

INLAND WESTERN RETAIL REAL ESTATE TRUST INC  
Form POS AM  
September 15, 2005

As filed with the Securities and Exchange Commission on September 15, 2005  
Registration No. 333-118860

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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POST-EFFECTIVE AMENDMENT NO. 4  
TO  
FORM S-11  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.  
(Exact name of registrant as specified in governing instruments)

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2901 BUTTERFIELD ROAD  
OAK BROOK, ILLINOIS 60523  
(630) 218-8000  
(Address, including zip code, and telephone number,  
including, area code of Principal executive offices)

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ROBERT H. BAUM, ESQ.  
VICE CHAIRMAN, EXECUTIVE VICE PRESIDENT AND GENERAL COUNSEL  
THE INLAND GROUP, INC.  
2901 BUTTERFIELD ROAD  
OAK BROOK, ILLINOIS 60523  
(630) 218-8000  
(Name and address, including zip code, and telephone number,  
including area code of agent for service)

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WITH A COPY TO:  
DAVID J. KAUFMAN, ESQ.  
DUANE MORRIS LLP  
227 WEST MONROE STREET  
SUITE 3400  
CHICAGO, ILLINOIS 60606  
(312) 499-6700

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This Post-Effective Amendment No. 4 consists of the following:

1. Supplement No. 33 dated September 15, 2005 to the Registrant's Prospectus

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dated December 21, 2004, included herewith, which will be delivered as an unattached document along with the Prospectus dated December 21, 2004.

2. The Registrant's final form of Prospectus dated December 21, 2004, previously filed pursuant to Rule 424(b)(3) on December 21, 2004 and refiled herewith.

3. Part II, included herewith.

4. Signatures, included herewith.

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SUPPLEMENT NO. 33  
DATED SEPTEMBER 15, 2005  
TO THE PROSPECTUS DATED DECEMBER 21, 2004  
OF INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

We are providing this Supplement No. 33 to you in order to supplement our prospectus. This supplement updates information in the sections of our prospectus noted in the table of contents below. This Supplement No. 33 supplements, modifies or supersedes certain information contained in our prospectus, and prior Supplements No. 1 through 32 (dated December 29, 2004 through September 8, 2005) and must be read in conjunction with our prospectus.

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We have completed our sales effort for our \$2.5 billion initial public offering where we offered for sale 250 million shares of common stock. We consummated the sale of all of the shares of the offering on March 22, 2005. We commenced our \$2.5 billion follow-on offering in January 2005 and are in the closing stage of the offering.

We announced on September 6, 2005 that subscriptions for our common stock in our

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second offering will no longer be accepted after September 9, 2005. Completed subscription agreements, documents and funds for qualified and non-qualified investments must be postmarked on or before the close of business on September 9, 2005. Our distribution reinvestment program will continue in accordance with the terms of this prospectus and is unaffected by this announcement. Consult the subscription document for suitability standards in your state.

### PROSPECTUS SUMMARY

THE FIFTH SENTENCE UNDER THE SECTION REGARDING "Our Sponsor, Our Business Manager/Advisor and The Inland Group" WHICH STARTS ON PAGE 2 OF OUR PROSPECTUS HAS BEEN MODIFIED AS FOLLOWS:

Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC, our property managers, are entities owned principally by individuals who are affiliates of The Inland Group.

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THE FIRST PARAGRAPH UNDER THE SECTION REGARDING "CONFLICTS OF INTEREST" WHICH STARTS ON PAGE 4 OF OUR PROSPECTUS HAS BEEN SUPERCEDED AND WAS UPDATED IN THE ENTIRETY TO READ AS FOLLOWS:

CONFLICTS OF INTEREST EXIST BETWEEN US AND SOME OF OUR AFFILIATES, INCLUDING OUR BUSINESS MANAGER/ADVISOR. THESE AFFILIATES INCLUDE INLAND REAL ESTATE CORPORATION, INLAND RETAIL REAL ESTATE TRUST, INC., INLAND REAL ESTATE EXCHANGE CORPORATION AND INLAND AMERICAN REAL ESTATE TRUST, INC. INLAND REAL ESTATE CORPORATION IS A PUBLICLY TRADED REIT THAT IS SELF-ADMINISTERED AND GENERALLY PURCHASES SHOPPING CENTERS LOCATED IN THE MIDWEST. INLAND RETAIL REAL ESTATE TRUST, INC. IS SELF-ADMINISTERED AND GENERALLY PURCHASES SHOPPING CENTERS LOCATED EAST OF THE MISSISSIPPI RIVER. INLAND REAL ESTATE EXCHANGE CORPORATION IS A SUBSIDIARY OF INLAND REAL ESTATE INVESTMENT CORPORATION. INLAND REAL ESTATE EXCHANGE CORPORATION PROVIDES REPLACEMENT PROPERTIES FOR PEOPLE WISHING TO COMPLETE AN IRS SECTION 1031 REAL ESTATE EXCHANGE. INLAND AMERICAN REAL ESTATE TRUST, INC.'S REGISTRATION STATEMENT ON FORM S-11 TO REGISTER 500,000,000 SHARES OF COMMON STOCK AND UP TO 40,000,000 SHARES OF THEIR COMMON STOCK FOR PARTICIPANTS IN THEIR DISTRIBUTION REINVESTMENT PROGRAM WAS DECLARED EFFECTIVE BY THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 31, 2005. INLAND AMERICAN REAL ESTATE TRUST, INC. IS AFFILIATED WITH THE INLAND GROUP. INLAND AMERICAN REAL ESTATE TRUST, INC. HAS BEEN FORMED TO ACQUIRE COMMERCIAL REAL ESTATE, PRIMARILY RETAIL PROPERTIES AND MULTI-FAMILY, OFFICE AND INDUSTRIAL BUILDINGS, LOCATED IN THE UNITED STATES AND CANADA. INLAND AMERICAN REAL ESTATE TRUST, INC. MAY INVEST IN THOSE ASSETS DIRECTLY BY PURCHASING THE PROPERTY ALSO KNOWN AS A "FEE INTEREST" OR INDIRECTLY BY PURCHASING INTERESTS, INCLUDING CONTROLLING INTERESTS, IN "REAL ESTATE OPERATING COMPANIES." INLAND AMERICAN REAL ESTATE TRUST, INC. MAY ALSO INVEST IN OTHER REAL ESTATE ASSETS AND ENTITIES OWNING THOSE ASSETS, SUCH AS MORTGAGE LOANS SECURED BY COMMERCIAL REAL ESTATE. Midwest Real Estate Equities, Inc. is not a subsidiary of The Inland Group, Inc or its affiliates but does have some of the same shareholders as The Inland Group, Inc. Midwest Real Estate Equities buys, manages and sells commercial and multi-family property.

THE SECOND BULLET POINT AFTER THE SECOND PARAGRAPH UNDER THE SECTION "CONFLICTS OF INTEREST" WHICH STARTS ON PAGE 4 OF OUR PROSPECTUS HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

- substantial compensation payable by us to Inland Securities Corporation, Inland Western Retail Real Estate Advisory Services, Inc., Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC for their various services which

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may not be on market terms and is payable, in most cases, whether or not our stockholders receive distributions;

WE HAVE ADDED A FOURTH PARAGRAPH WITH RELATED BULLET POINTS UNDER THE SECTION "CONFLICTS OF INTEREST" WHICH STARTS ON PAGE 4 OF OUR PROSPECTUS WHICH HAS BEEN UPDATED TO READ AS FOLLOWS:

When Inland American Real Estate Trust, Inc.'s registration statement was declared effective by the Securities and Exchange Commission on August 31, 2005 the conflicts of interest that may arise in connection with the sale of shares and use of the offering's proceeds are as follows:

- competition for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters;
- potentially overlapping fiduciary duties owed by certain affiliated directors sitting on more than one board of directors;
- potentially overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retail centers, and office buildings, located in the United States;
- Inland American Real Estate Trust, Inc. may compete for the same properties we are interested in;
- Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for us to acquire properties from; and

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- potential time and effort spent by Inland Securities Corporation on the selling of our securities and the sales effort due to the effort related to the sales of shares by Inland American Real Estate Trust, Inc.

A NEW PARAGRAPH IS INSERTED AFTER THE FOURTH PARAGRAPH IN THE "CONFLICTS OF INTEREST" SUBSECTION, WHICH STARTS ON PAGE 4 OF OUR PROSPECTUS TO READ AS FOLLOWS:

Our company has entered into an agreement and purchased 1,000 shares of The Inland Real Estate Group of Companies, Inc., which is a marketing entity to promote the business interests of its individual shareholder members. Its goals are to 1) enhance shareholder value of the members by: (a) assisting in the coordination of marketing efforts among members; (b) increasing buying power; (c) acting as a conduit for blind business leads; (d) identifying and monitoring proposed legislation that affects members; (e) providing an advocacy platform for issues of mutual concern; (f) sharing broad based expertise among members; (g) offering prospective tenants the broadest possible number of location choices; and 2) to clarify members' roles in the market place.

WE HAVE SUPERCEDED THE FOLLOWING DESCRIPTION LOCATED UNDER THE NONSUBORDINATED PAYMENTS AT THE OPERATIONAL STAGE WITHIN THE TABULAR SUMMARY OF FEES AS DISCUSSED UNDER THE SECTION "Compensation To Be Paid to Our Business Manager/Advisor and Affiliates" WHICH STARTS ON PAGE 7 OF OUR PROSPECTUS IN THE ENTIRETY, TO READ AS FOLLOWS:

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Property management fee  
This fee terminates upon a business combination  
with our property managers.

4.5% of the gross income from the properties  
(cannot exceed 90% of the fee which would be  
payable to an unrelated third party). We will  
pay the fee for services in connection with  
the rental, leasing, operation and management  
of the properties. For the quarter ended  
June 30, 2005 and the year ended December  
31, 2004, we have incurred and paid property  
management fees of \$8,297,378 and \$5,381,721,  
respectively, of which \$8,297,378 and  
\$5,381,721 were retained by Inland US  
Management LLC, Inland Southwest Property  
Management LLC and Inland Pacific Property  
Services LLC. Actual amounts we will incur in  
the future cannot be determined at the  
present time.

Loan servicing fee and mortgage brokerage fee

Annual fees totaling 0.3% of the first  
billion in mortgage balance outstanding and  
.01% thereafter through April 30, 2005.  
Effective May 1, 2005, if the number of loans  
exceeds 100, a monthly fee will be charged in  
the amount of \$190 per month, per loan being  
serviced. If the amount of loans being  
serviced are less than 100, then the amount  
per month, per loan increases to \$225. For  
the year ended December 31, 2004, and the  
six months ended June 30, 2005, we have  
incurred and paid \$140,859 and \$175,008 to  
Inland Mortgage Servicing Corporation.

.2% of the principal amount of each loan is  
charged to facilitate the mortgage financing.  
For the year ended December 31, 2004, we have  
incurred and paid \$3,475,472 to Inland  
Mortgage Corporation. For the six months  
ended June 30, 2005, we have incurred and  
paid \$2,710,721 to Inland Mortgage Brokerage  
Corporation.

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ORGANIZATIONAL CHART

The organizational chart included in the "Property Summary" and the "How We Operate" sections in our prospectus which are located on pages 3 and 35, respectively are both superceded with the following:

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The following organizational chart depicts the services that affiliates of our sponsor will render to us and our organizational structure.

ORGANIZATIONAL CHART

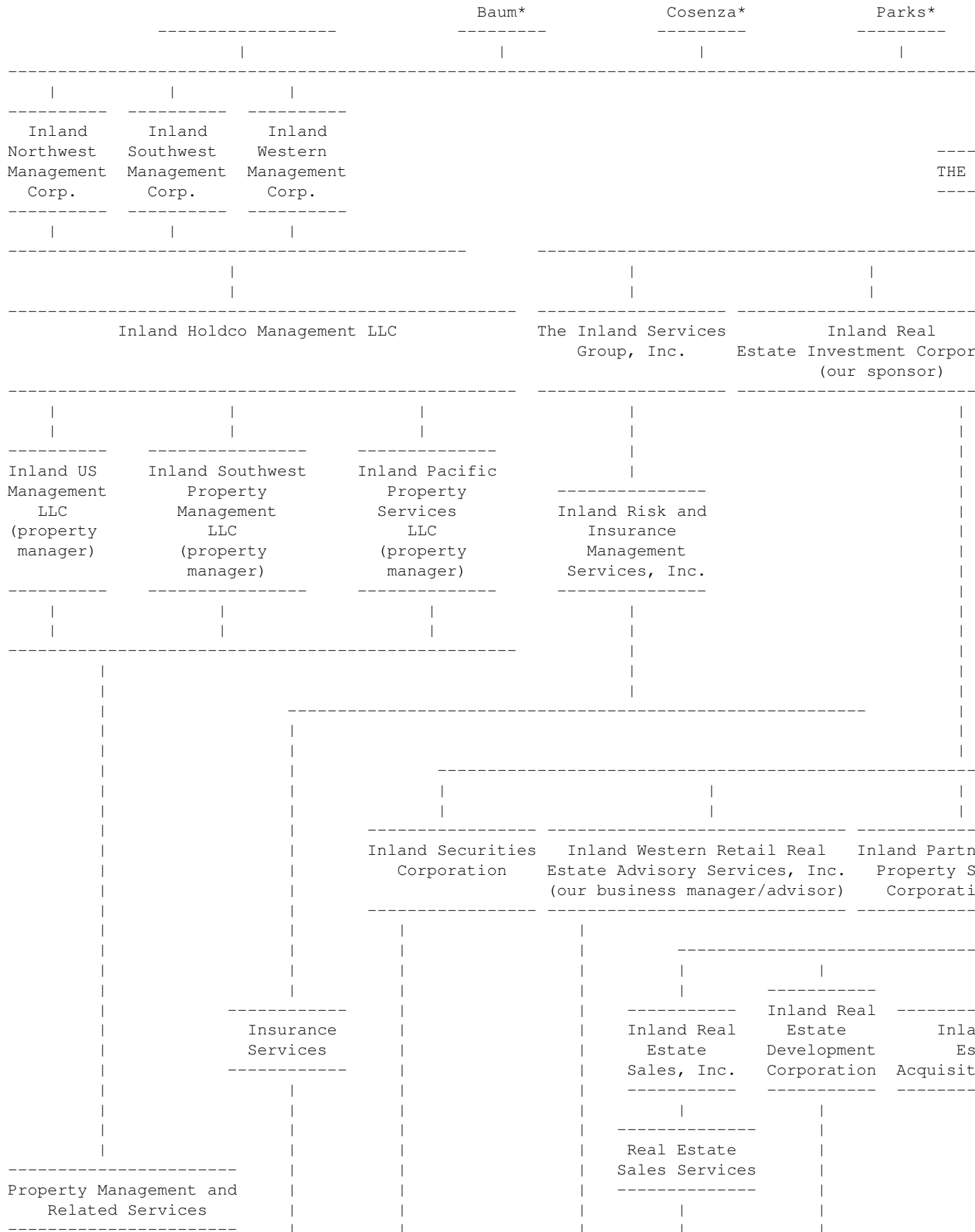
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Daniel L. Goodwin\*

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Robert H.

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G. Joseph

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Robert D.

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		Securities Sales	Organization, Advisory and Real Estate Services	Construction and Development Services
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Inland Western Retail Real Estate Trust, Inc.  
We are principally owned by public investors. Ownership is represented by shares

Solid lines indicate 100% ownership. Broken lines indicate service.

\* The four indicated individuals control The Inland Group, Inc. and own substantially all of its stock.

RISK FACTORS

THE SECOND SENTENCE UNDER THE DISCUSSION REGARDING "WE WILL COMPETE WITH REAL ESTATE INVESTMENT PROGRAMS SPONSORED BY COMPANIES AFFILIATED WITH US FOR ACQUISITION OF PROPERTIES AND FOR THE TIME AND SERVICES OF PERSONNEL" WHICH STARTS ON PAGE 12 OF OUR PROSPECTUS HAS BEEN MODIFIED TO READ AS FOLLOWS:

These affiliated companies include Inland Real Estate Corporation, Inland Retail Real Estate Trust, Inc., Inland Real Estate Exchange Corporation, Inland American Real Estate Trust, Inc., and other entities to be formed by The Inland Group.

THE DISCUSSION REGARDING "WE DEPEND ON OUR BOARD OF DIRECTOR, BUSINESS MANAGER/ADVISOR AND PROPERTY MANAGERS AND LOSING THOSE RELATIONSHIPS COULD NEGATIVELY AFFECT OUR OPERATIONS" WHICH STARTS ON PAGE 19 OF OUR PROSPECTUS HAS BEEN SUPERCEDED AND WAS UPDATED IN THE ENTIRETY TO READ AS FOLLOWS:

WE DEPEND ON OUR BOARD OF DIRECTORS, BUSINESS MANAGER/ADVISOR AND PROPERTY MANAGERS AND LOSING THOSE RELATIONSHIPS COULD NEGATIVELY AFFECT OUR OPERATIONS. Our board of directors has supervisory control over all aspects of our operations. Our ability to achieve our investment objectives will depend to a large extent on the board's ability to oversee, and the quality of, the management provided by the business manager/advisor, the property managers, their affiliates and employees for day-to-day operations. Therefore, we depend heavily on the ability of the business manager/advisor and its affiliates to retain the services of each of its executive officers and key employees. However, none of these individuals has an employment agreement with the business manager/advisor or its affiliates. The loss of any of these individuals could have a material adverse effect on us. These individuals include Daniel L. Goodwin, Robert H. Baum, G. Joseph Cosenza, Robert D. Parks, Thomas P. McGuinness, Roberta S. Matlin and Brenda G. Gujral.

Inland American Real Estate Trust, Inc.'s registration statement on Form S-11 to register 500,000,000 shares of common stock and up to 40,000,000 shares of their common stock for participants in their distribution reinvestment program was declared effective by the Securities and Exchange Commission on August 31, 2005. Specific conflicts of interest between us and Inland American Real Estate Trust, Inc., include:

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- competition for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters;
- potentially overlapping fiduciary duties owed by certain affiliated directors sitting on more than one board of directors; and
- potentially overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retail centers, and office buildings, located in the United States.

Our business manager/advisor must reimburse us for certain operational stage expenses exceeding 15% of the gross offering proceeds. If the business manager/advisor's net worth or cash flow is not sufficient to cover these expenses, we will not be reimbursed.

THE DISCUSSION REGARDING "THERE ARE CONFLICTS OF INTEREST BETWEEN US AND OUR AFFILIATES" WHICH STARTS ON PAGE 19 OF OUR PROSPECTUS HAS BEEN SUPERCEDED AND WAS UPDATED IN THE ENTIRETY TO READ AS FOLLOWS:

THERE ARE CONFLICTS OF INTEREST BETWEEN US AND OUR AFFILIATES. Our operation and management may be influenced or affected by conflicts of interest arising out of our relationship with our affiliates. Our business manager/advisor and its affiliates are or will be engaged in other activities that will result in potential conflicts of interest with the services that the business manager/advisor and affiliates will provide to us. Those affiliates

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could take actions that are more favorable to other entities than to us. The resolution of conflicts in favor of other entities could have a negative impact on our financial performance. These affiliates include Inland Retail Real Estate Trust, Inc., Inland Western Retail Real Estate Advisory Services, Inc., our business manager/advisor, Inland Real Estate Corporation, Inland Real Estate Exchange Corporation, and Inland American Real Estate Trust, Inc., and entities to be formed by The Inland Group, Inc. Inland Real Estate Corporation is a publicly traded REIT that is self-administered and generally purchases shopping centers located in the Midwest. Inland Retail Real Estate Trust, Inc. is self-administered and generally purchases shopping centers located east of the Mississippi River. Inland Real Estate Exchange Corporation is a subsidiary of Inland Real Estate Investment Corporation. Inland Real Estate Exchange Corporation provides replacement properties for people wishing to complete an IRS Section 1031 real estate exchange. Inland American Real Estate Trust, Inc.'s registration statement on Form S-11 to register 500,000,000 shares of common stock and up to 40,000,000 shares of their common stock for participants in their distribution reinvestment program was declared effective by the Securities and Exchange Commission on August 31, 2005. Inland American Real Estate Trust, Inc. is affiliated with The Inland Group. Inland American Real Estate Trust, Inc. has been formed to acquire commercial real estate, primarily retail properties and multi-family, office and industrial buildings, located in the United States and Canada. Inland American Real Estate Trust, Inc. may invest in those assets directly by purchasing the property also known as a "fee interest" or indirectly by purchasing interests, including controlling interests, in "real estate operating companies." Inland American Real Estate Trust, Inc. may also invest in other real estate assets and entities owning those assets, such as mortgage loans secured by commercial real estate. Our business manager/advisor receives fees based on the book value including acquired intangibles of the properties under management. Specific conflicts of interest between us and our affiliates include:



- WE MAY ACQUIRE PROPERTIES FROM AFFILIATES OF OUR SPONSOR IN TRANSACTIONS IN WHICH THE PRICE WILL NOT BE THE RESULT OF ARM'S LENGTH NEGOTIATIONS. The prices we pay to affiliates of our sponsor for our properties will be equal to the prices paid by them, plus the costs incurred by them relating to the acquisition and financing of the properties. These prices will not be the subject of arm's length negotiations, which could mean that the acquisitions may be on terms less favorable to us than those negotiated in an arm's-length transaction. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for us to acquire properties from, which could create a conflict of interest for us. In addition, Inland American Real Estate Trust, Inc.'s offering could potentially negatively impact arm's length negotiations due to overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retail centers, and office buildings, located in the United States. The result of these transactions could cause us to pay more for particular properties than we would have in an arm's length transaction and therefore, adversely affect our cash flow and our ability to pay your distributions.
  
- WE MAY PURCHASE REAL PROPERTIES FROM PERSONS WITH WHOM OUR BUSINESS MANAGER/ADVISOR OR ITS' AFFILIATES HAVE PRIOR BUSINESS RELATIONSHIPS AND OUR INTERESTS IN THESE BUSINESS RELATIONSHIPS MAY BE DIFFERENT FROM THE INTERESTS OF OUR BUSINESS MANAGER/ADVISOR OR ITS AFFILIATES IN THESE BUSINESS RELATIONSHIPS. We may purchase properties from third parties who have sold properties in the past, or who may sell properties in the future, to our business manager/advisor or its affiliates. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for our company. If we purchase properties from these third parties, our business manager/advisor will experience a conflict between our current interests and its interest in preserving any ongoing business relationship with these sellers. This could result in our business manager/advisor or its affiliates recommending properties that may be in the best interest of the third party seller, but not our best interest. This could adversely impact our portfolio by causing us to invest in properties that are not necessarily in our best interest.
  
- OUR BUSINESS MANAGER/ADVISOR AND ITS AFFILIATES RECEIVE COMMISSIONS, FEES AND OTHER COMPENSATION BASED UPON OUR INVESTMENTS AND THEREFORE OUR BUSINESS MANAGER/ADVISOR AND ITS

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AFFILIATES MAY RECOMMEND THAT WE MAKE INVESTMENTS IN ORDER TO INCREASE THEIR COMPENSATION. Our business manager/advisor and its affiliates receive commissions, fees and other compensation based upon our investments. They benefit by us retaining ownership of our assets and leveraging our assets, while you may be better served by sale or disposition or not leveraging the assets. In addition, our business manager/advisor's ability to receive fees and reimbursements depends on our continued investment in properties and in other assets which generate fees. Our business manager/advisor receives fees based on the book value including acquired intangibles of the properties under management. Our property managers receive fees based on the income from properties under management. Therefore, our business manager/advisor and/or property managers may recommend that we

purchase properties that generate fees for our business manager/advisor and property managers, but are not necessarily the most suitable investment for our portfolio. In addition, our affiliates, who receive fees, including our business manager/advisor, may recommend that we acquire properties, which may result in our incurring substantive amounts of indebtedness. Therefore, the interest of our business manager/advisor and its affiliates in receiving fees may conflict with our ability to earn income and may result in our incurring substantive amounts of indebtedness. The resolution of this conflict of interest may adversely impact our cash flow and our ability to pay your distributions.

- OUR BUSINESS MANAGER/ADVISOR MAY HAVE CONFLICTING FIDUCIARY OBLIGATIONS IF WE ACQUIRE PROPERTIES WITH ITS AFFILIATES. Our business manager/advisor may cause us to acquire an interest in a property through a joint venture with its affiliates. In these circumstances, our business manager/advisor will have a fiduciary duty to both us and its affiliates participating in the joint venture. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for us. In addition, Inland American Real Estate Trust, Inc.'s offering could potentially negatively impact arm's length negotiations due to overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retail centers, and office buildings, located in the United States. The resolution of this conflict of interest may cause the business manager/advisor to sacrifice our best interest in favor of the seller of the property and therefore, we may enter into a transaction that is not in our best interest. The resolution of this conflict of interest may negatively impact our financial performance.
- THERE IS COMPETITION FOR THE TIME AND SERVICES OF OUR BUSINESS MANAGER/ADVISOR AND OUR BUSINESS MANAGER/ADVISOR MAY NOT DEDICATE THE TIME NECESSARY TO MANAGE OUR BUSINESS. We rely on our business manager/advisor and its affiliates for our daily operation and the management of our assets. Our officers and other personnel of our business manager/advisor and its affiliates have conflicts in allocating their management time, services and functions among the real estate investment programs they currently service and any future real estate investment programs or other business ventures which they may organize or serve. Those personnel could take actions that are more favorable to other entities than to us. Inland American Real Estate Trust, Inc. competes with us for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters. The resolution of conflicts in favor of other entities could have a negative impact on our financial performance.
- INLAND SECURITIES CORPORATION IS PARTICIPATING AS MANAGING DEALER IN THE SALE OF THE SHARES. Inland Securities Corporation is our managing dealer of this offering and is affiliated with The Inland Group. Our managing dealer is entitled to selling commissions and reimbursement for marketing and due diligence expenses. Our managing dealer may be subject to a conflict of interest arising out of its participation in this offering and its affiliation with The Inland Group in performing its "due diligence" obligations which arise under the Securities Act of 1933. Inland American Real Estate Trust, Inc.'s offering could negatively affect the time and effort spent on our capital raise and sales effort due to the efforts related to the sales of shares by Inland American Real Estate Trust, Inc.

- WE MAY ACQUIRE THE BUSINESS OF OUR BUSINESS MANAGER/ADVISOR AND OUR PROPERTY MANAGERS WITHOUT FURTHER ACTION BY OUR STOCKHOLDERS. During the term of our agreements with our business manager/advisor and our property managers, we have the option to acquire or consolidate the business conducted by them without any consent of our stockholders, our business manager/advisor or our property managers. We may elect to exercise this right at any time after September 15, 2008. This unfettered discretion could cause us to take action that otherwise we would not be able to do, and therefore could have a negative impact on our financial performance.
  
- WE DO NOT HAVE ARM'S-LENGTH AGREEMENTS, WHICH COULD CONTAIN TERMS WHICH ARE NOT IN OUR BEST INTEREST. As we have noted, our agreements and arrangements with our business manager/advisor or any of its affiliates, including those relating to compensation, are not the result of arm's length negotiations. These agreements may contain terms that our not in our best interest and would not otherwise be applicable if we entered into arm's-length agreements. See "Conflicts of Interest" for a discussion of various conflicts of interest.

#### HOW WE OPERATE

THE THIRD AND FOURTH PARAGRAPH UNDER THIS HEADING WHICH STARTS ON PAGE 34 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

In addition to the services of our business manager/advisor, we contract with Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC for their services as our property managers. Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC provide the day-to-day property management services for all of our properties.

Our sponsor, Inland Real Estate Investment Corporation, is owned by The Inland Group, Inc. Our business manager/advisor Inland Western Retail Real Estate Advisory Services, Inc., is owned by our sponsor, and thus is indirectly controlled by The Inland Group. In addition, our property managers, Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC, are owned by individuals who are affiliates of the Inland Group.

#### CONFLICTS OF INTEREST

A NEW SECOND PARAGRAPH IS INSERTED AFTER THE FIRST PARAGRAPH WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS TO READ AS FOLLOWS:

Our company has entered into an agreement and purchased 1,000 shares of The Inland Real Estate Group of Companies, Inc., which is a marketing entity to promote the business interests of its individual shareholder members. Its goals are to 1) enhance shareholder value of the members by: (a) assisting in the coordination of marketing efforts among members; (b) increasing buying power; (c) acting as a conduit for blind business leads; (d) identifying and monitoring proposed legislation that affects members; (e) providing an advocacy platform for issues of mutual concern; (f) sharing broad based expertise among members; (g) offering prospective tenants the broadest possible number of location choices; and 2) to clarify members' roles in the market place.

THE SECOND PARAGRAPH UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR

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PROSPECTUS IS SUPERCEDED AND WAS UPDATED IN THE ENTIRETY TO READ AS FOLLOWS:

THERE MAY BE CONFLICTING INVESTMENT OPPORTUNITIES AMONG AFFILIATES OF OUR BUSINESS MANAGER/ADVISOR AND THE INLAND GROUP. Affiliates of our business manager/advisor and The Inland Group have sponsored multiple previous investment programs. Our sponsor may also sponsor other programs which may have investment objectives similar to ours. Inland American Real Estate Trust, Inc.'s registration statement on Form S-11 to register 500,000,000 shares of common stock and up to 40,000,000 shares of their common stock for participants in their distribution reinvestment program was declared effective by the Securities and Exchange Commission on August 31, 2005. Inland American Real Estate Trust, Inc. is affiliated with The Inland Group. Inland American Real Estate Trust, Inc.'s offering could negatively

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affect the time and effort spent on our capital raise and sales effort due to the effort related to the sales of shares by Inland American Real Estate Trust, Inc. Therefore, our sponsor, our business manager/advisor and their affiliates could face conflicts of interest in determining which investment programs will have the first opportunity to acquire real properties and other assets as they become available.

WE HAVE ADDED A SIXTH PARAGRAPH WHICH WAS SUBSEQUENTLY UPDATED UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS TO READ AS FOLLOWS:

Inland American Real Estate Trust, Inc. has been formed to acquire commercial real estate, primarily retail properties and multi-family, office and industrial buildings, located in the United States and Canada. Inland American Real Estate Trust, Inc. may invest in those assets directly by purchasing the property also known as a "fee interest" or indirectly by purchasing interests, including controlling interests, in "real estate operating companies." Inland American Real Estate Trust, Inc. may also invest in other real estate assets and entities owning those assets, such as mortgage loans secured by commercial real estate. Inland American Real Estate Trust, Inc.'s registration statement was declared effective by the Securities and Exchange Commission on August 31, 2005, and the conflicts of interest that may arise in connection with the sale of these shares and use of the offering's proceeds as follows:

- competition for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters;
- potentially overlapping fiduciary duties owed by certain affiliated directors sitting on more than one board of directors;
- potentially overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retail centers, and office buildings, located in the United States;
- Inland American Real Estate Trust, Inc. may compete for the same properties we are interested in;
- Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for us to acquire properties from; and
- potential time and effort spent by Inland Securities Corporation on the selling of our securities and the sales effort due to the effort related to the sales of shares by Inland American Real Estate Trust,

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Inc.

THE SIXTH PARAGRAPH UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY AND BECOMES THE SEVENTH PARAGRAPH AND WAS UPDATED TO READ AS FOLLOWS:

We currently focus on purchase of properties in the states west of the Mississippi River. We have acquired and will continue to acquire properties east of the Mississippi River. Inland American Real Estate Trust, Inc.'s registration statement was declared effective by the Securities and Exchange Commission on August 31, 2005, and conflicts of interest may arise in connection with the sale of shares and use of the offering's proceeds. Those conflicts of interest are discussed above. However, if any conflicts do arise, they will be resolved as provided in the agreement with our business manager/advisor discussed above.

THE NINTH THROUGH FIFTEENTH PARAGRAPHS UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY AND WAS UPDATED TO READ AS FOLLOWS:

WE MAY ACQUIRE PROPERTIES FROM AFFILIATES OF OUR SPONSOR. The prices we pay to affiliates of our sponsor for these properties will be equal to the prices paid by them, plus the costs incurred by them relating to the acquisition and financing of the properties. These prices will not be the subject of arm's length negotiations, which could mean that the acquisitions may be on terms less favorable to us than those negotiated in an arm's-length transaction. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that

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may have been a historical or future source for acquiring properties, which could create a conflict of interest for our company. In addition, Inland American Real Estate Trust, Inc.'s offering could potentially negatively impact arm's length negotiations due to overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retail centers, and office buildings, located in the United States. However, our articles of incorporation provide that the purchase price of any property acquired from an affiliate may not exceed its fair market value as determined by a competent independent appraiser. In addition, the price must be approved by a majority of our directors who have no financial interest in the transaction. If the price to us exceeds the cost paid by our affiliate, there must be substantial justification for the excess cost.

WE MAY PURCHASE REAL PROPERTIES FROM PERSONS WITH WHOM AFFILIATES OF OUR BUSINESS MANAGER/ADVISOR HAVE PRIOR BUSINESS RELATIONSHIPS. We may purchase properties from third parties who have sold properties in the past, or who may sell properties in the future, to our business manager/advisor or its affiliates. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for our company. If we purchase properties from these third parties, our business manager/advisor could experience a conflict between our current interests and its interest in preserving any ongoing business relationship with these sellers. Nevertheless, our business manager/advisor has a fiduciary obligation to us.

PROPERTY MANAGEMENT SERVICES ARE BEING PROVIDED BY COMPANIES OWNED PRINCIPALLY BY AFFILIATES OF THE INLAND GROUP. Our property managers, which are owned principally by individuals who are our affiliates, provide property management services to us pursuant to management services agreements which we can terminate

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only in the event of gross negligence or willful misconduct on the part of the property managers. However, our property management services agreements provide that we pay our property managers a monthly management fee of no greater than 90% of the fee which would be payable to an unrelated third party providing such services. In addition, the business manager/advisor and the property managers believe that the property managers have sufficient personnel and other required resources to discharge all responsibilities to us. Inland American Real Estate Trust, Inc. could compete with us for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters.

OUR BUSINESS MANAGER/ADVISOR AND ITS AFFILIATES RECEIVE COMMISSIONS, FEES AND OTHER COMPENSATION BASED UPON OUR INVESTMENTS. We believe that the compensation we will pay to our business manager/advisor and its affiliates is no more than what we would pay for similar services performed by independent firms. Some compensation is payable whether or not there is cash available to make distributions to our stockholders. To the extent this occurs, our business manager/advisor and its affiliates benefit from us retaining ownership of our assets and leveraging our assets, while our stockholders may be better served by sale or disposition or not leveraging the assets. In addition, the business manager/advisor's ability to receive fees and reimbursements depends on our continued investment in properties and in other assets which generate fees. Our business manager/advisor receives fees based on the book value including acquired intangibles of the properties under management. Our property managers receive fees based on the income from properties under management. Therefore, our business manager/advisor and/or property managers may recommend that we purchase properties that generate fees for our business manager/advisor and property managers, but are not necessarily the most suitable investment for our portfolio. In addition, our affiliates, who receive fees, including our business manager/advisor, may recommend that we acquire properties, which may result in our incurring substantive amounts of indebtedness. Therefore, the interest of the business manager/advisor and its affiliates in receiving fees may conflict with the interest of our stockholders in earning income on their investment in our common stock. Our business manager/advisor and its affiliates recognize that they have a fiduciary duty to us and our stockholders, and have represented to us that their actions and decisions will be made in the manner most favorable to us and our stockholders.

While we will not make loans to our business manager/advisor or its affiliates, we may borrow money from them for various purposes, including funding working capital requirements. If we do, the terms, such as the interest rate, security, fees and other charges, will be at least as favorable to us as those which would be charged by unaffiliated lending institutions in the same locality on comparable loans. Any money borrowed from an affiliate of The Inland Group is expected to be repaid within 180 days.

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Our business manager/advisor and its affiliates may do business with others who do business with us, although presently there are no instances of this. However, our business manager/advisor or its affiliates may not receive rebates or participate in any reciprocal business arrangements which would have the effect of circumventing our agreement with our business manager/advisor.

OUR BUSINESS MANAGER/ADVISOR MAY HAVE CONFLICTING FIDUCIARY OBLIGATIONS IF WE ACQUIRE PROPERTIES WITH ITS AFFILIATES. Our business manager/advisor may cause us to acquire an interest in a property through a joint venture with its affiliates. Inland American Real Estate Trust, Inc. may acquire real estate operating companies that may have been a historical or future source for acquiring properties, which could create a conflict of interest for our company. In addition, Inland American Real Estate Trust, Inc.'s offering

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could potentially negatively impact arm's length negotiations due to overlapping fiduciary duties owed by certain directors particularly arising in the potential purchase of shopping or retail centers, and office buildings, located in the United States. In these circumstances, our business manager/advisor will have a fiduciary duty to both us and its affiliates participating in the joint venture. In order to minimize the conflict between these fiduciary duties, the advisory agreement provides guidelines for investments in joint ventures with affiliates. In addition, our articles of incorporation require a majority of our disinterested directors to determine that the transaction is fair and reasonable to us and is on terms and conditions no less favorable than from unaffiliated third parties entering into the venture.

THERE IS COMPETITION FOR THE TIME AND SERVICES OF OUR BUSINESS MANAGER/ADVISOR. We rely on our business manager/advisor and its affiliates for our daily operation and the management of our assets. Personnel of our business manager/advisor and its affiliates have conflicts in allocating their management time, services and functions among the real estate investment programs they currently service and any future real estate investment programs or other business ventures which they may organize or serve. Our business manager/advisor and its affiliates believe they have enough staff to perform their responsibilities in connection with all of the real estate programs and other business ventures in which they are involved. Inland American Real Estate Trust, Inc. could compete with us for the time and attention of management and affiliates that provide services to us, which may limit the amount of time that these people may spend on our matters.

INLAND SECURITIES CORPORATION IS PARTICIPATING AS MANAGING DEALER IN THE SALE OF THE SHARES. Inland Securities Corporation is the managing dealer of the offering and is affiliated with The Inland Group. The managing dealer is entitled to selling commissions and reimbursement for marketing and due diligence expenses. The managing dealer may be subject to a conflict of interest arising out of its participation in this offering and its affiliation with The Inland Group in performing its "due diligence" obligations which arise under the Securities Act of 1933. However, the managing dealer believes it has and will continue to properly perform these "due diligence" activities. Inland American Real Estate Trust, Inc.'s offering could negatively affect the time and effort spent on our capital raise and sales effort due to the efforts related to the sales of shares by Inland American Real Estate Trust, Inc.

THE THIRD AND FOURTH PARAGRAPHS UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

On February 11, 2005, a new property acquisition agreement was entered into between Inland Real Estate Acquisitions, Inc., the Business Manager/Advisor, and us. The property acquisition agreement grants us an exclusive right of first refusal to acquire each and every Subject Property, as defined in the agreement. A Subject Property is defined as any retail facility, mixed-use property, or a single-user property identified by Acquisitions and located within our market area. Our market area is defined in the agreement as the geographic area located west of the Mississippi in the continental United States but excluding the portion of the geographic area within a four hundred (400) mile radius of Oak Brook, Illinois.

Acquisitions are owned by The Inland Group, and we are sponsored by Inland Real Estate Investment Corporation. Inland Real Estate Investment Corporation and the Advisor are owned by The Inland Group.

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The property acquisition agreement previously entered into by the parties dated September 18, 2003 has been terminated accordingly. The new property acquisition agreement is filed as an exhibit to the registration statement of which the prospectus is a part and is incorporated into this filing in its entirety.

### COMPENSATION TABLE

WE HAVE SUPERCEDED THE FOLLOWING DESCRIPTION LOCATED UNDER THE NONSUBORDINATED PAYMENTS AT THE OPERATIONAL STAGE WITHIN THE TABULAR SUMMARY OF FEES AS DISCUSSED WHICH STARTS ON PAGE 43 OF OUR PROSPECTUS IN THE ENTIRETY, TO READ AS FOLLOWS:

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	ESTIMATED MA
Property management fee paid to our property managers, Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC. We will pay the fee for services in connection with the rental, leasing, operation and management of the properties	We will pay a monthly fee of 4.5% of the gross income from the properties. We will also pay a monthly fee for any extra services equal to no more than 90% of that which would be payable to an unrelated party providing the services. The property managers may subcontract their duties for a fee that may be less than the fee provided for in the management services agreements.	For the quart 2005 and the 31, 2004, we property mana \$8,297,378 an respectively, and \$5,381,72 Inland US Man Southwest Man Inland Pacific LLC. If we ac of our busine and/or our pr property mana cease. The ac incur in the upon results therefore, ca the present t
We will compensate the Inland Mortgage Servicing Corporation and Inland Mortgage Brokerage Corporation for purchase, sale and servicing of mortgages.	Inland Mortgage Servicing Corporation charges us .3% per year on the first billion dollars of mortgages serviced and .01% thereafter through April 30, 2005. Effective May 1, 2005, if the number of loans exceeds 100, a monthly fee will be charged in the amount of \$190 per month, per loan being serviced. If the amount of loans being serviced are less than 100, then the amount per month, per loan increases to \$225. Inland Mortgage Brokerage Corporation charges us .2% of the principal amount of each loan placed. The compensation to these companies will be approved by a majority of our directors and a majority of our independent directors as fair and reasonable for us.	For the year 2004, and the June 30, 2005 paid \$140,859 respectively Servicing Cor ended Decembe incurred and Inland Mortga the six month 2005 we have \$2,710,721 to Brokerage Cor  The actual am the future ar results of op determined at



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THE DISCUSSION UNDER THIS SECTION "COMPENSATION TO OFFICERS AND DIRECTORS" ON THE DIRECTOR FEES, WHICH STARTS ON PAGE 47 OF OUR PROSPECTUS, SHOULD READ AS FOLLOWS:

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	ESTIMATED M
Director fees	Independent directors receive an annual fee of \$5,000 (increasing to \$10,000 effective October 1, 2004) and a fee of \$500 for attending each meeting of the board or one of its committees (excluding the audit committee) in person and \$350 for attending a meeting via the telephone. Effective December 1, 2004, we pay our audit committee members \$750 for each in person audit committee meeting and \$500 for each audit committee meeting attended by telephone. Our officers who are also our directors do not receive director fees.	We will pay t directors \$25 annually (inc effective Oct fees for atte actual amount future meetin number of mee attendance an be determined

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### PRIOR PERFORMANCE OF IREIC AFFILIATES

#### PRIOR INVESTMENT PROGRAMS

During the 10-year period ending June 30, 2005, The Inland Group and its affiliates have sponsored two other REITs and 38 real estate exchange private placements, which altogether have raised more than \$3,289,536,000 from approximately 68,000 investors. During that period, Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc., the other REITs, have raised over \$3,040,615,000 from approximately 67,000 investors. Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc. have investment objectives and policies similar to ours and have invested principally in shopping centers that provide sales of convenience goods and personal services to neighboring communities in the Midwest and Southeast areas. However, both Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc., are now self-administered REITs. Our investment objectives and policies are similar to those of several of the other prior investment programs sponsored by our affiliates which have owned and operated retail properties. However, the vast majority of the other investment programs sponsored by our affiliates were dissimilar from our operation in that the prior programs owned apartment properties, pre-development land and whole or partial interests in mortgage loans.

The information in this section and in the Prior Performance Tables included in this post-effective amendment as APPENDIX SHOWS relevant summary information concerning real estate programs sponsored by our affiliates. The purpose is to provide information on the prior performance of these programs so that you may evaluate the experience of the affiliated companies in sponsoring similar programs. The following discussion is intended to briefly summarize the objectives and performance of the prior programs and to disclose any material adverse business developments sustained by them. Past performance is not necessarily indicative of future performance.

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## SUMMARY INFORMATION

The table below provides summarized information concerning prior programs sponsored by our affiliates for the 10-year period ending June 30, 2005, and is qualified in its entirety by reference to the introductory discussion above and the detailed information appearing in the Prior Performance Tables in APPENDIX A of this post-effective amendment. YOU SHOULD NOT CONSTRUE INCLUSION OF THE SUCCEEDING TABLES AS IMPLYING IN ANY MANNER THAT WE WILL HAVE RESULTS COMPARABLE TO THOSE REFLECTED IN THE TABLES BECAUSE THE YIELD AND CASH AVAILABLE AND OTHER FACTORS COULD BE SUBSTANTIALLY DIFFERENT FOR OUR PROPERTIES. YOU SHOULD NOTE THAT BY ACQUIRING OUR SHARES, YOU WILL NOT BE ACQUIRING ANY INTERESTS IN ANY PRIOR PROGRAMS.

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	INLAND RETAIL REAL ESTATE TRUST, INC. REIT PROGRAM AS OF JUNE 30, 2005	INLAND REAL ESTATE CORPORATION REIT PROGRAM AS OF JUNE 30, 2005	INLAND REAL ESTATE EXCHANGE PRIVATE PLACEMENT OFFERINGS AS OF JUNE 30, 2005
Number of programs sponsored	1	1	3
Aggregate amount raised from investors	\$ 2,333,750,000	706,865,000	248,921,000
Approximate aggregate number of investors	59,000	8,100	63
Number of properties purchased	284	155	3
Aggregate cost of properties	\$ 4,129,160,000	1,443,000,000	490,275,000
Number of mortgages/notes	0	0	
Principal amount of mortgages/notes	\$ 0	0	
Percentage of properties (based on cost) that were:			
Commercial--			
Retail	90.00%	87.00%	37.00%
Single-user retail net-lease	10.00%	13.00%	13.00%
Nursing homes	0.00%	0.00%	0.00%
Offices	0.00%	0.00%	35.00%
Industrial	0.00%	0.00%	15.00%
Health clubs	0.00%	0.00%	0.00%
Mini-storage	0.00%	0.00%	0.00%
Total commercial	100.00%	100.00%	100.00%
Multi-family residential	0.00%	0.00%	0.00%
Land	0.00%	0.00%	0.00%
Percentage of properties (based on cost) that were:			
Newly constructed (within a year of acquisition)	38.00%	40.00%	25.00%
Existing construction	62.00%	60.00%	75.00%
Number of properties sold in whole or in part	2	12	
Number of properties exchanged	0	0	

Of the programs included in the above table, Inland Real Estate Corporation

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and Inland Retail Real Estate Trust, Inc. have investment objectives similar to ours. Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc. represent approximately 92% of the aggregate amount raised from investors, approximately 99% of the aggregate number of investors, approximately 92% of the number of properties purchased, and approximately 92% of the aggregate cost of the properties

During the three years prior to June 30, 2005, Inland Real Estate Corporation purchased 32 commercial properties and Inland Retail Real Estate Trust, Inc., purchased 219 commercial properties. Upon written request, you may obtain, without charge, a copy of Table VI filed with the Securities and Exchange Commission in Part II of our post-effective amendment. The table provides more information about these acquisitions.

### PUBLICLY REGISTERED REITs

INLAND REAL ESTATE CORPORATION was formed in May 1994. Through a total of four public offerings, the last of which was completed in 1998, Inland Real Estate Corporation, which we refer to herein as IRC, sold a total of 51,642,397 shares of common stock. In addition, as of June 30, 2005, IRC had issued 14,664,341 shares of common stock through its distribution reinvestment program. As of June 30, 2005, IRC repurchased 5,256,435 shares of common stock through its share repurchase program. As a result, IRC has realized total

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gross offering proceeds of approximately \$706,865,000 as of June 30, 2005. On June 9, 2004, IRC listed its shares on the New York Stock Exchange and began trading under the ticker "IRC". On July 18, 2005, the closing price of the stock on the New York Stock Exchange was \$15.99 per share.

IRC focuses on purchasing shopping centers that provide convenience goods, personal services, wearing apparel and hardware and appliances located within an approximate 400-mile radius of its headquarters in Oak Brook, Illinois. IRC seeks to provide stockholders with regular cash distributions and a hedge against inflation through capital appreciation. IRC also may acquire single-user retail properties throughout the United States. As of June 30, 2005, the properties owned by IRC were generating sufficient cash flow to pay operating expenses and an annual cash distribution of \$0.96 per share, a portion of which is paid monthly.

As of June 30, 2005, IRC owned one hundred forty three (143) properties for a total investment of approximately \$1,443,000,000. These properties were purchased with proceeds received from the above described offerings of shares of its common stock and financings. As of June 30, 2005, IRC had borrowed approximately \$619,301,000 secured by its properties and had \$140,000,000 outstanding through an unsecured line of credit.

On July 1, 2000, IRC became a self-administered REIT by acquiring, through merger, Inland Real Estate Advisory Services, Inc., its advisor, and Inland Commercial Property Management, Inc., its property manager, into two wholly owned subsidiaries. As a result of the merger, IREIC, the sole shareholder of the advisor, and The Inland Property Management Group, Inc., the sole shareholder of its property manager, received an aggregate of 6,181,818 shares of IRC's common stock valued at \$11.00 per share, or approximately nine percent (9.0%) of its common stock.

INLAND RETAIL REAL ESTATE TRUST, INC. was formed in February 1999. Through a total of three public offerings, the last of which was completed in 2003, Inland Retail Real Estate Trust, Inc., which we refer to herein as IRRETI, sold a total of 213,699,534 shares of its common stock. In addition, as of June 30,

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2005, IRRETI had issued approximately 26,859,000 shares through its distribution reinvestment program, and has repurchased a total of approximately 5,679,000 shares through the share reinvestment program. As a result, IRRETI has realized total gross offering proceeds of approximately \$2,333,705,000 as of June 30, 2005. On December 29, 2004, IRRETI issued 19,700,060 shares as a result of a merger with its advisor and property managers, as described below.

IRRETI focuses on purchasing shopping centers located east of the Mississippi River in addition to single-user retail properties in locations throughout the United States. IRRETI seeks to provide investors with regular cash distributions and a hedge against inflation through capital appreciation. As of June 30, 2005, the properties owned by IRRETI were generating sufficient cash flow to pay operating expenses and an annual cash distribution of \$0.83 per share, a portion of which is paid monthly.

As of June 30, 2005, IRRETI owned two hundred eighty two (282) properties for a total investment of approximately \$4,129,160,000. These properties were purchased with proceeds received from the above described offerings of shares of its common stock and financings. As of June 30, 2005, IRRETI borrowed approximately \$2,292,863,000 on its properties.

On December 29, 2004, IRRETI became a self-administered REIT by acquiring, through merger, Inland Retail Real Estate Advisory Services, Inc., its business manager and advisor, and Inland Southern Management Corp., Inland Mid-Atlantic Management Corp., and Inland Southeast Property Management Corp., its property managers. As a result of the merger, IRRETI issued to our sponsor, IREIC, the sole shareholder of the business manager and advisor, and the shareholders of the property managers, an aggregate of 19,700,060 shares of IRRETI's common stock, valued at \$10.00 per share for purposes of the merger agreement, or approximately 7.9% of its common stock.

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### INLAND REAL ESTATE CORPORATION - OFFERING COMPLETED 1998

	TOTAL DISTRIBUTION	ORDINARY INCOME	NON TAXABLE DISTRIBUTION	CAP DIS
	-----	-----	-----	-----
	\$	\$*	\$**	
1995	736,627	694,213	42,414	
1996	3,704,943	3,093,525	611,418	
1997	13,127,597	9,739,233	3,388,364	
1998	35,443,213	27,015,143	8,428,070	
1999	48,379,621	35,640,732	12,738,889	
2000	52,964,010	40,445,730	12,518,280	
2001	58,791,604	45,754,604	12,662,414	
2002	60,090,685	41,579,944	18,315,640	
2003	61,165,608	47,254,096	13,577,679	
2004	62,586,577	53,458,760	7,883,026	
2005	31,909,968	31,909,968	*	
	-----	-----	-----	-----
	428,900,453	336,585,948	90,166,194	
	=====	=====	=====	=====

\* The breakout between ordinary income and return of capital is finalized on an annual basis after the calendar year end.

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\*\* Represents a reduction in basis for federal income tax purposes resulting from cash distributions (other than in respect of property sale proceeds) in excess of current or accumulated earnings and profits.

\*\*\* Represents a capital gain distribution for federal income tax purposes.

INLAND RETAIL REAL ESTATE TRUST, INC. - OFFERING COMPLETED 2003

	TOTAL DISTRIBUTION	ORDINARY INCOME	NON TAXABLE DISTRIBUTION	CAPITAL DISTRIBUTION
	-----	-----	-----	-----
	\$	\$*	\$**	\$***
1999	1,396,861	318,484	1,078,377	
2000	6,615,454	3,612,577	3,002,877	
2001	17,491,342	10,538,534	6,952,808	
2002	58,061,491	36,387,136	21,674,355	
2003	160,350,811	97,571,099	62,779,712	
2004	190,630,575	110,922,403	79,708,172	
2005	104,347,512	104,347,512	*	
	-----	-----	-----	-----
	538,894,046	363,697,745	175,196,301	-----
	=====	=====	=====	=====

\* The breakout between ordinary income and return of capital is finalized on an annual basis after the calendar year end.

\*\* Represents a reduction in basis for federal income tax purposes resulting from cash distributions (other than in respect of property sale proceeds) in excess of current or accumulated earnings and profits.

\*\*\* Represents a capital gain distribution for federal income tax purposes.

\*\*\*\* IRRETI began paying monthly distributions in May 1999. This amount represents total distributions per share made during the period from May 1999 through December 1999.

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### PRIVATE PARTNERSHIPS

Through June 30, 2005, affiliates of IREIC have sponsored five hundred fourteen (514) private placement limited partnerships which have raised more than \$524,201,000 from approximately 17,000 investors and invested in properties for an aggregate price of more than \$1 billion in cash and notes. Of the five hundred twenty-two (522) properties purchased, ninety-three percent (93.0%) have been located in Illinois. Approximately ninety percent (90.0%) of the funds were invested in apartment buildings, six percent (6.0%) in shopping centers, two percent (2.0%) in office buildings and two percent (2.0%) in other properties. Including sales to affiliates, four hundred seventy-five (475) partnerships have sold their original property investments. Officers and employees of IREIC and its affiliates invested more than \$17,000,000 in these limited partnerships.

From July 1, 1995 through June 30, 2005, investors in these private partnerships have received total distributions in excess of \$291 million consisting of cash flow from partnership operations, interest earnings, sales and refinancing proceeds and cash received during the course of property exchanges.

Following a proposal by the former corporate general partner, which was an

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affiliate of The Inland Group, investors in three hundred one (301) private partnerships voted in 1990 to admit IREIC as the corporate general partner for those partnerships. Beginning in December 1993 and continuing into the first quarter of 1994, investors in one hundred one (101) private limited partnerships for which IREIC is the general partner received letters informing them of the possible opportunity to sell the sixty-six (66) apartment properties owned by those partnerships to a to-be-formed REIT in which affiliates of IREIC would receive stock and cash and the limited partners would receive cash. The underwriters of this apartment REIT subsequently advised IREIC to sell to a third party its management and general partner interests in those remaining limited partnerships not selling their apartment properties to the apartment REIT. Those not selling their apartment properties constituted approximately thirty percent (30.0%) of the IREIC-sponsored limited partnerships owning apartment buildings. The prospective third-party buyers of IREIC's interests in the remaining partnerships, however, would make no assurance to support those partnerships financially. As a result, in March 1994, IREIC informed investors of its decision not to form the apartment REIT.

Following this decision, two investors filed a complaint in April 1994 in the Circuit Court of Cook County, Illinois, Chancery Division, purportedly on behalf of a class of other unnamed investors, alleging that IREIC had breached its fiduciary responsibility to those investors whose partnerships would have sold apartment properties to the apartment REIT. The complaint sought an accounting of information regarding the apartment REIT matter, an unspecified amount of damages and the removal of IREIC as general partner of the partnerships that would have participated in the sale of properties. In August 1994, the court granted IREIC's motion to dismiss, finding that the plaintiffs lacked standing to bring the case individually. The plaintiffs were granted leave to file an amended complaint. Thereafter, in August 1994, six investors filed an amended complaint, purportedly on behalf of a class of other investors, and derivatively on behalf of six limited partnerships of which IREIC is the general partner. The derivative counts sought damages from IREIC for alleged breach of fiduciary duty and breach of contract, and asserted a right to an accounting. IREIC filed a motion to dismiss in response to the amended complaint. The suit was dismissed in March 1995 with prejudice. The plaintiffs filed an appeal in April 1996. After the parties briefed the issue, arguments were heard by the appellate court in February 1997. In September 1997, the appellate court affirmed the trial court decision in favor of IREIC.

IREIC is the general partner of twenty-seven (27) private limited partnerships and one public limited partnership that owned interests in fifteen buildings that are net leased to Kmart. The fourteen Kmart's owned by the private limited partnerships were all cross-collateralized. Relating to the Kmart bankruptcy, the status of the fifteen buildings is as follows:

- CATEGORY 1 - The leases of nine of the Kmart's were current and had been accepted by Kmart under their Chapter 11 reorganization plan.
- CATEGORY 2 - Kmart assigned its designation rights in one lease to Kohl's. The lease was amended and extended for Kohl's by IREIC, the general partner on behalf of the owners and lender and Kohl's began paying rent February 12, 2003.

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- CATEGORY 3 - Under Kmart's Chapter 11 reorganization plan and upon emergence from bankruptcy on April 22, 2003, Kmart rejected four property leases, one of which was subject to a ground lease to Kimco. Kmart ceased paying rent as of May 1, 2003.

IREIC, as general partner, agreed with the note holders who owned the loan

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to conduct a liquidation of the fourteen properties which comprise Categories 1, 2 and 3. The Category 2 property, which is leased by Kohl's was sold on February 19, 2004. As of June 30, 2005, all of the Category 1 and Category 3 Kmart properties have been sold and the note holders have been paid off in full.

- CATEGORY 4 - Under Kmart's Chapter 11 reorganization, Kmart rejected the lease for the property owned by the public limited partnership and ceased paying rent as of June 29, 2002. This Kmart was sold in May 2005.

### 1031 EXCHANGE PRIVATE PLACEMENT OFFERING PROGRAM

In March of 2001, Inland Real Estate Exchange Corporation (IREX) was established as a subsidiary of Inland Real Estate Investment Corporation. IREX was formed to provide replacement properties for people wishing to complete an IRS Section 1031 real estate exchange. Through June 30, 2005, IREX has offered the sale of thirty-eight (38) properties with a total property value of \$490,275,000.

LANDINGS OF SARASOTA DBT. Inland Southern Acquisitions, Inc., a Delaware corporation and an affiliate of IREX acquired The Landings, a multi-tenant shopping center located in Sarasota, Florida in December 1997 for \$9,800,000. In August 2001, Inland Southern Acquisitions, Inc. contributed one hundred percent (100.0%) of its interest in the property into Landings of Sarasota DBT, a Delaware business trust, refinanced the property with a loan of \$8,000,000 from Parkway Bank & Trust Co., an Illinois banking corporation, and began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$12,000,000, which consisted of \$8,000,000 in debt assumption and \$4,000,000 in equity investment. \$200,000 of the offering proceeds were allocated to a property reserve account. The offering was completed in May 2002 when the maximum offering amount was raised.

SENTRY OFFICE BUILDING, DBT, a Delaware business trust, purchased a newly constructed, single-tenant office building in Davenport, Iowa in December 2001 from Ryan Companies US Inc., a Minnesota corporation. The trust financed its acquisition of the property with a \$7,500,000 first mortgage loan from Parkway Bank & Trust Co., an Illinois banking corporation. In January 2002, Sentry Office Building Corporation, a Delaware corporation and the initial beneficiary of the trust, began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$11,000,000, which consisted of \$7,500,000 in debt assumption and \$3,500,000 in equity investment. \$100,000 of the offering proceeds obtained from the new owners was allocated to a property reserve account. The offering was completed in April 2002 when the maximum offering amount was raised.

PETS BOWIE DELAWARE BUSINESS TRUST purchased a single-tenant retail building leased to PETSMART in Bowie, Maryland in October 2001 from PETSMART, Inc. and Wells Fargo Bank Northwest, N.A. The trust initially financed its acquisition of the property with a temporary loan of \$2,625,305 from Parkway Bank & Trust Co., an Illinois banking corporation, and then replaced this loan with a permanent loan of \$1,300,000 with the same lender. In May 2002, Pets Bowie Delaware Business Trust began offering all of its beneficial interests to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$3,900,000, which consisted of \$1,300,000 in debt assumption and \$2,600,000 in equity investment. \$90,000 of the offering proceeds obtained from the new owners was allocated to a property reserve account. The offering was completed in July 2002 when the maximum offering amount was raised.

1031 CHATTANOOGA DBT, a Delaware business trust, acquired a retail property currently leased to Eckerd in Chattanooga, Tennessee in May 2002. The trust

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financed the property with a loan of \$1,500,000 from Parkway Bank & Trust Co., an Illinois banking corporation. In July 2002, 1031 Chattanooga, L.L.C., the initial beneficiary of 1031 Chattanooga DBT, began offering all of the beneficial interests of the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$3,400,000, which consisted of \$1,500,000 in debt assumption and \$1,900,000 in equity investment. The offering was completed in May 2003 when the maximum offering amount was raised.

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LANSING SHOPPING CENTER, DBT a Delaware business trust, purchased a newly constructed, multi-tenant retail shopping center in Lansing, Illinois in June 2002 from LaSalle Bank, N.A., as trustee under trust agreement dated May 22, 2001 and known as Trust No. 127294. The trust financed its acquisition of the property with a \$5,900,000 first mortgage loan from Parkway Bank & Trust Co., an Illinois banking corporation. In August 2002, Lansing Shopping Center, L.L.C., a Delaware limited liability company and the initial beneficiary of Lansing Shopping Center, DBT, began offering all of the beneficial interests of the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$10,900,000, which consisted of \$5,900,000 in debt assumption and \$5,000,000 in equity investment. \$80,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in September 2002 when the maximum offering amount was raised.

INLAND 220 CELEBRATION PLACE DELAWARE BUSINESS TRUST purchased a single-tenant office building currently leased to Walt Disney World Co., a Florida corporation, in Celebration, Osceola County, Florida, in June 2002 from Walt Disney World Co. in a sale/leaseback transaction. The trust financed its acquisition of the property with an \$18,000,000 first mortgage loan from Bank of America, N.A., a national banking association. In September 2002, Inland 220 Celebration Place, L.L.C., a Delaware limited liability company and the initial beneficiary of Inland 220 Celebration Place Delaware Business Trust, began offering all of the beneficial interests of the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$33,800,000, which consisted of \$18,000,000 in debt assumption and \$15,800,000 in equity investment. \$50,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in September 2003 when the maximum offering amount was raised.

TAUNTON CIRCUIT DELAWARE BUSINESS TRUST acquired a retail property currently leased to Circuit City in Taunton, Massachusetts in July 2002. The Trust financed the property with a first mortgage of \$2,800,000 from MB Financial Bank. In September 2002, Inland Taunton Circuit, L.L.C., the initial beneficiary of Taunton Circuit Delaware Business Trust, offered all of its interest in the trust to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was \$6,550,000, which consisted of \$2,800,000 in debt assumption and \$3,750,000 in equity investment. The offering was completed in September 2002.

BROADWAY COMMONS DELAWARE BUSINESS TRUST acquired a multi-tenant retail center located in Rochester, Minnesota, in July 2002. The Trust financed the property with a first mortgage of \$8,850,000 from Parkway Bank & Trust Co., an Illinois banking corporation. In October 2002, Broadway Commons, L.L.C., the initial beneficiary of Broadway Commons Delaware Business Trust, began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$17,250,000, which consisted of \$8,850,000 in debt assumption and \$8,400,000 in equity investment. \$100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in December



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2003 when the maximum offering amount was raised.

BELL PLAZA 1031, LLC. Rehab Associates XIII, Inc., an Illinois corporation and an affiliate of IREX acquired Bell Plaza, a multi-tenant shopping center in Oak Lawn, Illinois on August 28, 1998 for \$1,675,000. In October 2002, Rehab Associates XIII contributed one hundred percent (100.0%) of its interest in the property into Bell Plaza 1031, LLC, a Delaware single member limited liability company, and then offered all of its membership interests in Bell Plaza, LLC to North Forsyth Associates, a North Carolina general partnership, which was in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was \$4,030,000, which consisted of \$3,140,000 in debt assumption and \$890,000 in equity investment. \$25,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in November 2002.

INLAND 210 CELEBRATION PLACE DELAWARE BUSINESS TRUST purchased a single-tenant office building currently leased to Walt Disney World Co., a Florida corporation, in Celebration, Osceola County, Florida, in June 2002 from Walt Disney World Co. in a sale/leaseback transaction. The trust financed its acquisition of the property with a \$5,700,000 first mortgage loan from Bear Stearns Commercial Mortgage, Inc. In January 2003, Inland 210 Celebration Place Delaware Business Trust sold its fee simple interest in 210 Celebration Place to Old Bridge Park Celebration, LLC, a Delaware limited liability company, which was in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was \$12,000,000, which consisted of \$5,700,000 in debt assumption and \$6,300,000 in equity investment.

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COMPUSA RETAIL BUILDING. Lombard C-USA, L.L.C., a Delaware limited liability company, purchased a single-tenant retail building leased to CompUSA, Inc. in Lombard, Illinois in January 2003 from an unrelated third party. The L.L.C. financed its acquisition of the property with a \$4,000,000 loan from Bear Stearns Commercial Mortgage, Inc. In April 2003, Lombard C-USA, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 2840 S. Highland Avenue, Lombard, DuPage County, Illinois for \$3,910,500 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$7,950,000, which consisted of \$4,000,000 in debt assumption and \$3,950,000 in equity investment. As required by the lender, Lombard C-USA, L.L.C. shall retain at least a one percent (1.0%) tenant in common interest, which is included in the \$3,950,000 equity investment. \$75,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in February 2004 when the maximum offering amount was raised.

DEERE DISTRIBUTION FACILITY IN JANESVILLE, WISCONSIN. Janesville 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant, light industrial distribution center leased to Deere & Company, a Delaware corporation, in Janesville, Wisconsin in February 2003 from Ryan Janesville, L.L.C., a Minnesota corporation and an affiliate of Ryan Companies US, Inc. The L.L.C. financed its acquisition of the property with a \$10,450,000 loan from Bear Stearns Commercial Mortgage, Inc. In May 2003, Janesville 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 2900 Beloit Avenue, Janesville, Rock County, Wisconsin for \$9,949,500 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$20,500,000, which consisted of \$10,450,000 in debt assumption and \$10,050,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by Janesville 1031, L.L.C. \$100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed

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in January 2004 when the maximum offering was raised.

FLEET OFFICE BUILDING. Westminster Office 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant office building leased entirely to Fleet National Bank, a national banking association, in Providence, Rhode Island in April 2003 from Fleet National Bank in a sale/leaseback transaction. The L.L.C. financed its acquisition of the property with a \$12,900,000 loan from Bear Stearns Commercial Mortgage, Inc. In June 2003, Westminster Office 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 111 Westminster Street, Providence, Providence County, Rhode Island for \$9,900,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$22,900,000, which consisted of \$12,900,000 in debt assumption and \$10,000,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by Westminster Office 1031, L.L.C. \$150,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in January 2004 when the maximum offering was raised.

DEERE DISTRIBUTION FACILITY IN DAVENPORT, IOWA. Davenport 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant, light industrial distribution center leased to Quad Cities Consolidation and Distribution, Inc., an Illinois corporation, in Davenport, Iowa in April 2003 from Ryan Companies US, Inc., a Minnesota corporation. The lease is fully guaranteed by Deere & Company, a Delaware corporation. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc. In August 2003, Davenport 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 2900 Research Parkway, Davenport, Scott County, Iowa for \$15,543,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$28,200,000, which consisted of \$12,500,000 in debt assumption and \$15,700,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by Davenport 1031, L.L.C. \$100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in April 2004 when the maximum offering was raised.

GRAND CHUTE DST, a Delaware statutory trust, purchased a multi-tenant retail shopping center in Grand Chute, Wisconsin in October 2002 from Continental 56 Fund Limited Partnership. The trust funded the acquisition of the property with cash from the sale of one hundred percent (100.0%) of the beneficial interests in the trust to Grand Chute, L.L.C., a Delaware limited liability company. Subsequent to the acquisition of the property, the trust obtained a

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\$5,678,350 loan from Bank of America, N.A. and the proceeds of the loan were distributed to Grand Chute, L.L.C. as a partial return of its capital contribution. In January 2003, Grand Chute, L.L.C. began offering all of its beneficial interests in the trust to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$12,048,350, which consisted of \$5,678,350 in debt assumption and \$6,370,000 in equity investment. \$478,350 of the offering proceeds was allocated to four separate property reserve accounts, three of which were required by the lender. In September 2003, certain information in the offering was amended and supplemented through the release of the First Supplement to Private Placement Memorandum. The offering was completed in March 2004 when the maximum offering amount was raised.

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MACON OFFICE DST, a Delaware statutory trust, purchased a single-tenant office complex in Macon, Georgia in October 2002 from UTF Macon, L.L.C. The trust funded the acquisition of the property with cash from the sale of one hundred percent (100.0%) of the beneficial interests in the trust to Macon Office, L.L.C., a Delaware limited liability company. Subsequent to the acquisition of the property, the trust obtained a \$5,560,000 loan from Bank of America, N.A. and the proceeds of the loan were distributed to Macon Office, L.L.C. as a partial return of its capital contribution. In October 2003, Macon Office, L.L.C. began offering all of its beneficial interests in the trust to certain qualified persons seeking a cash investment, in addition to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$12,160,000, which consisted of \$5,560,000 in debt assumption and \$6,600,000 in equity investment. \$100,000 of the offering proceeds was allocated to a property reserve account. The offering was completed in March 2004 when the maximum offering amount was raised.

WHITE SETTLEMENT ROAD INVESTMENT, LLC, a Delaware limited liability company, acquired a retail property currently leased to Eckerd Corporation in Fort Worth, Texas in July 2003. The LLC funded the acquisition of the property with cash from an affiliate and with a short-term loan from Parkway Bank and Trust Co., an Illinois banking corporation, in the amount of \$2,041,000. In November 2003, Fort Worth Exchange, LLC, a Delaware limited liability company and initial beneficiary of White Settlement Road Investment, LLC, offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was \$2,840,000, which consisted of \$1,420,000 in debt assumption and \$1,420,000 in equity investment. The offering was completed in December 2003. Simultaneous with the completion of the offering, the short-term loan with Parkway was converted to a permanent loan and the terms of the loan documents were modified in accordance with a loan commitment from Parkway.

PLAINFIELD MARKETPLACE. Plainfield 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant shopping center located in Plainfield, Illinois on December 16, 2003 from Ryan Companies US, Inc., a Minnesota corporation. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc, a New York corporation. In January 2004, Plainfield 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 11840 South Route 59, Plainfield, Will County, Illinois for \$12,350,250 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$24,400,000, which consisted of \$11,925,000 in debt assumption and \$12,475,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by Plainfield 1031, L.L.C. The difference between the real estate acquisition price of \$21,700,000 and the total price of \$24,400,000 consists of \$950,000 acquisition fee, \$150,000 for a property reserve account, and \$1,600,000 of estimated costs and expenses. The offering was completed in June 2004 when the maximum offering amount was raised.

PIER 1 RETAIL CENTER. Butterfield-Highland 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on December 30, 2003 from the beneficiary of Trust No. 2314, an unrelated third party, which trust was held by North Side Community Bank as Trustee under the Trust Agreement dated December 12, 2003. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc, a New York corporation. In March 2004, Butterfield-Highland 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 2830 S. Highland Avenue, Lombard, Illinois for \$4,257,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$8,150,000, which consisted of

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\$3,850,000 in debt assumption and \$4,300,000 in equity investment, a minimum of one percent (1.0%) of which is required by the lender to be retained by Butterfield-Highland 1031, L.L.C. The difference between the real estate acquisition price of \$7,025,000 and the total price of \$8,150,000 consists of \$350,000 acquisition fee,

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\$100,000 for a property reserve account, and \$675,000 of estimated costs and expenses. The offering was completed in June 2004 when the maximum offering amount was raised.

LONG RUN 1031, L.L.C. LR 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on January 27, 2003 from Ryan Lemont, L.L.C., the third party seller and developer of the property. The L.L.C. financed its acquisition of the property with cash and, on April 24, 2003, placed a loan on the Property in the amount of \$4,700,000 from Principal Commercial Funding, LLC. In June 2004, LR 1031, L.L.C. a Delaware limited liability company and initial beneficiary of Long Run 1031, L.L.C. offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was \$4,935,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$9,635,000, which consisted of \$4,700,000 in debt assumption and \$4,935,000 in equity investment. The difference between the real estate acquisition price of \$8,500,000 and the total price of \$9,635,000 consists of \$451,347 acquisition fee, \$50,000 for a property reserve account, and \$658,653 of estimated costs and expenses. The offering was completed in June 2004 when the maximum offering amount was raised.

FORESTVILLE 1031, L.L.C. Forestville Exchange, L.L.C., a Delaware limited liability company, purchased a single-tenant retail shopping center on November 13, 2003 from Silver Hill, L.L.C., a North Carolina limited liability company, the property's developer. The L.L.C. financed its acquisition of the property with cash. In May 2004, Forestville Exchange, L.L.C. a Delaware limited liability company and initial beneficiary of Forestville 1031, L.L.C. offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was \$3,900,000, which consisted of \$1,793,630 in mortgage financing from Parkway Bank and Trust Co. and \$2,106,370 in equity investment. The difference between the real estate acquisition price of \$3,450,000 and the total price of \$3,900,000 consists of \$172,500 acquisition fee and \$277,500 of estimated costs and expenses. The offering was completed in May 2004 when the maximum offering amount was raised.

BED BATH & BEYOND RETAIL CENTER. BBY Schaumburg 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on April 20, 2004 from the American Real Estate Holdings, L.P. a Delaware limited partnership, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc, a New York corporation. In June 2004, BBY Schaumburg 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 905-915 East Golf Road, Schaumburg, Illinois for \$6,633,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$13,605,000, which consisted of \$6,905,000 in debt assumption and \$6,700,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by BBY Schaumburg 1031, L.L.C. The difference between the real estate acquisition price of \$11,655,110 and the total price of \$13,605,000 consists of \$600,000 acquisition fee, \$400,000 for property reserve accounts, and \$949,890 of

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estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

CROSS CREEK COMMONS SHOPPING CENTER. Cross Creek 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on February 17, 2004 from Buckley Shuler Real Estate, L.L.C., a Georgia limited liability company, an unrelated third party. The L.L.C. financed its acquisition of the property with cash and subsequently placed a loan from Bear Stearns Commercial Mortgage on the property. In March 2004, Cross Creek 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 10920-10948 Cross Creek Boulevard, Tampa, Florida for \$6,930,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. As of June 30, 2004 the L.L.C. had raised \$2,788,000. The total price was \$12,078,762, which consisted of \$5,078,762 in debt assumption and \$7,000,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by Cross Creek 1031, L.L.C. The difference between the real estate acquisition price of \$10,319,583 and the total price of \$12,078,762 consists of \$520,000 acquisition fee, \$150,000 for a property reserve account, and \$1,089,179 of estimated costs and expenses. The offering was completed in August 2004 when the maximum offering amount was raised.

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BJ'S SHOPPING CENTER EAST SYRACUSE, NEW YORK. BJS Syracuse 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on April 30, 2004 from the American Real Estate Holdings, L.P. a Delaware limited partnership, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan and cash. In June 2004, BJS Syracuse 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 2-4 Chevy Drive, East Syracuse, New York for \$8,365,500 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$15,850,000, which consisted of \$7,400,000 in debt assumption and \$8,450,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by BJS Syracuse 1031, L.L.C. The difference between the real estate acquisition price of \$13,500,000 and the total price of \$15,850,000 consists of \$675,000 acquisition fee, \$150,000 for a property reserve account, and \$1,525,000 of estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

BARNES & NOBLE RETAIL CENTER CLAY, NEW YORK. Clay 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on April 15, 2004 from the Clay First Associates, L.L.C., an unrelated third party. The L.L.C. financed its acquisition of the property with an assumed mortgage and note for \$3,175,000 and cash. In June 2004, Clay 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant in common interests in the real estate and improvements thereon located at 3954-3956 Route 31, Clay, New York for \$3,930,300 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$7,145,000, which consisted of \$3,175,000 in debt assumption and \$3,970,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by BJS Syracuse 1031, L.L.C. The difference between the real estate acquisition price of \$6,100,000 and the total price of \$7,145,000 consists of \$305,000 acquisition fee, \$100,000 for a property reserve account, and \$640,000 of estimated costs and expenses. The offering was completed in February 2005 when the maximum offering amount was raised.

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PORT RICHEY 1031, L.L.C. Port Richey Exchange, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on January 30, 2004 from Land Capital Group, Inc., an unrelated third party. The L.L.C. financed its acquisition of the property with cash and, on February 25, 2004, placed a loan on the property in the amount of \$2,900,000 from Bear Stearns Commercial Mortgage, Inc. In July 2004, Port Richey Exchange, L.L.C., a Delaware limited liability company and the initial beneficiary of Port Richey 1031, L.L.C., offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was \$5,975,000, which consisted of \$2,900,000 in debt assumption and \$3,075,000 in equity investment. The difference between the real estate acquisition price of \$5,250,000 and the total price of \$5,975,000 consists of \$262,500 acquisition fee and \$437,500 of estimated costs and expenses and \$25,000 for a property reserve account. The offering was completed in July 2004 when the maximum offering amount was raised.

WALGREENS STORE, HOBART, INDIANA. Hobart 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant retail shopping center on June 10, 2004 from C. Hobart, L.L.C., an unrelated third party. The L.L.C. financed its acquisition of the property with cash. In July 2004, Hobart 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant-in-common interests in the real estate and improvement thereon located at 732 West Old Ridge Road, Hobart, Indiana for \$6,534,000 in cash to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$6,534,000, which consisted of an equity investment, one percent (1.0%) of which will be retained by Hobart 1031, L.L.C. The difference between the real estate acquisition price of \$5,575,000 and the total price of \$6,534,000 consists of \$235,000 acquisition fee, \$50,000 for a property reserve account, and \$740,000 of estimated costs and expenses. The offering was completed in February 2005 when the maximum offering amount was raised.

KRAFT COLD STORAGE FACILITY, MASON CITY, IOWA. Mason City 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant light industrial building on June 2, 2004 from MDG Iowa, L.P., an unrelated third party. The L.L.C. financed its acquisition of the property with a mortgage and note for \$5,333,000 and cash. In July 2004, Mason City 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant-in-common interests in the real estate and improvements thereon located at 904 - 12th Street, Mason City Iowa for \$5,610,330 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$11,000,000, which consisted of \$5,333,000 in debt

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assumption and \$5,667,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by Mason City 1031, L.L.C. The difference between the real estate acquisition price of \$9,550,000 and the total price of \$11,000,000 consists of \$480,000 acquisition fee, \$100,000 for a property reserve account, environmental insurance credit of \$50,000 and \$820,000 of estimated costs and expenses. The offering was completed in December 2004 when the maximum offering amount was raised.

HUNTINGTON SQUARE PLAZA, NEW YORK. Huntington Square 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping center on July 16, 2004 from Starwood Ceruzzi Commack, L.L.C., an unrelated third party. The L.L.C. financed its acquisition of the property with an assumed first mortgage and note for \$19,150,000, a junior loan in the amount of \$6,180,000 and cash. On August 30, 2004, Huntington Square 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant-in-common interests in the real estate and improvement thereon located at 3124 East Jericho

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Turnpike, New York for \$20,050,000 in cash plus the assumption of the existing first mortgage indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$39,200,000, which consisted of \$19,150,000 in debt assumption and \$20,050,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by Huntington Square 1031, L.L.C. The difference between the real estate acquisition price of \$24,821,392 and the total price of \$39,200,000 consists of \$1,500,000 acquisition fee, \$150,000 for a property reserve account and \$2,728,608 of estimated costs and expenses. The offering was completed in June 2005 after \$19,093,129 was raised.

BEST BUY STORE, REYNOLDSBURG, OHIO. Reynoldsburg 1031, L.L.C., a Delaware limited liability company, purchased a single-tenant retail shopping center on August 5, 2004 from NOCA Retail Development Limited, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc., a New York corporation, for \$4,950,000 and cash. In June 2004, Reynoldsburg 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant-in-common interests in the real estate and improvements thereon located at 2872 Taylor Road, Reynoldsburg, Ohio for \$5,395,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$10,345,000, which consisted of \$4,950,000 in debt assumption and \$5,395,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by Reynoldsburg 1031, L.L.C. The difference between the real estate acquisition price of \$9,000,000 and the total price of \$10,345,000 consists of \$450,000 acquisition fee, \$100,000 for a property reserve account, and \$795,000 of estimated costs and expenses. The offering was completed in February 2005 when the maximum offering amount was raised.

DEERE & COMPANY DISTRIBUTION FACILITY IN JEFFERSON CITY, TENNESSEE. Jefferson City 1031, L.L.C., a Delaware limited liability company, purchased a free-standing industrial distribution facility from Flat Gap Road L.L.C. The property is fully leased by Deere & Company, a Delaware corporation. The L.L.C. financed its acquisition of the property with a loan from LaSalle Bank, National Association. In December 2004, Jefferson City 1031, L.L.C. began offering ninety-nine percent (99.0%) of the undivided tenant-in-common interests in the real estate and improvements thereon located at 1400 Flat Gap Road, Jefferson City, Jefferson County, Tennessee for \$10,973,000 in cash plus the assumption of the existing indebtedness to certain qualified persons in need of replacement properties to complete a 1031 tax-deferred exchange. The total price was \$20,735,000, which consisted of \$9,762,000 in debt assumption and \$10,973,000 in equity investment, one percent (1.0%) of which was required by the lender to be retained by Jefferson City 1031, L.L.C. The difference between the real estate acquisition price of \$17,750,000 and the total price of \$20,735,000 consists of \$1,300,000 acquisition fee and market value adjustment, \$100,000 for a property reserve account and \$1,585,000 of estimated costs and expenses. The offering was completed in April 2005 when the maximum offering amount was raised.

INDIANAPOLIS ENTERTAINMENT 1031, L.L.C. Indianapolis Entertainment Exchange, L.L.C., a Delaware limited liability company purchased a single tenant restaurant on April 20, 2004 from American Real Estate Holdings Limited Partnership, a Delaware limited partnership, an unrelated third party. The L.L.C. financed its acquisition of the property with cash and, on June 30, 2004, placed a loan on the property in the amount of \$1,061,000 from Bear Stearns Commercial Mortgage, Inc. In October 2004, Indianapolis Entertainment Exchange, L.L.C., a Delaware limited liability company and initial beneficiary of Indianapolis Entertainment 1031, L.L.C., offered its entire membership interest in the LLC to certain qualified persons in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was \$2,190,000, which consisted of \$1,061,000 in debt assumption and \$1,129,000 in equity investment. The difference between the real estate acquisition price of \$1,929,316 and the

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total price of \$2,190,000

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consists of \$95,000 acquisition fee and \$165,684 of estimated costs and expenses. The offering was completed in November 2004 when the maximum offering amount was raised.

MOBILE ENTERTAINMENT 1031, L.L.C. Indianapolis Entertainment Exchange, L.L.C., a Delaware limited liability compan