

INLAND WESTERN RETAIL REAL ESTATE TRUST INC  
Form POS AM  
September 15, 2004

As filed with the Securities and Exchange Commission on September 15, 2004

Registration No. 333-103799

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
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POST-EFFECTIVE AMENDMENT NO. 5  
TO  
FORM S-11  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933  
  
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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.  
(Exact name of registrant as specified in governing instruments)  
  
-----

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

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This Post-Effective Amendment No. 5 consists of the following:

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1. Supplement No. 33 dated September 15, 2004 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. 33  
DATED SEPTEMBER 15, 2004  
TO THE PROSPECTUS DATED SEPTEMBER 15, 2003  
OF INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

We are providing this Supplement No. 33 to you in order to supplement our prospectus. This supplement updates information in the sections of our prospectus noted in the table of contents below. This Supplement No. 33 supplements, modifies or supersedes certain information contained in our prospectus, and prior Supplements No. 1 through 32 (dated October 23, 2003 through September 10, 2004) and must be read in conjunction with our prospectus.

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### PROSPECTUS SUMMARY

THE TYPES OF REAL ESTATE THAT WE MAY ACQUIRE AND MANAGE.

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:

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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 properties primarily for income as distinguished from primarily for capital gain. As a result, many of our recently acquired properties 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.

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OUR SPONSOR, OUR ADVISOR AND THE INLAND GROUP.

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 Western Management Corp., Inland Northwest Property Management Corp., Inland Southwest Property Management Corp. and Inland Pacific Property Management Corp., 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:

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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.



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		Advisory and Real Estate Services	Development Services	Acquisition Services

Inland Western Retail Real Estate Trust, Inc.  
 We will be principally owned by public investors. Ownership is represented by share

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

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

CONFLICTS OF INTEREST

THE SECOND BULLET POINT UNDER THIS SECTION UNDER "CONFLICTS OF INTEREST" ON PAGE 5 OF OUR PROSPECTUS IS 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 Western Management Corp., Inland Northwest Property Management Corp., Inland Southwest Property Management Corp. and Inland Pacific Property Management Corp. for their various services which may not be on market terms and is payable, in most cases, whether or not our stockholders receive distributions;

COMPENSATION TO BE PAID TO OUR ADVISOR AND AFFILIATES

THE DISCUSSION UNDER THIS SECTION ON THE "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.

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 LAST SENTENCE OF THE FIRST PARAGRAPH ON PAGE 12, UNDER THIS HEADING, IS MODIFIED TO READ AS FOLLOWS:

We will be acquiring properties that are located primarily west of the

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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 SECOND TO LAST SENTENCE OF THE THIRD PARAGRAPH ON PAGE 19, UNDER THIS HEADING IS MODIFIED TO READ AS FOLLOWS:

Our advisor receives fees based on the book value including acquired intangibles of the properties under management.

THE FIFTH SENTENCE OF THE FIRST PARAGRAPH ON PAGE 20, UNDER THIS HEADING IS MODIFIED TO READ AS FOLLOWS:

Our advisor received fees based on the book value including acquired intangibles of the properties under management.

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### CONFLICTS OF INTEREST

THE LAST SENTENCE OF THE FOURTH PARAGRAPH ON PAGE 36, UNDER THIS HEADING, IS MODIFIED TO READ AS FOLLOWS:

If Inland Retail Real Estate Trust, Inc., does not purchase the prospective property, it will then be offered to us.

THE SIXTH SENTENCE OF THE FIFTH PARAGRAPH ON PAGE 37, UNDER THIS HEADING IS MODIFIED TO READ AS FOLLOWS:

Our advisor received fees based on the book value including acquired intangibles of the properties under management.

### 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	ES
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	The actual am number of sha special sales following amo marketing con diligence exp - \$60,000 number o - \$75,000,

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."

maximum

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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	ESTI
-----		
OPERATIONAL STAGE		
Advisor asset management fee payable to our advisor.	<p>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:</p>	<p>The ac receiv price theref determ time. adviso manage</p>
	<p>(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:</p>	
	<p>- 2% of our average assets for that fiscal year, or</p>	
	<p>- 25% of our net income for that fiscal year.</p>	
	<p>(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.</p>	

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.

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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	ESTIMATED DOLLAR AMOUNT
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 the directors \$25,000 (increasing to \$50,000 effective October 1, 2004) attending meetings in 2004 our five independent directors were paid fees in the amount of \$69,250. The actual amount received for future meetings will be determined upon the number of meetings and attendance and, determined at the discretion of the board.

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.

THE LAST SENTENCE OF THE DISCUSSION ON "ESTIMATED MAXIMUM DOLLAR AMOUNT" UNDER THIS SECTION ON THE "SUBORDINATED PAYMENTS - OPERATIONAL STAGE", WHICH STARTS ON PAGE 43 OF OUR PROSPECTUS, IS MODIFIED AS FOLLOWS:

If we acquire the advisor, the advisor asset management fee will cease.

PRIOR PERFORMANCE OF OUR AFFILIATES

PRIOR INVESTMENT PROGRAMS



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During the 10-year period ending June 30, 2004, The Inland Group and its affiliates have sponsored two other REITs and 25 real estate exchange private placements, which altogether have raised more than \$3,093,000,000 from over 75,000 investors. During that period, Inland Real Estate Corporation and Inland Retail Real Estate Trust, Inc., the other REITs, have raised over \$2,959,000,000 from over 75,000 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, Inland Real Estate Corporation is now a self-administered REIT and is no longer affiliated with The Inland Group. 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

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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 June 30, 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.

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INLAND RETAIL REAL  
ESTATE TRUST, INC.  
REIT  
PROGRAM AS OF  
JUNE 30, 2004

INLAND REAL ES  
CORPORATION  
REIT  
PROGRAM AS O  
JUNE 30, 200

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Number of programs sponsored	1	
Aggregate amount raised from investors	\$ 2,262,634,000	696,82
Approximate aggregate number of investors	59,000	1
Number of properties purchased	271	
Aggregate cost of properties	\$ 4,016,367,000	1,276,00
Number of mortgages/notes	0	
Principal amount of mortgages/notes	\$ 0	
Principal of properties (based on cost) that were:		
Commercial--		
Retail	90.00%	
Single-user retail net-lease	10.00%	
Nursing homes	0.00%	
Offices	0.00%	
Industrial	0.00%	
Health clubs	0.00%	
Mini-storage	0.00%	
Total commercial	100.00%	1
Multi-family residential	0.00%	
Land	0.00%	
Percentage of properties (based on cost) that were:		
Newly constructed (within a year of acquisition)	36.00%	
Existing construction	64.00%	
Number of properties sold in whole or in part	0	
Number of properties exchanged	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 June 30, 2004, Inland Real Estate Corporation purchased 24 commercial properties and Inland Retail Real Estate Trust, Inc. purchased 249 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.

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### 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 June 30, 2004, Inland Real Estate Corporation issued 13,937,881 shares of common stock through its distribution reinvestment program. As of June 30, 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

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proceeds of approximately \$696,827,000 as of June 30, 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 June 30, 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 June 30, 2004, Inland Real Estate Corporation owned 138 properties for a total investment of approximately \$1,276,000,000. These properties were purchased with proceeds received from the above described offerings of shares of its common stock and financings. As of June 30, 2004, Inland Real Estate Corporation financed approximately \$642,783,000 on its properties and had \$110,000,000 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 June 30, 2004, Inland Retail Real Estate Trust, Inc. issued 16,028,707 shares through its distribution reinvestment program, and has repurchased a total of 2,246,611 shares through the share reinvestment program. As a result, Inland Retail Real Estate Trust Inc. has realized total gross offering proceeds of approximately \$2,262,634,000 as of June 30, 2004.

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 June 30, 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 June 30, 2004, Inland Retail Real Estate Trust, Inc. owned 271 properties for a total investment of approximately \$4,016,368,000. These properties were purchased with proceeds received

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from the above described offerings of shares of its common stock and financings. As of June 30, 2004, Inland Retail Real Estate Trust, Inc. financed approximately \$2,246,899,000 on its properties.

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The following table summarizes distributions for each of the publicly registered REITS through June 30, 2004:

### REIT PERFORMANCE Distributions through June 30, 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 (\$)	Aver Annual Distrib for Purc at \$11 Shar (\$)	
1995	736,627	694,213	42,414	-	7.6	N/
1996	3,704,943	3,093,525	611,418	-	8.1	N/
1997	13,127,597	9,739,233	3,388,364	-	8.6	N/
1998	35,443,213	27,015,143	8,428,070	-	8.8	7.
1999	48,379,621	35,640,732	12,738,889	-	8.9	8.
2000	52,964,010	40,445,730	12,518,280	-	9.0	8.
2001	58,791,604	45,754,604	12,662,414	374,586	9.3	8.
2002	60,090,685	41,579,944	18,315,640	195,101	9.4	8.
2003	61,165,608	47,254,096	13,577,679	333,833	9.4	8.
2004	30,897,781	30,897,781	*	-	9.4	8.
	365,301,689	282,115,001	82,283,168	903,520		

INLAND RETAIL REAL ESTATE TRUST, INC. OFFERING COMPLETED 2003				
Total Distribution (\$)	Ordinary Income (\$) *	Non-taxable Distribution (\$) **	Average Annualized Distribution 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

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2004	93,266,206	93,266,206	*	8.3
-----				
	337,182,165	241,694,036	95,488,129	
=====				

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.

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PRIVATE PARTNERSHIPS

Since our inception and through June 30, 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 July 1, 1995 through June 30, 2004, investors in The Inland Group private partnerships have received total distributions in excess of \$271,882,700, 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

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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.

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Inland Real Estate Investment Corporation is the general partner of twenty-seven private limited partnerships and one public limited partnership that own interests in fifteen buildings that are net leased to Kmart. The fourteen Kmart's 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 Kmart's 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 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 June 30, 2004, three of the Category 1 K-Mart properties have been sold. Offers have been received on the remaining six, five of which are under contract. One of the Category 3 properties has been sold, one is under contract and two have offers pending as of June 30, 2004.

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- 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 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 June 30, 2004, IREX offered the sale of twenty-five properties with a total property value of \$294,474,000.

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

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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

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\$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.

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.



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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.

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

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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

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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

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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 Plainfield1031, 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

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estimated costs and expenses.

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

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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.

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.

FORESTVILLE 1031, L.L.C. Forestville Exchange, L.L.C., a Delaware limited liability company, purchased a single-tenant retail shopping center on November 13, 2003 from Silver Hill, L.L.C., a North Carolina limited liability company, the property's developer. The L.L.C. financed its acquisition of the property with cash. In May 2004, Forestville Exchange, L.L.C. a Delaware limited liability company and initial beneficiary of Forestville 1031, L.L.C offered its entire membership interest in the LLC to a qualified person in need of a replacement property to complete a 1031 tax-deferred exchange. The total price was \$3,900,000 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, \$3,900,000 consisted of \$1,793,630 in debt assumption 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.

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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. 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.

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-

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deferred exchange. As of June 30, 2004 the L.L.C. had raised \$2,788,000. 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.

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. 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.

BARNES & NOBLE RETAIL CENTER CLAY, NEW YORK. Clay 1031, L.L.C., a Delaware limited liability company, purchased a multi-tenant retail shopping

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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. 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.

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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	Lans Shop Cen D
Commissions & Fees(1)	Up to 8.5%	Up to 8.5%	Up to 8.5%	Up to 8.5%	Up to
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%	
	11.25%-				
Total Load(4)	12.75%	14.23%	13.68%	14.39%	
Asset Management Fees(5)	N/A	0.75%	1.00%	0.56%	
Property Management Fees(6)			Paid by		
	4.5%	5.0%	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	Comp Ret Buil LL
Commissions & Fees(1)	Up to 8.0%	Up to 8.77%	Up to 9.19%	Up to 5.27%	Up to
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%	

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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

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	Fleet Office Building 1031 LLC	Davenport Deere Distribution Facility 1031 LLC	Grand Chute DST	Macon Office DST	Whit Settlement Road Invest LLC
Commissions & Fees(1)	Up to 8.52%	Up to 8.42%	Up to 8.82%	Up to 8.52%	Up to
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%	1.00%	1.00%	1.00%	
Offering & Organization	1.02%	0.92%	1.32%	1.02%	
Mortgage Broker Fee (IMC) (2)	0.50%	0.71%	0.50%	0.50%	
Acquisition Fee & Carrying Costs(3)					
Acquisition Fee	0.85%	0.77%	0.84%	0.72%	
Bridge Financing Fees	0.35%	0.72%	0.13%	0.81%	
Total Load(4)	14.57%	13.18%	12.96%	14.24%	3
Asset Management Fees(5)	0.49%	0.50%	0.66%	0.66%	
Property Management Fees(6)	4.5%	4.5%	5.0%	4.5%	
Backend Sales Commission	N/A	NA	NA	NA	

	Pier 1 Retail Center 1031 LLC	Long Run 1031 LLC	Forestville 1031 LLC	Bed, Bath & Beyond 1031 LLC	Cr Cr Com 1031
Commissions & Fees(1)	Up to 8.73%	Up to 8.37%	Up to 8.40%	Up to 8.70%	Up to
Selling Commission To 3rd Party Reps	6.00%	5.84%	5.54%	6.00%	
Due Diligence Fee	0.50%	0.49%	0.46%	0.50%	
Marketing Expenses	1.00%	0.97%	0.93%	1.00%	
Offering & Organization	1.23%	1.07%	1.46%	1.20%	
Mortgage Broker Fee (IMC) (2)	0.50%	0.47%	0.43%	0.55%	
Acquisition Fee & Carrying Costs(3)					
Acquisition Fee	4.29%	5.31%	5.00%	5.15%	
Bridge Financing Fees	0.94%				
Total Load(4)	8.28%	22.38%	21.34%	23.13%	
Asset Management Fees(5)	0.06%	0.20%	0.00%	0.15%	
Property Management Fees(6)	5.0%	5.0%	5.0%	5.0%	
Backend Sales Commission	NA	NA	NA	N/A	

	BJ's Shopping Center 1031 LLC	Barnes & Noble Retail Center 1031 LLC
-----		
Commissions & Fees(1)	Up to 8.59%	Up to 8.69%
Selling Commission To 3rd Party Reps	6.00%	6.00%
Due Diligence Fee	0.50%	0.50%
Marketing Expenses	1.00%	1.00%
Offering & Organization	1.09%	1.19%
Mortgage Broker Fee (IMC) (2)	0.50%	0.40%
Acquisition Fee & Carrying Costs(3)		
Acquisition Fee	5.00%	5.00%
Bridge Financing Fees		
Total Load(4)	26.04%	23.80%
Asset Management Fees(5)	0.12%	0.13%
Property Management Fees(6)	5.0%	5.0%
Backend Sales Commission	NA	NA

(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:



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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.

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The following table summarizes cash distributions to investors for each of the 1031 Exchange Private Placement Offering Projects through June 30, 2004:

### 1031 EXCHANGE PERFORMANCE DISTRIBUTIONS THROUGH JUNE 30, 2004

Name of Entity	Number of Investors	Offering Equity (\$)	Offering Completed (\$)	Distributions To Date (\$)	2001 Annual Distribution Dis (%)
Landings of Sarasota DBT	9		05/ 2002		8.00
Sentry Office Building DBT	7	4,000,000	04/ 2002	807,036	
Pets Bowie DBT	7	3,500,000	07/ 2002	676,396	
1031 Chattanooga DBT	9	2,600,000	05/ 2002	463,278	
Lansing Shopping Center DBT	5	1,900,000	09/ 2001	317,728	
		5,000,000		742,590	
Inland 220 Celebration Place DBT	35	15,800,000	09/ 2003	1,821,875	
Taunton Circuit DBT	1	3,750,000	09/ 2002	522,750	
Broadway Commons DBT	32	8,400,000	12/ 2003	645,185	
Bell Plaza 1031, LLC	1	890,000	11/ 2003	183,074	
Inland 210 Celebration Place DBT	1	6,300,000	01/ 2003	762,125	
CompUSA Retail Building, LLC	11	3,950,000	02/ 2004	226,939	
Janesville Deere Distribution Facility 1031, LLC	35	10,050,000	01/ 2004	489,369	
Fleet Office Building 1031, LLC	30	10,000,000	01/ 2004	440,971	
Davenport Deere Distribution Facility 1031, LLC	35	15,700,000	04/ 2004	492,322	
Grand Chute DST	29	5,370,000	03/ 2004	129,906	

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Macon Office DST	29	6,600,000	03/ 2004	245,266
White Settlement Road Investment, LLC	1	1,420,000	12/ 2003	55,849
Plainfield Marketplace 1031, LLC	31	12,475,000	06/ 2004	1,163
Pier 1 Retail Center 1031, LLC	22	4,300,000	06/ 2004	-
Long Run 1031, LLC	1	4,935,000	05/ 2004	-
Forestville 1031, LLC	1	3,900,000	05/ 2004	12,918
Bed, Bath & Beyond 1031, LLC	0	6,633,000	*	-
Cross Creek Commons 1031, LLC	11	6,930,000	*	-
BJ's Shopping Center 1031, LLC	0	8,365,000	*	-
Barnes & Noble Retail Center 1031, LLC	0	3,930,000	*	-
		-----		-----
		156,698,000		9,036,740
		=====		=====

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\* Offering was not complete as of June 30, 2004

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### 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 Western Management Corporation, Inland Northwest Property Management Corp., Inland Southwest Property Management Corp. and Inland Pacific Property Management Corp., 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.

#### 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

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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.

### COMPENSATION OF DIRECTORS AND OFFICERS

THE DISCUSSION UNDER THIS SECTION WHICH IS LOCATED ON PAGE 71 OF OUR PROSPECTUS IS MODIFIED AND SUPPLEMENTED BY THE FOLLOWING:

We pay our independent directors an annual fee of \$5,000 (increasing 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 of the board attended by telephone, and reimbursement of their out-of-pocket expenses incurred. 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, 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 37) 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 39) 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 48) 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 and a member of the Illinois CPA Society.

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The Property Manager and the Management Agreement.

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THE DISCUSSION UNDER THIS SECTION WHICH STARTS ON PAGE 77 OF OUR PROSPECTUS IS DELETED IN ITS ENTIRETY AND SUPPLEMENTED BY THE FOLLOWING:

### THE PROPERTY MANAGERS AND THE MANAGEMENT AGREEMENTS

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.

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

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 directors of Inland Western Management Corp.

NAME	AGE*	POSITION AND OFFICE WITH INLAND WESTERN MANAGEMENT CORP.
----	---	-----
Thomas P. McGuinness	47	President and director
Robert M. Barg	50	Senior vice president/treasurer, secretary and director
James H. Neubauer	62	Senior vice president and director
Linda Centanni	49	Vice president
Elizabeth D. McNeely	49	Vice president

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Frank Natanek	36	Vice president
Lawrence R. Sajdak, Jr.	24	Assistant vice president
Matthew G. Fiascone	40	Director
Alan F. Kremin	57	Director

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\*As of January 1, 2004

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

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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 CPA 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.

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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, and a law degree from Loyola University. In addition Mr. Natanek holds an MBA from the University of Chicago.

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.

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MATTHEW G. FIASCONE joined The Inland Group in January 1986 and is currently senior vice president and a director of Inland Real Estate Development Corporation. In that position, Mr. Fiascone is responsible for the purchase, entitlement, development and sale of land owned by investment programs sponsored by Inland Real Estate Investment Corporation and corporate owned land. He holds a B.S. degree in economics from Bradley University where as an alumnus he was named the 2002 Outstanding Young Graduate. Real Estate Chicago magazine named him to their inaugural "40 under 40" list of the most influential people in Chicago real estate under 40. He has testified as an expert in the field of land use and zoning and is a member of the Northern Illinois Commercial Association of Realtors, the Village of Hinsdale Zoning Board of Appeals, The Urban Land Institute and is a licensed real estate broker in the state of Illinois.

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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.

The following sets forth information with respect to the executive officers and directors of Inland Northwest Management Corp.

NAME ----	AGE* ---	POSITION AND OFFICE WITH INLAND NORTHWEST MANAGEMENT CORP. -----
Thomas P. McGuinness	47	President and director
Robert M. Barg	50	Senior vice president/treasurer, secretary director
James H. Neubauer	62	Senior vice president
Linda Centanni	49	Vice President
Elizabeth D. McNeely	49	Vice President
Frank Natanek	30	Vice President
Lawrence R. Sajdak, Jr.	24	Assistant vice president
Steven Yee	37	Assistant vice president
Anthony A. Casaccio	48	Director
Alan F. Kremin	57	Director
Pamela C. Stewart	47	Director

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\*As of January 1, 2004

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

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

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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.

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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 directors of Inland Pacific Management Corp.

NAME	AGE*	POSITION AND OFFICE WITH INLAND PACIFIC MANAGEMENT CORP.
----	---	-----
Thomas P. McGuinness	47	President and director
Robert M. Barg	50	Senior vice president/treasurer, secretary and director
James H. Neubauer	62	Senior vice president and director
Linda Centanni	49	Vice President
Elizabeth D. McNeely	49	Vice President
Frank Natanek	30	Vice President
David M. Benjamin	49	Director
Alan F. Kremin	57	Director



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\*As of January 1, 2004

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 directors of Inland Southwest Management Corp.

NAME	AGE*	POSITION AND OFFICE WITH INLAND SOUTHWEST MANAGEMENT CORP.
----	---	-----
Thomas P. McGuinness	47	President and director
Robert M. Barg	50	Senior vice president/treasurer, secretary and director
James H. Neubauer	62	Senior vice president

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Linda Centanni	49	Vice President
Elizabeth D. McNeely	49	Vice President
Frank Natanek	30	Vice President
Alan F. Kremin	57	Director
Ulana B. Horalewskyj	57	Director
Frances C. Panico	54	Director

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\*As of January 1, 2004

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

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

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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.

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.

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.

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## 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 September 8, 2004 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 September 8, 2004, no stockholder beneficially owned more than 5% of our outstanding shares. As of September 8, 2004, we had approximately 32,000 stockholders of record and approximately 123,647,953 shares of common stock outstanding. 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	
Robert D. Parks	96,415.2668	(1)
Roberta S. Matlin	173.8380	
Scott W. Wilton	0	
Steven P. Grimes	0	
Lori J. Foust	0	
Brenda G. Gujral	0	
Frank A. Catalano, Jr.	2,000	(2)
Kenneth H. Beard	2,000	(2)
Paul R. Gauvreau	113,731.8436	(2)
Gerald M. Gorski	3,968.4042	(2)
Barbara A. Murphy	2,000	(2)
All directors and executive officers as a group (12 persons)	220,289.3526	(1)

\*Less than 1%

- (1) Includes 20,000 shares owned by our advisor. Our 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 advisor.
- (2) Includes 2,000 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

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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.

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

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- \$.30 per share per annum for the stockholders of record on October 31, 2003, payable on November 10, 2003
- \$.50