

## APPENDIX A

### REPORT OF INDEPENDENT DIRECTORS

As noted in Ms. Gujral's letter, this report is part of our commitment to the stockholders with respect to the maintenance of our Company's policies and is in your best interest, as well as to comment on the fairness of all transactions involving the Company during the last fiscal year.

We met as a full board 20 times last year. Through these meetings and discussions with management and our advisors, such as our accountants and attorneys, we were able to evaluate all of our business policies and make determinations regarding whether acquisitions, dispositions or other strategic courses of action were in your best interest. Each transaction or action requiring board approval must be approved by a majority of the board, including a majority of the independent directors. Each transaction or action reviewed by the board or a committee of the board during the preceding fiscal year was, in fact, so approved.

During the fiscal year ended December 31, 2009, the Company made investments of approximately \$1.1 billion. Specifically,

- we purchased 25 retail properties, four office properties, and 10 multi-family properties
- we contributed \$27,909,000 to our unconsolidated joint ventures; and
- we invested approximately \$53,560,000 in the marketable securities.

All of the investments except three properties and convertible bonds were completed with unaffiliated third parties as a result of negotiations conducted on an arms-length basis. On April 30, 2009 the Company purchased two properties from Inland Western Retail Real Estate Trust, Inc. ("Inland Western"), another REIT previously sponsored by Inland Real Estate Investment Corporation, for approximately \$99,000,000. The Company assumed debt of \$63,100,000 with a rate of 4.3% per annum in the transaction. On June 24, 2009, the Company purchased a property from Inland Western for approximately \$62,600,000. The Company assumed debt of \$44,500,000 with a rate of 5.34% per annum in the transaction. On February 24, 2009 the Company purchased 35,000 of Inland Real Estate Corporation convertible bonds for \$24,959,000 with a face value of \$35,000,000 from an unaffiliated third party. The Company sold these bonds in the third quarter of 2009 for a total gain of \$6,000,000. For these reasons, we believe that each investment was fair to us.

As detailed in the 10K-A under the caption "Related Party Transactions," during 2009 we have certain relationships with our sponsor, Inland Real Estate Investment Corporation, or its affiliates. In each instance we believe the fees charged or paid were equal to, or less than, the fees that would have resulted from dealing with an unaffiliated third party.

Respectfully submitted,

J. Michael Borden  
Thomas Glavin  
David Mahon  
Thomas F. Meagher  
Paula Saban  
William J. Wierzbicki