INLAND REAL ESTATE CORP
Form PRE 14A
April 18, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant x

Filed by a Party other than the Registrant o

Check the appropriate box:

x	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
o	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material under §240.14a-12

INLAND REAL ESTATE CORPORATION
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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INLAND REAL ESTATE CORPORATION

NOTICE OF
ANNUAL MEETING OF STOCKHOLDERS
AND
PROXY STATEMENT

Date:	June 27, 2013
Time:	10:00 a.m. central time
Place:	2901 Butterfield Road Oak Brook, Illinois 60523

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Inland Real Estate Corporation
2901 Butterfield Road
Oak Brook, Illinois 60523
(888) 331-4732

Notice of Annual Meeting of Stockholders
to be held June 27, 2013

Dear Stockholder:

Our annual stockholders meeting will be held on June 27, 2013, at 10:00 a.m. central time, at our principal executive offices located at 2901 Butterfield Road in Oak Brook, Illinois 60523. At our annual meeting, we will ask you to:

1. elect seven directors;

2. ratify the selection of KPMG LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2013;

3(a). approve the amendment and restatement of our charter (the Charter) to remove provisions originally included to comply with the NASAA REIT Guidelines as described in the proxy materials;

3(b). approve the amendment and restatement of our Charter to accord generally with the practices of other REITs listed on the New York Stock Exchange as described in the proxy materials;

4. vote upon a non-binding, advisory resolution to approve our executive compensation; and

5. transact any other business that may properly be presented at the annual meeting and at any adjournment or postponement thereof.

We are relying on Securities and Exchange Commission rules that allow us to furnish proxy materials to you via the Internet. Unless you have already requested to receive a printed set of proxy materials, you will receive a Notice Regarding the Internet Availability of Proxy Materials. This Notice contains instructions on how to access proxy materials and authorize a proxy to vote your shares via the Internet or, if you prefer, to request a printed set of proxy materials at no additional cost to you.

Only common stockholders of record at the close of business on April 26, 2013, will be entitled to vote at the meeting or any continuation(s), postponement(s) or adjournment(s) thereof. A list of these stockholders will be available at our offices at least ten days before the annual meeting.

Please sign, date and promptly return the enclosed proxy card in the enclosed envelope, or authorize a proxy by telephone or Internet (instructions are on your proxy card), so that your shares will be represented whether or not you attend the annual meeting.

By order of the Board of Directors,

/s/ Beth Sprecher Brooks
Beth Sprecher Brooks
Senior Vice President, Secretary and General Counsel

May 17, 2013

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INFORMATION ABOUT THE ANNUAL MEETING

This proxy statement contains information related to the annual meeting (the annual meeting) of stockholders to be held June 27, 2013, beginning at 10:00 a.m. central time, at our principal executive offices located at 2901 Butterfield Road, Oak Brook, Illinois 60523, and any postponements or adjournments thereof. This proxy statement contains information we are required to provide to you under the rules of the Securities and Exchange Commission (the SEC).

Information Regarding this Solicitation

We are delivering these proxy materials to each record holder in connection with the solicitation by our board of directors of proxies to be voted at the annual meeting, and at any continuations, postponements or adjournments thereof. If you own shares of common stock in more than one account, such as individually and jointly with your spouse, you may receive more than one set of these materials. Please make sure to vote all of your shares.

Available Information. We are taking advantage of rules promulgated by the Securities and Exchange Commission that allow companies to furnish proxy materials to their stockholders over the Internet. We believe that this e-proxy process will, among other things, result in the proxy materials being provided to stockholders more quickly and at a lower cost. If you held shares of our common stock as of the close of business on April 26, 2013 (the Record Date), you are being provided with a Notice of Internet Availability of Proxy Materials (the Notice of Internet Availability). We will send a full set of proxy materials or a Notice of Internet Availability on or about May 17, 2013, and provide access to our proxy materials over the Internet, beginning on May 13, 2013, for the holders of record and beneficial owners of our common stock as of the close of business on the Record Date. The Notice includes instructions on accessing the proxy materials over the Internet and requesting printed copies of these materials. Any stockholder may request to receive proxy materials in printed form, at no additional cost, by following the instructions set forth in the Notice. The Notice of Internet Availability also instructs you on how you may authorize your proxy over the Internet.

Purpose of the Annual Meeting

The board of directors of Inland Real Estate Corporation, a Maryland corporation (referred to herein as the Company, we, our or us), is solicitir your vote for the 2013, annual meeting of the Company s stockholders. At the meeting, you will be asked to:

1. elect seven directors;

2. ratify the selection of KPMG LLP (sometimes referred to herein as KPMG) as our independent registered public accounting firm for the fiscal year ending December 31, 2013;

3(a) approve the amendment and restatement of our Charter to remove provisions originally included to comply with the NASAA REIT Guidelines as described below;

3(b) approve the amendment and restatement of our Charter to accord generally with the practices of other REITs listed on the New York Stock Exchange as described below;

4. vote upon a non-binding, advisory resolution to approve executive compensation; and

5. transact any other business that may properly be presented at the annual meeting and at any adjournment or postponement thereof.

Our board of directors recommends that you vote **FOR** each of the above proposals.

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Attending the Annual Meeting. If you plan on attending the annual meeting in person, please contact Ms. Dawn Benchelt, Director of Investor Relations, at (888) 331-4732, so that we can arrange for sufficient space to accommodate all attendees. If you attend, please note that you may be asked to present valid government-issued picture identification. Please also note that if you hold your shares in street name (that is, through a broker or other nominee), you will need to bring a copy of your voting instruction card or brokerage statement reflecting your stock ownership as of the Record Date and check in at the registration desk at the meeting. Cameras, recording devices, cell phones and other electronic devices will not be permitted at the meeting other than those operated by the Company or its designees.

Other Matters. Generally, no business aside from the items discussed in this proxy statement may be transacted at the annual meeting. We are not aware of any other matter to be presented at the meeting; however, if any other proposals properly come before the meeting as determined by the chairman of the meeting, your proxies are authorized to act on the proposal at their discretion. Generally, stockholders seeking to make a nomination or bring other business before the meeting must provide, among other things, notice thereof in writing to our corporate secretary at our office not less than forty-five days before the anniversary date on which we first mailed our notice of meeting and proxy materials for the meeting of stockholders held last year. We mailed the notice and proxy materials on May 11, 2012 for the meeting of stockholders held last year. Therefore, any stockholder desiring to nominate a person for election to our board or to bring other business before the meeting is required to have provided us with notice of any nominations or such other business by March 27, 2013. We did not receive notice of any proposal by that date.

Information Regarding Stockholders

Stockholders Entitled to Vote. The close of business on April 26, 2013, has been fixed as the Record Date for determining common stockholders entitled to notice of, and to vote at, the annual meeting or any adjournments or postponements of the meeting. A list of these stockholders will be available at our offices at least ten days before the meeting. Common stockholders of record will have one vote for each share of our common stock that they owned at the Record Date. There is no cumulative voting.

As of the Record Date, there were [•] shares of our common stock outstanding. As of the Record Date, The Inland Group, Inc. (referred to herein as TIGI) and its affiliates had the power to vote approximately [•] shares representing approximately [•]% of our outstanding common stock. Daniel L. Goodwin, one of our directors, is the controlling stockholder of TIGI.

Record Holder and Street Name Holders. You are a record holder if you held our shares directly in your name as recorded by our registrar and transfer agent, Registrar and Transfer Company, as a common stockholder at the Record Date. If you held your shares through a bank, financial institution, trust or other nominee as of the Record Date, then you are a holder of our shares in street name.

Information Regarding Voting

Record Holders. If you are a record holder, you may vote in person or by granting one or more individuals the right to vote as your proxy on the proposals. You may authorize Thomas P. D Arcy, Mark E. Zalatoris and Beth Sprecher Brooks to vote as your proxy in any of the following ways:

1. *by mail*: sign, date and return the proxy card in the enclosed envelope;

2. *via telephone*: dial (800)-690-6903 anytime prior to 3 a.m. CDT on June 27, 2013, and follow the instructions provided on the proxy card; or

3. *via the Internet*: go to www.proxyvote.com anytime prior to 3 a.m. CDT on June 27, 2013, and follow the instructions provided on the proxy card.

If you return a properly executed proxy card but do not indicate how your shares should be voted, they will be voted in accordance with our board s recommendation for each proposal. You may revoke your proxy at

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any time before it is exercised by: (1) sending written notice to us to the attention of Mr. Mark E. Zalatoris; (2) providing us with a later-dated, properly executed proxy; or (3) attending the annual meeting in person and voting your shares. Merely attending the annual meeting, without further action, will not revoke a prior grant of the right to vote your shares by proxy.

Street Name Holders. If you hold your shares in street name, you must instruct your broker or other nominee to vote your shares. You should review the voting form used by your broker or other nominee to determine the method by which you may provide voting instructions to the broker or other nominee**.**

Broker Non-Votes. A broker non-vote occurs when a stockholder holding our shares in street name fails to provide voting instructions to his or her broker or other nominee. Under the rules of the New York Stock Exchange (the NYSE), if you do not provide voting instructions, the firm that holds your shares will have discretionary authority to vote your shares only with respect to routine matters. Of the items to be considered at our annual meeting, only the appointment of KPMG is considered routine. Those non-routine items for which a stockholder s broker or other nominee has not received instructions to vote are treated as broker non-votes. If you do not provide voting instructions to your broker or other nominee, your shares will not be voted or counted towards any of the items other than Proposal 2 (Ratification of KPMG). Broker non-votes will have the effect of a vote against each of Proposal 3(a) and Proposal 3(b). We encourage you to provide instructions to your broker or other nominee regarding the voting of your shares.

Abstentions. Abstentions will be treated as being present at the annual meeting for purposes of establishing a quorum but will not count as a vote cast with respect to a matter. Abstentions will have the effect of a vote against each of Proposal 3(a) and Proposal 3(b) to amend and restate our Charter as described below.

Failure to Vote. A failure to attend the meeting, either in person or by proxy, will have the effect of reducing the total number of votes cast. Because the approval of Proposal 3(a) and Proposal 3(b) (to amend and restate our Charter as described below) each require the affirmative vote of a majority of votes entitled to be cast (as opposed to a majority of votes actually cast), a failure to attend the meeting, either in person or by proxy, by a stockholder entitled to vote will have the effect of a vote against each of Proposal 3(a) and Proposal 3(b).

Tabulation of the Vote. A representative from Broadridge will tabulate all votes cast at the annual meeting and will act as the inspector of election at the meeting.

Information Regarding Votes Necessary for Action to Be Taken

Quorum Requirement. Persons with the right to vote a majority of our outstanding shares as of the Record Date must be present in person or by proxy in order for action to be taken at the annual meeting. For these purposes, abstentions and broker non-votes will be counted as present for establishing a quorum.

Proposal 1 (Election of Directors). Nominees must receive a majority of the votes cast for election at a meeting at which a quorum is present. This means that the number of shares voted for a nominee must exceed the number of shares voted against that nominee in order for that nominee to be elected. Only votes cast for or against are counted as votes cast with respect to a nominee.

Proposal 2 (Ratification of KPMG). The affirmative vote of a majority of the votes cast at a meeting at which a quorum is present is required for the ratification of our selection of KPMG as our independent registered public accounting firm for the year ending December 31, 2013.

Proposal 3(a) (Amendment and Restatement of our Charter). The affirmative vote of a majority of the votes entitled to be cast is required to approve proposal 3(a) to amend and restate certain provisions of our Charter as described below.

Proposal 3(b) (Amendment and Restatement of our Charter). The affirmative vote of a majority of the votes entitled to be cast is required to approve proposal 3(b) to amend and restate certain provisions of our Charter as described below.

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Proposal 4 (Advisory Resolution on Executive Compensation). The affirmative vote of a majority of the votes cast at a meeting at which a quorum is present is required to approve the non-binding, advisory resolution to approve executive compensation.

None of the proposals, if approved, entitle any of the stockholders to appraisal rights under Maryland law.

Costs of Proxies

We will pay the cost and expenses of printing and mailing the Notice of Internet Availability and soliciting and obtaining the proxies. We also intend to request that brokers, banks and other nominees solicit proxies from their principals. We will reimburse the brokers, banks and other nominees for certain expenses that they incur for these activities. Proxies may be solicited, without additional compensation, by our directors, officers or employees by mail, telephone, email, personal interviews or other methods of communication. We have retained Georgeson Inc. to solicit proxies. The cost of such services is estimated to be $9,600, plus the reimbursement of out-of-pocket costs and expenses. In addition, certain of our officers, directors and employees (who will receive no extra compensation for their services) may solicit proxies by telephone, by fax or in person.

Interests of Certain Persons

No director, executive officer, nominee for election as a director or associate of any director, executive officer or nominee has any substantial interest, direct or indirect, through security holdings or otherwise, in any matter expected to be acted upon at the annual meeting.

Electronic Access/Available Information

You can elect to view future proxy statements and annual reports over the Internet instead of receiving paper copies in the mail. If you are a record holder, you can choose this option and save us the cost of producing and mailing these documents by following the instructions provided to you when you authorize your proxy over the Internet. If you choose to receive your proxy materials by accessing the Internet, then before next year s annual meeting, you will receive a Notice of Internet Availability of Proxy Materials when the proxy materials and annual report are available over the Internet. Your choice will remain in effect until you tell us otherwise. You do not have to elect Internet access each year. To view, cancel or change your enrollment, please go to www.proxyvote.com.

We file reports, proxy materials and other information with the SEC. These reports, proxy materials and other information can be inspected and copied at the Public Reference Room maintained by the SEC at 100 F Street, NE, Washington, D.C. 20549. Copies also can be obtained by mail from the Public Reference Room at prescribed rates. Please call the SEC at (800) SEC-0330 for further information on the operation of the Public Reference Room. In addition, the SEC maintains an Internet website (http://www.sec.gov) that contains reports, proxy and information statements and other information filed electronically with the SEC.

Important Notice Regarding the Availability of Proxy Materials

This proxy statement, the proxy card and our Annual Report are available on our website at www.inlandrealestate.com. Additional copies of this proxy statement or our Annual Report will be furnished to you, without charge, by writing us at 2901 Butterfield Road, Oak Brook, Illinois 60523, Attention: Investor Relations. If requested by eligible stockholders, we also will provide copies of exhibits to our Annual Report for a reasonable fee.

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STOCK OWNERSHIP

Stock Owned by Certain Beneficial Owners and Management

The following table shows the amount of common stock beneficially owned (unless otherwise indicated) by: (1) persons (including any groups as that term is used in Section 13(d)(3) of the Exchange Act) who are known to us to beneficially own more than 5% of the outstanding shares of our common stock; (2) our directors and each nominee for director; (3) the executive officers; and (4) the directors and executive officers as a group. Except as otherwise indicated, all information is as of April 10, 2013. The percent of class is calculated using 89,963,501 shares outstanding as of April 10, 2013.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Daniel L. Goodwin(1)(2)	12,358,044 (3)	13.7 %
The Inland Group, Inc.(4)	12,357,719 (3)	13.7 %
Inland Real Estate Investment Corporation(5)	12,129,085 (3)	13.5 %
The Vanguard Group, Inc.(6)	11,294,297	12.6 %
Vanguard Specialized Funds - Vanguard REIT Index Fund - 23-2834924(7)	5,906,187	6.6 %
Inland Investment Stock Holding Corporation(8)	7,212,118 (3)	8.0 %
BlackRock, Inc.(9)	7,773,608	9.0 %
Inland Investment Advisors, Inc.(10)	4,772,513 (3)	5.3 %
Mark E. Zalatoris(11)(12)	125,120	*
D. Scott Carr(11)(13)	48,652	*
Brett A. Brown(11)(14)	49,165	*
Joel D. Simmons(1)(15)	35,461	*
William W. Anderson(11)(16)	30,894	*
Heidi N. Lawton(1)(17)	28,916	*
Joel G. Herter(1)(18)	23,344	*
Beth Sprecher Brooks(11)(19)	27,096	*
Thomas H. McAuley(1)(20)	25,669	*
Thomas P. D Arcy(1)(21)	24,769	*
Thomas R. McWilliams(1)(22)	16,669	*
All Executive Officers and Directors as a Group	12,789,679	14.0 %

* Less than 1.0%.

(1) Director.

(2) Mr. Goodwin s business address is 2901 Butterfield Road, Oak Brook, Illinois 60523. Mr. Goodwin has sole voting power over 1,980,957 shares, shared voting power over 9,107,873 shares, sole dispositive power over 5,325 shares, and shared dispositive power over 12,352,719 shares. Mr. Goodwin and his spouse directly own 2,102,228 shares of common stock and beneficially own 5,000 shares underlying options presently exercisable. Mr. Goodwin also beneficially owns all the shares beneficially owned by TIGI, which beneficially owns 9,091 shares directly and an additional 12,348,628 shares indirectly (including 7,212,118 shares owned directly by Inland Investment Stock Holding Corporation (IISHC), 137,110 shares owned directly by Partnership Ownership Corporation (POC) and 219,543 shares owned directly by another wholly owned subsidiary of TIGI) and 4,772,513 shares managed by Inland Investment Advisors, Inc. (Adviser)). IISHC, POC and Adviser are wholly owned subsidiaries of Inland Real Estate Investment Corporation (IREIC), which in turn is a wholly owned subsidiary of TIGI. Mr. Goodwin is the controlling shareholder of TIGI.

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(3) As of April 10, 2013, 2,159,584 of the shares reported in the table as beneficially owned by Mr. Goodwin, TIGI and IREIC were pledged as security in a brokerage margin account, and 7,212,118 shares owned directly by IISHC and 137,110 shares owned directly POC, were pledged as security to banks for a secured revolving credit facility extended to IREIC. Mr. Goodwin is neither a party to the agreement governing the credit facility nor has he directly received any proceeds from that facility. See footnote (2) above for the relationship of Mr. Goodwin, TIGI and IREIC to the pledgors IISHC and POC.

(4) TIGI s business address is 2901 Butterfield Road, Oak Brook, Illinois 60523. TIGI shares voting power over 8,986,602 shares and investment power over all of the shares that it beneficially owns. TIGI beneficially owns 9,091 shares directly and 12,348,628 shares indirectly (including 7,212,118 shares owned directly by IISHC, 137,110 shares owned directly by POC and 219,543 shares owned directly by another wholly owned subsidiary of TIGI and 4,772,513 shares managed by Adviser).

(5) IREIC s business address is 2901 Butterfield Road, Oak Brook, Illinois 60523. IREIC shares voting power over 7,358,903 shares and dispositive power over all of the shares that it beneficially owns. IREIC beneficially owns all of its shares indirectly (including 7,212,118 shares owned directly by IISHC and 219,543 shares owned directly by POC and 4,772,513 shares managed by Adviser).

(6) The business address for The Vanguard Group, Inc. -23-1945930 is 100 Vanguard Blvd., Malvern, Pennsylvania 19355. The Vanguard Group has sole voting power over 221,339 shares and shared voting power over 57,000 shares and shared dispositive power over 178,339 shares and sole dispositive power 11,115,958 shares. The information contained herein respecting The Vanguard Group, Inc. is based solely on the Schedule 13G filed with by The Vanguard Group with the SEC on February 7, 2013.

(7) The business address for Vanguard Specialized Funds - Vanguard REIT Index Fund - 23-2834924 is 100 Vanguard Blvd., Malvern, Pennsylvania 19355. The Vanguard Group has sole voting power over all of the shares that it beneficially owns. The information contained herein respecting The Vanguard Group, Inc. is based solely on the Schedule 13G filed with by The Vanguard Group with the SEC on February 14, 2013.

(8) IISHC s business address is 701 North Green Valley Parkway, Henderson, Nevada 89074. IISHC shares voting and dispositive power over all of the shares that it beneficially owns.

(9) The business address for BlackRock, Inc. is 40 East 52nd Street, New York, New York 10022. BlackRock, Inc. has sole voting and dispositive power over all of the shares that it beneficially owns. The information contained herein respecting BlackRock, Inc. is based solely on the Schedule 13G filed by BlackRock, Inc. with the SEC on February 1, 2013.

(10) Adviser s business address is 2901 Butterfield Road, Oak Brook, Illinois 60523. Adviser shares voting power over 47,100 shares and dispositive power over 4,772,513 shares.

(11) Executive Officer.

(12) Mr. Zalatoris has sole voting and investment power over 48,273 shares and shared voting and investment power over 76,847 shares. Mr. Zalatoris s beneficial ownership includes 4,120 shares underlying an option presently exercisable. Mr. Zalatoris and his wife beneficial ownership includes 2,100 shares and 1,700 shares directly owned by the Joanne Zalatoris Trust and the Scott Zalatoris Trust, respectively.

(13) Mr. Carr has sole voting power over 25,640 shares and shared voting and investment power with his wife over 23,012 shares. Mr. Carr has sole investment power over 1,957 shares. Mr. Carr s beneficial ownership includes 1,726 shares underlying an option presently exercisable.

(14) Mr. Brown has sole voting and investment power over 24,062 shares and shared voting and investment power with his wife over 25,103 shares. Mr. Brown s beneficial ownership includes 1,725 shares underlying an option presently exercisable.

(15) Mr. Simmons has sole voting and investment power over all of the shares that he beneficially owns. Mr. Simmons beneficial ownership includes 4,000 shares underlying options presently exercisable.

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(16) Mr. Anderson has sole voting and investment power over 17,635 shares and shared voting and investment power with his wife over 13,259 shares. Mr. Anderson s beneficial ownership includes 1,434 shares underlying an option presently exercisable.

(17) Ms. Lawton has sole voting and investment power over all of the shares she beneficially owns. Ms. Lawton s beneficial ownership includes 8,000 shares underlying options presently exercisable.

(18) Mr. Herter and his wife share voting and investment power over all of the shares that he beneficially owns. Mr. Herter and his wife s beneficial ownership includes 8,000 shares underlying options presently exercisable.

(19) Ms. Sprecher Brooks has sole voting and investment power over all the shares that she beneficially owns. Ms. Sprecher Brooks beneficial ownership includes 1,466 shares underlying an option presently exercisable.

(20) Mr. McAuley has sole voting and investment power over all of the shares that he beneficially owns. Mr. McAuley s beneficial ownership includes 5,000 shares underlying options exercisable.

(21) Mr. D Arcy has sole voting and investment power over all of the shares that he beneficially owns. Mr. D Arcy s beneficial ownership includes 9,000 shares underlying options presently exercisable.

(22) Mr. McWilliams has sole voting and investment power over all of the shares that he beneficially owns. Mr. McWilliams beneficial ownership includes 9,000 shares underlying options presently exercisable.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934, as amended (the Exchange Act), requires that each officer and director and each person (as that term is defined in the Exchange Act) beneficially owning more than 10% of our common stock (collectively, the Reporting Persons) file an initial statement of beneficial ownership (Form 3) and statements of changes in beneficial ownership (Forms 4 and 5) of our securities with the SEC. The Reporting Persons also are required to furnish us with copies of all Forms 3, 4 and 5 that they file. Based solely on a review of the copies of these forms furnished to us during and with respect to the fiscal year ended December 31, 2012, or written representations from our Reporting Persons that no additional forms were required, we believe that all of our Reporting Persons complied with these filing requirements in 2012 except each of the Directors filed one late Form 4 reporting the grant of restricted shares pursuant to the Company s 2005 Equity Award Plan.

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CORPORATE GOVERNANCE PRINCIPLES

Our business is managed under the direction and oversight of our board, which has formed three standing committees comprised entirely of independent directors as required by the New York Stock Exchange: audit; compensation; and nominating and corporate governance. Each committee s function is described below. The members of our board of directors on the date of this proxy statement, and the committees on which they serve, are identified below.

Director	Audit	Compensation	Nominating and Corporate Governance
Thomas P. D Arcy		X	X
Daniel L. Goodwin			
Joel G. Herter	X (1)	X	X
Heidi N. Lawton	X	X (1)	X
Thomas H. McAuley	X	X	X
Thomas R. McWilliams		X	X (1)
Joel D. Simmons			

(1) Indicates chairperson of the committee.

In his capacity as the chairman of the board, Thomas P. D Arcy organizes the work of the board and ensures that the board has access to sufficient information to carry out its functions, including monitoring our performance and the performance of management. The chairman of the board presides over all meetings of the board and stockholders, establishes the agenda for each meeting and oversees the distribution of information to directors. Our non-management directors meet regularly in executive session without members of management present. Our independent directors also may meet, without members of management or the non-independent directors present. Mr. D Arcy generally presides at these sessions. Each director has access to the members of our management team or other employees as well as full access to our books and records.

Our board has adopted Guidelines on Corporate Governance that, along with the charters adopted by each board committee and our code of ethics, provide the framework for our corporate governance. A complete copy of the guidelines, charters and code of ethics may be found using the Investor Relations link on our website at www.inlandrealestate.com. In addition, printed copies of these materials are available to any stockholder without charge by writing us at 2901 Butterfield Road, Oak Brook, Illinois 60523, Attention: Investor Relations.

Independence

As required by our Charter (our Fourth Articles of Amendment and Restatement), our bylaws and the New York Stock Exchange, a majority of the directors serving on our board must be independent. For purposes of our Charter, a director will not be considered independent if he or she performs other services for us in addition to service as a director.

For purposes of complying with the requirements of Section 303A.02 of the Listed Company Manual of the New York Stock Exchange, which contains the standard for independence we have also adopted in our bylaws, a director will not be considered independent if that director has a material relationship with us, whether directly or as a partner, shareholder or officer of an organization that has a relationship with us. In addition, a director is not independent if:

- the director is, or has been within the last three years, employed by us, or an immediate family member is, or has within the last three years, served as one of our executive officers;

- we paid the director or an immediate family member more than $120,000 during any twelve-month period within the last three years in direct compensation (excluding amounts paid in the form of director and committee fees);

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- the director or an immediate family member is a current partner or employee of our internal or external auditor, the director s immediate family member is a current partner of our internal or external auditor, the director s immediate family member is a current employee of our internal or external auditor and personally works on our audit, or the director or an immediate family member, was within the last three years, a partner of, or employed by, our internal or external auditor and personally worked on our audit within that time;

- the director or an immediate family member is, or has within the last three years, been employed as an executive officer of another company where any of our present executive officers at the same time serves, or served, on that company s compensation committee; or

- the director is employed by, or an immediate family member is a current executive officer of, a company that has made payments to us or received payments from us for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of $1 million, or 2% of the other company s consolidated gross revenues.

A complete copy of the standards for independence applicable to our directors may be found under the Investor Relations section of our website at www.inlandrealestate.com by clicking the Governance Documents link. In addition, printed copies of these materials are available to any stockholder without charge by writing us at 2901 Butterfield Road, Oak Brook, Illinois 60523, Attention: Investor Relations.

Board Leadership Structure

Mr. D Arcy, as chairman of the board, is responsible for organizing the work of the board and presiding over board meetings. Because our chairman is independent, we do not have a separately designated lead independent director. Each board member is kept apprised of our business and developments impacting our business and has complete and open access to the members of our management team. The positions of chairman and chief executive officer are separate positions held by different individuals. So long as our chief executive officer is not a member of our board of directors, he cannot be our chairman. Mr. Zalatoris, as chief executive officer, is responsible for the performance of the Company, consulting with the board on strategic direction and providing day-to-day leadership. We believe that having a chairman who is not the chief executive officer is the best governance model for us and our stockholders. Having the board operate under the leadership and direction of someone independent from management facilitates the board s fulfillment of its oversight responsibilities and its ability to function as an independent voice of the stockholders to hold management accountable for the performance of the Company. This division of authority and responsibilities also allows our chief executive officer to focus his time on running our day-to-day business.

Risk Oversight

Our board oversees risk through: (1) its review and discussion of regular periodic reports, including management reports and studies on existing market conditions, leasing activity and property operating data, as well as actual and projected financial results, and various other matters relating to our business; (2) its review of material transactions requiring board approval, including, among others, certain acquisitions and dispositions of properties and financings; (3) the oversight of our business and corporate governance policies through the proceedings of our independent audit, compensation and nominating and corporate governance committees; and (4) regular periodic reports from our independent registered public accounting firm, internal auditors and other outside consultants regarding various areas of potential risk, including, among others, those relating to our qualification as a REIT for tax purposes and our internal control over financial reporting.

Specifically, our audit committee reviews the management of financial risk and our policies regarding risk assessment and risk management and reports on these items to the board. The audit committee meets periodically with our chief financial officer, senior internal auditing executive and the independent auditors to discuss financial risk exposures and the steps management has taken to monitor and control these exposures. The compensation committee oversees the design of the incentive compensation arrangements of our named executive officers and ensures that those arrangements do not encourage or reward excessive risk taking by our executives.

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Additional information concerning risks related to our compensation policies and practices is provided below under the caption Compensation and Risk Management.

In overseeing risk, the board also receives and reviews reports from our risk management committee, comprised entirely of employees, including our named executive officers and Carol Adams, our chief compliance officer. This committee was formed to identify, monitor, remediate and report on our risk exposure. Our risk management committee operates within the framework and guidance disseminated by the Committee of Sponsoring Organizations, a private-sector organization dedicated to establishing effective, efficient and ethical business operations. Our risk management committee, in conjunction with our internal control and Sarbanes-Oxley compliance efforts: (1) documents accountability for risk decisions and management; (2) establishes risk management responsibilities for employees; (3) identifies the key controls that are in place to monitor and mitigate risks; (4) maintains awareness of the interaction of our risks; (5) assesses and reports to the board all plausible risk scenarios; and (6) develops and maintains quantitative and qualitative methods for identifying and aggregating all significant risks. In addition, the risk management committee annually reviews all previously identified risks and assesses the probability and magnitude of future risks.

Compensation and Risk Management

The compensation committee, in consultation with our chief executive officer and general counsel, has reviewed the design and operation of our agreements with our named executive officers, including their individual performance goals and the objective measures of our performance that are used to determine the amount of incentive compensation we award them, as well as the compensation of our other employees, and has evaluated the relationship between our risk management policies and practices and our compensation policies and practices. As a result of this review, Mr. Zalatoris and the compensation committee have determined that our compensation policies and practices do not encourage our employees to take excessive or unnecessary risks and are not reasonably likely to have a material adverse effect on us. In reaching this conclusion, Mr. Zalatoris and the compensation committee considered a variety of factors, including base compensation and the cash and equity incentive award opportunities available under our employment agreements. Management and the compensation committee believe that the combination of the following factors should lead to executive and employee behavior that is consistent with our overall objectives and risk profile: (1) our balancing of base compensation and performance-based incentive compensation; (2) use of multiple Company and individual performance measures; (3) reliance on both quantitative and qualitative assessments of performance; and (4) awarding shares of common stock that vest over a five-year period as part of both base and incentive compensation. Our base and incentive compensation have been allocated to achieve what Mr. Zalatoris and the compensation committee believe is an appropriate balance between incentive and retention objectives so as not to over-emphasize our short term performance at the expense of our long-term prospects. Mr. Zalatoris and the compensation committee believe that using several metrics, such as individual goals, our FFO growth and our total annual return to stockholders, properly balances our short-term and long-term objectives and allows the compensation committee and Mr. Zalatoris to use base and incentive compensation to guide the behavior of executives and employees in the direction that they believe is best for us and our stockholders and to avoid encouraging individual employees or groups of employees to engage in excessively risky courses of action in the misguided hope of accomplishing short-term personal gain at the expense of our overall performance and financial well-being. Mr. Zalatoris and the compensation committee believe that there are no incentive awards built into our compensation policies, practices and agreements that would cause a rational executive or employee to take excessive or unnecessary risks in pursuit of achieving a short-term or isolated improvement in a measure of our performance at the expense of weaker long-term, overall results for us and our stockholders.

Communicating with Directors

Persons wishing to communicate with our board, our non-management directors as a group or one or more individual directors, including our chairman in his capacity as our presiding director, may send communications in care of our corporate secretary who will forward the communication to the appropriate person or persons. Such communications may be anonymous and may be addressed to the board, our non-management

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directors or our chairman or another director, in each case c/o corporate secretary, Inland Real Estate Corporation, 2901 Butterfield Road, Oak Brook, Illinois 60523.

Our non-retaliation policy prohibits us, or any of our employees, from retaliating or taking any adverse action against anyone for raising a concern. Persons preferring to raise their concerns in a confidential or anonymous manner may do so by contacting our ethics hotline at (888) 307-6342 or by contacting our general counsel, who will then refer the matter to the chairperson of the audit committee. The hotline is available twenty-four hours a day, seven days a week to receive reports of ethical concerns or incidents, including concerns about accounting, internal controls or auditing matters. Callers to this hotline may choose to remain anonymous. A complete copy of our Reporting and Non-Retaliation Policy (also known as a whistleblower policy) may be found through the Investor Relations link on our website at www.inlandrealestate.com.

Nominating and Corporate Governance Committee

The nominating and corporate governance committee is responsible for recommending director nominees to the board and develops and recommends corporate governance guidelines. The committee also prepares and supervises the board s review of director independence and the board s self-evaluation and makes recommendations to the board regarding committee assignments. All of the members of the committee satisfy the requisite independence standards of the New York Stock Exchange. Copies of our guidelines and the committee s charter are available on our website at www.inlandrealestate.com through the Investor Relations link. In addition, printed copies of our guidelines and the charter are available to any stockholder without charge by writing us at 2901 Butterfield Road, Oak Brook, Illinois 60523, Attention: Investor Relations.

The committee considers all qualified candidates identified by members of the committee, by other members of the board of directors, by senior management and by stockholders. In recommending candidates for director positions, the committee takes into account many factors and evaluates each director candidate in light of, among other things, the candidate s experience, independence, skills and expertise based on a variety of factors, including the person s experience or background in real estate management, development or finance, regulatory matters or corporate governance. The committee evaluates each individual candidate by considering all appropriate factors as a whole, favoring active deliberation rather than the use of rigid formulas to assign relative weights to these factors. The Company s Charter requires that, at a minimum, at least one of our independent directors must have had at least three years of relevant real estate experience. The committee also considers diversity in its broadest sense, including persons diverse in geography, gender and ethnicity as well as representing diverse experiences, skills and backgrounds. Based on its overall assessment of each candidate, the committee recommends nominees to the board.

The committee considers diversity in the course of the annual nominating process and monitors the effectiveness of the nominating process through its self-evaluation process.

Stockholders must submit all recommendations for director nominations in accordance with the procedures specified in Article II, Section 14 of our bylaws. Generally, this requires that the stockholder submit the nominee s name, resume and biographical information to the attention of our corporate secretary. All proposals for nomination received by the corporate secretary in a timely manner will be presented to the committee. The committee follows the same processes and uses the same criteria for evaluating candidates proposed by stockholders, members of the board and members of senior management. The committee did not receive any recommendations from stockholders of director nominees for election to the board at this year s annual meeting.

As described above, a majority of the persons serving on our board must be independent. Our board has considered transactions and relationships between each director or any member of his or her immediate family and us or our affiliates, including those reported under Certain Relationships and Related Transactions below. The board also reviewed transactions and relationships between (1) directors and their affiliates and (2) members of our senior management and their affiliates to determine whether any relationships or transactions were inconsistent with a determination that the director is independent.

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The board affirmatively determined that the following persons standing for reelection to the board are independent: Ms. Lawton and Messrs. D Arcy, Herter, McAuley and McWilliams. Each of these directors satisfies the independence standards contained in the New York Stock Exchange corporate governance rules, our Charter and bylaws and our Corporate Governance Guidelines and has no material relationship with us, either directly or as a partner, stockholder or officer of an organization that has a relationship with us.

Audit Committee

The audit committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act. The audit committee assists the board in fulfilling its oversight responsibility relating to: (1) the integrity of our financial statements; (2) our compliance with legal and regulatory requirements; (3) the qualifications, independence and performance of the independent registered public accounting firm; and (4) the performance of our internal audit function. The report of the committee is included in this proxy statement. Mr. Herter is the chairperson and Ms. Lawton and Mr. McAuley are members of the audit committee. The board has determined that Messrs. Herter and McAuley qualify as audit committee financial experts as defined by the SEC and that each member of the committee is independent in accordance with the standards established by the SEC and the New York Stock Exchange, as well as the standards set forth in the audit committee charter. Please see Messrs. Herter s and McAuley s biographies, set forth on pages 16 and 17, respectively, hereof, for a description of the experience that the board considered in determining that he qualifies as an audit committee financial expert. The audit committee charter may be found under the Investor Relations section of our website at www.inlandrealestate.com by clicking the Governance Documents link. In addition, a printed copy of the charter is available to any stockholder without charge by writing us at 2901 Butterfield Road, Oak Brook, Illinois 60523, Attention: Investor Relations.

Compensation Committee

The compensation committee is responsible for determining the compensation that we pay to our chief executive officer and the other named executive officers and for approving the compensation structure for our other senior management. Each member of the committee is a non-employee director, as defined by Section 16 of the Exchange Act, and an outside director, as defined by Section 162(m) of the Internal Revenue Code of 1986, as amended. Under its charter, the compensation committee may conduct or authorize investigations into or studies of matters within the committee s scope of responsibilities, and may retain, at the Company s expense, any independent counsel or other advisors as it deems necessary to assist it in carrying out its responsibilities, including sole authority to approve the consultant s fees and other terms of the engagement. The compensation committee charter is available on our website at www.inlandrealestate.com through the Investor Relations link. In addition, a printed copy of the charter is available to any stockholder without charge by writing us at 2901 Butterfield Road, Oak Brook, Illinois 60523, Attention: Investor Relations.

Code of Ethics

Our board has adopted Guidelines on Corporate Governance that, along with the charters adopted by each board committee and our Code of Ethics, provide the framework for our corporate governance. Our Code of Ethics applies to all of our employees, including our chief executive officer, chief financial officer and controller, and our directors. A complete copy of the Guidelines on Corporate Governance, the Code of Ethics and the committee charters may be found under the Investor Relations section of our website at www.inlandrealestate.com by clicking the Governance Documents link. In addition, printed copies of these materials are available to any stockholder without charge by writing us at 2901 Butterfield Road, Oak Brook, Illinois 60523, Attention: Investor Relations.

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PROPOSAL NO. 1 ELECTION OF DIRECTORS

Our board, acting on the recommendation of our nominating and corporate governance committee, has nominated the persons set forth below to serve as directors. Ms. Lawton and Messrs. D Arcy, Herter, McAuley and McWilliams have been nominated to serve as independent directors. We know of no reason why any nominee will be unable to serve if elected. If any nominee would be unable to serve if elected, your proxy may vote for another nominee proposed by the board, or the board may reduce the number of directors to be elected. If any director resigns, dies or is otherwise unable to serve out his or her term, or if the board increases the number of directors, the board may fill the vacancy until the next annual meeting of stockholders. The following gives information for each nominee, about the nominee s principal occupation and business, as well as the specific experience, qualifications, attributes and skills that led to the conclusion by the board that the nominee should serve as a director of the Company.

Thomas P. D Arcy, age 53, has served as our chairman of the board since April 2008 and as an independent director since 2005. Mr. D Arcy is a member of the nominating and corporate governance committee and the compensation committee. Mr. D Arcy currently serves as the chief executive officer of American Realty Capital Healthcare Trust Advisors. From November 2009 until March 2012 Mr. D Arcy was President and chief executive officer of Grubb & Ellis Company, an NYSE listed full service commercial real estate firm. Prior to Grubb & Ellis Company, Mr. D Arcy served as a principal at Bayside Realty Partners, a private real estate company focused on acquiring and developing income producing commercial real estate. From 2001 to 2003, Mr. D Arcy served as the chief executive officer of Equity Investment Group, a private real estate company owned by an investor group which included the Government of Singapore, the Carlyle Group and Northwestern Mutual Life Insurance Company. Prior to his tenure with Equity Investment Group, from 1995 to 2001 Mr. D Arcy was the chairman of the board, president and chief executive officer of Bradley Real Estate, Inc., an NYSE traded real estate investment trust.

Daniel L. Goodwin, age 69, has served as a director since 2001 and served as our chairman of the board from 2004 to April 2008. Mr. Goodwin is a founder and the controlling stockholder, chairman of the board and chief executive officer of TIGI. A wholly owned subsidiary of TIGI has sponsored six REITs, including the Company, and 84 real estate exchange private placements and over 400 limited partnerships, which altogether have raised more than $18 billion from over 360,000 investors. TIGI and its affiliates have sponsored or own real estate investment and financial companies doing business nationwide with a presence in 46 states and managing assets in excess of $25 billion. Mr. Goodwin has over 40 years of experience in real estate and has overseen Inland companies operating the following businesses: real estate investment, commercial real estate brokerage, real estate securities, land development, construction, and mortgage banking and lending. Mr. Goodwin also serves as the chairman of the board and chief executive officer of Inland Bancorp, Inc., a multi-bank holding company whose subsidiaries include residential and commercial mortgage companies, alternative real estate loan companies and full service banks. He also served on the board of directors of the Illinois State Affordable Housing Trust Fund, the Board of Governors of Illinois State Colleges and Universities, as chairman of the American National Bank of DuPage, was chairman of the board of trustees of Northeastern Illinois University and chairman of the board of the DuPage Airport Authority. He currently serves as chairman of the Benedictine University board of trustees and is chairman of the National Association of Real Estate Trusts Public Non-listed REIT Council. Mr. Goodwin is a licensed real estate broker and a member of the National Association of Realtors, the Chicago Association of Realtors Hall of Fame, the Illinois Association of Realtors Hall of Fame and the National Association of Realtors Hall of Fame.

Joel G. Herter, age 75, has served as an independent director since 1997 and is the chairperson of the audit committee and a member of the nominating and corporate governance committee and the compensation committee. Since 1997, Mr. Herter has served as a senior consultant to Wolf & Company, LLP, certified public accountants. He was previously a partner of Wolf & Company, LLP from 1978 to 1997. Mr. Herter s business experience includes over thirty years as a practicing certified public accountant, providing accounting, auditing, tax and general business services including venture and conventional financing, forecasts and projections and strategic planning to a variety of industries. Mr. Herter is licensed as a certified public accountant in the state of

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Illinois and a member of the American Institute of Certified Public Accountants and the Illinois CPA Society. Mr. Herter currently serves as a trustee of Elmhurst Memorial Hospital and Elmhurst College and as a director of Suburban Bank and Trust Company.

Heidi N. Lawton, age 50, has served as an independent director since 1994 and is the chairperson of the compensation committee, a member of the nominating and corporate governance committee and a member of the audit committee. Since 2010, Ms. Lawton has also served as a member of the board of directors and audit committee of Inland Diversified Real Estate Trust, Inc. Ms. Lawton is the managing broker and principal of Lawton Realty Group, Inc., a full service commercial real estate brokerage, development and management firm, which she founded in 1989. Ms. Lawton has over twenty years of experience acquiring, developing and managing, as well as arranging financing for, large commercial properties. Through her experiences she has developed skills in assessing risk and reading and writing financial reports. She has also successfully turned around failed developments and associations. Her areas of expertise include acquisitions for property development, structuring real estate investments, property conversions and implementing value add strategies. Ms. Lawton has been licensed as a real estate professional since 1982 and served as president of the Northern Illinois Commercial Association of Realtors in 2009.

Thomas H. McAuley, age 67, is an independent director who has served on our board since 2004 and is a member of our audit committee, compensation committee and nominating and corporate governance committee. Mr. McAuley also previously served on our audit committee from 2004 to 2006. He has extensive experience in real estate investment, development, management, underwriting and financing, and in his career he has cultivated a large number of relationships throughout the nation s real estate industry. Mr. McAuley currently serves on the boards of Alico, Inc. (NASDAQ: ALCO) and The Westervelt Company and is chairman of their respective audit committees. He is also chairman of the board of the Bank of Atlanta and serves on its audit committee and loan committee. He previously served on the board and audit committee of Forestar Group, Inc. Mr. McAuley is formerly the President of Inland Capital Markets Group, Inc., a subsidiary of TIGI, a position that he held from May 2005 to December 2009. From 1995 to 2003, he was chairman and chief executive officer of IRT Property Company, an Atlanta, Georgia based real estate investment trust traded on the New York Stock Exchange. Mr. McAuley is a licensed real estate broker in Florida, Georgia and South Carolina.

Thomas R. McWilliams, age 77, has served as an independent director since 2005 and is the chairperson of the nominating and corporate governance committee and a member of the compensation committee. Since 1968, Mr. McWilliams has been engaged in the brokerage and development of office, commercial and residential properties. Mr. McWilliams also serves as president of United Energy Associates, Incorporated, a full service energy management company. Mr. McWilliams also serves as president of American Lighting Efficiency Corporation, a lighting system design and build company. Mr. McWilliams has been involved in real estate brokerage, development and financing of commercial and residential properties for over 40 years.

Joel D. Simmons, age 54, has served as a director since 2000. Recently, Mr. Simmons joined BGC Partners, Inc. (NASDAQ: BGCP) as Executive Managing Director of BGC Real Estate Capital Partners. BGC Partners is a leading global provider of financial products and real estate services. Prior to joining BGC, Mr. Simmons served as an executive vice president of Grubb & Ellis Company, a commercial real estate services and investment company formerly listed on the NYSE. Prior to joining Grubb & Ellis, Mr. Simmons was a partner at Cohen Financial. During his 21 years with Cohen Financial, Mr. Simmons was personally responsible for over 900 real estate commercial debt and equity placements, developed many of its correspondent institutional lender relationships and assisted in the creation and growth of the company s mortgage banking platform. Mr. Simmons is also a current member of the board of directors of Albany Bank & Trust Co. of Chicago, a Chicago based bank, and Inland Bancorp, Inc. of Oakbrook, Illinois. Mr. Simmons is a member of the International Council of Shopping Centers (the ICSC) and the ICSC Illinois State Committee.

RECOMMENDATION OF THE BOARD: The board recommends that you vote **FOR** the election of each of the seven nominees.

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DIRECTOR COMPENSATION

The following table sets forth all compensation of our directors for the fiscal year ended December 31, 2012, along with the total number of shares underlying each director s exercisable options as of December 31, 2012.

Name	Fees Earned or Paid in Cash ($)	Option Awards ($)(1)	Restricted Stock Awards ($)(2)	Total ($)	Aggregate Number of Shares Underlying Option Awards as of December 31, 2012 (#)
Thomas P. D Arcy	105,067	382	60,000	165,449	9,000
Daniel L. Goodwin	51,067	382	60,000	111,449	5,000
Joel G. Herter	70,533	382	60,000	130,915	8,000
Heidi N. Lawton	72,233	382	60,000	132,615	8,000
Thomas H. McAuley	59,067	382	60,000	119,449	5,000
Thomas R. McWilliams	65,067	382	60,000	125,449	9,000
Joel D. Simmons	51,067	382	60,000	111,449	4,000

(1) On June 27, 2012, each director was granted an option to purchase 1,000 shares at an exercise price equal to $8.28 per share, the closing price of our common stock on the New York Stock Exchange on the trading day immediately prior to the date of grant. Each option will be exercisable on June 27, 2014 and will expire on June 27, 2022.

(2) On November 7, 2012, in connection with the adoption of a minimum stock ownership policy, the board of directors and the compensation committee of Inland Real Estate Corporation authorized the Company to issue to each director shares of restricted stock with a value of $60,000 as compensation for service pursuant to the Company s 2005 Equity Award Plan.

Narrative to Director Compensation Table

During the fiscal year ended December 31, 2012, we paid each director an annual fee equal to $36,667, plus $1,200 for each meeting of the board or any committee of the board attended in person and $1,000 for each meeting of the board or any committee of the board attended via telephone. Further, we paid the chairperson of the compensation committee an annual fee of $4,167, the chairperson of the nominating and corporate governance committee $4,000 and the chairperson of the audit committee an annual fee equal to $6,667. In addition, we paid Mr. D Arcy an annual fee of $50,000 for serving as the chairman of the board. We also reimbursed all directors for travel and other necessary business expenses incurred by them in performing their services as directors. If any of our employees would be elected or otherwise called upon to serve as a director, we would not compensate that employee for his or her service as a director.

In 2012, with input from Christenson Advisors LLC (Christenson), the independent outside compensation consultant retained by the nominating and governance committee, the board and the nominating and governance committee reviewed the compensation paid to the Company s directors. As part of this review, the Company s previous director compensation levels were compared to the director compensation levels at other publicly traded real estate investment trusts that are direct competitors of the Company (the Direct Competitor Peer Group), and a size-based peer group of publicly traded companies (the Size-Based Peer Group). The companies that comprised the Direct Competitor Peer Group are:

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- Acadia Realty Trust
- Agree Realty Corp
- CBL & Associates Properties Inc.
- Cedar Realty Trust, Inc.
- DDR Corp
- Equity One, Inc.
- Federal Realty Inv. Trust
- Kimco Realty Corp.
- Kite Realty Group Trust
- National Retail Properties, Inc.
- Pennsylvania Real Estate Investment
- Ramco-Gershenson Properties Trust
- Realty Income Corp.
- Regency Centers Corp.
- Saul Centers, Inc.
- Tanger Factory Outlet Centers, Inc.
- Urstadt Biddle Properties Inc.

The companies that comprised the Size-Based Peer Group are:

- Acadia Realty Trust
- CapLease, Inc.
- Cedar Realty Trust, Inc.
- Cousins Properties Incorporated
- Education Realty Trust, Inc.
- First Potomac Realty Trust
- Hersha Hospitality Trust
- Investors Real Estate Trust
- LTC Properties Inc.
- RAIT Financial Trust
- Ramco-Gershenson Properties Trust
- Saul Centers, Inc.

Based on the review of the director compensation levels of these other companies relative to ours, the nominating and governance committee recommended and the board approved an increase in the annual fee to be paid to each director to $45,000, and an increase in the annual fee for any director serving as the chairperson of the audit committee, the compensation committee and nominating and corporate governance committee to $15,000, $10,000 and $9,000, respectively.

In addition to increasing the annual fees for directors and committee chairpersons, the nominating and governance committee recommended and the board approved an annual grant to each director of shares of restricted stock with a value of $60,000 to be issued pursuant to the Company s 2005 Equity Award Plan, subject to ratable vesting over a three-year period. The nominating and governance committee recommended and the board adopted a change to the Company s Guidelines on Corporate Governance establishing a policy on minimum stock ownership for non-employee directors (the Minimum Ownership Policy). The Minimum Ownership Policy provides that each non-employee director of the Company must, within four years of the later of (i) the date the policy became effective or (ii) becoming and continuing as a member of the board, and thereafter for the duration of his or her membership on the board, accumulate and hold at least an amount of shares of the Company s common stock that is equal in value to and not less in value than $240,000. For purposes of this minimum ownership requirement, unvested shares of restricted stock awarded as compensation for service as a director, ownership of interests that are exchangeable for shares of the Company s common stock, ownership of vested stock options (the value of such stock options and the number of shares that may be acquired on exercise thereof), ownership of shares by a non-employee director s immediate family members and/or trusts, foundations or other entities wherein the non-employee director has the ability to control the voting and/or disposition of the shares will be deemed ownership by such non-employee director.

Compensation Committee Interlocks and Insider Participation

During 2012, Ms. Lawton and Messrs. D Arcy, McAuley, McWilliams and Herter served as members of our compensation committee, and:

- no member of the compensation committee was an officer or employee of us or any of our subsidiaries, and no member of the compensation committee was an officer of the Company or any of our subsidiaries prior to 2012;

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- neither the members of the compensation committee nor their immediate family members had a direct or indirect material interest in any transaction in which we were a participant and in which the amount involved exceeded $120,000;
- none of our executive officers was a director of another entity where one of that entity s executive officers served on our compensation committee; and
- none of our executive officers served on the compensation committee of another entity where one of that entity s executive officers served as our director.

Meetings of the Board of Directors, Committees of the Board and Stockholders

During the fiscal year ended December 31, 2012, our board met 13 times, the audit committee met 5 times, the compensation committee met 5 times, and the nominating and corporate governance committee met 4 times. During 2012, all directors attended at least 75% of the meetings of our board and the committees of the board upon which they served during 2012. We encourage our directors to attend our annual meeting of stockholders, and in 2012, each director did so attend.

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AUDIT COMMITTEE REPORT

The following Report of the Audit Committee does not constitute soliciting material and should not be deemed filed with the Securities and Exchange Commission or incorporated by reference into any other filing we make under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent we specifically incorporate this Report by reference therein.

In accordance with the audit committee s written charter, the committee oversees the Company s financial reporting process including evaluating the effectiveness of internal accounting, auditing and financial controls and procedures.

Management is responsible for the financial reporting process, preparing consolidated financial statements in accordance with U.S. generally accepted accounting principles and designing and implementing a system of internal controls and procedures designed to ensure compliance with accounting standards and applicable laws and regulations. The Company s independent registered public accounting firm is responsible for auditing the financial statements. The audit committee is responsible for monitoring and reviewing these procedures and processes. The audit committee is comprised of three independent directors whose independence has been determined by the board of directors based on the standards set forth in the audit committee s charter, the Company s Charter and bylaws and the New York Stock Exchange listing standards. With the exception of Mr. Herter, the members of the audit committee are not professionally engaged in the practice of accounting or auditing. The audit committee relies in part, without independent verification, on the information provided to it and on the representations made by management and the internal auditors that the financial statements have been prepared in conformity with U.S. generally accepted accounting principles. The audit committee also relies on the opinions of the Company s independent registered public accounting firm with regard to the consolidated financial statements and the effectiveness of internal control over financial reporting.

During the year ended December 31, 2012, the audit committee met five times. During these meetings, the members of the audit committee met separately and with members of the Company s management, the internal auditors and the Company s independent registered public accounting firm, KPMG LLP. The committee discussed numerous items at these meetings including KPMG s overall scope and plan for its year-end audit. As part of these discussions, the audit committee discussed the results of KPMG s audit and evaluation of the Company s internal controls. Further, the audit committee reviewed and discussed, with management, the internal auditors and KPMG, the Company s audited consolidated financial statements as of and for the year ended December 31, 2012. During the year ended December 31, 2012, management advised the committee that each set of financial statements reviewed had been prepared in accordance with U.S. generally accepted accounting principles, performed in accordance with the standards of the Public Company Accounting Oversight Board (United States) and reviewed significant accounting and disclosure items with the committee. The audit committee also discussed with KPMG all of the matters required by generally accepted auditing standards, including those described in Statement on Auditing Standards No. 114, The Auditors Communication with Those Charged with Governance, including the quality of the Company s accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The audit committee also obtained a formal written statement from KPMG, describing all relationships between KPMG and the Company that might bear on KPMG s independence. Further the audit committee discussed any relationships that may have an impact on KPMG s objectivity and independence including a review of audit and non-audit fees and the written disclosures and letter from KPMG to the committee pursuant to Independence Standards Board Standard No. 1 (Independence Discussions with the Audit Committees).

At certain of its meetings during 2012, the audit committee met with members of the Company s executive management team to review the certifications required to be provided under the Sarbanes-Oxley Act of 2002 and the rules and regulations of the Securities and Exchange Commission by the chief executive officer and chief financial officer. At these meetings, members of the Company s senior management team reviewed each of the certifications required by Sarbanes-Oxley concerning internal control over financial reporting.

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Based on the above-mentioned review and discussions with management, the internal auditors and KPMG, the audit committee recommended to the board of directors that the audited consolidated financial statements be included in the Company s Annual Report on Form 10-K for the fiscal year ended December 31, 2012, for filing with the Securities and Exchange Commission.

The Audit Committee

Joel G. Herter (Chairperson)
Thomas H. McAuley
Heidi N. Lawton

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COMPENSATION COMMITTEE REPORT

The following Compensation Committee Report does not constitute soliciting material and should not be deemed filed with the Securities and Exchange Commission or incorporated by reference into any other filing we make under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent we specifically incorporate this Report by reference therein.

The compensation committee has certain duties and powers as described in its charter. The compensation committee is currently comprised of the five non-employee directors named at the end of this report, each of whom is independent as defined by the New York Stock Exchange listing standards. The compensation committee has furnished the following report on executive compensation for the fiscal year ended December 31, 2012.

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis section contained in this proxy statement (the CD&A). Based on this review and the committee s discussions, the compensation committee has recommended to the board of directors (and the board of directors has approved) that the CD&A be included in this proxy statement on Schedule 14A.

The Compensation Committee
Heidi N. Lawton (Chairperson)
Thomas P. D Arcy
Joel G. Herter
Thomas H. McAuley
Thomas R. McWilliams

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EXECUTIVE OFFICERS

The board of directors annually elects our executive officers. These officers may, subject to their respective employment agreements, be terminated at any time. Listed below is information about our executive officers.

Mark E. Zalatoris, age 55, has served as our president and chief executive officer since April 2008 and previously served as executive vice president and chief operating officer from 2004 to 2008, and as chief financial officer and senior vice president from 2000 to 2004. Prior to his responsibilities with the Company, Mr. Zalatoris was an executive at Inland Real Estate Investment Corporation from 1985 to 2000 with primary responsibility for asset management and due diligence functions. Mr. Zalatoris previously practiced as a certified public accountant, holds a general securities license, serves on the board of governors of the National Association of Real Estate Investment Trusts (the NAREIT) and is a member of the International Council of Shopping Centers (the ICSC). Mr. Zalatoris received a Bachelor of Arts degree in Finance and a Masters of Accounting Science from the University of Illinois, Champaign-Urbana.

Brett A. Brown, age 48, has served as our executive vice president since 2011 and chief financial officer and treasurer since 2008. From 2008 to 2011, Mr. Brown served as our senior vice president. Mr. Brown joined us in May 2004 as vice president and chief financial officer. From 2000 to April 2004, Mr. Brown served as the senior vice president of financial reporting for Great Lakes REIT, an NYSE-listed REIT based in Oak Brook, Illinois, and held various other executive positions in finance and accounting at Great Lakes and its predecessor from 1988 to 2000. Mr. Brown is a member of the American Institute of Certified Public Accountants and the Illinois Certified Public Accountants Society, as well as the NAREIT and the ICSC. Mr. Brown graduated from Northern Illinois University in 1986 with a bachelor s degree in accounting.

Beth Sprecher Brooks, age 58, has served as our senior vice president since 2008 and as our general counsel and secretary since 2006. Ms. Sprecher Brooks joined us in November 2002, became assistant vice president in 2003 and vice president in 2005. Ms. Sprecher Brooks has concentrated her legal practice in the area of real estate since 1979 either as in-house counsel to a corporation or in the real estate department at a law firm. Ms. Brooks has vast experience in a broad range of areas in real estate, including acquisitions and sales, zoning work, leasing, and other areas of general corporate law. She is a member of the American Bar Association, Association of Corporate Counsel and ICSC. Ms. Sprecher Brooks received a Bachelor of Arts degree in American Studies from Georgetown University and a Juris Doctor Degree from Northwestern University School of Law.

D. Scott Carr, age 47, has served as our executive vice president of portfolio management and chief investment officer since 2011 and has served as the president of Inland Commercial Property Management, Inc. (ICPM), a subsidiary of the Company, since 1995. Mr. Carr became senior vice president of portfolio management in 2008. As president of property management, Mr. Carr oversees all aspects of property operations and leasing for the Company s 157 neighborhood, community, power and lifestyle shopping centers and single-tenant retail properties, totaling over 15 million square feet of gross leasable area (GLA). Mr. Carr is a member of the ICSC. He has achieved the professional designations of Senior Certified Shopping Center Manager and Senior Certified Leasing Specialist. Mr. Carr is also a licensed real estate broker in Illinois and Minnesota. Mr. Carr received a Bachelor of Arts degree in Economics from Loyola University, Chicago.

William W. Anderson, age 54, has served as our senior vice president of transactions since 2012. From 2000 to 2012, Mr. Anderson served as our vice president of transactions. Mr. Anderson is responsible for our acquisitions and dispositions of real property. Prior to 2000, Mr. Anderson held positions in sales, brokerage, and development with TIGI. Mr. Anderson has experience analyzing and negotiating the acquisition of shopping centers, apartments and net leased commercial properties. Mr. Anderson received a Bachelor of Science degree in finance from Northern Illinois University, and is an active member of the ICSC and the National Association of Realtors.

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COMPENSATION DISCUSSION AND ANALYSIS

Overview

This compensation discussion and analysis explains the material elements of the compensation of Mark E. Zalatoris, Brett A. Brown, D. Scott Carr, Beth Sprecher Brooks and William W. Anderson (each, a named executive officer and collectively, the named executive officers) for the fiscal years ended December 31, 2012, 2011 and 2010. This compensation discussion and analysis also summarizes the employment agreements entered into by us with each of our named executive officers governing compensation to be paid to our named executive officers for the fiscal year ending on December 31, 2013.

General Philosophy and Objectives

Our compensation committee is responsible for establishing and overseeing our executive compensation policies and programs, which are designed to:

- attract, retain and motivate quality executives by providing fair and reasonable compensation;
- reward individual performance;
- align compensation with company performance; and
- align the interests of executives with those of our stockholders.

To accomplish these objectives, we have designed an executive compensation program with three major elements base compensation and annual cash and restricted stock incentive awards.

- Base compensation provides a level of fixed compensation that will promote executive recruitment and retention.

- Annual cash incentive awards motivate executives and reward them for the achievement of personal goals and our financial and operating goals for the year.

- Annual restricted stock base compensation and incentive awards promote the creation of long-term stockholder value and align the interest of our executives with the interests of our stockholders, more closely than would cash compensation alone, by ensuring that a portion of total compensation is at risk and fluctuates in value with the price of our common stock. Compensating executives with restricted stock also fosters retention of our executives because the rights to these shares vest over a five year period at a rate of 20% per year.

We view these elements of compensation as related but distinct. We do not believe that significant compensation derived from one component of compensation should negate or offset compensation from other elements. We determine the appropriate level for each element of compensation based in part, but not exclusively, on competitive benchmarking and other considerations we deem relevant, such as rewarding executives for extraordinary individual and company performance.

A portion of each named executive officer s total compensation is tied to the operating and financial performance metrics Funds From Operations or FFO and Total Shareholder Return or TSR. A reconciliation of FFO to net income for our three most recently completed fiscal years is included on page 60 of our Annual Report on Form 10-K, filed with the Commission on February 28, 2013, as amended on March 29, 2013. TSR as used herein is defined as the sum of: (1) the percentage change in our common stock price between January 1st and December 31st of the employment year; and (2) our distribution yield for the employment year (calculated by dividing (x) the total distributions paid per share of our common stock for the employment year by (y) the closing price for a share of our common stock on January 1st of the employment year). By linking incentive compensation with growth in both FFO and TSR, the compensation committee believes that incentive compensation more closely aligns the interests of our executives with those of our stockholders than if incentive

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compensation was linked to growth in FFO alone. The committee believes that utilizing both criteria motivates our named executive officers to strive to achieve current improvements in our performance as measured by FFO as well as to create longer-term value for our stockholders that may ultimately be reflected in some combination of a higher market price for our common stock and increases in the amounts we pay as distributions.

Utilizing both performance metrics, as opposed to just one or the other, may keep executives motivated and incentivized under circumstances when using one metric alone otherwise would have left an executive without the possibility of an award for reasons beyond his or her control or the control of the Company. Using both metrics reduces the potentially arbitrary impact of a random or anomalous decrease in a given year in either FFO or TSR, which decrease might otherwise have resulted in no incentive award to a named executive officer who may have made decisions and taken actions that were the best available decisions and actions under the circumstances. For example, there might be years in which our stock price is influenced by factors beyond actions we have taken or could have taken or years in which an action or decision that is good for the long-term health of the Company may result in FFO growth that is lower in that year than it otherwise would have been in the absence of that action or decision. The committee believes that using both metrics motivates executives to give a more balanced consideration to both the Company s short-term performance as reflected in FFO and long-term health as reflected in the price of our stock without being entirely subject to downward movements in the broader stock market or other developments unrelated to our performance that nevertheless may negatively influence our stock price.

The committee believes it is important to reward our executives for achieving individual goals even when the growth rate in our FFO and TSR may not result in an award of incentive compensation for a particular year. Executives have a greater incentive to perform well if a portion of their compensation is tied directly to their individual performance and is not dependent upon our overall performance, and the committee believes that we will be in better position to achieve increases in future FFO and TSR if the individual goals set for each executive are achieved. Thus, each executive who achieves personal goals will be entitled to receive an award of cash and restricted stock, regardless of our level of performance.

Determining Compensation

In setting compensation levels, the committee takes into account our performance measured by growth in FFO per share and TSR, our strategic goals and the compensation practices of companies in the Retail REIT Shopping Center Index (the NAREIT Peer Index) published by NAREIT, a real estate industry trade group which describes itself as the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets. Except as otherwise indicated, for the years ended December 31, 2012, 2011 and 2010, the following REITs comprised the NAREIT Peer Index:

- Acadia Realty Trust
- Alexander s Inc.
- Cedar Shopping Centers, Inc.
- DDR Corp.
- Equity One, Inc.
- Excel Trust, Inc.
- Federal Realty Inv. Trust
- Kimco Realty Corp.
- Kite Realty Group Trust
- Ramco-Gershenson Properties Trust
- Regency Centers Corp.
- *Retail Opportunity Investment Corp.
- Roberts Realty Investors, Inc.
- Saul Centers, Inc.
- Tanger Factory Outlet Centers, Inc.
- Urstadt Biddle Properties Inc.
- Weingarten Realty Investors

*2012 only

Our, compensation committee also considers, subjectively and without attributing any particular weight or significance to any particular item, each executive s past compensation, performance, experience level, role and responsibilities, as well as our overall financial performance, achievement of our strategic goals and competition in the marketplace for executive talent.

Members of the committee meet with, and consider the recommendations of, our chief executive officer and other directors and also meet in the absence of management to discuss compensation. Both our management and our compensation committee also review surveys of industry compensation practices, such as the NAREIT Compensation Survey, to provide themselves with relevant market data and to informally compare the proposed

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compensation with that paid by other REITs in the retail sector, and by all REITs with a total capitalization of between $1 billion and $2.49 billion and between 75 to 299 full-time employees. The following table reflects, for each element of compensation, where each named executive officer s compensation for 2012 fell as a percentage of the median within the range of companies used as general reference points:

Compensation for 2012 as Percentage of Median Compensation

in the 2011 NAREIT Compensation Survey

Companies with Total Capitalization between $1B - $2.49B

	Base Salary (1)	Total Annual Cash Compensation (2)	Long-Term Incentive Award	Total Remuneration
Chief Executive Officer	88%	45%	20%	46%
Chief Financial Officer	107%	69%	19%	54%
Chief Investment Officer	128%	81%	17%	72%
General Counsel	101%	68%	22%	86%
SVP, Transactions	132%	91%	33%	89%

Companies with between 75 and 299 Full-Time Employees

	Base Salary (1)	Total Annual Cash Compensation (2)	Long-Term Incentive Award	Total Remuneration
Chief Executive Officer	**88%**	**44%**	**16%**	**40%**
Chief Financial Officer	**96%**	**65%**	**24%**	**56%**
Chief Investment Officer	**125%**	**82%**	**30%**	**85%**
General Counsel	**94%**	**63%**	**34%**	**59%**
SVP, Transactions	**119%**	**87%**	**87%**	**92%**

(1) For purposes of this column, the base salary of each of our named executive officers comprises the cash and restricted stock components of base compensation.

(2) For purposes of this column, the total annual cash compensation of each of our named executive officers comprises the cash component of base compensation and the cash incentive award.

The NAREIT Compensation Survey is proprietary, reflects the practices of a broad array of companies in the REIT industry generally, and does not identify the practices of any particular companies operating in these sectors. The compensation committee and management use the survey data to obtain a general understanding of current compensation practices and as a general reference. The compensation committee does not know the identity of the specific companies participating in the survey. Neither the compensation committee nor management ties its recommendations regarding compensation to any particular multiple or other metric presented in the survey data.

At the Company s annual meeting held in June 2012, more than 96.7% of the votes cast on the say-on-pay proposal at that meeting were voted in favor of the proposal. The compensation committee believes this affirms stockholders support of the Company s approach to executive compensation. The compensation committee will continue to consider the outcome of the Company s say-on-pay votes when making future compensation decisions for the named executive officers.

2013 Employment Agreements

We have entered into employment agreements with each of our named executive officers effective as of January 1, 2013, and expiring December 31, 2013. The new employment agreements provide for increases in base cash salary. In 2013, base cash salaries will be $520,000 for Mr. Zalatoris, $400,000 for Mr. Brown, $390,000 for Mr. Carr, $300,000 for Ms. Brooks and $290,000 for Mr. Anderson. Each of the new employment agreements also provides for an increase in the restricted stock component of base compensation, with increases ranging from $2,500 to $5,000 for each of the named executives.

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Each named executive officer will continue to have incentive award opportunities based upon our performance relative to the NAREIT Peer Index, as measured by growth in FFO and TSR, as well as the achievement of personal goals. Under the new employment agreements, we will have achieved: (1) a target level of performance if the measure in question is both positive and equal to or greater than 100%, but less than 130%, of the median for the NAREIT Peer Index; and (2) a high level of performance if the measure is both positive and equal to or greater than 130% of the median for the NAREIT Peer Index. The compensation committee believes that the thresholds for target and high performance strike an appropriate balance between challenging our named executive officers to excel and drive our financial performance and providing compensation opportunities that are realistic and attainable and that will allow us to retain them.

Approximately two-thirds of the total value of each executive s incentive award opportunity will be in the form of a potential restricted stock award and the remainder will be in the form of cash. The total maximum possible restricted stock incentive award, as a percentage of base cash salary, is 66% for Mr. Zalatoris, 60% for Messrs. Brown and Carr and 48% for Ms. Brooks and Mr. Anderson. The total maximum possible cash incentive award, as a percentage of base cash salary, is 33% for Mr. Zalatoris, 30% for Messrs. Brown and Carr and 27% for Ms. Brooks and Mr. Anderson.

The 2013 agreements continue to provide for payments upon termination and a change of control, as discussed further below under Potential Payments upon Termination or a Change of Control. In all other material respects, the new employment agreements are substantially similar to the 2012 employment agreements.

2012 Employment Agreements

Under the employment agreements in effect between January 1, 2012 and December 31, 2012, each named executive officer received a fixed amount of base compensation that includes a cash component and an equity component. The equity component for the named executive officers is a number of shares of restricted stock with a value on the date of grant equal to approximately 8% of total compensation for Mr. Zalatoris and approximately 4% of total compensation for Messrs. Brown, Carr, Anderson and Ms. Brooks. The rights of the executives to these shares of restricted stock vest 20% per year over five years. For 2012, each named executive officer was eligible to receive an incentive award only if the executive achieved certain agreed upon personal goals in the discretion of Mr. Zalatoris and the compensation committee or we achieved at least a target level of performance in one of the two company performance metrics. All awards of restricted stock are made pursuant to our 2005 Equity Award Plan.

Our level of performance for 2012

For 2012, a portion of each named executive officer s incentive compensation was based on our performance relative to the NAREIT Peer Index. We determined our performance by comparing the growth rate in our FFO and TSR from year to year versus the median growth rates in those measures of the companies in the NAREIT Peer Index. We would have achieved: (1) a target level of performance if the measure in question was equal to or greater than 100%, but less than 130%, of the median for the NAREIT Peer Index; and (2) a high level of performance if the measure was equal to or greater than 130% of the median for the NAREIT Peer Index.

For the year ended December 31, 2012, our growth rate in FFO and the median growth rate in FFO for the NAREIT Peer Index were equal to approximately 43.3% and 0.0%, respectively. We therefore achieved a high level of performance for 2012 as measured by our growth rate in

FFO. Our growth rate in TSR and the median growth rate in TSR for the NAREIT Peer Index for 2012 were approximately 17.6% and 24.3%, respectively. We, therefore, did not achieve a target level of performance for 2012 as measured by our growth rate in TSR.

For 2012, the remaining portion of each named executive officer s incentive compensation was based on the executive s achievement of personal goals. The personal goals for the named executive officers were proposed by the officers and negotiated and agreed to by the compensation committee. The specific goals for 2012 reflect our confidential operating plans and our planning process and accordingly disclosing them would result in competitive harm to us. The personal goals were intended to be challenging and ambitious but also

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realistic enough to be reasonably attainable given a concerted individual effort by the officer. The goals were intended to be achievable by the individual officers even if the Company s performance was not at a level at which the named executive officers would receive incentive compensation awards based on Company performance, so that those officers could be rewarded for strong individual performance when the Company s performance was adversely affected by factors beyond their control.

The compensation committee (with respect to Mr. Zalatoris) and Mr. Zalatoris (with respect to the other named executive officers) had discretion to determine whether to award this component of the incentive compensation for 2012. In making this determination, the compensation committee and Mr. Zalatoris assessed the extent to which each named executive officer met his or her personal goals during 2012.

Cash incentive opportunity for 2012

Each named executive officer had an opportunity to earn an annual cash incentive award in an amount equal to a percentage of his or her base cash salary for 2012. The maximum possible annual cash incentive award that each executive could have earned, expressed as a percentage of the executive s base cash salary for 2012, is set forth below:

Maximum Possible Annual Cash Incentive Award

(As Percentage of 2012 Base Cash Salary)

Mr. Zalatoris	Mr. Brown	Mr. Carr	Ms. Brooks and Mr. Anderson
34%	30%	27%	24%

Of the maximum possible annual cash incentive award, the amount actually awarded was the sum of three components. The first component, as set forth below, depended upon our level of performance for 2012 as measured by the growth rate in our FFO relative to the median growth rate in FFO of the companies listed in the NAREIT Peer Index:

First Component of Annual Cash Incentive Award

(As Percentage of 2012 Base Cash Salary)

	Mr. Zalatoris	Mr. Brown	Mr. Carr	Ms. Brooks and Mr. Anderson
Granted automatically upon achieving Target FFO	7%	7%	6%	6%
Granted automatically upon achieving High FFO	11%	10%	9%	8%

The second component, as set forth below, depended upon our level of performance for 2012 as measured by the growth rate in our TSR relative to the median TSR of the companies included in the NAREIT Peer Index:

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Second Component of Annual Cash Incentive Award

(As Percentage of 2012 Base Cash Salary)

	Mr. Zalatoris	**Mr. Brown**	**Mr. Carr**	**Ms. Brooks and Mr. Anderson**
Granted automatically upon achieving Target TSR	7%	7%	6%	6%
Granted automatically upon achieving High TSR	11%	10%	9%	8%

The third component was fixed in the discretion of the compensation committee (with respect to Mr. Zalatoris) or Mr. Zalatoris (with respect to the other named executive officers) based upon a determination of whether the named executive officer achieved the personal goals agreed upon in advance. The award for the third component could have ranged from zero to the maximum percentage reflected below.

Third Component of Annual Cash Incentive Award

(Maximum Possible As Percentage of 2012 Base Cash Salary)

	Mr. Zalatoris	**Mr. Brown**	**Mr. Carr**	**Ms. Brooks and Mr. Anderson**
Granted in the discretion of (i) the compensation committee (for Mr. Zalatoris based on a subjective assessment of his performance) or (ii) Mr. Zalatoris (for the other named executive officers based on an assessment of the achievement of their personal goals)	12%	10%	9%	8%

Because we achieved a high level of performance for 2012 as measured by the growth rate in our FFO, the first component of each award was equal to the following percentage of the executive officer s base cash salary: (1) 11% for Mr. Zalatoris; (2) 10% for Mr. Brown; (3) 9% for Mr. Carr; and (4) 8% for each of Ms. Brooks and Mr. Anderson. Because we did not achieve at least a target level of performance for 2012 as measured by the growth rate in our TSR, the second component of each award was equal to zero. Based on Mr. Zalatoris subjective assessment of the performance of each other named executive officer relative to his or her personal goals for 2012, which included his consideration of a self-assessment by each of them, Mr. Zalatoris fixed the third component of each award, with the approval of the compensation committee, at the following percentage of the executive officer s base cash salary: (1) 9% for Mr. Brown; (2) 8% for Mr. Carr; (3) 7% for Ms. Brooks; and (4) 8% for Mr. Anderson. With respect to Mr. Zalatoris, the compensation committee fixed the third component of the award at 8% of Mr. Zalatoris base cash salary. The award that each named executive officer actually earned was equal to the sum of the three components, as discussed in Cash and Restricted Stock Incentives Awards Made for 2012 below.

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Restricted stock incentive opportunity for 2012

Each named executive officer had an opportunity to earn an annual restricted stock incentive award in an amount equal to a percentage of his or her base cash salary for 2012, payable in shares of our common stock at a price per share equal to the average of the high and low trading price of our common stock as reported by the New York Stock Exchange on the date of grant.

The maximum possible annual restricted stock incentive award that each executive could have earned, expressed as a percentage of the executive s base cash salary for 2012, is set forth below:

Maximum Possible Annual Restricted Stock Incentive Award

(As Percentage of 2012 Base Cash Salary)

Mr. Zalatoris	**Mr. Brown and Mr. Carr**	**Ms. Brooks and Mr. Anderson**
61%	58%	46%

Of the maximum possible annual restricted stock incentive award, the amount actually awarded was the sum of three components. The first component, as set forth below, depended upon our level of performance for 2012 as measured by the growth rate in our FFO relative to the median growth rate in FFO of the companies listed in the NAREIT Peer Index:

First Component of Annual Restricted Stock Incentive Award

(As Percentage of 2012 Base Cash Salary)

	Mr. Zalatoris	**Mr. Brown and Mr. Carr**	**Ms. Brooks and Mr. Anderson**
Granted automatically upon achieving Target FFO	13%	12%	10%
Granted automatically upon achieving High FFO	20%	19%	15%

The second component, as set forth below, depended upon our level of performance for 2012 as measured by the growth rate in our TSR relative to the median TSR of the companies included in the NAREIT Peer Index:

Second Component of Annual Restricted Stock Incentive Award

(As Percentage of 2012 Base Cash Salary)

	Mr. Zalatoris	Mr. Brown and Mr. Carr	Ms. Brooks and Mr. Anderson
Granted automatically upon achieving Target TSR	13%	12%	10%
Granted automatically upon achieving High TSR	20%	19%	15%

The third component was fixed in the discretion of the compensation committee or Mr. Zalatoris based upon a subjective determination of whether the named executive officer achieved the personal goals agreed upon in advance. The award for the third component could have ranged from zero to the maximum percentage reflected below:

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Third Component of Annual Restricted Stock Incentive Award

(As Percentage of 2012 Base Cash Salary)

	Mr. Zalatoris	Mr. Brown and Mr. Carr	Ms. Brooks and Mr. Anderson
Granted in the discretion of (i) the compensation committee (for Mr. Zalatoris based on a subjective assessment of his performance) or (ii) Mr. Zalatoris (for the other named executive officers based on an assessment of the achievement of their personal goals)	21%	20%	16%

Because we achieved a high level of performance for 2012 as measured by the growth rate in our FFO, the first component of each award was equal to the following percentage of the executive officer s base cash salary: (1) 20% for Mr. Zalatoris; (2) 19% for each of Messrs. Brown and Carr; and (3) 15% for each of Ms. Brooks and Mr. Anderson. Because we did not achieve at least a target level of performance for 2012 as measured by the growth rate in our TSR, the second component of each award was equal to zero. Based on Mr. Zalatoris subjective assessment of the performance of each other named executive officer relative to his or her personal goals for 2012, which included his consideration of a self-assessment by each of them, Mr. Zalatoris fixed the third component of each award, with the approval of the compensation committee, at the following percentage of the executive officer s base cash salary: (1) 18% for each of Mr. Brown and Mr. Carr; (2) 14% for Ms. Brooks; and (3) 16% for Mr. Anderson. With respect to Mr. Zalatoris, the compensation committee fixed the third component of the award at 14% of Mr. Zalatoris base cash salary. The award that each named executive officer actually earned was equal to the sum of the three components, as discussed in Cash and Restricted Stock Incentive Awards Made for 2012 below.

Cash and Restricted Stock Incentive Awards Made for 2012

The total amount of the annual cash incentive award and restricted stock incentive award that each executive officer actually earned was equal to the sum of the amounts that correspond to the first component (FFO), the second component (TSR) and the third component (personal goals) with respect to each type of award. These totals are set forth in the table below:

Annual Cash Incentive Award and Restricted Stock Incentive Award

(Total Amount Awarded for 2012)

Named Executive Officer	Cash Incentive Award		Restricted Stock Incentive Award	
	(% of Cash Salary)	($)	(% of Cash Salary)	($)
Mark Zalatoris	19%	97,104	34%	173,757
Brett Brown	19%	73,535	37%	143,220
D. Scott Carr	17%	61,884	37%	133,920
Beth Sprecher Brooks	15%	44,080	29%	85,260
William Anderson	16%	44,800	31%	86,800

2011 Employment Agreements

Under the employment agreements in effect between January 1, 2011 and December 31, 2011, each named executive officer received a fixed amount of base compensation that includes a cash component and an equity component. The equity component for the named executive officers is a number of shares of restricted stock with a value on the date of grant equal to approximately 5% of their total base compensation. The rights of

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the executives to these shares of restricted stock vest 20% per year over five years. For 2011, each named executive officer was eligible to receive an incentive award only if the executive achieved certain agreed upon personal goals in the discretion of Mr. Zalatoris and the compensation committee or we achieved at least a target level of performance in one of the two company performance metrics. All awards of restricted stock are made pursuant to our 2005 Equity Award Plan.

Our level of performance for 2011

For 2011, a portion of each named executive officer s incentive compensation was based on our performance relative to the NAREIT Peer Index. We determined our performance by comparing the growth rate in our FFO and TSR from year to year versus the median growth rates in those measures of the companies in the NAREIT Peer Index. We would have achieved: (1) a target level of performance if the measure in question was equal to or greater than 100%, but less than 135%, of the median for the NAREIT Peer Index; and (2) a high level of performance if the measure was equal to or greater than 135% of the median for the NAREIT Peer Index**.**

For the year ended December 31, 2011, our growth rate in FFO and the median growth rate in FFO for the NAREIT Peer Index were equal to approximately 8.1% and 5.0%, respectively. We therefore achieved a high level of performance for 2011 as measured by our growth rate in FFO. Our growth rate in TSR and the median growth rate in TSR for the NAREIT Peer Index were negative for 2011, declining approximately 7.0% and 6.6%, respectively. We, therefore, did not achieve a target level of performance for 2011 as measured by our growth rate in TSR.

For 2011, the remaining portion of each named executive officer s incentive compensation was based on the executive s achievement of personal goals. The personal goals for the named executive officers were proposed by the officers and negotiated and agreed to by the compensation committee. The specific goals for 2011 reflect our confidential operating plans and our planning process and accordingly disclosing them would result in competitive harm to us. The personal goals were intended to be challenging and ambitious but also realistic enough to be reasonably attainable given a concerted individual effort by the officer. The goals were intended to be achievable by the individual officers even if the Company s performance was not at a level at which the named executive officers would receive incentive compensation awards based on Company performance, so that those officers would be rewarded for strong individual performance when the Company s performance was adversely affected by factors beyond their control.

The compensation committee (with respect to Mr. Zalatoris) and Mr. Zalatoris (with respect to the other named executive officers) had discretion to determine whether to award this component of the incentive compensation for 2011. In making this determination, the compensation committee and Mr. Zalatoris assessed the extent to which each named executive officer met his or her personal goals during 2011.

Cash incentive opportunity for 2011

Each named executive officer had an opportunity to earn an annual cash incentive award in an amount equal to a percentage of his or her base cash salary for 2011. The maximum possible annual cash incentive award that each executive could have earned, expressed as a percentage of the executive s base cash salary for 2011, is set forth below:

Maximum Possible Annual Cash Incentive Award

(As Percentage of 2011 Base Cash Salary)

Mr. Zalatoris	Mr. Brown and Mr. Carr	Ms. Brooks and Mr. Anderson
40%	36%	30%

Of the maximum possible annual cash incentive award, the amount actually awarded was the sum of three components. The first component, as set forth below, depended upon our level of performance for 2011 as

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measured by the growth rate in our FFO relative to the median growth rate in FFO of the companies listed in the NAREIT Peer Index:

First Component of Annual Cash Incentive Award

(As Percentage of 2011 Base Cash Salary)

	Mr. Zalatoris	**Mr. Brown and Mr. Carr**	**Ms. Brooks and Mr. Anderson**
Granted automatically upon achieving Target FFO	7%	5.5%	5%
Granted automatically upon achieving High FFO	14%	12.5%	10%

The second component, as set forth below, depended upon our level of performance for 2011 as measured by the growth rate in our TSR relative to the median TSR of the companies included in the NAREIT Peer Index:

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Second Component of Annual Cash Incentive Award

(As Percentage of 2011 Base Cash Salary)

	Mr. Zalatoris	Mr. Brown and Mr. Carr	Ms. Brooks and Mr. Anderson
Granted automatically upon achieving Target TSR	7%	5.5%	5%
Granted automatically upon achieving High TSR	14%	12.5%	10%

The third component was fixed in the discretion of the compensation committee (with respect to Mr. Zalatoris) or Mr. Zalatoris (with respect to the other named executive officers) based upon a determination of whether the named executive officer achieved the personal goals agreed upon in advance. The award for the third component could have ranged from zero to the maximum percentage reflected below.

Third Component of Annual Cash Incentive Award

(Maximum Possible As Percentage of 2011 Base Cash Salary)

	Mr. Zalatoris	Mr. Brown and Mr. Carr	Ms. Brooks and Mr. Anderson
Granted in the discretion of (i) the compensation committee (for Mr. Zalatoris based on a subjective assessment of his performance) or (ii) Mr. Zalatoris (for the other named executive officers based on an assessment of the achievement of their personal goals)	12%	11%	10%

Because we achieved a high level of performance for 2011 as measured by the growth rate in our FFO, the first component of each award was equal to the following percentage of the executive officer s base cash salary: (1) 14% for Mr. Zalatoris; (2) 12.5% for each of Messrs. Brown and Carr; and (3) 10% for each of Ms. Brooks and Mr. Anderson. Because we did not achieve at least a target level of performance for 2011 as measured by the growth rate in our TSR, the second component of each award was equal to zero. Based on Mr. Zalatoris subjective assessment of the performance of each other named executive officer relative to his or her personal goals for 2011, which included his consideration of a self-assessment by each of them, Mr. Zalatoris fixed the third component of each award, with the approval of the compensation committee, at the following percentage of the executive officer s base cash salary: (1) 10.7% for Mr. Brown; (2) 9.9% for Mr. Carr and (3) 9.0% for each of Ms. Brooks and Mr. Anderson. With respect to Mr. Zalatoris, the compensation committee fixed the third component of the award at 9.6% of Mr. Zalatoris base cash salary. The award that each named executive officer actually earned was equal to the sum of the three components, as discussed in Cash and Restricted Stock Incentives Awards Made for 2011 below.

Restricted stock incentive opportunity for 2011

Each named executive officer had an opportunity to earn an annual restricted stock incentive award in an amount equal to a percentage of his or her base cash salary for 2011, payable in shares of our common stock at a price per share equal to the average of the high and low trading price of our common stock as reported by the New York Stock Exchange on the date of grant.

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The maximum possible annual restricted stock incentive award that each executive could have earned, expressed as a percentage of the executive s base cash salary for 2011, is set forth below:

Maximum Possible Annual Restricted Stock Incentive Award

(As Percentage of 2011 Base Cash Salary)

Mr. Zalatoris	**Mr. Brown and Mr. Carr**	**Ms. Brooks and Mr. Anderson**
45%	39%	36%

Of the maximum possible annual restricted stock incentive award, the amount actually awarded was the sum of three components. The first component, as set forth below, depended upon our level of performance for 2011 as measured by the growth rate in our FFO relative to the median growth rate in FFO of the companies listed in the NAREIT Peer Index:

First Component of Annual Restricted Stock Incentive Award

(As Percentage of 2011 Base Cash Salary)

	Mr. Zalatoris	**Mr. Brown and Mr. Carr**	**Ms. Brooks and Mr. Anderson**
Granted automatically upon achieving Target FFO	8%	7.5%	7%
Granted automatically upon achieving High FFO	15%	13%	12%

The second component, as set forth below, depended upon our level of performance for 2011 as measured by the growth rate in our TSR relative to the median TSR of the companies included in the NAREIT Peer Index:

Second Component of Annual Restricted Stock Incentive Award

(As Percentage of 2011 Base Cash Salary)

Mr. Zalatoris

		Mr. Brown and Mr. Carr	Ms. Brooks and Mr. Anderson
Granted automatically upon achieving Target TSR	8%	7.5%	7%
Granted automatically upon achieving High TSR	15%	13%	12%

The third component was fixed in the discretion of the compensation committee or Mr. Zalatoris based upon a subjective determination of whether the named executive officer achieved the personal goals agreed upon in advance. The award for the third component could have ranged from zero to the maximum percentage reflected below:

Third Component of Annual Restricted Stock Incentive Award

(As Percentage of 2011 Base Cash Salary)

	Mr. Zalatoris	Mr. Brown and Mr. Carr	Ms. Brooks and Mr. Anderson
Granted in the discretion of (i) the compensation committee (for Mr. Zalatoris based on a subjective assessment of his performance) or (ii) Mr. Zalatoris (for the other named executive officers based on an assessment of the achievement of their personal goals)	15%	13%	12%

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Because we achieved a high level of performance for 2011 as measured by the growth rate in our FFO, the first component of each award was equal to the following percentage of the executive officer s base cash salary: (1) 15% for Mr. Zalatoris; (2) 13% for each of Messrs. Brown and Carr; and (3) 12% for each of Ms. Brooks and Mr. Anderson. Because we did not achieve at least a target level of performance for 2011 as measured by the growth rate in our TSR, the second component of each award was equal to zero. Based on Mr. Zalatoris subjective assessment of the performance of each other named executive officer relative to his or her personal goals for 2011, which included his consideration of a self-assessment by each of them, Mr. Zalatoris fixed the third component of each award, with the approval of the compensation committee, at the following percentage of the executive officer s base cash salary: (1) 12.6% for Mr. Brown; (2) 11.7% for Mr. Carr and (3) 10.8% for each of Ms. Brooks and Mr. Anderson. With respect to Mr. Zalatoris, the compensation committee fixed the third component of the award at 12% of Mr. Zalatoris base cash salary. The award that each named executive officer actually earned was equal to the sum of the three components, as discussed in Cash and Restricted Stock Incentive Awards Made for 2011 below.

Cash and Restricted Stock Incentive Awards Made for 2011

The total amount of the annual cash incentive award and restricted stock incentive award that each executive officer actually earned was equal to the sum of the amounts that correspond to the first component (FFO), the second component (TSR) and the third component (personal goals) with respect to each type of award. These totals are set forth in the table below:

Annual Cash Incentive Award and Restricted Stock Incentive Award

(Total Amount Awarded for 2011)

Named Executive Officer	**Cash Incentive Award**		**Restricted Stock Incentive Award**	
	(% of Cash Salary)	**($)**	**(% of Cash Salary)**	**($)**
Mark Zalatoris	23.6%	116,820	27%	133,650
Brett Brown	23.2%	81,154	25.6%	89,584
D. Scott Carr	22.4%	78,355	24.7%	86,401
Beth Sprecher Brooks	19%	52,991	22.8%	63,589
William Anderson	19%	51,319	22.8%	61,583

2010 Employment Agreements

Our level of performance for 2010

For 2010, a portion of each named executive officer s total compensation was based on our performance relative to the NAREIT Peer Index. We determined our performance by comparing the growth rate in our FFO and TSR from year to year versus the median growth rates in those measures of the companies in the NAREIT Peer Index. We would have achieved (1) a target level of performance if the measure in question was equal to or greater than 100%, but less than 135%, of the median for the NAREIT Peer Index; and (2) a high level of performance if the measure was equal to or greater than 135% of the median for the NAREIT Peer Index**.**

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Our growth rate in FFO and the median growth rate in FFO for the NAREIT Peer Index were negative for the year ended December 31, 2010, declining approximately 31.0% and 11.7%, respectively. Our growth rate in TSR and the median growth rate in TSR for the NAREIT Peer Index were equal to approximately 15.0% and 33.3%, respectively. We, therefore, did not achieve a target level of performance for 2010.

Cash incentive opportunity for 2010

Each named executive officer had an opportunity to earn an annual cash incentive award in an amount equal to a percentage of his or her base cash salary for 2010. The maximum possible annual cash incentive award that each executive could have earned, expressed as a percentage of the executive s base cash salary for 2010, is set forth below:

Maximum Possible Annual Cash Incentive Award

(As Percentage of 2010 Base Cash Salary)

Mr. Zalatoris	Other Named Executive Officers
40%	30%

Of the maximum possible annual cash incentive award, the amount actually awarded was the sum of three components. The first component, as set forth below, depended upon our level of performance for 2010 as measured by the growth rate in our FFO relative to the median growth rate in FFO of the companies listed in the 2010 NAREIT Peer Index:

First Component of Annual Cash Incentive Award

(As Percentage of 2010 Base Cash Salary)

	Mr. Zalatoris	Other Named Executive Officers
Granted automatically upon achieving Target FFO	7%	5%
Granted automatically upon achieving High FFO	14%	10%

The second component, as set forth below, depended upon our level of performance for 2010 as measured by the growth rate in our TSR relative to the median TSR of the companies included in the NAREIT Peer Index:

Second Component of Annual Cash Incentive Award

(As Percentage of 2010 Base Cash Salary)

	Mr. Zalatoris	Other Named Executive Officers
Granted automatically upon achieving Target TSR	7%	5%
Granted automatically upon achieving High TSR	14%	10%

The third component was fixed in the discretion of the compensation committee (with respect to Mr. Zalatoris) or Mr. Zalatoris (with respect to the other named executive officers) based upon a determination of whether the named executive officer achieved the personal goals agreed upon in advance. The award for the third component could have ranged from zero to the maximum percentage reflected below.

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Third Component of Annual Cash Incentive Award

(Maximum Possible As Percentage of 2010 Base Cash Salary)

	Mr. Zalatoris	Other Named Executive Officers
Granted in the discretion of (i) the compensation committee (for Mr. Zalatoris based on a subjective assessment of his performance) or (ii) Mr. Zalatoris (for the other named executive officers based on an assessment of the achievement of their personal goals)	12%	10%

The annual cash incentive award that each executive officer actually earned was equal to the sum of the three components. Because we did not achieve at least a target level of performance for 2010 as measured by the growth rate in either our FFO or our TSR, the first two components were equal to zero, and the total cash incentive award was equal only to the amount of the third component. The determination of the amount of the third component is discussed in detail in Cash and Restricted Stock Incentive Awards Made for 2010 below.

Restricted stock incentive opportunity for 2010

Each named executive officer had an opportunity to earn an annual restricted stock incentive award in an amount equal to a percentage of his or her base cash salary for 2010. The maximum possible annual restricted stock incentive award that each executive could have earned, expressed as a percentage of the executive s base cash salary for 2010, is set forth below:

Maximum Possible Annual Restricted Stock Incentive Award

(As Percentage of 2010 Base Cash Salary)

Mr. Zalatoris	Other Named Executive Officers
45%	36%

The annual restricted stock incentive award that each executive officer actually earned was equal to a fraction, the numerator of which was the sum of the three components described below, and the denominator of which was the average of the high and low trading price of our common stock as reported by the New York Stock Exchange on the date of grant. The first component of the numerator, as set forth below, depended upon our level of performance for 2010 as measured by the growth rate in our FFO relative to the median growth rate in FFO of the companies listed in the 2010 NAREIT Peer Index:

First Component of Annual Restricted Stock Incentive Award

(As Percentage of 2010 Base Cash Salary)

	Mr. Zalatoris	Other Named Executive Officers
Granted automatically upon achieving Target FFO	8%	7%
Granted automatically upon achieving High FFO	15%	12%

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The second component of the numerator, as set forth below, depended upon our level of performance for 2010 as measured by the growth rate in our TSR relative to the median TSR of the companies included in the NAREIT Peer Index:

Second Component of Annual Restricted Stock Incentive Award

(As Percentage of 2010 Base Cash Salary)

	Mr. Zalatoris	Other Named Executive Officers
Granted automatically upon achieving Target TSR	8%	7%
Granted automatically upon achieving High TSR	15%	12%

The third component of the numerator was fixed in the discretion of the compensation committee or Mr. Zalatoris based upon a subjective determination of whether the named executive officer achieved the personal goals agreed upon in advance. The award for the third component could have ranged from zero to the maximum percentage reflected below.

Third Component of Annual Restricted Stock Incentive Award

(As Percentage of 2010 Base Cash Salary)

	Mr. Zalatoris	Other Named Executive Officers
Granted in the discretion of (i) the compensation committee (for Mr. Zalatoris based on a subjective assessment of his performance) or (ii) Mr. Zalatoris (for the other named executive officers based on an assessment of the achievement of their personal goals)	15%	12%

Because we did not achieve at least a target level of performance for 2010 as measured by the growth rate in either FFO or TSR, the first two components were equal to zero and the numerator was equal to the third component. The determination of the amount of the third component is discussed in detail in Cash and Restricted Stock Incentive Awards Made for 2010 below.

Cash and restricted stock incentives actually awarded for 2010

The compensation committee (with respect to Mr. Zalatoris) and Mr. Zalatoris (with respect to the other named executive officers) had discretion to determine whether to award the third component of the cash incentive award and restricted stock incentive award for 2010. In making this determination, the compensation committee and Mr. Zalatoris assessed the extent to which each named executive officer met his or her personal goals during 2010. The personal goals for the named executive officers were proposed by the officers and negotiated and agreed to by the compensation committee. The specific goals for 2010 reflect our confidential operating plans and information and our planning process and accordingly disclosing them would result in competitive harm to us. The personal goals are intended to be challenging and ambitious but also realistic enough to be reasonably attainable given a concerted individual effort by the officer. The goals are intended to be achievable by the individual officers even if the Company s performance is not at a level at which the named executive officers would receive incentive compensation awards based on Company performance, so that those officers can be rewarded for strong individual performance when the Company s performance is adversely affected by factors beyond their control.

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Based on Mr. Zalatoris subjective assessment of the performance of each other named executive officer relative to his or her personal goals for 2010, which included his consideration of a self-assessment by each of them, Mr. Zalatoris determined to award, with the approval of the compensation committee, the amounts listed in the table below. With respect to Mr. Zalatoris, the compensation committee reviewed and discussed a self-assessment and proposed award amount provided by Mr. Zalatoris and determined to award that amount to Mr. Zalatoris (which amount is also set forth in the table below:

Named Executive Officer	**Cash Incentive Award**		**Restricted Stock Incentive Award**	
	(% of Cash Salary)	**($)**	**(% of Cash Salary)**	**($)**
Mark Zalatoris	10%	$49,500	12%	$59,400
Brett Brown	10%	$33,000	12%	$39,600
D. Scott Carr	10%	$33,000	12%	$39,600
Beth Sprecher Brooks	9%	$24,255	10%	$26,950
William Anderson	8.5%	$22,440	10%	$26,400

Effect of Regulatory Requirements on Executive Compensation

Section 162(m). Under Section 162(m) of the Internal Revenue Code of 1986, as amended, referred to herein as the Code, certain limits are placed on the tax deductibility of compensation paid to our chief executive officer and our four other most highly compensated executives unless the compensation meets the requirement for performance-based compensation as set forth in the Code and the related regulations. Our compensation committee has considered the possible effect of Section 162(m) of the Code in designing our compensation programs and policies. Further, as long as we qualify as a REIT, we generally will not pay taxes at the corporate level and, therefore, losing the deductibility of compensation does not have a significant adverse impact on us. All compensation paid to these executives for the year ended December 31, 2012 was deductible under Section 162(m) of the Code.

To the extent that any part of our compensation expense is not deductible under Section 162(m) of the Code, we might be required to increase the amount of our distributions to our stockholders to maintain our status as a REIT or a larger portion of stockholder distributions might be subject to federal income tax as ordinary income rather than return of capital. Also, any compensation allocated to our taxable REIT subsidiaries whose income is subject to federal income tax would result in an increase in income taxes due to the inability to deduct the compensation. The committee will continue to take into account the materiality of any deductions that might be lost as well as the broader interests to be served by paying competitive compensation.

Section 409A. Section 409A of the Code generally affects the federal income tax treatment of most forms of deferred compensation (subject to limited grandfathering for certain deferred compensation arrangements in place on or prior to October 3, 2004) by accelerating the timing of the inclusion of the deferred compensation to the recipient for federal income tax purposes and imposing an additional federal income tax on the recipient equal to 20% of the amount of the accelerated income and, under certain circumstances, an additional interest charge. The committee considers the potential adverse federal income tax impact of Section 409A of the Code in determining the form and timing of compensation paid to our executives and other employees and service providers.

Section 280G and 4999. Sections 280G and 4999 of the Code limit a company s ability to deduct, and impose excise taxes on, certain excess parachute payments (as defined in Sections 280G and 4999 of the Code and related regulations) paid to each service provider (including an employee or officer) in connection with a change of control of the company (as set forth in Sections 280G and 4999 of the Code and related regulations). The committee considers the potential adverse tax impact of Sections 280G and 4999 of the Code, as well as other competitive factors, in structuring certain post-termination compensation or other compensation that might be

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payable to our executives and other employees and service providers in connection with a change of control of the company.

Accounting Rules. We account for stock-based employee compensation (currently stock options and restricted stock) using the fair value based method of accounting described in ASC Topic 718. We record the cost of awards with service conditions based on the grant-date fair value of the award. The cost of the awards is recognized over the vesting period. If an award is forfeited, no additional compensation expense is recognized. The committee considers the accounting treatment of alternate grant proposals under ASC Topic 718 in determining the form and timing of equity compensation grants to employees, including our named executive officers.

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Summary Compensation Table

The following table sets forth information concerning the compensation of our named executive officers for each of the last three completed fiscal years.

Name and Principal Position	Year	Salary ($)(1)	Stock Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)(2)	Total ($)
Mark E. Zalatoris,	2012	555,000	173,757	97,104	23,752	849,613
President and Chief	2011	540,000	133,650	116,820	18,983	809,453
Executive Officer	2010	540,000	59,400	49,500	15,854	664,754
Brett A. Brown,	2012	400,000	143,220	73,535	12,416	629,171
Chief Financial Officer	2011	364,800	89,549	81,154	8,866	544,369
	2010	345,000	39,600	33,000	7,193	424,793
D. Scott Carr,	2012	375,000	133,920	61,884	12,308	583,112
Chief Investment Officer	2011	364,800	86,401	78,355	8,921	538,477
	2010	345,000	39,600	33,000	7,470	425,070
Beth Sprecher Brooks,	2012	302,250	85,260	44,080	9,937	441,527
General Counsel	2011	291,150	63,589	52,991	7,535	415,265
	2010	281,750	26,950	24,255	6,351	339,306
William W. Anderson,	2012	292,000	86,800	44,080	9,762	433,642
Senior Vice President of	2011	282,100	61,583	51,319	7,498	402,500
Transactions	2010	276,000	26,400	22,400	6,620	331,420

(1) Includes the grant date value of restricted stock paid as base compensation as well as base cash compensation.

(2) The amount reported as All Other Compensation includes matching contributions to our 401(k) plan, amounts paid for a short-term disability policy, the value of distributions on unvested restricted stock and amounts paid for life insurance coverage.

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2012 Grant of Plan-Based Awards

The following table provides information on the grants of plan-based awards made to our named executive officers during the fiscal year ended December 31, 2012.

Name	Grant Date	Estimated Future Payouts Under Equity Incentive Plan Awards - Target (#)	Grant Date Fair Value of Stock Awards ($)
Mark E. Zalatoris	06/27/12	16,160 (1)	133,643
		5,440 (2)	44,989
Brett A. Brown	06/27/12	10,830 (1)	89,564
		1,815 (2)	15,010
D. Scott Carr	06/27/12	10,450 (1)	86,422
		1,815 (2)	15,010
Beth Sprecher Brooks	06/27/12	7,690 (1)	63,596
		1,480 (2)	12,240
William W. Anderson	06/27/12	7,450 (1)	61,612
		1,450 (2)	11,992

(1) Amounts reflect shares of restricted stock awarded as the annual restricted stock incentive award for the named executive officer s performance in 2011, which will vest 20% per annum.

(2) Amounts reflect shares of restricted stock awarded as deferred compensation under the named executive officers employment agreement for 2012, which will vest 20% per annum and are potentially subject to forfeiture upon the termination of the executive officers employment, as described under Potential Payments Upon Termination or a Change of Control.

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2012 Outstanding Equity Awards at Fiscal Year-End

The following tables set forth information with respect to all unexercised options and stock awards that have not vested for each of the named executive officers outstanding as of December 31, 2012.

		Option Awards			
Name	Grant Date	Number of Securities Underlying Unexercised Options Exercisable	Number of Securities Underlying Unexercised Options Unexercisable (#) (1)	Option Exercise Price ($)	Option Expiration Date
Mark E. Zalatoris	08/06/08	1,870	468	14.97	08/06/18
	08/19/09	2,250	2,250	7.89	08/20/19
Brett A. Brown	08/06/08	602	150	14.97	08/06/18
	08/19/09	1,125	750	7.89	08/20/19
D. Scott Carr	08/06/08	602	150	14.97	08/06/18
	08/19/09	1,125	750	7.89	08/20/19
Beth Sprecher Brooks	08/06/08	548	137	14.97	08/06/18
	08/19/09	918	612	7.89	08/20/19
William W. Anderson	08/06/08	534	134	14.97	08/06/18
	08/19/09	900	600	7.89	08/20/19

(1) 20% of options granted vest on each successive yearly anniversary of the date of the grant.

	Stock Awards	
Name	Equity Incentive Plan Awards: Number of Shares or Units of Stock That Have Not Vested (#)(1)	Equity Incentive Plan Awards: Market Value of Shares or Units of Stock That Have Not Vested ($)
Mark E. Zalatoris	44,153	370,002
Brett A. Brown	22,337	187,184
D. Scott Carr	21,957	184,000
Beth Sprecher Brooks	16,624	139,309
William W. Anderson	16,201	135,764

(1) 20% of restricted shares of stock granted vest on each successive yearly anniversary of the date of the grant.

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2012 Option Exercises and Stock Vested

The following table sets forth information concerning the amounts realized upon the exercise of options and vesting of stock awards during the year ended December 31, 2012 by each of the named executive officers.

	Option Awards		Stock Awards	
Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Mark E. Zalatoris	-	-	8,626	69,008
Brett A. Brown	-	-	3,529	28,232
D. Scott Carr	-	-	3,529	28,232
Beth Sprecher Brooks	-	-	2,782	22,256
William W. Anderson	-	-	2,742	21,936

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Potential Payments Upon Termination or a Change of Control

Under the employment agreements in effect for the fiscal year ending December 31, 2013, we are required to provide compensation and other benefits to the named executive officers in the event of a termination of employment. Some of the material terms and conditions of these rights are summarized below. In all material respects, these terms and conditions are substantially similar to those in the employment agreements that were in effect for the fiscal year ended December 31, 2012.

Termination by the Company for Cause or Voluntarily by the Executive. Under the employment agreements, we will have cause to terminate an executive s employment if, among other things, the executive fails to perform his or her duties under the employment agreement. If employment is terminated by us for cause or voluntarily by the executive, then within 30 days of the date of the termination, we will pay the executive:

- any accrued base salary;
- any accrued vacation pay;
- any accrued reimbursable expenses; and
- any accrued benefits, together with any benefits required to be paid or provided under applicable law.

In addition, any restricted stock awards issued to the executive which have not yet vested will immediately be forfeited.

Termination by the Company without Cause or by the Executive for Good Reason. Under the employment agreements, an executive will have good reason to terminate his or her employment agreement if: (1) we require the executive to relocate his or her principal residence to a location outside of the greater Chicago Metropolitan Area, (2) certain reductions are made to the executive s base salary or other compensation and benefits, or (3) we materially breach the provisions of the agreement. If employment is terminated by us without cause or by the executive for good reason, then within 30 days of the date of the termination, we will pay the executive:

- any accrued base salary;
- any accrued vacation pay;

- any accrued reimbursable expenses;
- any accrued benefits, together with any benefits required to be paid or provided under applicable law;
- any accrued bonus, which has been determined for the prior year, but not yet paid;
- any accrued bonus for the current year prorated to the date of termination; and
- an amount equal to the sum of: (A) the executive s then current per annum base salary, plus (B) an amount equal to the annual cash incentive award which was paid to the executive for the fiscal year preceding the year of termination; provided, however, that the payment to the executive would, in no event, have exceed an amount which would cause the executive to receive an excess parachute payment as defined in the Code.

In addition, any restricted stock awards which have not yet vested will vest immediately and will no longer be subject to forfeiture.

Termination by Company for Good Reason. Under the employment agreements, we will have good reason to terminate an executive s employment if the executive fails to achieve the personal goals and objectives

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mutually agreed upon between the executive and the board. If we terminate the executive s employment for good reason, then within 30 days of the date of the termination, we will pay the executive:

- any accrued base salary;
- any accrued vacation pay;
- any accrued reimbursable expenses;
- any accrued benefits, together with any benefits required to be paid or provided under applicable law;
- any accrued bonus, which has been determined for the prior year, but not yet paid;
- any accrued bonus for the current year prorated to the date of termination; and
- an amount equal to 0.50 times the sum: (A) the executive s then current per annum base salary, plus (B) an amount equal to the annual cash incentive award which was paid to the executive for the fiscal year preceding the year of termination; provided, however, that the payment to the executive would, in no event, have exceed an amount which would cause the executive to receive an excess parachute payment as defined in the Code.

In addition, any restricted stock awards which have not yet vested will immediately be forfeited.

Change of Control. If employment under the agreement is terminated within one year of a change of control, then within 30 days of the date of the termination, we will pay the executive:

- any accrued base salary;
- any accrued vacation pay;

- any accrued reimbursable expenses;
- any accrued benefits, together with any benefits required to be paid or provided under applicable law;
- any accrued bonus, which has been determined for the prior year, but not yet paid;
- any accrued bonus for the current year prorated to the date of termination; and
- an amount equal to 2.0 times the sum of: (A) the executive s then current per annum base salary; plus (B) an amount equal to the annual cash incentive award paid to the executive for the fiscal year immediately preceding the year of termination; plus (C) the aggregate dollar value of each of the restricted stock awards that was granted to executive for the fiscal year immediately preceding the year of termination; provided, however, that the payment to the executive will, in no event, exceed an amount which would cause the executive to receive an excess parachute payment as defined in the Code.

In addition, if the executive s employment is terminated within one year of a change of control, then any restricted stock awards which have not vested will immediately vest and no longer be subject to forfeiture.

Termination upon Death or Total Disability. If employment under the agreement is terminated by reason of the death or total disability of the executive, then within 30 days of the date of the termination, we will pay the executive (or his or her estate or beneficiaries):

- any accrued base salary;
- any accrued vacation pay;
- any accrued reimbursable expenses;

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- any accrued benefits, together with any benefits required to be paid or provided under applicable law.; and

- any accrued bonus.

In addition, any restricted stock or stock option awards issued to the executive which have not yet vested will vest immediately and no longer be subject to forfeiture.

The following table describes the payments, if any, to each named executive officer that would have been made upon the termination or change in control under the executive s current employment agreement, based on a hypothetical termination or change in control occurring on December 31, 2012. To the extent the determination of a payment amount requires the use of the price of our common stock, we used the closing price of our common stock on December 31, 2012. The amounts reflect the acceleration of benefits under the employment agreements, as well as benefits payable or other consequences under our benefit plans. There can be no assurance that a termination would produce the same or similar results as those shown below if it occurs on any other date or if any other price of our common stock is applicable.

Name & Type of Termination	**Cash ($)**	**Accelerated Vesting ($)**	**Total ($)**
Mark E. Zalatoris			
By Company for cause or voluntarily by executive			
By Company without cause or by executive for good reason	907,681	370,002	1,277,683
By Company for good reason	589,271		589,271
Within one year of a change of control	1,901,801	370,002	2,271,803
Upon death or total disability	270,861	370,002	640,863
Brett A. Brown			
By Company for cause or voluntarily by executive			
By Company without cause or by executive for good reason	697,909	187,184	885,093
By Company for good reason	457,332		457,332
Within one year of a change of control	1,418,160	187,184	1,605,344
Upon death or total disability	216,755	187,184	403,939
D. Scott Carr			
By Company for cause or voluntarily by executive			
By Company without cause or by executive for good reason	664,159	184,000	848,159
By Company for good reason	429,982		429,982
Within one year of a change of control	1,365,316	184,000	1,549,315
Upon death or total disability	195,804	184,000	379,804

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Beth Sprecher Brooks			
By Company for cause or voluntarily by executive			
By Company without cause or by executive for good reason	482,331	139,309	621,640
By Company for good reason	305,836		305,836
Within one year of a change of control	1,011,500	139,309	1,150,810
Upon death or total disability	129,340	139,309	268,649
William W. Anderson			
By Company for cause or voluntarily by executive			
By Company without cause or by executive for good reason	472,919	135,764	608,683
By Company for good reason	302,260		302,260
Within one year of a change of control	985,404	135,764	1,121,168
Upon death or total disability	131,600	135,764	267,364

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CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

We reimburse affiliates of TIGI for various administrative services, such as payroll preparation and management, data processing, insurance consultation and placement, property tax reduction services and mail processing. These TIGI affiliates provide these services to us at cost. In the event that a service provider has revenues for any particular fiscal year that exceed its expenses for that year, the service provider will rebate the excess on a pro rata basis to us based on the proportion of its revenues attributable to us. Mr. Goodwin, one of our directors, is the controlling shareholder of TIGI. We pay for the aforementioned services on an hourly basis at rates that we believe are below market rates for comparable services. The hourly rate is based on the salary of the individual rendering the services, plus a pro rata allocation of overhead including, but not limited to, employee benefits, rent, materials, fees, taxes and operating expenses incurred by each entity in operating their respective businesses. Since January 1, 2012, we have incurred expenses for these services totaling approximately $1,672,000, which we included in our general and administrative expenses and property operating expenses. Additionally, we lease our corporate office space from an affiliate of TIGI. Payments under this lease since January 1, 2012, were approximately $590,000 and also were included in general and administrative expenses. As of April 18, 2013, TIGI, through affiliates, beneficially owned approximately 12.8% of our outstanding common stock. For accounting purposes however, we are not directly affiliated with TIGI or its affiliates.

On August 12, 2003, we entered into an agreement with Inland Investment Advisors, Inc., an indirect wholly owned subsidiary of TIGI, to manage our investment in securities. We pay a fee of up to 1.0% per annum on the net asset value under management. Since January 1, 2012, we have paid approximately $122,000 for these services.

Effective January 1, 2013, the Company extended its joint venture relationship with Inland Private Capital Corporation (IPCC), a wholly owned subsidiary of TIGI that was formerly known as Inland Real Estate Exchange Corporation, by entering into a new agreement. This joint venture was formed in 2006 to facilitate the Company s indirect participation in tax-deferred exchange transactions pursuant to Section 1031 of the Internal Revenue Code using properties made available to the venture by the Company. A wholly owned subsidiary of the Company will be entitled to earn leasing fees and on-going property management fees under the joint venture agreement. We have undertaken certain contribution, reimbursement and indemnification obligations specified in the joint venture agreement. Our subsidiary coordinates the joint venture s acquisition, property management and leasing functions, and earns fees for services provided to the joint venture, including property management, asset management and leasing fees, as well as acquisition fees, which are split equally between our subsidiary and IPCC. We continue to earn property management, asset management and leasing fees on all properties acquired for this venture, even after all interests in the entity that owns the property have been sold to the investors. Since January 1, 2012, IPCC has received approximately $2.88 million in acquisition and asset management fees related to the joint venture, funded entirely by third parties.

On June 7, 2010, we formed a joint venture with PGGM, a leading Dutch pension fund administrator and asset manager. We are the managing partner of the PGGM joint venture and earn fees for acquisitions, asset management, property management, leasing and other services provided to the venture. In April 2012, we substantially completed the overall acquisition goals of the joint venture under the initial partnership agreement. The joint venture acquired $467 million of grocery-anchored and community retail centers located in Midwestern U.S. markets pursuant to this initial agreement. The Company contributed assets from its consolidated portfolio and PGGM contributed its 45% share of the equity of the properties contributed by the Company, and each party contributed capital for acquisitions of new properties. Since January 1, 2012, Inland Institutional Capital Partners (ICAP), a wholly owned subsidiary of TIGI, received $332,972 from us in exchange for advisory services ICAP provided in connection with the establishment of the venture. ICAP describes itself as an investment adviser registered with the SEC that specializes in sourcing private equity and identifying large scale investment opportunities for public and private real estate companies and REITs sponsored by TIGI. We have no further obligations to pay ICAP in connection with this venture.

Since January 1, 2012, we paid a total of approximately $292,241 in mortgage brokerage fees to Grubb & Ellis Company (Grubb & Ellis) in connection with three mortgage loan transactions pursuant to which we

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received total loan proceeds of $66.5 million. The lenders in these transactions were selected by the Company from among other lenders using a competitive process based on objective criteria such as the terms of the loans being offered. Because the lenders we selected are exclusively represented by Grubb & Ellis, we would not have been able to consummate the loan transactions with these lenders unless we worked through Grubb & Ellis. One of our directors, Joel Simmons, had an indirect personal interest as a broker in these transactions that he estimated as approximately $292,241, of which Mr. Simmons has actually received approximately $0. In light of the Grubb & Ellis Chapter 11 bankruptcy filing, it is unclear whether Mr. Simmons will receive his estimated interest in the remainder. Mr. Simmons served as an executive vice president of Grubb & Ellis until April 2012. Mr. Simmons also owned a non-material amount of shares of Grubb & Ellis common stock prior to its bankruptcy. Thomas P. D Arcy, one of our independent directors, served as the president, chief executive officer and a member of the board of directors of Grubb & Ellis until April 2012. Mr. D Arcy did not participate in these transactions and does not have a material interest in them.

Since January 1, 2012, we paid a total of approximately $223,250 in mortgage brokerage fees to BGC Real Estate Capital Partners (BGC) in connection with four mortgage loan transactions pursuant to which we received total loan proceeds of $44.7 million. The lenders in these transactions were selected by the Company from among other lenders using a competitive process based on objective criteria such as the terms of the loans being offered. Because the lenders we selected are exclusively represented by BGC, we would not have been able to consummate the loan transactions with these lenders unless we worked through BGC. One of our directors, Joel Simmons, had an indirect personal interest as a broker in these transactions that he estimated as approximately $223,250, of which Mr. Simmons has actually received approximately $87,000.

Policies and Procedures with Respect to Related Party Transactions

Our code of ethics applies to all of our employees (including all officers) and directors and addresses conflicts of interest generally. The code of ethics requires, among other things, that the board approve transactions that involve a conflict of interest. Our Charter also contains provisions that limit our ability to engage in certain transactions, including transactions with our directors and their affiliates (as defined in the Charter). Our Charter requires, among other things, that these related party transactions must be approved by a majority of the directors (including a majority of the independent directors) not otherwise interested in the transaction. In determining whether to approve or authorize a particular transaction with a director or a director s affiliate, the disinterested directors are required by our Charter to consider the terms and conditions of the transaction relative to the terms and conditions available from unaffiliated third parties and whether the transaction involving the director is fair and reasonable to us.

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PROPOSAL NO. 2 RATIFY APPOINTMENT OF KPMG LLP

The audit committee has selected KPMG LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2013. We traditionally ask our stockholders to ratify the selection even though your approval is not required. Further, even if you do not approve the selection of KPMG, we will not replace them for this year due to the added expense and delay that would result from replacing them and selecting a new firm. Instead, the audit committee will consider the negative vote as a direction to consider a different firm next year.

Representatives of KPMG will attend the annual meeting. These representatives will have an opportunity to make a statement if they desire to do so, and will be available to respond to appropriate stockholder questions.

RECOMMENDATION OF THE BOARD: The board recommends that you vote **FOR** the appointment of KPMG as our independent registered public accounting firm for the year ending December 31, 2013.

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FEES TO INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The following table presents the fees for professional services rendered by KPMG LLP for the audit of our annual financial statements and internal control over financial reporting for the fiscal years ended December 31, 2012 and 2011, together with fees for audit-related services and tax services rendered by KPMG LLP for the fiscal years ended December 31, 2012 and 2011, respectively.

	Fiscal year ended December 31,				
Description	**2012**			**2011**	
	$			**$**	
Audit Fees		1,020,000	(1)		1,082,500
Audit-Related Fees					
Tax Fees (2)		542,247	(3)		473,570
All Other Fees					
TOTAL		**1,562,247**			**1,556,070**

(1) Total includes Audit fees of $60,000 incurred in connection with IN Retail Fund LLC, our joint venture with the New York State Teachers Retirement System and $63,000 incurred in connection with INP Retail LP, our joint venture with PGGM.

(2) Tax fees are comprised of tax compliance, tax advice and tax planning fees.

(3) Total includes tax fees of $19,175 incurred in connection with IN Retail Fund LLC and $59,325 incurred in connection with INP Retail LP.

Approval of Services and Fees

Our audit committee has reviewed and approved all of the fees paid to KPMG and actively monitors the relationship between audit and non-audit services provided by KPMG. The audit committee must pre-approve all services provided by our independent registered public accounting firm and the fees charged for these services. The audit committee also will consider on a case-by-case basis and, if appropriate, approve specific engagements that are not otherwise pre-approved. Any proposed engagement that does not fit within the definition of a pre-approved service may be presented to the chairperson of the audit committee for approval. The audit committee concluded that all services rendered by KPMG during the years ended December 31, 2012 and 2011 respectively, were consistent with maintaining KPMG s independence. Accordingly, the audit committee has approved all of the services provided by KPMG. As a matter of policy, we will not engage our primary independent registered public accounting firm for non-audit services other than audit related services, as defined by the SEC, certain tax services, and other permissible non-audit services as specifically approved by the chairperson of the audit committee and presented to the full committee at its next regular meeting. The policy also includes limits on hiring partners of, and other professionals employed by, KPMG to ensure that the SEC s auditor independence rules are satisfied.

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INTRODUCTORY NOTE   PROPOSAL 3(a) AND PROPOSAL 3(b)

Our board has conducted a review of the Company s organizational documents, including its current Charter and bylaws in relation to the board s strategic objectives and the Company s business plan and in comparison to other NYSE-listed REITs similar to the Company. As a result of that review process, our board has concluded that our existing Charter should be amended and restated.

First, as described in more detail in connection with Proposal 3(a) below, the current Charter includes numerous provisions that although previously required to be included to sell securities in compliance with various state securities laws, rules and regulations, are no longer required for us as an exchange-listed company. These provisions may affect many aspects of our board s and the Company s operations and may ultimately limit our ability to most effectively operate our business and advance our strategic objectives. In Proposal 3(a), we are proposing to amend and restate the Charter to remove these provisions. Our board has found this amendment and restatement of the Charter to be advisable and is recommending that you vote FOR Proposal 3(a).

Second, as described in more detail in connection with Proposal 3(b) below, the current Charter contains additional provisions that impose limitations on the Company s authority under Maryland law or otherwise do not accord with practices that have emerged among NYSE-listed REITs that, like the Company, are incorporated in Maryland. We believe that revising these provisions to follow Maryland law and otherwise to accord with other NYSE-listed REITs will provide us with greater flexibility in advancing our strategic objectives and implementing our business plan. In Proposal 3(b), we are proposing to amend and restate the Charter to revise these provisions. Our board has found this amendment and restatement of the Charter to be advisable and is recommending that you vote FOR Proposal 3(b).

PROPOSAL 3(a)   AMEND AND RESTATE THE CHARTER TO REMOVE PROVISIONS ORIGINALLY INCLUDED TO COMPLY WITH THE NASAA REIT GUIDELINES

The shares of our common stock have been listed for trading on the NYSE since 2004. At the time we were formed and raised capital through a series of best efforts offerings, however, we were not listed on the NYSE. Instead, we fell into a category of companies known as non-listed REITs, and we were required to register our offerings with various state securities administrators. Many of the states in which we registered our securities required REITs offering securities to residents of their state to comply with the standards set forth in the Statement of Policy Regarding Real Estate Investment Trusts promulgated by the North American Securities Administrators Association, Inc., which is referred to herein as the NASAA REIT Guidelines or Guidelines. Much like we started, non-listed REITs typically begin as blind pools, which means they initially own no assets, do not generally have employees, and are managed by external advisors. These external advisors are paid fees for their services based on, among other things, assets under management and purchases or sales of assets. The charter provisions required by the Guidelines consist of substantive restrictions on a REIT s operations including on certain types of fees that may be paid to external advisors and on transactions between the non-listed REIT and its external advisor or affiliates thereof. These restrictions apply to a REIT that is making a public offering of securities that are not listed for trading on a national securities exchange or designated for quotation on an over-the-counter market. We are no longer raising capital through this type of public offering, and we do not intend to do so in the near future. We completed our last best efforts offering as a non-listed REIT in 1998, and we have been a self-managed REIT with no external advisor since 2000. In contrast, REITs that, like the Company, make a public offering of securities that are listed on the NYSE are not required to comply with the Guidelines. Hence, the charter of an NYSE-listed REIT like the Company generally does not contain many of the provisions described below that were originally included in our current Charter to comply with the Guidelines.

As a result of the Guidelines and in contrast to the charter of a typical NYSE-listed REIT, our current Charter also contains provisions that are redundant with provisions contained in the Maryland General Corporation Law or MGCL. We believe that the limitations included in our

Charter which derive from the NASAA REIT Guidelines at a minimum may create interpretive questions and may result in uncertainty which could affect our ability to operate our business and advance our strategic objectives. Other provisions that were originally included in our Charter to comply with the Guidelines impose conditions on our board or limit the

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board s authority in a manner that is not typical of the charter of an NYSE-listed REIT. We believe that by removing the NASAA-mandated provisions and amending and restating our Charter so that it instead follows Maryland law, under which we are organized, the resulting Charter will be more similar to those of other NYSE-listed REITs incorporated in Maryland. Although we do not believe that these provisions have caused the Company to lose an acquisition opportunity or to have practically limited the Company s operations to date, we also believe that in the future, these provisions could have an adverse effect on the Company by preventing us from being able to respond quickly to changing circumstances or taking advantage of certain opportunities. For example, the provisions of the current Charter that were originally included to comply with the Guidelines could require the Company to get approval of the holders of a majority of our common stock to engage in certain asset or merger transactions for which the MGCL, absent these provisions, would not require a stockholder vote. Similarly, these provisions could require the Company to get appraisals for one or more properties to conduct certain transactions even if the board in its business judgment does not believe that the appraisal would contribute material information to its consideration of the transactions. The time and expense required to conduct such a stockholder vote or get such an appraisal could result in our inability to consummate transactions the board believes to be in our stockholders interest or in unnecessary delay or expense in doing so. Because they impose additional restrictions on our directors that are not required under the MGCL or typical of NYSE-listed REITs, they may also prevent us from attracting or retaining executive officers or directors in the future.

Despite the benefits we believe would result from amending and restating our Charter as proposed herein, deleting the provisions described below from the current Charter will affect the rights of our stockholders. For example, transactions that violate a corporation s Charter may be voidable if challenged by a stockholder. In addition, as noted above, after these provisions are removed, under the MGCL, the Company may be able to engage in certain transactions without seeking the approval of stockholders for which stockholder approval is required under the current Charter. We believe the Charter provisions required by the Guidelines were designed to impose certain limits during the time that we were externally managed. We became a self-managed REIT in 2000, and our shares of common stock have been listed on the NYSE since 2004. Consequently, we believe that the provisions described in this Proposal 3(a) are unduly burdensome and restrictive and are no longer in the best interest of the Company and our stockholders.

The following summarizes the principal changes that we are asking stockholders to approve in this Proposal 3(a) to those provisions originally included in the current Charter to comply with the NASAA REIT Guidelines.

1. **Article VI, Sections 3(c) and 3(d). Common Stock Approval Rights.** If adopted, this proposal would delete these provisions entirely. Section 3(c) requires the affirmative vote of the holders of a majority of our common stock to amend the Charter, dissolve or liquidate the Company or remove directors. We believe this provision is redundant. Under the MGCL and the amendments to the Charter we are proposing in Proposal 3(b), after deletion of Section 3(c) of the Charter, amendment of the Charter, dissolution of the Company, the transfer of all or substantially all of the assets of the Company and removal of a director will generally require the affirmative vote of the holders of a majority of our stock entitled to vote thereon. Section 3(d) provides that in certain votes of stockholders, including those required under Section 3(c), the votes of certain directors and certain affiliates are not counted. We believe the intent of this provision under the Guidelines was to limit the voting power of our former sponsor or external advisor prior to our becoming a self-managed REIT. We became a self-managed REIT in 2000. Therefore, we believe Section 3(d) to be obsolete.

2. **Article VI, Section 6. Liability of Stockholders.** If adopted, this proposal would delete this provision entirely. Section 6 provides that the Company s stock will be nonassessable. All of our stock sold in the best efforts offerings described above is nonassessable. Under rules promulgated by the SEC, any additional stock we offer in registered public offerings is also required to be nonassessable.

3. **Article VII, Section 1. Number and Classification of Directors.** Our existing Charter requires that a majority of our board will consist of Independent Directors, with independence defined in accordance with the NASAA REIT Guidelines. If adopted, this proposal would delete certain aspects of this provision requiring, among other things, that all of our non-independent directors have at least three years of

relevant

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experience and at least one of our independent directors have three years of relevant real estate experience. NYSE rules require that a majority of our board will continue to consist of independent directors. All of our current independent directors meet the NYSE standard for independence, and we do not expect that removing the director requirements originally included to comply with the Guidelines will affect the composition of our board. In the future, however, it is possible that a person who would not be considered independent under the Guidelines would, nevertheless, add an important element to our board. So long as the person satisfies the test of independence under the NYSE rules, we believe that our Nominating and Corporate Governance Committee should be able to nominate the person to our board.

4. **Article VII, Section 6. Indemnification.** We are proposing to amend this provision to provide that the Company shall indemnify our directors and officers to the maximum extent permitted by law. Section 6 currently includes limitations on indemnification and insurance of and advancement of expenses to our directors that were originally included to comply with the Guidelines. The MGCL generally permits a corporation to indemnify its directors and officers for losses, liabilities and expenses unless it is established that (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and was either committed in bad faith or was the result of active and deliberate dishonesty; (ii) the director or officer actually received an improper personal benefit in money, property or services; or (iii) in the case of a criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. We believe these are appropriate limits to indemnification because they describe acts or omissions that are presumptively not in the interest of the Company and for which, therefore, it is not appropriate that the Company would bear the risk. We are proposing to delete the additional limitations imposed in Article VII, Sections 6(a), 6(b) and 6(c) of the current Charter.

We believe indemnification to the maximum extent permitted by the MGCL is appropriate because the Company can only act through its directors and officers. Hence, when they act in their capacity as directors and officers, our directors and officers are acting for and on behalf of the Company and not for their own account. It is appropriate that the Company generally should bear the risk for those actions because they are, effectively, the Company s own actions. Moreover, in the absence of indemnification, we would be shifting the risks from those actions onto our directors and officers while internalizing the benefits from them. For this reason, the limitations on indemnification imposed by the Guidelines are uncharacteristic of NYSE-listed companies generally, and of NYSE-listed REITs like the Company in particular. The market for talented and experienced nominees to stand for election as director and executives to serve as officers is competitive. Although we have not yet encountered difficulty in attracting qualified director nominees or officers, it is possible that in the future the best candidates will be attracted by other firms that do not have indemnification limitations as onerous as those that were originally included in the current Charter to comply with the Guidelines.

In connection with the aforementioned revisions to remove limitations on indemnification of directors originally included to comply with the Guidelines, we are also proposing to remove the limitations on advancements to directors for legal and other expenses and costs in Section 6(c) and on purchase of directors and officers insurance in Section 6(d). We believe these changes are appropriate in connection with the proposed removal of limitations on indemnification of directors as described above.

When a director or officer is entitled to indemnification, the Company believes that the authority to advance expenses under the Charter may assist in the defense of claims against the director or officer by, for example, enabling him or her to hire legal counsel, and thereby reduce the Company s ultimate cost. To be most effective, we believe that the ability to advance expenses under the Charter should follow the MGCL as do the proposed indemnification provisions discussed above. Otherwise, the limitations on advancement of expenses in the current Charter may diminish a director s financial ability to defend against claims and losses for which the Company may ultimately be financially responsible under the proposed amendments to the indemnification provisions of the Charter. Under the MGCL, a director or officer who seeks advancement of expenses must undertake to repay any amount advanced by the Company if it is ultimately determined that the director s or officer s action or omission did not meet the standards for indemnification.

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We also propose to delete the limitations in Section 6(d) on the insurance coverage that the Company may purchase on behalf of directors and officers. The Company purchases insurance on behalf of directors and officers in order to help defray its financial risk in connection with the indemnification provisions described above. We believe that removing the limitations regarding purchase of insurance in Section 6(d) will help us continue to attract qualified and experienced director nominees and executives. When they act on behalf of the Company, directors and officers undertake significant personal financial risk arising from potential claims relating to their acts or omissions to act. The Company participates in a competitive market for director nominees and executives, and the ability to help mitigate the personal financial risks to directors and officers relating to their acts on behalf of the Company is an important factor in competing successfully in that market.

5. **Article VII, Section 11. Distributions.** This provision requires certain timing of and disclosure of information about distributions. If adopted, this proposal would delete this provision entirely. First, the board believes that the Charter should not dictate the timing of distributions, particularly if changing the frequency of payment may save the Company money. The Company estimates that if distributions had been paid on a quarterly, instead of a monthly, basis in 2012, the costs associated with distribution payments would have been reduced by approximately $65,000. Pursuant to disclosure requirements applicable to the Company as a public reporting company under the Exchange Act, the Company will continue to provide stockholders with information of the type required by this section on a quarterly and annual basis detailing the amount of funds distributed and the Company s financial condition and results of operations. Finally, although the Company has no present intent to pay any distributions in kind, there could be circumstances in the future where doing so may be in the best interest of the Company and its stockholders, and we believe the board should have the authority to do so in the exercise of its business judgment.

6. **Article VII, Section 12. Distribution Reinvestment Program.** If adopted, this proposal would delete this provision entirely. The Company currently has a distribution reinvestment plan in effect and discloses the terms and conditions in the plan.

7. **Article VII, Section 14. Termination of the Company.** If adopted, this proposal would delete this provision entirely. Dissolution and winding up of the Company is governed by the MGCL. In Proposal 3(b) we are proposing that dissolution of the Company will continue to require the affirmative vote of holders of a majority of the Company s issued and outstanding stock entitled to vote thereon.

8. **Article VII, Section 15. Transactions with Affiliates.** If adopted, this proposal would delete this provision entirely. Section 15 limits our ability to engage in transactions with affiliates. We believe the intent of this provision under the Guidelines was to restrict transactions between us and our external advisor prior to our becoming a self-managed REIT. An external advisor may have had the opportunity or right to earn fees in connection with an affiliate transaction. Therefore, we believe this provision to be obsolete. In the present context, affiliates could include entities that we control. We believe that the decision to conduct transactions with affiliates, especially with entities we control, is best left to the business judgment of the board.

9. **Article VII, Section 16. Limitation on Total Operating Expenses.** If adopted, this proposal would delete this provision entirely. Section 16 sets forth limits on our total operating expenses. Removing this provision creates a risk that our expenses may exceed the limits in the future, which could affect our financial condition and results of operations. Under the current Charter, if we exceed these limits, however, our independent directors have the power to determine that the excess is justified. For the year ended December 31, 2012, our expenses did not exceed the limits and we do not currently believe that our expenses will exceed the limits in the future. Nevertheless, to provide the Company flexibility to implement its business plan, we believe that decisions regarding our expense levels are best left to the business judgment of our board.

10. **Article VII, Section 17. Limitation on Borrowing.** If adopted, this proposal would delete this provision entirely. Section 17 limits the amount that we may borrow to 300% of our net assets, as defined in the Guidelines. We currently have no intent to borrow the maximum permitted by the current Charter. As of December 31, 2012, we had borrowed $746,576, which is equal to approximately 99% of our net assets. Removing

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this provision could result in our becoming more leveraged which might have a material effect on our financial condition and results of operations. Nevertheless, our board believes that the elimination of these restrictions is advisable, and will provide us with greater flexibility in our operations as well as the ability to expand our investment and capital market opportunities.

11. **Article VII, Section 18. Real Estate Commissions / Section 20. Acquisition Fees and Expenses.** If adopted, this proposal would delete these provisions entirely. Sections 18 and 20 contain limits on the amount of real estate commissions (Section 18) and acquisition fees and expenses (Section 20) that we may pay in connection with the sale or acquisition of a particular property. We believe that these limits may be relevant to an externally managed REIT, for which the external advisor might be able to control decisions regarding sales or acquisitions that could result in payment of fees to the advisor. We are a self-managed REIT. Any fees or expenses that we may pay in connection with any acquisition or disposition are paid to third parties. Our executive officers are not compensated based on asset sales or acquisitions. Even if they were, those would be elements of our executive compensation practice subject to the oversight of our Compensation Committee and would not involve the direct payment of fees to those persons.

12. **Article VII, Section 21. Determination of Consideration.** If adopted, this proposal would delete this provision entirely. Section 21 addresses how the purchase price for an asset is determined. We believe that the purchase price of an asset is determined in negotiations between the parties to the transaction and a Charter provision is unnecessary. Among other factors, we believe that the board should have discretion whether to require an appraisal in the case of an affiliated transaction for the purpose of establishing the purchase price.

13. **Article VII, Section 22. Fiduciary Duty.** If adopted, this proposal would delete this provision entirely. Section 22 states that the Company s directors shall have a fiduciary duty to the stockholders of the Company. Our directors are held to the standard of conduct imposed under the MGCL, which requires a director to perform his or her duties in good faith, in a manner he or she reasonably believes to be in our best interest and with the care that an ordinarily prudent person in a like position would use under similar circumstances. We believe the vague language originally included in the Charter to comply with the Guidelines that appears in Section 22 may create ambiguity as to the standard required of our directors. Deleting this section would clarify that our directors are held fully to the standard imposed by the MGCL.

14.