

**REPORT OF INDEPENDENT DIRECTORS**

As noted in Ms. Gujral's letter, we are required to report to you on whether we believe that the policies being followed by the Company are in your best interests, and the basis for that determination.

As noted in the Company's proxy statement for the annual meeting of stockholders to be held on June 2, 2009, we met as a board twenty-five times last year. Through these meetings, as well as evaluating the materials prepared for these meetings and discussions with management, we evaluated the Company's business and policies and determined 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 that the Company engaged in during the preceding fiscal year was, in fact, so approved.

During the fiscal year ended December 31, 2008, the Company, directly or indirectly, including through joint ventures, purchased 187 properties for approximately \$1.9 billion. Prior to purchasing any properties directly, the Company received an appraisal, prepared by an independent third party, which reported a value for the subject property equal to or greater than the purchase price. All of these purchases were completed with unaffiliated third parties as a result of negotiations conducted on an arm's-length basis. Consistent with the Company's investment objectives, during 2008, the Company invested approximately \$228.4 million in the marketable securities of real estate related investments, including REITs and commercial mortgage backed securities, and made loans in an aggregate amount equal to \$231 million.

In addition, as detailed in the proxy statement under the caption "Certain Relationships and Related Transactions," during 2008 the Company engaged in certain transactions with, and paid certain fees and expenses to, its sponsor, Inland Real Estate Investment Corporation, or its affiliates, including the Company's business manager and property managers. We believe each of these transactions was fair to us. Generally, these transactions must be, and in 2008 were, approved by a majority of the Company's disinterested directors, including a majority of our disinterested independent directors, as being fair and reasonable and on terms and conditions not less favorable to the Company than those available from unaffiliated third parties.

Since December 31, 2008, we have approved several additional matters. On January 20, 2009, we voted unanimously to determine the Company's monthly distribution rate on an adjustable basis, with a floor of \$0.50 per share, which equates to a 5% annualized yield on a share purchase of \$10.00. We also voted to suspend the Company's share repurchase program, effective March 30, 2009, until further notice. Finally, we approved the termination of the Company's follow-on public offering, effective April 6, 2009.

Respectfully submitted,

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