the Company acquired four qualified REIT subsidiaries. Their income is consolidated with REIT income for federal and state income tax purposes.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (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.

Certain reclassifications as a result of discontinued operations have been made to the 2009 and 2008 consolidated financial statements to conform to the 2010 presentation. In addition, on January 1, 2009, the Company adopted guidance on noncontrolling interests that required retrospective application, in which all periods presented reflect the necessary changes.

The accompanying consolidated financial statements include the accounts of the Company, as well as all wholly-owned subsidiaries and consolidated joint venture investments. Wholly-owned subsidiaries generally consist of limited liability companies (LLCs) and limited partnerships (LPs).

The Company s property ownership as of December 31, 2010 is summarized below:

	Wholly-owned	**Consolidated Joint Venture (a)**	**Unconsolidated Joint Venture (b)**
Operating properties	229	55	19
Development properties	1	5	2

(a) The Company has ownership interests ranging from 25% to 77% in six LLCs or LPs
(b) The Company has ownership interests ranging from 20% to 96% in three LLCs or LPs

The Company consolidates certain property holding entities and other subsidiaries in which it owns less than a 100% equity interest if it is deemed to be the primary beneficiary in a variable interest entity (VIE), (an entity in which the contractual, ownership, or pecuniary interests change with changes in the fair value of the entity s net assets, as defined by the Financial Accounting Standards Board (FASB)). The Company also consolidates

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entities that are not VIEs in which it has financial and operating control in accordance with GAAP. All significant intercompany balances and transactions have been eliminated in consolidation. Investments in real estate joint ventures in which the Company has the ability to exercise significant influence, but does not have financial or operating control, are accounted for using the equity method of accounting. Accordingly, the Company s share of the income (or loss) of these unconsolidated joint ventures is included in consolidated net (loss) income.

The Company is the controlling member in various consolidated entities. The organizational documents of these entities contain provisions that require the entities to be liquidated through the sale of their assets upon reaching a future date as specified in each respective organizational document or through put/call arrangements. As controlling member, the Company has an obligation to cause these property-owning entities to distribute proceeds of liquidation to the noncontrolling interest partners in these partially-owned entities only if the net proceeds received by each of the entities from the sale of assets warrant a distribution based on the agreements. Some of the LLC or LP agreements for these entities contain put/call provisions which grant the right to the outside owners and the Company to require each LLC or LP to redeem the ownership interest of the outside owners during future periods. In instances where outside ownership interests are subject to put/call arrangements requiring settlement for fixed amounts, the LLC or LP is treated as a 100% owned subsidiary by the Company with the amount due to the outside owner reflected as a financing arrangement and included in Other financings in the accompanying consolidated balance sheets. Interest expense is recorded on such liabilities in amounts equal to the preferential returns due to the outside owners as provided in the LLC or LP agreements. In instances where outside ownership interests are subject to call arrangements without fixed settlement amounts, the LLC is treated as a 100% owned subsidiary by the Company with the amount due to the outside owner reflected as a financing and included in Co-venture obligation in the accompanying consolidated balance sheets. Expense is recorded on such liabilities in amounts equal to the preferential returns due to the outside owners as provided in the LLC agreement.

In December 2007, the FASB issued accounting guidance on noncontrolling interests in consolidated financial statements, effective for fiscal years beginning on or after December 15, 2008. The Company adopted the guidance on January 1, 2009. The guidance defines noncontrolling interest as the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. As a result of the adoption of the guidance on noncontrolling interests, the Company retrospectively adjusted all periods presented in the consolidated financial statements for the balances related to the noncontrolling interests associated with the insurance association captive and two consolidated joint venture investments to permanent equity. Noncontrolling interests associated with the Company s other consolidated joint venture investments continue to be classified outside of permanent equity as those interests are redeemable by the Company at the discretion of the noncontrolling interest holder. The Company made this determination based on an evaluation of the terms in applicable agreements, specifically the redemption provisions. The amount at which these interests would be redeemed is based on a formula contained in each respective agreement and, as of December 31, 2010 and 2009, was determined to approximate the carrying value of these interests. Accordingly, no adjustment was made during the years ended December 31, 2010 and 2009.

On the consolidated statements of operations and other comprehensive loss, revenues, expenses and net income or loss from less-than-wholly-owned subsidiaries are reported at the consolidated amounts, including both the amounts attributable to Company shareholders and noncontrolling interests. Consolidated statements of equity are included in the annual financial statements, including beginning balances, activity for the period and ending balances for shareholders equity, noncontrolling interests and total equity.

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Below is a table reflecting the activity of the redeemable noncontrolling interests for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Balance at January 1,	$ 527	$ 19,317	$ 19,296
Redeemable noncontrolling interest income (expense)	31	(3,332)	32
Contributions			20
Distributions	(31)	(32)	(31)
Redemptions		(15,426)	
Balance at December 31,	$ 527	$ 527	$ 19,317

During the years ended December 31, 2010 and 2009, the Company paid certain joint venture partners for the redemption of their interests in certain consolidated joint ventures as summarized below:

Redemption Date	Full or Partial Redemption	Accrued Preferred Return	Amount Included in Other Financings	Total Payment Amount
January 5, 2010	Full	$ 20	$ 3,410	$ 3,430

Redemption Date	Full or Partial Redemption	Accrued Preferred Return	Amount included in Other financings	Total Payment Amount
January 16, 2009	Full	$	$ 3,410	$ 3,410
April 28, 2009	Full	114	5,698	5,812
June 4, 2009	Partial		40,539	40,539
June 29, 2009	Full		6,352	6,352
Total for the year ended December 31, 2009		$ 114	$ 55,999	$ 56,113

The Company is party to an agreement with an LLC formed as an insurance association captive (the Captive), which is wholly-owned by the Company and three related parties, Inland Real Estate Corporation (IREC), Inland American Real Estate Trust, Inc. (IARETI) and Inland Diversified Real Estate Trust, Inc. (IDRETI). The Captive is serviced by a related party, Inland Risk and Management Services, Inc. for a fee of $25 per quarter. It has been determined that the Captive is a VIE and, as the Company received the most benefit of all members through November 30, 2010, the Company was deemed to be the primary beneficiary. Therefore, the Captive was consolidated by the Company through November 30, 2010. Prior to November 30, 2010, the other members interests are reflected as Noncontrolling interests in the accompanying consolidated financial statements. Effective November 30, 2010, it was determined that the Company no longer received the most benefit, nor had the highest risk of loss and, therefore, was no longer the primary beneficiary. As a result, the Captive was deconsolidated and recorded under the equity method of accounting. As of December 31, 2010, the Company s interest in the Captive is reflected in Investment in unconsolidated joint ventures in the accompanying consolidated balance sheets. The Company s share of net income of the Captive for December 2010 is reflected in Equity in income (loss) of unconsolidated joint ventures in the accompanying consolidated statements of operations and other comprehensive loss.

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The assets of the Captive are restricted to the settlement of liabilities of the Captive. Similarly, creditors of the Captive do not have recourse to the Company. Below is a summary of the assets and liabilities of the Captive as of December 31, 2009:

	December 31, 2009
Cash and cash equivalents	$ 10,000
Other assets, net	5,256
Accounts payable and accrued expenses	(34)
Other liabilities	(8,320)

On November 29, 2009, the Company formed IW JV 2009, LLC (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 $625,000 debt refinancing transaction, which consisted of $500,000 of mortgages payable and $125,000 of notes payable, on December 1, 2009, the Company raised additional capital of $50,000 from a related party, Inland Equity Investors, LLC (Inland Equity) in exchange for a 23% noncontrolling interest in IW JV. IW JV, which is controlled by the Company, and therefore consolidated, will continue to be managed and operated by the Company. Inland Equity is owned by certain individuals, including Daniel L. Goodwin, who beneficially owns more than 5% of the common stock of the Company, and Robert D. Parks, who was the Chairman of the Board of the Company until October 12, 2010 and is the Chairman of the Board of certain affiliates of The Inland Group, Inc. The independent directors committee reviewed and recommended approval of this transaction to the Company s board of directors.

Noncontrolling interests are adjusted for additional contributions by noncontrolling interest holders and distributions to noncontrolling interest holders, as well as the noncontrolling interest holders share of the net income or losses of each respective entity.

(2) Summary of Significant Accounting Policies

Investment Properties: Investment properties are recorded at cost less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred. Expenditures for significant betterments and improvements are capitalized.

The Company allocates 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, 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, the Company engages independent real estate appraisal firms to provide market information and evaluations that help support the Company s purchase price allocations; however, the Company is ultimately responsible for the purchase price allocations. The Company determines 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. The Company allocates 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. The Company considers various factors, including geographic location and size of the leased space. The Company also evaluates each significant acquired lease based upon current market rates at the acquisition date and considers 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, the Company allocates 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

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values. Renewal periods are excluded for amortization periods on above market lease intangibles. 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 the Company s evaluation of subjective factors such as market knowledge, economics, demographics, location, visibility, age and physical condition of the property.

The portion of the purchase price allocated to acquired in-place lease intangibles is amortized on a straight-line basis over the life of the related lease as a component of depreciation and amortization expense. The Company incurred amortization expense pertaining to acquired in-place lease intangibles of $42,080, $46,153 and $49,807 for the years ended December 31, 2010, 2009 and 2008, respectively.

The portion of the purchase price allocated to acquired above market lease value and acquired below market lease value is amortized on a straight-line basis over the life of the related lease as an adjustment to rental income and over the respective renewal period for below market leases with fixed rate renewals. Renewal periods are excluded for amortization periods on above market lease intangibles. Amortization pertaining to the above market lease value of $5,654, $6,307 and $7,156 for the years ended December 31, 2010, 2009 and 2008, respectively, was applied as a reduction to rental income. Amortization pertaining to the below market lease value $7,623, $8,647 and $9,660 for the years ended December 31, 2010, 2009 and 2008, respectively, was applied as an increase to rental income.

The following table presents the amortization during the next five years and thereafter related to the acquired in-place lease value and acquired above and below market lease intangibles for properties owned at December 31, 2010:

	2011	2012	2013	2014	2015	Thereafter
Amortization of:						
Acquired above market lease intangibles	$ (4,871)	$ (3,625)	$ (3,180)	$ (2,619)	$ (2,122)	$ (6,434)
Acquired below market lease intangibles	6,664	6,085	5,761	5,381	4,934	63,274
Net rental income increase	$ 1,793	$ 2,460	$ 2,581	$ 2,762	$ 2,812	$ 56,840
Acquired in-place lease value	$ 39,711	$ 37,447	$ 33,992	$ 24,776	$ 16,590	$ 54,672

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. Tenant improvements and leasing fees are amortized on a straight-line basis over the life of the related lease as a component of depreciation and amortization expense.

Impairment: The Company s 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 requires the Company 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.

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The Company s 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, the Company considers whether it has the ability and intent to hold the investment until the carrying value is fully recovered.

To the extent impairment has occurred, the excess of the carrying value of the asset over its estimated fair value is recorded as a provision for impairment of investment properties or investments in unconsolidated joint ventures.

Below is a summary of impairment losses for the years ended December 31, 2010, 2009 and 2008:

	Years Ended December 31,		
	2010	**2009**	**2008**
Impairment of consolidated properties	$ 23,057	$ 64,700	$ 80,000
Impairment of investment in unconsolidated joint ventures	$	$ 9,062[(a)]	$ 9,028[(b)]

(a) Included in Equity in (loss) income of unconsolidated joint ventures in the accompanying consolidated statements of operations and other comprehensive loss.
(b) $3,504 included in Equity in (loss) income of unconsolidated joint ventures and $5,524 included in Impairment of investment in unconsolidated entity in the accompanying consolidated statements of operations and other comprehensive loss.

Impairment of consolidated investment properties is included in Provision for impairment of investment properties on the accompanying consolidated statements of operations and other comprehensive loss, except for $8,627, $10,800, and $28,400 which is included in discontinued operations in 2010, 2009, and 2008, respectively. The Company s assessment of impairment at December 31, 2010 was based on the most current information available to the Company. If the conditions mentioned above deteriorate further or if the Company s plans regarding the Company s assets change, subsequent tests for impairment could result in additional impairment charges in the future. The Company can provide no assurance that material impairment charges with respect to the Company s investment properties and investments in unconsolidated joint ventures will not occur in 2011 or future periods. In light of the downturn in the general economy and the resulting effect upon real estate market conditions, certain of the Company s properties may have fair values less than their carrying amounts. However, based on the Company s plans with respect to those properties, the Company believes that the carrying amounts are recoverable and therefore, under applicable GAAP guidance, no additional impairments were taken. Accordingly, the Company will continue to monitor circumstances and events in future periods to determine whether additional impairments are warranted.

Development Projects**:** The Company capitalizes costs incurred during the development period such as construction, insurance, architectural, legal, interest and other financing costs, and real estate taxes. At such time as the development is considered substantially complete, those costs included in developments in progress are reclassified to land and building and other improvements. Development payables of $499 and $485 at December 31, 2010 and 2009, respectively, consist of costs incurred and not yet paid pertaining to these development projects and are included in Accounts payable and accrued expenses on the accompanying consolidated balance sheets. During the years ended December 31, 2010, 2009 and 2008, the Company capitalized interest cost of $286, $1,194 and $7,485, respectively.

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, the Company evaluates 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, the Company may write-off the depreciation and amortization associated with the applicable asset group. If the Company concludes 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. The Company recorded loss on lease terminations of $13,826, $13,735 and $67,092 (including $2,444 reflected as discontinued operations) for the years ended December 31, 2010, 2009 and 2008, respectively.

***Investment Properties Held For Sale*: ** In determining whether to classify an investment property as held for sale, the Company considers 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) the Company has initiated a program to locate a buyer; (iv) the Company believes that the sale of the investment property is probable; (v) the Company has received a significant non-refundable deposit for the purchase of the investment property; (vi) the Company is actively marketing the investment property for sale at a price that is reasonable in relation to its current value, and (vii) actions required for the Company to complete the plan indicate that it is unlikely that any significant changes will be made.

If all of the above criteria are met, the Company classifies the investment property as held for sale. When these criteria are met, the Company suspends depreciation (including depreciation for tenant improvements and building improvements) and amortization of acquired in-place lease value and customer relationship values. 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 the Company does not 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. There were no properties classified as held for sale at December 31, 2010 and there was one single-user property classified as held for sale at December 31, 2009. Refer to Note 3 for more information.

***Partially-Owned Entities*:** If the Company determines that it is an owner in a VIE and it holds a controlling financial interest, then it will consolidate the entity as the primary beneficiary. For partially-owned entities determined not to be a VIE, the Company analyzes rights held by each partner to determine which would be the consolidating party. The Company generally consolidates entities (in the absence of other factors when determining control) when it has over a 50% ownership interest in the entity. The Company assesses its interests in variable interest entities on an ongoing basis to determine whether or not it is a primary beneficiary. However, it also evaluates who controls the entity even in circumstances in which it has greater than a 50% ownership interest. If the Company does not control the entity due to the lack of decision-making abilities, it will not consolidate the entity.

***Cash and Cash Equivalents*:** The Company considers all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements purchased with a maturity of three months or less, at the date of purchase, to be cash equivalents. The Company maintains its cash and cash equivalents at various financial institutions. The combined account balances at one or more institutions periodically exceed the Federal Depository Insurance Corporation (FDIC) insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes that the risk is not significant, as the Company does not anticipate the financial institutions non-performance.

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 the Company determines are other-than-temporary are recorded as recognized loss on marketable securities on the consolidated statements of operations and other comprehensive loss.

To determine whether an impairment is other-than-temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary, among other things. Evidence

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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*:** The Company periodically evaluates the collectability of amounts due from tenants and maintains an allowance for doubtful accounts for estimated losses resulting from the inability of tenants to make required payments under their lease agreements. The Company also maintains an allowance for receivables arising from the straight-lining of rents. These receivables arise from revenue recognized in excess of amounts currently due under the lease agreements. As stated previously, this also includes allowances for notes receivable. Management exercises judgment in establishing these allowances on a tenant-specific basis and considers payment history and current credit status in developing these estimates.

***Restricted Cash and Escrows*:** Restricted cash and escrows include funds received by third party escrow agents from sellers pertaining to master lease agreements. The Company records the third party escrow funds as both an asset and a corresponding liability, until certain leasing conditions are met. Restricted cash and escrows also consist of lenders escrows and funds restricted through other lender agreements and are included as a component of Other assets in the accompanying consolidated balance sheets.

Derivative Instruments and Hedging Activities: The Company 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 the Company enters into a derivative, it 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 Accumulated other comprehensive income (loss), until earnings are affected by the variability of cash flows of the hedged transactions. Any hedge ineffectiveness or changes in fair value for any derivative not designated as a hedge is reported in Other expense on the consolidated statements of operations and other comprehensive loss. The Company uses derivatives to manage differences in the amount, timing and duration of the Company s known or expected cash payments principally related to certain of the Company s borrowings. The Company does not use derivatives for trading or speculative purposes.

Conditional Asset Retirement Obligations: The Company evaluates the potential impact of conditional asset retirement obligations on its consolidated financial statements. The term conditional asset retirement obligation refers to a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Thus, the timing and/or method of settlement may be conditional on a future event. Based upon the Company s evaluation, the accrual of a liability for asset retirement obligations was not warranted as of December 31, 2010 and 2009.

Revenue Recognition: The Company commences revenue recognition on its 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 the Company is the owner, for accounting purposes, of the tenant improvements, then the leased asset is the finished space and revenue recognition begins when the

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lessee takes possession of the finished space, typically when the improvements are substantially complete. If the Company concludes it is 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, the Company begins revenue recognition when the lessee takes possession of the unimproved space for the lessee to construct their own improvements. The Company considers a number of different factors to evaluate whether it or the lessee is 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 the Company 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 the Company 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, the Company considers 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 accompanying 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. The Company makes certain assumptions and judgments in estimating the reimbursements at the end of each reporting period.

The Company records 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 collectability is reasonably assured. Upon early lease termination, the Company provides for losses related to recognized tenant specific intangibles and other assets or adjusts the remaining useful life of the assets if determined to be appropriate, in accordance with its policy related to loss on lease terminations.

The Company s policy for percentage rental income is to defer recognition of contingent rental income until the specified target (i.e. breakpoint) that triggers the contingent rental income is achieved. The Company earned percentage rental income of $6,269, $6,169 and $6,422 for the years ended December 31, 2010, 2009 and 2008, respectively.

In conjunction with certain acquisitions, the Company receives 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 the Company or the seller when certain leasing conditions are met. The Company received $789, $1,231 and $3,067 of these payments during the years ended December 31, 2010, 2009 and 2008, respectively.

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Profits from sales of real estate are not recognized under the full accrual method by the Company unless a sale is consummated; the buyer s initial and continuing investments are adequate to demonstrate a commitment to pay for the property; the Company s receivable, if applicable, is not subject to future subordination; the Company has transferred to the buyer the usual risks and rewards of ownership; and the Company does not have substantial continuing involvement with the property. During the year ended December 31, 2010, the Company sold eight investment properties. Refer to Note 3 for further information. Eight investment properties were sold during the year ended December 31, 2009.

***Rental Expense*:** Rental expense associated with land and office space that the Company leases under non-cancellable operating leases is recorded on a straight-line basis over the term of each lease. The difference between rental expenses incurred on a straight-line basis and rent payments due under the provisions of the lease agreement is recorded as a deferred liability and is included as a component of Other liabilities in the accompanying consolidated balance sheets. See Note 7 for additional information pertaining to these leases.

Loan Fees: Loan fees are generally amortized, using the effective interest method (or other methods which approximate the effective interest method), over the life of the related loans as a component of interest expense. Debt prepayment penalties and certain fees associated with exchanges or modifications of debt are expensed as incurred as a component of interest expense.

Segment Reporting: The Company assesses and measures operating results of its properties based on net property operations. The Company internally evaluates the operating performance of its portfolio of properties and does not differentiate properties by geography, size or type. Each of the Company s investment properties is considered a separate operating segment, as each property earns revenue and incurs expenses, individual operating results are reviewed and discrete financial information is available. However, the Company s properties are aggregated into one reportable segment as the Company evaluates the aggregate performance of the properties.

Recent 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 the Company s 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 the 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 the Company s 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 Company s 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 the Company s 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. The Company does not expect this will have a material effect on its 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 the Company enters into a business combination, it will comply with the disclosure requirements of this guidance.

(3) Discontinued Operations and Investment Properties Held for Sale

The Company employs a business model, which utilizes asset management as a key component of monitoring its investment properties, to ensure that each property continues to meet expected investment returns and standards. This strategy incorporates the sale of non-core assets that no longer meet the Company s criteria.

The Company sold eight properties during the year ended December 31, 2010, as summarized below:

Date	Square Footage	Property Type	Location	Sales Price	Net Sales Proceeds/ (Cash Outflow)	Gain/ (Loss)	Debt Extinguished
March 15, 2010	79,200	Single-user office	San Antonio, Texas	$ 10,850	$ 3,501	$ 52	$ 7,060 [(a)]
April 12, 2010	100,400	Medical center [(b)]	Cupertino, California	44,000	11,017	381	32,670 [(a)]
April 26, 2010	41,300	Single-user retail	Naperville, Illinois	4,775	(27)	875	4,964 [(c)]
May 28, 2010	48,800	Single-user retail	Hinsdale, Illinois	11,610	3,923		7,469 [(a)]
June 30, 2010	88,300	Single-user retail	Kansas City, Missouri	8,950	2	749	8,758 [(a)]
November 10, 2010	78,700	Single-user retail	San Diego, California	13,200	772	1,631	7,900 [(a)]
November 10, 2010	75,200	Single-user retail	Escondido, California	11,250	1,957	277	6,700 [(a)]
December 30, 2010	382,600	Single-user office	Richmond, Virginia		(121)	19,841	31,270 [(d)]
	894,500			$ 104,635	$ 21,024	$ 23,806	$ 106,791

(a) The debt was repaid in conjunction with the sale.
(b) This property qualified for held for sale accounting treatment during the fourth quarter 2009, at which time depreciation and amortization ceased since it met all of the Company s held for sale criteria. As such, the assets and liabilities are separately classified as held for sale on the consolidated balance sheet as of December 31, 2009 and the operations for all periods presented are classified as discontinued operations on the consolidated statements of operations and other comprehensive loss.
(c) Of the total amount of debt extinguished, $4,478 was repaid in conjunction with the sale and $486 was forgiven.
(d) Property was transferred to the lender through a deed in lieu of foreclosure transaction.

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In addition, as part of its overall liquidity strategy, the Company continues to enter into joint ventures, such as the RioCan joint venture where the Company retained a 20% interest. The Company partially sold eight properties during the year ended December 31, 2010 to the RioCan joint venture (an unconsolidated joint venture further discussed in Note 11) which, due to the Company s 20% ownership in the joint venture, do not qualify for discontinued operations accounting treatment, as summarized below:

Date	Square Footage	Property Type	Location	Sales Price (at 100%)	Net Sales Proceeds	Gain/ (Loss)	Debt Extinguished (at 100%)
September 30, 2010	116,400	Multi-tenant retail	Cypress, Texas	$ 14,818	$ 3,420	$ 686	$ 9,847 [a]
September 30, 2010	87,900	Multi-tenant retail	Houston, Texas	15,738	4,339	(180)	10,159 [a]
September 30, 2010	148,100	Multi-tenant retail	Houston, Texas	16,581	5,608	958	9,321 [a]
October 15, 2010	91,400	Multi-tenant retail	Coppell, Texas	11,639	1,146	(2,061)	10,050 [a]
October 15, 2010	96,400	Multi-tenant retail	Southlake, Texas	12,258	2,530	(489)	8,975 [a][c]
October 22, 2010	60,500	Multi-tenant retail	Sugarland, Texas	11,250	8,923	207	[b]
November 1, 2010	266,800	Multi-tenant retail	Austin, Texas	21,769	7,192	(1,064)	12,663 [a]
December 16, 2010	92,300	Multi-tenant retail	Grand Prairie, Texas	15,311	5,800	1,667	8,449 [a]
December 30, 2010	186,400	Multi-tenant retail	Sugarland, Texas	40,554	9,658	(109)	28,424 [b]
	1,146,200			$ 159,918	$ 48,616	$ (385)	$ 97,888

(a) The debt was assumed by the RioCan joint venture in conjunction with the acquisition.
(b) This is a single property that was sold in two phases. The debt was held under the first phase which was contributed on December 30, 2010 and was assumed by the RioCan joint venture in conjunction with the acquisition.
(c) Includes $476 of earnout proceeds received subsequent to the closing date

During 2009, the Company sold eight properties which resulted in net sales proceeds of $123,944 and gain on sales of $26,383. No properties were sold during 2008.

During the six months ended June 30, 2011, the Company sold four properties located in Arkansas, Kentucky, Texas and Iowa. The operating results of these four properties, each of which qualifies as discontinued operations and none of which was held for sale at December 31, 2010, have been reclassified and reported as discontinued operations in the consolidated statements of operations and other comprehensive loss. Included in the consolidated balance sheets at December 31, 2010 were $56,130 of property, $12,231 of accumulated depreciation and $19,220 of liabilities related to these four properties. Revenues for these four properties totaled $5,698, $5,904 and $5,734 for the years ended December 31, 2010, 2009 and 2008, respectively.

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The Company does not allocate general corporate interest expense to discontinued operations. The results of operations for the years ended December 31, 2010, 2009 and 2008 for the investment properties that are accounted for as discontinued operations, including those subsequently disposed of in the six months ended June 30, 2011, are presented in the table below:

	Years Ended December 31,		
	2010	**2009**	**2008**
Revenues:			
Rental income	$ 6,899	$ 27,359	$ 45,839
Tenant recovery income	768	4,176	8,171
Other property income	29	719	111
Total revenues	7,696	32,254	54,121
Expenses:			
Property operating expenses	2,280	2,791	6,440
Real estate taxes	1,362	3,345	4,170
Depreciation and amortization	3,557	12,057	19,593
Provision for impairment of investment properties	8,627	10,800	28,400
Loss on lease terminations			2,444
Interest expense	5,355	12,060	16,986
Other expense	44	7	
Total expenses	21,225	41,060	78,033
Operating loss from discontinued operations	$ (13,529)	$ (8,806)	$ (23,912)

No properties were classified as held for sale as of December 31, 2010. The following assets and liabilities relate to the one investment property that was classified as held for sale as of December 31, 2009:

	December 31, 2009
Assets	
Land, building and other improvements	$ 41,689
Accumulated depreciation	(112)
	41,577
Other assets	4,858
Total assets associated with investment property held for sale	$ 46,435
Liabilities	
Mortgage payable	$ 32,670
Other liabilities	2,125
Total liabilities associated with investment property held for sale	$ 34,795

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(4) Transactions with Related Parties

The Inland Group, Inc., or the Inland Group, and its affiliates are related parties because of the Company s 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 the Company, Mr. Goodwin is a beneficial owner of more than 5% of the Company s common stock, Mr. Parks was a director and Chairman of the Company s board of directors until October 12, 2010 and Ms. Gujral is currently one of the Company s 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.

	For the Years Ended December 31,			Unpaid Amounts as of December 31,	
Fee Category	**2010**	**2009**	**2008**	**2010**	**2009**
Investment advisor[(a)(i)]	$ 272	$ 67	$ 1,390	$ 22	$ 20
Loan servicing[(b)(j)]	282	372	405		
Mortgage financing[(c)(j)]	88		1,330		
Transition property due diligence services[(d)(k)]			19		
Institutional investor relationship services[(e)(j)]	18	34	10		
Legal[(f)(j)]	343	551	500	100	123
Other service agreements[(g)(j)]	2,637	3,027	2,814	248	194
Office rent and related costs[(h)]	949	1,162	771	155	175
Total	$ 4,589	$ 5,213	$ 7,239	$ 525	$ 512

(a) An Inland affiliate, who is a registered investment advisor, provides investment advisory services to the Company related to the Company s securities investment account for a fee (paid monthly) of up to one percent per annum based upon the aggregate fair value of the Company s assets invested. Subject to the Company s approval and the investment guidelines it provides to them, the Inland 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 affiliate has also been granted power to vote all investments held in the account. Effective for the period from November 1, 2008 through September 30, 2009, the investment advisor agreed to waive all fees due at the request of the Company. Fees were incurred again beginning on October 1, 2009.

(b) An Inland affiliate provides loan servicing for the Company for a monthly fee based upon the number of loans being serviced.

(c) An Inland affiliate facilitates the mortgage financing the Company obtains on some of its properties. The Company pays the Inland affiliate 0.2% of the principal amount of each loan obtained on the Company s behalf. Such costs are capitalized as loan fees and amortized over the respective loan term as a component of interest expense.

(d) The Company has a transition property due diligence services agreement with an Inland affiliate. In connection with the Company s acquisition of new properties, the Inland affiliate will give the Company 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 the Company s behalf and prepare suitability, due diligence, and preliminary and final pro forma analyses of properties proposed to be acquired. The Company 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 per transaction, and, to the extent these services are requested, pay a cost of $7 for due diligence expenses and a cost of $25 for negotiation expenses per transaction.

(e) The Company has an institutional investor relationships services agreement with an Inland affiliate. Under the terms of the agreement, the Inland affiliate will attempt to secure institutional investor commitments in exchange for advisory and client fees and reimbursement of project expenses.

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(f) An Inland affiliate has a legal services agreement with the Company, where that Inland affiliate will provide the Company with certain legal services in connection with the Company s real estate business. The Company will pay the Inland affiliate for legal services rendered under the agreement on the basis of actual time billed by attorneys and paralegals at the Inland 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 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.

(g) The Company has service agreements with certain Inland affiliates, including office and facilities management services, insurance and risk management services, computer services, personnel services, property tax services and communications services. Generally, these agreements provide that the Company obtain certain services from the Inland affiliates through the reimbursement of a portion of their general and administrative costs. The services are to be provided on a non-exclusive basis in that the Company 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.

(h) The Company subleases its office space from an Inland affiliate. The lease calls for annual base rent of $496 and additional rent in any calendar year of its proportionate share of taxes and common area maintenance costs. Additionally, the Inland affiliate paid certain tenant improvements under the lease in the amount of $395 and such improvements are being repaid by the Company 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.

(i) The agreement is non-exclusive as to both parties and is cancellable by providing not less than 30 days prior written notice and specification of the effective date of said termination.

(j) 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.

(k) The agreement is non-exclusive as to both parties and is cancellable by providing not less than 60 days prior written notice and specification of the effective date of said termination.

On April 30, 2009, the Company sold two single-user office buildings to IARETI with an aggregate sales price of $99,000, which resulted in net sales proceeds of $34,572 and a gain on sale of $7,010. 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 $63,189 by IARETI. The special committee, consisting of independent directors, reviewed and recommended approval of these transactions to the Company s board of directors.

On June 24, 2009, the Company sold an approximately 185,200 square foot single-user office building located in Canton, Massachusetts, to IARETI with a sales price of $62,632, which resulted in net sales proceeds of $17,991 and a gain on sale of $2,337. The sale resulted in the assumption of debt in the amount of $44,500 by IARETI. The special committee, consisting of independent directors, reviewed and recommended approval of this transaction to the Company s board of directors.

On December 1, 2009, the Company raised additional capital of $50,000 from a related party, Inland Equity, in exchange for a 23% noncontrolling interest in IW JV. Refer to Notes 1 and 10 for additional information. The independent directors committee reviewed and recommended approval of this transaction to the Company s board of directors.

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(5) Marketable Securities

The following tables summarize the Company s investment in marketable securities:

	Common Stock	Preferred Stock	Total Available-for-Sale Securities
As of December 31, 2010:			
Fair value	$ 15,117	$ 19,113	$ 34,230
Amortized cost basis	$ 28,997	$ 38,592	$ 67,589
Total other-than-temporary impairment recognized	$ 23,889	$ 31,576	$ 55,465
Adjusted cost basis	$ 5,108	$ 7,016	$ 12,124
Net gains in accumulated other comprehensive income (OCI)	$ 10,009	$ 12,097	$ 22,106
As of December 31, 2009:			
Fair value	$ 9,388	$ 19,729	$ 29,117
Amortized cost basis	$ 25,735	$ 57,995	$ 83,730
Total other-than-temporary impairment recognized	$ 20,868	$ 46,116	$ 66,984
Adjusted cost basis	$ 4,867	$ 11,879	$ 16,746
Net gains in accumulated OCI	$ 4,521	$ 7,911	$ 12,432
Net losses in accumulated OCI		$ 61(a)	$ 61

(a) This amount represents the gross unrealized losses of one preferred stock security with a fair value of $3,163 as of December 31, 2009. This security had been in a continuous unrealized loss position for greater than 12 months as of December 31, 2009.

	For Years Ended December 31, 2010	2009	2008
Net unrealized OCI gain (loss)	$ 13,742	$ 35,594	$ (115,716)
Other-than-temporary impairment	$	$ 24,831	$ 160,327
Net gain (loss) on sales of securities	$ 4,007	$ 42,870	$ (561)

(6) Stock Option Plan

At the Company s annual shareholders meeting held on October 14, 2008, the Company s shareholders voted to approve the establishment of the Equity Compensation Plan, which, subject to certain conditions, authorizes (at the discretion of the board of directors) the issuance of stock options, restricted stock, stock appreciation rights and other similar awards to the Company s employees in connection with compensation and incentive arrangements that may be established by the board of directors. At December 31, 2010, no awards under the Equity Compensation Plan have been granted.

During 2010, the Compensation Committee approved an executive bonus program pursuant to which our executives are eligible to receive bonuses payable in shares of restricted common stock. For each executive, a portion of his award, if any, will be based upon individual performance as determined by the Compensation Committee at its discretion and a portion, if any, will be based on certain corporate performance measures. An insignificant amount of expense was recorded during 2010 related to this bonus program. As of February 23, 2011 (the date on which the Company filed its Annual Report on Form 10-K) the Compensation Committee had not yet met to finalize the 2010 awards, if any.

The Company s Independent Director Stock Option Plan (Plan), as amended, provides, subject to certain conditions, for the grant to each independent director of options to acquire shares following their becoming a director and for the grant of additional options to acquire shares on the date of each annual shareholders meeting.

As of December 31, 2010 and 2009, options to purchase 140 and 105 shares, respectively, of common stock have been granted, of which options to purchase 1 share and none, respectively, have been exercised and none have expired.

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The Company calculates the per share weighted average fair value of options granted on the date of the grant using the Black Scholes option pricing model utilizing certain assumptions regarding the expected dividend yield (1.87%), risk free interest rate (1.13%), expected life (five years) and expected volatility rate (35%). Compensation expense of $48, $24 and $8 related to these stock options was recorded during the years ended December 31, 2010, 2009 and 2008, respectively.

(7) Leases

Master Lease Agreements

In conjunction with certain acquisitions, the Company receives payments under master lease agreements pertaining to certain non-revenue producing spaces at the time of purchase for periods, generally ranging from three months to three years after the date of purchase or until the spaces are leased. As these payments are received, they are recorded as a reduction in the purchase price of the respective property rather than as rental income. The cumulative amount of such payments was $27,366, $26,577 and $25,346, as of December 31, 2010, 2009 and 2008, respectively.

Operating Leases

The majority of revenues from the Company s properties consist of rents received under long-term operating leases. Some leases provide for the payment of fixed base rent paid monthly in advance, and for the reimbursement by tenants to the Company for the tenant s pro rata share of certain operating expenses including real estate taxes, special assessments, insurance, utilities, common area maintenance, management fees and certain building repairs paid by the landlord and recoverable under the terms of the lease. Under these leases, the landlord pays all expenses and is reimbursed by the tenant for the tenant s pro rata share of recoverable expenses paid. Certain other tenants are subject to net leases which provide that the tenant is responsible for fixed based rent, as well as all costs and expenses associated with occupancy. Under net leases where all expenses are paid directly by the tenant rather than the landlord, such expenses are not included on the accompanying consolidated statements of operations and other comprehensive loss. Under net leases where all expenses are paid by the landlord, subject to reimbursement by the tenant, the expenses are included in Property operating expenses and reimbursements are included in Tenant recovery income on the accompanying consolidated statements of operations and other comprehensive loss.

In certain municipalities, the Company is required to remit sales taxes to governmental authorities based upon the rental income received from properties in those regions. These taxes may be reimbursed by the tenant to the Company depending upon the terms of the applicable tenant lease. As with other recoverable expenses, the presentation of the remittance and reimbursement of these taxes is on a gross basis whereby sales tax expenses are included in Property operating expenses and sales tax reimbursements are included in Other property income on the accompanying consolidated statements of operations and other comprehensive loss. Such taxes remitted to governmental authorities and reimbursed by tenants were $1,928, $2,015 and $2,199 for the years ended December 31, 2010, 2009 and 2008, respectively.

Minimum lease payments to be received under operating leases, excluding payments under master lease agreements and assuming no expiring leases are renewed, are as follows:

	Minimum Lease Payments	
2011		473,772
2012		444,681
2013		409,597
2014		348,231
2015		284,634
Thereafter		1,305,747
Total	$	3,266,662

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The remaining lease terms range from one year to 71 years.

In certain properties where there are large tenants, other tenants may have co-tenancy provisions within their lease that provide a right of termination or reduced rent if certain large tenants or shadow tenants discontinue operations. The Company does not expect that such co-tenancy provisions will have a material impact on the future operating results.

The Company leases land under non-cancellable operating leases at certain of its properties expiring in various years from 2018 to 2105. The related ground lease rent expense is included in Property operating expenses on the accompanying consolidated statements of operations and other comprehensive loss. In addition, the Company leases office space for certain management offices from third parties and the Company subleases its corporate office space from an Inland affiliate. Office rent expense is included in Property operating expenses in the accompanying consolidated statements of operations and other comprehensive loss.

	Years Ended December 31,		
	2010	**2009**	**2008**
Ground lease rent expense	$ 10,252	$ 10,074	$ 10,814
Office rent expense	$ 757	$ 810	$ 774

Minimum future rental payments to be paid under the ground leases and office leases are as follows:

	Minimum Lease Payments
2011	6,244
2012	6,383
2013	6,467
2014	6,663
2015	6,676
Thereafter	547,849
Total	$ 580,282

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(8) Mortgages and Notes Payable

The following table summarizes the Company s mortgages and notes payable at December 31, 2010 and 2009:

	December 31, 2010	December 31, 2009
Fixed rate mortgages payable:		
Mortgage loans[(a)]	$ 3,334,784	$ 3,718,038
Premium, net of accumulated amortization	17,534	
Discounts, net of accumulated amortization	(2,502)	(3,011)
	3,349,816	$ 3,715,027
Variable rate mortgages payable:		
Mortgage loans	17,389	17,503
Construction loans	86,768	96,095
	104,157	113,598
Mortgages payable	3,453,973	3,828,625
Notes payable	138,900	175,360
Margin payable	10,017	
Mortgages and notes payable	$ 3,602,890	$ 4,003,985

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

Mortgages Payable

Mortgages payable outstanding as of December 31, 2010 were $3,453,973 and had a weighted average interest rate of 5.99% at December 31, 2010. Of this amount, $3,349,816 had fixed rates ranging from 4.44% to 10.04% and a weighted average fixed rate of 6.04% at December 31, 2010. The weighted average interest rates for the fixed rate mortgages payable exclude the impact of the premium and discount amortization. The remaining $104,157 of outstanding indebtedness represented variable rate loans with a weighted average interest rate of 4.47% at December 31, 2010. Properties with a net carrying value of $5,170,029 at December 31, 2010 and related tenant leases are pledged as collateral for the mortgage loans. Development properties with a net carrying value of $62,704 at December 31, 2010 and related tenant leases are pledged as collateral for the construction loans. As of December 31, 2010, scheduled maturities for the Company s outstanding mortgage indebtedness had various due dates through March 1, 2037.

During the year ended December 31, 2010, the Company 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. In addition, the RioCan joint venture assumed $97,888 of mortgages payable from the Company during 2010. As a result of accounting for a group of eight mortgage refinancings as a modification under GAAP during the second quarter of 2010, the portion of the debt forgiveness associated with one property was recorded as mortgage premium on the remaining seven mortgages payable and is being amortized over the remaining term of those loans using the effective interest method. The new mortgages payable that the Company entered into during the year ended December 31, 2010 have interest rates ranging from 2.48% to 8.00% and maturities up to ten years. The stated interest rates of the loans repaid during the year ended December 31, 2010 ranged from 1.65% to 6.75%. The Company also entered into modifications of existing loan agreements, which extended the maturities of $229,313 of mortgages payable up to December 2012.

Mortgages payable outstanding, excluding liabilities associated with the investment property held for sale, as of December 31, 2009 were $3,828,625 and had a weighted average interest rate of 5.57% at December 31, 2009. Of this amount, $3,715,027 had fixed rates ranging from 4.25% to 10.24% and a weighted average fixed rate of 5.63% at December 31, 2009. The remaining $113,598 of outstanding indebtedness represented variable

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rate loans with a weighted average interest rate of 3.56% at December 31, 2009. Properties with a net carrying value of $5,649,570 at December 31, 2009 and related tenant leases are pledged as collateral for the mortgage loans. Development properties with a net carrying value of $88,524 at December 31, 2009 and related tenant leases are pledged as collateral for the construction loans. As of December 31, 2009, scheduled maturities for the Company s outstanding mortgage indebtedness had various due dates through March 1, 2037.

The majority of the Company s mortgages payable require monthly payments of interest only, although it has become more common for lenders to require principal and interest payments, as well as reserves for real estate taxes, insurance and certain other costs. Although the loans obtained by the Company are generally non-recourse, occasionally, when it is deemed to be necessary, the Company may guarantee all or a portion of the debt on a full-recourse basis. As of December 31, 2010, the Company has guaranteed $55,053 of the outstanding mortgages payable with maturity dates up to August 1, 2014 (see Note 16). At times, the Company has borrowed funds financed as part of a cross-collateralized package, with cross-default provisions, in order to enhance the financial benefits. In those circumstances, one or more of the properties may secure the debt of another of the Company s properties. Individual decisions regarding interest rates, loan-to-value, debt yield, fixed versus variable-rate financing, term and related matters are often based on the condition of the financial markets at the time the debt is issued, which may vary from time to time.

As of December 31, 2010, the Company had $123,198 of mortgages payable that had matured. During the second quarter of 2010, in order to prompt discussions with the lenders, the Company ceased making monthly debt service payments on two mortgage loans totaling $61,235. One of these two properties was transferred to the lender in December 2010 as deed in lieu of foreclosure and the Company received debt forgiveness of $31,270 and recorded a gain on sale in discontinued operations of $19,841. The remaining $29,965 has matured and is included in the $123,198 of total matured debt. The non-payment of this monthly debt service payment amounts to $1,432 annualized and does not result in noncompliance under any of the Company s other mortgages payable and line of credit agreements. The Company has attempted to negotiate and has made offers to the lender to determine an appropriate course of action under the non-recourse loan agreement. No assurance can be provided that negotiations will result in a favorable outcome for the Company. The lender has asserted that certain events have occurred that trigger recourse to the Company. However, the Company believes that it has substantive defenses with respect to those claims.

As of December 31, 2010, in addition to the $123,198 that had matured, the Company had $517,513 of mortgages payable, excluding principal amortization, maturing in 2011. The following table sets forth the Company s progress as of February 23, 2011 (the date on which the Company filed its Annual Report on Form 10-K) in addressing 2010 and 2011 maturities:

	Matured as of December 31, 2010	Maturing in 2011
Repaid or received debt forgiveness and added the underlying property as collateral to the senior secured credit facility	$ 65,902	$ 107,824
Refinanced		10,153
Other repayments		1,463
Total addressed subsequent to December 31, 2010	65,902	119,440
Expected to be repaid and the underlying property will be added as collateral to the senior secured credit facility in March 2011	21,715	81,809
Actively marketing to sell or refinance related properties or seeking extensions	35,581	316,264
	$ 123,198	$ 517,513

Some of the mortgage payable agreements include periodic reporting requirements and/or debt service coverage ratios which allow the lender to control property cash flow if the Company fails to meet such requirements. Management believes the Company was in compliance with such provisions at December 31, 2010.

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Notes Payable

The following table summarizes the Company s notes payable as of December 31, 2010 and 2009:

	December 31, 2010	December 31, 2009
IW JV Senior Mezzanine Note	$ 85,000	$ 85,000
IW JV Junior Mezzanine Note	40,000	40,000
Mezzanine Note	13,900	
Note payable to MS Inland		50,000
Third Party Note		360
	$ 138,900	$ 175,360

Notes payable outstanding as of December 31, 2010 were $138,900 and had a weighted average interest rate of 12.62% at December 31, 2010. Of this amount, $125,000 represents notes payable proceeds from a third party lender related to the debt refinancing transaction for IW JV as discussed in Note 1. The notes have fixed interest rates ranging from 12.24% to 14.00%, mature on December 1, 2019 and are secured by 100% of the Company s equity interest in the entity owning the IW JV investment properties.

During the year ended December 31, 2010, the Company 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. In addition, the Company made notes payable repayments of $50,319, of which $50,000 represented a note payable to MS Inland, an unconsolidated joint venture, that bore interest at 4.80% and $319 related to a $600 note, net of amortization, with a third party that bore interest at 2.00% and matured on September 29, 2010. Subsequent to the payoff of the $50,000 MS Inland note, the Company received a distribution of $65,240 from MS Inland.

Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risk, including interest rate, liquidity and credit risk primarily by managing the amount, sources, and duration of its debt funding and, to a limited extent, the use of derivative instruments.

Specifically, the Company has entered into derivative instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company s derivative instruments, described below, are used to manage differences in the amount, timing, and duration of the Company s known or expected cash payments principally related to certain of the Company s borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The Company utilizes two interest rate swaps to hedge the variable cash flows associated with variable-rate debt. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow

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hedges is recorded in Accumulated other comprehensive income and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. Due to the Company s decision in June 2010 to voluntarily prepay a portion of its hedged debt, the Company s variable-rate debt fell below the notional value on the interest rate swap hedging the aforementioned debt, causing the Company to be temporarily overhedged, but the interest rate swap continues to qualify as an effective hedge. On June 30, 2010, the Company unwound the portion of the swap notional that corresponded with the prepayment. In December 2010, the Company terminated a portion of its hedged debt and embedded the existing liability into a new swap which for accounting purposes is being considered an off-market hedging relationship. As a result, the Company expects ineffectiveness in future periods based upon the nature of the new hedging relationship and is reclassifying the accumulated other comprehensive income from the prior hedging relationship into earnings over time. During the year ended December 31, 2010, the Company recorded hedge ineffectiveness of $232 (loss). During the years ended December 31, 2009 and 2008, the Company recorded no hedge ineffectiveness.

Amounts reported in Accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on the Company s variable-rate debt. Over the next year, the Company estimates that an additional $1,301 will be reclassified as an increase to interest expense. During the year ended December 31, 2010, the Company accelerated $117 (loss) from other comprehensive income into earnings as a result of the hedged forecasted transactions becoming probable not to occur. There were no such accelerations during the years ended December 31, 2009 and 2008.

As of December 31, 2010 and 2009, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivatives	Number of Instruments	Notional
Interest Rate Swap	2	$ 67,504

The table below presents the fair value of the Company s derivative financial instruments as well as their classification on the consolidated balance sheets as of December 31, 2010 and 2009.

	Liability Derivatives			
	December 31, 2010		December 31, 2009	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as cash flow hedges:				
Interest rate swaps	Other liabilities	$ 2,967	Other liabilities	$ 3,819

The table below presents the effect of the Company s derivative financial instruments on the consolidated statements of operations and other comprehensive loss for the years ended December 31, 2010 and 2009.

Derivatives in Cash Flow Hedging Relationships	Amount of Gain or (Loss) Recognized in OCI on Derivative (Effective Portion) Years Ended December 31, 2010	2009	Location of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Gain or (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) Years Ended December 31, 2010	2009	Location of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain or (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing and Missed Forecasted Transactions) Years Ended December 31, 2010	2009
Interest Rate Swaps	$ (1,722)	$ (1,398)	Interest Expense	$ (2,970)	$ (3,095)	Other Expense	$ (350)	$

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Credit-risk-related Contingent Features

Derivative financial investments expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company believes it minimizes the credit risk by transacting with major creditworthy financial institutions. As part of the Company s on-going control procedures, it monitors the credit ratings of counterparties and the exposure to any single entity, which minimizes credit risk concentration. The Company believes the likelihood of realized losses from counterparty non-performance is remote.

The Company has agreements with each of its derivative counterparties that contain a provision where if the Company defaults on the related indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its corresponding derivative obligation.

The Company s agreements with each of its derivative counterparties also contain a provision whereby if the Company consolidates with, merges with or into, or transfers all or substantially all its assets to another entity and the creditworthiness of the resulting, surviving, or transferee entity is materially weaker than the Company s, the counterparty has the right to terminate the derivative obligations.

As of December 31, 2010, the fair value of derivatives in a liability position, which includes accrued interest of $68 but excludes any adjustment for nonperformance risk, which the Company has deemed immaterial, was $3,159. As of December 31, 2010, the Company has not posted any collateral related to these agreements. If the Company had breached any of these provisions at December 31, 2010, it could have been required to settle its obligations under the agreements at their termination value of $3,159.

Margin Payable

The Company purchases a portion of its securities through a margin account. As of December 31, 2010 and 2009, the Company had recorded a payable of $10,017 and none, respectively, for securities purchased on margin. This debt bears a variable interest rate of the London Interbank Offered Rate, or LIBOR, plus 35 basis points. At December 31, 2010, this rate was equal to 0.61%. Interest expense on this debt in the amount of $96, $252 and $3,443 is recognized within Interest expense in the accompanying consolidated statements of operations and other comprehensive loss for the years ended December 31, 2010, 2009 and 2008, respectively. This debt is due upon demand. The value of the Company s marketable securities serves as collateral for this debt. During the year ended December 31, 2010, the Company borrowed $22,860 on its margin account and paid down $12,843.

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Debt Maturities

The following table shows the scheduled maturities of mortgages payable, notes payable, margin payable and the line of credit as of December 31, 2010 and for the next five years and thereafter and does not reflect the impact of any 2011 debt activity:

	2011	2012	2013	2014	2015	Thereafter	Total	Fair Value
Maturing debt[(a)]:								
Fixed rate debt:								
Mortgages payable[(b)]	$ 646,060	$ 411,493	$ 305,913	$ 219,832	$ 468,143	$ 1,283,343	$ 3,334,784	$ 3,364,801
Notes payable			13,900			125,000	138,900	149,067
Total fixed rate debt	$ 646,060	$ 411,493	$ 319,813	$ 219,832	$ 468,143	$ 1,408,343	$ 3,473,684	$ 3,513,868
Variable rate debt:								
Mortgages payable	$ 15,987	$ 88,170	$	$	$	$	$ 104,157	$ 104,157
Line of Credit	154,347						154,347	154,347
Margin payable	10,017						10,017	10,017
Total variable rate debt	180,351	88,170					268,521	268,521
Total maturing debt	$ 826,411	$ 499,663	$ 319,813	$ 219,832	$ 468,143	$ 1,408,343	$ 3,742,205	$ 3,782,389
Weighted average interest rate on debt:								
Fixed rate debt	5.43%	5.46%	5.55%	7.17%	5.78%	7.16%		
Variable rate debt	5.16%	4.00%						
Total	5.37%	5.20%	5.55%	7.17%	5.78%	7.16%		

(a) The debt maturity table does not include any premiums or discounts, of which $17,534 and $(2,502), net of accumulated amortization, respectively, is outstanding as of December 31, 2010.

(b) 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 as described in Notes 1 and 10. The maturity table also excludes accelerated principal payments that may be required as a result of covenants or conditions included in certain loan agreements. In these cases, the total outstanding mortgage payable is included in the year corresponding to the loan maturity date. The maturity table includes $123,198 of mortgages payable that had matured as of December 31, 2010 in the 2011 column. See the mortgages payable section above for additional information on how the Company is addressing its 2011 mortgages payable maturities.

(9) Line of Credit

The Company had secured credit agreement with KeyBank National Association and other financial institutions for borrowings up to $200,000, subject to the collateral pool requirement described below. Based on the appraised value of the collateral pool, the Company s ability to borrow was limited to $160,902 as of December 31, 2010. The credit agreement had an original maturity date of October 14, 2010, which was extended to October 14, 2011. The credit agreement requires compliance with certain covenants, such as, among other things, a leverage ratio, fixed charge coverage, minimum net worth requirements, distribution limitations and investment restrictions, as well as limitations on the Company s ability to incur recourse indebtedness. The credit agreement also contains customary default provisions including the failure to timely pay debt service payable thereunder, the failure to comply with the Company s financial and operating covenants, and the failure to pay when the consolidated indebtedness becomes due. In the event the lenders under the credit agreement declare a default, as defined in the credit agreement, this could result in an acceleration of any outstanding borrowings on the line of credit.

The terms of the credit agreement stipulate, as of December 31, 2010:

- monthly interest-only payments on the outstanding balance at the rate equal to LIBOR (3% floor) plus 3.50%;
- quarterly fees ranging from 0.35% to 0.50%, per annum, on the average daily undrawn funds;
- pay down of the line from net proceeds of asset sales;
- an assignment of corporate cash flow in the event of default;
- the requirement for a comprehensive collateral pool (secured by mortgage interests in each asset) subject to certain covenants, including a maximum advance rate on the appraised value of the collateral pool of 60%, minimum requirements related to the value of the collateral pool and the number of properties included in the collateral pool, and debt service coverage, and
- permissions for non-recourse cross-default up to $250,000 and permissions for loans that have matured under non-recourse indebtedness for up to 90 days subject to extension at discretion of the lenders.

On February 4, 2011, the Company amended and restated its credit agreement. The terms of the amendment stipulate:

- an increase in the aggregate commitment from $200,000 to $585,000 at closing, consisting of a $435,000 senior secured revolving line of credit and a $150,000 secured term loan, and an accordion feature that allows the Company to increase the availability under the senior secured revolving line of credit to up to $500,000 in certain circumstances;
- additions to the collateral pool secured by mortgage liens for an additional 16 properties, bringing the total collateral pool appraised valued to approximately $529,000 at closing ($565,000 as of February 23, 2011, the date on which the Company filed its Annual Report on Form 10-K);
- the requirement for a comprehensive collateral pool (secured by mortgage interests in each asset) subject to certain covenants, including a reduction in the maximum advance rate on the appraised value of the collateral pool from 65% to 60% and requirements related to the value of the collateral pool, the number of properties included in the collateral pool, leverage and debt service coverage;
- change in the LIBOR spread on advances to 2.75% to 4.00% from 3.50%, depending on leverage levels;
- removal of the LIBOR floor of 3.00%;

- an increase in the unused fees to 0.40% or 0.50% depending on the undrawn amount;

- an increase in the amount of recourse cross-default permissions from none to $20,000;

- a decrease in the amount of non-recourse cross-default permissions from $250,000 to $100,000, subject to certain carve-outs and allowances for maturity defaults under non-recourse indebtedness for up to 90 days subject to extension at discretion of the lenders, and

- customary fees associated with the modification.

In exchange for these amendments, certain of the financial terms and covenants under the credit agreement have been modified, namely the leverage ratio and fixed charge coverage covenants, retroactive to December 31, 2010. The senior secured revolving line of credit and the secured term loan mature on February 3, 2013, subject to a one-year extension option. As of February 23, 2011, the date on which the Company filed its Annual Report on Form 10-K, the interest rate under the credit agreement is 4.31%. As of December 31, 2010, the Company was in compliance with all of the financial covenants under its credit agreement. The outstanding balance on the line of credit at December 31, 2010 and 2009 was $154,347 and $107,000, respectively.

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(10) Co-venture Obligation

As discussed in Note 1, on December 1, 2009, the Company transferred a 23% noncontrolling interest in IW JV to a related party, Inland Equity, in exchange for $50,000.

The Company is the controlling member in IW JV. The organizational documents of IW JV contains provisions that require the entity to be liquidated through the sale of its assets upon reaching a future date as specified in the organizational document or through a call arrangement. As controlling member, the Company has 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, the Company has 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) $50,000, plus an additional distribution of $5,000 and any unpaid preferred return or promote. Since the outside ownership interest in IW JV is subject to a call arrangement, the transaction does not qualify as a sale and is accounted for as a financing arrangement. Accordingly, IW JV is treated as a 100% owned subsidiary by the Company with the amount due to Inland Equity reflected as a financing in Co-venture obligation in the accompanying consolidated balance sheets.

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 $5,000, 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 agreement. Expense is recorded on such liability in the amount equal to the preferred return, incentive and other compensation due to Inland Equity as provided by the LLC agreement and is included in Co-venture obligation expense in the accompanying consolidated statements of operations and other comprehensive loss.

The Company anticipates exercising its call option prior to reaching the liquidation date. As a result, the Company is accreting the estimated additional amount it would be required to pay upon exercise of the call option over the anticipated exercise period of three years and, as such, has cumulatively accreted $1,264 through December 31, 2010.

(11) Investment in Unconsolidated Joint Ventures

The following table summarizes the Company s investments in unconsolidated joint ventures:

Joint Venture	Location	Date of Investment	Date of Redemption	Ownership Interest December 31 2010	Ownership Interest December 31 2009	Investment at December 31 2010	Investment at December 31 2009
MS Inland	Various	04/27/2007	N/A	20.0%	20.0%	$ 9,884	$ 77,059
Hampton Retail Colorado	Denver, CO	08/31/2007	N/A	95.8%	95.5%	4,059	1,898
RioCan	Various	09/30/2010	N/A	20.0%	N/A	12,292	
Oak Property and Casualty	Burlington, VT	10/01/2006	N/A	25.0%	25.0%	7,230	
						$ 33,465	$ 78,957

The Company has the ability to exercise significant influence, but does not have the financial or operating control over these investments, and as a result the Company accounts for these investments using the equity method of accounting. Under the equity method of accounting, the net equity investment of the Company is reflected on the accompanying consolidated balance sheets and the accompanying consolidated statements of operations and other comprehensive loss includes the Company s share of net income or loss from the unconsolidated joint venture. Distributions from these investments that are related to income from operations are included as operating activities and distributions that are related to capital transactions are included in investing activities in the Company s consolidated statements of cash flows.

Effective April 27, 2007, the Company formed a strategic joint venture (MS Inland) with a large state pension fund (the institutional investor). Under the terms of the agreement, the profits and losses of MS Inland are split 80% and 20% between the institutional investor and the Company, respectively, except for the interest earned on the initial invested funds, of which the Company is allocated 95%. The Company s share of profits in MS Inland was $1,339, $1,699 and $1,581, for the years ended December 31, 2010, 2009 and 2008, respectively. The Company received net cash distributions from MS Inland totaling $70,761, $4,176 and $4,910, for the years ended December 31, 2010, 2009 and 2008, respectively. The 2010 total of $70,761 included $65,240 consisting of both funds that were previously escrowed by MS Inland and the repayment by the Company of a $50,000 note payable to MS Inland.

The difference between the Company s investment in MS Inland and the amount of the underlying equity in net assets of MS Inland is due to basis differences resulting from the Company s contribution of property assets at their historical net book value versus the fair value of the contributed properties. Such differences are amortized over the depreciable lives of MS Inland s property assets. The Company recorded $322, $326 and $320 of amortization related to this difference for each of the years ended December 31, 2010, 2009 and 2008, respectively.

MS Inland may acquire additional assets using leverage, consistent with its existing business plan, of approximately 50% of the original purchase price or current fair value, if higher. The Company is the managing member of MS Inland and earns fees for providing property management, acquisition and leasing services to MS Inland. The Company earned fees of $1,155, $1,193 and $1,209 during the years ended December 31, 2010, 2009 and 2008, respectively.

On August 28, 2007, the Company formed an unconsolidated joint venture, Hampton Retail Colorado (Hampton), which subsequently, through wholly-owned subsidiaries Hampton Owned Colorado (Hampton Owned) and Hampton Leased Colorado (Hampton Leased), acquired nine single-user retail properties and eight leasehold assets, respectively. The ownership percentages associated with Hampton at December 31, 2009 and 2008, are based upon the Company s pro-rata share of capital contributions to date. Based upon the maximum capital contribution obligations outlined in the joint venture agreement, the Company s ownership percentage could increase to 96.3%. The Company s share of net income (loss) in Hampton was $819, $(13,282) and $(6,664) for the years ended December 31, 2010, 2009 and 2008, respectively, and is included in Equity in income (loss) of unconsolidated joint ventures in the consolidated statements of operations and other comprehensive loss.

As of December 31, 2010, there were six properties remaining in the Hampton joint venture, all of which are included in Hampton Owned. The remaining properties have been disposed of primarily through sales and assignment. During the year ended December 31, 2010, Hampton Owned completed the sale of three single-user retail properties, aggregating 126,700 square feet for a combined sales price of $1,885. The aggregated sales resulted in the repayment of debt of $1,626, forgiveness of debt of $1,644, and total gains on sale of $210.

On May 20, 2010, the Company entered into definitive agreements to form a joint venture with RioCan Real Estate Investment Trust (RioCan), a REIT based in Canada. The initial RioCan joint venture investment included up to eight grocery and necessity-based-anchored shopping centers located in Texas. Under the terms of the agreements, RioCan contributed cash for an 80% interest in the venture and the Company contributed a 20% interest in the properties. The joint venture acquired an 80% interest in the properties from the Company in exchange for cash, each of which was accounted for as a partial sale of real estate. Each property closing occurred individually over time based on timing of lender consent or refinance of the related mortgages payable. The Company will earn property management, asset management and other customary fees on the joint venture. Certain of the properties contain earnout provisions which, if met, would result in additional sales proceeds to the

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Company. As of December 31, 2010, the joint venture had acquired eight properties. These transactions do not qualify as discontinued operations in the Company s consolidated statements of operations and other comprehensive loss as a result of the Company s 20% ownership in the joint venture. The Company received net cash distributions from the RioCan joint venture totaling $200 for the year ended December 31, 2010.

The difference between the Company s investment in the RioCan joint venture and the amount of the underlying equity in net assets of the joint venture is due to basis differences resulting from the Company s contribution of property assets at their historical net book value versus the fair value of the contributed properties. Such differences are amortized over the depreciable lives of the RioCan joint venture s property assets.

On December 1, 2010, it was determined that the Company was no longer the primary beneficiary of the Captive, or Oak Property & Casualty, an insurance association captive wholly-owned by the Company and three related parties, IREC, IARETI and IDRETI. As a result, the Company s investment in the Captive has been and will continue to be reflected as an equity method investment beginning December 1, 2010. Refer to Note 1 for further information. The Company s share of loss in the Captive was $45 for the one month period ended December 31, 2010.

The Company previously held an investment in an unconsolidated joint venture, San Gorgonio Village. During the year ended December 31, 2008, the Company determined that its investment in San Gorgonio Village was not recoverable as a result of construction cost overruns and uncertainty regarding the Company s intentions to continue with the development project. As a result, a $5,524 impairment loss was recorded on the Company s investment in this unconsolidated joint venture and is included in Impairment of investment in unconsolidated entity on the accompanying consolidated statements of operations and other comprehensive loss. On December 29, 2008, the Company withdrew from the joint venture and was released of any future liability resulting in a $5,524 total loss of the Company s investment in unconsolidated joint venture.

The Company s 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, the Company considers whether it has the ability and intent to hold the investment until the carrying value is fully recovered. As a result, the carrying value of its investment in the unconsolidated joint ventures was determined to be fully recoverable as of December 31, 2010 and 2009.

(12) Earnings per Share

Basic earnings (loss) per share (EPS) is computed by dividing net income (loss) by the weighted average number of common shares outstanding for the period (the common shares). Diluted EPS is computed by dividing net income (loss) by the common shares plus shares issuable upon exercising options. As of December 31, 2010 and 2009, options to purchase 139 and 105 shares of common stock, respectively, at the weighted average exercise price of $8.68 and $9.30 per share, respectively, were outstanding. The Company is in a net loss position for the years ended December 31, 2010, 2009 and 2008; therefore, the options to purchase shares are not considered in diluted loss per share since their effect is anti-dilutive.

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The following is a reconciliation between weighted average shares used in the basic and diluted EPS calculations, excluding amounts attributable to noncontrolling interests:

	Years Ended December 31, 2010	2009	2008
Numerator:			
Net loss from continuing operations	$ (104,984)	$ (132,986)	$ (659,301)
(Income) loss from continuing operations attributable to noncontrolling interests	(1,136)	3,074	(514)
Loss from continuing operations attributable to Company shareholders	(106,120)	(129,912)	(659,815)
Income (loss) from discontinued operations	10,277	17,577	(23,912)
Net loss attributable to Company shareholders	$ (95,843)	$ (112,335)	$ (683,727)
Denominator:			
Denominator for loss per common share-basic:			
Weighted average number of common shares outstanding	483,743	480,310	481,442
Effect of dilutive securities:			
Stock options	(a)	(a)	(a)
Denominator for loss per common share-diluted:			
Weighted average number of common and common equivalent shares outstanding	483,743	480,310	481,442

(a) Outstanding options to purchase shares of common stock, the effect of which would be anti-dilutive, were 139, 105 and 70 shares as of December 31, 2010, 2009 and 2008, respectively. These shares were not included in the computation of diluted earnings per share because a loss was reported or the option exercise price was greater than the average market price of the common shares for the respective periods.

(13) Income Taxes

The Company has elected to be taxed as a REIT under the Internal Revenue Code. To qualify as a REIT, the Company must meet a number of organizational and operational requirements, including a requirement to distribute at least 90% of its REIT taxable income to the Company s shareholders, determined without regard to the deduction for dividends paid and excluding net capital gains. The Company intends to continue to adhere to these requirements and to maintain its REIT status. As a REIT, the Company is entitled to a deduction for some or all of the distributions it pays to shareholders. Accordingly, the Company generally will not be subject to federal income taxes on the taxable income distributed to its shareholders. The Company is generally subject to federal income taxes on any taxable income that is not currently distributed to its shareholders. If the Company fails to qualify as a REIT in any taxable year, it will be subject to federal income taxes and may not be able to qualify as a REIT for four subsequent taxable years.

REIT qualification reduces, but does not eliminate, the amount of state and local taxes the Company pays. In addition, the Company s consolidated financial statements include the operations of one wholly-owned subsidiary that has elected to be treated as a TRS that is not entitled to a dividends paid deduction and is subject to corporate federal, state and local income taxes. The Company recorded no income tax expense related to the TRS for the years ended December 31, 2010, 2009 and 2008, as a result of losses incurred during these periods.

In connection with the preparation for a potential listing of the Company s common stock on the New York Stock Exchange, it was discovered that certain aspects of the operation of the Company s DRP prior to May 2006 may have violated the prohibition against preferential dividends, which do not qualify for the dividends paid deduction. To avoid paying preferential dividends, the Company must treat every shareholder of a class of stock with respect to which the Company makes a distribution the same as every other shareholder of that class, and the Company must not treat any class of stock other than according to its dividend rights as a class.

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On January 20, 2011, the Company filed a request for a closing agreement from the IRS whereby the IRS would agree that the Company s dividends paid deduction for the taxable years 2004 through 2006, the years for which the Company had positive taxable income, was sufficient for the Company to qualify for taxation as a REIT. The IRS is currently reviewing the Company s request and continues to move it through its review process. If the IRS does not enter into a closing agreement, the Company could incur a tax related liability, representing a payment of corporate taxes due for past periods including interest and penalties for the open statutory tax years the Company would not have qualified as a REIT.

While there can be no assurance that the IRS will enter into a closing agreement with the Company, based upon the IRS entering into closing agreements with other REITs, the Company expects to obtain a closing agreement with the IRS for an estimated cost plus interest of approximately $62. The Company estimates the range of loss that is reasonably possible is from $62 if it obtains the closing agreement to approximately $155,000 if it does not obtain the closing agreement. The Company believes that it is probable that it will enter into a closing agreement with the IRS and as a result had recorded an expense of $62 during the year ended December 31, 2010.

As a REIT, the Company may also be subject to certain federal excise taxes if it engages in certain types of transactions. Deferred income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which these temporary differences are expected to reverse. Deferred tax assets are recognized only to the extent that it is more likely than not that they will be realized based on consideration of available evidence, including future reversal of existing taxable temporary differences, future projected taxable income and tax planning strategies. In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company has considered various factors, including future reversals of existing taxable temporary differences, projected future taxable income and tax-planning strategies in making this assessment. The Company believes any deferred tax asset will not be realized in future periods and therefore, has recorded a valuation allowance for the entire balance, resulting in no effect on the consolidated financial statements.

The Company s deferred tax assets and liabilities as of December 31, 2010 and 2009 were as follows:

	2010	2009
Deferred tax assets:		
Impairment of assets	$ 2,874	$ 5,795
Capital loss carryforward	1,975	1,664
Net operating loss carryforward	4,047	4,114
Other	202	430
Gross deferred tax assets	9,098	12,003
Less: valuation allowance	(6,823)	(11,793)
Total deferred tax assets	2,275	210
Deferred tax liabilities		
Other	(2,275)	(210)
Net deferred tax assets	$	$

The Company s deferred tax assets and liabilities result from the activities of the TRS. As of December 31, 2010, the TRS had a federal net operating loss (NOL) of $11,051, which will be available to offset future taxable income. The TRS also had net capital losses (NCL) in excess of capital gains of $5,392 as of December 31, 2010, which can be carried forward to offset future capital gains. If not used, the NOL and NCL will begin to expire in 2027 and 2013, respectively.

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Differences between net loss per the consolidated statements of operations and other comprehensive loss and the Company s taxable income (loss) primarily relate to impairment charges recorded on investment properties, other-than-temporary impairment on the investments in marketable securities, the timing of revenue recognition, and investment property depreciation and amortization.

The following table reconciles the Company s net loss to taxable income before the dividends paid deduction for the years ended December 31, 2010, 2009 and 2008:

	2010	2009	2008
Net loss attributable to Company shareholders	$ (95,843)	$ (112,335)	$ (683,727)
Book/tax differences	68,240	157,492	799,227
Adjust for negative taxable income	27,603		
Taxable income subject to 90% dividend requirement	$	$ 45,157	$ 115,500

The Company s dividends paid deduction is summarized below:

	2010	2009	2008
Cash distributions paid	$ 83,385	$ 84,953	$ 309,198
Less: return of capital	(83,385)	(39,293)	(191,921)
Total dividends paid deduction attributable to adjusted taxable income	$	$ 45,660	$ 117,277

A summary of the tax characterization of the distributions paid for the years ended December 31, 2010, 2009 and 2008 follows:

	2010	2009	2008
Ordinary income	$	$ 0.10	$ 0.24
Return of capital	0.17	0.08	0.40
	$ 0.17	$ 0.18	$ 0.64

The Company records a benefit for uncertain income tax positions if the result of a tax position meets a more likely than not recognition threshold. As a result of this provision, liabilities of $237 are recorded as of December 31, 2010 and 2009. The Company expects no significant increases or decreases in unrecognized tax benefits due to changes in tax positions within one year of December 31, 2010. Returns for the calendar years 2007 through 2010 remain subject to examination by federal and various state tax jurisdictions.

(14) Provision for Impairment of Investment Properties

The Company identified certain indicators of impairment for certain of its properties, such as the property s low occupancy rate, difficulty in leasing space, and financially troubled tenants. The Company performed a cash flow analysis and determined that the carrying values of certain of its properties exceeded the respective undiscounted cash flows based upon the estimated holding period for the asset. Therefore, the Company has recorded impairment losses related to these properties consisting of the excess carrying value of the assets over their estimated fair values within the accompanying consolidated statements of operations and other comprehensive loss.

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During the year ended December 31, 2010, the Company recorded investment property impairment charges as summarized below:

Location	Property Type	Impairment Date	Approximate Square Footage	Provision for Impairment of Investment Properties
Mesa, Arizona	Multi-tenant retail property	December 31, 2010	195,000	3,400
Coppell, Texas[(a)]	Multi-tenant retail property	September 30, 2010	91,000	$ 1,851
Southlake, Texas[(a)]	Multi-tenant retail property	September 30, 2010	96,000	1,322
Sugarland, Texas[(a)]	Multi-tenant retail property	June 30, 2010	61,000	1,576
University Heights, Ohio	Multi-tenant retail property	June 30, 2010	287,000	6,281
				14,430
Discontinued Operations:				
Richmond, Virginia	Single-user retail property	June 30, 2010	383,000	7,806
Hinsdale, Illinois	Single-user retail property	May 28, 2010	49,000	821
				8,627
			Total	$ 23,057
Estimated fair value of impaired properties				$ 72,696

(a) Property acquired by the RioCan joint venture. Impairment based on estimated net realizable value inclusive of projected fair value of contingent earnout proceeds.

During the year ended December 31, 2009, the Company recorded investment property impairment charges as summarized below:

Location	Property Type	Impairment Date	Approximate Square Footage	Provision for Impairment of Investment Properties
Douglasville, Georgia	Single-user retail property	December 31, 2009	110,000	$ 3,200
Nashville, Tennessee	Multi-tenant retail property	December 31, 2009	293,000	6,700
Thousand Oaks, California	Multi-tenant retail property	September 30, 2009	63,000	2,700
Vacaville, California	Single-user retail property	September 30, 2009	78,000	4,000
Largo, Maryland	Multi-tenant retail property	June 30, 2009	482,000	13,100
Hanford, California	Single-user retail property	June 30, 2009	78,000	3,800
Mesa, Arizona	Multi-tenant retail property	March 31, 2009	195,000	20,400
				53,900
Discontinued Operations:				
Kansas City, Missouri	Single-user retail property	September 30, 2009	88,000	500
Wilmington, North Carolina	Single-user retail property	September 30, 2009	57,000	800
Mountain Brook, Alabama	Single-user retail property	September 30, 2009	44,000	1,100
Cupertino, California	Single-user office property	September 30, 2009	100,000	8,400

			10,800
	Total	$	64,700
Estimated fair value of impaired properties		$	208,335

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During the year ended December 31, 2008, the Company recorded asset impairment charges as summarized below:

Location	Property Type	Impairment Date	Approximate Square Footage	Provision for Impairment of Investment Properties
Phillipsburg, New Jersey	Multi-tenant retail property	December 31, 2008	107,000	$ 8,200
University Heights, Ohio	Multi-tenant retail property	December 31, 2008	287,000	12,000
Kansas City, Missouri	Multi-tenant retail property	December 31, 2008	89,000	11,000
Bakersfield, California	Single-user retail property	December 31, 2008	75,000	3,400
Highland, California	Single-user retail property	December 31, 2008	81,000	2,600
Ridgecrest, California	Single-user retail property	September 30, 2008	59,000	3,300
Turlock, California	Single-user retail property	September 30, 2008	61,000	3,000
Stroudsburg, Pennsylvania	Multi-tenant retail property	September 30, 2008	143,000	3,400
Murrieta, California	Single-user retail property	June 30, 2008	37,000	4,700
				51,600
Discontinued Operations:				
Richmond, Virginia	Single-user office property	December 31, 2008	383,000	25,400
Naperville, Illinois	Single-user retail property	June 30, 2008	41,000	3,000
				28,400
			Total	$ 80,000
			Estimated fair value of impaired properties	$ 125,025

(15) Fair Value Measurements

Fair Value of Financial Instruments

The following table presents the carrying value and estimated fair value of the Company s financial instruments at December 31, 2010 and 2009. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in a transaction between market participants at the measurement date.

	December 31, 2010		December 31, 2009	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets:				
Investment in marketable securities	$ 34,230	$ 34,230	$ 29,117	$ 29,117
Notes receivable	8,290	8,245	8,330	8,287
Financial liabilities:				
Mortgages and notes payable	$ 3,602,890	$ 3,628,042	$ 4,003,985	$ 3,822,695
Line of credit	154,347	154,347	107,000	107,000
Other financings	8,477	8,477	11,887	11,887
Co-venture obligation	51,264	55,000	50,139	55,000
Derivative liability	2,967	2,967	3,819	3,819

The carrying values shown in the table are included in the consolidated balance sheets under the indicated captions, except for notes receivable and interest rate swaps, which are included in Accounts and notes receivable and Other liabilities, respectively.

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The fair value of the financial instruments shown in the above table as of December 31, 2010 and 2009 represent the Company s best estimates of the amounts that would be received to sell those assets or that would be paid to transfer those liabilities in a transaction between market participants at that date. Those fair value measurements maximize the use of observable inputs. However, in situations where there is little, if any, market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company s own judgments about the assumptions that market participants would use in pricing the asset or liability. Those judgments are developed by the Company based on the best information available in those circumstances.

The following methods and assumptions were used to estimate the fair value of each financial instrument:

Investment in marketable securities: Marketable securities classified as available-for-sale are measured using quoted market prices at the reporting date multiplied by the quantity held.

Notes receivable: The Company estimates the fair value of its notes receivable by discounting the future cash flows of each instrument at rates that approximate those offered by lending institutions for loans with similar terms to companies with comparable risk. The rates used are not directly observable in the marketplace, and judgment is used in determining the appropriate rate based upon the specific terms of the individual notes receivable agreement.

Mortgages payable: The Company estimates the fair value of its mortgages payable by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Company s lenders. The rates used are not directly observable in the marketplace, and judgment is used in determining the appropriate rate for each of our individual mortgages payable based upon the specific terms of the agreement, including the term to maturity and the leverage ratio of the underlying property.

Line of credit: The carrying value of the Company s line of credit approximates fair value because of the relatively short maturity of the instrument.

Other financings: Other financings on the consolidated balance sheets represent the equity interest of the noncontrolling member in certain consolidated entities where the LLC or LP agreement contains put/call arrangements, which grant the right to the outside owners and the Company to require each LLC or LP to redeem the ownership interest in future periods for fixed amounts. The Company believes the fair value of other financings is that amount which is the fixed amount at which it would settle, which approximates its carrying value.

Co-venture obligation: The Company estimates the fair value of co-venture obligation based on the amount at which it believes the obligation will settle and the timing of such payment (See Note 10). The fair value of the co-venture obligation includes the estimated additional amount the Company would be required to pay upon exercise of the call option. The carrying value of the co-venture obligation includes $1,264 of cumulative co-venture obligation expense accretion relating to the estimated additional distribution.

Interest rate swaps: The fair value of the interest rate swaps is determined using pricing models developed based on the LIBOR swap rate and other observable market data. The Company also incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the respective counterparty s nonperformance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered any applicable credit enhancements.

Fair Value Hierarchy

GAAP specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

Level 1 Inputs	Unadjusted quoted market prices for identical assets and liabilities in an active market that the Company has the ability to access.

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Level 2 Inputs Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly.

Level 3 Inputs Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

The guidance requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties. However, as of December 31, 2010 and 2009, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation. As a result, the Company has determined that its derivative valuations in their entirety are classified in Level 2 of the fair value hierarchy.

The following table presents the Company s assets and liabilities, measured on a recurring basis, and related valuation inputs within the fair value hierarchy utilized to measure fair value as of December 31, 2010 and 2009:

	Level 1	Level 2	Level 3	Total
December 31, 2010				
Investment in marketable securities	$ 34,230			$ 34,230
Derivative liability	$	2,967		$ 2,967
December 31, 2009				
Investment in marketable securities	$ 29,117			$ 29,117
Derivative liability	$	3,819		$ 3,819

There were no transfers of assets or liabilities between the levels of the fair value hierarchy during the year ended December 31, 2010.

During year ended December 31, 2010, the Company recorded asset impairment charges of $23,057 related to two of its consolidated operating properties, three consolidated operating properties that were partially sold to the RioCan joint venture and two properties that were sold. The combined estimated fair value of these properties was $72,696. During the year ended December 31, 2009, the Company recorded asset impairment charges of $64,700 related to seven of its consolidated operating properties and four properties that were sold. The combined estimated fair value of these properties was $208,335. During the year ended December 31, 2008, the Company recorded asset impairment charges of $80,000 related to nine of its consolidated operating properties and two properties that were disposed with a combined fair value of $125,025. The Company s estimated fair value, measured on a non-recurring basis, relating to this impairment assessment was based upon a discounted cash flow model that included all estimated cash inflows and outflows over a specific holding period or the purchase price, if applicable. These cash flows are comprised of unobservable inputs which include contractual rental revenues and forecasted rental revenues and expenses based upon market conditions and expectation for growth. Capitalization rates and discount rates utilized in this model were based upon observable rates that the Company believed to be within a reasonable range of current market rates for the property. Based on these inputs, the Company had determined that its valuation of its consolidated operating properties were classified within Level 3 of the fair value hierarchy, except for when the estimated contract price is used, which results in Level 2 classification.

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(16) Commitments and Contingencies

The Company has acquired certain properties which have earnout components, meaning the Company did not pay for portions of these properties that were not rent producing at the time of acquisition. The Company is obligated, under these agreements, to pay for those portions 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, the Company will generally not have any further payment obligation to the seller. As of December 31, 2010, the Company may pay as much as $1,400 in the future as retail space covered by earnout agreements.

The Company has 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 agreements, the Company has funded its total commitments of $8,680. One of the two remaining loans requires monthly interest payments with the entire principal balance due at maturity. The combined receivable balance at December 31, 2010 and 2009 was $8,290 and $8,330, respectively, net of allowances of $300 and $17,209, respectively. In May 2010, the Company entered into an agreement related to the secured installment note that extended the maturity date from May 31, 2010 to February 29, 2012.

Although the loans obtained by the Company are generally non-recourse, occasionally, when it is deemed to be necessary, the Company may guarantee all or a portion of the debt on a full-recourse basis. As of December 31, 2010, the Company has guaranteed $154,347 and $26,240 of the outstanding secured line of credit and mortgage loans, respectively, with maturity dates up to August 1, 2014. As of December 31, 2010, the Company also guaranteed $28,813 representing a portion of the construction debt associated with certain of its consolidated development joint ventures. The guarantees are released as certain leasing parameters are met. The following table summarizes these guarantees:

Location	Joint Venture	Construction Loan Balance at December 31, 2010	Percentage/Amount Guaranteed by the Company	Guarantee Amount
Frisco, Texas	Parkway Towne Crossing	$ 20,757	35%	$ 7,265
Dallas, Texas	Wheatland Towne Crossing	5,712	50%	2,856
Henderson, Nevada	Lake Mead Crossing	48,949	15%	7,342
Henderson, Nevada	Green Valley Crossing	11,350	$ 11,350	11,350
				$ 28,813

As discussed in Note 13, on January 20, 2011, the Company filed a request for a closing agreement from the IRS, whereby the IRS would agree that the Company s dividends paid deduction for the taxable years 2004 through 2006, the years for which the Company had positive taxable income, was sufficient for it to qualify for taxation as a REIT. The IRS is currently reviewing the Company s request and continues to move it through its review process. The Company believes it will obtain a closing agreement with the IRS as the IRS has entered into similar closing agreements with other REITs. The Company has recorded an expense of $62 representing the estimated cost plus interest to obtain such closing agreement. The Company estimates the range of loss that is reasonably possible is from $62 if it obtains the closing agreement to approximately $155,000 if it does not obtain the closing agreement.

(17) Litigation

The Company previously disclosed in its Form 10-K, as amended, for the fiscal years ended December 31, 2009, 2008 and 2007, the lawsuit filed against the Company and nineteen other defendants by City of St. Clair Shores General Employees Retirement System and Madison Investment Trust in the United States District Court for the Northern District of Illinois (the Court). In the lawsuit, plaintiffs alleged that all the defendants violated the federal securities laws, and certain defendants breached fiduciary duties owed to the Company and its shareholders, in connection with the Company s merger with its business manager/advisor and property managers as reflected in its Proxy Statement dated September 12, 2007.

On July 14, 2010, the lawsuit was settled by the Company and the other defendants (the Settlement). On November 8, 2010, the Court granted final approval of the Settlement. Pursuant to the terms of the Settlement, 9,000 shares of common stock of the Company were transferred back to the Company from shares of common stock issued to the owners (the Owners) of certain entities that were acquired by the Company in its internalization transaction. This share transfer was recorded as a capital transaction in the fourth quarter of 2010. Pursuant to the Settlement, the Company paid the fees and expenses of counsel for class plaintiffs in the amount of $10,000, as awarded by the Court on November 8, 2010. The Company was reimbursed $1,994 by its insurance carrier for a portion of such fees and expenses. The Owners (who include Daniel L. Goodwin, who beneficially owned more than 5% of the stock of the Company as of December 31, 2010, and certain directors and executive officers of the Company) also agreed to provide a limited indemnification to certain defendants who are directors and an officer of the Company if any class members opted out of the Settlement and brought claims against them. Seven class members have opted out of the Settlement; to the Company s knowledge, none of these seven class members have filed claims against the Company or its directors and officers.

(18) Subsequent Events

During the period from January 1, 2011 through the date of the Company s annual report on Form 10-K filed on February 23, 2011, the Company:

- amended and restated its existing credit agreement increasing the aggregate amount to $585,000, consisting of a $435,000 senior secured revolving line of credit and a $150,000 secured term loan with a number of financial institutions;

- filed a registration statement on Form S-11 with the Securities and Exchange Commission regarding a proposed public offering of the Company s common stock, and

- filed a request for a closing agreement from the IRS, whereby the IRS would agree that the Company s dividends paid deduction for the taxable years 2004 through 2006, the years for which it had positive taxable income, was sufficient for the Company to qualify for taxation as a REIT. The IRS is currently reviewing the Company s request and continues to move it through its review process (see Note 13).

On February 16, 2011, Borders Group, Inc. (Borders), a national retailer, filed for bankruptcy under Chapter 11. As of December 31, 2010, Borders leased approximately 220,000 square feet of space from the Company at 10 locations, which leases represented approximately $2,600 of ABR. In addition, Borders leased approximately 28,000 square feet of space at one of the Company s unconsolidated joint venture properties, which represented $344 of ABR. Borders has informed the Company that it intends to close stores at five locations where it leased space from the Company, representing approximately 115,000 square feet of GLA and $1,119 of ABR as of December 31, 2010. The Company evaluated its exposure to Borders as of December 31, 2010 and recorded a write-off of any straight-line rents, deferred lease costs, tenant improvements, tenant inducements and intangible assets and liabilities at those five locations. The amount of the write offs totaled $2,777.

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(19) Quarterly Financial Information (unaudited)

	2010			
	Dec 31	Sep 30	Jun 30	Mar 31
Total revenue as previously reported	$ 155,277	164,597	162,014	165,610
Reclassified to discontinued operations (a)	(1,409)	(1,435)	(1,428)	(1,868)
Adjusted total revenues	$ 153,868	163,162	160,586	163,742
Net income (loss) attributable to Company shareholders	$ (3,411)	(25,527)	(38,349)	(28,556)
Net earnings (loss) per common share-basic and diluted	$ (0.01)	(0.05)	(0.08)	(0.06)
Weighted average number of common shares outstanding-basic and diluted	484,113	484,865	483,590	482,402

	2009			
	Dec 31	Sep 30	Jun 30	Mar 31
Total revenue as previously reported	$ 160,989	164,446	170,118	169,025
Reclassified to discontinued operations (a)	837	(1,410)	(2,450)	(2,880)
Adjusted total revenues	$ 161,826	163,036	167,668	166,145
Net (loss) income attributable to Company shareholders	$ (44,849)	12,585	(33,391)	(46,680)
Net (loss) earnings per common share-basic and diluted	$ (0.09)	0.03	(0.07)	(0.10)
Weighted average number of common shares outstanding-basic and diluted	481,675	481,049	479,853	478,662

(a) Represents revenue that has been reclassified to discontinued operations since previously reported amounts in Form 10-K.

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Schedule II Valuation and Qualifying Accounts

For the Years Ended December 31, 2010, 2009, and 2008

(in thousands)

	Balance at beginning of year	Charged to costs and expenses	Write-offs	Balance at end of year
Year ended December 31, 2010:				
Allowance for doubtful accounts	$ 31,019[(a)]	3,103	(24,984)[(b)]	$ 9,138
Year ended December 31, 2009:				
Allowance for doubtful accounts	$ 15,510[(c)]	26,944[(d)]	(11,440)	$ 31,014[(d)]
Year ended December 31, 2008:				
Allowance for doubtful accounts	$ 8,143[(e)]	22,667	(15,769)	$ 15,041

(a) Beginning balance includes $5 for allowance for doubtful accounts related to an investment property held for sale in 2009.
(b) Includes $16,909 related to a note receivable that was fully written off in 2010.
(c) Beginning balance excludes $10 of allowance for doubtful accounts related to an investment property held for sale in 2009 and includes $479 for allowance for doubtful accounts related to an investment property held for sale in 2008.
(d) Includes $16,909 related to a note receivable that was fully reserved in 2009.
(e) Beginning balance excludes $73 of allowance for doubtful accounts related to an investment property held for sale in 2008.

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

Schedule III Real Estate and Accumulated Depreciation

December 31, 2010

(in thousands)

		Initial Cost(A)			Gross amount carried at end of period					
Property Name	**Encumbrance**	**Land**	**Buildings and Improvements**	**Adjustments to Basis(C)**	**Land and Improvements**	**Buildings and Improvements(D)**	**Total (B)(D)**	**Accumulated Depreciation(E)**	**Date Constructed**	**Date Acquired**
23rd Street Plaza Panama City, FL	$ 3,192	$ 1,300	$ 5,319	$ 65	$ 1,300	$ 5,384	$ 6,684	$ 1,185	2003	12/04
Academy Sports Houma, LA	3,275	1,230	3,752		1,230	3,752	4,982	882	2004	07/04
Academy Sports Midland, TX	2,680	1,340	2,943	3	1,340	2,946	4,286	666	2004	07/04
Academy Sports Port Arthur, TX	3,255	1,050	3,954	6	1,050	3,960	5,010	895	2004	07/04
Academy Sports San Antonio, TX	4,267	3,215	3,963		3,215	3,963	7,178	859	2004	07/04
Alison s Corner San Antonio, TX	2,660	1,045	5,700	78	1,045	5,778	6,823	1,411	2003	04/04
American Express DePere, WI	10,884	1,400	15,370	9	1,400	15,379	16,779	3,229	2000	12/04
American Express Phoenix, AZ		2,900	10,170	8	2,900	10,178	13,078	2,137	1983	12/04
Arvada Connection and Arvada Marketplace Arvada, CO	22,000	8,125	39,366	458	8,125	39,824	47,949	9,904	1987-1990	04/04
Ashland & Roosevelt Chicago, IL	9,905		21,052	274		21,326	21,326	4,369	2002	05/05
Azalea Square I Summerville, SC	12,490	6,375	21,304	1,592	6,375	22,896	29,271	4,962	2004	10/04
Azalea Square III Summerville, SC	8,703	3,280	10,348	63	3,280	10,411	13,691	1,240	2007	10/07

Bangor Parkade Bangor, ME	17,250	11,600	13,539	3,940	11,600	17,479	29,079	2,960	2005	03/06
Battle Ridge Pavilion Marietta, GA	10,347	4,350	11,366	(135)	4,350	11,231	15,581	1,936	1999	05/06
Beachway Plaza Bradenton, FL	6,025	5,460	10,397	210	5,460	10,607	16,067	2,176	1984/2004	06/05
Bed Bath & Beyond Plaza Miami, FL	9,417		18,367	(115)		18,252	18,252	4,182	2004	10/04
Bed Bath & Beyond Plaza Westbury, NY	10,550	4,530	11,901		4,530	11,901	16,431	2,361	2000-2002	07/05

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Property Name	Encumbrance	Initial Cost(A) Land	Initial Cost(A) Buildings and Improvements	Adjustments to Basis(C)	Gross amount carried at end of period Land and Improvements	Gross amount carried at end of period Buildings and Improvements(D)	Total (B)(D)	Accumulated Depreciation(E)	Date Constructed	Date Acquired
Best on the Boulevard Las Vegas, NV	18,140	7,460	25,583	286	7,460	25,869	33,329	6,459	1996-1999	04/04
Bison Hollow Traverse City, MI	7,787	5,550	12,324	(18)	5,550	12,306	17,856	2,558	2004	04/05
Blockbuster at Five Forks[a] Simpsonville, SC		440	1,018		440	1,018	1,458	215	2004-2005	03/05
Bluebonnet Parc Baton Rouge, LA	9,135	4,450	16,407	(61)	4,450	16,346	20,796	4,143	2002	04/04
Boston Commons Springfield, MA	9,012	3,750	9,690	68	3,750	9,758	13,508	2,038	1993	05/05
Boulevard at The Capital Ctr Largo, MD	70,100		114,703	(31,003)		83,700	83,700	5,590	2004	09/04
Boulevard Plaza Pawtucket, RI	2,478	4,170	12,038	2,465	4,170	14,503	18,673	2,820	1994	04/05
The Brickyard Chicago, IL	44,000	45,300	26,657	3,884	45,300	30,541	75,841	6,387	1977/2004	04/05
Broadway Shopping Center Bangor, ME	10,482	5,500	14,002	1,537	5,500	15,539	21,039	2,934	1960/1999-2000	09/05
Brown s Lane Middletown, RI	5,155	2,600	12,005	518	2,600	12,523	15,123	2,606	1985	04/05
Burlington Coat Factory Elk Grove, CA	5,500	2,858	5,084	1,247	2,858	6,331	9,189	1,017	1993	09/05
Burlington Coat Factory Moreno Valley, CA	5,100	3,860	4,008	1,917	3,860	5,925	9,785	853	1988	09/05
Burlington Coat Factory Redlands, CA	5,000	3,388	4,339	867	3,388	5,206	8,594	849	1981	09/05
Burlington Coat Factory Vacaville, CA	5,200	3,324	4,624	(3,487)	1,494	2,967	4,461	142	1992	09/05
Carmax San Antonio, TX		6,210	7,731		6,210	7,731	13,941	1,653	1998	03/05
Carrier Towne Crossing	10,992	2,750	13,662	834	2,750	14,496	17,246	2,718	1998	12/05

Grand Prairie, TX										
Central Texas Marketplace Waco, TX	45,386	13,000	47,559	3,738	13,000	51,297	64,297	7,433	2004	12/06
Centre at Laurel Laurel, MD	27,200	19,000	8,406	16,589	19,000	24,995	43,995	4,155	2005	02/06
Century III Plaza West Mifflin, PA	26,200	7,100	33,212	465	7,100	33,677	40,777	6,573	1996	06/05
Chantilly Crossing Chantilly, VA	16,880	8,500	16,060	1,953	8,500	18,013	26,513	3,558	2004	05/05
Cinemark Seven Bridges Woodridge, IL	5,155	3,450	11,728		3,450	11,728	15,178	2,360	2000	03/05

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Property Name	Encumbrance	Initial Cost(A) Land	Initial Cost(A) Buildings and Improvements	Adjustments to Basis(C)	Gross amount carried at end of period Land and Improvements	Gross amount carried at end of period Buildings and Improvements(D)	Total (B)(D)	Accumulated Depreciation(E)	Date Constructed	Date Acquired
Citizen s Property Insurance Jacksonville, FL	5,997	2,150	7,601	6	2,150	7,607	9,757	1,420	2005	08/05
Clearlake Shores Clear Lake, TX	6,252	1,775	7,026	1,182	1,775	8,208	9,983	1,664	2003-2004	04/05
Colony Square Sugar Land, TX	25,488	16,700	22,775	(746)	16,700	22,029	38,729	3,697	1997	05/06
The Columns Jackson, TN	12,886	5,830	19,439	62	5,830	19,501	25,331	4,511	2004	8/04 & 10/04
The Commons at Temecula Temecula, CA	29,623	12,000	35,887	(1,912)	12,000	33,975	45,975	7,079	1999	04/05
Coram Plaza Coram, NY	14,671	10,200	26,178	2,041	10,200	28,219	38,419	6,063	2004	12/04
Cornerstone Plaza Cocoa Beach, FL	4,962	2,920	10,359	(166)	2,920	10,193	13,113	2,093	2004-2005	05/05
Corwest Plaza New Britian, CT	15,244	6,900	23,851	15	6,900	23,866	30,766	6,197	1999-2003	01/04
Cost Plus Distribution Warehouse(b) Stockton, CA	16,300	10,075	21,483	29,493	7,104	53,947	61,051	7,641	2003	04/06
Cottage Plaza Pawtucket, RI	11,201	3,000	19,158	(77)	3,000	19,081	22,081	4,138	2004-2005	02/05
Cranberry Square Cranberry Township, PA	11,499	3,000	18,736	492	3,000	19,228	22,228	4,552	1996-1997	07/04
Crockett Square Morristown, TN	5,812	4,140	7,534	53	4,140	7,587	11,727	1,365	2005	02/06
Crossroads Plaza CVS North Attleboro, MA	4,563	1,040	3,780	49	1,040	3,829	4,869	781	1987	05/05
Crown Theater(a) Hartford, CT		7,318	954		7,318	954	8,272	347	2000	07/05
Cuyahoga Falls Market Center Cuyahoga Falls, OH	3,816	3,350	11,083	(278)	3,350	10,805	14,155	2,277	1998	04/05

CVS Pharmacy Burleson, TX	1,738	910	2,891		910	2,891	3,801	583	1999	06/05
CVS Pharmacy Cave Creek, AZ	3,668	2,096	3,863	8	2,096	3,871	5,967	689	2005	12/05
CVS Pharmacy (Eckerd) Edmond, OK	2,329	975	2,400	2	975	2,402	3,377	623	2003	12/03
CVS Pharmacy Jacksonville, FL	3,475	1,460	4,455	2	1,460	4,457	5,917	953	2004	03/05
CVS Pharmacy Lawton, OK	1,222	750	1,958		750	1,958	2,708	401	1999	05/05

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		Initial Cost(A)			Gross amount carried at end of period					
Property Name	Encumbrance	Land	Buildings and Improvements	Adjustments to Basis(C)	Land and Improvements	Buildings and Improvements(D)	Total (B)(D)	Accumulated Depreciation(E)	Date Constructed	Date Acquired
CVS Pharmacy Montevallo, AL	1,867	250	2,777		250	2,777	3,027	585	2001	03/05
CVS Pharmacy Moore, OK	2,016	600	2,659		600	2,659	3,259	552	2004	05/05
CVS Pharmacy (Eckerd) Norman, OK	3,668	932	4,370		932	4,370	5,302	1,143	2003	12/03
CVS Pharmacy Oklahoma City, OK	1,947	620	3,583		620	3,583	4,203	722	1999	06/05
CVS Pharmacy Saginaw, TX	2,761	1,100	3,254		1,100	3,254	4,354	686	2004	03/05
CVS Pharmacy Sylacauga, AL	1,866	600	2,469	3	600	2,472	3,072	559	2004	10/04
Darien Town Center Darien, IL	18,572	7,000	22,468	(503)	7,000	21,965	28,965	5,780	1994	12/03
Davis Towne Crossing North Richland Hills, TX	3,441	1,850	5,681	1,096	1,850	6,777	8,627	1,559	2003-2004	06/04
Denton Crossing Denton, TX	28,449	6,000	43,434	11,145	6,000	54,579	60,579	11,780	2003-2004	10/04
Diebold Warehouse Green, OH	7,240		11,190	2		11,192	11,192	2,257	2005	07/05
Dorman Center I & II Spartanburg, SC	21,568	17,025	29,478	361	17,025	29,839	46,864	7,457	2003-2004	3/04 & 7/04
Duck Creek Bettendorf, IA	12,567	4,440	12,076	5,198	4,440	17,274	21,714	2,991	2005	11/05
East Stone Commons Kingsport, TN	22,550	2,900	28,714	(1,486)	2,826	27,302	30,128	4,501	2005	06/06
Eastwood Towne Center Lansing, MI	23,324	12,000	65,067	(412)	12,000	64,655	76,655	15,831	2002	05/04
Edgemont Town Center Homewood, AL	6,790	3,500	10,956	(193)	3,500	10,763	14,263	2,459	2003	11/04
Edwards Multiplex	9,913		35,421			35,421	35,421	7,359	1988	05/05

Fresno, CA										
Edwards Multiplex	14,324	11,800	33,098		11,800	33,098	44,898	6,876	1997	05/05
Ontario, CA										
Evans Towne Centre	4,461	1,700	6,425	23	1,700	6,448	8,148	1,423	1995	12/04
Evans, GA										
Fairgrounds Plaza	14,455	4,800	13,490	4,354	5,431	17,213	22,644	3,540	2002-2004	01/05
Middletown, NY										
Fisher Scientific[(a)]		510	12,768		510	12,768	13,278	2,458	2005	06/05
Kalamazoo, MI										
Five Forks[(a)]		2,100	5,374	23	2,100	5,397	7,497	1,204	1999	12/04
Simpsonville, SC										

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Property Name	Encumbrance	Initial Cost(A) Land	Initial Cost(A) Buildings and Improvements	Adjustments to Basis(C)	Gross amount carried at end of period Land and Improvements	Gross amount carried at end of period Buildings and Improvements(D)	Total (B)(D)	Accumulated Depreciation(E)	Date Constructed	Date Acquired
Forks Town Center Easton, PA	8,825	2,430	14,836	697	2,430	15,533	17,963	3,637	2002	07/04
Four Peaks Plaza Fountain Hills, AZ	10,160	5,000	20,098	4,400	5,000	24,498	29,498	4,835	2004	03/05
Fox Creek Village Longmont, CO	9,417	3,755	15,563	(1,081)	3,755	14,482	18,237	3,372	2003-2004	11/04
Fullerton Metrocenter Fullerton, CA	29,242		47,403	1,168		48,571	48,571	11,398	1988	06/04
Galvez Shopping Center Galveston, TX	4,292	1,250	4,947	339	1,250	5,286	6,536	1,064	2004	06/05
The Gateway Salt Lake City, UT	100,559	28,664	110,945	21,917	28,664	132,862	161,526	25,703	2001-2003	05/05
Gateway Pavilions Avondale, AZ	25,277	9,880	55,195	(1,517)	9,880	53,678	63,558	11,981	2003-2004	12/04
Gateway Plaza Southlake, TX	19,318		26,371	2,588		28,959	28,959	6,576	2000	07/04
Gateway Station College Station, TX	3,101	1,050	3,911	1,022	1,050	4,933	5,983	1,074	2003-2004	12/04
Gateway Station II College Station, TX	6,268	1,530	8,146	(511)	1,530	7,635	9,165	972	2006-2007	05/07
Gateway Village Annapolis, MD	25,803	8,550	39,298	3,777	8,550	43,075	51,625	10,036	1996	07/04
Gerry Centennial Plaza(a) Oswego, IL		5,370	12,968	8,315	5,370	21,283	26,653	2,469	2006	06/07
Giant Eagle Columbus, OH	12,154	3,425	16,868	10	3,425	16,878	20,303	3,145	2000	11/05
Gloucester Town Center Gloucester, NJ	9,254	3,900	17,878	280	3,900	18,158	22,058	3,682	2003	05/05
GMAC Insurance Buildings Winston-Salem, NC	28,788	8,250	50,287	12	8,250	50,299	58,549	11,526	1980/1990	09/04
Golfsmith		1,250	2,974	2	1,250	2,976	4,226	538	1992/2004	11/05

Altamonte Springs, FL										
Governor s Marketplace Tallahassee, FL	13,792		30,377	1,899		32,276	32,276	7,406	2001	08/04
Grapevine Crossing Grapevine, TX	12,415	4,100	16,938	156	4,100	17,094	21,194	3,533	2001	04/05
Green s Corner Cumming, GA	5,551	3,200	8,663	(39)	3,200	8,624	11,824	1,898	1997	12/04
Greensburg Commons Greensburg, IN	10,153	2,700	19,116	(257)	2,700	18,859	21,559	4,010	1999	04/05
Greenwich Center[(a)] Phillipsburg, NJ		3,700	15,949	(9,466)	2,051	8,132	10,183	687	2002	02/06

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		Initial Cost(A)			Gross amount carried at end of period					
Property Name	**Encumbrance**	**Land**	**Buildings and Improvements**	**Adjustments to Basis(C)**	**Land and Improvements**	**Buildings and Improvements(D)**	**Total (B)(D)**	**Accumulated Depreciation(E)**	**Date Constructed**	**Date Acquired**
Gurnee Town Center Gurnee, IL	15,761	7,000	35,147	86	7,000	35,233	42,233	7,969	2000	10/04
Hartford Insurance Building Maple Grove, MN	9,614	1,700	13,709	6	1,700	13,715	15,415	2,682	2005	08/05
Harvest Towne Center Knoxville, TN	4,163	3,155	5,085	49	3,155	5,134	8,289	1,193	1996-1999	09/04
Henry Town Center McDonough, GA	32,537	10,650	46,814	323	10,650	47,137	57,787	10,370	2002	12/04
Heritage Towne Crossing Euless, TX	7,236	3,065	10,729	1,119	3,065	11,848	14,913	2,928	2002	03/04
Hewitt Associates Campus Lincolnshire, IL	125,261	28,500	178,524	(3)	28,497	178,524	207,021	36,543	1974/1986	05/05
Hickory Ridge Hickory, NC	20,123	6,860	30,517	(41)	6,860	30,476	37,336	7,390	1999	01/04
High Ridge Crossing High Ridge, MO	5,155	3,075	9,148	(323)	3,075	8,825	11,900	1,903	2004	03/05
Hobby Lobby[a] Concord, NC		1,728	3,791		1,728	3,791	5,519	834	2004	01/05
Holliday Towne Center Duncansville, PA	8,128	2,200	11,609	(367)	2,200	11,242	13,442	2,491	2003	02/05
Home Depot Center Pittsburgh, PA	11,200		16,758			16,758	16,758	3,379	1996	06/05
Home Depot Plaza Orange, CT	13,530	9,700	17,137	439	9,700	17,576	27,276	3,517	1992	06/05
HQ Building San Antonio, TX	9,500	5,200	10,010	4,083	5,200	14,093	19,293	2,042	Redev: 04	12/05
Humblewood Shopping Center Humble, TX	6,739	2,200	12,823	(51)	2,200	12,772	14,972	2,345	Renov: 05	11/05
Irmo Station Irmo, SC	5,254	2,600	9,247	75	2,600	9,322	11,922	2,045	1980 & 1985	12/04

Jefferson Commons Newport News, VA	53,998	23,097	52,762	(32)	23,097	52,730	75,827	5,651	2005	02/08
King Philip s Crossing Seekonk, PA	10,800	3,710	19,144	268	3,710	19,412	23,122	3,543	2005	11/05
Kohl s Georgetown, KY	6,085	1,600	8,275	5	1,600	8,280	9,880	1,497	2005	10/05
Kohl s Hanford, CA	4,700	2,701	5,304	(4,537)	1,289	2,179	3,468	139	1993	09/05
Kohl s Lodi, CA	4,400	2,723	4,210	1	2,723	4,211	6,934	817	1979	09/05
Kohl s Sacramento, CA	4,800	3,864	3,533	1	3,864	3,534	7,398	686	1973	09/05

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Property Name	Encumbrance	Initial Cost(A) Land	Initial Cost(A) Buildings and Improvements	Adjustments to Basis(C)	Gross amount carried at end of period Land and Improvements	Gross amount carried at end of period Buildings and Improvements(D)	Total (B)(D)	Accumulated Depreciation(E)	Date Constructed	Date Acquired
Kohl s Sun Valley, CA	6,000	5,211	3,546	1	5,211	3,547	8,758	688	1980	09/05
La Plaza Del Norte San Antonio, TX	17,125	16,005	37,744	850	16,005	38,594	54,599	9,507	1996/1999	01/04
Lake Forest Crossing McKinney, TX	4,520	2,200	5,110	116	2,200	5,226	7,426	1,073	2004	03/05
Lake Mary Pointe Lake Mary, FL	1,725	2,075	4,009	99	2,075	4,108	6,183	928	1999	10/04
Lake Worth Towne Crossing Lake Worth, TX	26,491	6,200	30,910	4,279	6,200	35,189	41,389	5,647	2005	06/06
Lakepointe Towne Center Lewisville, TX	21,715	4,750	23,904	875	4,750	24,779	29,529	5,005	2004	05/05
Lakewood Towne Center Lakewood, WA	42,040	11,200	70,796	(3,382)	11,200	67,414	78,614	16,172	1988/2002-2003	06/04
Lincoln Plaza Worchester, MA	41,348	13,000	46,482	21,424	13,165	67,741	80,906	11,936	2001-2004	09/05
Low Country Village I & II Bluffton, SC	10,817	2,910	16,614	(97)	2,910	16,517	19,427	3,576	2004-2005	06/04 & 09/05
Lowe s/Bed, Bath & Beyond Butler, NJ	13,783	7,423	799	(8)	7,415	799	8,214	284	2005	08/05
MacArthur Crossing Los Colinas, TX	7,342	4,710	16,265	630	4,710	16,895	21,605	4,287	1995-1996	02/04
Magnolia Square Houma, LA	6,641	2,635	15,040	(1,121)	2,635	13,919	16,554	3,106	2004	02/05
Manchester Meadows[a] Town and Country, MO		14,700	39,738	(239)	14,700	39,499	54,199	9,286	1994-1995	08/04
Mansfield Towne Crossing Mansfield, TX	8,892	3,300	12,195	3,340	3,300	15,535	18,835	3,431	2003-2004	11/04
Maple Tree Place	63,400	28,000	67,361	2,363	28,000	69,724	97,724	14,323	2004-2005	05/05

Williston, VT										
The Market at Clifty Crossing	13,977	1,900	16,668	659	1,847	17,380	19,227	3,065	1986/2004	11/05
Columbus, IN										
The Market at Polaris	36,196	11,750	40,197	6,193	11,750	46,390	58,140	8,434	2005	11/05
Columbus, OH										
Massillon Commons	7,286	4,090	12,521	280	4,090	12,801	16,891	2,657	1986/2000	04/05
Massillion, OH										
Maytag Distribution Center		1,700	20,681		1,700	20,681	22,381	4,343	2004	01/05
North Liberty, IA										
McAllen Shopping Center	1,623	850	2,958	(112)	850	2,846	3,696	628	2004	12/04
McAllen, TX										

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Property Name	Encumbrance	Initial Cost(A) Land	Initial Cost(A) Buildings and Improvements	Adjustments to Basis(C)	Gross amount carried at end of period Land and Improvements	Gross amount carried at end of period Buildings and Improvements(D)	Total (B)(D)	Accumulated Depreciation(E)	Date Constructed	Date Acquired
McDermott Towne Crossing Allen, TX	5,617	1,850	6,923	75	1,850	6,998	8,848	1,343	1999	09/05
Mervyns Bakersfield, CA	5,000	1,964	5,682	(4,088)	1,006	2,552	3,558	211	1988	09/05
Mervyns Fontana, CA	5,200	2,357	5,702	1	2,357	5,703	8,060	1,107	1992	09/05
Mervyns Fresno, CA	5,100	2,455	5,438	152	2,455	5,590	8,045	1,056	1993	09/05
Mervyns Highland, CA	5,300	2,308	5,870	(3,311)	1,506	3,361	4,867	278	1994	09/05
Mervyns Manteca, CA	5,700	2,799	6,194	1	2,799	6,195	8,994	1,203	1992	09/05
Mervyns McAllen, TX	5,100	4,027	3,931	2	4,027	3,933	7,960	763	1992	09/05
Mervyns Morgan Hill, CA	5,100	4,714	3,153	1	4,714	3,154	7,868	612	1989	09/05
Mervyns Oceanside, CA	6,400	6,305	5,384	1	6,305	5,385	11,690	1,045	1982	09/05
Mervyns Rancho Cucamonga, CA	5,000	4,419	3,235	1	4,419	3,236	7,655	628	1990	09/05
Mervyns Ridgecrest, CA	3,300	1,473	4,556	(3,632)	641	1,756	2,397	162	1990	09/05
Mervyns Roseville, CA	5,400	4,734	2,997	2	4,734	2,999	7,733	582	1983	09/05
Mervyns Temecula, CA	5,100	4,704	3,062	1	4,704	3,063	7,767	594	1990	09/05
Mervyns Turlock, CA	4,000	1,925	4,294	(3,315)	975	1,929	2,904	178	1987	09/05
Mervyns Ventura, CA	5,000	4,714	2,968	1	4,714	2,969	7,683	576	1982	09/05
Mesa Fiesta Mesa, AZ		5,800	28,302	(29,819)	957	3,326	4,283	(4)	2004	12/04
Mid-Hudson Center	23,750	9,900	29,160	1	9,900	29,161	39,061	5,797	2000	07/05

Poughkeepsie, NY										
Midtown Center	31,335	13,220	41,657	5,048	13,220	46,705	59,925	9,223	1986-1987	01/05
Milwaukee, WI										
Mission Crossing	12,164	4,000	12,616	6,723	4,670	18,669	23,339	3,542	Renov:	07/05
San Antonio, TX									2003-2005	
Mitchell Ranch Plaza	20,060	5,550	26,213	270	5,550	26,483	32,033	6,135	2003	08/04
New Port Richey, FL										
Montecito Crossing	17,923	9,700	25,414	9,327	11,300	33,141	44,441	6,076	2004-2005	10/05
Las Vegas, NV										

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		Initial Cost(A)			Gross amount carried at end of period					
Property Name	**Encumbrance**	**Land**	**Buildings and Improvements**	**Adjustments to Basis(C)**	**Land and Improvements**	**Buildings and Improvements(D)**	**Total (B)(D)**	**Accumulated Depreciation(E)**	**Date Constructed**	**Date Acquired**
Mountain View Plaza I & II Kalispell, MT	14,373	5,180	18,212	72	5,180	18,284	23,464	3,325	2003 & 2006	10/05 & 11/06
Newburgh Crossing Newburgh, NY	6,882	4,000	10,246	6	4,000	10,252	14,252	1,973	2005	10/05
Newnan Crossing I & II Newnan, GA	25,404	15,100	33,986	3,586	15,100	37,572	52,672	8,737	1999 & 2004	12/03 & 02/04
Newton Crossroads Covington, GA	3,915	3,350	6,927	(60)	3,350	6,867	10,217	1,511	1997	12/04
North Ranch Pavilions(a) Thousand Oaks, CA		9,705	8,296	(4,005)	8,141	5,855	13,996	357	1992	01/04
North Rivers Towne Center Charleston, SC	10,507	3,350	15,720	195	3,350	15,915	19,265	3,924	2003-2004	04/04
Northgate North Seattle, WA	28,650	7,540	49,078	(16,433)	7,540	32,645	40,185	8,029	1999-2003	06/04
Northpointe Plaza Spokane, WA	24,286	13,800	37,707	1,266	13,800	38,973	52,773	9,392	1991-1993	05/04
Northwood Crossing Northport, AL	10,691	3,770	13,658	347	3,770	14,005	17,775	2,555	1979/2004	01/06
Northwoods Center Wesley Chapel, FL	8,921	3,415	9,475	5,896	3,415	15,371	18,786	3,284	2002-2004	12/04
Old Time Pottery Douglasville, GA	3,250	2,000	3,017	(3,372)	708	937	1,645	39	1987/1999 & 2005	06/06
Orange Plaza (Golfland Plaza) Orange, CT	6,200	4,350	4,834	996	4,350	5,830	10,180	1,093	1995	05/05
The Orchard New Hartford, NY	12,229	3,200	17,151	14	3,200	17,165	20,365	3,368	2004-2005	07/05 & 9/05
Pacheco Pass Phase I & II Gilroy, CA	29,088	13,420	32,785	(1,003)	13,400	31,802	45,202	5,343	2004 & 2006	07/05 & 06/07
Page Field Commons			43,355	782		44,137	44,137	9,153	1999	05/05

Fort Myers, FL										
Paradise Valley Marketplace Phoenix, AZ	9,615	6,590	20,425	12	6,590	20,437	27,027	5,020	2002	04/04
Pavillion at Kings Grant I & II Concord, NC	16,000	10,274	12,392	10,713	10,274	23,105	33,379	3,615	2002-2003 & 2005	12/03 & 06/06
Peoria Crossings I & II Peoria, AZ	20,246	6,995	32,816	3,722	8,495	35,038	43,533	8,445	2002-2003 & 2005	03/04 & 05/05
PetSmart Distribution Center Ottawa, IL	23,731	1,700	38,808	(1,098)	1,700	37,710	39,410	6,759	2004-2005	07/05
Phenix Crossing Phenix City, AL	4,362	2,600	6,776	105	2,600	6,881	9,481	1,525	2004	12/04

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Property Name	Encumbrance	Initial Cost(A) Land	Initial Cost(A) Buildings and Improvements	Adjustments to Basis(C)	Gross amount carried at end of period Land and Improvements	Gross amount carried at end of period Buildings and Improvements(D)	Total (B)(D)	Accumulated Depreciation(E)	Date Constructed	Date Acquired
Pine Ridge Plaza Lawrence, KS	11,384	5,000	19,802	1,672	5,000	21,474	26,474	4,987	1998-2004	06/04
Placentia Town Center Placentia, CA	11,598	11,200	11,751	101	11,200	11,852	23,052	2,628	1973/2000	12/04
Plaza at Marysville Marysville, WA	9,638	6,600	13,728	157	6,600	13,885	20,485	3,236	1995	07/04
Plaza at Riverlakes Bakersfield, CA	8,937	5,100	10,824	(31)	5,100	10,793	15,893	2,444	2001	10/04
Plaza Santa Fe II Santa Fe, NM	15,037		28,588	669		29,257	29,257	6,865	2000-2002	06/04
Pleasant Run Cedar Hill, TX	14,373	4,200	29,085	2,502	4,200	31,587	35,787	6,817	2004	12/04
Powell Center Lewis Center, OH	8,390	5,490	7,448	(43)	5,490	7,405	12,895	1,022	2001	04/07
Preston Trail Village Dallas, TX	13,595	7,139	13,670	793	7,139	14,463	21,602	1,247	1978/2008	09/08
Promenade at Red Cliff St. George, UT	8,426	5,340	12,665	143	5,340	12,808	18,148	3,209	1997	02/04
Pro-Ranch Market El Paso, TX	5,000	3,339	4,348	1	3,339	4,349	7,688	844	1981	09/05
Quakertown Quakertown, PA	8,290	2,400	9,246	1	2,400	9,247	11,647	1,810	2004-2005	09/05
Rasmussen College Brooklyn Park, MN	3,053	850	4,049	6	850					