

INLAND REAL ESTATE CORP

Form S-3ASR

February 09, 2007

As filed with the Securities and Exchange Commission on February 8, 2007

Registration No. 333-

U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-3

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

INLAND REAL ESTATE CORPORATION

(Exact name of registrant as specified in its charter)

Maryland

(State or other jurisdiction of incorporation or organization)

36-3953261

(I.R.S. Employer Identification Number)

**2901 Butterfield Road
Oak Brook, Illinois 60523
(630) 218-8000**

(Address, including zip code, and telephone number, including area code, of principal executive offices)

**Beth Sprecher Brooks, Esq.
Vice President and General Counsel
Inland Real Estate Corporation
2901 Butterfield Road
Oak Brook, Illinois 60523
(630) 218-8000**

(Name, address, including zip code, and telephone number, including area code, of Agent for Service)

**Copies to:
Michael J. Choate
Shefsky & Froelich Ltd.
111 East Wacker Drive, Suite 2800
Chicago, Illinois 60601
(312) 836-4066**

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box. x

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

Calculation of Registration Fee

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price per Unit(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee
4.625% Convertible Senior Notes due 2026	\$180,000,000	100 %	\$ 180,000,000	\$ 19,260
Common Stock, \$0.01 par value	10,000,008 shares(2)(3)			(4)

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(o) of the Securities Act of 1933, as amended (the Securities Act).

(2) Represents the maximum number of shares of common stock that could be issuable upon conversion of the notes at the maximum rate of 55.5556 common shares per \$1,000 principal amount of notes. Pursuant to Rule 416 of the Securities Act, this registration statement also covers any additional common shares that may be issued from time to time upon exchange of the notes as a result of the anti-dilution provisions of the notes.

(3) In the event of a stock split, stock divided or similar transaction involving the common stock, the number of shares registered shall be automatically increased to cover additional shares in accordance with Rule 416(a) under the Securities Act.

(4) Pursuant to Rule 457(i) under the Securities Act, there is no filing fee payable with respect to the shares of common stock issuable upon conversion of the notes because no additional consideration will be received in connection with the exercise of the conversion right.

PROSPECTUS

Inland Real Estate Corporation

\$180,000,000 Aggregate Principal Amount of 4.625% Convertible Senior Notes due 2026 and 10,000,008 Shares of Common Stock Issuable Upon Conversion of the Notes

On November 13, 2006, we issued and sold \$180,000,000 aggregate principal amount of 4.625% convertible notes due 2026, at an issue price of \$1,000 per note. This prospectus, and any accompanying prospectus supplements, will be used by selling securityholders named herein or in any supplement, to resell their notes and any shares of common stock issued upon conversion of their notes at any time at market prices or at privately negotiated prices. The selling securityholders may sell the notes or the common stock directly to purchasers or through underwriters, broker-dealers or agents who may receive compensation in the form of discounts, concessions or commissions. We will not receive any proceeds from this offering.

- Interest on the notes is payable on May 15 and November 15 of each year beginning May 15, 2007. The notes mature on November 15, 2026 unless repurchased, redeemed or converted in accordance with their terms prior to that date. We may not redeem the notes prior to the date on which they mature except to the extent necessary to preserve our status as a real estate investment trust. Following the occurrence of certain change in control transactions, you may require us to repurchase notes in whole or in part for cash at 100% of the principal amount of the notes to be repurchased plus accrued and unpaid interest (including additional interest, if any).
- The notes are our senior unsecured obligations and rank equally in right of payment with all of our other senior unsecured indebtedness outstanding from time to time and are effectively subordinated to our secured indebtedness.
- Holders may convert their notes into cash or a combination of cash and common stock, at our option, at any time on or after October 15, 2026, but prior to the close of business on the second business day immediately preceding November 15, 2026, and also following the occurrence of certain events described herein. Subject to the exceptions described herein, upon a conversion of notes we will deliver cash and shares of our common stock, if any, based on a daily conversion value calculated on a proportionate basis for each trading day of the relevant 30 trading day period. The current conversion rate for each \$1,000 principal amount of notes is 48.2824 shares of our common stock, subject to adjustment under certain circumstances. This is equivalent to a conversion price of approximately \$20.71 per share of common stock.
- Our common stock is listed on the New York Stock Exchange under the symbol IRC. The last reported sale price of our common stock on the New York Stock Exchange on February 7, 2007 was \$21.00 per share. The notes are not listed on any securities exchange or included in any automated quotation system. The notes are eligible for trading in the PORTAL Market of the National Association of Securities Dealers, Inc. However, any notes resold pursuant to this prospectus will no longer be eligible for the PORTAL Market.

You should consider carefully the risk factors beginning on page 7 of this prospectus as well as the risk factors relating to our business that are incorporated by reference in this prospectus before investing in the notes or the shares of common stock issuable upon conversion of the notes.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

The date of this prospectus is February 8, 2007

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You may rely only on the information contained or incorporated by reference in this prospectus and any accompanying prospectus supplement. We have not authorized anyone to provide information different from that contained in this prospectus or in any prospectus supplement. We will not make an offer to sell these securities in any jurisdiction where the offer and sale is not permitted. You should assume that the information contained in this prospectus, any accompanying prospectus supplement and the documents incorporated herein or therein by reference is accurate only as of their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the SEC, using a shelf registration process for the delayed offering and sale of securities pursuant to Rule 415 under the Securities Act of 1933, as amended. Under the shelf registration process, the selling securityholders may, from time to time, sell the offered securities described in this prospectus in one or more offerings. Additionally, under the shelf registration process, in certain circumstances, we may provide a prospectus supplement that will contain specific information about the terms of a particular offering by one or more securityholders. We may also provide a prospectus supplement to add, update or change information contained in this prospectus.

This prospectus and any accompanying prospectus supplement do not contain all of the information included in the registration statement. We have omitted parts of the registration statement in accordance with the rules and regulations of the Securities and Exchange Commission (SEC). For further information, we refer you to the registration statement on Form S-3 of which this prospectus is a part, including its exhibits. Statements contained in this prospectus and any accompanying prospectus supplement about the provisions or contents of any agreement or other document are not necessarily complete. If the SEC rules and regulations require that an agreement or document be filed as an exhibit to the registration statement, please see that agreement or document for a complete description of these matters.

You should read both this prospectus and any accompanying prospectus supplement together with the additional information described under the caption Incorporation by Reference in this prospectus.

AVAILABLE INFORMATION

We file annual, quarterly and special reports, proxy statements and other information with the SEC. You can read and copy these reports, proxy statements and other information at the public reference facilities of the SEC, in Room 1580, 100 F Street, N.E., Washington, D.C. 20549. You can also obtain copies of these materials from the public reference section of the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC (<http://www.sec.gov>). Our SEC filings and other information about us may also be obtained from our website at www.inlandrealestate.com, although the information on our website is not a part of this prospectus or any accompanying prospectus supplement.

Statements contained in this prospectus and any accompanying prospectus supplement as to the contents of any contract or other document are not necessarily complete, and in each instance we refer you to the copy of the actual contract or document, each statement being qualified in all respects by that reference.

INCORPORATION BY REFERENCE

We have elected to incorporate by reference certain information into this prospectus. By incorporating by reference, we are disclosing important information to you by referring you to documents we have filed separately with the SEC. The information incorporated by reference is deemed to be part of this prospectus, except for information incorporated by reference that is superseded by information contained in this prospectus. The following documents filed with the SEC are incorporated by reference in this prospectus (Commission File No. 001-32185), except for any document or portion thereof deemed to be furnished and not filed in accordance with SEC rules:

- Annual Report on Form 10-K for the fiscal year ended December 31, 2005, filed with the SEC on March 6, 2006, including the information specifically incorporated by reference into our Form 10-K from our definitive proxy statement for our 2005 Annual Meeting of Stockholders;
- Definitive Proxy Statement filed with the SEC on April 28, 2006 in connection with our Annual Meeting of Stockholders held on June 22, 2006;
- Quarterly Reports on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006 and September 30, 2006, filed with the SEC on May 10, 2006, August 8, 2006 and November 6, 2006, respectively;
- Current Report on Form 8-K filed with the SEC on January 11, 2006;
- Current Report on Form 8-K filed with the SEC on January 13, 2006;
- Current Report on Form 8-K filed with the SEC on January 19, 2006;
- Current Report on Form 8-K filed with the SEC on February 14, 2006 (with respect to the information filed pursuant to Item 8.01 only);
- Current Report on Form 8-K filed with the SEC on February 21, 2006;
- Current Report on Form 8-K filed with the SEC on March 20, 2006;
- Current Report on Form 8-K filed with the SEC on April 4, 2006 (with respect to the information filed pursuant to Item 8.01 only);
- Current Report on Form 8-K filed with the SEC on April 11, 2006;
- Current Report on Form 8-K filed with the SEC on April 18, 2006;
- Current Report on Form 8-K filed with the SEC on May 4, 2006;
- Current Report on Form 8-K filed with the SEC on May 17, 2006;
- Current Report on Form 8-K filed with the SEC on May 18, 2006 (with respect to the information filed pursuant to Item 8.01 only);
- Current Report on Form 8-K filed with the SEC on June 20, 2006;
- Current Report on Form 8-K filed with the SEC on July 18, 2006;
- Current Report on Form 8-K filed with the SEC on August 18, 2006;

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- Current Report on Form 8-K filed with the SEC on September 7, 2006;
- Current Report on Form 8-K filed with the SEC on September 19, 2006;
- Current Report on Form 8-K filed with the SEC on October 10, 2006;
- Current Report on Form 8-K filed with the SEC on October 18, 2006;

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- Current Reports on Form 8-K filed with the SEC on November 6, 2006;
- Current Report on Form 8-K filed with the SEC on November 8, 2006;
- Current Report on Form 8-K filed with the SEC on November 16, 2006;
- Current Report on Form 8-K filed with the SEC on November 20, 2006;
- Current Report on Form 8-K filed with the SEC on December 19, 2006;
- Current Report on Form 8-K filed with the SEC on January 18, 2007; and
- The description of our common stock contained in our Registration Statement on Form 8-A (File No. 001-32185), filed with the SEC on May 17, 2004.

We are also incorporating by reference all other reports that we file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), other than current reports furnished under Item 2.02 or 7.01 of Form 8-K after the date of this prospectus and prior to the termination of this offering. Information included or incorporated by reference in this prospectus shall be deemed automatically updated and superseded if information contained in any document we subsequently file with the SEC after the date of this prospectus modifies or replaces the information included or incorporated by reference in this prospectus.

We will provide to each person to whom this prospectus is delivered, a copy of any or all of the information that we have incorporated by reference into this prospectus but not delivered with this prospectus. To receive a free copy of any of the documents incorporated by reference in this prospectus, other than exhibits, unless they are specifically incorporated by reference in those documents, call or write to Inland Real Estate Corporation, Attention: Investor Relations, 2901 Butterfield Road, Oak Brook, Illinois 60523 (telephone (630) 218-8000). The information relating to us contained in this prospectus does not purport to be comprehensive and should be read together with the information contained in the documents incorporated or deemed to be incorporated by reference in this prospectus.

FORWARD-LOOKING STATEMENTS

In addition to historical information, we have made forward-looking statements in this prospectus and the documents incorporated by reference within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including those pertaining to anticipated closings of transactions and uses of proceeds and our capital resources, portfolio performance and results of operations. Forward-looking statements involve numerous risks and uncertainties and should not be relied upon as predictions of future events and there can be no assurance that the events or circumstances reflected in these statements will be achieved or will occur. You can identify forward-looking statements by the use of forward-looking terminology including believes, expects, may, will, should, seeks, intends, plans, estimates, or anticipates or these words and phrases or other variations of these words and phrases or comparable terminology, or by discussions of strategy, plans or intentions. Forward-looking statements are necessarily dependent on assumptions, data or methods that may be incorrect or imprecise and may be incapable of being realized.

The factors that could cause actual results and future events to differ materially from those set forth or contemplated in the forward-looking statements include those set forth in the risk factors incorporated by reference in this prospectus and any accompanying prospectus supplement from our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q. You are cautioned not to place undue reliance on forward-looking statements, which reflect only our management's analysis. We assume no obligation to update forward-looking statements.

SUMMARY

The information below is only a summary of more detailed information included elsewhere in this prospectus, any accompanying prospectus supplement or the documents incorporated herein by reference. This summary does not contain all the information that is important to you or that you should consider before investing in the notes and our common stock into which the notes, in certain circumstances, are convertible. As a result, you should carefully read this entire prospectus, any supplement and the information incorporated herein by reference.

As used in this prospectus, unless otherwise expressly stated or the context otherwise requires, all references to we, us, our, ourselves, IRC and the Company means Inland Real Estate Corporation, together with its consolidated subsidiaries.

Inland Real Estate Corporation

We are a self-administered real estate investment trust (REIT) incorporated under Maryland law. We own and operate neighborhood retail centers and community centers, all of which are located primarily within approximately 400 miles of our headquarters in Oak Brook, Illinois. We also own and acquire single-user retail properties located throughout the United States. As of September 30, 2006, we owned interests, directly or through our joint ventures, in 144 investment properties, comprised of:

- 89 neighborhood retail centers, each with gross leasable areas ranging from 5,000 to 150,000 square feet;
- 28 community centers, each with gross leasable areas in excess of 150,000 square feet; and
- 27 single-user retail properties.

Our primary business objective is to enhance the performance and value of our investment properties through management strategies that address the needs of an evolving retail marketplace. Our commitment to operating our centers efficiently and effectively is, we believe, a direct result of our expertise in the acquisition, development/redevelopment, either directly or through a joint venture, management and leasing of our properties.

Our business is not seasonal. We compete on the basis of rental rates, operating expenses and location with similar types of properties located in the vicinity of our investment properties. In addition, our tenants compete against other forms of retailing such as catalog companies and e-commerce websites that offer similar retail products. We have no real property investments located outside of the United States. We compete with numerous other properties in attracting tenants. We assess and measure operating results on an individual property basis. Because all of our investment properties exhibit highly similar economic characteristics, generally have tenants that offer products catering to the day-to-day living needs of individuals, and offer similar degrees of risk and opportunities for growth, the shopping centers have been aggregated and reported as one operating segment.

We have been a publicly traded company since 2004 and have paid distributions to our stockholders since our founding in 1994 on a quarterly basis for our first three quarters in existence and thereafter on a monthly basis for 135 consecutive months as of the date of this prospectus. Our common stock is traded on the New York Stock Exchange (the NYSE) under the ticker symbol IRC. Our principal executive offices are located at 2901 Butterfield Road, Oak Brook, Illinois 60523. Our telephone number is (630) 218-8000.

The Offering

This summary is not a complete description of the notes. You should read the full text of, and more specific details contained elsewhere in, this prospectus and any prospectus supplement. For a more detailed description of the notes, see the section entitled "Description of Notes" in this prospectus.

In this portion of the summary, the terms "we," "us," "our" and Inland Real Estate Corporation ("IRC") refer only to IRC and not to any of our subsidiaries.

Issuer of Notes

Inland Real Estate Corporation.

Notes Offered

\$180,000,000 aggregate principal amount of 4.625% Convertible Senior Notes due 2026.

Ranking of Notes

The notes are our senior unsecured obligations and rank equally in right of payment with all of our other senior unsecured indebtedness. The notes are effectively subordinated in right of payment to all of our secured indebtedness (to the extent of the collateral securing the indebtedness) and to all liabilities of our subsidiaries.

Interest

The notes bear interest at a rate of 4.625% per year. Interest is payable semi-annually in arrears on May 15 and November 15 of each year, beginning May 15, 2007.

Maturity

The notes mature on November 15, 2026 unless redeemed, repurchased or converted in accordance with their terms prior to this date.

Redemption of Notes at Our Option

Prior to November 21, 2011, we may not redeem the notes except to preserve our status as a real estate investment trust (a "REIT") for U.S. federal income tax purposes. However, on or after November 21, 2011, we may redeem the notes in whole or in part, upon not less than 30 nor more than 60 days' prior written notice to holders of the notes, for cash equal to 100% of the principal amount of the notes to be redeemed plus any accrued but unpaid interest (including additional interest, if any) to but excluding the redemption date.

Repurchase of Notes at Each Holder's Option on Certain Dates

Holders of notes may require us to repurchase their notes in whole or in part on November 15, 2011, November 15, 2013, November 15, 2016 and November 15, 2021 for cash equal to 100% of the principal amount of the notes to be repurchased plus any accrued but unpaid interest (including additional interest, if any) to but excluding the repurchase date.

Repurchase of Notes at Each Holder's Option Upon Certain Change in Control Transactions

If we undergo certain change in control transactions, holders of notes may require us to repurchase their notes in whole or in part for cash equal to 100% of the principal amount of the notes to be repurchased plus any accrued but unpaid interest (including additional interest, if any) accrued to but excluding the repurchase date.

Conversion Rights

Holders may convert their notes based on the applicable conversion rate (described below), at any time on or after October 15, 2026 but prior to the close of business on the second business day prior to the stated maturity date, and also under any of the following circumstances:

- during any calendar quarter (and only during the calendar quarter), if, and only if, the closing sale price of our common stock for at least twenty trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is greater than 130% of the conversion price per share of common stock in effect on the applicable trading day;
- during the five consecutive trading day period following any five consecutive trading day period in which the trading price of the notes was less than 98% of the product of the closing sale price of our common stock multiplied by the applicable conversion rate;
- with respect to notes which have been called for redemption, at any time prior to the close of business on the third business day prior to the redemption date;
- upon the occurrence of specified transactions described under Description of Notes Conversion Rights Conversion upon Specified Transactions in this prospectus; or
- if our common stock ceases to be listed on a U.S. national or regional stock exchange.

By delivering to the holder cash and shares of our common stock, if any, we will satisfy all of our obligations with respect to the notes tendered for conversion. Accordingly, upon conversion of a note, accrued and unpaid interest will be deemed to be paid in full, rather than cancelled, extinguished or forfeited.

Conversion Rate

The initial conversion rate for each \$1,000 principal amount of notes is 48.2824 shares of our common stock, payable in cash or, at our election, a combination of cash and shares of our common stock, as described under Description of Notes Conversion Settlement in this prospectus. This is equivalent to an initial conversion price of approximately \$20.71 per share of common stock. In addition, if certain change in control transactions occur prior to November 21, 2011 and a holder elects to convert notes in connection with a change in control transaction, we will increase the conversion rate in connection with the conversion by a number of additional shares of our common stock based on the date the change in control transaction becomes effective and the price paid per share of common stock in the change in control transaction, as described under Description of Notes Make Whole Upon Certain Change in Control Transactions in this prospectus. The conversion rate may also be adjusted under certain other circumstances, including the payment of cash dividends in excess of \$0.08 per share, but will not be adjusted for accrued and unpaid interest on the notes. We have recently increased the amount of our monthly dividend from \$0.08 per share to \$0.08167 per share. The increase will first be payable on April 17, 2007 to holders of record on April 2, 2007. See Description of Notes Conversion Rate Adjustments in this prospectus.

Conversion Settlement

Upon a conversion of notes we will deliver cash or, at our election, a combination of cash and shares of our common stock, with an aggregate value determined in the manner set forth in this prospectus, which we refer to as the conversion value, as follows: (1) an amount in cash, which we refer to as the principal return, equal to the lesser of (a) the principal amount of the converted notes and (b) the conversion value, and (2) if the conversion value is greater than the principal return, an amount with a value equal to the difference between the conversion value and the principal return, which we refer to as the net amount. The net amount may be paid, at our option, in cash, shares of our common stock or a combination of cash and shares of our common stock. We refer to any cash delivered upon a conversion of notes as part of the net amount as the net cash amount and we refer to any shares of our common stock delivered upon a conversion of notes as the net shares. Any portion of the net amount that we elect to issue as net shares will be based on the sum of the daily share amounts (as defined in this prospectus), except that we will pay cash in lieu of any fractional shares of our common stock issuable as net shares based on the average price of our common stock over a certain period.

We will pay the principal return and amounts for fractional shares in cash, and deliver net shares or pay the net cash amount, as applicable, to holders upon a conversion of their notes no later than the third business day following the last trading day of the twenty consecutive trading-day period referred to above.

Restrictions on Ownership and Transfer

Our Fourth Articles of Amendment and Restatement, referred to herein as our charter, contains provisions which are intended, among other purposes, to help preserve our status as a REIT for federal income tax purposes.

If our board of directors determines that the direct or indirect ownership of shares of our capital stock has or may become concentrated to an extent that would prevent us from qualifying as a REIT, our charter permits us to redeem those shares. Similarly, our charter gives us the power to prevent any proposed transfer of shares of capital stock which would jeopardize our status as a REIT.

Notwithstanding any other provision of the notes, if our board of directors determines in good faith that the conversion by a holder of its notes into common stock would prevent us from qualifying as a REIT or would cause a holder of capital stock to exceed the ownership limit contained in our charter, we will elect not to issue shares of common stock to that holder upon conversion but will instead satisfy our obligation solely in cash. See Restrictions on Transfer, Acquisition and Redemption of Shares.

No Stockholder Rights for Holders of Notes

Holders of notes will not have any rights as stockholders (including, without limitation, voting rights and rights to receive dividends or other distributions on our common stock).

Registration Rights

We have agreed to keep a shelf registration statement relating to the notes and the shares of common stock issuable upon conversion of the notes effective until the earlier of:

- the date when all registrable securities have been effectively registered under the Securities Act and disposed of;
- the date when all registrable securities may be resold without restriction pursuant to Rule 144(k) under the Securities Act;
- the date on which the registrable securities have been sold pursuant to Rule 144; and
- the date on which the registrable securities cease to be outstanding.

Trading	<p>If we fail to comply with specified obligations under the registration rights agreement, additional interest will be payable on the notes. See Description of Notes Registration Rights; Additional Interest.</p> <p>We have not applied, and do not intend to apply, to list the notes on any securities exchange or for quotation on any automated dealer quotation system. The notes issued and sold in the private placement are eligible for trading in the PORTAL Market of the National Association of Securities Dealers, Inc. Notes resold pursuant to this prospectus, however, will no longer be eligible for the PORTAL Market . Our common stock is listed on the NYSE under the symbol IRC.</p>
Use of Proceeds	<p>The selling securityholders will receive all of the proceeds from the sale of any securities offered by this prospectus.</p>
Book-Entry Form	<p>The notes are issued in book-entry only form and are represented by one or more permanent global certificates deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company, commonly known as DTC. Beneficial interests in a global certificate representing the notes will be shown on, and transfers will be effected only through, records maintained by DTC and its direct and indirect participants. These interests may not be exchanged for certificated notes, except in limited circumstances described in Description of Notes Book-Entry System.</p>
Tax	<p>The notes and common stock issuable upon conversion of the notes will be subject to special and complex U.S. federal income tax rules. Prospective investors are strongly urged to consult their own tax advisors with respect to the federal, state, local and foreign tax consequences of purchasing, owning and disposing of the notes and common stock into which the notes, in certain circumstances, are convertible. See U.S. Federal Income Tax Consequences in this prospectus.</p>
Risk Factors	<p>You should read carefully the Risk Factors beginning on page 7 of this prospectus, as well as the risk factors relating to our business that are incorporated by reference in this prospectus and any accompanying prospectus supplement, for risks related to an investment in the notes and the common stock into which the notes may be convertible.</p>

RISK FACTORS

You should carefully consider the risks described below, as well as the risks described in the documents incorporated by reference into this prospectus and any accompanying prospectus supplement, before making a decision to invest in the notes and the common stock into which the notes, under certain circumstances, are convertible. These risks are not the only ones we face. Additional risks, not presently known, or that are currently deemed immaterial could also materially and adversely affect our business, financial condition, results of operations and prospects. The trading price of the notes and our common stock could decline due to any of these risks, and you may lose all or part of your investment. This prospectus, any accompanying prospectus supplement and the documents incorporated herein by reference also contain forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks we face described below, in any prospectus supplement or in the documents incorporated herein by reference, including our Annual Report on Form 10-K for the year ended December 31, 2005.

Risks Related to the Offering

The effective subordination of the notes may limit our ability to satisfy our obligations under the notes.

The notes are our senior unsecured obligations and rank equally in right of payment with all of our other senior unsecured indebtedness. The notes are, however, effectively subordinated in right of payment to all of our secured indebtedness, including any secured indebtedness we may incur in the future, to the extent of the value of the collateral securing the secured indebtedness. As of September 30, 2006, we had approximately \$13.7 million of outstanding secured indebtedness, excluding the debt of our subsidiaries. The indenture governing the notes does not prohibit us from incurring additional secured indebtedness. Consequently, in the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to us, the holders of any secured indebtedness will be entitled to proceed directly against the collateral that secures the indebtedness. Therefore, this collateral will not be available to satisfy any amounts owed under our unsecured indebtedness, including the notes, until the secured indebtedness is satisfied in full.

The notes also are effectively subordinated in right of payment to all unsecured and secured liabilities and preferred equity of our subsidiaries. In the event of a bankruptcy, liquidation, dissolution, reorganization or similar proceeding with respect to any subsidiary, the assets of the subsidiary will first be used to satisfy the prior claims of the subsidiary's creditors, including trade creditors and preferred equity holders, before any amounts become available to the holders of the notes. As of September 30, 2006, the total balance sheet liabilities (excluding any intercompany debt, distributions payable, accrued expenses and other liabilities) and preferred equity of our consolidated subsidiaries was approximately \$615.2 million. In addition, as of September 30, 2006, our share of the total liabilities (excluding any intercompany debt, distributions payable, accrued expenses and other liabilities) and preferred equity of the entities which we account for under the equity method of accounting was approximately \$142.5 million. The indenture governing the notes does not prohibit our subsidiaries from incurring additional indebtedness or issuing preferred equity.

We may not have the cash necessary to pay the principal return and any net amount upon a conversion of notes or to repurchase the notes on specified dates or following certain change in control transactions.

Upon a conversion of notes in accordance with their terms, we will be required to pay the principal return of the notes in cash. In addition, there may be circumstances that prevent us from issuing shares of our common stock for all or any portion of any net amount deliverable upon a conversion of notes, thereby requiring us to satisfy our net amount obligation in cash. Holders of notes also have the right to require us to repurchase the notes for cash on November 15, 2011, November 15, 2013, November 15, 2016 and November 15, 2021 or upon the occurrence of certain change in control transactions. Any of our future

debt agreements or securities may contain similar provisions. We may not have sufficient funds to pay the principal return and any net cash amount or make the required repurchase of notes, as the case may be, in cash at the applicable time and, in these circumstances, may not be able to arrange the necessary financing on favorable terms, if at all. In addition, our ability to pay the principal return and any net cash amount or make the required repurchase, as the case may be, may be limited by the terms of other debt agreements or securities. Failure to pay the principal return and any net cash amount or make the required repurchase, as the case may be, would constitute an event of default under the indenture governing the notes which, in turn, could constitute an event of default under other debt agreements or securities, thereby resulting in acceleration and required prepayment of this other debt and further restrict our ability to make payments on, or to repurchase, the notes.

There is currently no trading market for the notes, and an active liquid trading market for the notes may not develop or, if it develops, may not be maintained.

We issued and sold the notes to the initial purchasers in a private placement. The notes issued and sold in the private placement are eligible for the PORTAL Market of the National Association of Securities Dealers, Inc., a screen-based automated market for trading securities for qualified institutional buyers. Notes resold pursuant to this prospectus will, however, no longer be eligible for the PORTAL Market. We do not intend to list the notes on any securities exchange or include them for quotation on any automated dealer quotation system. Although the initial purchasers have advised us that they intended to make a market in the notes, they are not obligated to do so and may discontinue any market-making activities at any time without notice. Accordingly, an active public trading market may not develop for the notes and, even if one develops, may not be maintained. If an active public trading market for the notes does not develop or is not maintained, the market price and liquidity of the notes is likely to be adversely affected and holders may not be able to sell their notes at desired times and prices, if at all. If any of the notes are traded after their purchase, they may trade at a discount from their purchase price.

The liquidity of the trading market, if any, and future trading prices of the notes will depend on many factors, including, among other things, the market price of our common stock, prevailing interest rates, the financial condition, results of operations, business, prospects and credit quality of us and our subsidiaries, and other comparable entities, the market for similar securities and the overall securities market, and may be adversely affected by unfavorable changes in any of these factors, some of which are beyond our control and others of which would not affect debt that is not convertible or exchangeable into capital stock. Historically, the market for convertible debt has been volatile. Market volatility could materially and adversely affect the notes, regardless of the financial condition, results of operations, business, prospects or credit quality of us and our subsidiaries.

The notes have a number of features that may adversely affect their value and trading prices, including conversion conditions and the lack of financial covenants. Furthermore, even if the conversion conditions are met, because the conversion value of the notes depends on the closing sale price of our common stock, a volatile or depressed market price for our common stock is likely to have a similar effect on the trading price of the notes. There can be no assurance that the closing sale price of our common stock will not have an adversely effect the trading price of the notes.

The notes do not contain any financial covenants; therefore, you will not have protection against adverse changes in our business.

The indenture for the notes does not contain any financial covenants, restrict our ability to repurchase our securities other than the notes in accordance with their terms, pay dividends or make restricted payments, or contain covenants or other provisions to afford holders protection in the event of a transaction that substantially increases the level of our indebtedness. Furthermore, the indenture contains only limited protections in the event of a change in control. We could engage in many types of transactions,

such as acquisitions, refinancings or recapitalizations, that could substantially affect our capital structure and the value of the notes and our common stock but would not constitute a change in control permitting holders to require us to repurchase their notes under the indenture.

Holders of notes will not be entitled to any rights with respect to our common stock, but will be subject to all changes made with respect to our common stock.

Holders of notes, as such, are not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but holders of notes are subject to all changes affecting our common stock if and to the extent we satisfy the net amount in whole or in part in shares of our common stock. Holders of notes will be entitled to the rights afforded to our common stock only if and when our common stock is delivered to them upon a conversion of notes.

The price of our common stock may fluctuate significantly and may affect the trading price of the notes.

The market price of our common stock may fluctuate significantly in response to many factors, including:

- actual or anticipated changes in operating results or business prospects;
- changes in financial estimates by securities analysts;
- an inability to meet or exceed securities analysts' estimates or expectations;
- conditions or trends in our industry or sector;
- the performance of other shopping center REITs and related market valuations;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, divestitures, joint ventures or other strategic initiatives;
- hedging or arbitrage trading activity in our common stock;
- changes in interest rates;
- capital commitments;
- additions or departures of key personnel; and
- future sales of our common stock or securities convertible into, or exchangeable or exercisable for, our common stock.

Because the conversion value of the notes is based upon the value of the shares of our common stock, volatility or depressed prices for our common stock could have a similar effect on the trading price of the notes and could limit the value of the cash or shares of our common stock, if any, that you would receive upon conversion of the notes. This may result in greater volatility in the trading price of the notes than would be expected for any non-convertible debt securities we may issue. Holders who receive any shares of our common stock upon conversion of their notes will also be subject to the risk of volatile and depressed market prices of our common stock. In addition, many of the factors listed above are beyond our control. These factors may cause the market price of our common stock to decline, regardless of our financial condition, results of operations, business or prospects. The market price of our common stock may decline in the future.

The conditional conversion feature of the notes may prevent a conversion of notes prior to October 15, 2026. We also have the right to deliver all cash upon a conversion of notes and holders may not receive any of our common stock upon conversion.

The notes are convertible on or after October 15, 2026 and also if the closing sale price of our common stock reaches a specified threshold over a specified time period, if the trading price of the notes is below a specified threshold for a specified time period, if our common stock is delisted from a U.S. national or regional securities exchange or if certain specified transactions or events occur and then only at prescribed times. In addition, the notes will be convertible if they have been called for redemption. See Description of Notes Conversion Rights in this prospectus. If these conditions are not met, holders of notes will not be able to convert their notes prior to October 15, 2026 and therefore may not be able to receive the value of the consideration for which the notes would otherwise be convertible. In addition, even if these conditions are met, upon a conversion of notes, we are required to pay the principal return in cash and, to the extent any net amount exists, we may elect to pay the entire net amount in cash. As a result, we are not required to deliver any of our common stock upon a conversion of notes.

The premium payable on notes converted in connection with certain change in control transactions prior to November 21, 2011 may not adequately compensate holders for the lost option time value of their notes as a result of any change in control.

If certain transactions that constitute a change in control occur prior to November 21, 2011, under certain circumstances, we will increase the conversion rate by a number of additional shares of our common stock. This increased conversion rate will apply only to holders who convert their notes in connection with any of these certain transactions. The number of additional shares of our common stock will be determined based on the date on which the transaction becomes effective and the price paid per share of our common stock in the transaction, as described under Description of Notes Conversion Rate Adjustments Make Whole Upon Certain Change in Control Transactions in this prospectus. While the number of additional shares of our common stock is designed to compensate holders for the lost option time value of the notes as a result of the transaction, the amount of the premium payable is only an approximation of the lost value and may not adequately compensate holders for the loss. In addition, notwithstanding the foregoing, if the price paid per share of our common stock in the transaction is less than \$18.00 or equal to or in excess of \$27.00, the applicable conversion rate will not be increased. In no event will the number of shares of our common stock issuable upon a conversion of notes exceed 55.5556 per \$1,000 principal amount of notes, subject to adjustment under certain circumstances, regardless of when the transaction becomes effective or the price paid per share of our common stock in the transaction.

The applicable conversion rate of the notes may not exceed 55.5556 shares of our common stock per \$1,000 principal amount of notes and may not be adjusted for all dilutive events.

The applicable conversion rate of the notes may not exceed 55.5556 shares of our common stock per \$1,000 principal amount of notes, subject to adjustment in certain cases. As a result, holders of the notes will not realize the benefits of an increase to the conversion rate otherwise described in this prospectus if the increase, together with previous increases, would result in the issuance of a number of shares of our common stock upon conversion in excess of the specified maximum amount.

The conversion rate of the notes is subject to adjustment for certain events, including, but not limited to, certain cash dividends on shares of our common stock in excess of \$0.08 per share per month, the issuance of certain rights, options or warrants to holders of our common stock to acquire shares of our common stock or securities convertible into shares of our common stock, subdivisions or combinations of our common stock, certain distributions of assets, debt securities, capital stock or cash to holders of shares of our common stock and certain tender or exchange offers as described under Description of Notes

Conversion Rate Adjustments in this prospectus. We have recently increased the amount of our monthly dividend from \$0.08 per share to \$0.08167 per share. The increase will first be payable on April 17, 2007 to holders of record on April 2, 2007. The conversion rate will not be adjusted for other events, such as an issuance of our common stock for cash at market value, that may adversely affect the trading price of the notes and our common stock. There can be no assurance that an event will not occur that is adverse to the interests of the holders of the notes and the value of the notes but does not result in an adjustment to the conversion rate.

The definition of a change in control requiring us to repurchase notes is limited and therefore the market price of the notes may decline if we enter into a transaction that is not a change in control under the indenture.

The term change in control, as used in the indenture governing the notes, is limited and does not include every event that might cause the market price of the notes to decline. The term change in control does not apply to transactions in which at least 90% of the consideration paid for our common stock, excluding cash payments for fractional shares and cash payments made in respect of dissenters appraisal rights, in a merger or similar transaction is publicly traded common stock. In addition, we will not be required to repurchase notes upon a change in control if our stock price exceeds 105% of the conversion price during specified periods following the announcement date (for changes of control relating to acquisitions of capital stock) or the change in control date (for changes of control relating to mergers, consolidations or asset sales). As a result, our obligation to repurchase the notes upon a change in control may not preserve the value of the notes in the event of a highly leveraged transaction, reorganization, merger or similar transaction. See Description of Notes Repurchase at Option of Holders upon a Change in Control.

Upon conversion of the notes, holders may receive less consideration than expected because the value of our common stock may decline over the period in which the conversion value is determined.

The conversion value that holders will receive upon conversion of notes will be determined on the basis of the closing sale price of our common stock on the NYSE for each of the twenty consecutive trading days beginning on the third trading day following the date the notes are tendered for conversion. Accordingly, if the price of our common stock decreases after the conversion right is exercised, the conversion value will be adversely affected.

The net share settlement feature of the notes may have adverse consequences.

The net share settlement feature of the notes, as described under Description of Notes Conversion Rights and Description of Notes Conversion Settlement in this prospectus, may:

- result in holders receiving no shares upon conversion or fewer shares relative to the conversion value of the notes;
- reduce our liquidity because we will be required to pay the principal return in cash and the net amount, if any, may be paid, at our option, in cash as well;
- delay holders receipt of the proceeds upon conversion; and
- subject holders to market risk before receiving any shares upon conversion.

Restrictions on ownership and transfer in our charter may impair the ability of holders to convert notes for shares of our common stock.

Our charter contains provisions which are intended, among other purposes, to help preserve our status as a REIT for federal income tax purposes. If our board of directors determines that the direct or indirect ownership of shares of our capital stock has, or may, become concentrated to an extent that would

prevent us from qualifying as a REIT, our charter permits us to redeem those shares at any time. Similarly, our charter grants us the power to prevent any proposed transfer of our capital stock if the transfer would jeopardize our status as a REIT. Our charter provides that, subject to certain exceptions, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Internal Revenue Code of 1986, as amended (the Code), more than 9.8% of the number of our outstanding shares or value of our outstanding capital stock as a result of his, her or its ownership of our capital stock. Notwithstanding any other provision of the notes, if our board of directors determines in good faith that the conversion by a holder of its notes into common stock would prevent us from qualifying as a REIT or would cause a holder of our capital stock (together with the holder's affiliates) to exceed the ownership limit contained in our charter, we will elect not to issue shares of common stock to this holder upon conversion but will instead satisfy our obligation to this holder to pay the conversion value upon conversion, which includes the value of the notes in excess of the principal amount, solely in cash. See Restrictions on Transfer, Acquisition and Redemption of Shares.

U.S. Federal Income Tax Risks Related to the Notes

Certain of the possible adjustments to the conversion rate (or the failure to make certain adjustments to the conversion rate) may result in a deemed distribution from us to a holder of a note.

The conversion rate of the notes is subject to adjustment under certain circumstances. If certain of the possible adjustments to the conversion rate of the notes are made, a holder may be deemed to have received a distribution from us, which may be taxable. See U.S. Federal Income Tax Consequences in this prospectus.

The conversion of notes for cash and any of our common stock may be taxable for holders.

Upon any conversion of notes for cash and, at our election, any shares of our common stock, a U.S. holder may recognize gain or loss for federal income tax purposes. See U.S. Federal Income Tax Consequences in this prospectus.

We will withhold federal income tax from payments to non United States holders of notes in a redemption or conversion of notes for cash and any of our common stock.

We intend to withhold federal income tax from any amount paid to non-United States holders of notes in a redemption or conversion of notes for cash and any of our common stock, as applicable. We also may withhold federal income tax from any amount paid to non-United States holders with respect to deemed distributions from us that may result in connection with certain adjustments made to the conversion rate of the notes. See U.S. Federal Income Tax Consequences in this prospectus.

USE OF PROCEEDS

The selling securityholders will receive all of the proceeds from the sale under this prospectus of the notes and the common stock issuable upon conversion of the notes. We will not receive any proceeds from these sales.

RATIO OF EARNINGS TO FIXED CHARGES

The following table sets forth our ratio of earnings to fixed charges for the periods indicated:

Nine Months Ended		Fiscal Year Ended December 31,					
September 30,		2005	2004	2003	2002	2001	
2006	2005	2005	2004	2003	2002	2001	
2.02x	2.08	x 2.11	x 2.06	x 2.00	x 2.07	x 2.14	x

We compute our ratio of earnings to fixed charges by dividing earnings by fixed charges. Earnings for these purposes are equal to the sum of (a) pre-tax income from continuing operations before adjustments for minority interest in consolidated subsidiaries or income or loss from equity investees, (b) fixed charges, (c) amortization of capitalized interest, (d) distributed income of equity investees, and (e) pre-tax losses of equity investees for which charges arising from guarantees are included in fixed charges less (1) interest capitalized, (2) preference security dividend requirements of our consolidated subsidiaries, and (3) the minority interest in pre-tax income of subsidiaries that have not incurred fixed charges. The term fixed charges means the sum of (i) interest expensed and capitalized, (ii) amortized premiums, discounts and capitalized expenses related to indebtedness, (iii) an estimate of the interest within rental expense, and (iv) preference security dividend requirements of consolidated subsidiaries.

PRICE RANGE OF COMMON STOCK AND DISTRIBUTION POLICY

As of February 7, 2007, there were 6,213 stockholders of record of our common stock. On February 7, 2007, the closing sale price of our common stock, as reported on the NYSE, was \$21.00 per share. Our shares have been listed on the NYSE since June 9, 2004 under the symbol IRC. Prior to June 9, 2004, trading in our shares took place on the electronic over the counter bulletin board market. Prices on the over the counter bulletin board market set forth below reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. The following table sets forth, for the periods indicated, the high and low sales prices for our shares on the NYSE and the over the counter market.

For the Period:	High	Low
January 1, 2007 through February 7, 2007	\$21.14	18.55
For the Quarter Ended		
December 31, 2006	\$ 19.88	17.10
September 30, 2006	18.18	14.50
June 30, 2006	16.40	12.70
March 31, 2006	16.63	14.11
December 31, 2005	\$ 15.82	13.50
September 30, 2005	17.00	14.65
June 30, 2005	16.48	14.00
March 31, 2005	16.50	14.80
December 31, 2004	\$ 15.95	14.45
September 30, 2004	14.95	12.73
June 30, 2004(a)	13.10	9.00
March 31, 2004(a)	12.00	8.50

(a) Prior to June 9, 2004, our shares were traded on the over the counter bulletin board market. The high price from the quarter ended June 30, 2004 reflects the price as traded on the NYSE. The low price from this same period, and the high and low price for the three months ended March 31, 2004, reflects the price as traded on the over the counter bulletin board market.

Distributions

We pay distributions in amounts determined by our board of directors in its sole discretion. Our board considers numerous factors, including our cash flow, financial condition and capital requirements, REIT provisions of the Code and other factors. Under the Code, we are required to distribute at least 90% of our REIT taxable income, (determined without regard to any deduction for dividends paid and excluding any net capital gain) and 90% of the excess of any net income from foreclosure property over the tax imposed on such income under the Code, to our stockholders to qualify as a REIT. REIT taxable income is defined, generally, as taxable income without regard to the dividends-received deduction, after allowance for the deduction for any dividends-paid deduction (other than the portion thereof attributable to net income from foreclosure property, and excluding any net income from foreclosure property or any net income from prohibited transactions). Decisions with respect to the distribution of capital gains are made on a case-by-case basis. Distributions to the extent of our current and accumulated earnings and profits for federal income tax purposes are taxable to the recipient as either ordinary or capital gain distributions. Distributions in excess of these earnings and profits (calculated for federal income tax purposes) constitute a non-taxable return of capital rather than a distribution and reduce the recipient's basis in the shares to the extent thereof, and thereafter as taxable gain. Distributions in excess of earnings and profits have the effect of deferring taxation of the amount of the distribution until the sale of the

stockholder's shares to the extent the distribution reduces the stockholder's tax basis in the shares. See U.S. Federal Income Tax Consequences Taxation of Taxable United States Stockholders Generally Distributions Generally.

We have paid distributions to our stockholders since our founding in 1994 on a quarterly basis for our first three quarters in existence and thereafter on a monthly basis for 135 consecutive months through the date of this prospectus. However, we cannot assure that distributions will continue or be paid at any specified level. We have recently increased the amount of our monthly dividend from \$0.08 per share to \$0.08167 per share. The increase will first be payable on April 17, 2007 to holders of record on April 2, 2007. See Description of Notes Conversion Rate Adjustments in this prospectus. Future distributions are determined by our board of directors. We expect to continue paying distributions to maintain our status as a REIT. We annually notify our stockholders of the taxability of distributions paid during the preceding year. For the years ended December 31, 2006 and 2005, our REIT taxable income was approximately \$54.9 million and \$60.9 million, respectively. We declared distributions to stockholders totaling approximately \$64.6 million and approximately \$64.2 million, or \$0.96 and \$0.95 on an annual basis per share, for the years ended December 31, 2006 and 2005, respectively. The following table sets forth the taxability of distributions, on a per share basis, paid in the years 2006 and 2005:

	2006(a)	2005(b)
Ordinary income	\$ 0.83	\$ 0.86
Non-taxable return of capital	0.12	
Unrecaptured Section 1250 gains		
Long-term capital gains	0.01	0.02
Qualified dividends	0.02	

(a) The distribution declared on December 19, 2006, with a record date of January 2, 2007 and payment date of January 17, 2007, is reportable for tax purposes in 2007 and is not reflected in the 2006 tax allocation.

(b) The distribution declared on December 20, 2005, with a record date of January 3, 2006 and payment date of January 17, 2006, is reportable for tax purposes in 2006 and is not reflected in the 2005 tax allocation.

DESCRIPTION OF NOTES

The following description summarizes certain terms and provisions of the notes, the indenture and the registration rights agreement that we entered into in connection with the initial private placement of the notes, does not purport to be complete and is subject to, and qualified in its entirety by reference to, the actual terms and provisions of the notes, the indenture and the registration rights agreement, which are incorporated herein by reference. We will provide copies of these documents to you upon request.

Capitalized terms used but not otherwise defined herein shall have the meanings given to them in the notes, the indenture or the registration rights agreement, as applicable, which are incorporated by reference herein and made a part of this prospectus. Unless otherwise expressly stated or the context otherwise requires, all references to we, us, our, ourselves or IRC shall mean Inland Real Estate Corporation, excluding our consolidated subsidiaries. Unless the context otherwise requires, the term interest includes additional interest, if any, due under the registration rights agreement.

General

The notes are a separate series of debt securities issued pursuant to the indenture, dated as of November 13, 2006, between us and LaSalle Bank, National Association, as trustee, which we refer to herein as the indenture.

The terms of the notes include those provisions contained in the notes and the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended (the Trust Indenture Act). The notes are subject to all terms of the notes and the indenture, and holders of notes are referred to the notes, the indenture and the Trust Indenture Act for a statement thereof. Copies of the indenture and the form of the notes are available for inspection at the corporate trust office of the trustee, currently located at 135 S. LaSalle Street, Chicago, Illinois 60603.

The notes are a separate series of debt securities under the indenture, initially limited in aggregate principal amount to \$180,000,000. The indenture does not limit the amount of debt securities that we may issue under the indenture, and we may, without the consent of the holders of the notes, reopen this series of notes and issue additional notes under the indenture in addition to the notes authorized as of the date of this prospectus on the same terms and conditions and with the same CUSIP number as the notes being offered hereby. The notes are our direct, unsecured obligations and rank equally in right of payment with all of our other senior unsecured indebtedness from time to time outstanding.

The notes are exclusively our obligations. Our subsidiaries hold substantially all of our assets, including all of our real property. Accordingly, our cash flow and ability to service debt, including the notes, depends on the earnings and amounts distributed to us by our consolidated subsidiaries, and distributions from our unconsolidated joint venture investments. The notes are effectively subordinated in right of payment to all existing and future indebtedness, guarantees and other liabilities of our subsidiaries. As of September 30, 2006, our consolidated subsidiaries had total long term liabilities of approximately \$628.9 million (consisting entirely of mortgage indebtedness). In addition, each of our consolidated subsidiaries owning unencumbered real property has guaranteed amounts due under our \$150 million unsecured credit facility. Our subsidiaries may also, from time to time, guarantee our other indebtedness. The notes are not guaranteed by any of our subsidiaries.

The notes are also effectively subordinated to any of our secured indebtedness with respect to any collateral pledged as security therefor.

Although the covenants applicable to us in our unsecured credit facility impose certain limitations on our ability to incur additional indebtedness, both we and our subsidiaries retain the ability to incur substantial additional secured and unsecured indebtedness.

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The notes are issued only in fully registered, book-entry form, in denominations of \$1,000 and integral multiples thereof, except under the limited circumstances described below under **Book-Entry System** in this prospectus.

Holders may convert notes at the office of the conversion agent, present notes for registration of transfer at the office of the registrar for the notes and present notes for payment at maturity at the office of the paying agent. We have appointed the trustee as the initial conversion agent, registrar and paying agent for the notes.

If any interest payment date, stated maturity date, redemption date or repurchase date is not a business day, the payment otherwise required to be made on that date will be made on the next business day without any additional payment as a result of the delay. The term **business day** means, with respect to any note, any day, other than a Saturday, Sunday or any other day on which banking institutions in The City of New York are authorized or obligated by law or executive order to close. All payments will be made in U.S. dollars.

The terms of the notes provide that we are permitted to reduce interest payments and payments upon a redemption, repurchase or conversion of notes otherwise payable to a holder for any amounts we are required to withhold by law. For example, non-U.S. holders of notes may, under some circumstances, be subject to U.S. federal withholding tax with respect to payments of interest on the notes. Moreover, holders of convertible debt instruments, such as the notes, may, in certain circumstances, be deemed to have received distributions of stock if the conversion price of the instruments is adjusted even though the holders have not received any cash or property as a result of the adjustments. This deemed distribution (in the case of a non-U.S. holder) may be subject to a U.S. federal withholding tax. See **U.S. Federal Income Tax Consequences** in this prospectus. We will set-off any withholding tax that we are required to pay against payments of interest payable on the notes and payments upon a redemption, repurchase or conversion of notes.

We are not subject to any financial covenants under the indenture. In addition, the indenture does not restrict our ability to pay distributions, incur debt or issue or repurchase our securities.

The indenture does not contain any provisions that would necessarily protect holders of notes if we were involved in a highly leveraged transaction, reorganization, merger or other similar transaction that may adversely affect us or them. Furthermore, the notes contain certain features that could deter or discourage third-party acquisition proposals that could be beneficial to holders.

We or one of our affiliates may, to the extent permitted by applicable law, at any time purchase notes in the open market, by tender at any price or by private agreement. Any note purchased by us or our affiliates will be surrendered to the trustee for cancellation. Any notes surrendered for cancellation may not be reissued or resold and will be cancelled promptly.

Interest

Interest on the notes accrues at the rate of 4.625% per year from November 13, 2006 or the most recent interest payment date to which interest has been paid or provided for, and will be payable semi-annually in arrears on May 15 and November 15 of each year, beginning May 15, 2007. The interest so payable will be paid to each holder in whose name a note is registered at the close of business on the May 1 or November 1 (whether or not a business day) immediately preceding the applicable interest payment date. Interest on the notes will be computed on the basis of a 360-day year consisting of twelve 30-day months. In addition, we may be required to pay additional interest on the notes as provided under **Registration Rights; Additional Interest** below.

Upon a conversion of notes, accrued interest thereon will be deemed to be paid by delivery of the consideration due to the converting holder upon a conversion, except that holders of notes on a record

date will be entitled to receive interest payable on the related interest payment date even if the notes are converted after the record date and on or prior to the interest payment date. However, unless we have called the notes for redemption on a redemption date, or scheduled a change of control repurchase date that falls after a record date for an interest payment date and on or prior to the related interest payment date, holders who surrender their notes for conversion after the record date and on or prior to the interest payment date must pay to the conversion agent upon conversion an amount in cash equal to the interest payable by us on the interest payment date. The foregoing sentence does not, however, apply to notes with overdue interest or additional interest at the time of the conversion, with respect to the overdue interest or additional interest, as applicable. No other payment or adjustment will be made for accrued interest on a converted note.

If we redeem the notes, or if a holder surrenders a note for repurchase by us in accordance with the terms of the note, we will pay accrued and unpaid interest (including additional interest, if any) to the holder that surrenders the note for redemption or repurchase, as the case may be. However, if an interest payment date falls on or prior to the redemption date or repurchase date for a note, we will pay the accrued and unpaid interest (including additional interest, if any) due on that interest payment date instead to the record holder of the note at the close of business on the related record date.

Maturity

The notes will mature on November 15, 2026 and will be paid against presentation and surrender thereof at the corporate trust office of the trustee unless (1) earlier redeemed by us at our option or repurchased by us at a holder's option at certain times as described under Our Redemption Rights, Repurchase at Option of Holders on Certain Dates or Repurchase at Option of Holders Upon a Change in Control below or (2) converted at a holder's option as permitted under Conversion Rights below. The notes are not entitled to the benefits of, or subject to, any sinking fund.

Our Redemption Rights

We do not have the right to redeem any notes prior to November 21, 2011, except to preserve our status as a REIT. If, at any time, we determine it is necessary to redeem the notes in order to preserve our status as a REIT, we may redeem the notes, in whole or in part, for cash equal to 100% of the principal amount of the notes plus accrued but unpaid interest (including additional interest, if any) to, but excluding, the redemption date. In addition, on or after November 21, 2011, we will have the right to redeem the notes in whole or in part, at any time or from time to time, for cash equal to 100% of the principal amount of the notes to be redeemed plus accrued but unpaid interest (including additional interest, if any) to, but excluding, the redemption date. Written notice of redemption must be delivered to holders of the notes not less than 30 nor more than 60 days prior to the redemption date.

If the paying agent holds money sufficient to pay the redemption price due on a note on the redemption date in accordance with the terms of the indenture, then, on and after the redemption date, that note will cease to be outstanding and interest on that note will cease to accrue, whether or not the holder effects a book-entry transfer of that note or delivers that note to the paying agent. Thereafter, all other rights of the holder of that note terminate, other than the right to receive the redemption price and additional interest, if any, due on the redemption date.

If we decide to redeem the notes in part, the trustee will select the notes to be redeemed (in principal amounts of \$1,000 and integral multiples thereof) on a pro rata basis or any other method it deems fair and appropriate or is required by the depositary for the notes. If the trustee selects a portion of a note for partial redemption and a holder converts a portion of the same note, the converted portion will be deemed to be from the portion selected for redemption.

In the event of any redemption of notes in part, we will not be required to:

- issue or register the transfer or conversion of any note during a period beginning at the opening of business fifteen days before any selection of notes for redemption and ending at the close of business on the earliest date on which the relevant notice of redemption is deemed to have been given to all holders of notes to be so redeemed, or
- register the transfer or conversion of any note so selected for redemption, in whole or in part, except the unredeemed portion of any note being redeemed in part.

If the paying agent holds funds sufficient to pay the redemption price of the notes on the redemption date, then on and after that date:

- the notes will cease to be outstanding;
- interest on the notes will cease to accrue; and
- all rights of holders of the notes will terminate except the right to receive the redemption price.

This will be the case whether or not book-entry transfer of the notes in book-entry form is made and whether or not notes in certificated form, together with the necessary endorsements, are delivered to the paying agent.

If we call notes for redemption, a holder may convert its notes only until the close of business on the third business day immediately preceding the redemption date, unless we fail to pay the redemption price. See [Conversion Rights](#) [Conversion upon Notice of Redemption](#) below.

Repurchase at Option of Holders on Certain Dates

Holders of notes may require us to repurchase their notes in whole or in part (in principal amounts of \$1,000 and integral multiples thereof) on November 15, 2011, November 15, 2013, November 15, 2016, and November 15, 2021 for cash equal to 100% of the principal amount of the notes to be repurchased plus accrued but unpaid interest (including additional interest, if any) to, but excluding, the repurchase date. To exercise its repurchase right, a holder must deliver a written repurchase notice to the paying agent, which initially is the trustee, during the period beginning at any time from the opening of business on the date that is twenty business days prior to the repurchase date until the close of business on the third business day prior to the repurchase date. Our repurchase obligation will be subject to certain additional conditions.

On or before the twentieth business day prior to each repurchase date, we will provide to the trustee, any paying agent and to all holders of the notes, and to beneficial owners as required by applicable law, a notice stating, among other things:

- the repurchase price;
- the name and address of the trustee and any paying agent;
- that notes with respect to which the holder has delivered a repurchase notice may be converted, if otherwise convertible, only if the holder withdraws the repurchase notice in accordance with the terms of the indenture; and
- the procedures that holders must follow to require us to repurchase their notes.

We will also disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News containing the information specified in the notice or publish that information in the Wall Street Journal or another newspaper of general circulation in The City of New York or on our website, or through other public medium as we deem appropriate at that time.

A holder's notice electing to require us to repurchase notes must specify:

- if the notes are in certificated form, the certificate number(s) of the notes to be repurchased;
- the principal amount of notes to be repurchased, in integral multiples of \$1,000, provided that the remaining principal amount of notes is in an authorized denomination; and
- that the notes are to be repurchased by us pursuant to the applicable provisions of the indenture and the notes.

Holders may withdraw any repurchase notice in whole or in part by a written notice of withdrawal delivered to the paying agent prior to the close of business on the third business day prior to the repurchase date. If a holder of notes delivers a repurchase notice, it may not thereafter surrender the notes for conversion unless the repurchase notice is withdrawn as permitted below. The notice of withdrawal must specify:

- the name of the holder;
- the principal amount of notes in respect of which the repurchase notice is being withdrawn, which must be an integral multiple of \$1,000;
- if the notes subject to the withdrawal notice are in certificated form, the certificate number(s) of all notes subject to the withdrawal notice; and
- the principal amount of notes, if any, that remains subject to the repurchase notice, which must be an integral multiple of \$1,000.

If the notes are in book-entry form, the above notices must also comply with all applicable procedures of The Depository Trust Company, or DTC.

Holders electing to require us to repurchase notes must either effect book-entry transfer of notes in book-entry form in compliance with all applicable DTC procedures or deliver the notes in certificated form, together with necessary endorsements, to the paying agent prior to the repurchase date to receive payment of the repurchase price on the repurchase date. We will pay the repurchase price within two business days after the later of the repurchase date or the time of the transfer or delivery of the notes.

If the paying agent holds funds sufficient to pay the repurchase price of the notes on the repurchase date, then on and after that date:

- the notes will cease to be outstanding;
- interest on the notes will cease to accrue; and
- all rights of holders of the notes will terminate except the right to receive the repurchase price.

This will be the case whether or not book-entry transfer of the notes in book-entry form is made and whether or not notes in certificated form, together with the necessary endorsements, are delivered to the paying agent.

No notes may be repurchased by us at the option of the holders thereof if there has occurred and is continuing an event of default with respect to the notes (other than a default in the payment of the repurchase price for those notes). In addition, we may also be unable to repurchase the notes in accordance with their terms. See **Risk Factors** **Risks Related to the Offering**. We may not have the cash necessary to pay the principal return and any net amount upon a conversion of notes or to repurchase the notes on specified dates or following certain change in control transactions in this prospectus.

To the extent legally required in connection with a repurchase of notes, we will comply with the provisions of Rule 13e-4 and other tender offer rules under the Exchange Act then applicable, if any, and will file a Schedule TO or any other schedule required under the Exchange Act.

Repurchase at Option of Holders upon a Change in Control

If a change in control occurs at any time, holders of notes may require us to repurchase their notes in whole or in part for cash equal to 100% of the principal amount of the notes to be repurchased plus unpaid interest (including additional interest, if any) accrued to the repurchase date.

Within twenty days after the occurrence of a change in control, we are obligated to give to the holders of the notes notice of the change in control and of the repurchase right arising as a result of the change in control and the repurchase date (which may be no earlier than fifteen days and no later than 45 days after the date of the notice). We must also deliver a copy of this notice to the trustee. We will also disseminate a press release through Dow Jones & Company, Inc. or Bloomberg Business News announcing the occurrence of the change in control or publish that information in the Wall Street Journal or another newspaper of general circulation in The City of New York, or on our website, or through other public medium as we deem appropriate at that time.

To exercise its repurchase right, a holder of notes must deliver to the trustee prior to the close of business on the third business day prior to the repurchase date written notice of the holder's exercise of its repurchase right. The notice must state:

- if the notes are in certificated form, the certificate number(s) of the notes to be repurchased;
- the portion of the principal amount of notes to be repurchased, in multiples of \$1,000, provided that the remaining principal amount of notes is in an authorized denomination; and
- that the notes are to be repurchased by us pursuant to the applicable provisions of the notes.

Holders may withdraw any repurchase notice in whole or in part by a written notice of withdrawal delivered to the paying agent prior to the close of business on the third business day prior to the repurchase date. If a holder of notes delivers a repurchase notice, it may not thereafter surrender the notes for conversion unless the repurchase notice is withdrawn as permitted below. The notice of withdrawal must specify:

- the name of the holder;
- the principal amount of notes in respect of which the repurchase notice is being withdrawn, which must be an integral multiple of \$1,000;
- if the notes subject to the withdrawal notice are in certificated form, the certificate number(s) of all notes subject to the withdrawal notice; and
- the principal amount of notes, if any, that remains subject to the repurchase notice, which must be an integral multiple of \$1,000.

If the notes are in book-entry form, the above notices must comply with all the applicable procedures of DTC.

Holders electing to require us to repurchase notes must either effect book-entry transfer of notes in book-entry form in compliance with all applicable DTC procedures or deliver the notes in certificated form, together with necessary endorsements, to the paying agent prior to the repurchase date to receive payment of the repurchase price on the repurchase date. We will pay the repurchase price within two business days after the later of the repurchase date or the time of the transfer or delivery of the notes.

If the paying agent holds funds sufficient to pay the repurchase price of the notes on the repurchase date, then on and after that date:

- the notes will cease to be outstanding;
- interest on the notes will cease to accrue; and

- all rights of holders of the notes will terminate except the right to receive the repurchase price.

This will be the case whether or not book-entry transfer of the notes in book-entry form is made and whether or not notes in certificated form, together with the necessary endorsements, are delivered to the paying agent.

A change in control will be deemed to have occurred at the time that any of the following occurs:

- consummation of any transaction or event (whether by means of a share exchange or tender offer applicable to our common stock, a liquidation, consolidation, recapitalization, reclassification, combination or merger of IRC or a sale, lease or other transfer of all or substantially all of the consolidated assets of IRC) or a series of related transactions or events pursuant to which all of our outstanding shares of our common stock are exchanged for, converted into or constitute solely the right to receive cash, securities or other property;
- any person or group (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act, whether or not applicable), other than IRC, any of our majority-owned subsidiaries, any of our subsidiaries' employee benefit plans or the Inland Group, Inc. or its affiliates, is or becomes the beneficial owner, directly or indirectly, of more than 50% of the total voting power in the aggregate of all classes of our shares of capital stock then outstanding entitled to vote generally in elections of directors;
- during any period of twelve consecutive months after the date of original issuance of the notes, persons who at the beginning of the twelve-month period constituted our board of directors, together with any new persons whose election was approved by a vote of a majority of the persons then still comprising our board of directors who were either members of our board of directors at the beginning of this period or whose election, designation or nomination for election was previously so approved, cease for any reason to constitute a majority of our board of directors;
- our common stock (or other common stock or securities into which the notes are then convertible) ceases to be listed on a U.S. national or regional securities exchange; or
- our stockholders approve any plan or proposal for our liquidation.

However, even if any of the events specified in the first three preceding bullet points have occurred, except as indicated below, a change in control will not be deemed to have occurred if either:

(A) the closing sale price of our common stock for any five trading days within (1) the period of ten consecutive trading days ending immediately after the later of the change in control or the public announcement of the change in control, in the case of a change in control relating to an acquisition of capital stock, or (2) the period of ten consecutive trading days ending immediately after the change in control, in the case of a change in control relating to a merger, consolidation or asset sale, equals or exceeds 105% of the conversion price applicable to the notes on each of those trading days; provided, however, that the exception to the definition of change in control specified in this clause (A) will not apply in the context of a change in control as described under Conversion Rights Conversion Upon Specified Transactions or Make Whole Upon Certain Change in Control Transactions below; or

(B) at least 90% of the consideration (excluding cash payments for fractional shares and cash payments made pursuant to dissenters' appraisal rights) in a merger, consolidation or other transaction otherwise constituting a change in control consists of shares of common stock (or depositary receipts or other certificates representing common equity interests) traded on a national securities exchange or an established automated over-the-counter trading market in the United States (or will be so traded or quoted immediately following the merger, consolidation or other transaction) and as a result of the merger, consolidation or other

transaction the notes become convertible into shares of common stock (or depositary receipts or other certificates representing common equity interests).

For purposes of these provisions, person includes any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Exchange Act.

The definition of change in control includes a phrase relating to the sale, lease or other transfer of all or substantially all of our consolidated assets. There is no precise, established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of the sale, lease or other transfer of less than all of our consolidated assets may be uncertain.

No notes may be repurchased by us at the option of the holders thereof if there has occurred and is continuing an event of default with respect to the notes (other than a default in the payment of the repurchase price for those notes). In addition, we may also be unable to repurchase the notes in accordance with their terms. See Risk Factors Risks Related to the Offering We may not have the cash necessary to pay the principal return and any net amount upon a conversion of notes or to repurchase the notes on specified dates or following certain change in control transactions in this prospectus.

To the extent legally required in connection with a repurchase of notes, we will comply with the provisions of Rule 13e-4 and other tender offer rules under the Exchange Act then applicable, if any, and will file a Schedule TO or any other required schedule under the Exchange Act.

No Stockholder Rights for Holders of Notes

Holders of notes, as such, do not have any rights as stockholders of IRC (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock).

Conversion Rights

Subject to the restrictions on ownership of our common stock and the conditions described below, holders may convert their notes for cash or a combination of cash and common stock, at our option, initially at an applicable conversion rate of 48.2824 shares of our common stock per \$1,000 principal amount of notes (equivalent to an initial conversion price of approximately \$20.71 per share of common stock). The conversion rate and the equivalent conversion price in effect at any given time are referred to in this prospectus as the conversion rate and the conversion price, respectively, and will be subject to adjustment as described herein. The conversion rate, as adjusted in the manner described under Conversion Rate Adjustments is referred to in this prospectus as the applicable conversion rate.

Upon conversion of a note, a holder will not receive any cash payment of interest (unless the conversion occurs after a record date and on or prior to the interest payment date to which it relates) and we will not adjust the conversion rate to account for accrued and unpaid interest. Our delivery to the holder of cash and, if applicable, common stock, if any, will be deemed to satisfy all of our obligations with respect to notes tendered for conversion. Accordingly, upon a conversion of notes, any accrued but unpaid interest will be deemed to be paid in full, rather than cancelled, extinguished or forfeited.

Holders of notes at the close of business on a record date for an interest payment will receive payment of interest payable on the corresponding interest payment date notwithstanding the conversion of the notes at any time after the close of business on the applicable regular record date. Notes tendered for conversion by a holder after the close of business on any record date for an interest payment and on or prior to the corresponding interest payment date must be accompanied by payment of an amount equal to the interest that the holder is to receive on the notes; provided, however, that no payment will be required to be made (1) if we have specified a redemption date that is after the record date and on or prior to the interest payment date, (2) if we have scheduled a change in control repurchase date that is after the record date and

on or prior to the interest payment date or (3) with respect to overdue interest (including additional interest), if any overdue interest exists at the time of conversion with respect to the notes.

If a holder converts notes and we elect to deliver a combination of cash and common stock, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of common stock upon the conversion, if any, unless the tax is due because the holder requests the shares to be issued or delivered to a person other than the holder, in which case the holder will be required to pay that tax prior to receipt of the common stock.

To convert a note held in book-entry form, a holder must convert by book-entry transfer to the conversion agent through the facilities of DTC and the conversion notice must comply with all applicable DTC procedures. To convert a note held in certificated form, a holder must:

- complete and manually sign a conversion notice, a form of which is on the back of the note, and deliver the conversion notice to the conversion agent;
- surrender the note to the conversion agent;
- if required by the conversion agent, furnish appropriate endorsement and transfer documents; and
- pay all required transfer or similar taxes.

If a holder has already delivered a repurchase notice as described above under either Repurchase at Option of Holders on Certain Dates or Repurchase at Option of Holders upon a Change in Control above, with respect to a note, that holder may not tender that note for conversion until the holder has properly withdrawn the repurchase notice.

Upon surrender of a note for conversion, the holder must deliver to us cash equal to the amount that we are required to deduct and withhold under applicable law in connection with the conversion; provided, however, that if the holder does not deliver the cash, we may deduct and withhold from the consideration, otherwise deliverable to the holder, the amount required to be deducted and withheld under applicable law.

Holder may surrender their notes for conversion for cash or a combination of cash and common stock, at our option, at the applicable conversion rate, at any time on or after October 15, 2026, but prior to the close of business on the second business day immediately preceding the stated maturity date, and also under any of the following circumstances:

- during any calendar quarter (and only during the calendar quarter) if, and only if, the closing sale price of our common stock for at least twenty trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130% of the conversion price per share of our common stock in effect on the applicable trading day;
- during the five consecutive trading-day period following any five consecutive trading-day period in which the trading price of the notes was less than 98% of the product of the closing sale price of our common stock multiplied by the applicable conversion rate;
- if those notes have been called for redemption, at any time prior to the close of business on the third business day prior to the redemption date;
- during prescribed periods upon the occurrence of specified transactions discussed below; or
- if our common stock ceases to be listed on a U.S. national or regional securities exchange.

Closing sale price of our common stock or other capital stock or similar equity interests or other publicly traded securities on any trading day means the closing sale price per share (or, if no closing sale

price is reported, the average of the closing bid and ask prices or, if more than one in either case, the average of the average closing bid and the average closing ask prices) on the date as reported on the principal U.S. national or regional securities exchange on which our common stock or other capital stock or similar equity interests or other publicly traded securities are listed or, if our common stock or other capital stock or similar equity interests or other publicly traded securities are not listed on a U.S. national or regional securities exchange, as reported on an established over-the-counter trading market in the United States. The closing sale price will be determined without regard to after-hours trading or extended market making. In the absence of the foregoing, we will determine the closing sale price on this basis as we consider appropriate.

Trading day means a day during which trading in securities generally occurs on the NYSE or, if our common stock is not then listed on the NYSE, on the principal other United States national or regional securities exchange on which our common stock is then listed or, if our common stock is not then listed on a United States national or regional securities exchange, in the principal other market on which our common stock is then traded. A trading day only includes those days that have a scheduled closing time of 4:00 p.m. (New York City time) or the then standard closing time for regular trading on the relevant exchange or trading system.

Conversion upon Satisfaction of Market Price Condition

A holder may surrender any of its notes for conversion during any calendar quarter (and only during the calendar quarter) if, and only if, the closing sale price of our common stock for at least twenty trading days (whether or not consecutive) in the period of 30 consecutive trading days ending on the last trading day of the preceding calendar quarter is more than 130% of the conversion price per share of our common stock in effect on the applicable trading day.

Conversion upon Satisfaction of Trading Price Condition

A holder may surrender any of its notes for conversion during the five consecutive trading-day period following any five consecutive trading-day period in which the trading price per \$1,000 principal amount of notes (as determined following a reasonable request by a holder of the notes) was less than 98% of the product of the closing sale price of our common stock multiplied by the applicable conversion rate.

The trading price of the notes on any date of determination means the average of the secondary market bid quotations per \$1,000 principal amount of notes obtained by the trustee for a \$1,000,000 principal amount of notes at approximately 3:30 p.m., New York City time, on the determination date from two independent nationally recognized securities dealers we select, which may include the initial purchasers; provided that if at least two bids cannot reasonably be obtained by the trustee, but one bid can reasonably be obtained by the trustee, then one bid will be used. If the trustee cannot reasonably obtain at least one bid for a \$1,000,000 principal amount of notes from a nationally recognized securities dealer or, in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the notes, then the trading price per \$1,000 principal amount of notes will be deemed to be less than 98% of the product of the closing sale price of our common stock and the applicable conversion rate on the determination date.

The trustee will have no obligation to determine the trading price of the notes unless we have requested the determination, and we will have no obligation to make the request unless a holder provides us with reasonable evidence that the trading price per \$1,000 principal amount of notes would be less than 98% of the product of the closing sale price of our common stock and the applicable conversion rate, whereupon we are required to instruct the trustee to determine the trading price of the notes beginning on the next trading day and on each successive trading day until the trading price is greater than or equal to 98% of the product of the closing sale price of our common stock and the applicable conversion rate.

Conversion upon Notice of Redemption

A holder may surrender for conversion any of the notes called for redemption at any time prior to the close of business on the third business day prior to the redemption date, even if the notes are not otherwise convertible at that time. The right to convert notes will expire at that time, unless we default in making the payment due upon redemption. A holder may convert fewer than all of its notes so long as the notes converted are an integral multiple of \$1,000 principal amount and the remaining principal amount of notes is in an authorized denomination. However, if a holder has already delivered a repurchase notice with respect to a note, a holder may not surrender that note for conversion until it has withdrawn the notice in accordance with the terms of the notes.

Conversion upon Specified Transactions

If we elect to:

- distribute to all holders of our common stock certain rights entitling them to purchase, for a period expiring within 45 days, shares of our common stock at less than the closing sale price of our common stock on the trading day immediately preceding the declaration date of the distribution, or
- distribute to all holders of our common stock assets, debt securities or certain rights to purchase our securities, which distribution has a per share value exceeding 15% of the average closing sale prices of our common stock on the five consecutive trading days ending on the date immediately preceding the declaration date of the distribution,

we must notify the holders of notes at least twenty days prior to the ex-dividend date for the distribution. Once we have given that notice, holders may surrender their notes for conversion at any time until the earlier of the close of business on the business day prior to the ex-dividend date or an announcement that the distribution will not take place; provided, however, that a holder may not exercise this right to convert if the holder may participate, on an as-converted basis, in the distribution without conversion of the notes. The ex-dividend date is the first date upon which a sale of our common stock does not automatically transfer the right to receive the relevant distribution from the seller of the shares of our common stock to its buyer.

In addition, if we are a party to a consolidation, merger or binding share exchange pursuant to which all of our common stock would be exchanged for cash, securities or other property that is not otherwise a change in control, a holder may surrender its notes for conversion at any time from and including the date that is fifteen business days prior to the anticipated effective time of the transaction up to and including five business days after the actual date of the transaction. We will notify holders as promptly as practicable following the date we publicly announce the transaction (but in no event less than fifteen business days prior to the anticipated effective time of the transaction).

If a change in control occurs as a result of a transaction described in any of the first four bullets of the definition of change in control (as set forth under Repurchase at Option of Holders Upon a Change in Control), a holder will have the right to convert its notes at any time from and including the effective date of the transaction up to and including the 30th business day following the effective date of the transaction, subject to expiration of a holder's conversion right with respect to any notes submitted for repurchase. We will notify holders as promptly as practicable following the date we publicly announce the change in control (but in no event later than five business days prior to the effective date of the change in control).

If we are a party to a consolidation, merger or binding share exchange pursuant to which all shares of our common stock are exchanged for cash, securities or other property, then at the effective time of the transaction any conversion of notes and the conversion value will be based on the kind and amount of cash, securities or other property that a holder of notes would have received if the holder had converted its notes into our common stock immediately prior to the effective time of the transaction. For purposes of the

foregoing, where a consolidation, merger or binding share exchange involves a transaction that causes our common stock to be converted into the right to receive more than a single type of consideration based upon any form of stockholder election, the consideration will be deemed to be the weighted average of the types and amounts of consideration received by stockholders that affirmatively make an election in the transaction. If a change in control occurs as a result of a transaction described in the first four bullets of the definition thereof, we will adjust the conversion rate for notes tendered for conversion in connection with the transaction, as described below under **Make Whole Upon Certain Change in Control Transactions**.

Conversion upon Termination of Listing

If our common stock ceases to be listed on a U.S. national or regional securities exchange, we must give notice to the holders within five days following the delisting. Holders may surrender their notes for conversion at any time from the date our common stock was delisted until the close of business on the 30th business day after the date of delisting.

Conversion Settlement

Upon a conversion of notes, we will deliver, in respect of each \$1,000 principal amount of notes tendered for conversion in accordance with their terms:

- cash in an amount (the **principal return**) equal to the lesser of (a) the principal amount of notes surrendered for conversion and (b) the conversion value; and
- if the conversion value is greater than the principal return, an amount (the **net amount**) in cash or shares of our common stock with an aggregate value equal to the difference between the conversion value and the principal return.

We may elect to deliver any portion of the net amount in cash (which we refer to as the **net cash amount**) or in shares of our common stock, and any portion of the net amount we elect to deliver in shares of our common stock (the **net shares**) will be the sum of the daily share amounts (calculated as described below) for each trading day during the applicable conversion period. Prior to the close of business on the second trading day following the date on which notes are tendered for conversion, we will inform holders of the notes of our election to pay cash for all or a portion of the net amount and, if applicable, the portion of the net amount that will be paid in cash and the portion that will be delivered in the form of net shares.

We will deliver cash in lieu of any fractional shares of our common stock issuable in connection with payment of the net shares based upon the average price.

The **conversion value** for each \$1,000 principal amount of notes is equal to the average of the daily conversion values, as defined below, for each of the twenty consecutive days in the applicable conversion period.

The **daily conversion value** means, with respect to any trading day, the product of (1) the applicable conversion rate and (2) the closing sale price of our common stock on that trading day. The **applicable conversion rate**, as of any trading day, means the conversion rate in effect on that date, after giving effect to any adjustment provided for under **Conversion Rate Adjustments** or **Make Whole Upon Certain Change in Control Transactions**.

The **applicable conversion period** means the twenty consecutive trading-day period commencing on the third trading day following the date the notes are tendered for conversion.

The **average price** is equal to the average of the closing sale prices of our common stock for each trading day in the applicable conversion period.

The daily share amount for each \$1,000 principal amount of notes and each trading day in the applicable conversion period is equal to the greater of:

- zero; and
- a number of shares of our common stock determined by the following formula:

$$\left(\begin{array}{c} \text{closing sale price per share of our} \\ \text{common stock on that trading day} \end{array} \times \begin{array}{c} \text{applicable} \\ \text{conversion rate} \end{array} \right) - (\$1,000 + \text{net cash amount, if any})$$

$$20 \times \text{closing sale price per share of our common stock on that trading day}$$

The conversion value, principal return, net amount and the number of net shares, as applicable, will be determined by us promptly after the end of the applicable conversion period. We will pay the principal return and cash in lieu of fractional shares, and deliver net shares or pay the net cash amount, as applicable, no later than the third business day following the last trading day of the applicable conversion period.

Conversion Rate Adjustments

The conversion rate will be adjusted from time to time as follows:

- (1) If we issue common stock as a dividend or distribution on our common stock to all holders of our common stock, or if we effect a share split or share combination, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{OS_1}{OS_0}$$

where

CR₀ = the conversion rate in effect immediately prior to the ex-dividend date for the dividend or distribution, or the effective date of the share split or share combination;

CR₁ = the new conversion rate in effect immediately after the ex-dividend date for the dividend or distribution, or the effective date of the share split or share combination;

OS₀ = the number of shares of our common stock outstanding immediately prior to the ex-dividend date for the dividend or distribution, or the effective date of the share split or share combination;

OS₁ = the number of shares of our common stock outstanding immediately after the ex-dividend date for the dividend or distribution, as if the dividend or distribution occurred at that time, or the effective date of the share split or share combination.

If any dividend or distribution described in this paragraph (1) is declared but not so paid or made, the new conversion rate will be readjusted to the conversion rate that would then be in effect if the dividend or distribution had not been declared.

(2) If we issue to all holders of our common stock any rights, warrants, options or other securities entitling them for a period of not more than 45 days after the date of issuance thereof to subscribe for, or purchase, shares of our common stock, or issue to all holders of our common stock securities convertible into shares of our common stock for a period of not more than 45 days after the date of issuance thereof, in either case at an exercise price per share of our common stock or a conversion price per share of our common stock less than the closing sale price of our common stock on the business day immediately preceding the time of announcement of the issuance, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{(OS_0 + X)}{(OS_0 + Y)}$$

where

CR₀ = the conversion rate in effect immediately prior to the ex-dividend date for the distribution;

CR₁ = the new conversion rate in effect immediately after the ex-dividend date for the distribution;

OS₀ = the number of shares of our common stock outstanding immediately prior to the ex-dividend date for the distribution;

X = the total number of shares of our common stock issuable pursuant to the rights, warrants, options, other securities or convertible securities;

Y = the number of shares of our common stock equal to the quotient of (A) the aggregate price payable to exercise the rights, warrants, options, other securities or convertible securities divided by (B) the average of the closing sale prices of our common stock for the ten consecutive trading days ending on the business day immediately preceding the date of announcement for the issuance of the rights, warrants, options, other securities or convertible securities.

For purposes of this paragraph (2), in determining whether any rights, warrants, options, other securities or convertible securities entitle the holders to subscribe for or purchase, or exercise a conversion right for, shares of our common stock at less than the applicable closing sale price of our common stock, and in determining the aggregate exercise or conversion price payable for our common stock, we will take into account any consideration received by us for the rights, warrants, options, other securities or convertible securities and any amount payable on exercise or conversion thereof, with the value of the consideration, if other than cash, to be determined by our board of directors. If any right, warrant, option, other security or convertible security described in this paragraph (2) is not exercised or converted prior to the expiration of the exercisability or convertibility thereof, the new conversion rate will be readjusted to the conversion rate that would then be in effect if the right, warrant, option, other security or convertible security had not been so issued.

(3) If we distribute shares of our capital stock, evidences of indebtedness or other assets or property to all holders of our common stock, excluding:

(A) dividends, distributions, rights, warrants, options, other securities or convertible securities referred to in paragraph (1) or (2) above;

(B) dividends or distributions paid exclusively in cash; and

(C) Spin-Offs described below in this paragraph (3),

then the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - FMV}$$

where

CR₀ = the conversion rate in effect immediately prior to the ex-dividend date for the distribution;

CR₁ = the new conversion rate in effect immediately after the ex-dividend date for the distribution;

SP₀ = the average of the closing sale prices of our common stock for the ten consecutive trading days prior to the business day immediately preceding the earlier of the record date or the ex-dividend date for the distribution; and

FMV = the fair market value (as determined in good faith by our board of directors) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock on the earlier of the record date or the ex-dividend date for the distribution.

An adjustment to the conversion rate made pursuant to the immediately preceding paragraph will become effective on the day immediately after the date fixed for determining the holders of our common stock entitled to receive the distribution.

If we distribute to all holders of our common stock, capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other of our business units (a Spin-Off), the conversion rate in effect immediately before the close of business on the date fixed for determination of holders of our common stock entitled to receive the distribution will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{(FMV+MP_0)}{MP_0}$$

where

CR₀ = the conversion rate in effect immediately prior to the tenth trading day immediately following and including the effective date of the Spin-Off;

CR₁ = the new conversion rate immediately after the tenth trading day immediately following, and including, the effective date of the Spin-Off;

FMV = the average of the closing sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first ten consecutive trading days after the effective date of the Spin-Off; and

MP₀ = the average of the closing sale price of our common stock over the first ten consecutive trading days after the effective date of the Spin-Off.

Any adjustment to the conversion rate made pursuant to the immediately preceding paragraph will occur on the eleventh trading day from and including the effective date of the Spin-Off. If any dividend or distribution described in this paragraph (3) is declared but not paid or made, the conversion rate will revert to the conversion rate that would then be in effect if the dividend or distribution had not been declared.

(4) If we pay any cash dividend or distribution in respect of any month (without regard to when paid) to all holders of our common stock in an aggregate amount that, together with other cash dividends or distributions made in respect of that month, exceeds \$0.08 (the Reference Dividend) per share, the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{SP_0}{SP_0 - C}$$

where

CR₀ = the conversion rate in effect immediately prior to the ex-dividend date for the distribution;

CR₁ = the new conversion rate immediately after the ex-dividend date for the distribution;

SP₀ = the average of the closing sale prices of our common stock for the ten consecutive trading days ending on the trading day prior to the business day immediately preceding the earlier of the record date or the day prior to the ex-dividend date for the distribution; and

C = the amount in cash per share that we distribute to holders of our common stock in respect of that month that exceeds the Reference Dividend.

If any dividend or distribution described in this paragraph (4) is declared but not so paid or made, the new conversion rate will be readjusted to the conversion rate that would then be in effect if the dividend or distribution had not been declared.

The Reference Dividend will be subject to adjustment on account of any of the events set forth in paragraphs (1), (2) and (3) above and paragraph (5) below. Any adjustment will be effected by multiplying the Reference Dividend by a fraction, the numerator of which will equal the conversion rate in effect immediately prior to the adjustment on account of the event and the denominator of which will equal the conversion rate as adjusted. The Reference Dividend will also be appropriately adjusted to take into account any changes in the frequency of payment of our regular dividend. We have recently increased the amount of our monthly dividend from \$0.08 per share to \$0.08167 per share. The increase will first be payable on April 17, 2007 to holders of record on April 2, 2007.

(5) If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock to the extent that the cash and value of any other consideration included in the payment per share of our common stock exceeds the closing sale price of a share of our common stock on the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to the tender or exchange offer (the Expiration Time), the conversion rate will be adjusted based on the following formula:

$$CR_1 = CR_0 \times \frac{(AC + (SP_1 \times OS_1))}{(SP_1 \times OS_0)}$$

where

CR₀ = the conversion rate in effect immediately prior to the date the tender or exchange offer expires;

CR₁ = the new conversion rate immediately following the date the tender or exchange offer expires;

AC = the aggregate value of all cash and any other consideration (as determined by our board of directors) paid or payable for our common stock purchased in the tender or exchange offer;

OS₀ = the number of shares of our common stock outstanding immediately prior to the date the tender or exchange offer expires;

OS₁ = the number of shares of our common stock outstanding immediately after the tender or exchange offer expires (after giving effect to the purchase or exchange of shares pursuant to the tender or exchange offer); and

SP₁ = the average of the closing sale prices of our common stock for the ten consecutive trading days commencing on the trading day next succeeding the date the tender or exchange offer expires.

If the application of the foregoing formula would result in a decrease in the conversion rate, we will not adjust the conversion rate.

Any adjustment to the conversion rate for the events described in this paragraph (5) will become effective on the date immediately following the date the tender or exchange offer expires. If we or one of our subsidiaries is obligated to purchase shares of our common stock pursuant to any tender or exchange offer but is permanently prevented by applicable law from effecting any purchase or all purchases are rescinded, the conversion rate will revert to the conversion rate that would be in effect if the tender or exchange offer had not been made.

(6) Notwithstanding the foregoing, in the event of an adjustment to the conversion rate pursuant to paragraphs (4) or (5), in no event will the conversion rate exceed 55.5556 shares of our common stock per \$1,000 principal amount of notes, subject to adjustment pursuant to paragraphs (1), (2) and (3).

(7) If we have a rights plan in effect while any notes remain outstanding, holders of notes will receive, upon a conversion of notes in respect of which we have elected to deliver net shares, in addition to the net shares, rights under our stockholder rights agreement unless, prior to conversion, the rights have expired, terminated or been redeemed or unless the rights have separated from our common stock. If the rights provided for in the rights plan have separated from our common stock in accordance with the provisions of the applicable stockholder rights agreement so that holders of notes would not be entitled to receive any rights in respect of our common stock that we elect to deliver as net shares upon conversion of notes, the conversion rate will be adjusted at the time of separation as if we had distributed to all holders of our common stock, evidences of indebtedness or other assets or property pursuant to paragraph (3) above, subject to readjustment upon the subsequent expiration, termination or redemption of the rights. In lieu of any adjustment, we may amend the applicable stockholder rights agreement to provide that upon a conversion of notes the holders will receive, in addition to shares of our common stock that we elect to deliver as net shares upon a conversion, the rights which would have attached to the common stock if the rights had not become separated from our common stock under the applicable stockholder rights agreement. To the extent that we adopt any future stockholder rights agreement, upon a conversion of notes in respect of which we elect to deliver our common stock as net shares, a holder of notes will receive, in addition to our common stock, the rights under the future stockholder rights agreement whether or not the rights have separated from our common stock at the time of conversion and no adjustment will be made in accordance with paragraph (3) or otherwise.

In addition to the adjustments pursuant to paragraphs (1) through (7) above, we may increase the conversion rate in order to avoid or reduce any income tax to holders of our common stock resulting from any dividend or distribution of capital stock (or rights to acquire shares of our common stock) or from any event treated as such for income tax purposes. We may also, from time to time, to the extent permitted by applicable law, increase the conversion rate by any amount for any period if we determine that the increase would be in our best interests. If we make this determination, it will be conclusive and we will mail to holders of the notes a notice of the increased conversion rate and the period during which it will be in effect at least fifteen days prior to the date the increased conversion rate takes effect in accordance with applicable law.

We will not adjust the conversion rate if holders of the notes are permitted to participate, on an as-converted basis, in the transactions described above.

The conversion rate will not be adjusted except as specifically set forth in *Conversion Rate Adjustments* and in *Make Whole Upon Certain Change in Control Transactions*. Without limiting the foregoing, the conversion rate will not be adjusted for:

- the issuance of any common stock pursuant to any present or future plan providing for the reinvestment of dividends or interest payable on our securities and the investment of additional optional amounts in shares of our common stock under any plan;
- the issuance of any shares of our common stock or options or rights to purchase those shares pursuant to any present or future employee, director, trustee or consultant benefit plan, employee agreement or arrangement or program of ours;
- the issuance of any shares of our common stock pursuant to any option, warrant, right, or exercisable, exchangeable or convertible security outstanding as of the date the notes were first issued;
- a change in the par value of our common stock;
- accumulated and unpaid dividends or distributions; and
- as a result of a tender offer solely to holders of less than 100 shares of our common stock.

No adjustment in the conversion rate will be required unless the adjustment would require an increase or decrease of at least 1% of the conversion rate. If the adjustment is not made because the adjustment does not change the conversion rate by at least 1%, then the adjustment that is not made will be carried forward and taken into account in any future adjustment. All required calculations will be made to the nearest cent or 1/1000th of a share, as the case may be. Notwithstanding the foregoing, if the notes are called for redemption, all adjustments not previously made will be made on the applicable redemption date.

If the conversion price of the notes is adjusted, a holder may be deemed to have received a distribution from us even though the holder has not received any cash or property as a result of the adjustment. We intend to withhold federal income tax (in the case of a non-U.S. holder) with respect to any deemed distribution from us, from cash payments of interest and payments in redemption, repurchase or conversion of the notes. See *U.S. Federal Income Tax Consequences* in this prospectus.

Make Whole Upon Certain Change in Control Transactions

If a change in control occurs prior to November 21, 2011 as a result of a transaction described in any of the first four bullets of the definition of change in control (as set forth above under *Repurchase at Option of Holders upon a Change in Control*) and a holder elects to convert its notes in connection with a change in control as described above under *Conversion Rights Conversion upon Specified Transactions*, we will increase the applicable conversion rate for the notes surrendered for conversion by a number of additional shares of our common stock (the *additional change in control shares*) as described below. A conversion of notes will be deemed for these purposes to be in connection with a change in control if the notice of conversion of the notes is received by the conversion agent from and including the effective date of the change in control up to and including the 30th business day following the effective date of the change in control.

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The number of additional change in control shares will be determined by reference to the table below and is based on the date on which a change in control transaction becomes effective (the effective date) and the price (the stock price) paid per share of our common stock in a change in control transaction. If the holders of our common stock receive only cash in the change in control transaction, the stock price will be the cash amount paid per share of our common stock. Otherwise, the stock price will be the average of the closing sale prices of our common stock on the ten consecutive trading days up to but excluding the effective date.

The stock prices set forth in the first row of the table (i.e., the column headers) will be adjusted as of any date on which the conversion rate of the notes is adjusted. The adjusted stock prices will equal the stock prices applicable immediately prior to the adjustment multiplied by a fraction, the numerator of which is the conversion rate immediately prior to the adjustment giving rise to the stock price adjustment and the denominator of which is the conversion rate as so adjusted. In addition, the number of additional change in control shares will be subject to adjustment in the same manner as the conversion rate as set forth above under Conversion Rate Adjustments.

The following table sets forth the stock price and number of our additional change in control shares to be received per \$1,000 principal amount of notes:

Effective Date	Stock Price									
	\$18.00	\$19.00	\$20.00	\$21.00	\$22.00	\$23.00	\$24.00	\$25.00	\$26.00	\$27.00
November 7, 2006	7.25	5.47	4.03	2.86	1.93	1.20	0.65	0.26	0.03	0.00
November 15, 2007	7.25	5.59	4.10	2.90	1.95	1.21	0.65	0.26	0.03	0.00
November 15, 2008	7.25	5.66	4.12	2.89	1.92	1.17	0.62	0.23	0.02	0.00
November 15, 2009	7.25	5.63	4.03	2.77	1.79	1.05	0.52	0.16	0.00	0.00
November 15, 2010	7.25	5.47	3.77	2.45	1.47	0.77	0.29	0.03	0.00	0.00
November 21, 2011	7.25	5.13	3.35	1.91	0.83	0.16	0.00	0.00	0.00	0.00

The exact stock prices and effective dates may not be set forth in the table, in which case:

- (1) if the stock price is between two stock price amounts in the table or the effective date is between two dates in the table, the additional change in control shares will be determined by straight-line interpolation between the number of additional change in control shares set forth for the higher and lower stock price amounts and the two dates, as applicable, based on a 365-day year;
- (2) if the stock price is equal to or in excess of \$27.00 per share of common stock (subject to adjustment), no additional change in control shares will be issued upon conversion; and
- (3) if the stock price is less than \$18.00 per share of common stock (subject to adjustment), no additional change in control shares will be issued upon conversion.

Notwithstanding the foregoing, in no event will the total number of shares of our common stock issuable upon conversion exceed 55.5556 per \$1,000 principal amount of notes, subject to adjustment in the same manner as the conversion rate as set forth above under Conversion Rate Adjustments.

Our obligation to deliver the additional change in control shares could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

Ownership Limit

Our charter contains provisions which are intended, among other purposes, to help preserve our status as a REIT for federal income tax purposes. If our board of directors determines that the direct or indirect ownership of shares of our capital stock, including the common stock, has or may become concentrated to an extent that would prevent us from qualifying as a REIT, our charter gives us the power to redeem those shares. Similarly, our charter gives us the power to prevent any proposed transfer of our capital stock, including the common stock, which would jeopardize our status as a REIT. Our charter provides that, subject to certain exceptions, no person or entity may beneficially own, or be deemed to own by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% of the number of outstanding shares or value of our outstanding capital stock. Notwithstanding any other provision of the notes, if our board of directors determines in good faith that the conversion by a holder of its notes into common stock would prevent us from qualifying as a REIT or would cause a holder of common stock (together with that holder's affiliates) to exceed the ownership limit contained in the charter, we will elect not to issue shares of common stock to such holder upon conversion but will instead satisfy our obligation to any such holder to pay the conversion value upon conversion, which includes the value of the notes in excess of the principal amount, solely in cash. See Restrictions on Transfer, Acquisition and Redemption of Our Shares.

Calculations in Respect of the Notes

Except as explicitly specified otherwise herein, we will be responsible for making all calculations required under the notes. These calculations include, but are not limited to, determining the conversion price and conversion rate applicable to the notes. We will make all these calculations in good faith and, absent manifest error, our calculations will be final and binding on holders of the notes. We will provide a schedule of our calculations to the trustee, and the trustee is entitled to rely upon the accuracy of our calculations without independent verification. The trustee will forward our calculations to any holder of notes upon request within twenty business days of the effective date of any adjustment.

Merger, Consolidation or Sale

The indenture prohibits us from, in any transaction or series of related transactions, consolidating with, or selling, leasing, assigning, transferring or otherwise conveying all or substantially all of our assets to, or merging with or into, any other person, unless:

- either we will be the continuing corporation, or the successor person, if other than us, formed by, or resulting from, any consolidation or merger or which will have received the transfer of all, or substantially all, of our assets is a corporation organized and existing under the laws of the United States of America, any state thereof or the District of Columbia who expressly assumes, by supplemental indenture executed by the successor corporation and delivered to the trustee, the due and punctual payment of the principal of, and premium, if any, and interest, if any, on and all additional interest, if any, payable in respect of the notes and the due and punctual performance and observance of all of the other covenants and conditions contained in the notes and the indenture to be performed or observed by us and assumes our obligations under the registration rights agreement;
- immediately after giving effect to the transaction, and treating any Debt, including Acquired Debt, which becomes our obligation or an obligation of any of our subsidiaries as a result thereof as having been incurred by us or the subsidiary at the time of the transaction, no event of default under the indenture, and no event of default, and no event which, after notice or the lapse of time or both, would become an event of default, will have occurred and be continuing; and

- an officers certificate and legal opinion concerning the conditions precedent will be delivered to the trustee.

In the event that we are not the continuing corporation, then, for purposes of the second bullet point above, the references to us will be deemed to refer to the successor corporation.

Upon any merger, consolidation, sale, assignment, transfer, lease or conveyance in which we are not the continuing corporation, the successor corporation formed by the consolidation or into which we are merged or to which the sale, assignment, transfer, lease or other conveyance is made will succeed to us, and be substituted for us, and may exercise all of our rights and powers under the relevant indenture with the same effect as if the successor corporation had been named as the Company under the indenture and thereafter, except in the case of a lease, we will be released from our obligations under the indenture and the debt securities.

Events of Default, Notice and Waiver

The following events are events of default with respect to the notes:

- a default for 30 days in the payment of any interest on or any additional interest payable in respect of the notes;
- a default in the payment of any principal of or premium, if any, on the notes, whether on the stated maturity date or any earlier date of redemption or repurchase or otherwise;
- default in the delivery when due of the conversion value, on the terms set forth in the indenture and the notes, upon exercise of a holder's conversion right in accordance with the indenture and the continuation of the default for fifteen days;
- our failure to provide notice of the occurrence of a change in control when required under the indenture and the continuation of the default for ten days;
- our failure to comply with any other term, covenant or agreement in the notes or the indenture upon our receipt of notice of the default from the trustee or from holders of not less than 25% in aggregate principal amount of the notes, and the failure to cure (or obtain a waiver of) the default within 60 days after receipt of the notice;
- a default under any bond, note, debenture or other evidence of indebtedness of us or any of our subsidiaries or under any mortgage, indenture or other instrument under which there may be issued or by which there may be secured or evidenced any indebtedness of us or any of our subsidiaries which results in the acceleration of the indebtedness in an aggregate principal amount exceeding \$20,000,000 or which constitutes a failure to pay at maturity or other scheduled payment date (after expiration of any applicable grace period) the indebtedness in an aggregate principal amount exceeding \$20,000,000, but only if the indebtedness is not discharged or the acceleration is not rescinded or annulled within ten days after notice to us by the trustee or to us and the trustee by the holders of at least 25% in aggregate principal amount of the outstanding debt securities of the series; and
- certain events of bankruptcy, insolvency or reorganization with respect to us or of any significant subsidiary.

The term significant subsidiary as used above means any subsidiary of ours which is a significant subsidiary (as defined in Regulation S-X promulgated under the Securities Act as in effect on the date of this prospectus).

If an event of default occurs and is continuing, then in every case the trustee or the holders of not less than 25% in principal amount of the outstanding notes may declare the principal of all of the notes due and payable immediately by written notice thereof to us, and to the trustee if given by the holders.

However, at any time after a declaration of acceleration with respect to the notes has been made and before a judgment or decree for payment of the money due has been obtained by the trustee, the holders of not less than a majority in principal amount of the notes may rescind, by written notice to us, and annul the declaration and its consequences if:

- we have paid, or deposited with, the trustee a sum sufficient to pay the principal of, interest, and additional interest, if any, on the notes, other than interest which have become due and payable as a result of the acceleration, plus certain fees, expenses, disbursements and advances of the trustee; and
- all events of default with respect to notes, other than the nonpayment of the principal of, or premium, if any, or interest, on the debt securities of the series which have become due solely by the declaration of acceleration, have been cured or waived as provided in the indenture.

The indenture also provides that the holders of not less than a majority in principal amount of the notes may on behalf of the holders of all notes waive any past default with respect to the notes and its consequences, except a default:

- in the payment of the principal of, or premium, if any, or interest or additional interest, if any, on any note; or
- in respect of a covenant or provision contained in the indenture that cannot be modified or amended without the consent of the holder of each outstanding note affected by the modification or amendment.

The indenture requires the trustee to give notice to the holders of the notes within 90 days of a default under the indenture known to the trustee, unless that default has been cured or waived; provided, however, that the trustee may withhold notice to the holders of the notes of any default with respect to the notes, except a default in the payment of the principal of, or premium, if any, or interest, if any, on any note, if a responsible officer of the trustee determines that doing so is in the interest of the holders.

The indenture prohibits any holder of notes from instituting any proceeding, judicial or otherwise, with respect to the indenture or for any remedy thereunder, except in the case of the failure of the trustee, for 60 days, to act after it has received notice of a continuing event of default and a written request t