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

As filed with the Securities and Exchange Commission on March 15, 2005

Registration No. 333-103799

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

POST-EFFECTIVE AMENDMENT NO. 8
TO
FORM S-11
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

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

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

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)

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

This Post-Effective Amendment No. 8 consists of the following:

1. Supplement No. 57 dated March 15, 2005 to the Registrant's Prospectus dated September 15, 2003, included herewith, which will be delivered as an unattached document along with the Prospectus dated September 15, 2003.

2. The Registrant's final form of Prospectus dated September 15, 2003, previously filed pursuant to Rule 424(b)(1) on September 15, 2003 and refiled herewith.

3. Part II, included herewith.

4. Signatures, included herewith.

SUPPLEMENT NO. 57
DATED MARCH 15, 2005
TO THE PROSPECTUS DATED SEPTEMBER 15, 2003
OF INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

We are providing this Supplement No. 57 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. 57 supplements, modifies or supersedes certain information contained in our prospectus, and prior Supplements No. 1 through 56 (dated October 23, 2003 through March 11, 2005) and must be read in conjunction with our prospectus.

TABLE OF CONTENTS

We filed a registration statement on Form S-11 to register an additional 250,000,000 shares of common stock and up to 20,000,000 shares of our common stock for participants in our distribution reinvestment program. The registration statement was declared effective by the Securities and Exchange

Commission on December 28, 2004.

PROSPECTUS SUMMARY

THE FOURTH PARAGRAPH UNDER THIS SECTION ON "THE TYPES OF REAL ESTATE THAT WE MAY ACQUIRE AND MANAGE", WHICH STARTS ON PAGE 1 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

The geographic focus of our portfolio continues to be western U.S. markets; yet, at the present time, we believe that properties available for sale east of the Mississippi River are offering more favorable investment returns. Our objective continues to be to acquire quality properties primarily for income as

1

distinguished from primarily for capital gain. As a result, many of our recently acquired properties and properties that we currently have under contract for purchase are located in eastern U.S. markets. However, over the long-term, we expect the portfolio to consist of properties located primarily west of the Mississippi River. Where feasible, we will endeavor to acquire multiple properties within the same major metropolitan markets where the acquisitions result in efficient property management operations with the potential to achieve market dominance. As a result, we may have clusters of properties east of the Mississippi.

THE LAST PARAGRAPH UNDER THIS SECTION ON THE "OUR SPONSOR, OUR ADVISOR AND THE INLAND GROUP" WHICH STARTS ON PAGE 2 OF OUR PROSPECTUS IS SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

Our sponsor is Inland Real Estate Investment Corporation, which is owned by The Inland Group, Inc. The Inland Group, together with its subsidiaries and affiliates, is a fully-integrated group of legally and financially separate companies that have been engaged in diverse facets of real estate for over 35 years providing property management, leasing, marketing, acquisition, disposition, development, redevelopment, syndication, renovation, construction, finance and other related services. Inland Western Retail Real Estate Advisory Services, Inc., is a wholly owned subsidiary of our sponsor and is our advisor. Inland Securities Corporation, another affiliate of The Inland Group, is the managing dealer of this offering. 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. The principal executive offices of The Inland Group, our sponsor, and our advisor are located at 2901 Butterfield Road, Oak Brook, Illinois 60523 and their telephone number is (630) 218-8000. The principal executive offices of our property managers are located at 2907 Butterfield Road, Oak Brook, Illinois 60523 and their telephone number is (630) 218-8000.

ORGANIZATIONAL CHART

THE ORGANIZATIONAL CHART UNDER THIS SECTION; WHICH IS LISTED ON PAGE 3 OF OUR PROSPECTUS IS SUPERCEDED WITH THE FOLLOWING:

2

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

ORGANIZATIONAL CHART

```
      ------------------        ---------          ---------          ---------
      Daniel L. Goodwin*        Robert H.          G. Joseph          Robert D.
                                 Baum*              Cosenza*           Parks*
      ------------------        ---------          ---------          ---------
              ||                   ||                  ||                 ||
              ====================================================================
                          ||                 ||                  ||
                   ----------------    ----------------    ----------------
                       Inland              Inland              Inland
                      Northwest           Southwest            Western
                     Management          Management          Management
                       Corp.               Corp.               Corp.
                   ----------------    ----------------    ----------------
                          ||                 ||                  ||
                   --------------------------------------------------------
                                Inland Holdco Management LLC
                   --------------------------------------------------------
                                             ||
                           =============================================
                           ||                    ||                    ||
                           ||                    ||                    ||
                   --------------------  --------------------  --------------------
                        Inland US          Inland Southwest      Inland Pacific
                        Management       Property Management   Property Services
                           LLC                   LLC                   LLC
                    (property manager)    (property manager)    (property manager)
                   --------------------  --------------------  --------------------
                           |                     |                     |
                           |                     |                     |
                           =============================================
                                                 |
                                                 |
                                                 |
                                                 |
                   --------------------------------------------------------
                           Property Management and Related Services
                   --------------------------------------------------------
                                                 |
                                                 |
                                                 |
                                                 |
-----------------------------------------------------------------------------------------------
                                        Inland Western Retail Real Estate Trust, Inc.
             We are principally owned by public investors. Ownership is represented by shares o
-----------------------------------------------------------------------------------------------



      ------------------        ---------          ---------          ---------
      Daniel L. Goodwin*        Robert H.          G. Joseph          Robert D.
                                 Baum*              Cosenza*           Parks*
      ------------------        ---------          ---------          ---------
              ||                   ||                  ||                 ||
              ====================================================================
                                                 ||
                                      -----------------------
                                      THE INLAND GROUP, INC.*
                                      -----------------------
                                                 ||
                                                 ||
```

```
        ==========================================================================================
        ||                                    ||                                        ||
        ||                                    ||                                        ||
---------------------           ------------------------------------------------------------------
     The Inland                                         Inland Real
      Services                                Estate Investment Corporation
     Group, Inc.                                      (our sponsor)
---------------------           ------------------------------------------------------------------
        ||                                                  ||
        ||                              ====================================================
        ||                              ||                  ||                         ||
        ||                              ||                  ||                         ||
---------------                 -----------------  -------------------------------  -------------
Inland Risk and                 Inland Securities   Inland Western Retail Real      Inland Partne
   Insurance                       Corporation     Estate Advisory Services, Inc.    Property Sa
  Management                                       (our business manager/advisor)     Corporatio
 Services, Inc.
---------------                 -----------------  -------------------------------  -------------
         |                              |                  |
         |                              |                  |         ============================
         |                              |                  |            ||           ||
         |                              |                  |      -----------   -----------   -------
    ------------                        |                  |      Inland Real   Inland Real      Inl
      Insurance                         |                  |        Estate        Estate           E
      Services                          |                  |      Sales, Inc.   Development   Acquisi
    ------------                        |                  |                    Corporation
         |                              |                  |      -----------   -----------   -------
         |                              |                  |           |             |
         |                              |                  |           |             |
         |                              |                  |     --------------      |
         |                              |                  |      Real Estate        |
         |                              |                  |     Sales Services      |
         |                              |                  |     --------------      |
         |                              |                  |           |             |
         |                              |                  |           |             |
         |                              |                  |           |             |
         |                              |                  |           |             |
         |                    ----------------  -----------------      |     ----------------      --
         |                    Securities Sales    Organization,        |     Construction and       P
         |                                      Advisory and Real      |       Development         Ac
         |                                        Estate Services      |        Services            S
         |                    ----------------  -----------------      |     ----------------      --
         |                              |                  |           |             |
         |                              |                  |           |             |
         |                              |                  |           |             |
  ------------------------------------------------------------------------------------------------
                                         Inland Western Retail Real Estate Trust, Inc.
              We are principally owned by public investors. Ownership is represented by shares
  ------------------------------------------------------------------------------------------------
```

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

Double lines indicate 100% ownership.
Single lines indicate service.

CONFLICTS OF INTEREST

THE FIRST PARAGRAPH UNDER THE SECTION REGARDING "CONFLICTS OF INTEREST" WHICH STARTS ON PAGE 5 OF OUR PROSPECTUS HAS BEEN SUPERCEDED 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. ON FEBRUARY 11, 2005, INLAND AMERICAN REAL ESTATE TRUST, INC. FILED A 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. THE REGISTRATION STATEMENT HAS NOT BEEN DECLARED EFFECTIVE BY THE SECURITIES AND EXCHANGE COMMISSION, AND THERE IS NO ASSURANCE WHEN AND IF IT WILL BE DECLARED EFFECTIVE. 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 5 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 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 5 OF OUR PROSPECTUS TO READ AS FOLLOWS:

If and when Inland American Real Estate Trust, Inc.'s registration statement is declared effective by the Securities and Exchange Commission, 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 retails centers, and office buildings, located in the United States;

- Inland American Real Estate Trust, Inc. will compete for the same properties we may be 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 their sales effort related to the sales of shares for Inland American Real Estate Trust, Inc.

COMPENSATION TO BE PAID TO OUR ADVISOR AND AFFILIATES

THE DISCUSSION UNDER THIS SECTION REGARDING "ACQUISITION EXPENSES", WHICH STARTS ON PAGE 6 OF OUR PROSPECTUS, SHOULD READ:

We will reimburse Inland Real Estate Acquisitions, Inc., for costs incurred, on our behalf, in connection with the acquisition of properties. We will pay an amount, estimated to be up to 0.5% of the total of (1) the gross offering proceeds from the sale of 250,000,000 shares, (2) the gross proceeds from the sale of up to 20,000,000 shares pursuant to the distribution reinvestment programs. The acquisition expenses for any particular property will not exceed 6% of the gross purchase price of the property.

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 6 OF OUR PROSPECTUS IN THE ENTIRETY, TO READ AS FOLLOWS:

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 year ended December 31, 2004, and the period from March 5, 2003 (inception) to December 31, 2003 (inception) we have incurred and paid property management fees of $5,381,721 and $16,627, of which $5,381,721 and $16,627 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.

5

THE DISCUSSION UNDER THIS SECTION ON THE "INCENTIVE ADVISORY FEE", WHICH STARTS ON PAGE 7 OF OUR PROSPECTUS, SHOULD READ:

After our stockholders have first received a 10% cumulative, non-compounded return and a return of their net investment, an incentive advisory fee equal to

15% on net proceeds from the sale of a property will be paid to our advisor.

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 LAST SENTENCE OF THIS DISCUSSION ON PAGE 12, UNDER THE ABOVE SUBHEADING, IS MODIFIED TO READ AS FOLLOWS:

We will be acquiring properties that are located primarily west of the Mississippi River and single user net lease properties located anywhere in the United States and therefore our geographic diversity will be limited.

THE SECOND PARAGRAPH ON PAGE 13, UNDER THIS HEADING, IS DELETED.

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 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.

On February 11, 2005, Inland American Real Estate Trust, Inc. filed a 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. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective. Specific conflicts of interest between us and Inland American Real Estate Trust, Inc include:

- 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;

6

- 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 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 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. On February 11, 2005, Inland American Real Estate Trust, Inc. filed a 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. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective. 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, when it becomes effective 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 retails 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 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, when it becomes effective 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 retails 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 or in favor of Inland American Real Estate Trust, Inc. and therefore, we may enter into a transaction that is not in our best interest or not enter into a transaction at all. 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 MANAGER 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. will 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. 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. When it becomes effective, Inland American Real Estate Trust, Inc.'s offering could negatively affect time and effort spent on our capital raise and sales effort due to the sales effort related to the sales of shares by Inland American Real Estate Trust, Inc. These personnel could spend more time and attention in Inland American Real Estate Trust, Inc.'s offering. The resolution of this conflict of interest could have a negative impact on our financial performance.

- 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.

9

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

THE SECOND PARAGRAPH UNDER THIS HEADING WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS IS SUPERCEDED 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. On February 11, 2005, Inland

American Real Estate Trust, Inc. filed a 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. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective. Inland American Real Estate Trust, Inc. is affiliated with The Inland Group. When it becomes effective, Inland American Real Estate Trust, Inc.'s offering could negatively affect time and effort spent on our capital raise and sales effort due to the sales 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.

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. ("Acquisitions"), Inland Western Retail Real Estate Advisory Services, Inc. ("the 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.

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.

WE HAVE ADDED A SIXTH PARAGRAPH 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. If and when Inland American Real Estate Trust, Inc.'s registration statement is declared effective by the Securities and Exchange Commission, 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 retails centers, and office buildings, located in the United States;

- Inland American Real Estate Trust, Inc. will 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 effort related to the sales of shares offered by Inland American Real Estate Trust, 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 SHOULD 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. If and when Inland American Real Estate Trust, Inc.'s registration statement is declared effective by the Securities and Exchange Commission,

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 SHOULD 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 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, when it becomes effective 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 retails 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 will 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 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. will 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.

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, when it becomes effective 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 retails 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. will 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.

13

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. When it becomes effective, Inland American Real Estate Trust, Inc.'s offering could negatively affect time and effort spent on our capital raise and sales effort due to the effort related to the sale of shares offered by Inland American Real Estate Trust, Inc.

THE DISCUSSION UNDER THE SECTION WHICH STARTS ON PAGE 36 OF OUR PROSPECTUS HAS

BEEN MODIFIED TO INCLUDE THE FOLLOWING NINETEENTH PARAGRAPH:

On February 11, 2005, a new property acquisition agreement was entered into between Inland Real Estate Acquisitions, Inc. ("Acquisitions"), Inland Western Retail Real Estate Advisory Services, Inc. (the "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.

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.

THE DISCUSSION UNDER "TERM OF THE ADVISORY AGREEMENT" SECTION WHICH STARTS ON PAGE 79 OF OUR PROSPECTUS HAS BEEN MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

COMPENSATION TABLE

THE DISCUSSION UNDER THIS SECTION "NONSUBORDINATED PAYMENTS - OFFERING STAGE" ON THE MARKETING CONTRIBUTION AND DUE DILIGENCE EXPENSE ALLOWANCE PAID TO THE MANAGING DEALER AND SOLICITING DEALERS, WHICH STARTS ON PAGE 40 OF OUR PROSPECTUS, SHOULD READ AS FOLLOWS:

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	EST D
Marketing contribution and due diligence expense allowance paid to the managing dealer and soliciting dealers.	We will pay an amount equal to 2.5% of the gross offering proceeds to the managing dealer, all or a portion of which may be passed on to soliciting dealers, in lieu of reimbursement of specific expenses associated with marketing. We may pay an additional 0.5% of the gross offering proceeds to the managing dealer, which may be passed on to the soliciting dealers, for due diligence expenses. We will not pay the marketing contribution and due diligence expense allowance in connection with any special sales, except those receiving volume discounts and those described in "Plan of Distribution - Volume Discounts."	The actual am number of sha special sales following amo marketing con diligence exp - $60,000 number o - $75,000, maximum

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 41 OF OUR PROSPECTUS IN THE ENTIRETY, TO READ AS FOLLOWS:

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	ESTIMA
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 y 2004, and 2003 (ince we have in management $16,627, o $16,627 we Management Management Property acquire business our pro property cease. The incur in t upon resu therefore, the

THE DISCUSSION UNDER THIS SECTION ON THE "NONSUBORDINATED PAYMENTS - OPERATIONAL STAGE", WHICH STARTS ON PAGE 41 OF OUR PROSPECTUS, IS MODIFIED AS FOLLOWS:

The last entry "Advisor asset management fee" at the bottom of the page is deleted.

15

THE DISCUSSION UNDER THIS SECTION "SUBORDINATED PAYMENTS - OPERATIONS STAGE" ON THE ADVISOR ASSET MANAGEMENT FEE PAID TO OUR ADVISOR, WHICH STARTS ON PAGE 43 OF OUR PROSPECTUS, SHOULD READ AS FOLLOWS:

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	ESTIMA
	OPERATIONAL STAGE	
Advisor asset management fee payable to our advisor.	We pay an annual advisor asset management fee of not more than 1% of our average assets. Our average assets means the average of the total book value including acquired intangibles of our real estate assets plus the total value of our loans receivables secured by real estate, before reserves for depreciation or bad debts or other similar non-cash reserves. We	The actual am depend upon t properties an determined at acquire the a management fe

will compute our average assets by taking the average of these values at the end of each month during the quarter for which we are calculating the fee. The fee is payable quarterly in an amount equal to 1/4of 1% of average assets as of the last day of the immediately preceding quarter. For any year in which we qualify as a REIT, our advisor must reimburse us for the following amounts if any:

(1) the amounts by which our total operating expenses, the sum of the advisor asset management fee plus other operating expenses, paid during the previous fiscal year exceed the greater of:

- 2% of our average assets for that fiscal year, or

- 25% of our net income for that fiscal year.

(2) plus an amount, which will not exceed the advisor asset management fee for that year, equal to any difference between the total amount of distributions to stockholders for that year and the 6% annual return on the net investment of stockholders.

Items such as organization and offering expenses, property expenses, interest payments, taxes, non-cash expenditures, the incentive advisory fee and acquisition expenses are excluded from the definition of total operating expenses.

See "Management -- Our Advisory Agreement" for an explanation of circumstances where the excess amount specified in clause (1) may not need to be reimbursed.

16

THE DISCUSSION UNDER THIS SECTION "COMPENSATION TO OFFICERS AND DIRECTORS" ON THE DIRECTOR FEES, WHICH STARTS ON PAGE 45 OF OUR PROSPECTUS, SHOULD READ AS FOLLOWS:

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	EST D

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 in person and $350 for attending a meeting via the telephone. Our officers who are also our directors do not receive director fees.	We will pay t directors $25 (increasing t October 1, 20 attending mee to be receive depends upon and their att cannot be det time.

PRIOR PERFORMANCE OF OUR AFFILIATES

PRIOR INVESTMENT PROGRAMS

During the 10-year period ending December 31, 2004, The Inland Group and its affiliates have sponsored two other REITs and 34 real estate exchange private placements, which altogether have raised more than $3,157,236,000 from over 68,000 investors. During that period, Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc., the other REITs, have raised over $3,005,648,000 from over 68,000 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 A 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.

SUMMARY INFORMATION

The table below provides summarized information concerning prior programs sponsored by our affiliates for the 10-year period ending December 31, 2004, 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.

	INLAND RETAIL REAL ESTATE TRUST, INC. REIT PROGRAM AS OF DECEMBER 31, 2004	INLAND REAL ESTATE CORPORATION REIT PROGRAM AS OF DECEMBER 31, 2004
Number of programs sponsored	1	1
Aggregate amount raised from investors	$ 2,301,884,000	703,764,000
Approximate aggregate number of investors	59,000	9,300
Number of properties purchased	276	151
Aggregate cost of properties	$ 4,061,050,000	1,326,000,000
Number of mortgages/notes	0	0
Principal amount of mortgages/notes	0	0
Principal of properties (based on cost) that were:		
Commercial--		
Retail	90.00%	86.00%
Single-user retail net-lease	10.00%	14.00%
Nursing homes	0.00%	0.00%
Offices	0.00%	0.00%
Industrial	0.00%	0.00%
Health clubs	0.00%	0.00%
Mini-storage	0.00%	0.00%
Total commercial	100.00%	100.00%
Multi-family residential	0.00%	0.00%
Land	0.00%	0.00%
Percentage of properties (based on cost) that were:		
Newly constructed (within a year of acquisition)	37.00%	40.00%
Existing construction	63.00%	60.00%
Number of properties sold in whole or in part	0	11
Number of properties exchanged	0	0

Of the programs included in the above table, Inland Real Estate Corporation 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 97% of the aggregate amount raised from investors, approximately 99% of the aggregate number of investors, approximately 95% of the properties purchased, and approximately 95% of the aggregate cost of the properties.

During the three years prior to December 31, 2004, Inland Real Estate Corporation purchased 27 commercial properties and Inland Retail Real Estate Trust, Inc. purchased 237 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. Through a total of four public offerings, the last of which was completed in 1999, Inland Real Estate Corporation sold a total of 51,642,397 shares of common stock. In addition, as of December 31, 2004, Inland Real Estate Corporation issued 14,467,082 shares of common stock through its distribution reinvestment program. As of December 31, 2004, Inland Real Estate Corporation repurchased 5,256,435 shares of common stock through its share repurchase program for an aggregate amount of $49,159,202. As a result, Inland Real Estate Corporation has realized total gross offering proceeds of

approximately $703,764,000 as of December 31, 2004. On June 9, 2004, Inland Real Estate Corporation listed its shares on the New York Stock Exchange and began trading under the ticker "IRC".

Inland Real Estate Corporation's objective is to purchase 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, and to provide, at a minimum, cash distributions on a quarterly basis and a hedge against inflation through capital appreciation. It may also acquire single-user retail properties throughout the United States. As of December 31, 2004, the properties owned by Inland Real Estate Corporation were generating sufficient cash flow to cover operating expenses plus pay an annual cash distribution of $0.94 per share paid monthly.

As of December 31, 2004, Inland Real Estate Corporation owned interest in 140 properties for a total investment of approximately $1,325,000,000. These properties were purchased with proceeds received from the above described offerings of shares of its common stock and financings. As of December 31, 2004, Inland Real Estate Corporation financed approximately $599,567,000 on its properties and had $85,000,000 outstanding through an unsecured line of credit.

On July 1, 2000, Inland Real Estate Corporation became a self-administered REIT by completing its acquisition of Inland Real Estate Advisory Service, Inc., its advisor, and Inland Commercial Property Management, Inc., its property manager. The acquisition was accomplished by merging its advisor and its property manager into two wholly owned subsidiaries of Inland Real Estate Corporation. As a result of the merger, Inland Real Estate Corporation issued to our sponsor, the sole shareholder of the advisor, and The Inland Property Management Group, Inc., the sole shareholder of its property manager, an aggregate of 6,181,818 shares of Inland Real Estate Corporation's common stock at $11 per share, or approximately 9.008% of its common stock.

INLAND RETAIL REAL ESTATE TRUST, INC. Through a total of three public offerings, the last of which was completed in 2003, Inland Retail Real Estate Trust, Inc. sold a total of 213,699,534 shares of its common stock. In addition, as of December 31, 2004, Inland Retail Real Estate Trust, Inc. issued 21,278,452 shares through its distribution reinvestment program, and has repurchased a total of 3,367,019 shares through the share reinvestment program. As a result, Inland Retail Real Estate Trust Inc. has realized total net offering proceeds of approximately $2,301,884,000 as of December 31, 2004. On December 29, 2004 Inland Retail Real Estate Trust, Inc., issued 19,700,060 shares as a result of merging with their advisor.

Inland Retail Real Estate Trust, Inc.'s objective is to purchase shopping centers east of the Mississippi River in addition to single-user retail properties in locations throughout the United States, and to provide regular cash distributions and a hedge against inflation through capital appreciation. As of December 31, 2004, the properties owned by Inland Retail Real Estate Trust, Inc. were generating sufficient cash flow to cover operating expenses plus pay an annual cash distribution of $.83 per share per annum paid monthly.

As of December 31, 2004, Inland Retail Real Estate Trust, Inc. owned 276 properties for a total investment of approximately $4,061,050,000. These properties were purchased with proceeds received from the above described offerings of shares of its common stock and financings. As of December 31, 2004, Inland Retail Real Estate Trust, Inc. financed approximately $2,257,842,000 on its properties.

On December 29, 2004, and pursuant to an agreement and plan of merger entered into on September 10, 2004, Inland Retail Real Estate Trust, Inc. (IRRETI) acquired, by merger, four entities affiliated with its former sponsor, Inland Real Estate Investment Corporation, which entities provided business management, advisory and property management services to it. The four entities acquired were Inland Retail Real Estate Advisory Services, Inc., Inland Southern Mangement Corp., Inland Mid-Atlantic Management Corp. and Inland Southeast Property Management Corp. (the acquired companies). Shareholders of the acquired companies received an aggregate of 19,700,060 shares of IRRETI common stock, valued under the merger agreement at $10.00 per share.

20

The following table summarizes distributions for each of the publicly registered REITS through December 31,2004:

REIT PERFORMANCE
Distributions through December 31, 2004

INLAND REAL ESTATE CORPORATION
OFFERING COMPLETED 1999

	Total Distribution ($)	Ordinary Income ($) *	Non taxable Distribution ($) **	Capital Gain Distribution ($) ***	Average Annualized Distribution for Purchases at $10 per Share ($)	D f
1995	736,627	694,213	42,414	-	7.6	
1996	3,704,943	3,093,525	611,418	-	8.1	
1997	13,127,597	9,739,233	3,388,364	-	8.6	
1998	35,443,213	27,015,143	8,428,070	-	8.8	
1999	48,379,621	35,640,732	12,738,889	-	8.9	
2000	52,964,010	40,445,730	12,518,280	-	9.0	
2001	58,791,604	45,754,604	12,662,414	374,586	9.3	
2002	60,090,685	41,579,944	18,315,640	195,101	9.4	
2003	61,165,608	47,254,096	13,577,679	333,833	9.4	
2004	62,586,577	53,458,760	7,883,026	1,244,791	9.4	
	396,990,485	304,675,980	90,166,194	2,148,311		

INLAND RETAIL REAL ESTATE TRUST, INC.
OFFERING COMPLETED 2003

	Total Distribution ($)	Ordinary Income ($) *	Non Taxable Distribution ($) **	Average Annualized Distribution (%)
1999	1,396,861	318,484	1,078,377	7.2

2000	6,615,454	3,612,577	3,002,877	7.7
2001	17,491,342	10,538,534	6,952,808	8.0
2002	58,061,491	36,387,136	21,674,355	8.2
2003	160,350,811	97,571,099	62,779,712	8.3
2004	190,630,575	110,922,403	79,708,172	8.3
	434,546,534	259,350,233	175,196,301	

ON JUNE 9, 2004 INLAND REAL ESTATE CORPORATION LISTED ITS SHARES ON THE NEW YORK STOCK EXCHANGE AND BEGAN TRADING UNDER THE SYMBOL "IRC."

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

** Represents a return of capital for federal income tax purposes.

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

21

PRIVATE PARTNERSHIPS

Since our inception and through December 31, 2004, our affiliates have sponsored 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 522 properties purchased, 93% have been in Illinois. Approximately 90% of the funds were invested in apartment buildings, 6% in shopping centers, 2% in office buildings and 2% in other properties. Including sales to affiliates, 475 partnerships have sold their original property investments. Officers and employees of our sponsor and its affiliates invested more than $17,000,000 in these private placement limited partnerships.

From October 1, 1995 through December 31, 2004, investors in The Inland Group private partnerships have received total distributions in excess of $269,026,000, 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 affiliate of The Inland Group, investors in 301 private partnerships voted in 1990 to make our sponsor the corporate general partner for those partnerships.

Beginning in December 1993 and continuing into the first quarter of 1994, investors in 101 private limited partnerships for which our sponsor is the general partner received letters from it informing them of the possible opportunity to sell the 66 apartment properties owned by those partnerships to a to-be-formed REIT in which affiliates of our sponsor would receive stock and cash and the limited partners would receive cash. The underwriters of this apartment REIT subsequently advised our sponsor to sell to a third party its management and general partner's interests in those remaining limited partnerships not selling their apartment properties to the apartment REIT. Those not selling their apartment properties constituted approximately 30% of the Inland-sponsored limited partnerships owning apartment buildings. The prospective third-party buyers of our sponsor's interests in the remaining partnerships, however, would make no assurance to support those partnerships financially. As a result, in a March 1994 letter, our sponsor informed investors of its decision not to go forward with the formation of 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 our sponsor 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 our sponsor as general partner of the partnerships that would have participated in the sale of properties. In August 1994, the court granted our sponsor'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 our sponsor is the general partner. The derivative counts sought damages from our sponsor for alleged breach of fiduciary duty and breach of contract, and asserted a right to an accounting. Our sponsor 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 our sponsor.

22

Inland Real Estate Investment Corporation is the general partner of twenty-seven private limited partnerships and one public limited partnership that own corporate interests in fifteen buildings that are net leased to Kmart. The fourteen Kmarts owned by the private limited partnerships are all cross collateralized. Relating to the Kmart bankruptcy, the status of the fifteen is as follows:

- CATEGORY 1 - The leases of nine of the Kmarts are current and have 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.

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

IREIC, the corporate general partner has agreed with the note holders who own the loan to conduct a liquidation of the 14 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 December 31, 2004, seven of the Category 1 K-Mart properties have been sold and the remaining two are under contract. Two of the Category 3 properties have been sold, one is under contract and one has an offer pending as of December 31, 2004.

- 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. The corporate general partner plans to either re-tenant or sell this facility.

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. The main objective of IREX is to provide replacement properties for people wishing to complete an IRS Section 1031 real estate exchange. Through December 31, 2004, IREX offered the sale of 34 properties with a total property value of $404,899,000.

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 100% 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

23

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 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.

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 National Association, 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 2001 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.

24

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 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, IL on August 28, 1998 for $1,675,000. In October 2002, Rehab Associates XIII contributed 100% 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.

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 99% 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 1% 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.

25

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 99% 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, $20,500,000, consisted of $10,450,000 in debt assumption and $10,050,000 in equity investment, 1% 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 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 99% 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, $22,900,000, consisted of $12,900,000 in debt assumption and $10,000,000 in equity investment, 1% 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 99% 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, $28,200,000, consisted of $12,500,000 in debt assumption and $15,700,000 in equity investment, 1% 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 100% 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 $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.

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 100% 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, IL 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 99% 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, $24,400,000, consisted of $11,925,000 in debt assumption and $12,475,000 in equity investment, 1% 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 99% 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, $8,150,000, consisted of $3,850,000

in debt assumption and $4,300,000 in equity investment, a minimum of 1% 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, $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 $4,960,000 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, $9,660,000 consisted of $4,700,000 in debt assumption and $4,960,000 in equity investment. The difference between the real estate acquisition price of $8,500,000 and the total price of $9,660,000 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, $3,900,000 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 99% 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, $12,605,000, consisted of $6,905,000 in debt assumption and $5,700,000 in equity investment, 1% 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 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 99% 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, $12,078,762, consisted of $5,078,762 in debt assumption and $7,000,000 in equity investment, 1% 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.

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 99% 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 of the purchase was $15,850,000. The total price, $15,850,000, consisted of $7,400,000 in debt assumption and $8,450,000 in equity investment, 1% 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 99% 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, $7,145,000, consisted of $3,175,000 in debt assumption and $3,970,000 in equity investment, 1% 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.

PORT RICHEY 1031, L.L.C. Port Rickey 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 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, $5,975,000 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 99% 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, $6,534,000 consists of an equity investment, 1% 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 99% 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, $11,000,000 consisted of $5,333,000 in debt assumption and $5,667,000 in equity investment, 1% 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 99% of the undivided tenant-in-common interests in the real estate and improvement thereon located at 3124 East Jericho 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, $39,200,000 consisted of $19,150,000 in debt assumption and $20,050,000 in equity investment, 1% 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 is currently selling.

BEST BUY STORE, REYNOLDSBURG, OHIO. Reynoldsburg 1031, L.L.C., a Delaware limited liability company, purchase 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 99% 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, $10,345,000 consisted of $4,950,000 in debt assumption and $5,395,000 in equity investment, 1% 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 99% 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, $20,735,000, consisted of $9,762,000 in debt assumption and $10,973,000 in equity investment, 1% 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. As of December 31, 2004 there were no investors.

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, $2,190,000, 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 total price of $2,190,000 consists of $95,000 acquisition fee and $165,684 of estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

MOBILE 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 $770,000 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, $1,578,000, consisted of

$770,000 in debt assumption and $808,000 in equity investment. The difference between the real estate acquisition price of $1,400,632 and the total price of $1,578,000 consists of $42,000 acquisition fee and $135,365 of estimated costs and expenses. The offering was completed in October 2004 when the maximum offering amount was raised.

KOHL'S STORE IN STOUGHTON, MASSACHUSETTS. Stoughton 1031, L.L.C., a Delaware limited liability company, purchased a free standing retail building on August 13, 2004 from Koffler/GID Stoughton, LLC, an unrelated third party. The L.L.C. financed its acquisition of the property with a loan from Bear Stearns Commercial Mortgage, Inc. for $12,063,000 and cash. In October 2004, Stoughton 1031, L.L.C. began offering 99% of the undivided tenant-in-common interests in the real estate and improvements thereon located at 501 Technology Center Drive, Stoughton, Norfolk County, Massachusetts for $10,187,000 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, $19,950,000, consisted of $9,763,000 in debt assumption and $10,187,000 in equity investment, 1% of which was required by the lender to be retained by Stoughton 1031, L.L.C. The difference between the real estate acquisition price of $17,650,000 and the total price of $19,950,000 consists of $775,000 acquisition fee, $100,000 for a property reserve account and $1,425,000 of estimated costs and expenses. The offering is currently selling.

The following summary table describes the fees and expenses incurred by each of our entities in our 1031 Exchange Private Placement Offering Project.

	Landings of Sarasota DBT	Sentry Office Building DBT	Pets Bowie DBT	1031 Chattanooga DBT
Commissions & Fees(1)	Up to 8.5%	Up to 8.5%	Up to 8.5%	Up to 8.5%
Selling Commission To 3rd Party Reps	6.00%	6.00%	6.00%	6.00%
Due Diligence Fee	0.50%	0.50%	0.50%	0.50%
Marketing Expenses	1.00%	1.50%	1.50%	1.50%
Offering & Organization	1.00%	0.50%	0.50%	0.50%
Mortgage Broker Fee (IMC)(2)	0.50%	0.50%	0.50%	0.50%
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	N/A	0.71%	0.77%	0.90%
Bridge Financing Fees	N/A	N/A	1.49%	0.50%
Total Load(4)	11.25%-12.75%	14.23%	13.68%	14.39%
Asset Management Fees(5)	N/A	0.75%	1.00%	0.56%
Property Management Fees(6)	4.5%	5.0%	Paid by Asset Mgr.	5.0%
Backend Sales Commission	3.5%	3.5%	3.5%	3.5%

	Taunton Circuit DBT	Broadway Commons DBT	Bell Plaza 1031 LLC	Inland 210 Celebration Place DBT

Commissions & Fees(1)	Up to 8.0%	Up to 8.77%	Up to 9.19%	Up to 5.27%
Selling Commission To 3rd Party Reps	6.00%	6.00%	6.00%	3.81%
Due Diligence Fee	0.50%	0.50%	0.50%	0.00%
Marketing Expenses	1.00%	1.00%	1.00%	0.50%
Offering & Organization	0.50%	1.27%	1.69%	0.96%
Mortgage Broker Fee (IMC)(2)	0.61%	0.50%	0.50%	0.50%
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	0.69%	0.75%	N/A	0.89%
Bridge Financing Fees	0.07%	0.23%	N/A	0.23%
Total Load(4)	11.89%	12.98%	23.02%	10.52%
Asset Management Fees(5)	0.57%	N/A	0.53%	0.53%
Property Management Fees(6)	4.0%	5.0%	5.0%	4.5%
Backend Sales Commission	N/A	N/A	3.5%	N/A

33

	Fleet Office Building 1031 LLC	Davenport Deere Distribution Facility 1031 LLC	Grand Chute DST	Macon Offi DST
Commissions & Fees(1)	Up to 8.52%	Up to 8.42%	Up to 8.82%	Up to 8.
Selling Commission To 3rd Party Reps	6.00%	6.00%	6.00%	6.
Due Diligence Fee	0.50%	0.50%	0.50%	0.
Marketing Expenses	1.00%	1.00%	1.00%	1.
Offering & Organization	1.02%	0.92%	1.32%	1.
Mortgage Broker Fee (IMC)(2)	0.50%	0.71%	0.50%	0.
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	0.85%	0.77%	0.84%	0.
Bridge Financing Fees	0.35%	0.72%	0.13%	0.
Total Load(4)	14.57%	13.18%	12.96%	14.
Asset Management Fees(5)	0.49%	0.50%	0.66%	0.
Property Management Fees(6)	4.5%	4.5%	5.0%	4
Backend Sales Commission	N/A	NA	NA	

	Pier 1 Retail Center 1031 LLC	Long Run 1031 LLC	Forestville 1031 LLC	Bed, Bath Beyond 1031 LLC
Commissions & Fees(1)	Up to 8.73%	Up to 8.37%	Up to 8.40%	Up to 8.
Selling Commission To 3rd Party Reps	6.00%	5.84%	5.54%	6.
Due Diligence Fee	0.50%	0.49%	0.46%	0.
Marketing Expenses	1.00%	0.97%	0.93%	1.
Offering & Organization	1.23%	1.07%	1.46%	1.
Mortgage Broker Fee (IMC)(2)	0.50%	0.47%	0.43%	0.
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	4.29%	5.31%	5.00%	5.
Bridge Financing Fees	0.94%			
Total Load(4)	23.84%	22.38%	21.34%	23.
Asset Management Fees(5)	0.06%	0.20%	0.00%	0.
Property Management Fees(6)	5.0%	5.0%	5.0%	5

Backend Sales Commission	NA	NA	NA	N

	Barnes & Noble Retail Center 1031 LLC	Port Richey 1031 LLC	Walgreen Store Hobart 1031 LLC	Kraft Cold Storage Facility 1031 LLC
Commissions & Fees(1)	Up to 8.69%	Up to 8.4%	Up to 8.52%	Up to 8.7
Selling Commission To 3rd Party Reps	6.00%	5.55%	6.00%	6.0
Due Diligence Fee	0.50%	0.46%	0.50%	0.5
Marketing Expenses	1.00%	0.93%	1.00%	1.0
Offering & Organization	1.19%	1.46%	1.02%	1.2
Mortgage Broker Fee (IMC)(2)	0.50%	0.43%	N/A	0.5
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	5.00%	5.00%	4.22%	5.0
Bridge Financing Fees	0.49%	0.56%	1.25%	0.5
Total Load(4)	23.80%	22.80%	14.77%	22.9
Asset Management Fees(5)	0.13%	0.08%	0.08%	0.0
Property Management Fees(6)	5.0%	5.0%	4.5%	4.
Backend Sales Commission	NA	N/A	N/A	N/

	Jefferson City 1031 LLC	Stoughton 1031 LLC	Mobile Entertainment 1031 LLC	Indianap Entertain 1031 LL
Commissions & Fees(1)	Up to 8.63%	Up to 8.61%	Up to 9.88%	Up to
Selling Commission To 3rd Party Reps	6.00%	6.00%	5.86%	
Due Diligence Fee	0.50%	0.50%	0.49%	
Marketing Expenses	1.00%	1.00%	0.98%	
Offering & Organization	1.13%	1.11%	2.56%	
Mortgage Broker Fee (IMC)(2)	0.61%	0.56%	0.50%	
Acquisition Fee & Carrying Costs(3)				
Acquisition Fee	7.32%	4.39%	3.00%	
Bridge Financing Fees	0.30%	0.42%	0.73%	
Total Load(4)	16.25%	21.60%	12.66%	2
Asset Management Fees(5)	0.09%	0.10%	0.37%	
Property Management Fees(6)	2.9%	2.9%	2.9%	
Backend Sales Commission	N/A	N/A	N/A	

(1) Commissions and fees are calculated as a percentage of the equity portion of each deal.

(2) The Mortgage Broker Fee is calculated as a percentage of the debt portion of each deal.

(3) Acquisition & Carrying Costs are calculated as a percentage of the real estate acquisition price.

(4) The Total Load is calculated as a percentage of the equity portion of

each deal. The Total Load includes the Commissions & Fees, Mortgage Broker Fee, Acquisition Fee & Carrying Costs, as well as any other non-affiliated third party expenses.

(5) Asset Management Fees are calculated as a percentage of the value of the assets under management. However, for The Landings and Broadway Commons, which are both Master Lease deals, the Master Tenant Income is the residual cash flow from the Property after payment of the Master Lease Rent. As a result, it is not possible to accurately represent the Master Tenant Income as a percentage of the value of the assets under management.

(6) Property Management Fees are calculated as a percentage of Gross Income from the property.

The following additional fees are the same for each deal:

Loan Servicing Fee - IMSC will be compensated with a monthly fee equal to the outstanding principal balance of the loan at the beginning of every month multiplied by 1/8% then divided by 12. This figure, however shall never exceed $10,000, nor be less than $1,200 monthly.

Termination Fees - (i) MASTER LEASE: 8.333% of the last 12 Months of NOI less Rent payments for the same 12 months multiplied by the number of months remaining on the then-current term of the Master Lease and (ii) ASSET & PROPERTY MANAGEMENT AGREEMENTS: The sum of the current monthly AM & PM fees times the number of months remaining on the term.

The following table summarizes cash distributions to investors for each of the 1031 Exchange Private Placement Offering Projects through December 31, 2004:

1031 EXCHANGE PERFORMANCE
DISTRIBUTIONS THROUGH DECEMBER 31, 2004

Name of Entity	Number of Investors	Offering Equity ($)	Offering Completed ($)	Distributio To Date ($)
Landings of Sarasota DBT	9	4,000,000	05/2002	967,0
Sentry Office Building DBT	7	3,500,000	04/2002	838,3
Pets Bowie DBT	7	2,600,000	07/2002	583,0
1031 Chattanooga DBT	9	1,900,000	05/2002	396,1
Lansing Shopping Center DBT	5	5,000,000	09/2001	966,3
Inland 220 Celebration Place DBT	35	15,800,000	09/2003	2,461,9
Taunton Circuit DBT	1	3,750,000	09/2002	678,6
Broadway Commons DBT	32	8,400,000	12/2003	981,1
Bell Plaza 1031, LLC	1	890,000	11/2003	254,4
Inland 210 Celebration Place DBT	1	6,300,000	01/2003	1,020,3
CompUSA Retail Building, LLC	11	3,950,000	02/2004	386,5
Janesville Deere Distribution Facility 1031, LLC	35	10,050,000	01/2004	858,8
Fleet Office Building 1031, LLC	30	10,000,000	01/2004	796,9
Davenport Deere Distribution Facility 1031, LLC	35	15,700,000	04/2004	1,063,9
Grand Chute DST	29	5,370,000	03/2004	400,4
Macon Office DST	29	6,600,000	03/2004	515,8
White Settlement Road Investment, LLC	1	1,420,000	12/2003	115,0
Plainfield Marketplace 1031, LLC	31	12,475,000	06/2004	406,1

Pier 1 Retail Center 1031, LLC	22	4,300,000	06/2004	134,2
Long Run 1031, LLC	1	4,935,000	05/2004	215,0
Forestville 1031, LLC	1	3,900,000	05/2004	148,5
Bed, Bath & Beyond 1031, LLC	19	6,633,000	*	49,5
Cross Creek Commons 1031, LLC	26	6,930,000	08/2004	122,4
BJ's Shopping Center 1031, LLC	7	8,365,000	*	8,6
Barnes & Noble Retail Center 1031, LLC	1	3,930,000	*	1,5
Port Richey 1031, LLC	1	3,075,000	07/2004	47,3
Walgreen Store Hobart 1031, LLC	11	6,534,000	*	19,9
Kraft Cold Storage Facility 1031, LLC	19	11,000,000	*	28,4
Huntington Square Plaza 1031, LLC	16	39,200,000	*	
Best Buy Store Reynoldsburg 1031, LLC	4	10,345,000	*	
Jefferson City 1031, LLC	0	10,973,000		
Stoughton 1031, LLC	1	19,950,000		

Name of Entity	Number of Investors	2001 Annual Distribution (%)	2002 Annual Distribution (%)	2003 Annua Distribu (%)
Landings of Sarasota DBT	9	8.00	8.00	8.07
Sentry Office Building DBT	7		8.20	8.73
Pets Bowie DBT	7		8.89	8.89
1031 Chattanooga DBT	9		8.19	8.26
Lansing Shopping Center DBT	5		8.47	8.29
Inland 220 Celebration Place DBT	35		8.08	8.10
Taunton Circuit DBT	1		8.22	8.31
Broadway Commons DBT	32		8.14	8.22
Bell Plaza 1031, LLC	1		13.53	14.67
Inland 210 Celebration Place DBT	1			8.23
CompUSA Retail Building, LLC	11			8.05
Janesville Deere Distribution Facility 1031, LLC	35			7.23
Fleet Office Building 1031, LLC	30			7.19
Davenport Deere Distribution Facility 1031, LLC	35			7.36
Grand Chute DST	29			8.48
Macon Office DST	29			8.20
White Settlement Road Investment, LLC	1			
Plainfield Marketplace 1031, LLC	31			
Pier 1 Retail Center 1031, LLC	22			
Long Run 1031, LLC	1			
Forestville 1031, LLC	1			
Bed, Bath & Beyond 1031, LLC	19			
Cross Creek Commons 1031, LLC	26			
BJ's Shopping Center 1031, LLC	7			
Barnes & Noble Retail Center 1031, LLC	1			
Port Richey 1031, LLC	1			
Walgreen Store Hobart 1031, LLC	11			
Kraft Cold Storage Facility 1031, LLC	19			
Huntington Square Plaza 1031, LLC	16			
Best Buy Store Reynoldsburg 1031, LLC	4			
Jefferson City 1031, LLC	0			
Stoughton 1031, LLC	1			

Name of Entity	Number of Investors	Offering Equity ($)	Offering Completed ($)	Distributions To Date ($)

Indianapolis Entertainment 1031, LLC	1	2,190,000		-
Mobile Entertainment 1031, LLC	1	1,578,000	*	-
		261,543,000		14,466,786

Name of Entity	Number of Investors	2001 Annual Distribution (%)	2002 Annual Distribution (%)	2003 Annua Distribut (%)
Indianapolis Entertainment 1031, LLC	1			
Mobile Entertainment 1031, LLC	1			

* Offering was not complete as of December 31, 2004

MANAGEMENT

INLAND AFFILIATED COMPANIES

THE DISCUSSION UNDER THIS SECTION WHICH STARTS ON PAGE 64 OF OUR PROSPECTUS IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC, our management companies, were formed to segregate responsibility for management of our properties from Inland Property Management companies' growing management portfolio of retail properties. Our property management companies are responsible for collecting rent, leasing, and maintaining the retail properties they manage. These properties are primarily intended to be our properties in our primary geographical area of investment. Our property management companies are owned primarily by individuals who are affiliates of Inland.

WE HAVE ADDED A FOURTEENTH PARAGRAPH, UNDER THIS SECTION ON "INLAND AFFILIATED COMPANIES" WHICH STARTS ON PAGE 64 OF OUR PROSPECTUS TO READ AS FOLLOWS:

On February 11, 2005, Inland American Real Estate Trust, Inc. filed a 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 and share repurchase program. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective. Inland American Real Estate Trust, Inc. is affiliated with The Inland Group.

THE BIOGRAPHY UNDER THIS SECTION, WHICH STARTS ON PAGE 67 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

ROBERT D. PARKS is a Director of The Inland Group, Inc. and one of its four original principals; Chairman of Inland Real Estate Investment Corporation, Director of Inland Securities Corporation, and a Director of Inland Investment Advisors, Inc. Mr. Parks is Chairman, Chief Executive Officer, and Affiliated Director of Inland American Real Estate Trust, Inc. and President, Chief Executive Officer and a Director of Inland Real Estate Corporation. He is Chairman, and Director of Inland Retail Real Estate Trust, Inc., and Mr. Parks is Affiliated Director of Inland Real Estate Exchange Corporation.

Mr. Parks is responsible for the ongoing administration of existing investment programs, corporate budgeting and administration for Inland Real Estate Investment Corporation. He oversees and coordinates the marketing of all investments and investor relations.

Prior to joining Inland, Mr. Parks taught in Chicago's public schools. He received his B.A. Degree from Northeastern Illinois University and his M.A. Degree from the University of Chicago. He is a registered Direct Participation Program Limited Principal with the National Association of Securities Dealers. He is a member of the Real Estate Investment Association, the Financial Planning Association, the Foundation for Financial Planning as well as a member of the National Association of Real Estate Investment Trusts (NAREIT).

OUR DIRECTORS AND EXECUTIVE OFFICERS

THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 68 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

Effective April 1, 2004, Catherine L. Lynch resigned from her position as Treasurer of our advisor. Effective April 30, 2004, Kelly E. Tucek resigned from her position as our Treasurer, Principal Accounting Officer and Principal Financial Officer. Steven P. Grimes has been appointed as our Treasurer and Principal Financial Officer, and Lori Foust has been appointed as our Principal Accounting Officer.

THE BIOGRAPHIES INCLUDED IN THIS SUBSECTION, WHICH STARTS ON PAGE 68 OF OUR PROSPECTUS, IS SUPERCEDED IN THE ENTIRETY AND REPLACED BY THE FOLLOWING:

ROBERTA S. MATLIN joined Inland Real Estate Investment Corporation (IREIC) in 1984 as director of investor administration and currently serves as Senior Vice President of IREIC, directing the day-to-day internal operations. Ms. Matlin is a director of IREIC, a director and president of Inland Investment Advisors, Inc., and Intervest Southern Real Estate Corporation, and a director and vice president of Inland Securities Corporation. She is the president of Inland American Advisory Services, Inc. Since 2004, she has been vice president of administration of Inland American Real Estate Trust, Inc. She was Vice President of Administration of Inland Real Corporation from 1995 until 2000 and of Inland Retail Real Estate Trust, Inc from 1998 until 2004.

From June 2001 until April 2004, she was a trustee and executive vice president of Inland Mutual Fund Trust. Prior to joining Inland, she worked for the Chicago Region of the Social Security Administration of the Untied States Department of Health and Human Services. Ms. Matlin is a graduate of the University of Illinois. She holds Series 7, 22, 24, 39, 63 and 65 licenses from the National Association of Securities Dealers.

SCOTT W. WILTON has been our secretary since our formation. Mr. Wilton joined The Inland Group in January 1995. He is assistant vice president of The Inland Real Estate Group, Inc. and assistant counsel with The Inland Real Estate Group law department. From 1998 through 2004, Mr. Wilton was secretary of Inland Retail Real Estate Trust, Inc. and Inland Retail Real Estate Advisory Services, Inc. In 2001, he became the Secretary of Inland Real Estate Exchange Corporation. In 2004, he became secretary of Inland American Real Estate Trust, Inc. Mr. Wilton is involved in all aspects of The Inland Group's business, including real estate acquisitions and financing, securities law and corporate governance matters, leasing and tenant matters, and litigation management. He received B.S. degrees in economics and history from the University of Illinois at Champaign 1982 and his law degree from Loyola University of Chicago, Illinois 1985. Prior to joining The Inland Group, Mr. Wilton worked for the Chicago law firm of Williams, Rutstein, Goldfarb, Sibrava and Midura, Ltd., specializing in real estate and corporate transactions and litigation.

BRENDA G. GUJRAL is President, Chief Operating Officer and a director of Inland Real Estate Investment Corporation (IREIC) and President, Chief Operating Officer and a director of Inland Securities Corporation (ISC) - a member firm of the National Association of Securities Dealers (NASD). Mrs. Gujral is also a director of Inland Investment Advisors, Inc.; Chairman of the Board of Inland Real Estate Exchange Corporation; and Mrs. Gujral is Director and President of Inland American Real Estate Trust, Inc.

Mrs. Gujral has overall responsibility for the operations of IREIC, including the distribution of checks to over 50,000 investors, review of periodic communications to those investors, the filing of quarterly and annual reports for Inland's publicly registered investment programs with the Securities and Exchange Commission, compliance with other SEC and NASD securities regulations both for IREIC and ISC, review of asset management activities, and marketing and communications with the independent broker/dealer firms selling Inland's current and prior programs. Mrs. Gujral works with internal and outside legal counsel in structuring IREIC's investment programs and in connection with the preparation of its offering documents and registering the related securities with the Securities and Exchange Commission and state securities commissions.

Mrs. Gujral has been with the Inland organization for 22 years, becoming an officer in 1982. Prior to joining Inland, she worked for the Land Use Planning Commission establishing an office in Portland, Oregon, to implement land use legislation for that state.

She is a graduate of California State University. She holds Series 7, 22, 39 and 63 licenses from the NASD. Mrs. Gujral is a member of the National Association of Real Estate Investment Trusts (NAREIT), the Financial Planning Association (FPA), the Foundation for Financial Planning (FFP) and the National Association for Female Executives.

KENNETH H. BEARD is president and chief executive officer of Midwest Mechanical Group, a mechanical construction and service company. From 1999-2002 he was president and chief executive officer of Exelon Services, a subsidiary of Exelon Corporation, where he had responsibility for financial performance including being accountable for creating business strategy, growing the business through acquisition, integrating acquired companies and developing infrastructure for the combined acquired businesses. Prior to that position, from 1974 to 1999, Mr. Beard was the founder, president and chief executive officer of Midwest Mechanical, Inc., a heating, ventilation and air conditioning company providing innovative and cost effective construction services and solutions for commercial, industrial, and institutional facilities. From 1964 to 1974, Mr. Beard was employed by The Trane Company, a manufacturer of heating, ventilating and air conditioning equipment having positions in sales, sales management and general management.

Mr. Beard holds a MBA and BSCE from the University of Kentucky and is a licensed mechanical engineer. He is on the board of directors of the Wellness House in Hinsdale, Illinois, a cancer support organization and serves on the Dean's Advisory Council of the University of Kentucky, School of Engineering. Mr. Beard is a past member of the Oak Brook, Illinois Plan Commission (1981-1991) and a past board member of Harris Bank, Hinsdale (1985-2004).

PAUL R. GAUVREAU is the retired chief financial officer, financial vice president and treasurer of Pittway Corporation, New York Stock exchange listed manufacturer and distributor of professional burglar and fire alarm systems and equipment from 1966 until its sale to Honeywell, Inc. in 2001. He was president of Pittway's non-operating real estate and leasing subsidiaries through 2001. He was a financial consultant to Honeywell, Inc.; Genesis Cable, L.L.C.; ADUSA, Inc. He was a director and audit committee member of Cylink Corporation, a

Nasdaq Stock Market listed manufacturer of voice and data security products from 1998 until its merger with Safenet, Inc. in February 2003.

Mr. Gauvreau holds a MBA from the University of Chicago and a BSC from Loyola University of Chicago. He is on the Board of Trustees, Chairman of the Advancement Committee, and Vice Chairman of the Finance Committee of Benedictine University, Lisle, Illinois; a member of the Board of Trustees of the Chaddick Institute of DePaul University, Chicago, Illinois; and a member of the board of directors and vice president of the Children's Brittle Bone Foundation, Pleasant Prairie, Wisconsin.

COMPENSATION OF DIRECTORS AND OFFICERS

THE DISCUSSION INCLUDED IN THIS SUBSECTION, WHICH STARTS ON PAGE 71 OF OUR PROSPECTUS, IS SUPERCEDED IN THE ENTIRETY AND REPLACED BY THE FOLLOWING:

We pay our independent directors an annual fee of $5,000 (increased to $10,000 effective October 1, 2004) plus $500 for each in person meeting, and $350 for each meeting of the board or a committee (excluding the audit committee) of the board attended by telephone, and reimbursement of their out-of-pocket expenses incurred. Effective December 1, 2004, we pay our audit committee members $750 for each in personal audit committee meeting and $500 for each audit committee meeting attended by telephone. Our two other directors, Robert D. Parks and Brenda G. Gujral, do not receive any fees or other remuneration for serving as directors.

OUR ADVISOR

THE DISCUSSION UNDER THIS SECTION ON "OUR ADVISORY AGREEMENT" WHICH STARTS ON PAGE 73 OF OUR PROSPECTUS HAS BEEN MODIFIED TO INCLUDE THE FOLLOWING SIXTEENTH PARAGRAPH:

On February 11, 2005, a new property acquisition agreement was entered into between Inland Real Estate Acquisitions, Inc. ("Acquisitions"), Inland Western Retail Real Estate Advisory Services, Inc. ("the 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.

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.

THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 73 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING INFORMATION:

Our advisor, Inland Western Retail Real Estate Advisory Services, Inc., is an Illinois corporation and a wholly owned subsidiary of our sponsor. Our advisor/business manager reviews and updates our mission statement, determines our businesses' direction, selects the criteria for acquisitions and financing, adjusts the demographic and geographic parameters, analyzes strategic alternatives, adjusts our rate of growth to maximize shareholder value, and updates our business plan that is performed by Inland employees on our behalf involving the combined efforts of highly skilled technical people with many years of experience.

Mr. Steven Grimes (age 38) joined our advisor as its Chief Financial Officer on February 18, 2004. He is responsible for our finances and borrowings. Prior to joining the advisor, Mr. Grimes was a director with Cohen Financial and was a senior manager with Deloitte and Touche. Mr. Grimes received his B.S. Degree in Accounting from Indiana University.

Ms. Lori Foust (age 40) joined our advisor as Vice President on November 17, 2003. Ms. Foust is responsible for our financial and SEC reporting. Prior to joining the advisor, Ms. Foust was a senior manager in the real estate division with Ernst and Young, LLP. She received her B.S. Degree in Accounting and her M.B.A. Degree from University of Central Florida.

Ms. Debra J. Randall (age 49) joined our advisor as assistant vice president on January 30, 2004. Ms. Randall is responsible for our financial and SEC reporting. Prior to joining the advisor, Ms. Randall was a corporate controller for a privately held real estate company and has over 10 years of real estate experience at several public accounting firms. She received her B.A. Degree in Liberal Arts and is in the process of completing her M.A. Degree from DePaul University. She is a certified public accountant, a member of the Illinois CPA Society, and a licensed real estate salesperson.

THE DISCUSSION UNDER "TERM OF THE ADVISORY AGREEMENT" SECTION WHICH STARTS ON PAGE 74 OF OUR PROSPECTUS HAS BEEN MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

On December 28, 2004, the advisory agreement between Inland Western Retail Real Estate Trust, Inc. (the "Company") and Inland Western Retail Real Estate Advisory Services, Inc. (the "Business Manager/Advisor") was amended and restated. The Business Manager/Advisor is owned by the Company's sponsor, and all of the Company's agreements and arrangements with the Business Manager/Advisor and its affiliates, including those relating to compensation, are not the result of arm's length negotiations but the Company believes that the fee it pays is equal to or less than the fee that would be payable to an unaffiliated third-party providing such service. The advisory agreement was amended and restated to include an initial term of one year instead of three years.

THE LAST PARAGRAPH, UNDER THE SECTION "OUR ADVISORY AGREEMENT", SUBSECTION "LIABILITY AND INDEMNIFICATION OF BUSINESS MANAGER/ADVISOR WHICH STARTS ON PAGE 76 OF OUR PROSPECTUS HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

When it becomes effective, 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, 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 retails centers, and office buildings, located in the United States. However, if any conflicts do arise, they will be resolved as provided in the property acquisition service agreement.

THE PROPERTY MANAGER AND THE MANAGEMENT AGREEMENT.

THE DISCUSSION UNDER THIS SECTION WHICH STARTS ON PAGE 77 OF OUR PROSPECTUS IS

DELETED IN ITS ENTIRETY AND SUPPLEMENTED BY THE FOLLOWING:

Our present property managers provide property management services to us under the terms of the management agreements. The property managers provide services in connection with the rental, leasing, operation and management of the properties. Our property managers are each Delaware corporations, owned principally by individuals who are affiliates of The Inland Group. We have agreed to pay the property managers a monthly management fee in an amount no greater than 90% of the fee which would be payable to an unrelated party providing such services, which fee will initially be 4.5% of gross income, as defined in the relevant management agreement, from the properties managed for the month for which the payment is made. In addition, we have agreed to compensate each property managers if it provides us with services other than those specified in the management agreement. There is a separate management agreement for each property for an initial term ending as of December 31 in the year in which the property is acquired, and each management agreement is subject to three successive three-year renewals, unless either party notifies the other in writing of its intent to terminate between 60 and 90 days prior to the expiration of the initial or renewal term. We may terminate with 30 days prior written notice in the event of gross negligence or malfeasance by the property manager. The property managers may subcontract the required property management services for less than the management fee provided in the management agreement. See "Compensation Table -- Nonsubordinated Payments -- Operational Stage." Our property managers may form additional property management companies as necessary to manage the properties we acquire, and may approve of the change of management of a property from one manager to another.

THE DISCUSSION UNDER THIS SECTION WHICH STARTS ON PAGE 77 OF OUR PROSPECTUS IS FURTHER MODIFIED BY THE FOLLOWING:

Inland Western Management Corp. and Inland Management Corp. have merged and the surviving entity is Inland Southwest Management LLC. Inland Northwest Management Corp. has been renamed as Inland US Property Management LLC, which is the surviving entity. Inland Pacific Management Corp has merged with Inland Pacific Management LLC, (subsequently renamed as Inland Pacific Property Services LLC) which is the surviving entity. As a result of the reorganizations, none of property management personnel or terms of management agreements have changed. These companies continue to provide the property management services to us under our property management agreements.

Our property manager, Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC, conduct their activities at their principal executive office at 2907 Butterfield Road in Oak Brook, Illinois.

41

See "--The Advisory Agreement" above in this section and "Conflicts of Interest" for a discussion of our option to acquire or consolidate with the business conducted by the property managers.

The following sets forth information with respect to the executive officers and managers of Inland Holdco Management LLC.

NAME	AGE*	POSITION AND OFFICE WITH INLAND HOLDCO MANAGEMENT LLC
Thomas P. McGuinness	48	President and manager

Robert M. Barg	51	Senior vice president/treasurer, secretary and m
James H. Neubauer	63	Senior vice president
Linda Centanni	50	Vice president
Elizabeth D. McNeely	50	Vice president
Frank Natanek	37	Vice president
Ulana B. Horalewskyj	58	Manager
Alan F. Kremin	58	Manager
Frances C. Panico	55	Manager

----

*As of January 1, 2005

THOMAS P. MCGUINNESS joined Inland Property Management in 1982 and became president of Mid-America Management Corporation in July 1990 and chairman in 2001. He is also president of Inland Property Management, Inc. as well as a director of Inland Commercial Property Management. He is chairman and a director of Inland Mid-Atlantic Management Corp. Mr. McGuinness is a licensed real estate broker; and is past president of the Chicagoland Apartment Association, and past regional vice president of the National Apartment Association. He is currently on the board of directors of the Apartment Building Owners and Managers Association, and is a trustee with the Service Employees' Local No. 1 Health and Welfare Fund, as well as the Pension Fund and holds CLS and CSM accreditations from the International Council of Shopping Centers.

ROBERT M. BARG joined the Inland organization in 1986 and is currently the treasurer of Inland Property Management Group, Inc. Since 2003 he has been a senior vice president, secretary and treasurer of Inland Western Management Corp. In July 2004 he became a director of Inland Western Management Corp. as well as a senior vice president, secretary, treasurer, and a director of Inland Northwest Management Corp., Inland Pacific Management Corp., and Inland Southwest Management Corp. He is also a director, senior vice president, and treasurer of Mid-America Management Corp., and secretary and treasurer of Inland Southern Management Corp. He was secretary and treasurer of Inland Southeast Property Management Corp. from 1998 to 2001. Prior to joining the Inland organization, Mr. Barg was an accounting manager of the Charles H. Shaw Co. He received his B.S. Degree in Business Administration from the University of Illinois at Chicago and a Masters Degree from Western Illinois University. Mr. Barg is a certified public accountant and is a member of the Illinois CRP Society.

JAMES H. NEUBAUER joined Inland Property Management in 1978 as an on-site manager. In 1981, he was promoted to the position of director of purchasing. Subsequently, in 1983, he became an on-site property manager and, in 1984, he became the president of Inland Western Property Management. From 1985 to 1996, Mr. Neubauer was president and senior vice president of Mid-America Management where he was responsible for all rental property operations outside the Chicagoland metropolitan area, which included New Hampshire, Arizona, Indiana, Wisconsin and Peoria, Moline and Danville, Illinois. He left Inland in 1996 to pursue other opportunities and rejoined Inland Southeast Property Management Corp. in 1999 as senior vice president and in May 2002 was promoted to president. In June 2004, he became a senior vice president of Inland Northwest Management Corp., Inland Pacific Management Corp., Inland Southwest Management Corp. and Inland Western Management Corp. He is a licensed real estate broker in Florida and holds a B.A. degree from the University of Maryland, a M.A. degree from Ball State University and a M.B.A. degree from Benedictine College.

LINDA CENTANNI joined Mid-America Management Corp. in 1978 in the business office and in 1979 she began working in the accounting department specializing in the area of property management accounts receivable. In 1997 she was promoted to assistant vice president. Her current responsibilities include supervision of 12 people as department head of both accounts receivable and records. In July 2004 she was promoted to a vice president of Inland Northwest Management Corp., Inland Pacific Management Corp., Inland Southwest Management Corp., and Inland Western Management Corp. Ms. Centanni holds an Illinois real estate salesperson license.

ELIZABETH D. MCNEELEY joined Inland Southeast Property Management as a property accountant in January of 2002. In January of 2003 she was promoted to senior property accountant for Inland Western Management Corp., and in July of 2003 was promoted to a vice president of Inland Northwest Management Corp., Inland Pacific Management Corp., Inland Southwest Management Corp., and Inland Western Management Corp. Prior to joining Inland, Ms. McNeeley was an accountant for the

Burlington Northern Railroad, Pinnacle Relocation and Trase Miller Teleservices. She also taught mathematics at both the Middle School and Jr. College level. Ms. McNeeley holds a BA from North Central College and an MA from DePaul University. She is a licensed Real Estate Sales Agent.

FRANK NATANEK joined The Inland Group in July 2004 as a vice president of Inland Northwest Property Management Corp., Inland Pacific Management Corp., Inland Southwest Management Corp., and Inland Western Management Corp. Prior to joining Inland, Mr. Natanek worked for the Hallmark Greeting Card Company from October 2002 to March 2004. Mr. Natanek has a degree from St. Xavier College, and a law degree from Loyola University. In addition Mr. Natanek holds an MBA from the University of Chicago.

ULANA B. HORALEWSKYJ joined The Inland Group in 1990 and is currently treasurer of Inland Real Estate Exchange Corporation, vice president of Inland Real Estate Investment Corporation and president of Partnership Ownership Corporation. In her capacity as vice president of Inland Real Estate Investment Corporation, Ms. Horalewskyj oversees the cash management and accounting for over 250 Inland private limited partnerships. Prior to joining Inland, she spent four years working for an accounting firm and 10 years in the banking industry. Ms. Horalewskyj received her B.A. from Roosevelt University in Chicago.

ALAN F. KREMIN joined The Inland Group in 1982. Mr. Kremin was promoted to treasurer of The Inland Group, Inland Commercial Property Management, Inc., and various other Inland Group subsidiaries in March 1991. In his current capacity as the chief financial officer of The Inland Group, a position he has held since 1991, his responsibilities include financial management, cash budgeting and corporate taxes for the consolidated group and serving as a director for various Inland Group subsidiaries and outside affiliated entities, for which he also serves as treasurer. He is a director of Inland Southeast Property Management Corp., and in March 2002 he became a director, secretary and treasurer of Inland Southern Management LLC. In November 2002, he became a director of Mid-Atlantic Management, LLC. Prior to his current position, Mr. Kremin was treasurer of Inland Real Estate Investment Corporation from 1986 to 1990, where he supervised the daily operations of its accounting department. That department encompasses corporate accounting for the general partner of the Inland Real Estate Investment Corporation-sponsored limited partnership investment programs. Prior to joining The Inland Group, Mr. Kremin served for one year as a controller of CMC Realty and three years as assistant controller of JMB Realty Corporation. Prior to his real estate experience, Mr. Kremin worked eight years in public accounting, including four years at Arthur Young & Company. He received his B.S. degree in accounting from Loyola University. Mr. Kremin is a certified public accountant, holds securities and insurance licenses and is a licensed real estate broker.

FRANCES C. PANICO joined The Inland Group in 1972 and is president of Inland Mortgage Servicing Corporation and senior vice president of Inland Mortgage Corporation and Inland Mortgage Investment Corporation. Ms. Panico oversees the operation of loan services, which has a loan portfolio in excess of $4,200,000,000. She previously supervised the origination, processing and underwriting of single-family mortgages, and she packaged and sold mortgages to secondary markets. Ms. Panico's other primary duties for The Inland Group have included coordinating collection procedures and overseeing the default analysis and resolution process. Ms. Panico received her BA Degree in Business and Communication from Northern Illinois University.

The following sets forth information with respect to the executive officers and managers of Inland US Management LLC

NAME	AGE*	POSITION AND OFFICE WITH INLAND US MANAGEMENT LLC
Thomas P. McGuinness	48	President and manager
Robert M. Barg	51	Senior vice president/treasurer, secretary and ma
Linda Centanni	50	Vice President
Elizabeth D. McNeely	50	Vice President
Frank Natanek	31	Vice President
Lawrence R. Sajdak, Jr.	25	Assistant vice president
Steven Yee	38	Assistant vice president
Anthony A. Casaccio	49	Manager
Alan F. Kremin	58	Manager
Pamela C. Stewart	48	Manager

----

*As of January 1, 2005

The biographies of Mr. McGuinness, Mr. Barg, Ms. Centanni, Ms. McNeely, Mr. Natanek and Mr. Kremin are set forth above.

43

LAWRENCE R. SAJDAK. Mr. Sajdak joined The Inland Group in September 1998 as a college intern, working every summer and holiday season. He started in the marketing department and soon became proficient in other departments in management. He has degrees in chemistry and business from North Central College. Prior to joining Inland he was employed Cintas Corporation. Mr. Sajdak returned to Inland in December 2002 as a department head in the business management department, and subsequently became a property manager. In July 2004 Mr. Sajdak was promoted to an assistant vice president of Inland Western Property Management Corp. and an assistant vice president of Inland Northwest Property Management Corp. He is a member of the International Council of Shopping Centers.

STEVEN YEE joined The Inland Group in February of 2004 as a senior property manager, and in July 2004, Mr. Yee was promoted to assistant vice president of Inland Northwest Property Management Corp. Prior to joining Inland he worked for Manulife Financial. His was also the director of operations for MB real estate and a retail property manager for Trammel Crow. His real estate experience includes managing and leasing retail shopping centers in the greater Chicagoland area. Mr. Yee attended DePaul University, receiving a degree in real estate finance. He is a licensed real estate broker, and a member of the International Council of Shopping Centers, and holds CPM and CCIM designations.

ANTHONY A. CASACCIO joined The Inland Group in 1984 working for Inland Condo Association Management. From 1987 to 1991 he was president of Partnership Asset Sales Corporation, and in 1991 when Inland Real Estate Development Corporation was formed, Mr. Casaccio became the president and a director. Mr. Casaccio holds a B.S. degree in accounting from DePaul University. He is a member of the DuPage Association of Realtors, the National Association of Realtors, Northern Illinois Commercial Association of Realtors, the National Home Builders Association, the Realtor Association of the Western Suburbs, The Urban Land Institute, and the Oswego Economic Development Corporation. Mr. Casaccio is a licensed real estate broker in the state of Illinois.

PAMELA C. STEWART joined Midwest Real Estate Equities, Inc., an affiliate of The Inland Group in 1995 as an acquisition specialist. Prior to joining Midwest Equities, Ms. Stewart worked for another affiliate company, New Directions Housing Corporation (NDHC), a not-for-profit organization that develops affordable housing. In 2002, Ms. Stewart became an assistant vice president and in 2004, she was promoted to vice president of Midwest Real Estate Equities, Inc. Ms. Stewart is responsible for acquiring commercial real estate properties for the company's portfolio and investing corporate funds into redevelopment projects, including rental properties, shopping centers, office buildings and industrial buildings. Ms. Stewart is also the corporate asset management director for The Inland Real Estate Group of Companies. Ms. Stewart has a B.A. degree in Marketing from Roosevelt University. She is a member of the National Association of Realtors, the Northern Illinois Commercial Association of Realtors and she is a Certified Commercial Investment Member (CCIM) and Candidate. She holds a real estate broker's license in the state of Illinois.

The following sets forth information with respect to the executive officers and managers of Inland Pacific Property Services LLC

NAME	AGE*	POSITION AND OFFICE WITH INLAND PACIFIC PROPERTY SERVICES LLC
Thomas P. McGuinness	48	President and manager
Robert M. Barg	51	Senior vice president/treasurer, secretary a
James H. Neubauer	63	Senior vice president and manager
Linda Centanni	50	Vice President
Elizabeth D. McNeely	50	Vice President
Frank Natanek	31	Vice President
David M. Benjamin	50	Manager
Alan F. Kremin	58	Manager

----

*As of January 1, 2005

The biographies of Mr. McGuinness, Mr. Barg, Mr. Neubauer, Ms. Centanni, Ms. McNeely, Mr. Natanek and Mr. Kremin are set forth above.

DAVID M. BENJAMIN joined The Inland Group in 1983 in the accounting department and is controller of The Inland Real Estate Group. Mr. Benjamin has spent his entire accounting career in the real estate industry, working for American Invesco and Draper and Kramer before coming to Inland. Mr. Benjamin is responsible for the accounting and corporate income tax preparation of various Inland entities and he assists in the day to day oversight of The Inland Real Estate Group accounting department. Mr. Benjamin is a CPA.

The following sets forth information with respect to the executive officers and managers of Inland Southwest Management LLC

NAME	AGE*	POSITION AND OFFICE WITH INLAND SOUTHWEST MANAGEMENT LLC
Thomas P. McGuinness	48	President and manager
Robert M. Barg	51	Senior vice president/treasurer, secretary a
James H. Neubauer	63	Senior vice president
Linda Centanni	50	Vice President
Elizabeth D. McNeely	50	Vice President
Frank Natanek	31	Vice President
Alan F. Kremin	58	Manager
Ulana B. Horalewskyj	58	Manager
Frances C. Panico	55	Manager

----

*As of January 1, 2005

The biographies of Mr. McGuinness, Mr. Barg, Mr. Neubauer, Ms. Centanni, Ms. McNeely, Mr. Natanek, Ms. Horalewskyj, Mr. Kremin and Ms. Panico are set forth above.

INLAND SECURITIES CORPORATION

THE DISCUSSION UNDER THIS SECTION WHICH STARTS ON PAGE 80 OF OUR PROSPECTUS IS SUPPLEMENTED BY THE FOLLOWING INFORMATION:

ROBERT J. BABCOCK (age 28) joined Inland Securities Corporation as a vice president in March 2004. Prior to joining Inland, Mr. Babcock was an external wholesaler with AEI Fund Management, Inc. and was responsible for wholesaling public and private net lease real estate investments and 1031 property exchanges to financial planners. Mr. Babcock began his career as a financial advisor with American Express Financial Advisors in 1999. He received his bachelor's degree from Gustavus Adolphus College. Mr. Babcock holds Series 7 and 63 licenses with the National Association of Securities Dealers, Inc.

FRANK V. PINELLI (age 57) joined Inland Securities Corporation in 2004 as a vice president. He was previously employed with The Inland Group from 1973-1983 where he worked in property management, real estate sales, and real estate acquisitions. Prior to rejoining the Inland staff, from 1984-2003 Mr. Pinelli was a principal in his own real estate firm and developed an international marketing organization. Mr. Pinelli is a graduate of Southern Illinois University. He holds Series 7 and 63 licenses with the National Association of Securities Dealers, Inc and also is licensed as a real estate broker in Illinois and Oregon.

MATTHEW PODOLSKY (age 32) joined Inland Securities Corporation as a vice president in April 2003. Mr. Podolsky started his career in real estate in 1994 on the commercial sales and leasing side with Cushman and Wakefield of California, Inc. Prior to joining Inland Securities Corporation he was a vice president at CB Richard Ellis, Inc. Mr. Podolsky graduated from the University of Arizona with a B.S. in Regional Development/Urban Planning. He holds Series 7 and 63 licenses with the National Association of Securities Dealers, Inc. and a real estate license in the state of California.

DARRELL RAU (age 48) joined Inland Securities Corporation in 2004 as a vice president of the Midwest region where he develops sales and new broker/dealer relationships. Prior to joining Inland in 2004, Mr. Rau was vice president of developing markets at CTE Pension Advisors. Mr. Rau graduated magna cum laude from Northwood University in Midland, Michigan with a degree in Business Administration. He holds Series 6,7,62 and 63 licenses with the National Association of Securities Dealers, Inc.

ANDREW DORNBUSCH (age 27) joined Inland Securities Corporation as a vice president in September 2004. Previously, Mr. Dornbusch was an attorney at Dorsey & Whitney LLP in Minneapolis, Minnesota. Mr. Dornbusch graduated from the University of Minnesota with a bachelor degree in International Relations. He obtained his law degree from Cornell Law School. Mr. Dornbusch holds Series 7, 63 and 65 licenses with the National Association of Securities Dealers, Inc.

JEFFREY S. HERTZ (age 30) joined Inland Securities Corporation as a vice president in September 2004. Mr. Hertz started his career in the securities industry in 2000 with Nuveen Investments as a trader, working with unit investment trusts and exchange traded funds. Prior to joining Inland Securities Corporation, he was an advisor services representative for Nuveen. Mr. Hertz graduated from the University of Oregon with a bachelor degree in psychology. He holds Series 7, 63 and 65 licenses with the National Association of Securities Dealers, Inc.

45

CARL PIKUS (age 37) joined Inland Securities Corporation as a vice president in September 2004. His responsibilities include development of new broker/dealer relationships for Inland in the midwest. Prior to joining Inland Securities Corporation, Mr. Pikus was a midwest sales manager for Ultimus, a software company, managing existing clients, and establishing new accounts. Mr. Pikus is a graduate of the University of Wisconsin.

NATHAN RACHELS (age 29) joined Inland Securities Corporation as a vice president in September 2004. Prior to joining Inland Securities Corporation, Mr. Rachels was assistant vice president at Wells Real Estate Funds, where he was responsible for marketing real estate investments in the southeast region of the United States. Mr. Rachels began his career in financial services in 1997 on the retail side of the business with a planning firm and then as an account manager at Deutsche Bank. He graduated from the University of Alabama with degrees in public relations and business. Mr. Rachels holds Series 7 and 63 licenses with the National Association of Securities Dealers, Inc.

MICHELE SORCE (age 39) joined Inland Securities Corporation as assistant vice president and controller in November 2003. However, Ms. Sorce started her career with Inland almost nineteen years ago. She previously served as controller for Inland commercial, residential and real estate auction companies. She received a bachelor degree in accounting from Elmhurst College. She is registered with the National Association of Securities Dealers, Inc., as a financial operations principal and also holds an Illinois real estate broker's license.

SANDRA L. PERION (age 47) joined Inland in 1994 as an Administrative Assistant to the Senior Vice President of Inland Real Estate Investment Corporation. Mrs. Perion's responsibilities included expense accounts, time and attendance reports, supervising file room clerk, furniture and supply orders, shareholder correspondence, arranging board of directors and annual shareholder meetings, proxy tabulation and scheduling seminars and classes for employees. In 2002, Mrs. Perion was promoted to administrator of Inland Securities Corporation, where she became responsible for securities industry registration, compliance procedures and maintaining corporation and shareholder records, and in 2003 she was promoted to Assistant Vice President of Inland Securities Corporation. Mrs. Perion holds Series 7, 24 and 63 licenses from the National Association of Securities Dealers.

THE SUBSECTION BELOW IS ADDED UNDER THE MANAGEMENT SECTION AND WILL START ON PAGE 82 IN THE PROSPECTUS AND IS INCLUDED IN ITS ENTIRETY:

COMPLIANCE AND GOVERNANCE

On October 12, 2004, our board of directors unanimously adopted a Code of Business Conduct and Ethics, Nonretaliation Policy, and Complaint Procedures for Accounting and Auditing Matters.

PRINCIPAL STOCKHOLDERS

THE FOLLOWING REPLACES THE INFORMATION CONTAINED ON PAGE 85 OF OUR PROSPECTUS UNDER THE HEADING "PRINCIPAL STOCKHOLDERS".

The following table provides information as of March 8, 2005 regarding the number and percentage of shares beneficially owned by each director, each executive officer, all directors and executive officers as a group, and any person known to us to be the beneficial owner of more than 5% of our outstanding shares. As of March 8, 2005, no stockholder beneficially owned more than 5% of our outstanding shares. As of March 8, 2005, we had approximately 73,200 stockholders of record and approximately 264,280,614 shares of common stock outstanding for our two offerings. Beneficial ownership includes outstanding shares and shares which are not outstanding that any person has the right to acquire within 60 days after the date of this table. However, any such shares which are not outstanding are not deemed to be outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other person. Except as indicated, the persons named in the table have sole voting and investing power with respect to all shares beneficially owned by them.

Beneficial Owner	Number of shares beneficially owned	Percent of class
Robert D. Parks	120,228.8188(1)	*
Roberta S. Matlin	179.7517	*
Scott W. Wilton	0	0
Steven P. Grimes	0	0
Lori A. Foust	0	0
Brenda G. Gujral	0	0
Frank A. Catalano, Jr.	3,000(2)	*
Kenneth H. Beard	53,831.3063(2)	*
Paul R. Gauvreau	114,731.8436(2)	*
Gerald M. Gorski	5,035.3673(2)	*
Barbara A. Murphy	3,000(2)	*
All directors and executive officers as a group (12 persons)	300,007.0877(1)	*

----

*Less than 1%

(1) Includes 20,000 shares owned by our business manager/advisor. Our business

manager/advisor is a wholly-owned subsidiary of our sponsor, which is an affiliate of The Inland Group. Mr. Parks is a control person of The Inland Group and disclaims beneficial ownership of these shares owned by our business manager/advisor.

(2) Includes 3,000 shares issuable upon exercise of options granted to each independent director under our independent director stock option plan, to the extent that such options are currently exercisable or will become exercisable within 60 days after the date of this table.

INVESTMENT OBJECTIVES AND POLICIES

DISTRIBUTIONS

THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 88 OF OUR PROSPECTUS, IS SUPPLEMENTED BY THE FOLLOWING:

At the March 19, 2004 regularly scheduled Board meeting, the Board of Directors unanimously approved a resolution to delegate to our management committee the authority to make monthly distributions to stockholders on our common stock in an amount between 6.0% and 7.25% on an annualized basis, for the remainder of the 2004 calendar year.

THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 88 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING INFORMATION REGARDING DISTRIBUTIONS.

At the January 27, 2005 regularly scheduled Board meeting, the Board of Directors unanimously approved a resolution to delegate to our management committee the authority to continue to determine the amount of the monthly distributions to stockholders on our common stock to be an amount between 6.0% and 7.25% on an annualized basis, for the remainder of the 2005 calendar year.

Our Board of Directors approved the following distributions payable to holders of our common stock:

- $.30 per share per annum for the stockholders of record on October 31, 2003, payable on
- $.50 per share per annum for the stockholders of record on November 30, 2003, payable o
- $.70 per share per annum for the stockholders of record on December 31, 2003, payable o
- $.70 per share per annum for the stockholders of record on January 31, 2004, payable on
- $.70 per share per annum for the stockholders of record on February 29, 2004, payable o
- $.70 per share per annum for the stockholders of record on March 31, 2004, payable on A
- $.67 per share per annum for the stockholders of record on April 30, 2004, payable on M
- $.675 per share per annum for the stockholders of record on May 31, 2004, payable on Ju
- $.675 per share per annum for the stockholders of record on June 30, 2004, payable on J
- $.65 per share per annum for the stockholders of record on July 31, 2004, payable on Au
- $.65 per share per annum for the stockholders of record on August 31, 2004, payable on
- $.65 per share per annum for the stockholders of record on September 30, 2004, payable
- $.65 per share per annum for the stockholders of record on October 31, 2004, payable on
- $.65 per share per annum for the stockholders of record on November 30, 2004, payable o
- $.65 per share per annum for the stockholders of record on December 31, 2004, payable o

47

- $.63 per share per annum for the stockholders of record on January 31, 2005, payable on
- $.6325 per share per annum for the stockholders of record on February 28, 2005, payable

THE DISCUSSION UNDER THIS SECTION ON "PROPERTY ACQUISITION STANDARDS", WHICH STARTS ON PAGE 89 OF OUR PROSPECTUS HAS BEEN MODIFIED TO INCLUDE THE FOLLOWING FOURTH PARAGRAPH:

On February 11, 2005, a new property acquisition agreement was entered into between Inland Real Estate Acquisitions, Inc. ("Acquisitions"), Inland Western Retail Real Estate Advisory Services, Inc. ("the 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 is 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.

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.

BORROWING

THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 91 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING INFORMATION REGARDING OUR BORROWING POLICIES.

Our board of directors adopted a policy to delegate to management the ability to obtain an unsecured line of credit facility with Key Bank for up to $100,000,000 with an optional unsecured borrowing capacity of $150,000,000 for a total unsecured borrowing capacity of $250,000,000. On December 16, 2004, an unsecured line of credit facility was executed with Key Bank for up to $100,000,000 with an optional unsecured borrowing capacity of $150,000,000 for a total unsecured borrowing capacity of $250,000,000. The facility has an initial term of one year with two one-year extension options, with an annual variable interest rate.

Our board of directors unanimously approved that consistent with our borrowing policies, we may commit up to the aggregate of $25 million in cash for letters of credit in order to obtain financing for properties.

Our board of directors adopted a policy to delegate to management the ability to obtain unsecured general financing facilities up to $150,000,000 requiring a deposit not to exceed 3% of the facility amount without prior approval by the board of directors. These facilities would then be matched with specific properties, which would secure the amounts due under the specific financings.

OTHER INVESTMENTS

THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 93 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

Our advisor has informed our board of directors that it is increasingly concerned about the potential that mortgage interest rates we can borrow at will increase during 2004. Management believes that mortgage interest rates we can borrow at will increase during 2005. Our board of directors, including all of the independent directors, unanimously approved a resolution for the following:

We may invest in interest rate futures, an interest rate hedging strategy designed to offset the risks of potential interest rate increases on our long-term borrowings. Should conditions warrant, this interest rate hedging strategy will be implemented over a period of time. We intend to invest in up to $100 million in interest rate futures, both five and seven year treasuries, with maturities of 90 days. Our initial cash outlay in this interest rate hedging strategy is expected to be between 1 to 2% of the value of our investment in the interest rate futures. Risks associated with this interest rate hedging strategy are primarily associated with declines in interest rates. As rates decline, we risk having to increase our initial cash outlay, and may incur losses on our investments in interest rate futures.

48

1) An affiliate of our advisor, Inland Investment Advisors, Inc., the investment advisor, will be managing this interest rate hedging strategy. Fees paid to the investment advisor are expected to be similar to those incurred using a third party investment advisor.

2) We may also retain the investment advisor to invest up to $10 million of our cash in publicly traded investment securities. Fees paid to the investment advisor are expected to be similar to those incurred using a third party investment advisor.

3) We may enter into an initial $50 million (which could increase to $100 million) twelve month credit facility with an affiliate of our advisor, Inland Real Estate Exchange Corporation (IREX) for its 1031 exchange program. IREX will use the funds to purchase real estate investments that meet the criterion consistent with our real estate investment policies.

49

REAL PROPERTY INVESTMENTS

SUMMARY TABULAR PRESENTATION OF PROPERTIES OWNED

As of March 8, 2005, we, through separate limited partnerships or limited liability companies, have acquired fee ownership of, or a leasehold interest in, 128 properties consisting of an aggregate of approximately 22,893,000 gross leasable square feet located in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Louisiana, Maryland, Michigan, Minnesota, Missouri, Nevada, New Mexico, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Utah, Washington and Ontario, Canada. The following table summarizes these properties in alphabetical order.

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	PH OC
23rd Street Plaza Panama City, Florida	NC	2003	Dec-04	7,258,000	-	53,376	0.2%	

Academy Sports Houma, Louisiana	SU	2004	Jul-04	5,250,000	2,920,000	60,001	0.3%
Academy Sports Midland, Texas	SU	2004	Oct-04	4,250,000	2,337,500	61,150	0.3%
Academy Sports Port Arthur, Texas	SU	2004	Oct-04	5,000,000	2,775,000	61,001	0.3%
Academy Sports San Antonio, Texas	SU	2004	Jan-05	7,150,000	3,933,000	70,910	0.3%
Alison's Corner San Antonio, Texas	NC	2003	Apr-04	7,042,000	3,850,000	55,066	0.2%
American Express Depere, Wisconsin	SU	2000	Dec-04	18,000,000	11,623,000	132,336	0.6%
American Express Fort Lauderdale, Florida	SU	1975	Dec-04	63,000,000	37,170,000	376,348	1.6%
American Express Greensboro, North Carolina	SU	1986	Dec-04	56,000,000	33,040,000	389,377	1.7%
American Express Markham, Ontario, Canada	SU	1983 & 1987	Feb-05	42,000,000	25,380,000	306,710	1.3%
American Express Minneapolis, Minnesota	SU	1989	Dec-04	95,000,000	56,050,000	541,542	2.4%
American Express-19th Ave. Phoenix, Arizona	SU	1983	Dec-04	14,000,000	8,260,000	117,556	0.5%
American Express-31st Ave. Phoenix, Arizona	SU	1985	Dec-04	54,000,000	31,860,000	337,439	1.5%
Arvada Connection and Arvada Marketplace Arvada, Colorado	RC	1987 -1990	Apr-04	51,550,000	28,510,000	61,079 313,559	0.3% 1.4%

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	PH OC
Azalea Square Summerville, South Carolina	RC	2004	Oct-04	30,013,000	16,535,000	190,142	0.8%	

Bed, Bath & Beyond Plaza Miami, Florida	NC	2004	Oct-04	20,350,000	11,192,500	97,456	0.4%
Best on the Boulevard Las Vegas, Nevada	RC	1996 - 1999	Apr-04	35,500,000	19,525,000	204,427	0.9%
Bluebonnet Parc Baton Rouge, Louisiana	RC	2002	Apr-04	22,000,000	12,100,000	135,289	0.6%
Boulevard at the Capital Centre Largo, Maryland	JV	2004	Sept-04	127,499,000	71,500,000	479,072	2.1%
CarMax San Antonio, Texas	SU	1998	Mar-05	14,600,000	-	60,772	0.3%
The Columns Jackson, Tennessee	RC	2004	Aug-04	26,510,000	14,865,400	173,427	0.8%
Coram Plaza Coram, New York	RC	2004	Dec-04	37,292,000	20,755,300	144,191	0.6%
CorWest Plaza New Britain, Connecticut	RC	1999 - 2003	Jan-04	33,000,000	18,150,000	115,011	0.5%
Cottage Plaza Pawtucket, Rhode Island	NC	2004-2005	Feb-05	23,440,000	13,025,000	85,363	0.4%
Cranberry Square Cranberry Township, Pennsylvania	RC	1996 - 1997	Jul-04	20,220,000	10,900,000	195,566	0.9%
CVS Pharmacy (Eckerd Drug Store) Edmund, Oklahoma	SU	2003	Dec-03	3,364,000	1,850,000	13,824	0.1%
CVS Pharmacy (Eckerd Drug Store) Norman, Oklahoma	SU	2003	Dec-03	5,288,000	2,900,000	13,824	0.1%
CVS Pharmacy Jacksonville, Florida	SU		Mar-05	5,895,000	-	13,824	0.1%

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	PH OC
CVS Pharmacy Sylacauga, Alabama	SU	2004	Oct-04	3,066,000	1,685,000	10,055	0.1%	
Darien Towne Center Darien, Illinois	RC	1994	Dec-03	30,000,000	16,500,000	223,844	1.0%	
Davis Towne Crossing North Richland Hills, Texas	NC	2003 & 2004	Jun-04	8,141,000	5,365,200	34,091	0.1%	
Denton Towne Crossing Denton, Texas	RC	2003 & 2004	Oct-04	54,688,000	35,200,000	283,040	1.2%	
Dorman Center - Phase I & II Spartanburg, South Carolina	RC	2003 - 2004	Mar-04 & Jul-04	50,200,000	27,610,000	388,067	1.7%	
Eastwood Towne Center Lansing, Michigan	RC	2002	May-04	85,000,000	46,750,000	332,131	1.5%	
Eckerd Drug Store Columbia, South Carolina	SU	2003 - 2004	Jun-04	3,260,000	1,750,000	13,440	0.1%	
Eckerd Drug Store Crossville, Tennessee	SU	2003 - 2004	Jun-04	2,625,000	1,425,000	13,824	0.1%	
Eckerd Drug Store Greer, South Carolina	SU	2003 - 2004	Jun-04	3,069,000	1,650,000	13,824	0.1%	
Eckerd Drug Store Kill Devil Hills, North Carolina	SU	2003 - 2004	Jun-04	3,650,000	1,975,000	13,824	0.1%	
Edgemont Town Center Homewood, Alabama	NC	2003	Nov-04	15,639,000	8,600,000	77,655	0.3%	
Evans Town Center Evans, Georgia	NC	1995	Dec-04	8,795,000	5,005,000	75,695	0.3%	
Fairgrounds Plaza Middletown, New York	NC	2002 - 2004	Jan-05	21,994,000	15,965,749	58,970	0.3%	
Five Forks Simpsonville, South Carolina	NC	1999	Dec-04	8,086,000	4,482,500	64,173	0.3%	
Forks Town Center Easton, Pennsylvania	NC	2002	Jul-04	18,199,000	10,395,000	92,660	0.4%	
Fox Creek Village Longmont, Colorado	RC	2003 - 2004	Nov-04	20,883,000	11,485,000	114,033	0.5%	

Fullerton Metrocenter Fullerton, California	RC	1988	Jun-04	51,275,000	28,050,000	253,296	1.1%	

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	PH OC
Gateway Pavilions Avondale, Arizona	RC	2003 - 2004	Dec-04	65,141,000	35,842,000	301,233	1.3%	
Gateway Plaza Southlake, Texas	RC	2000	Jul-04	33,025,000	18,163,000	358,091	1.6%	
Gateway Station College Station, Texas	NC	2003 - 2004	Dec-04	5,093,000	-	19,537	0.1%	
Gateway Village Annapolis, Maryland	JV	1996	Jul-04	53,150,000	31,458,000	273,307	1.2%	
GMAC Insurance Building Winston-Salem, North Carolina	SU	1980/1990	Sept-04	59,997,000	33,000,000	501,064	2.2%	
Governor's Marketplace Tallahassee, Florida	RC	2001	Aug-04	32,654,000	20,625,000	231,915	1.0%	
Green's Corner Cumming,Georgia	NC	1997	Dec-04	12,768,000	7,022,366	85,271	0.4%	
Gurnee Towne Center Gurnee, Illinois	RC	2000	Oct-04	44,256,000	24,360,000	179,602	0.8%	
Harris Teeter Wilmington, North Carolina	SU	1977/1995	Sept-04	7,200,000	3,960,000	57,230	0.2%	
Harvest Towne Center Knoxville, Tennessee	NC	1996-1999	Sept-04	8,950,000	5,005,000	42,235	0.2%	
Henry Town Center McDonough, Georgia	RC	2002	Dec-04	61,397,000	35,814,616	444,296	1.9%	

Heritage Towne Crossing Euless, Texas	NC	2002	Mar-04	16,123,000	8,950,000	80,639	0.4%
Hickory Ridge Hickory, North Carolina	RC	1999	Jan-04	41,900,000	23,650,000	380,487	1.7%
High Ridge Crossing High Ridge, Missouri	NC	2004	Mar-05	13,200,000	-	76,857	0.3%
Hobby Lobby Concord, North Carolina	SU	2004	Jan-05	5,500,000	3,025,000	60,000	0.3%

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	PH OC
Holliday Towne Center Duncansville, Pennsylvania	RC	2003	Feb-05	14,828,000	8,050,000	83,122	0.4%	
Huebner Oaks Center San Antonio, Texas	RC	1997 & 1998	Jun-04	79,721,000	48,000,000	286,684	1.3%	
Irmo Station Irmo, South Carolina	NC	1980 & 1985	Dec-04	12,800,000	7,085,000	99,619	0.4%	
John's Creek Village Duluth, Georgia	RC	2003 & 2004	Jun-04	34,255,000	23,300,000	156,582	0.7%	
Kohl's/Wilshire Plaza III Kansas City, Missouri	SU	2004	Nov-04	10,099,000	5,417,500	88,248	0.4%	
La Plaza Del Norte San Antonio, Texas	RC	1996/1999	Jan-04	59,143,000	32,528,000	320,345	1.4%	
Lake Mary Pointe Lake Mary, Florida	NC	1999	Oct-04	6,620,000	3,657,500	51,052	0.2%	
Lakewood Towne Center Lakewood, Washington	RC	1988 Rebuilt 2002-2003	Jun-04	81,100,000	51,260,000	578,913	2.5%	
Larkspur Landing Larkspur, California	RC	1978/2001	Jan-04	61,145,000	33,630,000	172,433	0.8%	
Lincoln Park Dallas, Texas	RC	1998	Sept-04	47,515,000	26,153,000	148,806	0.6%	
Low Country Village	NC	2004	Jun-04	11,090,000	10,810,000	76,385	0.3%	

Bluffton, South Carolina							
MacArthur Crossing Los Colinas, Texas	RC	1995 - 1996	Feb-04	23,102,000	12,700,000	109,755	0.5%
Magnolia Square Houma, Louisiana	RC	2004	Feb-05	19,114,000	10,265,000	116,049	0.5%
Manchester Meadows Town and Country, Missouri	RC	1994 - 1995	Aug-04	56,200,000	31,064,550	454,172	2.0%
Mansfield Towne Crossing Mansfield, Texas	RC	2004	Nov-04	18,322,000	10,982,300	105,286	0.5%
Maytag Distribution Center Iowa City, Iowa	SU	2004	Jan-05	23,159,000	12,740,000	750,000	3.3%
McAllen Shopping Center McAllen, Texas	NC	2004	Dec-04	4,150,000	2,455,000	17,625	0.1%

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	PH OC
Mesa Fiesta Mesa, Arizona	RC	2004	Dec-04	36,855,000	23,500,000	194,892	0.9%	
Midtown Center Milwaukee, Wisconsin	RC	1986-1987	Jan-05	53,000,000	28,227,617	319,072	1.4%	
Mitchell Ranch Plaza New Port Richey, Florida	RC	2003	Aug-04	34,000,000	18,700,000	200,404	0.9%	
Newnan Crossing I & II Newnan, Georgia	RC	1999-2004	Dec-03 & Feb-04	52,360,000	23,766,191	392,050	1.7%	
Newton Crossroads Covington, Georgia	NC	1997	Dec-04	10,072,000	5,547,622	78,896	0.3%	
North Ranch Pavilions Thousand Oaks, California	NC	1992	Jan-04	18,468,000	10,157,400	62,812	0.3%	
North Rivers Town Center Charleston, South Carolina	RC	2003 - 2004	Apr-04	20,100,000	11,050,000	141,204	0.6%	

Northgate North Seattle, Washington	RC	1999 - 2003	Jun-04	48,455,000	26,650,000	302,095	1.3%
Northpointe Plaza Spokane, Washington	RC	1991 - 1993	May-04	54,524,000	30,850,000	377,949	1.7%
Northwoods Center Wesley Chapel, Florida	NC	2002 - 2004	Dec-04	13,964,000	11,192,500	74,647	0.3%
Oswego Commons Oswego, Illinois	RC	2002 - 2004	Nov-04	35,022,000	19,262,100	187,651	0.8%
Paradise Valley Marketplace Phoenix, Arizona	NC	2002	Apr-04	28,510,000	15,680,500	92,158	0.4%
Pavilion at King's Grant Concord, North Carolina	NC	2002/2003	Dec-03	8,151,000	5,342,000	79,109	0.3%
Peoria Crossings Glendale, Arizona	RC	2002 - 2003	Mar-04	37,368,000	20,497,400	213,733	0.9%
Phenix Crossing Phenix City, Alabama	NC	2004	Dec-04	10,065,000	-	56,563	0.2%
Pine Ridge Plaza Lawrence, Kansas	RC	1998 - 2004	Jun-04	26,982,000	14,700,000	230,510	1.0%

55

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	PH OC
Placentia Town Center Placentia, California	RC	1973/2000	Dec-04	24,865,000	13,695,000	110,962	0.5%	
Plaza at Marysville Marysville, Washington	RC	1995	Jul-04	21,266,000	11,800,000	115,656	0.5%	
Plaza at Riverlakes Bakersfield, California	RC	2001	Oct-04	17,000,000	-	102,836	0.4%	
Plaza Santa Fe II Santa Fe, New Mexico	RC	2000 - 2002	Jun-04	30,971,000	17,342,953	222,389	1.0%	

Pleasant Run Towne Center Cedar Hill, Texas	RC	2004	Dec-04	35,370,000	22,800,000	201,587	0.9%
Promenade at Red Cliff St. George, Utah	NC	1997	Feb-04	19,537,000	10,590,000	94,445	0.4%
Reisterstown Road Plaza Baltimore, Maryland	JV	1986/2004	Aug-04	94,762,000	49,650,000	789,926	3.5%
Saucon Valley Square Bethlehem, Pennsylvania	NC	1999	Sept-04	16,043,000	8,850,900	80,695	0.4%
Shaw's Supermarket New Britain, Connecticut	SU	1995	Dec-03	13,656,000	6,450,000	65,658	0.3%
Shoppes at Lake Andrew Viera, Florida	RC	2003	Dec-04	28,300,000	15,656,511	144,733	0.6%
The Shoppes at Park West (Publix Center) Mount Pleasant, South Carolina	NC	2004	Nov-04	12,047,000	6,655,000	64,832	0.3%
Shoppes at Quarterfield (Metro Square Center) Severn, Maryland	NC	1999	Jan-04	11,031,000	6,067,183	61,817	0.3%
Shoppes of New Hope (Shoppes of Dallas) Dallas, Georgia	NC	2004	Jul-04	13,052,000	7,178,700	70,610	0.3%
Shoppes of Prominence Point Canton, Georgia	NC	2004	Jun-04	15,155,000	9,954,300	78,058	0.3%
The Shops at Boardwalk Kansas City, Missouri	RC	2003 & 2004	Jul-04	36,642,000	20,150,000	122,916	0.5%
Shops at Forest Commons Round Rock, Texas	NC	2002	Dec-04	7,505,000	5,220,981	34,756	0.2%

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	PH OC
Shops at Park Place Plano, Texas	RC	2001	Oct-03	24,000,000	13,127,000	116,300	0.5%	

Southgate Plaza Heath, Ohio	NC	1998-2002	Mar-05	12,253,000	-	86,010	0.4%
Southlake Town Square Southlake, Texas	RC	1998-2004	1Dec-04	35,606,000	81,000,000	456,569	2.0%
Stanley Works/Mac Tools Westerville, Ohio	SU	2004	Jan-05	10,000,000	-	72,500	0.3%
Stateline Station High Ridge, Missouri	RC	2003-2004	Mar-05	32,000,000	-	141,686	0.6%
Stilesboro Oaks Acworth, Georgia	NC	1997	Dec-04	12,640,000	6,951,971	80,772	0.4%
Stony Creek Marketplace Noblesville, Indiana	RC	2003	Dec-03	25,750,000	14,162,000	153,796	0.7%
Tollgate Marketplace Bel Air, Maryland	JV	1979/1994	Jul-04	72,300,000	39,765,000	392,587	1.7%
Towson Circle Towson, Maryland	JV	1998	Jul-04	28,450,000	19,197,500	116,012	0.5%
Trenton Crossing McAllen, Texas	RC	2003	Feb-05	29,212,000	19,307,037	215,220	0.9%
University Town Center Tuscaloosa, Alabama	NC	2002	Nov-04	10,569,000	5,810,000	57,250	0.3%
The Village at Quail Springs Oklahoma City, Oklahoma	RC	2003-2004	Feb-05	10,429,000	5,740,000	100,404	0.4%
Village Shoppes at Simonton Lawrenceville, Georgia	NC	2004	Aug-04	13,750,000	7,561,700	66,415	0.3%
Wal-Mart Supercenter Blytheville, Arkansas	SU	1999	Jul-04	13,248,000	7,100,000	183,047	0.8%
Wal-Mart Supercenter Jonesboro, Arkansas	SU	1997	Aug-04	11,071,000	6,088,500	149,704	0.7%
Watauga Pavilion Wautauga, Texas	RC	2003/2004	May-04	35,668,000	19,617,000	205,195	0.9%

PROPERTY	TYPE	YEAR BUILT/ RENOVATED	DATE ACQUIRED	APPROXIMATE PURCHASE PRICE ($)	MORTGAGE PAYABLE AT MARCH 8, 2005 ($)	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA
Winchester Commons Memphis, Tennessee	NC	1999	Nov-04	13,023,000	7,235,000	93,024	0.4%
Wrangler El Paso, Texas	SU	1993	Jul-04	18,477,000	11,300,000	316,800	1.4%
Zurich Towers Schaumburg, Illinois	SU	1988 - 1990	Nov-04	138,000,000	81,420,000	895,418	3.9%
PORTFOLIO TOTAL				3,777,302,000	2,088,440,547	22,893,430	100%

* Major tenants include tenants leasing more than 10% of the gross leasable area of the individual property.

NC Neighborhood and Community Retail Shopping Center
SU Single-User Property
RC Retail Shopping Center
JV Joint Venture

In addition to the properties listed above, we consolidate one 124-unit apartment property, Cardiff Hall East, in which we made an investment through a joint venture arrangement on October 15, 2004. This property which is located in Towson, Maryland had a mortgage payable with a balance of $5,108,656 at December 31, 2004.

We have a 95% ownership interest in the limited liability companies which own Boulevard at the Capital Centre, Gateway Village, Reisterstown Road Plaza, Tollgate Marketplace, and Towson Circle.

58

THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 98 OF OUR PROSPECTUS, IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING INFORMATION REGARDING PROPERTIES WE HAVE ACQUIRED OR INTEND TO ACQUIRE.

DESCRIPTION OF PROPERTIES

AMERICAN EXPRESS - SALT LAKE CITY, UTAH

We anticipate purchasing the following office building constructed in 1982 and leasing the entire building back to American Express Travel Related Services Company, Inc.

APPROXIMATE

LOCATION	SQUARE FEET	LEASE TERM	PUR
4315 South 2700 West Salt Lake City, UT	395,787	10 years	

For financial information of American Express, please see the financial statements filed with the Securities and Exchange Commission

POTENTIAL PROPERTY ACQUISITIONS

We are currently considering acquiring the properties listed below. Our decision to acquire these properties will generally depend upon:

- no material adverse change occurring relating to the properties, the tenants or in the local economic conditions;
- our receipt of sufficient net proceeds from this offering and financing proceeds to make these acquisition; and
- our receipt of satisfactory due diligence information including appraisals, environmental reports and lease information.

Other properties may be identified in the future that we may acquire before or instead of these properties. We cannot guarantee that we will complete these acquisitions.

In evaluating these properties as potential acquisitions and determining the appropriate amount of consideration to be paid for each property, we have considered a variety of factors including, overall valuation of net rental income, location, demographics, quality of tenant, length of lease, price per square foot, occupancy and the fact that overall rental rate at the shopping center is comparable to market rates. We believe that these properties are well located, have acceptable roadway access, are well maintained and have been professionally managed. These properties will be subject to competition from similar shopping centers within their market area, and their economic performance could be affected by changes in local economic conditions. We did not consider any other factors materially relevant to our decision to acquire these properties.

PROPERTY	TYPE	YEAR BUILT	APPROXIMATE ACQUISITION COSTS INCLUDING EXPENSES ($) *	GROSS LEASABLE AREA (SQ. FT.)	PHYSICAL OCCUPANCY AS OF 03/01/05	NO TE
Advance Auto Parts 8603 Culebra San Antonio, TX	SU	2004	1,483,675	7,000	100%	1
Advance Auto Parts 465 E. Central Texas Expressway Harker Heights, Texas	SU	2004	1,547,609	7,000	100%	1

Advance Auto Parts 3915 E. Stan Schlueter Killeen, Texas	SU	2004	1,433,113	7,000	100%	1
Four Peaks Plaza Shea Boulevard and Saguaro Boulevard Fountain Hills, Arizona	RC	2004	8,252,000	140,571	87%	21
Lakepointe Towne Crossing 715 Hebron Parkway Lewisville, TX	RC	2004	39,482,000	192,679	70%	10
Metro Town Center 2821 West Peoria Phoenix, Arizona	RC	1988-1990 Renovated 2003 & 2004	31,266,000	147,056	78%	19

As of March 8, 2005, we have over of $131,464,000 in pending acquisitions and we believe, based in part on projected sales of our common stock, that cash on hand and future financings will provide us with sufficient cash to close these properties at the time of their projected closings.

TERMINATED CONTRACTS

Our Board of Directors previously approved the acquisition of Albertson's Grocery Store in Loveland, Colorado, Mall 205 and Plaza 205 in Portland, Oregon, Eckerd Drug Store in Danforth and Santa Fe in Edmond, Oklahoma, Casa Paloma in Chandler, Arizona (disclosed as probable) Woodbury Village Shopping Center in Woodbury, Minnesota (disclosed as probable), Shaw's Supermarket in Bristol, Connecticut (disclosed as probable), Peoria Station in (disclosed as probable), Thunderbird Crossing in Peoria, Arizona (disclosed as probable), Shoppes at Warner Robins in Warner Robins, Georgia (disclosed as probable), Poinciana Place in Kissimmee, Florida (disclosed as probable), and Cross Creek Shopping Center in Memphis, Tennessee (disclosed as probable). Based on information received during our due diligence process, we have decided not to acquire the properties and our affiliate has terminated the contracts on these acquisitions.

TENANT LEASE EXPIRATION

The following table sets forth, as of March 8, 2005, lease expirations for the next ten years at our properties, assuming that no renewal options are exercised. For purposes of the table, the "total annual base rental income" column represents annualized base rent of each tenant as of January 1 of each year. Therefore, as each lease expires, no amount is included in this column for any subsequent year for that lease. In view of the assumption made with regard to total annual base rent, the percent of annual base rent represented by expiring leases may not be reflective of the expected actual percentages.

APPROX. % TOTAL OF

YEAR ENDING DECEMBER 31,	NUMBER OF LEASES EXPIRING	GROSS LEASABLE AREA OF EXPIRING LEASES (SQ. FT.)	PORTFOLIO GROSS LEASABLE AREA REPRESENTED BY EXPIRING LEASES	TOTAL ANNUAL BASE RENTAL INCOME OF EXPIRING LEASES ($)	% OF TOTAL ANNUAL BASE RENTAL INCOME REPRESENTED BY EXPIRING LEASES
Consolidated					
2005	102	279,122	1.2%	4,837,157	1.7%
2006	171	685,392	3.0%	10,684,785	3.9%
2007	245	691,373	3.0%	13,321,125	5.0%
2008	291	952,614	4.2%	17,450,917	6.8%
2009	392	1,510,884	6.6%	26,428,701	11.0%
2010	85	624,989	2.7%	9,497,915	4.4%
2011	76	1,065,789	4.7%	15,697,641	7.6%
2012	105	1,053,894	4.6%	15,476,718	8.2%
2013	175	1,787,522	7.8%	24,412,504	13.7%
2014	170	4,476,160	19.6%	55,637,512	36.1%

TENANT CONCENTRATION

The following table sets forth information regarding the ten individual tenants at our properties comprising the greatest gross leasable area and greatest 2004 annualized base rent based on the properties owned as of March 8, 2005.

DESCRIPTION	TOTAL NUMBER	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA
INDIVIDUAL TENANT CONCENTRATIONS (MGMT. CRITERIA TOP 10 OF GLA AND BASE RENT)			
American Express	7	2,201,308	9.62%
Zurich American Insurance Company	1	895,418	3.91%
Wal-Mart	5	864,883	3.78%
Maytag	1	750,000	3.28%
Ross Dress for Less	15	620,529	2.71%
Best Buy	14	603,802	2.64%
GMAC	1	501,064	2.19%
Bed, Bath & Beyond	16	434,002	1.90%
Kohl's	5	431,317	1.88%
Publix	10	423,005	1.85%
Linens 'N Things	13	403,908	1.80%
Michaels	15	347,945	1.50%

PROPERTY ALLOCATION

The following table provides a summary of the properties in our investment portfolio by type of investment and by state as of March 8, 2005.

DESCRIPTION	TOTAL NUMBER	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	ANNUALI BASE RE INCOM
PORTFOLIO ALLOCATION BY TYPE				
Neighborhood and Community Retail Shopping Center	38	2,639,716	11.5%	36,817
Single-User Property	31	5,761,250	25.2%	49,907
Retail Shopping Center	54	12,441,560	54.3%	165,271
Joint Venture*	5	2,050,904	9.0 %	28,426
Total	128	22,898,430	100.0%	280,011

*   In addition to the properties listed above, we consolidate one 124-unit apartment property, Cardiff Hall East, in which we made and investment through a joint venture arrangement on October 15, 2004.

DESCRIPTION	TOTAL NUMBER	GROSS LEASABLE AREA (SQ. FT.)	% OF TOTAL GROSS LEASABLE AREA	ANNUALI BASE RE INCOM
PORTFOLIO ALLOCATION BY STATE				
Alabama	4	201,523	0.9%	2,943
Arizona	6	1,257,011	5.5%	15,570
California	5	702,339	3.1%	13,775
Florida	9	1,243,755	5.4%	16,159
Georgia	10	1,528,645	6.7%	17,526
Illinois	4	1,486,515	6.5%	16,803
Maryland	6	2,112,721	9.2%	29,299

Missouri	5	883,879	3.9%	10,152
North Carolina	7	1,481,091	6.5%	14,421
Pennsylvania	4	452,043	2.0%	5,464
South Carolina	9	1,051,686	4.6%	11,418
Tennessee	4	322,510	1.4%	3,888
Texas	23	3,619,225	15.8%	51,744
Washington	4	1,374,613	6.0%	14,705
Other	28	5,175,874	22.6%	56,548
Total	128	22,893,430	100%	280,423

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

We electronically file our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports with the Securities and Exchange Commission (SEC). The public may read and copy any of the reports that are filed with the SEC at the SEC's Public Reference Room at 405 Fifth Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference room by calling the SEC at (800)-SEC-0330. The SEC maintains an Internet site at (www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

CERTAIN STATEMENTS IN THIS "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS" AND ELSEWHERE IN THIS FORM 10-K CONSTITUTE "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF THE FEDERAL PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. THESE FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE OUR ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY THESE FORWARD-LOOKING STATEMENTS.

The following discussion and analysis relates to the year ended December 31, 2004 and for the period from March 5, 2003

(inception) to December 31, 2003. You should read the following discussion and analysis along with our consolidated financial statements and the related notes included in this report.

Overview

We were formed to acquire and manage a diversified portfolio of real estate, principally multi-tenant shopping centers and single-user buildings. We operate as a real estate investment trust or REIT for Federal and state income tax purposes. We have initially focused on acquiring properties in the Western states. We have begun to acquire and plan to continue acquiring properties in the Western states. We may also acquire retail and single-user net lease properties in locations throughout the United States. We have also begun to acquire properties improved with commercial facilities which provide goods and services as well as double or triple net leased properties, which are either commercial or retail including properties acquired in sale and leaseback transactions. A triple-net leased property is one which is leased to a tenant who is responsible for the base rent and all costs and expenses associated with their occupancy including property taxes, insurance and repairs and maintenance. Inland Western Retail Real Estate Advisory Services, Inc. or our business manager/advisor has been retained to manage, for a fee, our day-to-day affairs, subject to the supervision of our board of directors.

Our goal is to purchase properties principally west of the Mississippi River and evaluate potential acquisition opportunities of properties east of the Mississippi River on a property by property basis, taking into consideration investment objectives and available funds. As of February 28, 2005 we have purchased 12 additional properties located in the states of Florida, Iowa, Louisiana, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, Texas, Wisconsin, and Ontario, Canada.

For the year ended December 31, 2004, we purchased 103 properties, of which 55 were not located in our primary geographical area of interest. We purchased these 55 properties because we had the unique opportunity of taking advantage of our business manager/advisor's acquisition pipeline of properties located east of the Mississippi River which generally, continue to have rates of return above those located in the Western United States. We expect this trend to continue into the next year. Our strategy in purchasing these properties was to deploy stockholder funds promptly and generate income for us as early as possible, while investing in properties which met our acquisition criteria.

During the fourth quarter of 2004, the retail sector has remained relatively stable as a result of sustained consumer spending, which has helped maintain retail sales growth despite potential terrorist threats and the Iraqi war. A modest pace of new retail construction, and the expansion strategy of some retailers, who are renting more space to maintain market share and revenue growth and offset declining same store sales have also contributed to the stability.

Our goal is to maximize the possible return to our stockholders through the acquisition, development, re-development and management of our properties consisting of neighborhood and community shopping centers and single-tenant buildings. We actively manage our assets by leasing and releasing space at favorable rates, controlling costs, maintaining strong tenant relationships and creating additional value through redeveloping and repositioning our centers. We distribute funds generated from operations to our stockholders, and intend to continue distributions in order to maintain our REIT status.

Overall, the retail segment of the real estate industry has undergone a fundamental shift in consumer spending patterns while the grocery, drug and discount retail sectors have remained relatively stable over the past few years. The majority of consumer purchases for general merchandise occur at discount stores or warehouse club/supercenters following the lead of industry giants Wal-Mart and Home Depot. Strength in this segment has come at a detriment to older, established retailers, whose operating costs are relatively higher, and who do not offer bulk purchasing opportunities to consumers. In addition, relatively low interest rates have resulted in the increased purchasing power of the general public, further accelerating these retail trends.

Selecting properties with high quality tenants and mitigating risk through diversifying our tenant base is at the forefront of our acquisition strategy. We believe our strategy of purchasing properties, primarily in the fastest growing areas of the country and focusing on acquisitions with tenants who provide basic goods and services will produce stable earnings and growth opportunities in future years.

We are in the process of completing our initial offering of common stock and have raised $2,172,047,447 as of December 31, 2004. We raised on average approximately $237 million per month during the fourth quarter of 2004.

On December 28, 2004, our second offering was declared effective for up to 250,000,000 shares of common stock at $10 each and the issuance of up to 20,000,000 shares at $9.50 each, which may be distributed pursuant to our DRP. We began selling shares of the second offering in January 2005.

As of December 31, 2004, we owned through separate limited partnership, limited liability company, or joint venture agreements, a portfolio of 111 properties located in Alabama, Arizona, Arkansas, California, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Louisiana, Maryland, Michigan, Minnesota, Missouri, Nevada, New Mexico, New York, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Washington and Wisconsin containing an aggregate of approximately 20,231,000 square feet of gross leasable area. As of December 31, 2004, approximately 97% of gross leasable area in the properties was physically leased and 99% was economically leased.

Critical Accounting Policies and Estimates

GENERAL

The following disclosure pertains to critical accounting policies and estimates we believe are most "critical" to the portrayal of our financial condition and results of operations which require our most difficult, subjective or complex judgments. These judgments often result from the need to make estimates about the effect of matters that are inherently uncertain. Critical accounting policies discussed in this section are not to be confused with accounting principles and methods disclosed in accordance with accounting principles generally accepted in the United States of America or GAAP. GAAP requires information in financial statements about accounting principles, methods used and disclosures pertaining to significant estimates. This discussion addresses our judgment pertaining to trends, events or uncertainties known which were taken into consideration upon the application of those policies and the likelihood that materially different amounts would be reported upon taking into consideration different conditions and assumptions.

ACQUISITION OF INVESTMENT PROPERTY

We allocate the purchase price of each acquired investment property between land, building and improvements, acquired above market and below market leases, in-place lease value, and any assumed financing that is determined to be above or below market terms. In addition, we allocate a portion of the purchase price to the value of customer relationships. The allocation of the purchase price is an area that requires judgment and significant estimates. We use the information contained in the independent appraisal obtained at acquisition as the primary basis for the allocation to land and building and improvements. We determine whether any financing assumed is above or below market based upon comparison to similar financing terms for similar investment properties. We also allocate a portion of the purchase price to the estimated acquired in-place lease costs based on estimated lease execution costs for similar leases as well as lost rent payments during assumed lease up period when calculating as if vacant fair values. We consider various factors including geographic location and size of leased space. We also evaluate each acquired lease based upon current market rates at the acquisition date and we consider various factors including geographical location, size and location of leased space within the investment property, tenant profile, and the credit risk of the tenant in determining whether the acquired lease is above or below market lease costs. After an acquired lease is determined to be above or below market lease costs, we allocate a portion of the purchase price to such above or below acquired lease costs based upon the present value of the difference between the contractual lease rate and the estimated market rate. However, for below market leases with fixed rate renewals, renewal periods are included in the calculation of below market in-place lease values. The determination of the discount rate used in the present value calculation is based upon the "risk free rate." This discount rate is a significant factor in determining the market valuation which requires our judgment of subjective factors such as market knowledge, economics, demographics, location, visibility, age and physical condition of the property.

IMPAIRMENT OF LONG-LIVED ASSETS

In accordance with Statement of Financial Accounting Standards or SFAS No. 144, we conduct an analysis on a quarterly basis to determine if indicators of impairment exist to ensure that the property's carrying value does not exceed its fair value. If this were to occur, we are required to record an impairment loss. The valuation and possible subsequent impairment of investment properties is a significant estimate that can and does change based on our continuous process of

analyzing each property and reviewing assumptions about uncertain inherent factors, as well as the economic condition of the property at a particular point in time. No impairment losses have been taken in 2003 or 2004.

COST CAPITALIZATION AND DEPRECIATION POLICIES

Our policy is to review all expenses paid and capitalize any items exceeding $5,000 which are deemed to be an upgrade or a tenant improvement. These costs are capitalized and are included in the investment properties classification as an addition to buildings and improvements.

Buildings and improvements are depreciated on a straight-line basis based upon estimated useful lives of 30 years for buildings and improvements, and 15 years for site improvements. The portion of the purchase price allocated to acquired above market costs and acquired below market costs are amortized on a straight-line basis over the life of the related lease as an adjustment to net rental income. Acquired in-place lease costs, customer relationship value, other leasing costs, and tenant improvements are amortized on a straight-line basis over the life of the related lease as a component of amortization expense.

The application of SFAS No. 141 and SFAS No. 142 resulted in the recognition upon acquisition of additional intangible assets and liabilities relating to our real estate acquisitions during the year ended December 31, 2004. The portion of the purchase price allocated to acquired above market lease costs and acquired below market lease costs are amortized on a straight-line basis over the life of the related lease as an adjustment to rental income. Amortization pertaining to the above market lease costs of $3,118,699 was applied as a reduction to rental income for the year ended December 31, 2004 and $5,227 for the period from March 5, 2003 (inception) to December 31, 2003. Amortization pertaining to the below market lease costs of $4,703,357 was applied as an increase to rental income for the year ended December 31, 2004 and $15,386 for the period from March 5, 2003 (inception) to December 31, 2003.

The portion of the purchase price allocated to acquired in-place lease costs are amortized on a straight line basis over the life of the related lease. We incurred amortization expense pertaining to acquired in-place lease costs of $9,923,630 for the year ended December 31, 2004 and $51,773 for the period from

March 5, 2003 (inception) to December 31, 2003.

The portion of the purchase price allocated to customer relationship value is amortized on a straight-line basis over the life of the related lease.

The table below presents the amortization during the next five years related to the acquired in-place lease intangibles, customer relationship value, acquired above market lease costs and the below market lease costs for properties owned at December 31, 2004:

		2005	2006	2007	2008
Amortization of:					
Acquired above market lease costs	$	(5,576,668)	(5,391,370)	(4,558,366)	(4,275,216)
Acquired below market lease costs		9,930,801	9,166,611	8,238,008	7,337,557
Net rental income increase	$	4,354,133	3,775,241	3,679,642	3,062,341
Acquired in-place lease intangibles	$	(25,857,397)	(25,857,397)	(25,857,397)	(25,803,230)
Customer relationship value	$	(200,000)	(200,000)	(200,000)	(200,000)

Cost capitalization and the estimate of useful lives requires our judgment and includes significant estimates that can and do change based on our process which periodically analyzes each property and on our assumptions about uncertain inherent factors.

REVENUE RECOGNITION

We recognize rental income on a straight-line basis over the term of each lease. The difference between rental income earned on a straight-line basis and the cash rent due under the provisions of the lease agreements is recorded as deferred rent receivable and is included as a component of accounts and rents receivable in the accompanying consolidated balance sheets. We anticipate collecting these amounts over the terms of the leases as scheduled rent payments are made.

Reimbursements from tenants for recoverable real estate tax and operating expenses are accrued as revenue in the period the applicable expenditures are incurred. We make certain assumptions and judgments in estimating the reimbursements at the end of each reporting period. Should the actual results differ from our judgment, the estimated reimbursement could be negatively affected and would be adjusted appropriately.

In conjunction with certain acquisitions, we receive payments under master lease agreements pertaining to certain, non-revenue producing spaces either at the time of, or subsequent to, the purchase of some of our properties. Upon receipt of the payments, the receipts are recorded as a reduction in the purchase price of the related properties rather than as rental income. These master leases were established at the time of purchase in order to mitigate the potential negative effects of loss of rent and expense reimbursements. Master lease payments are received through a draw of funds escrowed at the time of purchase and may cover a period from one to three years. These funds may be released to either us or the seller when certain leasing conditions are met. Restricted cash includes funds received by third party escrow agents, from sellers, pertaining to master lease agreements. We record such escrows as both an asset and a corresponding liability, until certain leasing conditions are met.

We record lease termination income if there is a signed termination letter agreement, all of the conditions of the agreement have been met, and the tenant is no longer occupying the property.

INTEREST RATE FUTURES CONTRACTS

We enter into interest rate futures contracts or treasury contracts as a means of reducing our exposure to rising interest rates. At inception, contracts are evaluated in order to determine if they will qualify for hedge accounting treatment and will be accounted for either on a deferral, accrual or market value basis depending on the nature of our hedge strategy and the

method used to account for the hedged item. Hedge criteria include demonstrating the manner in which the hedge will reduce risk, identifying the specific asset, liability or firm commitment being hedged, and citing the time horizon being hedged.

For the year ended December 31, 2004, the Company entered into treasury contracts with a futures commission merchant with yields ranging from 3.27% to 3.85% for 5 year treasury contracts and 4.00% to 4.63% for 10 year treasury contracts. On December 31, 2004, the treasury contracts had a liquidation value of $46,005 resulting in a loss of $3,666,894 for the year ended December 31, 2004. As these treasury contracts are not offsetting future commitments and therefore do not qualify as hedges, the net loss is recognized currently in earnings.

Liquidity and Capital Resources

GENERAL

Our principal demands for funds have been for property acquisitions, for the payment of operating expenses and distributions, and for the payment of interest on outstanding indebtedness. Generally, cash needs for items other than property acquisitions have been met from operations, and property acquisitions have been funded by a public offering of our shares of common stock. However, there may be a passage of time between the sale of the shares and our purchase of properties, which may result in a delay in the benefits to stockholders of returns generated from property operations. Our business manager/advisor evaluates potential additional property acquisitions and Inland Real Estate Acquisitions, Inc., one of the affiliates of our sponsor, engages in negotiations with sellers on our behalf. After a purchase contract is executed which contains specific terms, the property will not be purchased until due diligence, which includes review of the title insurance commitment, an appraisal and an environmental analysis, is successfully completed. In some instances, the proposed acquisition still requires the negotiation of final binding agreements, which may include financing documents. During this period, we may decide to temporarily invest any unused proceeds from the offering in certain investments that could yield lower returns than other investments, such as the acquisition of properties. These lower returns may affect our ability to make distributions.

Potential future sources of capital include proceeds from the public or private offering of our equity or debt securities, secured or unsecured financings from banks or other lenders, proceeds from the sale of properties, as well as undistributed funds from operations. We anticipate that during the current year we will (i) acquire additional existing shopping centers and net leased properties, (ii) begin to develop additional shopping center sites and (iii) continue to pay distributions to stockholders, and each is expected to be funded mainly from proceeds of our public offerings of shares, cash flows from operating activities, financings and other external capital resources available to us.

Our leases typically provide that the tenant bears responsibility for substantially all property costs and expenses associated with ongoing maintenance and operation, including utilities, property taxes and insurance. In addition, in some instances our leases provide that the tenant is responsible for roof and structural repairs. Certain of our properties are subject to leases under which we retain responsibility for certain costs and expenses associated with the property. We anticipate that capital demands to meet obligations related to capital improvements with respect to properties will be minimal for the foreseeable future and can be met with funds from operations and working capital. We believe that our current capital resources (including cash on hand) and anticipated financings are sufficient to meet our liquidity needs for the foreseeable future.

LIQUIDITY

OFFERING. As of December 31, 2004, subscriptions for the initial public offering for a total of 217,467,878 shares had been received from the public, which include the 20,000 shares issued to the business manager/advisor and 3,079,003 shares sold pursuant to the DRP as of December 31, 2004. As a result of such sales, we received a total of $2,172,047,447 of gross offering proceeds for the initial public offering as of December 31, 2004.

On December 28, 2004, our second offering was declared effective for up to 250,000,000 shares of common stock at $10 each and the issuance of up to 20,000,000 shares at $9.50 each, which may be distributed pursuant to our DRP. We began selling shares of the second offering in early January 2005.

MORTGAGE DEBT. Mortgage loans outstanding as of December 31, 2004 were $1,782,538,627 and had a weighted average interest rate of 4.58%. Of this amount, $1,635,745,627 had fixed rates ranging from 3.96% to 8.02% and a weighted average fixed rate of 4.67% at December 31, 2004. The rate of 8.02% represented the interest rate on the mortgage for Cardiff Hall East (Cardiff), a joint venture entity which we consolidate. Excluding the Cardiff mortgage, the highest fixed rate on our mortgage debt was 6.34%. The remaining $146,793,000 represented variable rate loans with a weighted average interest rate of 3.55% at December 31, 2004. As of December 31, 2004, scheduled maturities for our outstanding mortgage indebtedness had various due dates through August 2023.

During the period from January 1, 2005 through February 28, 2005 we obtained mortgage financing on properties that we purchased during 2004 and 2005 totaling approximately $276 million that require monthly payments of interest only and bear interest at a range of 4.30% to 5.69% per annum.

LINE OF CREDIT. On December 24, 2003, we entered into a $150,000,000 unsecured line of credit arrangement with a bank for a period of one year. The funds from this line of credit were used to provide liquidity from the time a property was purchased until permanent debt was placed on the property. We were required to pay interest only on the outstanding balance from time to time under the line at the rate equal to LIBOR plus 175 basis points. We were also required to pay, on a quarterly basis, an amount ranging from .15% to .30%, per annum, on the average daily undrawn funds remaining under this line. The line of credit required compliance with certain covenants, such as debt service ratios, minimum net worth requirements, distribution limitations and investment restrictions. As of December 31, 2003, we were in compliance with such covenants. In connection with obtaining this line of credit, we paid fees in an amount totaling approximately $1,044,000 (which included a .65% commitment fee). The outstanding balance on the line of credit was $5,000,000 as of December 31, 2003 with an effective interest rate of 2.9375% per annum.

On December 16, 2004, we terminated the existing line of credit agreement and executed a new unsecured line of credit facility with a bank for up to $100,000,000 with an optional unsecured borrowing capacity of $150,000,000 for a total unsecured borrowing capacity of $250,000,000. The facility has an initial term of one year with two one-year extension options, with an annual variable interest rate. The funds from this line of credit may be used to provide liquidity from the time a property is purchased until permanent debt is placed on that property. The line of credit requires interest only payments monthly at the rate equal to the London InterBank Offered Rate or LIBOR plus 175 basis points which ranged from 2.34% to 2.42% during the quarter ended December 31, 2004. We are also required to pay, on a quarterly basis, an amount ranging from .15% to .25%, per annum, on the average daily undrawn funds under this line. The line of credit requires compliance with certain covenants, such as debt service ratios, minimum net worth requirements, distribution limitations and investment restrictions. As of December 31, 2004, we were in compliance with such covenants. There was no outstanding balance on the line as of December 31, 2004.

STOCKHOLDER LIQUIDITY. We provide the following programs to facilitate investment in the shares and to provide limited, interim liquidity for stockholders until such time as a market for the shares develops:

The DRP allows stockholders who purchase shares pursuant to the offerings to automatically reinvest distributions by purchasing additional shares from us. Such purchases will not be subject to selling commissions or the marketing contribution and due diligence expense allowance and will be sold at a price of $9.50 per share. As of December 31, 2004, we issued 3,079,003 shares pursuant to the DRP for an aggregate amount of $29,250,830.

Subject to certain restrictions, the SRP provides existing stockholders with limited, interim liquidity by enabling them to sell shares back to us at the following prices:

One year from the purchase date, at $9.25 per share;
Two years from the purchase date, at $9.50 per share;
Three years from the purchase date, at $9.75 per share; and
Four years from the purchase date, at the greater of $10.00 per share, or a price equal to 10 times our "funds available for distribution" per weighted average shares outstanding for the prior calendar year.

Shares purchased by us will not be available for resale. As of December 31, 2004, 10,350 shares have been repurchased for a total of $192,667.

CAPITAL RESOURCES

We expect to meet our short-term operating liquidity requirements generally through our net cash provided by property operations. We also expect that our properties will generate sufficient cash flow to cover our operating expenses plus pay a monthly distribution on our weighted average shares. Operating cash flows are expected to increase as additional properties are added to our portfolio.

We believe that we should put mortgage debt on or leverage our properties at approximately 50% of their value. We also believe that we can borrow at the lowest overall cost of funds or interest rate by placing individual financing on each of our properties. Accordingly, mortgage loans will generally have been placed on each property at the time that the property is purchased, or shortly thereafter, with the property solely securing the financing.

During the year ended December 31, 2004, we closed on mortgage debt with a principal amount of $1,753,086,923. Of this amount, $1,606,293,923 represented fixed rate loans which bear interest rates between 3.96% and 8.02%. The rate of 8.02% represented the interest rate on the mortgage for Cardiff Hall East (Cardiff), a joint venture entity which we consolidate. Excluding the Cardiff mortgage, the highest fixed rate on our mortgage debt was 6.34%. The remaining $146,793,000 represented variable rate loans with a weighted average interest rate of 3.55% at December 31, 2004.

With the exception of the mortgage loans on Plaza Santa Fe II, Shops at Forest Commons and Henry Town Center, all of the loans that closed during the year ended December 31, 2004 may be prepaid with a penalty after specific lockout periods. The mortgage loans on Plaza Santa Fe II, Shops at Forest Commons and Henry Town Center, have no prepayment privileges.

We have entered into interest rate lock agreements with various lenders to secure interest rates on mortgage debt on properties we currently own or will purchase in the future. We have outstanding rate lock deposits in the amount of $2,826,055 as of December 31, 2004 which are applied as credits to the mortgage fundings as they occur. These agreements lock interest rates from 4.45% to 5.12% for periods from 60 days to 90 days on approximately $240 million in principal.

During the period from January 1, 2005 to February 28, 2005, we entered into rate lock agreements which lock interest rates from 4.47% to 4.69% for periods from 30 days to 90 days on approximately $300 million in principal.

Although the loans we closed are generally non-recourse, occasionally, when it is deemed to be advantageous, we may guarantee all or a portion of the debt on a full-recourse basis. Individual decisions regarding interest rates, loan-to-value, fixed versus variable-rate financing, maturity dates and related matters are often based on the condition of the financial markets at the time the debt is incurred, which conditions may vary from time to time.

Distributions are determined by our board of directors with the advice of our business manager/advisor and are dependent on a number of factors, including the amount of funds available for distribution, flow of funds, our financial condition, any decision by our board of directors to reinvest funds rather than to distribute the funds, our capital expenditures, the annual distribution required to maintain REIT status under the Internal Revenue Code and other factors the board of directors may deem relevant.

CASH FLOWS FROM OPERATING ACTIVITIES

Net cash generated from operating activities was approximately $63,520,000 for the year ended December 31, 2004 and $724,000 for, the period from March 5, 2003 (inception) to December 31, 2003. The increase in net cash provided by operating activities for the year ended December 31, 2004 compared to prior year is due primarily to the additional rental revenues and income generated from the operations of 103 additional properties purchased during the year ended December 31, 2004, compared to eight properties purchased for the period from March 5, 2003 (inception) to December 31, 2003.

CASH FLOWS FROM INVESTING ACTIVITIES

Cash flows used in investing activities were approximately $3,243,055,000 for the year ended December 31, 2004 and $133,425,000 for the period from March 5, 2003 (inception) to December 31, 2003. The cash flows used in investing activities were primarily due to the acquisition of 103 and eight properties for approximately $3,201,247,000 and $127,196,000 during the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively.

As of February 28, 2005, we had approximately $550 million available for investment in additional properties. As of February 28, 2005, we are considering the acquisition of approximately $226 million in properties. We are currently in the process of obtaining financings on properties which have been purchased, as well as certain of the properties which we anticipate purchasing. It is our intention to finance each of our acquisitions either at closing or subsequent to closing. As a result of the intended financings and based on our current experience in raising funds in our offerings, we believe that we will have sufficient resources to acquire these properties.

CASH FLOWS FROM FINANCING ACTIVITIES

Cash flows provided by financing activities were approximately $3,356,378,000 for the year ended December 31, 2004 and $197,082,000 for the period from March 5, 2003 (inception) to December 31, 2003. We generated proceeds from the sale of shares, net of offering costs paid and shares repurchased, of approximately $1,774,231,000 and $166,552,000, respectively. We generated approximately $1,653,523,000 and $29,627,000 from the issuance of new mortgages secured by 97 and two of our properties. We generated $165,000,000 and $5,000,000 from funding on the line of credit. We paid approximately $16,613,000 and $4,023,000 for loan fees and approximately $54,542,000 and $358,000 in distributions to our stockholders. The sponsor has agreed to advance us amounts to pay a portion of these distributions until funds available for distribution are sufficient to cover distributions. In addition, $170,000,000 and $0 was paid off on the line of credit for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively.

Given the current size of our offerings, as of February 28, 2005, we could raise approximately $2.4 billion of additional capital. However, there can be no assurance that we will raise this amount of money or that we will be able to acquire additional attractive properties.

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

Effects of Transactions with Related and Certain Other Parties

SERVICES PROVIDED BY AFFILIATES OF THE BUSINESS MANAGER/ADVISOR As of December 31, 2004 and December 31, 2003, we had incurred $234,014,231 and $22,144,814, respectively of offering costs, of which $175,508,624 and $16,854,779, respectively were paid or accrued to affiliates. In accordance with the terms of our offerings, our business manager/advisor has guaranteed payment of all public offering expenses (excluding sales commissions and the marketing contribution and the due diligence expense allowance) in excess of 5.5% of the gross proceeds of the offerings or gross offering proceeds or all organization and offering expenses (including selling commissions) which together exceed 15% of gross offering proceeds. As of December 31, 2004 and December 31, 2003, offering costs did not exceed the 5.5% and 15% limitations. We anticipate that these costs will not exceed these limitations upon completion of the offerings. Any excess amounts at the completion of the offerings will be reimbursed by our business manager/advisor.

Our business manager/advisor and its affiliates are entitled to reimbursement for salaries and expenses of employees of our business manager/advisor and its affiliates relating to the offerings. In addition, an affiliate of our business manager/advisor is entitled to receive selling commissions, and the marketing contribution and due diligence expense allowance from us in connection with the offerings. Such costs are offset against the stockholders' equity accounts. Such costs totaled $175,508,624 and $16,859,779, of which $2,879,894 and $1,061,791 were unpaid at December 31, 2004 and December 31, 2003, respectively.

Our business manager/advisor and its affiliates are entitled to reimbursement for general and administrative expenses relating to our administration. Such costs are included in general and administrative expenses to affiliates, in addition to costs that were capitalized pertaining to property acquisitions. During the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, we incurred $1,542,986 and $194,017 of these costs, respectively, of which $957,471 and $40,703 remained unpaid as of December 31, 2004 and December 31, 2003, respectively, and are included in Due to affiliates on the Consolidated Balance Sheets.

An affiliate of our business manager/advisor provides loan servicing to us for an annual fee. Such costs are included in property operating expenses to affiliates. The agreement allows for annual fees totaling .03% of the first $1 billion in mortgage balance outstanding and .01% of the remaining mortgage balance, payable monthly. Such fees totaled $140,859 for the year ended December 31, 2004 and $328 for the period from March 5, 2003 (inception) to December 31, 2003.

We use the services of an affiliate of our business manager/advisor to facilitate the mortgage financing that we obtained on some of the properties purchased. We pay the affiliate .02% of the principal balance of mortgage loans obtained. Such costs are capitalized as loan fees and amortized over the respective loan term. During the year ended December 31, 2004 and for the period from March 5, 2003 (inception) to December 31, 2003, we paid loan fees totaling $3,475,472 and $59,523, respectively, to this affiliate.

We may pay an advisor asset management fee of not more than 1% of our average assets. Our average asset value is defined as the average of the total book value, including acquired intangibles, of our real estate assets invested in equity interests plus our loans receivable secured by real estate, before reserves for depreciation, reserves for bad debt or other similar non-cash reserves. We compute our average assets by taking the average of these values at the end of each month for which we are calculating the fee. The fee would be payable quarterly in an amount equal to 1/4 of 1% of average assets as of the last day of the immediately preceding quarter. For any year in which we qualify as a REIT, our advisor must reimburse us for the following amounts if any: (1) the amounts by which our total operating expenses, the sum of the advisor asset management fee plus other operating expenses, paid during the previous fiscal year exceed the greater of: (i) 2% of our average assets for that fiscal year, or (ii) 25% of our net income for that fiscal year; plus (2) an amount, which will not exceed the advisor asset management fee for that year, equal to any difference between the total amount of distributions to stockholders for that year and the 6% minimum annual return on the net investment of stockholders. For the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, we neither paid nor accrued such fees because our business manager/advisor agreed to forego such fees for those periods.

The property managers, entities owned principally by individuals who are affiliates of our business manager/advisor, are entitled to receive property management fees totaling 4.5% of gross operating income, for management and leasing services. We incurred property management fees of $5,381,721 and $16,627 for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively. None remained unpaid as of December 31, 2004 or December 31, 2003.

We established a discount stock purchase policy for our affiliates and affiliates of our business manager/advisor that enables the affiliates to purchase shares of common stock at either $8.95 or $9.50 a share depending on when the shares are purchased. We sold 605,060 and 59,497 shares of common stock to affiliates and recognized an expense related to these discounts of $427,122 and $62,472 for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively.

As of December 31, 2004 and December 31, 2003, we were due funds from our affiliates in the amount of $654,004 and $918,750, respectively, which is comprised of $654,004 and $845,000, respectively, which is due from our sponsor for reimbursement of a portion of distributions paid. The remaining $73,750 as of December 31, 2003 is due from an affiliate for costs paid on their behalf by us. Our sponsor has agreed to advance to us amounts to pay a portion of distributions to our stockholders until funds available for distribution are sufficient to cover the distributions. Our sponsor forgave $2,369,139 of these amounts during the second quarter of 2004 and these funds are no longer due. As of December 31, 2004 and December 31, 2003, we owe funds to our sponsor in the amount of $3,522,670 and $1,202,519, respectively, for repayment of the funds advanced for payment of distributions.

Off-Balance Sheet Arrangements, Contractual Obligations, Liabilities and Contracts and Commitments

The table below presents our obligations and commitments to make future payments under debt obligations and lease agreements as of December 31, 2004.

Contractual Obligations	Payments due by period		
	Total	Less than 1 year	1-3 years
Long-Term Debt:			
Fixed rate	$ 2,065,626,447	77,170,997	210,970,182
Variable rate	168,873,039	20,552,746	10,900,759
Ground lease payments	$ 358,535,876	3,186,464	6,426,415

The table includes interest payments to which we are contractually obligated under long term debt agreements.

We lease land under non-cancelable leases at certain of the properties expiring in various years from 2028 to 2096. The property attached to the land will revert back to the lessor at the end of the lease.

CONTRACTS AND COMMITMENTS

We have closed on several properties which have earnout components, meaning that we did not pay for portions of these properties that were not rent producing. We are obligated, under certain agreements, to pay for those portions when the tenant moves into its space and begins to pay rent. The earnout payments are based on a predetermined formula. Each earnout agreement has a time limit regarding the obligation to pay any additional monies. If at the end of the time period allowed certain space has not been leased and occupied, we will own that space without any further obligation. Based on pro forma leasing rates, we may pay as much as $189,042,868 in the future, as retail space covered by earnout agreements is occupied and becomes rent producing.

During 2004, we entered into two installment note agreements in which we are obligated to fund up to a total of $33,398,314. The notes maintain stated interest rates of 6.993% and 7.5572% per annum and mature in July 2005 and August 2005, respectively. Each note requires monthly interest payments with the entire principal balance due at maturity. The combined receivable balance at December 31, 2004 was $31,771,731. Therefore, we may be required to fund up to an additional $1,626,583 on these notes.

We have obtained three irrevocable letters of credit related to loan fundings against earnout spaces at certain properties. Once we purchase the remaining portion of these properties and meet certain occupancy requirements, the letters of credit will be released. The balance of outstanding letters of credit at December 31, 2004 is $11,573,100.

In connection with the purchase of one of our properties, we received a price adjustment in the amount of $763,072 related to spaces that were vacant at the time of closing. If at any time during the next two years the seller is able to lease that space under conditions satisfactory to us, we are obligated to pay the seller a pro-rata share of the purchase price reduction.

We have entered into interest rate lock agreements with various lenders to secure interest rates on mortgage debt on properties we currently own or will purchase in the future. We have outstanding rate lock deposits in the amount of $2,826,055 as of December 31, 2004 which are applied as credits to the mortgage fundings as they occur. These agreements lock interest rates from 4.45% to 5.12% for periods from 60 days to 90 days on approximately $240 million in principal.

Subsequent to December 31, 2004, we purchased 12 properties for a purchase price of approximately $260 million. In addition, we are currently considering acquiring nine properties for an estimated purchase price of $226 million. Our decision to acquire each property generally depends upon no material adverse change occurring relating to the property, the

tenants or in the local economic conditions, and our receipt of satisfactory due diligence information including appraisals, environmental reports and lease information prior to purchasing the property.

Results of Operations

GENERAL

The following discussion is based primarily on our consolidated financial statements as of December 31, 2004 and for the period from March 5, 2003 (inception) to December 31, 2003.

Quarter Ended	Properties Purchased Per Quarter	Square Feet Acquired	Purchase Price
March 31, 2003	None	N/A	N/A
June 30, 2003	None	N/A	N/A
September 30, 2003	None	N/A	N/A
December 31, 2003	8	797,551	$ 127,195,000
March 31, 2004	11	2,115,280	$ 384,053,000
June 30, 2004	23	4,177,286	$ 713,925,000
September 30, 2004	26	5,705,453	$ 869,128,000
December 31, 2004	43	7,435,554	$ 1,241,693,000
Total	111	20,231,124	$ 3,335,994,000

RENTAL INCOME, TENANT RECOVERIES AND OTHER PROPERTY INCOME. Rental income consists of basic monthly rent and percentage rental income due pursuant to tenant leases. Tenant recovery and other property income consist of property operating expenses recovered from the tenants including real estate taxes, property management fees and insurance. Rental income was $106,424,663 and $606,646 and all additional property income was $23,979,918 and $137,988 for the year ended December 31, 2004 and for the period from March 5, 2003 (inception) to December 31, 2003, respectively.

OTHER INCOME. Other income consists of interest income earned primarily on short term investments that are held by us and other non-operating income earned by us. Other income was $3,681,067 and $37,648, respectively, for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003.

GENERAL AND ADMINISTRATIVE EXPENSES. General and administrative expenses consist of salaries and computerized information services costs reimbursed to affiliates for maintaining our accounting and investor records, affiliates common share purchase discounts, insurance, postage, printer costs and fees paid to accountants and lawyers. These expenses were $4,857,101 for the year ended December 31, 2004 and $459,476 for the period from March 5, 2003 (inception) to December 31, 2003 and resulted from increased services required as we acquire properties and grow our portfolio of investment properties and our investor base.

PROPERTY OPERATING EXPENSES. Property operating expenses consist of property management fees and property operating expenses, including real estate taxes, costs of owning and maintaining shopping centers, insurance, and maintenance to the exterior of the buildings and the parking lots. These expenses were $32,521,195 for the year ended December 31, 2004 and $143,244 for the period from March 5, 2003 (inception) to December 31, 2003.

DEPRECIATION AND AMORTIZATION. Depreciation expense was $36,113,611 and $140,497 and is due to depreciation on the properties owned during the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively. Amortization expense was $11,859,597 and $76,608, respectively, and is due to the application of SFAS 141 and SFAS 142 resulting from the amortization of intangible assets of approximately $250 million and loan and leasing fees of $12 million during the year ended December 31, 2004 and intangible assets of approximately $9 million and loan and leasing fees of $1 million during the period from March 5, 2003 (inception) to December 31, 2003.

INTEREST. Interest was $33,174,623 for the year ended December 31, 2004 and is due to the financing on 97 properties as of

-74-

December 31, 2004 and funds drawn during the first quarter of 2004 on the line of credit. Interest was $135,735 for the period from March 5, 2003 (inception) to December 31, 2003 and is due to the financing on two properties as of December 31, 2003.

Subsequent Events

We issued 42,629,352 shares of common stock and repurchased 28,459 shares of common stock from January 1, 2005 through February 28, 2005, resulting in a total of 260,058,421 shares of common stock outstanding. As of February 28, 2005, subscriptions for a total of 255,692,354 shares were received resulting in total gross offering proceeds of $2,555,826,905. An additional 4,404,876 shares were issued pursuant to the DRP for $41,846,623 of additional gross proceeds and 38,809 were repurchased in connection with the SRP for $455,916.

We paid distributions of $11,377,712 and $12,232,404 to its stockholders in January and February 2005, respectively.

We have acquired the following properties during the period January 1 to February 28, 2005. The respective acquisitions are detailed in the table below.

DATE ACQUIRED	PROPERTY	YEAR BUILT	APPROXIMATE PURCHASE PRICE ($)	GROSS LEASABLE AREA (SQ. FT.)	M
01/05/05	Fairgrounds Plaza Middletown, NY	2002- 2004	21,994,125	59,970	Supe
01/06/05	Maytag Distribution Center Iowa City, IA	2004	23,159,499	750,000	Mayt
01/10/05	Midtown Center Milwaukee, WI	1986- 1987	53,000,000	319,108	Wal- Pick
01/10/05	Hobby Lobby Concord, NC	2004	5,500,000	60,000	Hobb
01/19/05	Stanley Works/Mac Tools Westerville, OH	2004	10,000,000	72,500	Mac
01/25/05	American Express Markham, Ontario, Canada	1983 & 1987	42,000,000	306,710	Amer
01/28/05	Academy Sports San Antonio, TX	2004	7,150,000	70,910	Acad

02/01/05	Magnolia Square Houma, LA	2004	19,113,739	116,079	Ross PETs Circ
02/02/05	Cottage Plaza Pawtucket, RI	2004-2005	23,439,950	75,543	Stop
02/09/05	The Village at Quail Springs Oklahoma City, OK	2003-2004	10,428,978	101,128	Gord Best
02/11/05	Holliday Towne Center Duncansville, PA	2003	14,827,645	83,122	Mart
02/18/05	Trenton Crossing McAllen, TX	2003	29,212,209	221,019	Hobb Ross Mars Beal

-75-

The mortgage debt and financings obtained during the period January 1 to February 28, 2005, are detailed in the table below.

DATE FUNDED	MORTGAGE PAYABLE	ANNUAL INTEREST RATE	MATURITY DATE	PRINCI
01/05/05	Fairgrounds Plaza Middletown, NY	5.690%	02/01/33	
01/24/05	Hobby Lobby Concord, NC	5.115%	02/01/10	
01/25/05	American Express Markham, Ontario, Canada	4.2975%	02/01/15	
01/28/05	Coram Plaza Coram, NY	4.550%	02/01/10	
01/31/05	Low Country Village II Bluffton, SC	5.130%	05/01/09	
01/31/05	Irmo Station Irmo, SC	5.1236%	02/01/10	
02/01/05	Evans Towne Centre Evans, GA	4.670%	02/01/10	
02/03/05	Magnolia Square Houma, LA	5.115%	03/01/10	
02/04/05	Green's Corner Cumming, GA	4.500%	02/11/10	
02/04/05	Newton Crossroads Covington, GA	4.500%	02/11/10	
02/04/05	Stilesboro Oaks	4.500%	02/11/10	

	Acworth, GA		
02/09/05	Five Forks Simpsonville, NC	4.815%	02/11/10
02/14/05	University Town Center Tuscaloosa, AL	4.430%	03/01/10
02/14/05	Edgemont Town Center Homewood, AL	4.430%	03/01/10
02/15/05	Southlake Town Square Southlake, TX	4.550%	03/11/10
02/17/05	Midtown Center Milwaukee, WI	4.460%	03/11/10
02/17/05	McAllen Shopping Center McAllen, TX	5.060%	03/01/10
02/18/05	Southlake Town Square II Southlake, TX	4.550%	03/11/10
02/18/05	Mesa Fiesta Mesa, AZ	5.300%	02/01/10
02/24/05	Academy Sports San Antonio, TX	5.060%	03/01/10
02/25/05	The Village at Quail Springs Oklahoma City, OK	5.060%	03/01/10

We are obligated under earnout agreements to pay for certain tenant space in our existing properties after the tenant moves into its space and begins paying rent. During the period from January 1 to February 28, 2005, we funded earnouts totaling $20,552,372 at seven of our existing properties.

We are currently considering acquiring nine properties for an estimated purchase price of $226 million. Our decision to acquire each property will generally depend upon no material adverse change occurring relating to the property, the tenants or in the local economic conditions, and our receipt of satisfactory due diligence information including appraisals, environmental reports and lease information prior to purchasing the property.

During the period from January 1, 2005 to February 28, 2005, we entered into rate lock agreements which lock interest rates from 4.47% to 4.69% for periods from 30 days to 90 days on approximately $300 million in principal.

Inflation

For our multi-tenant shopping centers, inflation is likely to increase rental income from leases to new tenants and lease renewals, subject to market conditions. Our rental income and operating expenses for those properties owned, or to be owned and operated under net leases, are not likely to be directly affected by future inflation, since rents are or will be fixed under the leases and property expenses are the responsibility of the tenants. The capital appreciation of net leased properties is likely to be influenced by interest rate fluctuations. To the extent that inflation determines interest rates, future inflation may have an effect on the capital appreciation of net leased properties. As of December 31, 2004, we owned 24 single-user net leased properties.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

For the year ended December 31, 2004, we entered into treasury contracts with a futures commission merchant with yields ranging from 3.27% to 3.85% for 5 year treasury contracts and 4.00% to 4.63% for 10 year treasury contracts. On December 31, 2004, the treasury contracts had a liquidation value of $46,005 resulting in a loss of $3,666,894 for the year ended December 31, 2004. As these treasury contracts are not offsetting future commitments and therefore do not qualify as hedges, the net loss is recognized currently in earnings. To offset the net loss recognized on the treasury contracts, we took advantage of the lower treasury yields which caused the loss on the treasury contracts and secured permanent financing in the amount of approximately $835,000,000 for pending acquisitions.

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

control systems involve the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on our future cash flows.

While this hedging strategy is intended to reduce our exposure to interest rate fluctuations, the result may be a reduction in overall returns on your investment.

The fair value of our debt approximates its carrying amount as of December 31, 2004.

Our interest rate risk is monitored using a variety of techniques. The table below presents the principal amounts and weighted average interest rates by year and expected maturity to evaluate the expected cash flows and sensitivity to interest rate changes.

	2005	2006	2007	2008	20
Maturing debt					
Fixed rate debt (mortgage loans)	920,574	981,221	57,906,321	47,322,706	960,
Variable rate debt (including note payable)	15,672,533	1,212,575	637,533	637,533	111,
Average interest rate on debt:					
Fixed rate debt	5.91%	5.92%	4.50%	4.67%	
Variable rate debt	4.23%	3.56%	4.75%	4.75%	

We have $147,368,042 of debt (including note payable) bearing variable rate interest averaging 3.55% as of December 31, 2004. An increase in the variable interest rate on this debt constitutes a market risk. If interest rates increase by 1%, based on debt outstanding as of December 31, 2004, interest expense increases by $1,473,680 on an annual basis.

The table incorporates only those exposures that exist as of December 31, 2004. It does not consider those exposures or positions that could arise after that date. The information presented herein is merely an estimate and has limited predictive value. As a result, the ultimate realized gain or loss with respect to interest rate fluctuations will depend on the exposures that arise during the period, our hedging strategies at that time, and future changes in the level of interest rates.

SHARES ELIGIBLE FOR FUTURE SALE

INDEPENDENT DIRECTOR STOCK OPTION PLAN

THE DISCUSSION INCLUDED IN THIS SUBSECTION, WHICH STARTS ON PAGE 121 OUR PROSPECTUS, IS SUPERCEDED IN THE ENTIRETY AND REPLACED BY THE FOLLOWING:

We have established an independent director stock option plan for the purpose of attracting and retaining independent directors. See "Management--Independent Director Stock Option Plan." We have issued in the aggregate options to purchase 17,500 shares of our common stock to our independent directors, at the exercise price of $8.95 per share. One-third of the shares will be exercisable upon their grant. An additional 63,500 shares will be available for future option grants under the independent director stock option plan. See "Management--Independent Director Stock Option Plan" for additional information regarding the independent director stock option plan. Rule 701 under the Securities Act provides that common stock acquired on the exercise of outstanding options by affiliates may be resold by them subject to all provisions of Rule 144 except its one-year minimum holding period. We intend to register the common stock to be issued under the independent director stock option plan in a registration statement or statements on SEC Form S-8 or other appropriate form.

STOCKHOLDERS' MEETINGS

Our board of directors has set the annual meeting of the stockholders to be held on June 7, 2005, at 9:00 a.m., at our offices located at 2901 Butterfield Road, Oak Brook, IL. The meeting will be for stockholders of record as of March 31, 2005.

SUMMARY OF OUR ORGANIZATIONAL DOCUMENTS

THE DISCUSSION UNDER THIS HEADING, WHICH STARTS ON PAGE 123 OF OUR PROSPECTUS IS MODIFIED TO ADD A THIRD PARAGRAPH AS FOLLOWS:

On February 10, 2005, our Board of Directors approved the second amended and restated bylaws, which was effective as of that date. The bylaws were amended and restated to include the right of the majority of outstanding shares having the ability to vote to amend the articles, terminate our Company or remove any member of our Board of Directors. The bylaws were additionally amended to not allow any shares held by the business manager/advisor or the Board of Directors, and any affiliates the right to vote or consent on matters submitted to the shareholders regarding the removal of the business manager/advisor, Board of Directors or any affiliate or any transaction between us and any of the above referenced affiliated shareholders. The second amended and restated bylaws of Inland Western Retail Real Estate Trust, Inc., is filed as an exhibit to the registration statement of which this prospectus is a part and is incorporated into this filing in its entirety.

PLAN OF DISTRIBUTION

THE THIRD PARAGRAPH, UNDER THE SECTION "GENERAL", WHICH STARTS ON PAGE 148 OF OUR PROSPECTUS, HAS BEEN SUPERCEDED IN THE ENTIRETY TO READ AS FOLLOWS:

Our dealer manager is a wholly owned subsidiary of our sponsor, Inland Real Estate Investment Corporation. Our dealer manager was also the dealer manager for the offerings for Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc., and will be the dealer manager for Inland American Real Estate Trust, Inc. once the offering becomes effective. Inland Real Estate Corporation raised approximately $696,827,000 in its offerings. Inland Retail Real Estate Trust, Inc. raised approximately $2,262,000,000 in its offerings. Inland American Real Estate Trust, Inc. filed a 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. The registration statement has not been declared effective by the Securities and Exchange Commission, and there is no assurance when and if it will be declared effective.

THE FOLLOWING NEW SUBSECTION IS INSERTED AT THE END OF THIS SECTION ON PAGE 148 OUR PROSPECTUS.

UPDATE

The following table updates shares sold in our offering as of March 8, 2005:

	SHARES	GROSS PROCEEDS ($)	COM AN (
From our advisor	20,000	200,000	

Our offering dated September 15, 2003:	249,973,479	2,499,654,805	262
Our second offering dated December 21, 2004	9,349,213	93,492,135	12
Shares sold pursuant to our distribution reinvestment program	5,090,125	48,356,188	
Shares repurchased pursuant to our share repurchase program	(152,203)	(1,407,877)	
	264,280,614	2,640,295,251	274

(1) Inland Securities Corporation serves as dealer manager of this offering and is entitled to receive selling commissions and certain other fees, as discussed further in our prospectus.

We filed a registration statement on Form S-11 to register an additional 250,000,000 shares of common stock and up to 20,000,000 shares of our common stock for participants in our distribution reinvestment program. The registration statement was declared effective by the Securities and Exchange Commission on December 28, 2004.

SUBSCRIPTION PROCESS

THE FOLLOWING NEW PARAGRAPH IS INSERTED AT THE END OF THIS SECTION ON PAGE 150 OF OUR PROSPECTUS.

Currently we no longer issue paper stock certificates for all subscriptions for common stock accepted by us. We also are responsible for all stock books and records and serve as our own stock transfer agent, processing stock transfers. We are currently moving to a "book entry" system for our stock records. Under a book entry system, we would no longer issue paper stock certificates. Using this system would eliminate the need for safekeeping by you to protect against loss, theft or destruction of stock certificates. We are currently interviewing firms to serve as our stock transfer agent. When we hire a third party stock transfer agent, we may need to modify our distribution reinvestment program and some of our other stock holding processes. For example, it's likely that we will no longer issue fractional shares. Further it is likely we will ask all stockholders to remit currently outstanding stock certificates so that they may be held in book entry form. Therefore, in order to transition into the book entry form, effective October 1, 2004 we no longer issued stock certificates for new subscriptions or for shares earned through participation in the Distribution Reinvestment Program. All shares will be held in book entry form.

VOLUME DISCOUNTS

THE DISCUSSION UNDER THIS SECTION, WHICH STARTS ON PAGE 152 OF OUR PROSPECTUS, IS CHANGED IN FULL AND SUPPLEMENTED BY THE FOLLOWING:

Investors making an initial purchase of at least $250,010 of common stock (25,001 shares) through the same soliciting dealer will receive a reduction of the reallowable 7.0% selling commission payable in connection with the purchase of those shares in accordance with the following schedule:

AMOUNT OF SELLING VOLUME DISCOUNT	AMOUNT OF PURCHASER'S INVESTMENT FROM	TO
1%	$ 250,010	$ 500,000
2%	$ 500,010	$ 1,000,000
3%	$ 1,000,010	$ 2,500,000
4%	$ 2,500,010	$ 5,000,000
5%	$ 5,000,010	$ 10,000,000
6%	$ 10,000,010	more than $ 10,000,000

Any reduction in the amount of the selling commissions in respect of volume discounts received will be credited to the investor in the form of additional whole shares or fractional shares. Selling commissions will not be paid on any such whole shares or fractional shares issued for a volume discount.

Some purchases may be combined for the purpose of qualifying for a volume discount, and for determining commissions payable to the managing dealer or the soliciting dealers, so long as all the combined purchases are made through the same soliciting dealer. Subscriptions made in this offer will be combined with other subscriptions in this offering for the purposes of computing amounts invested. Purchases by spouses will also be combined with other purchases by you and

will be combined with other purchases of common stock to be held as a joint tenant or as tenants-in-common by you with others for purposes of computing amounts invested. Purchases by entities not required to pay federal income tax may only be combined with purchases by other entities not required to pay federal income tax for purposes of computing amounts invested if investment decision are made by the same person. If the investment decisions are made by in independent investment advisor, that investment adviser may not have any direct or indirect beneficial interest in any of the entities not required to pay federal income tax whose purchases are sought to be combined. You must mark the "Additional Investment" space on the subscription agreement signature page in order for purchases to be combined. We are not responsible for failing to combine purchases if you fail to mark the "Additional Investment" space.

If the subscription agreements for the purchases to be combined are submitted at the same time, then the additional common stock to be credited to you as a result of such combined purchases will be credited on a pro rata basis. If the subscription agreements for the purchases to be combined are not submitted at the same time, then any additional common stock to be credited as a result of the combined purchases will be credited to the last component purchase, unless we are otherwise directed in writing at the time of the submission. However, the additional common stock to be credited to any entities not required to pay federal income tax whose purchases are combined for purposes of the volume discount will be credited only on a pro rata basis based on the amount of the investment of each entity not required to pay federal income tax and their combined purchases.

Notwithstanding the preceding paragraphs, you may not receive a discount greater than 5% on any purchase of shares if you already own, or may be deemed to already own, any shares. This restriction may limit the amount of the volume discount available to you after your initial purchase and the amount of additional shares that you may be credited as a result of the combination of purchases.

In the case of subsequent investments or combined investments, a volume discount will be given only on the portion of the subsequent or combined investment that caused the investment to exceed the breakpoint. For example, if you are investing $50,000 with us today, but had previously invested $240,000, these amounts can be combined to reach the $250,010 breakpoint, which will entitle you to a lower sales commission on your current $50,000 investment.

HOW TO SUBSCRIBE

THE FIRST SENTENCE OF THE THIRD BULLET POINT ON PAGE 157, UNDER THIS HEADING, IS MODIFIED TO READ AS FOLLOWS:

Deliver a check for the full purchase price of the shares being subscribed for, payable to "LBNA/Escrow Agent for IWRRETI", along with the completed subscription agreement to the soliciting dealer.

LITIGATION

THE FOLLOWING NEW PARAGRAPH IS INSERTED AT THE END OF THIS SECTION ON PAGE 165 OF OUR PROSPECTUS.

We have received a subpoena from the New York office of the Securities and Exchange Commission regarding an investigation of Carey Financial Corporation. The information and documentation sought involves broker/dealer compensation in the sales of stock. We are cooperating with this request for information and documentation.

RELATIONSHIPS AND RELATED TRANSACTIONS

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 168 OF OUR PROSPECTUS IN THE ENTIRETY, TO READ AS FOLLOWS:

-81-

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	ESTI
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 y the perio to Decemb paid $5,38 $5,381, Inland US Managemen Services of our bu property fees wi will in upon resu cannot b

SUBORDINATED PAYMENTS

THE DISCUSSION UNDER THIS SECTION WHICH STARTS ON PAGE 170 OF OUR PROSPECTUS IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

-82-

TYPE OF COMPENSATION AND RECIPIENT	METHOD OF COMPENSATION	ESTIMAT
	OPERATIONAL STAGE	
Advisor asset management fee payable to our advisor.	We pay an annual advisor asset management fee of not more than 1% of our average assets. Our average assets means the average of the total book value including acquired intangibles of our real estate assets plus the total value of our loans receivables secured by real estate, before reserves for depreciation or bad debts or other similar non-cash reserves. We will compute our average assets by taking the average of these values at the end of each month during the quarter for which we are calculating the fee. The fee is payable quarterly in an amount equal to 1/4 of 1% of average assets as of the last day of the immediately preceding quarter. For any year in which we qualify as a REIT, our advisor must reimburse us for the following amounts if any: (1) the amounts by which our total operating expenses, the sum of the advisor asset management fee plus other operating expenses, paid during the previous fiscal year exceed the greater of: - 2% of our average assets for that fiscal year, or - 25% of our net income for that fiscal year. (2) plus an amount, which will not exceed the advisor asset management fee for that year, equal to any difference between the total amount of distributions to stockholders for that year and the 6% annual return on the net investment of stockholders. Items such as organization and offering expenses, property expenses, interest payments, taxes, non-cash expenditures, the incentive advisory fee and acquisition expenses are excluded from the definition of total operating expenses. See "Management -- Our Advisory Agreement" for an explanation of circumstances where the excess amount specified in clause (1) may not need to	The actual amo depend upon th properties and be determined If we acquire advisor asset cease.

be reimbursed.

EXPERTS

The following financial statements have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing:

- the historical summary of gross income and direct operating expenses of Shops at Park Place for the year ended December 31, 2002,
- the combined historical summary of gross income and direct operating expenses of Properties Acquired from Thomas Enterprises for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of CorWest Plaza for the period from May 29, 2003 through December 31, 2003,
- the historical summary of gross income and direct operating expenses of Larkspur Landing for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of La Plaza Del Norte for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Promenade at Red Cliff for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Dorman Centre for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Paradise Valley Marketplace for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Bluebonnet Parc for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Arvada Marketplace and Connection for the year ended
- the historical summary of gross income and direct operating expenses of Darien Towne Center for the year ended December 31, 2002,
- the historical summary of gross income and direct operating expenses of Hickory Ridge for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Metro Square Center (SuperValue) for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of North Ranch Pavilion for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of MacArthur Crossing for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Peoria Crossing for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Heritage Towne Crossing for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Best on the Boulevard for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of North Rivers Town Center for the period of October 1, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Eastwood Town Center for the year ended December 31, 2003,

December 31, 2003,

- the historical summary of gross income and direct operating expenses of Watauga Pavilion for the period of August 15, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Plaza Santa Fe II for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Huebner Oaks Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Lakewood Town Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Davis Towne Crossing for the period from July 18, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Cranberry Square for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Safeway Plaza at Marysville for the year ended December 31, 2003,
- the combined historical summary of gross income and direct operating expenses of the Properties owned by Capital Centre, LLC, Gateway Village Limited Partnership, Bel Air Square Joint Venture, Towson Circle Joint Venture LLP, and Reisterstown Plaza Holdings, LLC for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Manchester Meadows for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Mitchell Ranch Plaza for the period from June 30, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Northpointe Plaza for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Pine Ridge Plaza for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of John's Creek Village for the period from September 21, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Fullerton Metrocenter for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Northgate North for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Gateway Plaza Shopping Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Forks Town Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of The Shops at Boardwalk for the period from May 30, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Governor's Marketplace for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of The Columns for the period from October 8, 2003 (commencement of operations) to December 31, 2003,

- the historical summary of gross income and direct operating expenses of Saucon Valley Square for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Azalea Square for the period from July 4, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Denton Crossing for the period from August 11, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Gurnee Town Center for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Mansfield Town Center for the period from July 23, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Gateway Pavilions for the period from February 15, 2003 (commencement of operations) to December 31, 2003,
- the consolidated balance sheet of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2003 and the related consolidated statements of operations, stockholders' equity and cash flows for the period from March 5, 2003 (inception) through December 31, 2003 and related financial statement schedule,
- the historical summary of gross income and direct operating expenses of Southlake Town Square for the year ended December 31, 2003,
- the balance of Inland Western Retail Real Estate Trust, Inc. as of June 30, 2003,
- the historical summary of gross income and direct operating expenses of Lincoln Park for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Peoria Station for the year ended December 31, 2002,
- the combined historical summary of gross income and direct operating expenses of The Properties Acquired from Bayer Properties, Inc. for the year ended December 31, 2003,
- the combined historical summary of gross income and direct operating expenses of The Properties Acquired from Donahue Schriber for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Winchester Commons for the year ended December 31, 2003,
- the historical summary of gross income and direct operating expenses of Fox Creek Village for the period from November 12, 2003 (commencement of operations) to December 31, 2003,
- the historical summary of gross income and direct operating expenses of Northwoods Center for the year ended December 31, 2003,
- the combined historical summary of gross income and direct operating expenses of The Properties Acquired from Eastern Retail Holdings, LP for the year ended December 31, 2003,
- the balance of Inland Western Retail Real Estate Trust, Inc. as of June 30, 2003,
- and the historical summary of gross income and direct operating expenses of Oswego Commons for the year ended December 31, 2003.

The following financial statements have been included herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing:

- the historical summary of gross
- the historical summary of gross

income and direct operating expenses of Henry Town Center for the year ended December 31, 2003,

- the combined historical summary of gross income and direct operating expenses of the Properties Acquired from FFI American Market Fund, L.P. for the year ended December 31, 2004,
- the historical summary of gross income and direct operating expenses of Mesa Fiesta for the year ended December 31, 2004,
- the historical summary of gross income and direct operating expenses of Trenton Crossing for the year ended December 31, 2004,
- the combined historical summary of gross income and direct operating expenses of the Properties Acquired from Ceruzzi Holdings the year ended December 31, 2004,

income and direct operating expenses of Shoppes at Lake Andrew for the year ended December 31, 2004,

- the historical summary of gross income and direct operating expenses of Midtown Center for the year ended December 31, 2004,
- the combined historical summary of gross income and direct operating expenses of the Properties Acquired from Weber & Company for the year ended December 31, 2004,
- the consolidated balance sheets of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2004 and 2003 and the related consolidated statements of operations, stockholders' equity and cash flows for the year ended December 31, 2004 and the period from March 5, 2003 (inception) through December 31, 2003 and related financial statement schedule, management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2004 and the effectiveness of internal control over financial reporting as of December 31, 2004, which reports appear in the December 31, 2004,
- and the historical summary of gross income and direct operating expenses of the Stateline Station for the year ended December 31, 2004.

APPENDIX A
PRIOR PERFORMANCE TABLES

The following prior performance tables contain information concerning real estate programs sponsored by affiliates of our advisor which have investment objectives similar to ours. This information has been summarized in narrative form under "Prior Performance of Our Affiliates" in the prospectus. The tables provide information on the performance of a number of programs. You can use the information to evaluate the experience of our advisor's affiliates as sponsors of the programs. The inclusion of these tables does not imply that we will make investments comparable to those reflected in the tables or that investors in our shares will experience returns comparable to those experienced in the programs referred to in these tables. If you purchase our shares, you will not acquire any ownership in any of the programs to which these tables relate. The tables consist of:

Table I	Experience in Raising and Investing Funds

* Our prospective investors may obtain copies of Table VI by contacting Inland Western Retail Real Estate Advisory Services, Inc., our advisor.

Table VI is included in Part II of the Post Effective Amendment No. 8 to Form S-11 Registration Statement filed with the Securities and Exchange Commission on March 15, 2005. Upon written request to us or our advisor, any prospective investor may obtain, without charge, a copy of Table VI. See also "Where You Can Find More Information" for information on examining at, or obtaining copies from, offices of the SEC.

Upon written request, any potential investor may obtain, without charge, the most recent annual report on Form 10-K filed with the SEC by any public program sponsored by any of the Inland's affiliated companies which has reported to the SEC within the last 24 months. For a reasonable fee, the affiliated companies will provide copies of any exhibits to such annual reports upon request.

Our investment objectives are to: (i) provide regular distributions to stockholders in amounts which may exceed our taxable income due to the non-cash nature of depreciation expense and, to such extent, will constitute a tax-deferred return of capital, but in no event less than 90% of our taxable income, pursuant to the REIT requirements; (ii) provide a hedge against inflation by entering into leases which contain clauses for scheduled rent escalations or participation in the growth of tenant sales, permitting us to increase distributions and provide capital appreciation; and (iii) preserve stockholders' capital.

The following programs have investment objectives similar to ours and are included in the tables. Inland Retail Real Estate Trust, Inc. or IRRETI and Inland Real Estate Corporation or IREC are two REITs formed primarily to invest in multi-tenant shopping centers, Inland's Monthly Income Fund, L.P. and Inland Monthly Income Fund II, L.P. are public real estate limited partnerships formed primarily to acquire, operate and sell existing residential and commercial real properties. Inland Mortgage Investors Fund, L.P., Inland Mortgage Investors Fund-II, L.P. and Inland Mortgage Investors Fund III, L.P. were public real estate limited partnerships formed primarily to make or acquire loans secured by mortgages on improved, income producing multifamily residential properties.

A-1

TABLE I

EXPERIENCE IN RAISING AND INVESTING FUNDS
(000's omitted)

Table I is intended to present information on a dollar and percentage basis showing the experience of Inland Real Estate Investment Corporation ("IREIC"), of which the Advisor is a wholly owned subsidiary, in raising and investing funds in prior programs where the offering closed in the three years prior to December 31, 2003. The table is intended to focus on the dollar amount available for investment in properties expressed as a percentage of total dollars raised. Inland Retail Real Estate Trust, Inc. is the only program that closed in the three years ended December 31, 2003.

	Inland Re Real Est Trust, I
	1 Progr
Dollar amount offered (A)	$ 2,5
Dollar amount raised (B)	2,2
Less offering expenses:	
Syndication fees (C)	1
Other fees (D)	
Organizational fees	
Reserves (E)	
Available for investment	$ 1,9
Acquisition costs:	
Cash down payments	$ 1,3
Repayment of indebtedness	5
Investment in securities	
Total acquisition costs	$ 1,8
Percent leverage	
Date offerings commenced	
Length of offering	
Months to invest 90% of amount available for investment (measured from beginning of offering)	

TABLE I-(Continued)

EXPERIENCE IN RAISING AND INVESTING FUNDS (A)

NOTES TO TABLE I

(A) This amount does not reflect shares offered for distribution to stockholders participating in Inland Retail Real Estate Trust Inc.'s distribution reinvestment program.

(B) These figures are cumulative and are as of December 31, 2003. The dollar amount raised represents the cash proceeds collected by the program, including shares sold pursuant to our distribution reinvestment program and net of shares repurchased pursuant to our share repurchase program.

(C) Syndication fees are paid by the program to an affiliate, Inland Securities Corporation, or unaffiliated third parties commissions for the sale of shares. All of these syndication fees were used to pay commissions and expenses of the offerings.

(D) Other fees are paid by the program to unaffiliated parties and consist principally of printing, selling and registration costs related to the offering.

(E) Generally, a working capital reserve is established to fund property upgrades and future cash flow deficits, if any, among other things.

(F) On February 11, 1999, the program commenced an initial public offering, on a best effort basis, of 50,000,000 shares of common stock at $10.00 per share. On February 1, 2001, the program commenced an offering of an additional 50,000,000 shares at $10.00 per share, on a best efforts basis. On June 7, 2002, the program commenced an offering of an additional 150,000,000 shares at $10.00 per share, on a best efforts basis. As of December 31, 2003, substantially all proceeds available for investment from the offerings were invested in real properties.

A-3

TABLE II

COMPENSATION TO IREIC AND AFFILIATES (A)
(000'S OMITTED)

Table II summarizes the amount and type of compensation paid to Inland Real Estate Investment Corporation and its affiliates during the three years ended December 31, 2003 in connection with the prior programs.

Some partnerships acquired their properties from affiliates of our advisor which had purchased such properties from unaffiliated third parties.

	Inland Retail Real Estate Trust, Inc.	Inland Real Estate Corporation
Date offering commenced	02/11/99	10/14/94
Dollar amount raised	$ 2,223,010	686,602
Total amounts paid to general partner or affiliates from proceeds of offerings:		
Selling commissions and underwriting fees	194,194(C)	49,869(C)
Other offering expenses (D)	2,762	2,350
Acquisition cost and expense	1,725	925
Dollar amount of cash available from operations before deducting payments to general partner or affiliates (F)	264,442	217,142
Amounts paid to general partner or affiliates related to operations: (J)		
Property management fees (G)	19,526	0
Advisor asset management fee	20,824	0
Accounting services	0	0
Data processing service	0	0
Legal services	0	0

Professional services	162	0
Mortgage servicing fees	495	0
Acquisition costs expensed	309	0
Other administrative services	3,303	0
Dollar amount of property sales and refinancings before payments to general partner and affiliates (H):		
Cash	0	22,978
Notes	0	0
Dollar amounts paid or payable to general partner or affiliates from sales and refinancings (I):		
Sales commissions	0	0
Participation in cash distributions	0	0

A-4

TABLE II

COMPENSATION TO IREIC AND AFFILIATES (A)

NOTES TO TABLE II

(A) The figures in this Table II relating to proceeds of the offerings are cumulative and are as of December 31, 2003 and the figures relating to cash available from operations are for the three years ending December 31, 2003. The dollar amount raised represents the cash proceeds collected by the partnerships or program. Amounts paid or payable to IREIC or affiliates from proceeds of the offerings represent payments made or to be made to IREIC and affiliates from investor capital contributions.

(B) The selling commissions paid to an affiliate is net of amounts which were in turn paid to third party soliciting dealers.

(C) The selling commissions paid to an affiliate includes amounts which were in turn paid to third party soliciting dealers.

(D) Consists of legal, accounting, printing and other offering expenses, including amounts to be paid to Inland Securities Corporation to be used as incentive compensation to its regional marketing representatives and amounts for reimbursement of the general partner for marketing, salaries and direct expenses of its employees while directly engaged in registering and marketing the Units and other marketing and organization expenses.

(E) Represents acquisition fees paid to IREIC and its affiliates in connection with the acquisition of properties.

(F) See Note (B) to Table III.

(G) An affiliate provides property management services for all properties acquired by the partnerships or program. Management fees have not exceeded 4.5% of the gross receipts from the properties managed.

(H) See Table V and Notes thereto regarding sales and disposals of properties.

(I) Real estate sales commissions and participations in cash distributions are paid or payable to IREIC and/or its affiliates in connection with the sales of properties in the public partnership programs. Payments of all amounts shown are subordinated to the receipt by the limited partners of their original capital investment. See Table V and Notes thereto.

(J) On July 1, 2000, IREC completed the acquisition of Inland Real Estate Advisory Services, Inc., the former advisor, and Inland Commercial Property Management, Inc., the former property manager (the "Merger"). Each of these entities was merged into subsidiaries that are wholly owned by IREC. As a result of the merger, IREC is now "self-administered." IREC no longer pays advisory or property management fees or other expenses to affiliates but instead has hired an internal staff to perform these tasks.

A-5

TABLE III

OPERATING RESULTS OF PRIOR PROGRAMS

Table III presents operating results for programs, the offerings of which closed during each of the five years ended December 31, 2003. The operating results consist of:

- The components of taxable income (loss);
- Taxable income or loss from operations and property sales;
- Cash available and source, before and after cash distributions to investors; and
- Tax and distribution data per $1,000 invested.

Based on the following termination dates of the offerings, only IRRETI is included in Table III.

- Inland's Monthly Income Fund, L.P. - offering terminated in 1988
- Inland Monthly Income Fund II, L.P. - offering terminated in 1990
- Inland Mortgage Investors Fund, L.P. - offering terminated in 1987
- Inland Mortgage Investors Fund - II, L.P. - offering terminated in 1988
- Inland Mortgage Investors Fund III, L.P. - offering terminated in 1991
- Inland Real Estate Corporation - offering terminated in 1998

A-6

TABLE III

OPERATING RESULTS OF PRIOR PROGRAMS
(000'S OMITTED, EXCEPT FOR AMOUNTS PRESENTED PER $1,000 INVESTED)

INLAND RETAIL REAL ESTATE TRUST INC.

	2003	2002	2001	200
Gross revenues	$ 317,828	116,011	37,755	2
Profit on sale of properties	0	0	0	
Less:				
Operating expenses	78,568	27,614	10,178	
Interest expense	62,349	23,508	9,712	
Program expenses	22,069	7,998	1,219	
Depreciation & amortization	85,006	29,395	8,653	

Net income (loss)-GAAP basis	$ 69,836	27,496	7,993
Taxable income (loss) (A):	0	0	0
Cash available (deficiency) from operations (B)	147,403	55,250	17,170
Cash available from sales (C)	828	0	0
Total cash available before distributions and special items	148,231	55,250	17,170
Less distributions to investors:			
From operations	152,888	52,156	15,963
From sales and refinancings	0	0	0
Cash available after distributions before special items	(4,657)	3,094	1,207
Special items:	0	0	0
Cash available after distributions and special items	$ (4,657)	3,094	1,207
Tax data per $1,000 invested (A):	0	0	0
Distribution data per $1,000 invested:			
Cash distributions to investors:			
Source (on GAAP basis):			
Investment income	.83	.83	.81
Source (on cash basis):			
Sales	0	0	0
Operations (D)	.83	.83	.81
Percent of properties remaining unsold	100%		

A-7

TABLE III--(CONTINUED)

OPERATING RESULTS OF PRIOR PROGRAMS

NOTES TO TABLE III

(A) IRRETI qualified as real estate investment trusts ("REITs") under the Internal Revenue Code for federal income tax purposes. Since it qualified for taxation as a REIT, it generally will not be subject to federal income tax to the extent it distributes its REIT taxable income to its stockholders. If IRRETI fails to qualify as a REIT in any taxable year, it will be subject to federal income tax on its taxable income at regular corporate tax rates. However, even if the program qualifies for taxation as a REIT, it may be subject to certain state and local taxes on its income and property and federal income and excise taxes on its undistributed income.

(B) "Cash Available (Deficiency) from Operations," represents all cash revenues and funds received by the programs, including but not limited to operating income less operating expenses, and interest income. These amounts do not include payments made by the programs from offering proceeds nor do they include proceeds from sales or refinancings. These amounts also exclude advances from or repayments to IREIC and affiliates which are disclosed elsewhere in the table and include principal payments on long-term debt. For example:

	Inland Retail Real Estate Trust Inc. (000's omitted)				
	2003	2002	2001	2000	1999
Net cash provided by operating activities per the Form 10-K annual report	$ 149,081	55,594	17,427	5,604	2,648
Principal payments on long-term debt	(1,678)	(344)	(257)	(238)	(110)
	$ 147,403	55,250	17,170	5,366	2,538

(C) See Table V and Notes thereto regarding sales and disposals of properties.

TABLE III--(CONTINUED)

OPERATING RESULTS OF PRIOR PROGRAMS

NOTES TO TABLE III

(D) Distributions by a REIT to the extent of its current and accumulated earnings and profits for federal income tax purposes are taxable to stockholders as ordinary income. Distributions in excess of these earnings and profits generally are treated as a non-taxable reduction of the stockholder's basis in the shares to the extent thereof, and thereafter as taxable gain (a return of capital). These distributions in excess of earnings and profits will have the effect of deferring taxation of the amount of the distribution until the sale of the stockholder's shares.

	Inland Retail Real Estate Trust, Inc.				
	2003	2002	2001	2000	1999
% of Distribution representing:					
Ordinary income	60.85	62.65	60.49	54.55	22.23
Return of Capital	39.15	37.35	39.51	45.45	77.77
	100.00	100.00	100.00	100.00	100.00

A-9

TABLE IV

RESULTS OF COMPLETED PROGRAMS

(000'S OMITTED, EXCEPT FOR AMOUNTS PRESENTED PER $1,000 INVESTED)

Table IV is a summary of operating and disposition results of prior programs sponsored by affiliates of our advisor, which during the five years ended prior to December 31, 2003 have sold their properties and either hold notes with respect to such sales or have liquidated. One program with investment objectives similar to ours disposed of all of its properties during the five years ended prior to December 31, 2003.

Program Name	Inland Mortgage Investors Fund, L.P.
Dollar amount raised	10,065
Number of properties/loans purchased	15
Date of closing of offering	02/87
Date of first sale of property	12/88
Date of final sale of property	03/99
Tax and distribution data per $1,000 invested (A):	
Federal income tax results:	
Ordinary income (loss):	
Operations	547
Recapture	0
Capital Gain	30
Deferred Gain:	
Capital	0
Ordinary	0
Cash distributions to investors (cash basis):	
Source (on GAAP basis)	
Investment income	624
Return of capital	745
Source (on cash basis)	
Sales	745
Operations	624

(A) Data per $1,000 invested is presented as of December 31, 2003. See Table V and Notes thereto regarding sales and disposals of properties.

A-10

TABLE V

SALES OR DISPOSALS OF PROPERTIES

Table V presents information on the results of the sale or disposals of properties in programs with investment objectives similar to ours during the three years ended December 31, 2003. Since January 1, 2001, programs sponsored by affiliates of our advisor had seven sales transactions. The table provides certain information to evaluate property performance over the holding period such as:

- Sales proceeds received by the partnerships in the form of cash down payments at the time of sale after expenses of sale and secured notes received at sale;
- Cash invested in properties;
- Cash flow (deficiency) generated by the property;
- Taxable gain (ordinary and total); and
- Terms of notes received at sale.

TABLE V (CONTINUED)

SALES OR DISPOSALS OF PROPERTIES (A)
(000'S OMITTED)

	Date Acquired	Date of Sale	Cash Received, net of Closing Costs(B)	Selling Commissions Paid or Payable to Inland	Mortgage at Time of Sale
IREC - Lincoln Park Place	01/24/97	04/17/01	1,314	0	1,050
IREC - Antioch Plaza	12/95	03/28/02	943	0	875
IREC - Shorecrest Plaza	07/97	06/12/02	3,107	0	2,978
IREC - Popeye's	06/97	04/08/03	343	0	0
IREC - Summit of Park Ridge	12/96	12/24/03	3,578	0	1,600
IREC - Eagle Country Market	11/97	12/24/03	5,182	0	1,450
IREC - Eagle Ridge Center	04/99	12/30/03	3,185	0	3,000

	Secured Notes Received at Sale	Adjust. Resulting from Application of GAAP	Net Selling Price	Original Mortgage Financing	Partnership Capital Invested (C)
IREC - Lincoln Park Place	0	0	2,364	0	1,897
IREC - Antioch Plaza	0	0	1,818	875	753
IREC - Shorecrest Plaza	0	0	6,085	2,978	2,947
IREC - Popeye's	0	0	343	0	346
IREC - Summit of Park Ridge	0	0	5,178	0	5,181
IREC - Eagle Country Market	0	0	6,632	0	6,635
IREC - Eagle Ridge Center	0	0	6,185	0	6,187

	Excess (deficiency) of property operating cash receipts over cash expenditures (D)	Amount of subsidies included in operating cash receipts	Total Taxable Gain (loss) from Sale
IREC - Lincoln Park Place	218	0	467
IREC - Antioch Plaza	130	0	0(E)
IREC - Shorecrest Plaza	1,556	0	0(E)
IREC - Popeye's	241	0	3
IREC - Summit of Park Ridge	1,399	0	0(E)
IREC - Eagle Country Market	1,290	0	0(E)
IREC - Eagle Ridge Center	1,441	0	0(E)

TABLE V - (CONTINUED)

SALES OR DISPOSALS OF PROPERTIES

NOTES TO TABLE V

(A) The table includes all sales of properties by the programs with investment objectives similar to ours during the three years ended December 31, 2003. All sales have been made to parties unaffiliated with the partnerships.

(B) Consists of cash payments received from the buyers and the assumption of certain liabilities by the buyers at the date of sale, less expenses of sale.

(C) Amounts represent the dollar amount raised from the offerings, less sales commissions and other offering expenses plus additional costs incurred on the development of the land parcels.

(D) Represents "Cash Available (Deficiency) from Operations (including subsidies)" as adjusted for applicable "Fixed Asset Additions" through the year of sale.

(E) For tax purposes, this sale qualified as part of a tax-deferred exchange. As a result, no taxable gain will be recognized until the replacement property is disposed of in a subsequent taxable transaction.

INDEX TO FINANCIAL STATEMENTS

(b) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 2004

(c) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004

MESA FIESTA:

(a) Independent Auditors' Report

(b) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 2004

(c) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004

MIDTOWN CENTER:

(a) Independent Auditors' Report

(b) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 2004

(c) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004

TRENTON CROSSING:

(a) Independent Auditors' Report

(b) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 2004

(c) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004

PROPERTIES ACQUIRED FROM WEBER & COMPANY:

(a) Independent Auditors' Report

(b) Combined Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004

(c) Notes to the Combined Historical Summary of Gross Income and Direct Operating Expenses for t year ended December 31, 2004

STATELINE STATION:

(a) Independent Auditors' Report

(b) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 2004

(c) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004

MCALLEN SHOPPING CENTER:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004 (unaudited)

23RD STREET PLAZA:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004 (unaudited)

PHENIX CROSSING:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the period from July 1, (commencement of operations) through December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the period from July 1, 2004 (commencement of operations) through December 31, 2004 (unaudited)

MAGNOLIA SQUARE:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the period from February 1, 2004 (commencement of operations) through December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the period from February 1, 2004 (commencement of operations) through December 31, 2004 (unaudited)

COTTAGE PLAZA:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the period from November 1, 2004 (commencement of operations) through December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the period from November 1, 2004 (commencement of operations) through December 31, 2004 (unaudited)

VILLAGE AT QUAIL SPRINGS:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e December 31, 2004 (unaudited)

HOLLIDAY TOWN CENTER:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the year ended December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the year e
December 31, 2004 (unaudited)

HIGH RIDGE CROSSING:

(a) Historical Summary of Gross Income and Direct Operating Expenses for the period from May 17,
(commencement of operations) through December 31, 2004 (unaudited)

(b) Notes to the Historical Summary of Gross Income and Direct Operating Expenses for the period from May 17, 2004 (commencement of operations) through December 31, 2004 (unaudited)

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Inland Western Retail Real Estate Trust, Inc.:

We have audited the accompanying consolidated balance sheets of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule III. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2004 and 2003, and the results of their operations and their cash flows for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Inland Western Retail Real Estate Trust, Inc.'s internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 3, 2005 expressed an unqualified opinion on management's assessment of, and the effective operation of, internal control over financial reporting.

KPMG LLP

Chicago, Illinois
March 3, 2005

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Inland Western Retail Real Estate Trust, Inc.:

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Inland Western Retail Real Estate Trust, Inc. maintained effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Inland Western Retail Real Estate Trust, Inc. maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Also, in our opinion, Inland Western Retail Real Estate Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Inland Western Retail Real Estate Trust, Inc. as of December 31, 2004 and 2003, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2004 and the period from March 3, 2003 (inception) to December 31, 2003, and our report dated March 3, 2005 expressed an unqualified opinion on those consolidated financial statements. In connection with our audit of the consolidated financial statements, we also have audited the financial statement schedule III.

KPMG LLP

Chicago, Illinois
March 3, 2005

F-2

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED BALANCE SHEETS
(Amounts in thousands)

ASSETS

	December 31, 2004	
Investment properties:		
Land	$ 575,032	$
Building and other improvements	2,654,585	
	3,229,617	
Less accumulated depreciation	(36,290)	
Net investment properties	3,193,327	
Cash and cash equivalents (including cash held by management company of $8,574 and $239 as of December 31, 2004 and 2003, respectively)	241,224	
Restricted cash (Note 2)	65,923	
Restricted escrows (Note 2)	17,105	
Investment in marketable securities and treasury contracts	1,287	
Investment in unconsolidated joint ventures (Note 9)	75,261	
Accounts and rents receivable (net of allowance of $346 and $0 as of December 31, 2004 and 2003, respectively)	19,962	
Due from affiliates (Note 3)	654	
Note receivable (Note 6)	31,772	
Acquired in-place lease intangibles and customer relationship value (net of accumulated amortization of $9,976		

and $52 as of December 31, 2004 and 2003, respectively)		240,116
Acquired above market lease intangibles (net of accumulated amortization of $3,124 and $5 as of December 31, 2004 and 2003, respectively)		40,774
Loan fees, leasing fees and loan fee deposits (net of accumulated amortization of $755 and $25 as of December 31, 2004 and 2003, respectively)		19,472
Other assets		8,939
Total assets	$	3,955,816

See accompanying notes to consolidated financial statements

F-3

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED BALANCE SHEETS
(continued)
(Amounts in thousands)

LIABILITIES AND STOCKHOLDER'S EQUITY

		December 31, 2004
Liabilities:		
Mortgages and notes payable (Note 7)	$	1,783,114
Accounts payable		1,692
Accrued offering costs due to affiliates		2,880
Accrued interest payable		4,306
Tenants improvements payable		5,096
Accrued real estate taxes		4,254
Distributions payable		11,378
Security deposits		3,679
Line of credit (Note 8)		-
Prepaid rental income and other liabilities		7,765
Advances from sponsor (Note 3)		3,523
Acquired below market lease intangibles (net of accumulated amortization of $4,718 and $15 as of December 31, 2004 and 2003, respectively)		85,986
Restricted cash liability (Note 2)		65,923
Due to affiliates		957
Total liabilities		1,980,553
Minority interests		89,537
Stockholders' equity:		
Preferred stock, $.001 par value, 10,000 shares authorized, none outstanding		-
Common stock, $.001 par value, 250,000 shares authorized, 217,458		

and 18,737 shares issued and outstanding as of December 31, 2004 and 2003, respectively	217
Additional paid in capital (net of offering costs of $234,014 and $22,145 as of December 31, 2004 and 2003, respectively, of which $175,509 and $16,860 was paid or accrued to affiliates as of December 31, 2004 and 2003, respectively)	1,940,018
Accumulated distributions in excess of net income (loss)	(54,750)
Accumulated other comprehensive income	241
Total stockholders' equity	1,885,726
Commitments and contingencies (Note 12)	
Total liabilities and stockholders' equity	$ 3,955,816

See accompanying notes to consolidated financial statements

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share amounts)

	Year Ended December 31, 2004
Income:	
Rental income	$ 106,4
Tenant recovery income	23,1
Other property income	8
Total income	130,4
Expenses:	
General and administrative expenses to affiliates	1,8
General and administrative expenses to non-affiliates	3,0
Property operating expenses to affiliates	5,3
Property operating expenses to non-affiliates	14,0
Real estate taxes	13,0
Depreciation and amortization	47,9
Total expenses	85,3
Operating income (loss)	$ 45,0
Other income	3,6

Interest expense		(33,1
Realized loss on sale of treasury contracts		(3,6
Minority interests		3
Equity in earnings (losses) of unconsolidated entities		(5
Net income (loss)	$	11,7
Other comprehensive income:		
Unrealized gain on investment securities		2
Comprehensive income (loss)	$	11,9
Net income(loss) per common share, basic and diluted	$	.
Weighted average number of common shares outstanding, basic and diluted		98,5

See accompanying notes to consolidated financial statements

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

For the year ended December 31, 2004 and for the period from March 5, 2003
(inception) to December 31, 2003
(Amounts in thousands)

	NUMBER OF SHARES	COMMON STOCK	ADD P C
Balance at March 5, 2003 (inception)	-	$ -	$
Net loss	-	-	
Distributions declared (.15 per weighted average number of common shares outstanding)	-	-	
Proceeds from offering	18,718	19	
Offering costs	-	-	
Proceeds from dividend reinvestment program	19	-	
Issuance of stock options and discounts on shares issued to affiliates	-	-	
Balance at December 31, 2003	18,737	$ 19	$
Net income	-	-	
Unrealized gain on investment securities	-	-	

Distributions declared (.66 per weighted number of common shares outstanding)	-	-	
Proceeds from offering	195,671	195	
Offering costs	-	-	
Proceeds from dividend reinvestment program	3,060	3	
Shares repurchased	(10)	-	
Shares obligated to be repurchased as of December 31, 2004	-	-	
Contribution from sponsor advances	-	-	
Issuance of stock options and discounts on shares issued to affiliates	-	-	
Balance at December 31, 2004	217,458	$ 217	$

	ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME (LOSS)	ACCUMULATED OTHER COMPREHENSIVE INCOME	
Balance at March 5, 2003 (inception)	$ -	$ -	$
Net loss	(173)	-	
Distributions declared (.15 per weighted average number of common shares outstanding)	(1,286)	-	
Proceeds from offering	-	-	
Offering costs	-	-	
Proceeds from dividend reinvestment program	-	-	
Issuance of stock options and discounts on shares issued to affiliates	-	-	
Balance at December 31, 2003	$ (1,459)	$ -	$
Net income	11,701	-	
Unrealized gain on investment securities	-	241	
Distributions declared (.66 per weighted number of common shares outstanding)	(64,992)	-	
Proceeds from offering	-	-	
Offering costs	-	-	
Proceeds from dividend reinvestment program	-	-	
Shares repurchased	-	-	
Shares obligated to be repurchased as of December 31, 2004	-	-	
Contribution from sponsor advances	-	-	
Issuance of stock options and discounts on shares issued to affiliates	-	-	
Balance at December 31, 2004	(54,750)	$ 241	$

See accompanying notes to consolidated financial statements

F-6

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Year Ended December 31, 2004	Perio (in De
Cash flows from operations:		
Net income (loss)	$ 11,701	$
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	36,149	
Amortization	11,824	
Amortization of acquired above market leases	3,119	
Amortization of acquired below market leases	(4,703)	
Rental income under master leases	3,025	
Straight line rental income	(3,886)	
Straight line lease expense	919	
Minority interests	(398)	
Loss from investments in unconsolidated entities	589	
Issuance of stock options and discount on shares issued to affiliates	430	
Realized loss on sale of treasury contracts	3,667	
Changes in assets and liabilities:		
Accounts and rents receivable net of change in allowance of $346 and $0 for December 31, 2004 and 2003, respectively.	(14,928)	
Other assets	(3,276)	
Accounts payable	1,542	
Accrued interest payable	4,306	
Accrued real estate taxes	3,674	
Security deposits	3,571	
Prepaid rental income and other liabilities	6,195	
Net cash flows provided by operating activities	63,520	
Cash flows from investing activities:		
Purchase of investment securities and treasury contracts	(4,713)	
Restricted escrows	(17,105)	
Purchase of investment properties	(3,002,437)	
Acquired in-place lease intangibles and customer relationship value	(241,286)	
Acquired above market leases	(42,303)	
Acquired below market leases	84,779	
Contributions from minority interests - joint ventures	95,568	
Distributions to minority interests - joint ventures	(5,251)	
Purchase of unconsolidated joint ventures	(76,232)	
Interest capitalized for real estate under development	(85)	
Payment of leasing fees	(761)	
Tenant improvements payable	4,570	
Other assets	(4,482)	
Funding of notes receivable	(31,772)	
Due to affiliates	(1,545)	

Net cash flows used in investing activities	(3,243,055)	

See accompanying notes to consolidated financial statements

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(continued)
(Amounts in thousands)

	Year Ended December 31, 2004	Peri (
Cash flows from financing activities:		
Proceeds from offering	1,955,712	
Proceeds from the dividend reinvestment program	29,070	
Shares repurchased	(193)	
Payment of offering costs	(210,358)	
Proceeds from mortgage debt and notes payable	1,653,523	
Principal payments on mortgage debt	(175)	
Proceeds from unsecured line of credit	165,000	
Payoff of unsecured line of credit	(170,000)	
Payment of loan fees and deposits	(16,613)	
Distributions paid	(54,542)	
Due from affiliates	2,585	
Advances from advisor	-	
Contribution from sponsor advances	2,369	
Net cash flows provided by financing activities	3,356,378	
Net increase in cash and cash equivalents	176,843	
Cash and cash equivalents, at beginning of period	64,381	
Cash and cash equivalents, at end of period	$ 241,224	$
Cash paid for interest, net of interest capitalized of $85	$ 28,869	
Restricted cash	$ (65,923)	
Restricted cash liability	65,923	
Due from sponsor	$ (654)	
Due to sponsor	654	
Share repurchase program	$ (472)	
Share repurchase program liability	472	

Supplement schedule of non-cash investing and financing activities:		
Purchase of investment properties	$	(3,113,038)
Assumption of mortgage debt		100,139
Write-off of acquisition reserve		521
Purchase price adjustments		2,389
Conversion of mortgage receivable to investment property		7,552
	$	(3,002,437)
Distributions payable	$	11,378
Accrued offering costs payable	$	2,880
Write-off of fully amortized loan fees	$	1,170

See accompanying notes to financial statements

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003

(1) Organization and Basis of Accounting

Inland Western Retail Real Estate Trust, Inc. (the "Company") was formed on March 5, 2003 to acquire and manage a diversified portfolio of real estate, primarily multi-tenant shopping centers. The Advisory Agreement provides for Inland Western Retail Real Estate Advisory Services, Inc. (the "Business Manager" or "Advisor"), an Affiliate of the Company, to be the Business Manager or Advisor to the Company. On September 15, 2003, the Company commenced an initial public offering (the initial public offering) of up to 250,000,000 shares of common stock at $10 each and the issuance of 20,000,000 shares at $9.50 each which may be distributed pursuant to the Company's distribution reinvestment program. The Company registered a second offering (the second offering) that became effective on December 28, 2004 with the Securities and Exchange Commission for up to 250,000,000 shares of common stock at $10 each and up to 20,000,000 shares at $9.50 each pursuant to the distribution reinvestment program. Sales of shares in the second offering began in early January 2005.

The Company is qualified and has elected to be taxed as a real estate investment trust ("REIT") under the Internal Revenue Code of 1986, as amended, for federal income tax purposes commencing with the tax year ending December 31, 2003. Since the Company qualifies for taxation as a REIT, the Company generally will not be subject to federal income tax to the extent it distributes at least 90% of its REIT taxable income to its stockholders. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income and property and federal income and excise taxes on its undistributed income.

The Company provides the following programs to facilitate investment in the Company's shares and to provide limited liquidity for stockholders.

The Company allows stockholders who purchase shares in the initial public offering and second offering to purchase additional shares from the Company by automatically reinvesting distributions through the distribution reinvestment program ("DRP"), subject to certain share ownership restrictions. Such purchases under the DRP are not subject to selling commissions or the marketing contribution and due diligence expense allowance, and are made at a price of $9.50 per share.

The Company will repurchase shares under the share repurchase program ("SRP"), if requested, at least once quarterly on a first-come, first-served basis, subject to certain restrictions. Subject to funds being available, the Company will limit the number of shares repurchased during any calendar year to 5% of the weighted average number of shares outstanding during the prior calendar year. Funding for the SRP will come exclusively from proceeds that the Company receives from the sale of shares under the DRP and such other operating funds, if any, as the Company's board of directors, at its sole discretion, may reserve for this purpose. The board, at its sole discretion, may choose to terminate the share repurchase program after the end of the offering period, or reduce the number of shares purchased under the program, if it determines that the funds allocated to the SRP are needed for other purposes, such as the acquisition, maintenance or repair of properties, or for use in making a declared distribution. A determination by the board to eliminate or reduce the share repurchase program will require the unanimous affirmative vote of the independent directors. As of December 31, 2004, the Company had repurchased 10,350 shares for $192,667.

The accompanying Consolidated Financial Statements include the accounts of the Company, as well as all wholly owned subsidiaries and consolidated joint venture investments. Wholly owned subsidiaries generally consist of limited liability companies (LLC's) and limited partnerships (LP's). The effects of all significant intercompany transactions have been eliminated.

The Company would consolidate certain property holding entities and other subsidiaries that it owns less than a 100% equity interest if the entity is a variable interest entity ("VIE") and it is the primary beneficiary (as defined in FASB Interpretation 46(R) CONSOLIDATION OF VARIABLE INTEREST ENTITIES, an Interpretation of ARB No. 51, as revised ("FIN 46(R)")). For joint ventures that are not VIE's of which the Company owns less than 100% of the equity interest, the Company consolidates the property if it receives substantially all of the economics or has the direct or indirect ability to make major decisions. Major decisions are defined in the respective joint venture agreements and generally include participating and protective rights such as decisions regarding major leases, encumbering the entities with debt and whether to dispose of the entities.

The Company has a 95% ownership interest in the LLC's which own Gateway Village, Boulevard at the Capital Centre, Towson Circle, Reisterstown Road Plaza and Tollgate Marketplace, however, the Company shares equally in major decisions. These entities are considered VIE's as defined in FIN 46(R) and the Company is considered the primary beneficiary. Therefore these entities are consolidated by the Company and the 5% outside ownership interest is reflected as minority interest in the accompanying Consolidated Financial Statements.

The Company has a 60.9% ownership interest in, and is the controlling member of the LLC which owns Cardiff Hall East Apartments. The other members' interests in the property are reflected as minority interest in the accompanying Consolidated Financial Statements.

(2) Summary of Significant Accounting Policies

The accompanying Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentations.

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

The Company records lease termination income if there is a signed termination agreement, all of the conditions of the agreement have been met, and the tenant is no longer occupying the property.

Staff Accounting Bulletin ("SAB") 101, REVENUE RECOGNITION IN FINANCIAL STATEMENTS, determined that a lessor should defer recognition of contingent rental income (i.e. percentage/excess rent) until the specified target (i.e. breakpoint) that triggers the contingent rental income is achieved. The Company records percentage rental revenue in accordance with the SAB 101.

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

The Company classifies its investment in securities in one of three categories: trading, available-for-sale, or held-to-maturity. Trading securities are bought and held principally for the purpose of selling them in the near term.

Held-to-maturity securities are those securities in which the Company has the ability and intent to hold the security until maturity. All securities not included in trading or held-to-maturity are classified as available-for-sale. Investment in securities at December 31, 2004 consists of common stock investments and is classified as available-for-sale securities and is recorded at fair value. Unrealized holding gains and losses on available-for-sale securities are excluded from earnings and reported as a separate component of other comprehensive income until realized. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis. A decline in the market value of any available-for-sale security below cost that is deemed to be other than temporary, results in a reduction in the carrying amount to fair value. The impairment is charged to earnings and a new costs basis for the security is established. To determine whether an impairment is other than temporary, the Company considers whether it has the ability and intent to hold the investment until a market price recovery and considers whether evidence indicating the cost of the investment is recoverable outweighs evidence to the contrary. Evidence considered in this assessment includes the reasons for the impairment, the severity and duration of the impairment, changes in value subsequent to year end and forecasted performance of the investee. Of the investment securities held on December 31, 2004, the Company has accumulated other comprehensive income of $241,015.

Costs associated with the offerings are deferred and charged against the gross proceeds of the offerings upon closing. Formation and organizational costs are expensed as incurred. For the period from March 5, 2003 (inception) through December 31, 2003, $7,500 of organizational costs was expensed. No organizational costs were expensed in the year ended December 31, 2004.

The Company applies the fair value method of accounting as prescribed by Statement of Financial Accounting Standards ("SFAS") No. 123, ACCOUNTING FOR STOCK-BASED COMPENSATION for its stock options granted. Under this method, the Company will report the value of granted options as a charge against earnings ratably over the vesting period.

The Company enters into interest rate futures contracts or treasury contracts as a means of reducing exposure to rising interest rates. At inception, contracts are evaluated in order to determine if they will qualify for hedge accounting treatment and will be accounted for either on a deferral, accrual or market value basis depending on the nature of the hedge strategy and the method used to account for the hedged item. Hedge criteria include demonstrating the manner in which the hedge will reduce risk, identifying the specific asset, liability or firm commitment being hedged, and citing the time horizon being hedged.

For the year ended December 31, 2004, the Company entered into treasury contracts with a futures commission merchant with yields ranging from 3.27% to 3.85% for 5 year treasury contracts and 4.00% to 4.63% for 10 year treasury contracts. On December 31, 2004, the treasury contracts had a liquidation value of $46,005 resulting in a loss of $3,666,894 for the year ended December 31, 2004. As these treasury contracts are not offsetting future commitments and therefore do not qualify as hedges, the net loss is recognized currently in earnings.

Differences between the carrying amount of the investment in unconsolidated joint ventures and the Company's equity in the underlying assets are depreciated over 30 years.

Real estate acquisitions are recorded at costs less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred.

Depreciation expense is computed using the straight line method. Building and improvements are depreciated based upon estimated useful lives of 30 years for building and improvements and 15 years for site improvements.

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003
(continued)

In accordance with SFAS No. 144, the Company performs an analysis to identify impairment indicators to ensure that the investment property's carrying value does not exceed its fair value. The valuation analysis performed by the Company is based upon many factors which require difficult, complex or subjective judgments to be made. Such assumptions include projecting vacancy rates, rental rates, operating expenses, lease terms, tenant financial strength, economy, demographics, property location, capital expenditures and sales value among other assumptions to be made upon valuing each property. This valuation is sensitive to the actual results of any of these uncertain factors, either individually or taken as a whole. Based upon the Company's judgment, no impairment was warranted as of December 31, 2004 or December 31, 2003.

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

Leasing fees are amortized on a straight-line basis over the life of the related lease.

Loan fees are amortized on a straight-line basis over the life of the related loans.

The Company allocates the purchase price of each acquired investment property between land, building and improvements, acquired above market and below market leases, in-place lease value, and any assumed financing that is determined to be above or below market terms. In addition, we allocate a portion of the purchase price to the value of the customer relationships. The allocation of the purchase price is an area that requires judgment and significant estimates. The Company uses the information contained in the independent appraisal obtained at acquisition as the primary basis for the allocation to land and building and improvements. The Company determines whether any financing assumed is above or below market based upon comparison to similar financing terms for similar investment properties. The Company also allocates a portion of the purchase price to the estimated acquired in-place lease costs based on estimated lease execution costs for similar leases as well as lost rent payments during assumed lease-up period when calculating as if vacant fair values. The Company considers various factors including geographic location and size of leased space. The Company also evaluates each acquired lease based upon current market rates at the acquisition date and considers various factors including geographical location, size and location of leased space within the investment property, tenant profile, and the credit risk of the tenant in determining whether the acquired lease is above or below market lease costs. After an acquired lease is determined to be above or below market lease costs, the Company allocates a portion of the purchase price to such above or below acquired lease costs based upon the present value of the difference between the contractual lease rate and the estimated market rate. However, for below market leases with fixed rate renewals, renewal periods are included in the calculation of below market in-place lease values. The determination of the discount rate used in the present value calculation is based upon the "risk free rate." This discount rate is a significant factor in determining the market valuation which requires the Company's judgment of subjective factors such as market knowledge, economics, demographics, location, visibility, age and physical condition of the property.

The application of the SFAS Nos. 141 and 142 resulted in the recognition upon acquisition of additional intangible assets and liabilities relating to real estate acquisitions during the years ended December 31, 2004 and December 31, 2003. The portion of the purchase price allocated to acquired above market lease costs and acquired below market lease costs are amortized on a straight line basis over the life of the related lease as an adjustment to rental income and over the respective renewal period for below market lease costs with fixed rate renewals. Amortization pertaining to the above market lease costs of $3,118,699 was applied as a reduction to rental income for the year ended December 31, 2004 and $5,227 for the period from March 5, 2003 (inception) through December 31, 2003. Amortization pertaining to the below market lease costs of $4,703,357 was applied as an increase to rental income for the year ended December 31, 2004 and $15,386 for the period from March 5, 2003 (inception) through December 31, 2003.

The portion of the purchase price allocated to acquired in-place lease intangibles is amortized on a straight line basis over the life of the related lease. The Company incurred amortization expense pertaining to acquired in-place lease intangibles of $9,923,630 for the year ended December 31, 2004 and $51,773 for the period from March 5, 2003 (inception) through December 31, 2003.

The portion of the purchase price allocated to customer relationship value is amortized on a straight line basis over the life of the related lease.

The following table presents the amortization during the next five years related to the acquired in-place lease intangibles, customer relationship value, acquired above market lease costs and the below market lease costs for properties owned at December 31, 2004.

Amortization of:	2005	2006	2007	2008
Acquired above market lease costs	$ (5,576,668)	(5,391,370)	(4,558,366)	(4,275,216)
Acquired below market lease costs	9,930,801	9,166,611	8,238,008	7,337,557
Net rental income increase	$ 4,354,133	3,775,241	3,679,642	3,062,341
Acquired in-place lease intangibles	$ (25,857,397)	(25,857,397)	(25,857,397)	(25,803,230)
Customer relationship value	$ (200,000)	(200,000)	(200,000)	(200,000)

In conjunction with certain acquisitions, the Company receives payments under master lease agreements pertaining to certain, non-revenue producing spaces either at the time of, or subsequent to, the purchase of some of the Company's properties. Upon receipt of the payments, the receipts are recorded as a reduction in the purchase price of the related properties rather than as rental income. These master leases were established at the time of purchase in order to mitigate the potential negative effects of loss of rent and expense reimbursements. Master lease payments are received through a draw of funds escrowed at the time of purchase and may cover a period from three months to three years. These funds may be released to either the Company or the seller when certain leasing conditions are met. Restricted cash includes funds received by third party escrow agents from sellers pertaining to master lease agreements. The Company records the third party escrow funds as both an asset and a corresponding liability, until certain leasing conditions are met.

Restricted escrows primarily consist of lenders' restricted escrows and earnout escrows. Earnout escrows are established upon the acquisition of certain investment properties for which the funds may be released to the seller when certain leasing conditions have been met.

Notes receivable relate to real estate financing arrangements and bear interest at a market rate based on the borrower's credit quality and are recorded at face value. Interest is recognized over the life of the note. The Company requires collateral for the notes.

A note is considered impaired pursuant to SFAS No. 114, ACCOUNTING BY CREDITORS FOR IMPAIRMENT OF A LOAN. Pursuant to SFAS No. 114, a note is impaired if it is probable that the Company will not collect all principal and interest contractually due. The impairment is measured based on the present value of expected future cash flows discounted at the note's effective interest rate. The Company does not accrue interest when a note is considered impaired. When ultimate collectibility of the principal balance of the impaired note is in doubt, all cash receipts on impaired notes are applied to reduce the principal amount of such notes until the principal has been recovered and are recognized as interest income, thereafter.

The carrying amount of the Company's debt approximates fair value. The Company estimates the fair value of its mortgages payable by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Company's lenders. The carrying amount of the Company's other financial instruments approximate fair value because of the relatively short maturity of these instruments.

New Accounting Pronouncements

In December 2004, the FASB issued SFAS No. 153, EXCHANGE OF NONMONETARY ASSETS, AN AMENDMENT OF APB OPINION NO. 29, ("SFAS 153"). The amendments made by SFAS 153 are based on the principle that exchanges of nonmonetary assets should be measured on the fair value of assets exchanged. It eliminates the exceptions for nonmonetary exchanges of similar productive assets and replaces it with a broader exception for exchanges of nonmonetary assets that do not have commercial substance. The statement is effective for nonmonetary exchanges occurring in fiscal periods beginning after June 15, 2005. The Company does not believe that the adoption of SFAS 153 will have a material impact on its Consolidated Financial Statements.

(3) Transactions with Affiliates

The Business Manager or Advisor contributed $200,000 to the capital of the Company for which it received 20,000 shares of common stock.

Certain compensation and fees payable to the Business Manager or Advisor for services to be provided to the Company are limited to maximum amounts.

Nonsubordinated payments:	
Offering stage:	
Selling commissions	7.5% of the sale price for each share
Marketing contribution and due diligence allowance	3.0% of the gross offering proceeds
Reimbursable expenses and other expenses of issuance	We will reimburse our sponsor for actual costs in behalf, in connection with the offerings
Acquisition stage:	
Acquisition expenses	We will reimburse an affiliate of our business ma advisor for costs incurred, on our behalf, in con the acquisition of properties

Operational stage:	
Property management fee THIS FEE TERMINATES UPON A BUSINESS COMBINATION WITH THE PROPERTY MANAGEMENT COMPANY.	4.5% of the gross income from the properties. (cannot exceed 90% of the fee which would be paya an unrelated third party)
Loan servicing fee	.03% per year on the first billion dollars of mor serviced and .01% thereafter
Other property level services	Compensation for these services will not exceed 9 that which would be paid to any third party for s services
Reimbursable expenses relating to administrative services	The compensation and reimbursements to our busine advisor and its affiliates will be approved by a directors

Liquidation stage:	
Property disposition fee THIS FEE TERMINATES UPON A BUSINESS COMBINATION WITH THE ADVISOR	Lesser of 3% of sales price or 50% of the customa commission which would be paid to a third party
Subordinated payments:	
Operational stage:	
Advisor asset management fee THIS FEE TERMINATES UPON A BUSINESS COMBINATION WITH THE ADVISOR	Not more than 1% per annum of our average assets; Subordinated to a non-cumulative, non-compounded equal to 6% per annum
Liquidation stage:	
Incentive advisory fee THIS FEE TERMINATES UPON A BUSINESS COMBINATION WITH THE ADVISOR	After the stockholders have first received a 10% non-compounded return per year and a return of th investment, an incentive advisory fee equal to 15 proceeds from the sale of a property will be paid business manager or advisor

F-15

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003
(continued)

On October 31, 2003, the Company acquired an existing shopping center known as The Shops at Park Place through the purchase of all of the membership interests of the general partner and the membership interests of the limited partner of the limited partnership holding title to this property. The center contains approximately 116,300 gross leasable square feet and is located in Plano, Texas. An affiliate of our Advisor, Inland Park Place Limited Partnership, acquired this property on September 30, 2003 from CDG Park Place LLC, an unaffiliated third party for $23,868,000. Inland Park Place Limited Partnership agreed to sell this property to the Company when sufficient funds from the sale of shares to acquire this property were raised. Inland Park Place Limited Partnership agreed to sell this property to the Company for the price the affiliate paid to the unaffiliated third party, plus any actual costs incurred. The Company's board of directors unanimously approved acquiring this property, including a unanimous vote of the independent directors. The total acquisition cost to the Company was $24,000,000, which included $132,000 of costs incurred by the affiliate.

As of December 31, 2004 and December 31, 2003, the Company had incurred $234,014,231 and $22,144,814 of offering costs, of which $175,508,624 and $16,859,779, respectively, were paid or accrued to affiliates. Pursuant to the terms of the offerings, the Business Manager or Advisor has guaranteed payment of all public offering expenses (excluding sales commissions and the marketing contribution and the due diligence expense allowance) in excess of 5.5% of the gross proceeds of the offerings or all organization and offering expenses (including selling commissions) which together exceed 15% of gross proceeds. As of December 31, 2004 and December 31, 2003, offering costs did not exceed the 5.5% and 15% limitations. The Company anticipates that these costs will not exceed these limitations upon completion of the offerings.

The Business Manager or Advisor and its affiliates are entitled to reimbursement for salaries and expenses of employees of the Business Manager or Advisor and its affiliates relating to the offerings. In addition, an affiliate of the Business Manager or Advisor is entitled to receive selling commissions, and the marketing contribution and due diligence expense allowance from the Company in connection with the offerings. Such costs are offset against the stockholders' equity accounts. Such costs totaled $175,508,624 and $16,859,779, of which $2,879,894 and $1,061,791 were unpaid at December 31, 2004 and December 31, 2003, respectively.

The Business Manager or Advisor and its affiliates are entitled to reimbursement for general and administrative costs relating to the Company's administration. Such costs are included in general and administrative expenses to affiliates, in addition to costs that were capitalized pertaining to property acquisitions. For the year ended December 31, 2004 and the period from March 5, 2003 (inception) through December 31, 2003, the Company incurred $1,542,986 and $194,017 of these costs, respectively, of which $957,471 and $40,703 remained unpaid as of December 31, 2004 and 2003, respectively, and are included in due to affiliates on the Consolidated Balance Sheets.

An affiliate of the Business Manager or Advisor provides loan servicing to the Company for an annual fee. The agreement allows for annual fees totaling .03% of the first $1 billion in mortgage balance outstanding and .01% of the remaining mortgage balances, payable monthly. Such fees totaled $140,859 for the year ended December 31, 2004 and $328 for the period from March 5, 2003 (inception) through December 31, 2003.

The Company used the services of an affiliate of the Business Manager or Advisor to facilitate the mortgage financing that the Company obtained on some of the properties purchased. The Company pays the affiliate .02% of the principal amount of each loan obtained on the Company's behalf. Such costs are capitalized as loan fees and amortized over the respective loan term. For the year ended December 31, 2004 and for the period from March 5, 2003 (inception) through December 31, 2003, the Company paid loan fees totaling $3,475,472 and $59,523 to this affiliate, respectively.

The Company may pay an advisor asset management fee of not more than 1% of the average assets. Average asset value is defined as the average of the total book value, including acquired intangibles, of the Company's real estate assets plus the Company's loans receivable secured by real estate, before reserves for depreciation, reserves for bad debt or other similar non-cash reserves. The Company computes the average assets by taking the average of these values at the end of each month for which the fee is being calculated. The fee would be payable quarterly in an amount equal to 1/4 of 1% of average assets as of the last day of the immediately preceding quarter. For any year in which the Company qualifies as a REIT, the advisor must reimburse the Company for the following amounts if any: (1) the amounts by which total operating expenses, the sum of the advisor asset management fee plus other operating expenses, paid during the previous fiscal year exceed the greater of: (i) 2% of average assets for that fiscal year, or (ii) 25% of net income for that fiscal year; plus (2) an amount, which will not exceed the advisor asset management fee for that year, equal to any difference between the total amount of distributions to stockholders for that year and the 6% minimum annual return on the net investment of stockholders. The Company neither paid nor accrued such fees because the Business Manager or Advisor agreed to forego such fees for the year ended December 31, 2004 and for the period from March 5, 2003 (inception) to December 31, 2003.

The property managers, entities owned principally by individuals who are affiliates of the Business Manager or Advisor, are entitled to receive property management fees totaling 4.5% of gross operating income, for management and leasing services. The Company incurred property management fees of $5,381,721 and $16,627 for the year ended December 31, 2004 and the period from March 5, 2003 (inception) through December 31, 2003, respectively. None remained unpaid as of December 31, 2004 or December 31, 2003.

The Company established a discount stock purchase policy for affiliates of the Company and the Business Manager or Advisor that enables the affiliates to purchase shares of common stock at a discount at either $8.95 or $9.50 per share depending on when the shares are purchased. The Company sold 605,060 and 59,497 shares of common stock to affiliates and recognized an expense related to these discounts of $427,122 and $62,472 for the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, respectively.

As of December 31, 2004 and 2003, the Company was due funds from affiliates in the amount of $654,004 and $918,750, respectively which is comprised of $654,004 and $845,000, respectively, which is due from the sponsor for reimbursement of a portion of distributions paid. The remaining $73,750 as of December 31, 2003 is due from an affiliate for costs paid on their behalf by the Company. The sponsor has agreed to advance funds to the Company for a portion of distributions paid to the Company's shareholders until funds available for distributions are sufficient to cover the distributions. The sponsor forgave $2,369,139 of these amounts during the second quarter of 2004 and these funds are no longer due and are recorded as a contribution to capital in the accompanying Consolidated Financial Statements. As of December 31, 2004 and December 31, 2003, the Company owed funds to the sponsor in the amount of $3,522,670 and $1,202,519, respectively, for repayment of the funds advanced for payment of distributions.

As of December 31, 2003 the Company owed funds to an affiliate in the amount of $2,154,158 for the reimbursement of costs paid by the affiliate on behalf of the Company. The amount due at December 31, 2003 was repaid during 2004.

(4) Stock Option Plan

The Company has adopted an Independent Director Stock Option Plan which, subject to certain conditions, provides for the grant to each independent director of an option to acquire 3,000 shares following their becoming a director and for the grant of additional options to acquire 500 shares on the date of each annual stockholders' meeting. The options for the initial 3,000 shares are exercisable as follows: 1,000 shares on the date of grant and 1,000 shares on each of the first and second anniversaries of the date of grant. The subsequent options will be exercisable on the second anniversary of the date of grant. The initial options will be exercisable at $8.95 per share. The subsequent options will be exercisable at the fair market value of a share on the last business day preceding the annual meeting of stockholders. As of December 31, 2004 and 2003, we have issued 3,500 and 3,000 options, respectively, to acquire shares to each of our independent directors, for a total of 17,500 and 15,000 options, respectively, of which none have been exercised or expired.

The per share weighted average fair value of options granted was $0.60 on the date of the grant using the Black Scholes option-pricing model with the following assumptions: expected dividend yield of 8%, risk free interest rate of 2.0%, expected life of five years and expected volatility rate of 18.0%. The Company had recorded $3,000 as expense for the 5,000 options (1,000 options per director) vesting upon the date of grant as of December 31, 2003 and is recording the remaining $6,000 in expense related to 2003 grants ratably over the remaining two-year vesting period. During the year ended December 31, 2004, the Company issued an additional 2,500 options with a weighted average fair value at the date of grant of $1,500 and recorded $3,375 of expense related to stock options.

(5) Leases

Master Lease Agreements

In conjunction with certain acquisitions, the Company received payments under master lease agreements pertaining to certain non-revenue producing spaces at the time of purchase, for periods ranging from three months to three years after the date of purchase or until the spaces are leased. As these payments are received, they are recorded as a reduction in the purchase price of the respective property rather than as rental income. The cumulative amount of such payments was $3,024,547 as of December 31, 2004. No such payments were received in 2003.

Operating Leases

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

	Minimum Lease Payments
2005	$ 227,000,049
2006	221,072,711
2007	212,006,042
2008	201,306,939
2009	184,145,285
Thereafter	1,106,350,470
Total	$ 2,151,881,496

The remaining lease terms range from one year to 55 years. Pursuant to the lease agreements, tenants of the property are required to reimburse the Company for some or their entire pro rata share of the real estate taxes, operating expenses and management fees of the properties. Such amounts are included in tenant recovery income.

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
(A Maryland Corporation)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2004 and 2003
(continued)

Ground Leases

The Company leases land under noncancelable operating leases at certain of the properties expiring in various years from 2028 to 2096. For the year ended December 31, 2004, ground lease rent was $2,187,286. No ground lease payments were made in 2003. Minimum future rental payments to be paid under the ground leases are as follows:

	Minimum Lease Payments
2005	$ 3,186,464
2006	3,187,605
2007	3,238,811
2008	3,240,086
209	3,402,159
Thereafter	342,280,751
Total	$ 358,535,876

(6) Notes Receivable

The notes receivable balance of $31,771,731 as of December 31, 2004 consisted of two installment notes, one from Newman Development Group of Gilroy, LLC (Gilroy) and one from Newman Development Group of Richland, LLC (Richland) that mature on July 15, 2005 and August 15, 2005, respectively. These notes are secured by first mortgages on Pacheco Pass Shopping Center and Quakertown Shopping Center, respectively and are guaranteed personally by the owners of Gilroy and Richland. Interest only is due in advance on the first of each month at a rate of 6.993% per annum for Gilroy and 7.5572% per annum for Richland. Upon closing, an interest reserve escrow totaling three months of interest payments was established for both notes.

The notes receivable balance of $7,552,155 as of December 31 2003 consisted of an installment note from Fourth Quarter Properties XIV, LLC (Fourth) that matured on January 15, 2004. This installment note was secured by a 49% interest in Fourth, which owned the remaining portion of the Newnan Crossing shopping center and was also guaranteed personally by the owner of Fourth. Interest only at a rate of 7.6192% per annum was due on the note. The installment note was advanced to Fourth in contemplation of the Company purchasing the remaining portions of Newnan Crossing. The Company did not call the note on January 15, 2004 and subsequently purchased the property on February 13, 2004 at which time the note was paid in full by Fourth as a credit to the purchase price of the property.

(7) Mortgages and Note Payable

Mortgage loans outstanding as of December 31, 2004 were $1,782,538,627 and had a weighted average interest rate of 4.58%. Of this amount, $1,635,745,627 had fixed rates ranging from 3.96% to 8.02% and a weighted average fixed rate of 4.67% at December 31, 2004. The rate of 8.02% represented the interest rate on the mortgage for Cardiff Hall East (Cardiff), a joint venture entity which the Company consolidates. Excluding the Cardiff mortgage, the highest fixed rate on our mortgage de