

INLAND WESTERN RETAIL REAL ESTATE TRUST INC
Form DEF 14A
August 08, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

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

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
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Inland Western Retail Real Estate Trust, Inc.
(Name of Registrant as Specified In Its Charter)

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

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INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
2901 BUTTERFIELD ROAD
OAK BROOK, ILLINOIS 60523
TELEPHONE: (630) 218-8000

August 10, 2006

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Dear Stockholder:

On behalf of the Board of Directors, I cordially invite you to attend the 2006 Annual Meeting of Stockholders of Inland Western Retail Real Estate Trust, Inc. The meeting will be held on Tuesday, October 10, 2006 at 9:00 a.m., Central Daylight Savings Time, at our principal executive offices located at 2901 Butterfield Road, Oak Brook, Illinois 60523. I hope you will attend.

The accompanying Notice of Annual Meeting of Stockholders and Proxy Statement contain a description of the formal business to be acted upon by the stockholders. At this year's meeting, you will be entitled to vote on the election of seven directors, the amendment and restatement of our charter and the ratification of KPMG LLP's appointment as our independent registered public accounting firm for 2006. I encourage you to read the materials carefully. Our directors and officers, as well as representatives of KPMG LLP, will be available at the meeting to answer any questions you may have.

It is important that your shares be represented at the meeting regardless of the size of your holdings. ACCORDINGLY, WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING IN PERSON, I URGE YOU TO SUBMIT YOUR PROXY AS SOON AS POSSIBLE. You may do this by completing, signing and dating the enclosed proxy card and returning it promptly in the envelope provided. You may also authorize a proxy via the Internet or via touch-tone telephone. Please follow the directions that we provide in the Proxy Statement. Submitting your proxy or authorizing a proxy via the Internet or via touch-tone telephone will ensure that your shares will be represented at the meeting and voted in accordance with your wishes. If you attend the meeting, you may, if you wish, withdraw any proxy previously given and vote your shares in person.

Thank you for your continued support of and interest in our REIT. I and everyone at Inland Western Retail Real Estate Trust, Inc. wish you good health, happiness and prosperity.

Sincerely,

/s/ Robert D. Parks
Robert D. Parks
Chairman

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

DATE: October 10, 2006

TIME: 9:00 a.m.

PLACE: 2901 Butterfield Road

Oak Brook, Illinois 60523

To Our Stockholders:

The purposes of the annual meeting are:

To elect seven directors to hold office until our next annual meeting of stockholders and until their successors are elected and qualify;

To consider the amendment and restatement of our charter;

To consider the ratification of the appointment of KPMG LLP as our independent registered public accounting firm for the 2006 fiscal year; and

To transact any other business as may properly come before the meeting or any adjournments or postponements of the meeting.

The Board of Directors has fixed the close of business on July 31, 2006 as the record date for determining stockholders of record entitled to notice of and to vote at the meeting.

A Proxy Statement and proxy card accompany this notice. We have previously provided you with a copy of our Annual Report on Form 10-K, as amended, for the year ended December 31, 2005.

We hope to have the maximum number of stockholders present in person or by proxy at the meeting. To assure your representation at the meeting, please submit your proxy by completing, signing, dating and mailing the enclosed proxy card. You may also authorize a proxy to vote your shares electronically via the internet or by touch tone telephone by following the procedures described in the attached Proxy Statement. **YOUR COOPERATION IN PROMPTLY SUBMITTING YOUR PROXY WILL BE VERY MUCH APPRECIATED.** For specific instructions, please refer to the instructions on the proxy card.

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You may use the enclosed envelope which requires no further postage if mailed in the United States to return your proxy. If you attend the meeting, you may revoke your proxy and vote in person, if you desire.

By order of the Board of Directors,

/s/ Gary E. Pechter
Gary E. Pechter
Secretary

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.
2901 BUTTERFIELD ROAD
OAK BROOK, ILLINOIS 60523

PROXY STATEMENT
FOR ANNUAL MEETING OF STOCKHOLDERS
TO BE HELD OCTOBER 10, 2006

INTRODUCTION

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Our Board of Directors (which is sometimes referred to as the Board) is furnishing you this Proxy Statement to solicit proxies on its behalf to be voted at our 2006 Annual Meeting of Stockholders to be held on Tuesday, October 10, 2006, and at any and all adjournments or postponements thereof, for the purposes set forth in the accompanying Notice of Annual Meeting of Stockholders. We encourage your participation in the voting at the meeting and solicit your support on each proposal to be presented. This Proxy Statement and the accompanying proxy card are first being mailed to stockholders on or about August 10, 2006.

Unless the context otherwise requires, all references to our, we and us in this Proxy Statement relate to Inland Western Retail Real Estate Trust, Inc. (IWRRETI or the Company) and those entities owned or controlled directly or indirectly by IWRRETI. The mailing address of our principal executive offices is 2901 Butterfield Road, Oak Brook, Illinois 60523.

RECORD DATE AND OUTSTANDING SHARES The close of business on July 31, 2006 is the record date fixed by our Board of Directors for determining the holders of record of Common Stock, \$.001 par value per share, of the Company entitled to notice of and to vote at the Annual Meeting. Each of the outstanding shares of Common Stock, as of the record date, is entitled to one vote on all matters to be voted upon at the meeting. On the record date, there were 442,506,916.0640 shares of Common Stock issued and outstanding, our only outstanding voting securities.

VOTING OF PROXIES - Votes cast by proxy or in person at the meeting will be tabulated by an inspector of election appointed for the meeting. Each executed and returned proxy will be voted in accordance with the directions indicated on it. Each stockholder giving a proxy has the power to revoke it at any time before the shares it represents are voted by giving written notice of the revocation to our Secretary, by delivering a later dated, properly executed proxy (which automatically revokes the earlier proxy), or by voting in person at the meeting.

AUTHORIZING PROXIES ELECTRONICALLY VIA THE INTERNET Stockholders may authorize a proxy to vote their shares via the Internet at the www.proxyvoting.com/INWEST Web site until 11:59 p.m., Eastern Daylight Savings Time, October 9, 2006. The Internet proxy authorization procedures are designed to authenticate the stockholder's identity and to allow stockholders to authorize a proxy to vote their shares and confirm that their instructions have been properly recorded.

Please refer to the proxy card enclosed for voting instructions. If you choose not to authorize a proxy over the Internet or via touch-tone telephone, please complete and return the paper proxy card in the pre-addressed, postage-paid envelope provided with this Proxy Statement.

VOTING VIA TOUCH-TONE TELEPHONE Stockholders may authorize a proxy to vote their shares via touch-tone telephone by dialing 1-800-868-5614 until 11:59 p.m., Eastern Daylight Savings Time, October 9, 2006. The touch-tone telephone proxy authorization procedures are designed to authenticate the stockholder's identity and to allow stockholders to authorize a proxy to vote their shares and confirm that their instructions have been properly recorded.

Please refer to the proxy card enclosed for voting instructions. If you choose not to authorize a proxy by touch-tone telephone or over the Internet, please complete and return the paper proxy card in the pre-addressed, postage-paid envelope provided with this Proxy Statement.

QUORUM; ABSTENTIONS AND BROKER NON-VOTES Presence in person or by proxy at the meeting of holders of a majority of our issued and outstanding shares constitutes a quorum. Abstentions and broker non-votes will count toward the presence of a quorum. A broker non-vote occurs when a nominee (such as a custodian or bank) holding shares for a beneficial owner returns a signed proxy but does not vote on a particular proposal because the nominee does not have discretionary voting power with respect to that item and has not received instructions from the beneficial owner.

ELECTION OF DIRECTORS

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ITEM NO. 1: TO ELECT SEVEN INDIVIDUALS TO SERVE AS DIRECTORS TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF STOCKHOLDERS AND UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFY.

The election of members of the Board is conducted on an annual basis. Each individual elected to the Board serves until the next annual meeting of stockholders and until his or her successor is elected and qualifies. Accordingly, the term of office of each of our current directors will expire at the 2006 Annual Meeting of Stockholders and upon the election and qualification of his or her successor. At that meeting each current director will be nominated to stand for reelection as a director to hold office until our Annual Meeting of Stockholders to be held in 2007 and until his or her successor is elected and qualifies. We have no reason to believe that any of the nominees will be unable or unwilling to serve if elected. However, should any nominee be unable or unwilling to accept the office of director, and if the Board shall designate a substitute nominee, the persons named as proxies will vote for the election of the substitute nominee designated by the Board, and if none, for such other persons as they shall determine. Five of our current directors have been directors since our inception on March 5, 2003 and two of our current directors have been directors since July 1, 2003. Information regarding the business experience of each nominee is provided below based upon information furnished to us by the individuals named.

NOMINEES FOR ELECTION AS DIRECTORS - The following sets forth information with regard to the nominees for election to our Board as Directors, with ages set forth as of January 1, 2006.

**NAME, POSITIONS WITH
IWRRETI AND AGE**

BUSINESS EXPERIENCE

FRANK A. CATALANO, JR.
Director since 2003

Age 44

Mr. Catalano has been one of our directors since our inception on March 5, 2003. He has served as president of Catalano & Associates since 1999. Catalano & Associates is a real estate company that includes brokerage, property management and rehabilitation and leasing of office buildings. Mr. Catalano's experience also includes mortgage banking. Since 2002, he has been a vice president of First Home Mortgage Company. Prior to that, Mr. Catalano was a regional manager at Flagstar Bank. He also was president and chief executive officer of CCS Mortgage, Inc. from 1995 through 2000, when Flagstar Bank acquired it.

Mr. Catalano is a member of the Elmhurst, IL Chamber of Commerce and was past chairman of the board, he is also a member of the Elmhurst Jaycees, Elmhurst Hospital Board of Governors, Elmhurst Kiwanis and is currently the President of Elmhurst Historical Museum Commission. Mr. Catalano holds a mortgage broker's license.

KENNETH H. BEARD
Director since 2003

Age 66

Mr. Beard has been one of our directors since our inception on March 5, 2003. He is president and chief executive officer of Midwest Mechanical Group, a mechanical construction and services company. From 1999-2002 he was president and chief executive officer of Exelon Services, a subsidiary of Exelon Corporation, where he had responsibility for financial performance including being accountable for creating business strategy, growing the business through acquisition, integrating acquired companies and developing infrastructure for the combined acquired businesses. Prior to that position, from 1974 to 1999, Mr. Beard was the founder, president and chief executive officer of Midwest Mechanical, Inc., a heating, ventilation and air conditioning company providing innovative and cost effective construction

**NAME, POSITIONS WITH
TITLES AND AGE**

BUSINESS EXPERIENCE

services and solutions for commercial, industrial, and institutional facilities. From 1964 to 1974, Mr. Beard was employed by The Trane Company, a manufacturer of heating, ventilating and air conditioning equipment having positions in sales, sales management and general management.

Mr. Beard holds an MBA and BSCE from the University of Kentucky and is a licensed mechanical engineer. He is Chairman of the Foundation Board of the Wellness House in Hinsdale, Illinois, a cancer support organization, and serves on the Dean's Advisory Council of the University of Kentucky, School of Engineering. Mr. Beard is a past member of the Oak Brook, Illinois Plan Commission (1981-1991) and a past board member of Harris Bank, Hinsdale (1985-2004).

PAUL R. GAUVREAU
Director since 2003

Age 66

Mr. Gauvreau has been one of our directors since our inception on March 5, 2003. He is the retired chief financial officer, financial vice president and treasurer of Pittway Corporation, a New York Stock exchange listed manufacturer and distributor of professional burglar and fire alarm systems and equipment from 1966 until its sale to Honeywell, Inc. in 2001. He was president of Pittway's non-operating real estate and leasing subsidiaries through 2001. He was a financial consultant to Honeywell, Inc.; Genesis Cable, L.L.C.; and ADUSA, Inc. He was a director and audit committee member of Cylink Corporation, a Nasdaq Stock Market listed manufacturer of voice and data security products, from 1998 until its merger with Safenet, Inc. in February 2003.

Mr. Gauvreau holds an MBA from the University of Chicago and a BSC from Loyola University of Chicago. He is on the Board of Trustees and Chairman of the Finance Committee of Benedictine University, Lisle, Illinois; and a member of the board of directors and vice president of the Children's Brittle Bone Foundation, Pleasant Prairie, Wisconsin.

GERALD M. GORSKI
Director since 2003

Age 63

Mr. Gorski has been one of our directors since July 1, 2003. He is a partner in the law firm of Gorski and Good, Wheaton, Illinois. Mr. Gorski's practice is limited to governmental law. His firm represents numerous units of local government in Illinois and Mr. Gorski has served as a Special Assistant State's Attorney and Special Assistant Attorney General in Illinois. He received a Bachelor of Arts degree from North Central College with majors in Political Science and Economics and a Juris Doctor degree from DePaul University Law School where he was placed on the Dean's Honor List. Mr. Gorski serves as the Vice-Chairman of the Board of Commissioners for the DuPage Airport Authority. He also serves as the Chairman of the DuPage National Technology Park Board of Directors. He has written numerous articles on various legal issues facing Illinois municipalities; has been a speaker at a number of municipal law conferences and is a member of the Illinois Bar Association, the Institute for Local Government Law and the International Municipal Lawyers Association.

**NAME, POSITIONS WITH
INWRRETI AND AGE**

BUSINESS EXPERIENCE

BARBARA A. MURPHY
Director since 2003

Age 68

Ms. Murphy has been one of our directors since July 1, 2003. She is the Chairwoman of the DuPage Republican Party. Ms. Murphy is also a member of the Illinois Motor Vehicle Review Board and a member of the Matrimonial Fee Arbitration Board. Ms. Murphy is a Milton Township Trustee and a committeeman for Milton Township Republican Central Committee. Ms. Murphy previously served as State Central Committeewoman for the Sixth Congressional District and has also served on the DuPage Civic Center Authority Board, the DuPage County Domestic Violence Task Force, and the Illinois Toll Highway Advisory Committee. Ms. Murphy is a founding member of the Family Shelter Service Board. As an active volunteer for Central DuPage Hospital, she acted as the surgery hostess (cared for families while a family member was undergoing surgery). Ms. Murphy was a department manager and buyer for J.W. Robinson s and Bloomingdale s and the co-owner of Daffy Down Dilly Gift Shop.

ROBERT D. PARKS
Chairman and Director
since our formation in 2003

Age 62

Mr. Parks has been our Chairman and a director since our inception on March 5, 2003, and was our chief executive officer from our inception until June 7, 2005. He is a director of The Inland Group Inc. (Inland) and one of its four original principals; chairman of our Sponsor, a director of our Managing Dealer and a director of Inland Investment Advisors, Inc. Mr. Parks is chairman, chief executive officer and an affiliated director of Inland American Real Estate Trust, Inc. and president, chief executive officer and a director of Inland Real Estate Corporation. He is an affiliated director of Inland Real Estate Exchange Corporation.

Mr. Parks is responsible for the ongoing administration of existing investment programs, corporate budgeting and administration for our Sponsor. He oversees and coordinates the marketing of all investments and investor relations.

Prior to joining Inland, Mr. Parks taught in Chicago s public schools. He received his B.A. Degree from Northeastern Illinois University and his M.A. Degree from the University of Chicago. He is a registered Direct Participation Program Limited Principal with the National Association of Securities Dealers. He is a member of the Real Estate Investment Association, the Financial Planning Association, the Foundation for Financial Planning, as well as a member of the National Association of Real Estate Investment Trusts (NAREIT).

BRENDA G. GUJRAL
Chief Executive Officer since 2005
and Director since our formation in
2003

Age 63

Mrs. Gujral has been a director since our inception on March 5, 2003, and became our chief executive officer effective June 7, 2005. She is president, chief operating officer and a director of our Sponsor and president, chief operating officer and a director of our Managing Dealer-a member firm of the National Association of Securities Dealers. Mrs. Gujral is also a director of Inland Investment Advisors, Inc., a director of Inland Retail Real Estate Trust, Inc., Chairman of the Board of Inland Real Estate Exchange Corporation, and a director and president of Inland American Real Estate Trust, Inc.

**NAME, POSITIONS WITH
TITLES AND AGE**

BUSINESS EXPERIENCE

Mrs. Gujral has overall responsibility for the operations of our Sponsor, including the distribution of checks to over 50,000 investors, the review of periodic communications to those investors, the filing of quarterly and annual reports for Inland's publicly registered investment programs with the Securities and Exchange Commission, compliance with other Securities and Exchange Commission and National Association of Securities Dealers securities regulations for both our Sponsor and our Managing Dealer, review of asset management activities and marketing and communications with the independent broker-dealer firms selling Inland's current and prior programs. She works with internal and outside legal counsel in structuring our Sponsor's investment programs and in connection with the preparation of its offering documents and registering the related securities with the Securities and Exchange Commission and state securities commissions.

Mrs. Gujral has been with the Inland organization for 22 years, becoming an officer in 1982. Prior to joining the Inland organization, she worked for the Land Use Planning Commission establishing an office in Portland, Oregon to implement land use legislation for that state. She is a graduate of California State University. She holds Series 7, 22, 39 and 63 licenses from the National Association of Securities Dealers. Mrs. Gujral is a member of The National Association of Real Estate Investment Trusts, the Financial Planning Association, the Foundation for Financial Planning and the National Association for Female Executives.

THE BOARD'S RECOMMENDATION

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE

FOR

**FRANK A. CATALANO, JR.,
KENNETH H. BEARD,
PAUL R. GAUVREAU,
GERALD M. GORSKI,
BARBARA A. MURPHY,
ROBERT D. PARKS, AND
BRENDA G. GUJRAL**

ITS NOMINEES FOR ELECTION AS DIRECTORS

TO SERVE UNTIL THE NEXT ANNUAL MEETING OF STOCKHOLDERS

AND UNTIL THEIR SUCCESSORS ARE ELECTED AND QUALIFY.

VOTE REQUIRED

The vote of a majority of the outstanding shares of stock of the Company entitled to vote at a meeting at which a quorum is present is necessary for the election of a director. There are no cumulative voting rights in the election of directors. For purposes of the election of directors, abstentions will not be counted as votes cast and will have the effect of a vote against the proposal although, as mentioned, they will count toward the presence of a quorum.

BOARD MEETINGS IN 2005 Our Board met 22 times during 2005. Each director attended more than 75% of the total number of meetings of the Board and the Committee on which he served. We do not have a policy with regard to Board members' attendance at annual stockholder meetings. However, each director attended the 2005 Annual Meeting.

COMMITTEES OF THE BOARD OF DIRECTORS Our bylaws provide that our Board may establish such committees as the Board believes appropriate. The Board will appoint the members of the committee in the Board's discretion. Our bylaws require that a majority of the members of each committee of our Board is to be comprised of independent directors.

Our Board has established an Audit Committee that was, until July 19, 2006, comprised of Messrs. Catalano, Beard and Gauvreau. Mr. Gauvreau serves as the chair of the Audit Committee and qualifies as our financial expert under the rules of the Securities and Exchange Commission. Although the Company is not listed on the New York Stock Exchange, each of these three directors would satisfy the definition of independent under the New York Stock Exchange's listing standards and under the Sarbanes-Oxley Act. The Board has adopted a written charter for the Audit Committee which was included as an exhibit to our proxy statement for the 2004 Annual Meeting. As of July 19, 2006, Mr. Catalano resigned from the Audit Committee.

The Audit Committee is responsible for the engagement of our independent registered public accounting firm, reviewing the plans and results of the audit engagement with our independent registered public accounting firm, approving services performed by and the independence of our independent registered public accounting firm, considering the range of audit and non-audit fees, and consulting with our independent registered public accounting firm regarding the adequacy of our internal accounting controls. This committee met ten times during 2005.

Our Board may establish an executive committee consisting of three directors. The executive committee would likely exercise all powers of the Board in the management of the business and affairs of our company, except for those which require actions by all of the directors under our charter or bylaws or under applicable law.

Our Board may establish a management disclosure committee to assist in reviewing our disclosures, controls and procedures. The committee may include our directors and directors and officers of our Business Manager/Advisor.

Our Board may establish an executive compensation committee consisting of three directors, to establish compensation policies and programs for our executive officers. If established, the executive compensation committee would exercise all powers of our Board in connection with establishing and implementing compensation matters, including incentive compensation and benefit plans.

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Our Board may establish such other committees as it deems necessary and appropriate. Although we do not have a standing nominating committee or compensation committee of the Board of Directors, the Board of Directors itself serves in those capacities.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

There is no compensation committee. The Board of Directors has been responsible for all compensation decisions. As we have no employees, there are no compensation decisions to be made by the Board of Directors.

NOMINATING COMMITTEE

Our Board of Directors does not currently have a nominating committee. Rather, each member of our Board of Directors participates in the process of identifying and considering individuals for Board membership. Our Board of Directors believes its current process is effective since the current members of the Board of Directors are seasoned executives from a variety of backgrounds. If the Company were a listed company, each member of our Board of Directors would satisfy the independence requirements under the New York Stock Exchange's listing standards and the Sarbanes-Oxley Act, other than Mr. Parks and Mrs. Gujral. The Board of Directors will consider for recommendation to the Board nominations made by stockholders that comply with the procedures described below under the caption "Advance Notice Procedures for Making Director Nominations and Stockholder Proposals."

Once one of our members of our Board of Directors has identified a possible nominee (whether through a recommendation from a stockholder or otherwise), the Board of Directors make an initial determination as to whether to conduct a full evaluation of the candidate. This initial determination is based on the information provided to the Board of Directors when the candidate is recommended, the Board's own knowledge of the prospective candidate and information, if any, obtained by the Board's inquiries. The preliminary determination is based primarily on the need for additional Board members to fill vacancies, expand the size of the Board of Directors or obtain representation in market areas without Board representation and the likelihood that the candidate can satisfy the evaluation factors described below. If the members of the Board of Directors determine that additional consideration is warranted, the Board may gather additional information about the candidate's background and experience. The members of the Board of Directors then evaluate the prospective nominee against the following standards and qualifications:

Achievement, experience and independence;

Wisdom, integrity and judgment;

Understanding of the business environment; and

Willingness to devote adequate time to Board duties.

The members of the Board of Directors also consider such other relevant factors as they deem appropriate, including the current composition of the Board, the need for audit committee or other expertise and the evaluations of other candidates. In connection with this evaluation, the members of the Board of Directors determine whether to interview the candidate. If the members of the Board of Directors decide that an interview is warranted, one or more of those members, and others as appropriate, interview the candidate in person or by telephone. After completing this evaluation and interview, the full Board of Directors would nominate such candidates for election.

AUDIT COMMITTEE REPORT

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The Audit Committee of the Board is responsible for providing independent, objective oversight of the Company's accounting functions and internal controls. The Audit Committee is composed of three directors. Although the Company is not listed on the New York Stock Exchange, each of these three directors would satisfy the definition of "independent" under the New York Stock Exchange's listing standards and under the Sarbanes-Oxley Act. As of July 19, 2006, Mr. Catalano resigned from the Audit Committee. The Audit Committee operates under a written charter approved by the Board of Directors. A copy of the charter was attached as an exhibit to our proxy statement for our 2004 Annual Meeting.

Management is responsible for the Company's internal controls and financial reporting process. The independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements and an audit of the effectiveness of the Company's internal control over financial reporting as of December 31, 2005, in accordance with the standards of the Public Company Accounting Oversight Board (United States) and to issue reports thereon. The Audit Committee's responsibility is to monitor and oversee these processes.

In connection with these responsibilities, the Audit Committee met with management and the independent registered public accounting firm to review and discuss the December 31, 2005 financial statements and management's assessment of the effectiveness of internal control over financial reporting. The Audit Committee also discussed with the independent registered public accounting firm the matters required by Statement on Auditing Standards No. 61 (Communication with Audit Committees). The Audit Committee also received written disclosures and the letters from the independent registered public accounting firm required by Independence Standards Board Standard No. 1 (Independent Discussions with Audit Committees), and the Audit Committee discussed with the independent registered public accounting firm that firm's independence.

Based upon the Audit Committee's discussions with management and the independent registered public accounting firm, and the Audit Committee's review of the representations of management and the independent registered public accounting firm, the Audit Committee recommended that the Board of Directors include the audited consolidated financial statements in the Company's Annual Report on Form 10-K, as amended, for the year ended December 31, 2005, filed with the Securities and Exchange Commission.

The Audit Committee of the Board of Directors of Inland Western Retail Real Estate Trust, Inc.:

Frank A. Catalano, Jr.*

Kenneth H. Beard

Paul R. Gauvreau

* As of July 19, 2006, Mr. Catalano resigned from the Audit Committee.

STOCKHOLDER COMMUNICATIONS

We have not adopted a formal process for stockholder communications with the Board of Directors. Nevertheless, every effort has been made to ensure that the views of stockholders are heard by the Board of Directors or individual directors, as applicable, and that appropriate responses are provided to stockholders in a timely manner. Stockholders are free to contact any director or executive officer directly by writing in care of IWRRETI, or by writing to Ms. Roberta S. Matlin, Vice President of the Company, at 2901 Butterfield Road, Oak Brook, IL 60523, or by sending an email to Ms. Matlin at matlin@inlandgroup.com. Stockholders can contact the Audit Committee directly by sending a letter to Mr. Paul Gauvreau, in care of the Company at 2901 Butterfield Road, Oak Brook, IL 60523.

We believe our responsiveness to stockholder communications to the Board of Directors has been excellent. Nevertheless, during the upcoming year the Board of Directors will give full consideration to the adoption of a formal process for stockholder communications with the Board of Directors and, if adopted, publish it promptly and post it to our website.

COMPLIANCE AND GOVERNANCE

On October 12, 2004, our Board of Directors unanimously adopted a Code of Business Conduct and Ethics, Nonretaliation Policy, and Complaint Procedures for Accounting and Auditing Matters.

OUR EXECUTIVE OFFICERS

OUR AFFILIATION WITH THE INLAND GROUP OF COMPANIES

The Inland Real Estate Group of Companies, Inc., or Inland, together with its subsidiaries and its and their affiliates (collectively, the Inland Affiliated Companies), is a fully integrated real estate company providing property management, leasing, marketing, acquisition, disposition, development, redevelopment, syndication, renovation, construction, finance and other related services. We operate under the direction of our Board of Directors. Our Board of Directors is responsible for our business and management, and sets our policies and strategies. IREIC, a subsidiary of Inland and one of the Inland Affiliated Companies, is our Sponsor and organizer. Our Business Manager/Advisor is a wholly-owned subsidiary of IREIC and is responsible for the day-to-day management of our affairs and the implementation of the policies of our Board of Directors. Inland Securities Corporation, another of the Inland Affiliated Companies, was the Managing Dealer of our initial and subsequent public offering. Inland Securities was formed in 1984 and is qualified to do business as a securities broker-dealer throughout the United States and is registered in Puerto Rico, Guam, and as of 2005 as a foreign broker-dealer in Ontario. Since its formation, Inland Securities has provided the marketing function for distribution of the investment products sponsored by IREIC. Inland Securities does not render such services to anyone other than the Inland Affiliated Companies. Inland US Management LLC, Inland Southwest Management LLC and Inland Pacific Property Services LLC (the Property Managers), which are owned principally by individuals who are affiliates of Inland, are responsible for collecting rent, leasing and maintaining the individual properties we own. Inland Real Estate Acquisitions, Inc., one of the Inland Affiliated Companies, has extensive experience in acquiring real estate for investment and is responsible for acquiring properties. Inland Risk and Insurance Management Services, Inc., another of the Inland Affiliated Companies, is responsible for providing insurance coverage on our properties. Inland Mortgage Corporation, Inland Mortgage Servicing Corporation and Inland Mortgage Investment Corporation, each Inland Affiliated Companies, are responsible for the placing, negotiating and servicing of our mortgages. Our senior management includes executives of the mentioned Inland Affiliated Companies. In addition, we have agreements with our Business Manager/Advisor and the Property Managers to pay certain compensation to them and other Inland Affiliated Companies for services provided to us. See Certain Relationships and Related Transactions below.

BIOGRAPHIES OF OUR EXECUTIVE OFFICERS

Our executive officers are appointed by, and serve at the discretion of, the Board. They will continue to serve in their respective offices until they resign or their successors are elected and qualify. There is no family relationship between any of our executive officers and any of our directors. None of our executive officers has a written employment or severance agreement with us. The following sets forth information regarding our executive officers, with ages set forth as of January 1, 2006:

NAME, POSITIONS WITH IWRRETI AND AGE

BUSINESS EXPERIENCE

ROBERT D. PARKS
Chairman and an Affiliated
Director since our
formation in 2003

The biography of Mr. Parks is included above under Election of Directors Nominees for Election as Directors.

Age 62

ROBERTA S. MATLIN
Vice President
Administration
since our formation in 2003

Ms. Matlin has been our vice president of administration since our formation in 2003. Ms. Matlin joined our Sponsor in 1984 as director of investor administration and currently serves as senior vice president of our Sponsor, directing its day-to-day internal operations. Ms. Matlin is a director of our Sponsor, a director and president of Inland Investment Advisors, Inc. and Intervest Southern Real Estate Corporation, and a director and vice president of our Managing Dealer. She is the president

Age 61

**NAME, POSITIONS WITH
IWRRETI AND AGE**

BUSINESS EXPERIENCE

of Inland American Advisory Services, Inc. Since 2004 she has been vice president of administration of Inland American Real Estate Trust, Inc. She was vice president of administration of Inland Real Estate Corporation from 1995 until 2000 and of Inland Retail Real Estate Trust, Inc. from 1998 until 2004. From June 2001 until April 2004 she was a trustee and executive vice president of Inland Mutual Fund Trust. Prior to joining Inland, she worked for the Chicago Region of the Social Security Administration of the United States Department of Health and Human Services. Ms. Matlin is a graduate of the University of Illinois. She holds Series 7, 22, 24, 39, 63 and 65 licenses from the National Association of Securities Dealers, Inc.

GARY E. PECHTER
Secretary since 2005

Mr. Pechter was elected as our secretary effective November 8, 2005. He joined Inland in February 1985. Mr. Pechter is currently senior vice president of Inland and assistant general counsel with The Inland Real Estate Group law department. He is involved in all aspects of Inland's business, including real estate acquisitions and financings, sales, securities laws, corporate governance matters, leasing and tenant matters, litigation management and supervisory responsibilities of paralegals and other attorneys in The Inland Real Estate Group's law department. He received his B.S. Degree in psychology from the University of Illinois at Champaign in 1972 and a J.D. from the John Marshall Law School in 1977. Prior to joining Inland, Mr. Pechter worked for MAT Associates, a hotel developer, and Pioneer National Title Insurance Company. He is also a licensed real estate broker.

Age 54

STEVEN P. GRIMES
Treasurer and principal
financial officer since 2004

Mr. Grimes joined our Business Manager/Advisor as its principal financial officer and became our treasurer and principal financial officer in 2004. He is responsible for our finances, borrowings, SEC compliance and Sarbanes-Oxley initiatives. Prior to joining our Business Manager/Advisor, Mr. Grimes was a director with Cohen Financial and was a senior manager with Deloitte. Mr. Grimes received his B.S. Degree in accounting from Indiana University and is a Certified Public Accountant. Mr. Grimes is a member of NAREAM, ICSC, the AICPA and the Illinois CPA Society.

Age 39

Lori J. Foust resigned as our principal accounting officer, effective as of March 14, 2006, to pursue other opportunities within the Inland organization. The duties of the principal accounting officer were assumed by Steven P. Grimes, our current treasurer and principal financial officer.

COMPENSATION PAID TO OUR DIRECTORS AND OFFICERS

DIRECTOR COMPENSATION

BASE COMPENSATION. We pay each of our directors who are not employees of an Inland affiliate (the Nonaffiliated Directors) an annual fee of \$15,000. In addition, each of those director receives \$500 for attending in person, or \$350 for attending by telephone, each meeting of our Board. When the Nonaffiliated Directors meet, whether in person or by telephone, they receive \$1,000 for attending such a meeting. Members of the Audit Committee and each received \$750 for attending an audit committee meeting in person or \$500 for attending by telephone. In 2005, Mr. Catalano was paid a fee of \$31,000, Mr. Gauvreau was paid a fee of \$31,000, Mr. Beard was paid a fee of \$31,000, Mr. Gorski was paid a fee of \$24,000 and Ms. Murphy was paid a fee of \$24,000 for their

services as directors. Mr. Parks and Mrs. Gujral do not receive any fees or other remuneration for serving as our directors.

INDEPENDENT DIRECTOR STOCK OPTION PLAN. Only those directors who are not employees of Inland or its affiliates are eligible to participate in this plan. We have an Independent Director Stock Option Plan under which non-employee directors, as defined under Rule 16b-3 of the Securities Exchange Act of 1934, are eligible to participate.

We have authorized and reserved a total of 75,000 shares of our common stock for issuance under our Independent Director Stock Option Plan. The number and type of shares which could be issued under the plan may be adjusted if we are the surviving entity after a reorganization or merger or if our stock splits, is consolidated or we are recapitalized. If this occurs, the exercise price of the options will be correspondingly adjusted.

The Independent Director Stock Option Plan provides for the grant of non-qualified stock options to purchase 3,000 shares to each Independent Director upon his or her appointment if they meet the conditions in the plan. The plan also provides for subsequent grants of options to purchase 500 shares on the date of each annual stockholder's meeting, commencing with the annual meeting in 2005, to each Independent Director then in office. However, options may not be granted at any time when the grant, along with the grants to be made at the same time to other independent directors, would exceed 10% of our issued and outstanding shares. As of December 31, 2005, we had granted options to purchase a total of 20,000 shares at \$8.95 per share to our five Independent Directors, none of which had been exercised. We have not granted any options to Mr. Parks or Mrs. Gujral. The option price for subsequent options will be equal to the fair market value of a share on the last business day preceding the annual meeting of stockholders. The option price was fixed at \$8.95 per share until the termination of our initial public offering of common stock which occurred in March 2005. Currently, the option price is \$8.95 per share under the Independent Director Stock Option Plan.

One-third of the options granted following an individual initially becoming a director are exercisable beginning on the date of their grant, one-third will first become exercisable on the first anniversary of the date of their grant, and the remaining one-third will first become exercisable on the second anniversary of the date of their grant. All other options granted under the Independent Director Stock Option Plan will become fully exercisable on the second anniversary of their date of grant.

Options granted under the Independent Director Stock Option Plan are exercisable until the first to occur of

the tenth anniversary of the date of grant,

the removal for cause of the director as an director, or

three months following the date the director ceases to be an director for any other reason except death or disability.

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The options may be exercised by payment of cash or through the delivery of common stock. They are generally exercisable in the case of death or disability for a period of one year after death or the disabling event, provided that the death or disabling event occurs while the person is a director. However, if the option is exercised within the first six months after it becomes exercisable, any shares issued pursuant to such exercise may not be sold until the six month anniversary of the date of the grant of the option. Notwithstanding any other provisions of the Independent Director Stock Option Plan to the contrary, no option issued pursuant thereto may be exercised if such exercise would jeopardize our status as a REIT under the Internal Revenue Code.

No option may be sold, pledged, assigned or transferred by a director in any manner otherwise than by will or by the laws of descent or distribution.

Upon our dissolution, liquidation, reorganization, merger or consolidation as a result of which we are not the surviving corporation, or upon sale of all or substantially all of our property, the Independent Director Stock

Option Plan will terminate, and any outstanding unexercised options will terminate and be forfeited. However, holders of options may exercise any options that are otherwise exercisable immediately prior to the dissolution, liquidation, consolidation or merger. Additionally, our Board may provide for any or all of the following alternatives:

for the assumption by the successor corporation of the options previously granted or the substitution by the corporation for the options covering the stock of the successor corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and exercise prices;

for the continuance of the Independent Director Stock Option Plan by such successor corporation in which event the Independent Director Stock Option Plan and the options will continue in the manner and under the terms so provided; or

for the payment in cash or common stock in lieu of and in complete satisfaction of the options.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth the following information as of December 31, 2005: (i) the number of shares of our common stock to be issued upon the exercise of outstanding options, warrants and rights, (ii) the weighted-average exercise price of such options, warrants and rights and (iii) the number of shares of our common stock remaining available for future issuance under our equity compensation plans, other than the outstanding options, warrants and rights described above.

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (excluding securities reflected in column (a))
Equity Compensation Plans Approved by Security Holders			
Equity Compensation Plans Not Approved by Security Holders	20,000	\$ 8.95	55,000

EXECUTIVE COMPENSATION

We have no employees and our executive officers will not receive any compensation from us for their services as such officers. Our executive officers are officers of one or more of the Inland Affiliated Companies, and are compensated by those entities, in part, for their services rendered to us. We pay our Business Manager/Advisor and its affiliates (which are Inland Affiliated Companies) certain compensation in exchange for services they provide to us. Such compensation is described below under Certain Relationships and Related Transactions.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Dollar amounts set forth below in this section are in thousands, except share and per share amounts.

Services Provided by Affiliates of the Business Manager/Advisor. As of December 31, 2005 and 2004, we had incurred \$457,007 and \$234,014, respectively, of offering costs for both the initial public offering and the second offering, of which \$444,566 and \$175,509, respectively, was paid or accrued to affiliates. Pursuant to the terms of our offerings, our Business Manager/Advisor guaranteed payment of all public offering expenses (excluding sales commissions, the marketing contribution and the due diligence expense allowance) in excess of 5.5% of the gross proceeds of the offering or gross offering proceeds or all organization and offering expenses (including selling commissions) which together exceed 15% of gross offering proceeds. As of December 31, 2005 and 2004, offering costs did not exceed the 5.5% and 15% limitations.

Our Business Manager/Advisor and its affiliates were entitled to reimbursement for salaries and expenses of employees of our Business Manager/Advisor and its affiliates relating to the offerings. In addition, an affiliate of our Business Manager/Advisor was entitled to receive selling commissions, the marketing contribution and due diligence expense allowance from us in connection with the offering. Such costs were offset against the stockholders' equity accounts. Such costs totaled \$444,566 and \$175,509, respectively, of which \$177 and \$2,880 remained unpaid at December 31, 2005 and 2004.

Our Business Manager/Advisor and its affiliates are entitled to reimbursement for general and administrative costs relating to our administration and the acquisition of properties. During the years ended December 31, 2005 and 2004 and the period from March 5, 2003 through December 31, 2003, we incurred \$4,528, \$1,543 and \$194 of these costs, respectively. Of these costs, \$1,120 and \$957 remained unpaid as of December 31, 2005 and 2004.

An affiliate of our Business Manager/Advisor provides investment advisory services related to us related to our securities investments for an annual fee. The fee is incremental based upon the aggregate amount of assets invested. Based upon the amounts of assets that we had invested at December 31, 2005, this fee was equal to .75% of the aggregate assets invested. We incurred fees totaling \$536 for the year ended December 31, 2005. \$100 of this amount remained unpaid at December 31, 2005. No such fees were incurred during the year ended December 31, 2004 or the period from March 5, 2003 (inception) through December 31, 2003.

An affiliate of our Business Manager/Advisor provides loan servicing to us for an annual fee. Prior to May 1, 2005, the agreement allowed for annual fees totaling .03% of the first \$1 billion in mortgage balance outstanding and .01% of the remaining mortgage balance, payable monthly. Effective May 1, 2005, if the number of loans exceeds 100, a monthly fee will be charged in the amount of 190 dollars per month, per loan being serviced. If the amount of loans being serviced are less than 100, then the amount per month, per loan increases to 225 dollars. Such fees totaled \$534 and \$141 for the years ended December 31, 2005 and 2004, respectively, and \$1 for the period from March 5, 2003 (inception) to December 31, 2003. \$42 remained unpaid as of December 31, 2005. None remained unpaid as of December 31, 2004.

We use the services of an affiliate of our Business Manager/Advisor to facilitate the mortgage financing that we obtained on some of the properties purchased. We pay the affiliate .2% of the principal balance of mortgage loans obtained. Such costs are capitalized as loan fees and amortized over the respective loan term. During the years

ended December 31, 2005 and 2004, we paid loan fees totaling \$5,049 and \$3,475, respectively, to this affiliate. No amounts remained unpaid as of December 31, 2005 or 2004.

We may pay an advisor asset management fee of not more than 1% of our average invested assets to our Business Manager/Advisor. Our average invested asset value is defined as the average of the total book value, including acquired intangibles, of our real estate assets invested in equity interests plus our loans receivable secured by real estate, before reserves for depreciation, reserves for bad debt or other similar non-cash reserves. We compute our average invested assets by taking the average of these values at the end of each month for which we are calculating the fee. The fee is payable quarterly in an amount equal to 1/4 of 1% of our average invested assets as of the last day of the immediately preceding quarter. Based upon the maximum allowable advisor asset management fee of 1% of our average invested assets, maximum advisor asset management fees of \$54,933, \$14,971 and \$152 were allowed for the years ended December 31, 2005 and 2004 and the period from March 5, 2003 (inception) through December 31, 2003, respectively. Our Business Manager/Advisor has agreed to forego any fees allowed but not taken during those periods. For any year in which we qualify as a REIT, our Business Manager/Advisor must reimburse us for the following amounts if any: (1) the amounts by which our total operating expenses, the sum of the advisor asset management fee plus other operating expenses, paid during the previous fiscal year exceed the greater of: (i) 2% of our average assets for that fiscal year, or (ii) 25% of our net income for that fiscal year; plus (2) an amount, which will not exceed the advisor asset management fee for that year, equal to any difference between the total amount of distributions to stockholders for that year and a 6% minimum annual return on the net investment of stockholders. For the year ended December 31, 2005, we accrued fees totaling \$20,925, \$3,000 of which remained unpaid as of December 31, 2005. For the year ended December 31, 2004 and the period from March 5, 2003 (inception) to December 31, 2003, we neither paid nor accrued such fees because our Business Manager/Advisor agreed to forego any fees for those time periods.

The property managers, entities owned principally by individuals who are affiliates of our Business Manager/Advisor, are entitled to receive property management fees totaling 4.5% of gross operating income, for management and leasing services. We incurred property management fees of \$20,686, \$5,382 and \$17, for the years ended December 31, 2005 and 2004 and the period from March 5, 2003 (inception) through December 31, 2003, respectively. None remained unpaid as of December 31, 2005 or 2004.

We established a discount stock purchase policy for our affiliates and affiliates of our Business Manager/Advisor that enables the affiliates to purchase shares of common stock at either \$8.95 or \$9.50 a share depending on when the shares are purchased. We sold 276,628, 605,060 and 59,497 shares of common stock to affiliates and recognized an expense related to these discounts of \$219, \$427 and \$62 for the years ended December 31, 2005 and 2004 and the period from March 5, 2003 (inception) through December 31, 2003, respectively.

As of December 31, 2005 and 2004, we were due funds from our affiliates for costs paid by us on their behalf in the amount of \$3,493 and \$654, respectively.

During the fourth quarter of 2005, we entered into a subscription agreement with Minto Builders (Florida), Inc. referred to as MB REIT. Under this agreement, we may purchase up to 920,000 newly issued series C preferred shares at a purchase price of \$1,276 per share. If Inland American Real Estate Trust, Inc., (an affiliate) referred to as Inland American REIT, does not satisfy their obligations under their agreement with MB REIT, we may be required to purchase series C preferred shares from MB REIT in an amount equal to approximately \$300,000. MB REIT has the right to redeem any series C preferred shares it issues to us with the proceeds of any subsequent capital contributed by Inland American REIT. MB REIT is required to redeem any and all outstanding series C preferred shares held by us by December 31, 2006. The series C preferred shares entitle us to an annual dividend equal to 7.0% on the face amount of the series C preferred shares payable monthly. As of December 31, 2005, we had purchased 175,551 series C preferred shares for a total amount of \$224,003. Due to the lack of influence that we have over the operating and financial policies of the investee, this investment is accounted for under the cost method in which investments are recorded at their original cost. We earned \$2,108 of dividends on this investment during the year ended December 31, 2005, all of which remained unpaid as of that date.

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We entered into a fee arrangement with Inland American REIT whereby we are paid for guarantying customary non- recourse carve out provisions of Inland American REIT s financings until such time as Inland

American REIT reaches a net worth of \$300,000. The fee arrangement calls for a fee of \$50 annually for loans equal to and in excess of \$50,000 and \$25 for loans less than \$50,000.

On September 28, 2005, an affiliate of ours purchased a single-user net lease property in Pearland, Texas subject to an existing mortgage which we had previously funded on the property in the amount of \$7,391. In addition, on that date, we funded an additional amount of \$1,346 on the loan to the affiliate, bringing the total amount funded by us to \$8,737. The total loan amount represented 100% of the purchase price of the property plus accrued interest on the previous loan balance. The entity which owns the property was considered a variable interest entity and we were considered the primary beneficiary as defined in FIN 46 (R). Therefore, this entity was consolidated by us until December 28, 2005, at which time the loan was paid off in full including accrued interest.

On October 7, 2005, an affiliate of ours acquired a freestanding office building leased to the General Services Administration (GSA) for the U.S. Joint Force Command. We provided the initial financing of approximately \$24,300 for the affiliate to acquire the property. The loan was repaid in full including accrued interest on December 6, 2005.

During 2004, our sponsor advanced us amounts to pay a portion of distributions to our stockholders until funds available for distribution were sufficient to cover the distributions. Our Sponsor forgave \$2,369 of these amounts during the second quarter of 2004 and these funds were no longer due. As of December 31, 2004, we owed funds to our sponsor in the amount of \$3,523 for repayment of the funds advanced for payment of distributions. These funds were repaid in their entirety during 2005 and no funds were due to our sponsor as of December 31, 2005. No funds were advanced during 2005.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

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The following table sets forth information as of July 1, 2006, regarding the number and percentage of shares beneficially owned by: (i) each director; (ii) each executive officer; (iii) all directors and executive officers as a group; and (iv) any person known to us to be the beneficial owner of more than 5% of our outstanding shares. As of July 1, 2006, no stockholder beneficially owned more than 5% of our outstanding shares. As of July 1, 2006, we had approximately 116,000 stockholders of record and approximately 438,862,000 shares of common stock outstanding. Beneficial ownership includes outstanding shares and shares which are not outstanding that any person has the right to acquire within 60 days after the date of this table. However, any such shares which are not outstanding are not deemed to be outstanding for the purpose of computing the percentage of outstanding shares beneficially owned by any other person. Except as indicated in the footnotes to this table and pursuant to applicable community property laws, the persons named in the table have sole voting and investing power with respect to all shares beneficially owned by them.

NAME OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED	PERCENT OF CLASS
Robert D. Parks	131,486.1352(1)	*
Roberta S. Matlin	305.4422	*
Gary E. Pechter	0	0
Steven P. Grimes	0	0
Brenda G. Gujral	0	0
Frank A. Catalano, Jr.	6,450.9203(2)	*
Kenneth H. Beard	59,107.0863(2)	*
Paul R. Gauvreau	115,231.8436(2)	*
Gerald M. Gorski	5,726.5967(2)	*
Barbara A. Murphy	3,500.000(2)	*
All Directors and Executive Officers as a group (10 persons)	318,922.7086(1)(2)	*

*Less than 1%

(1) Includes 20,000 shares owned by our Business Manager/Advisor. Our Business Manager/Advisor is a wholly owned subsidiary of our Sponsor, which is an affiliate of Inland. Mr. Parks is a control person of Inland and disclaims beneficial ownership of these shares owned by the Business Manager/Advisor.

(2) Includes 3,500 shares issuable upon exercise of options granted to the director under our independent director stock option plan, to the extent that such options are currently exercisable or will become exercisable within 60 days after the date of this table.

The address of each of the persons listed above is 2901 Butterfield Road, Oak Brook, Illinois 60523.

SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE Section 16(a) of the Securities Exchange Act of 1934, as amended, requires our officers and directors, and persons who own more than 10% of our outstanding shares, to file statements of beneficial ownership and changes in beneficial ownership of our shares with the Securities and Exchange Commission (SEC) and to furnish us with copies of all statements they file. Based solely on a review of the forms we have received and on written representations from certain reporting persons that no such forms were required for them, we believe that during 2005 all Section 16 filing requirements applicable to our officers, directors and greater than 10% beneficial owners were complied with by such persons.

AMENDMENT AND RESTATEMENT OF OUR CHARTER

ITEM NO. 2 TO AMEND AND RESTATE OUR CHARTER TO REMOVE REFERENCES TO INDEPENDENT DIRECTOR AND LIMITATIONS ON EXCULPATION AND INDEMNIFICATION.

OUR CHARTER

Our charter, on file with the State Department of Assessments and Taxation of the State of Maryland, governs our corporate activities. When our charter was first adopted it was designed to be consistent with other non-traded REITs. The definition of independent director and the indemnification and exculpation provisions were adopted in connection with our original offering and were designed to satisfy requirements in effect for compliance with the securities laws of certain states. As our Company matures, we periodically reexamine our constituent documents to make them consistent with other public companies.

Currently, our charter includes references to Independent Director(s). Our charter defines Independent Director(s) as our directors who (a) are not affiliated and have not been affiliated within the two years prior to their becoming an independent director, directly or indirectly, with our sponsor or our advisor (whether by ownership of, ownership interest in, employment by, any material business or professional relationship with, or as an officer or director of our sponsor, our advisor or any of their affiliates), (b) do not serve as a director for more than two other companies originated or advised by our advisor and (c) perform no other services for us, except as directors.

Our charter also requires that a majority of our Board be comprised of independent directors and that certain determinations (including, without limitation, that our fees and expenses are reasonable and that we are following our investment policies) be made by a majority of our independent directors and that certain transactions (including, without limitation, the compensation of our advisor, the purchase of property from our sponsor, our advisor, our directors or any of their affiliates, the sale of property to our sponsor, our advisor, our directors or any of their affiliates and the borrowing of money from our sponsor, our advisor, our directors or any of their affiliates) be approved by a majority of our independent directors.

We believe that the definition of independent directors in the current charter is unnecessarily restrictive for our Company as it is presently organized. Very few public companies define independence in their governing documents or mandate that such specific actions be approved by a majority of independent directors.

If our amended and restated charter is adopted, we will be able to take the above described actions without approval from a majority of our independent directors. As a result, our company, consistent with Maryland law, may be able to take some actions which we previously would not have been able to take, without the approval of a majority of our independent directors because our amended and restated articles will have eliminated the defined concept of Independent Directors. We believe that the proposed changes to the charter will help us to continue to attract and retain experienced and qualified directors. As a result, the Board recommends a more modern and practical approach, one that is more consistent with other public companies.

The amended and restated charter also will include language to make it clear that our directors and officers will be exculpated and indemnified by the Company to the maximum extent permitted by Maryland law. Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Maryland law also permits a Maryland corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding and

(i) was committed in bad faith or (ii) was the result of active and deliberate dishonesty, (b) the

director or officer actually received an improper personal benefit in money, property or services or (c) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful. In addition, Maryland law permits a Maryland corporation to advance reasonable expenses to a director or officer upon receipt of (a) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and (b) a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

Our charter currently provides that we may not indemnify nor pay, advance or reimburse expenses to any director, officer, employee or agent or our advisor and its affiliates unless (a) our directors have determined, in good faith, that the course of conduct which caused the loss or liability was in our best interests, (b) the indemnified party was acting on our behalf or performing services for us, (c) the liability or loss was not the result of negligence or misconduct on the part of the indemnified party (or gross negligence in the case of independent directors) and (d) the indemnification or agreement to hold harmless is recoverable only out of our net assets and not from our stockholders. Our current charter also provides that we may not indemnify any director, officer, employee or agent or our advisor and its affiliates for losses, liabilities or expenses arising from or out of an alleged violation of federal or state securities laws by such party unless one or more of the following conditions are met: (a) there has been a successful adjudication on the merits of each count involving alleged securities law violations as to the particular indemnified party, (b) such claims have been dismissed with prejudice on the merits by a court of competent jurisdiction as to the particular indemnified party or (c) a court of competent jurisdiction approves a settlement of the claims and finds that indemnification of the settlement and related costs should be made and the court considering the request has been advised of the position of the SEC and the published opinions of any applicable state securities regulatory authority as to indemnification for violations of securities laws. In addition, our charter currently provides that we may not advance amounts to an indemnified party for legal and other expenses and costs unless all of the following conditions are met: (a) the legal action relates to acts or omissions with respect to the performance of duties or services for us or on our behalf by the indemnified party, (b) the legal action is initiated by a third party who is not a stockholder or the legal action is initiated by a stockholder acting in his or her capacity as such and a court of competent jurisdiction specifically approves such advancement and (c) the indemnified party undertakes in writing to repay the advanced funds to us, together with the applicable legal rate of interest thereon, in cases in which such party is found not to be entitled to indemnification. Our amended and restated charter therefore will provide directors and officers with broader and more comprehensive indemnification rights, particularly with respect to the payment and advancement of expenses.

The exculpation and indemnification provisions in our amended and restated charter will be more consistent with other Maryland companies, specifically other Maryland public companies, and will enable us to attract and retain qualified and experienced officers and directors.

Before you decide how to vote, you should read our amended and restated charter, which we have included as **Appendix A**. We have marked **Appendix A** to show the proposed additions and deletions.

A vote to approve this proposal is a vote for each of the amendments to the current charter and a vote against this proposal is a vote against each of the amendments to the current charter. If approved, the amended and restated charter will become effective upon filing with the Maryland Department of Assessments and Taxation.

THE BOARD'S RECOMMENDATION

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE

FOR

THE AMENDMENT AND RESTATEMENT OF OUR CHARTER

VOTE REQUIRED

Provided a quorum is present, the affirmative vote of at least majority of the shares of our common stock issued and outstanding is required to approve the amendment and restatement of our charter as set forth above. For purposes of the vote on the approval, abstentions and broker non-votes will have the effect of a vote against the proposal although, as mentioned, they will count toward the presence of a quorum.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC

ACCOUNTING FIRM FOR 2006

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ITEM NO. 3: TO RATIFY THE APPOINTMENT OF KPMG LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2006.

KPMG LLP has served as our independent registered public accounting firm since our formation in 2003, and our management believes that they are knowledgeable about our operations and accounting practices and are well qualified to act as our independent registered public accounting firm. Therefore, the Board, upon the recommendation of its Audit Committee, has appointed KPMG LLP to act as our independent registered public accounting firm to examine our consolidated financial statements for our 2006 fiscal year. Although our selection of an independent registered public accounting firm does not require your approval, we believe it is desirable to obtain your concurrence to our selection.

One or more representatives of KPMG LLP are expected to be present at the annual meeting. They will have the opportunity to make a statement if they desire to do so and will be available to respond to appropriate questions.

PRINCIPAL ACCOUNTING FEES AND SERVICES

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The following table sets forth fees for professional audit services rendered by KPMG LLP for the audit of our annual financial statements for 2005 and 2004, and fees for other services rendered by it:

	Fiscal Year 2005	Fiscal Year 2004
Audit Fees (1)	\$ 747,400	\$ 546,520
Audit Related Fees (2)	475,346	1,080,869
Tax Fees (3)	141,200	86,025
All Other Fees		
Total Fees	\$ 1,363,946	\$ 1,713,414

-
- (1) Audit fees include the financial statement audit fee and fees for other and internal controls audit fees.
- (2) Audit related fees include the review of documents and issuance of accountant's consent related to documents filed with the SEC and audits related to Section 3-14 of Regulation S-X.
- (3) Tax fees consist of fees for review of federal and state income tax returns.

The audit committee reviews and approves in advance the terms of and compensation for both audit and nonaudit services to be provided by KPMG LLP. This duty has been delegated to the chairman of the audit committee with any such preapproval reported to the audit committee at its next regularly scheduled meeting. Approval of nonaudit services will be disclosed in periodic reports required by Section 13(a) of the Securities Exchange Act of 1934. Prohibited Non-Audit Services shall be as set forth in the rules promulgated by the SEC, including: (i) bookkeeping or other services related to the accounting records or financial statements of the audit client; (ii) financial information systems design and implementation; (iii) appraisal or valuation services, providing fairness opinions or preparing contribution-in-kind reports; (iv) actuarial services; (v) internal audit outsourcing services; (vi) management functions or human resources; (vii) broker or dealer, investment advisor or investment banking services; (viii) legal services and expert services unrelated to the audit; and (ix) any other service that the Public Company Accounting Oversight Board prohibits through regulation.

The audit committee has considered whether the provision of the services covered under All Other Fees is compatible with maintaining KPMG LLP's independence. The audit committee approved 100% of the fees described above.

THE BOARD'S RECOMMENDATION

THE BOARD OF DIRECTORS RECOMMENDS THAT STOCKHOLDERS VOTE

FOR

THE RATIFICATION OF THE APPOINTMENT OF KPMG LLP

AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2006.

VOTE REQUIRED

Provided a quorum is present, the affirmative vote of a majority of the shares present in person or represented by proxy and entitled to vote, is required to ratify the appointment. For purposes of the vote on the appointment, abstentions will not be counted as votes cast and will have the effect of a vote against the proposal although, as mentioned, they will count toward the presence of a quorum.

MISCELLANEOUS AND OTHER MATTERS

ADVANCE NOTICE PROCEDURES FOR MAKING DIRECTOR NOMINATIONS AND STOCKHOLDER PROPOSALS Stockholder proposals for our Annual Meeting of Stockholders to be held in 2007 will not be included in our Proxy Statement for that meeting unless the proposal is proper for inclusion in our Proxy Statement and for consideration at the next Annual Meeting of Stockholders and is received by our Secretary at our executive offices located in Oak Brook, Illinois, no later than April 12, 2007. Stockholders must also follow the procedures prescribed in SEC Rule 14a-8 under the Exchange Act.

In addition, our Second Amended and Restated Bylaws, or our Bylaws, provide that in order for a stockholder to nominate a candidate for election as a director at an Annual Meeting of Stockholders or propose business for consideration at such meeting, notice must generally be given to our Secretary not less than 90 days nor more than 120 days before the date on which we first mailed our notice of meeting and accompanying proxy materials for the prior year's Annual Meeting of Stockholders.

These Bylaws requirements are separate from and in addition to the SEC's requirements that a stockholder must meet in order to have a stockholder proposal included in our Proxy Statement. If these requirements are not followed, the nomination or proposal presented at an annual meeting of stockholders will be out of order and will not be acted upon. Any stockholder desiring a copy of our Bylaws will be furnished one

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without charge upon written request to our Secretary at our principal executive offices. A copy of our Bylaws is filed as Exhibit 3.2.1 to our Annual Report on Form 10-K, filed March 7, 2005, and is available at the SEC Internet site (<http://www.sec.gov>).

PROXY SOLICITATION COSTS We will bear all expenses incurred in connection with the solicitation of proxies. We will, upon request, reimburse brokerage firms and other nominee holders for their reasonable expenses incurred in forwarding the proxy solicitation materials to the beneficial owners of our shares. Our officers and directors, and officers and employees of our Business Manager/Advisor, may solicit proxies by mail, personal contact, letter, telephone, telegram, facsimile or other electronic means. They will not receive any additional compensation for those activities, but they may be reimbursed for their out-of-pocket expenses. In addition, we have hired Morrow & Co., Inc. to solicit proxies on our behalf. The cost of soliciting proxies on our behalf will be approximately \$5,000 plus costs and expenses.

OTHER MATTERS As of the date of this Proxy Statement, the above are the only matters we are aware of that are to be acted upon at the meeting. If any other matter should properly come before the meeting for which we did not receive proper notice in accordance with the requirements of our Bylaws, as presented above, the persons appointed by your proxy will vote on those matters in accordance with the recommendation of the Board, or, in the absence of such a recommendation, in accordance with their discretion. The affirmative vote of the holders of a majority of the shares represented in person or by proxy and entitled to vote on any such other matter will be required for approval.

By the order of the Board of Directors,

/s/ Gary E. Pechter
Gary E. Pechter
Secretary

Oak Brook, Illinois

August 10, 2006

YOUR VOTE IS IMPORTANT. THE PROMPT RETURN OF PROXIES, INCLUDING THE AUTHORIZATION OF A PROXY TO VOTE VIA THE INTERNET OR VIA TOUCH-TONE TELEPHONE, WILL SAVE US THE EXPENSE OF FURTHER REQUESTS FOR PROXIES. WE ENCOURAGE YOU TO COMPLETE, SIGN, DATE AND RETURN YOUR PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE, OR AUTHORIZE A PROXY VIA THE INTERNET OR VIA TOUCH-TONE TELEPHONE, BEFORE THE MEETING, SO THAT YOUR SHARES WILL BE REPRESENTED AND VOTED AT THE MEETING.

Our 2005 Annual Report on Form 10-K to stockholders, as amended, includes our financial statements for the fiscal year ended December 31, 2005. The 2005 Annual Report does not form any part of the material for the solicitation of proxies.

INLAND WESTERN RETAIL REAL ESTATE TRUST, INC.

~~SECOND AMENDED AND RESTATED~~

~~THIRD~~ ARTICLES OF INCORPORATION AMENDMENT AND RESTATEMENT

~~THE UNDERSIGNED, in order to form a corporation for the purposes hereinafter stated, under and pursuant to the provisions of the General Corporation Law of the State of Maryland, does hereby certify as follows:~~

FIRST: Inland Western Retail Real Estate Trust, Inc., a Maryland corporation (the Company), desires to amend and restate its charter as currently in effect and as hereinafter amended.

SECOND: The following provisions are all the provisions of the charter currently in effect and as hereinafter amended:

ARTICLE I

NAME

The name of the corporation is: Inland Western Retail Real Estate Trust, Inc. (the : Company