INLAND REAL ESTATE CORP
Form 10-Q
November 05, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2015
or

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001-32185

(Exact name of registrant as specified in its charter)

Maryland	36-3953261
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2901 Butterfield Road, Oak Brook, Illinois	60523
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: 877-206-5656

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Date File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

As of November 5, 2015, there were 100,581,531 shares of common stock outstanding.

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INLAND REAL ESTATE CORPORATION
(a Maryland corporation)

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Part I - Financial Information

Item 1. Financial Statements

INLAND REAL ESTATE CORPORATION
Consolidated Balance Sheets
September 30, 2015 and December 31, 2014
(In thousands, except per share data)

	September 30, 2015 (unaudited)	December 31, 2014
Assets:		
Investment properties:		
Land	$372,025	385,432
Construction in progress	33,543	23,812
Building and improvements	1,122,823	1,110,360
Total Investment Properties	1,528,391	1,519,604
Less accumulated depreciation	347,934	338,141
Net investment properties	1,180,457	1,181,463
Cash and cash equivalents	12,335	18,385
Accounts receivable, net	35,348	38,211
Mortgages receivable	24,750	24,750
Investment in and advances to unconsolidated joint ventures	170,879	170,720
Acquired lease intangibles, net	71,792	85,858
Deferred costs, net	17,925	18,674
Other assets	36,615	34,890
Total assets	$1,550,101	1,572,951
Liabilities:		
Accounts payable and accrued expenses	$59,315	56,188
Acquired below market lease intangibles, net	40,703	41,108
Distributions payable	5,439	5,420
Mortgages payable	387,688	384,769
Unsecured credit facilities	440,000	440,000
Other liabilities	20,375	22,290
Total liabilities	953,520	949,775
Stockholders' Equity:		
Preferred stock, $0.01 par value, 12,000 Shares authorized:		
8.125% Series A Cumulative Redeemable shares, with a $25.00 per share Liquidation Preference, 4,400 issued and outstanding at September 30, 2015 and December 31, 2014, respectively	110,000	110,000
6.95% Series B Cumulative Redeemable shares, with a $25.00 per share Liquidation Preference, 4,000 issued and outstanding at September 30, 2015 and December 31, 2014, respectively	100,000	100,000
Common stock, $0.01 par value, 500,000 shares authorized; 100,565 and 100,151 Shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	1,006	1,002
Additional paid-in capital (net of offering costs of $78,590 and $78,372 at September 30, 2015 and December 31, 2014, respectively)	878,770	874,154

Accumulated distributions in excess of net income	(487,113)	(456,120)
Accumulated other comprehensive loss	(6,995)	(6,338)
Total stockholders’ equity	595,668	622,698
Noncontrolling interest	913	478
Total equity	596,581	623,176
Total liabilities and equity	$1,550,101	1,572,951

The accompanying notes are an integral part of these financial statements.

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INLAND REAL ESTATE CORPORATION
Consolidated Statements of Operations and Comprehensive Income
For the three and nine months ended September 30, 2015 and 2014 (unaudited)
(In thousands except per share data)

	Three months ended September 30, 2015	Three months ended September 30, 2014	Nine months ended September 30, 2015	Nine months ended September 30, 2014
Revenues:				
Rental income	$33,310	33,768	101,541	103,981
Tenant recoveries	12,622	12,306	42,550	44,476
Other property income	881	612	4,950	1,577
Fee income from unconsolidated joint ventures	1,431	1,524	4,306	4,090
Total revenues	48,244	48,210	153,347	154,124
Expenses:				
Property operating expenses	6,514	6,127	21,886	25,082
Real estate tax expense	9,381	9,303	29,107	28,942
Depreciation and amortization	16,616	17,185	48,860	54,116
Provision for asset impairment	1,203	—	10,558	222
General and administrative expenses	5,587	5,553	17,604	17,638
Total expenses	39,301	38,168	128,015	126,000
Operating income	8,943	10,042	25,332	28,124
Other income	2,837	390	3,622	1,158
Gain on sale of investment properties, net	6,450	—	9,383	22,828
Gain on sale of joint venture interest	39	313	228	427
Interest expense	(7,337)	(8,752)	(21,869)	(26,642)
Income before income tax expense of taxable REIT subsidiaries, equity in earnings of unconsolidated joint ventures and discontinued operations	10,932	1,993	16,696	25,895
Income tax expense of taxable REIT subsidiaries	(693)	(232)	(1,706)	(670)
Equity in earnings of unconsolidated joint ventures	2,011	2,774	8,936	6,831
Income from continuing operations	12,250	4,535	23,926	32,056
Income from discontinued operations	—	31	—	552
Net income	12,250	4,566	23,926	32,608
Less: Net (income) loss attributable to the noncontrolling interest	24	10	(51)	39
Net income attributable to Inland Real Estate Corporation	12,274	4,576	23,875	32,647
Dividends on preferred shares	(3,972)	(2,234)	(11,916)	(6,703)
Net income attributable to common stockholders	$8,302	2,342	11,959	25,944
Basic and diluted earnings attributable to common shares per weighted average common share:				
Income from continuing operations	$0.08	0.02	0.12	0.25

Income from discontinued operations	—	—	—	0.01
Net income attributable to common stockholders per weighted average common share — basic and diluted	$0.08	0.02	0.12	0.26
Weighted average number of common shares outstanding — basic	100,188	99,617	100,041	99,495
Weighted average number of common shares outstanding — diluted	100,540	100,060	100,454	99,874
Comprehensive income:				
Net income attributable to common stockholders	$8,302	2,342	11,959	25,944
Unrealized gain (loss) on derivative instruments	(1,029)	500	(657)	(706)
Comprehensive income attributable to common stockholders	$7,273	2,842	11,302	25,238

The accompanying notes are an integral part of these financial statements.

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INLAND REAL ESTATE CORPORATION
Consolidated Statements of Equity
For the nine months ended September 30, 2015 (unaudited)
(Dollars in thousands, except per share data)

	Preferred Stock		Common Stock		Additional paid-in capital	Accumulated distributions in excess of net income	Accumulated other comprehensive income (loss)	Total stockholders' equity	Noncontrolling interest	Total equity
	Issued	Amount	Issued	Amount						
Balance December 31, 2014	8,400	$210,000	100,151	$1,002	$874,154	$(456,120)	$(6,338)	$622,698	$478	$623,176
Issuance of common stock, including DRP	—	—	362	4	4,354	—	—	4,358	—	4,358
Exercise of stock options	—	—	1	—	8	—	—	8	—	8
Deferred stock compensation, net	—	—	51	—	472	—	—	472	—	472
Offering costs	—	—	—	—	(218)	—	—	(218)	—	(218)
Net income	—	—	—	—	—	23,875	—	23,875	51	23,926
Dividends on preferred shares	—	—	—	—	—	(11,916)	—	(11,916)	—	(11,916)
Distributions declared, common	—	—	—	—	—	(42,952)	—	(42,952)	—	(42,952)
Unrealized loss on derivative instruments	—	—	—	—	—	—	(657)	(657)	—	(657)
Contributions from noncontrolling interest	—	—	—	—	—	—	—	—	384	384
Balance September 30, 2015	8,400	$210,000	100,565	$1,006	$878,770	$(487,113)	$(6,995)	$595,668	$913	$596,581

The accompanying notes are an integral part of these financial statements

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INLAND REAL ESTATE CORPORATION
Consolidated Statements of Cash Flows
For the nine months ended September 30, 2015 and 2014 (unaudited)
(In thousands)

	Nine months ended September 30, 2015	2014
Cash flows from operating activities:		
Net income	$23,926	32,608
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for asset impairment	10,558	222
Depreciation and amortization	49,248	54,470
Amortization of deferred stock compensation	472	(1,107)
Amortization on acquired above/below market leases and lease inducements	453	312
Gain on sale of investment properties	(9,383)	(23,321)
Equity in earnings of unconsolidated ventures	(8,936)	(6,831)
Gain on sale of joint venture interest	(228)	(427)
Straight line rent	(367)	(1,210)
Amortization of loan fees	1,401	972
Amortization of debt premium/discount, net	(308)	(467)
Distributions from unconsolidated joint ventures	4,205	—
Changes in assets and liabilities:		
Restricted cash	—	123
Accounts receivable and other assets, net	3,566	3,342
Accounts payable and accrued expenses	89	(4,533)
Prepaid rents and other liabilities	(617)	(2,783)
Net cash provided by operating activities	74,079	51,370
Cash flows from investing activities:		
Restricted cash	(2,383)	(1,152)
Proceeds from sale of interest in joint venture, net	7,289	16,901
Purchase of investment properties	(40,824)	(73,542)
Additions to investment properties, net of accrued additions	(51,266)	(20,394)
Proceeds from sale of investment properties and land condemnations, net	44,611	58,415
Distributions from unconsolidated joint ventures	29,747	10,464
Investment in unconsolidated joint ventures	(27,911)	(41,135)
Payment of leasing fees	(1,799)	(2,050)
Net cash used in investing activities	(42,536)	(52,493)
Cash flows from financing activities:		
Issuance of shares, net of offering costs	4,148	3,784
Loan proceeds	24,313	29,739
Payoff of debt	(10,062)	(42,378)
Proceeds from term loan	—	20,000
Proceeds from the unsecured line of credit facility	67,000	150,000
Repayments on the unsecured line of credit facility	(67,000)	(105,000)
Loan fees	(7)	(862)
Distributions paid	(54,849)	(49,391)
Contributions from noncontrolling interest	384	545
Payment of earnout liability	(1,520)	(1,163)

Net cash provided by (used in) financing activities	(37,593)	5,274
Net increase (decrease) in cash and cash equivalents	(6,050)	4,151
Cash and cash equivalents at beginning of period	18,385	11,258
Cash and cash equivalents at end of period	$12,335	15,409
Supplemental disclosure of cash flow information		
Cash paid for interest, net of capitalized interest	$16,963	21,357
Non-cash accrued additions to investment properties	$(3,862)	1,285
Non-cash distributions to noncontrolling interests	$—	(14)

The accompanying notes are an integral part of these financial statements.

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INLAND REAL ESTATE CORPORATION
Notes to Consolidated Financial Statements
September 30, 2015 (unaudited)

The accompanying financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. Readers of this Quarterly Report should refer to the audited financial statements of Inland Real Estate Corporation (the "Company") for the year ended December 31, 2014, which are included in the Company's 2014 Annual Report, as certain footnote disclosures contained in such audited financial statements have been omitted from this Report on Form 10-Q. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation have been included in this Quarterly Report.

(1) Organization and Basis of Accounting

Inland Real Estate Corporation (the "Company"), a Maryland corporation, was formed on May 12, 1994. The Company is a publicly held real estate investment trust ("REIT") that owns, operates and develops (directly or through its unconsolidated entities) open-air neighborhood, community and power shopping centers and single tenant retail properties located throughout the Central and Southeastern United States. Through wholly-owned subsidiaries, Inland Commercial Property Management, Inc. ("ICPM") and Inland TRS Property Management, Inc., the Company manages all properties it owns interests in and properties for certain third parties and related parties.

All amounts in these footnotes to the consolidated financial statements are stated in thousands with the exception of per share amounts, square foot amounts, and number of properties.

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

Recent Accounting Principles

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Per ASU No. 2015-14, Revenue from Contracts with Customers, Deferral of the Effective Date, which was issued by the FASB in August 2015, and amended the effective date of ASU No. 2014-09, the new standard is effective for the Company on January 1, 2018. Early application is permitted, but not before the original effective date for public business entities (i.e. January 1, 2017). The standard permits the use of either the retrospective or cumulative effect transition method. The Company is evaluating the effect that ASU No. 2014-09 will have on its consolidated financial statements and related disclosures. The Company has not yet selected a transition method nor has it determined the effect of the standard on its ongoing financial reporting.

In June 2014, the FASB issued ASU No. 2014-12, Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The ASU requires a reporting entity to treat a performance target that affects vesting and that could be achieved after the requisite service period as a performance condition. This ASU is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2015. Early adoption is permitted and may be adopted either prospectively for share-based payment awards granted or modified on or after the effective date, or retrospectively, using a modified retrospective approach. The Company does not expect adoption of this ASU to have a material impact on its consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02, Consolidated (Topic 810) Amendments to the Consolidation Analysis. The ASU changes the way reporting entities evaluate whether (a) they should consolidate limited partnerships and similar entities, (b) fees paid to a decision maker or service provider are variable interests in a variable interest entity ("VIE"), and (c) variable interests in a VIE held by related parties of the reporting entity require the reporting entity to consolidate the VIE. It also eliminates the VIE consolidation model based on a majority exposure to variability that applied to certain investment companies and similar entities. This ASU is effective for public entities for annual and interim periods in fiscal years beginning after December 15, 2015. Early adoption is permitted, including early adoption in an interim period. The Company is evaluating the effect that this ASU will have on its consolidated financial statements and related disclosures.

In April 2015, the FASB issued ASU No. 2015-03, Interest - Imputation of Interest. The ASU requires that debt issuance costs be deducted from the carrying value of the debt liability and not recorded as separate assets, classified as deferred financing costs. The ASU is effective for public entities for financial statements issued for fiscal years beginning after December 15, 2015. Early adoption is permitted for financial statements that have not been previously issued and will be applied on a retrospective basis. In August 2015, the FASB issued ASU No. 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements. The ASU, effective on the same date as ASU No. 2015-03, states that the SEC staff would not object to an entity deferring and presenting debt issuance costs associated with line-of-credit (“LOC”) arrangements as an asset and subsequently amortizing deferred debt issuance costs ratably over the term of the LOC arrangement, regardless of whether there are outstanding borrowings under that LOC arrangement. The Company does not expect adoption of either ASU to have a material impact on its consolidated financial statements.

In September 2015, the FASB issued ASU No. 2015-16, Business Combinations (Topic 805): Simplifying the Accounting for Measurement Period Adjustments. The ASU eliminates the requirement for an acquirer to retrospectively adjust the financial statements for measurement-period adjustments that occur in periods after a business combination is consummated. The ASU is effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, and early adoption is permitted. The Company does not expect adoption of this ASU to have a material impact on its consolidated financial statements.

(2) Acquisitions

Date Acquired	Property	City	State	GLA Sq. Ft.	Approximate Purchase Price
03/10/15	Westbury Square	Huntsville	AL	114,904	$ 23,417
	Total			114,904	$ 23,417

During the nine months ended September 30, 2015, consistent with the Company’s growth initiative, the Company acquired the investment property listed above, which was consolidated upon acquisition. The Company acquired 100% of the beneficial interests of the property.

The following table presents certain additional information regarding the Company’s acquisitions during the nine months ended September 30, 2015. The amounts recognized for major assets acquired and liabilities assumed as of the acquisition date were as follows:

Property	Land	Building and Improvements	Acquired Lease Intangibles	Acquired Below Market Lease Intangibles
Westbury Square	$ 3,125	18,638	3,643	(1,989)
Total	$ 3,125	18,638	3,643	(1,989)

The Company has not included pro forma financial information related to the above property acquired during the nine months ended September 30, 2015. The Company believes pro forma financial information for this single property is immaterial to the consolidated financial statements as of and for the three and nine months ended September 30, 2015.

(3) Dispositions

The table below summarizes investment property dispositions, including the property sold, sales price, gain or loss on sale and any necessary asset impairments during the nine months ended September 30, 2015.

Disposition Date	Property	City	State	GLA Sq. Ft.	Approx. Ground Lease Sq.Ft. (a)	Sale Price	Gain (Loss) on Sale	Provision for Asset Impairment
02/26/15	Mokena Marketplace (partial)	Mokena	IL	—	4,305	$ 5,325	$ 1,434	$ —
05/14/15	Park Square Outlot	Brooklyn Park	MN	5,620	—	1,600	912	—
06/05/15	Eastgate Center	Lombard	IL	129,101	—	4,100	—	2,397
06/30/15	Mokena Marketplace (partial)	Mokena	IL	—	—	775	329	—
07/07/15	Regal Showplace (partial)	Crystal Lake	IL	73,000	—	16,953	114	—
07/29/15	Wauconda Crossing (partial)	Wauconda	IL	76,262	—	4,300	—	2,543
09/03/15	Park St. Clair (partial)	Schaumburg	IL	71,400	—	13,000	6,336	—
				355,383	4,305	$ 46,053	$ 9,125	$ 4,940

(a) The sale price of these properties includes square footage subject to ground leases. Ground lease square footage is not included in our GLA.

The table below presents development property dispositions during the nine months ended September 30, 2015.

Date	Property	City	State	GLA Sq. Ft.	Acres	Sale Price	Gain on Sale (a)
TTDI Joint Venture							
01/16/15	Tanglewood Pavilion (partial)	Elizabeth City	NC	—	1.10	$ 515	$ 72
				—	1.10	$ 515	$ 72

(a) Amount shown is our pro-rata share.

During the nine months ended September 30, 2015, the Company completed a land condemnation at one investment property. In conjunction with this condemnation, the Company recorded a gain of approximately $78.

During the nine months ended September 30, 2015, the Company recorded $10,558 as provision for asset impairment on its accompanying consolidated statements of operations and comprehensive income. The asset impairments were required because the Company had negotiated sales prices on seven investment properties that were below their respective carrying values, which included Eastgate Center and Wauconda Crossing, noted in the table above, of which $4,885 of impairment was recorded during the three months ended March 31, 2015.

(4) Mortgages Receivable

On December 30, 2014, the Company entered into a promissory note and first mortgage and security agreement with a related joint venture partner (see Note 13, “Transactions with Related Parties”) for a principal sum of $24,750. The property commonly known as Clybourn Galleria, located in Chicago, Illinois is the collateral for this note. The note accrues interest at a rate of 5% per annum with final payment of the principal, all accrued and unpaid interest and the loan fee due on November 30, 2015. Total interest income earned during the nine months ended September 30, 2015 was $928. In addition, during the three months ended September 30, 2015, the Company received the $3,000 loan fee and recognized $2,455 as income, representing the pro-rata share of income to date. Both the interest income earned and the loan fee recognized are included in other income on the accompanying consolidated statements of operations and comprehensive income. Subsequent to the end of the quarter, the principal and accrued, but unpaid interest were repaid in full (see Note 16, “Subsequent Events”).

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INLAND REAL ESTATE CORPORATION
Notes to Consolidated Financial Statements
September 30, 2015 (unaudited)

(5) Joint Ventures

Consolidated Joint Ventures

The accompanying consolidated financial statements of the Company include the accounts of its wholly owned subsidiaries and consolidated joint ventures. The Company consolidates the operations of a joint venture if it determines that the Company is the primary beneficiary of the joint venture, which management has determined to be a variable interest entity ("VIE") in accordance with Accounting Standards Codification ("ASC") Topic 810. The primary beneficiary is the party that has a controlling financial interest in the VIE, which is defined as the entity having both of the following characteristics: 1) the power to direct the activities that, when taken together, most significantly impact the VIE's performance, and 2) the obligation to absorb losses and right to receive the returns from the VIE that would be significant to the VIE. There are significant judgments and estimates involved in determining the primary beneficiary of a VIE or the determination of who has control and influence of the entity. When the Company consolidates a VIE, the assets, liabilities and results of operations of the VIE are included in the Company's consolidated financial statements and all inter-company balances and transactions are eliminated.

The consolidated results of the Company include the accounts of IRC-IREX Venture II, LLC, while the properties are consolidated, IRC-MAB Southeast, LLC, Tanglewood Parkway Elizabeth City, LLC, and IRC-NARE 1300 Meacham Road, LLC, all of which are VIE's for which the Company is the primary beneficiary. The Company has determined that the third-party interests in these entities are noncontrolling interests to be included in permanent equity, separate from the Company's shareholders' equity, in the consolidated balance sheets and statements of equity. Net income or loss related to these noncontrolling interests is included in net income or loss in the consolidated statements of operations and comprehensive income.

Joint Venture with IPCC (IRC-IREX Venture II, LLC)

In August 2015, and effective as of January 1, 2015, Inland Exchange Venture LLC ("IEV LLC"), formerly known as Inland Exchange Venture Corporation, a taxable REIT subsidiary ("TRS") of the Company, extended its joint venture with Inland Private Capital Corporation ("IPCC"), a wholly owned subsidiary of The Inland Group, Inc. ("TIGI"). The identification period detailed in the joint venture agreement has been extended through December 31, 2016 and continues the joint venture relationship that began in 2006. The joint venture provides replacement properties for investors wishing to complete a tax-deferred exchange through private placement offerings, using properties made available to the joint venture by IEV LLC. These offerings are structured to sell Delaware Statutory Trust ("DST") interests in the identified property. IEV LLC performs the joint venture's acquisition function and ICPM performs the asset management, property management and leasing functions. Both entities earn fees for providing these services to the joint venture. The Company will continue to earn asset management, property management and leasing fees on all properties acquired for this venture, including after all ownership interests have been sold to the investors, unless the management agreement is terminated by the investors.

The joint venture was determined to be a VIE under ASC Topic 810 and is consolidated by the Company. Prior to the sale of any DST interests, the joint venture owns 100% of the DST interests in the property and controls the major decisions that affect the underlying property; and therefore upon initial acquisition, the joint venture consolidates the property. At the time of first sale of a DST interest, the joint venture no longer controls the underlying property as the activities and decisions that most significantly impact the property's economic performance are now subject to joint control among the co-owners or lender; and therefore, at such time, the property is deconsolidated and accounted for under the equity method (unconsolidated). Once the operations are deconsolidated, the income is included in equity in earnings of unconsolidated joint ventures until all DST interests have been sold. The table below reflects those properties that were deconsolidated during the nine months ended September 30, 2015 and 2014 and therefore no longer represent the consolidated assets and liabilities of the VIE.

	September 30, 2015	September 30, 2014
Investment properties	$(12,096)	(52,779)
Acquired lease intangibles	(4,909)	(7,952)
Below market lease intangibles	1,255	1,543
Mortgages payable	11,025	28,139
Net change to investment in and advances to unconsolidated joint ventures	$(4,725)	(31,049)

During the nine months ended September 30, 2015 and 2014, the joint venture with IPCC acquired one and six investment properties, respectively. In conjunction with the sales of DST interests, the Company recorded gains of approximately $39 and $228 for the three and nine months ended September 30, 2015, respectively, as compared to $313 and $427 for the three and nine months ended September 30, 2014. These gains are included in gain on sale of joint venture interests on the accompanying consolidated statements of operations and comprehensive income.

Joint Venture with MAB (IRC-MAB Southeast, LLC)

In November 2013, the Company entered into a joint venture to develop grocery-anchored shopping centers in select markets throughout the southeastern U.S. with MAB, an affiliate of Melbourne, Australia-based MAB Corporation. The five-year development program is expected to target metropolitan areas in the Carolinas, Georgia, Florida, Virginia and Washington D.C. MAB Corporation is a privately owned property development company and fund manager that has completed retail, office, multi-family and industrial projects at locations in Australia, New Zealand and the U.S. Under the terms of the joint venture agreement, the Company has exclusive rights to all grocery-anchored, build-to-suit opportunities in the southeastern U.S. sourced by MAB. Upon site approval by the Company, the Company will provide 90% of the equity required to fund approved project costs, while MAB will be responsible for the remaining 10% of the equity, plus venture management, sourcing and acquisition of sites, project financing and all property and development duties. The joint venture agreement also provides that the Company is required to purchase each grocery-anchored center at a discount to fair market value after stabilization and after certain criteria are met. As a result, the Company determined it is the primary beneficiary of this VIE. A typical project likely will consist of a 50,000-square-foot grocery store with approximately 20,000 square feet of additional retail space. As of September 30, 2015, there were no acquisitions through this joint venture. Subsequent to the end of the quarter, the joint venture completed its first acquisition (see Note 16 “Subsequent Events”). The joint venture has one additional site under contract, with closing anticipated during the first half of 2016.

Joint Venture with Thompson Thrift Development, Inc. (Tanglewood Parkway Elizabeth City, LLC)

In September 2014, the Company entered into a joint venture to develop Tanglewood Pavilions, a 158,000 square foot power center located in Elizabeth City, North Carolina with Thompson Thrift Development, Inc. (“TTDI”). The joint venture acquired the vacant land for $850. Construction was substantially completed during the third quarter, and the completed portion was placed in service effective August 21, 2015. The Company has provided 90% of the equity required to fund approved project costs not funded through the construction loan, while TTDI has provided the remaining 10% of the equity, plus venture management and development duties. The joint venture agreement also provides that the Company is required to purchase the power center at a discount to fair market value after stabilization and after certain other criteria are met. As a result, the Company determined it is the primary beneficiary of this VIE. As of September 30, 2015, this property had not yet reached a stabilized financial occupancy rate.

Joint Venture with NARE (IRC-NARE 1300 Meacham Road, LLC)

In February 2015, the Company entered into a joint venture to develop 1300 Meacham Road, located in Schaumburg, Illinois with North American Real Estate (“NARE”). The joint venture acquired the property on February 12, 2015 for $4,500, using cash contributed by each partner. The property is a four-acre parcel of land with a 60,000 square foot office building, which will be demolished. The development is anticipated to consist of three pad sites, which will be ground lease or build-to-suit opportunities for single and potentially multi-tenant use. Demolition began during the third quarter of 2015 and construction is expected to begin in the first half of 2016. The Company has a 95% equity interest in the joint venture and NARE has a 5% interest. The joint venture agreement also provides that the Company is required to purchase the property at a discount to fair market value after stabilization and after certain criteria are met. As a result, the Company determined it is the primary beneficiary of this VIE.

Variable Interest Entity Financial Information

The following table presents certain assets and liabilities of consolidated variable interest entities (“VIEs”), which are included in the consolidated balance sheets as of September 30, 2015 and December 31, 2014. The assets in the table below include only those assets that can be used to settle obligations of consolidated VIEs. The liabilities in the table below include third-party liabilities of consolidated VIEs only, and exclude intercompany balances that are eliminated in consolidation.

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	September 30, 2015	December 31, 2014
Assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs:		
Net investment properties	$22,592	3,245
Other assets	5,165	4,667
Total assets of consolidated VIEs that can only be used to settle obligations of consolidated VIEs	$27,757	7,912
Liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of the Company:		
Mortgages payable	$13,289	—
Other liabilities	653	52
Total liabilities of consolidated VIEs for which creditors or beneficial interest holders do not have recourse to the general credit of the Company	$13,942	52

Unconsolidated Joint Ventures

Unconsolidated joint ventures are those where the Company does not have a controlling financial interest in the joint venture or is not the primary beneficiary of a VIE. The Company accounts for its interest in these ventures using the equity method of accounting. The Company's profit/loss allocation percentage and related investment in each joint venture is summarized in the following table.

Joint Venture Entity	Company's Profit/Loss Allocation Percentage at September 30, 2015	Investment in and advances to unconsolidated joint ventures at September 30, 2015	Investment in and advances to unconsolidated joint ventures at December 31, 2014
INP Retail LP (a)	55 %	$165,795	163,305
Oak Property and Casualty	20 %	1,763	1,308
TMK/Inland Aurora Venture LLC (b)	40 %	(304)	(302)
IRC/IREX Venture II LLC (c)	(d)	3,625	6,409
Investment in and advances to unconsolidated joint ventures		$170,879	170,720

(a) Joint venture with PGGM Private Real Estate Fund ("PGGM")
(b) The profit/loss allocation percentage is allocated after the calculation of the Company's preferred return.
(c) Joint venture with IPCC. Investment in joint venture balance represents the Company's share of the Delaware Statutory Trust ("DST") interests.
(d) The Company's profit/loss allocation percentage varies based on the ownership interest it holds in the entity that owns a particular property and is in the process of selling ownership interests in that property to outside investors.

The unconsolidated joint ventures had total outstanding debt of $416,066 (total debt, not the Company's pro rata share) at September 30, 2015 that matures as follows:

Joint Venture Entity	2015	2016	2017	2018	2019	Thereafter	Total
INP Retail LP (a) (b)	$23,524	34,312	40,486	10,177	43,815	252,727	405,041
IRC/IREX Venture II LLC	—	—	—	—	—	11,025	11,025
Total unconsolidated joint venture debt (a)	$23,524	34,312	40,486	10,177	43,815	263,752	416,066

(a) The total debt above reflects the total principal amount outstanding. The unconsolidated joint ventures' balance sheets at September 30, 2015 reflect the value of the debt including the remaining unamortized mortgages premium/discount of $4,208.

(b) Includes the mortgages payable for Evergreen Promenade and Pulaski Promenade. Amounts are not included in Joint Venture Financial Information because INP Retail LP accounts for its Evergreen Promenade and Pulaski Promenade joint ventures under the equity method of accounting.

INP Retail LP has guaranteed approximately $12,590 of the loans encumbering Evergreen Promenade and Pulaski Promenade. The guarantees are in effect for the entire term of the loans as set forth in the loan documents. INP Retail LP is required to pay on a guarantee upon the default of any of the provisions in the loan documents, unless the default is otherwise waived. The Company's pro rata share of the outstanding guarantee is approximately $6,925. The Company is required to estimate the fair value of the guarantees and, if material, record a corresponding liability. The Company has determined that performance under the guarantee is not probable and the fair value of the guarantee is immaterial as of September 30, 2015 and accordingly has not recorded a liability related to the guarantees on the accompanying consolidated balance sheets.

The Company earns fees for providing asset management, property management, leasing and acquisition services to its joint ventures. The Company recognizes fee income equal to the Company's joint venture partner's share of the expense or commission, which is reflected as fee income from unconsolidated joint ventures in the accompanying consolidated statements of operations and comprehensive income. Fee income earned for the three and nine months ended September 30, 2015 and 2014 are reflected in the following table.

	Three months ended September 30,		Nine months ended September 30,	
Joint Venture with:	2015	2014	2015	2014
PGGM	$893	747	2,449	2,036
IPCC	538	777	1,857	2,054
Fee income from unconsolidated joint ventures	$1,431	1,524	4,306	4,090

The fee income from the joint venture with PGGM has increased due to the increase in assets under management. The fee income from the joint venture with IPCC increases as assets under management increase, however, total fee income may also vary based on the timing of acquisition fees earned based on the number of properties sold, the original acquisition prices of the properties and the timing of sales in each period.

The Company's proportionate share of the earnings or losses related to its unconsolidated joint ventures is reflected as equity in earnings of unconsolidated joint ventures on the accompanying consolidated statements of operations and comprehensive income. During the three and nine months ended September 30, 2015, the Company recorded $516 and $1,548, respectively, of amortization of basis difference between the Company's investment in the joint ventures and the amount of the underlying equity in net assets of the joint ventures and recorded $517 and $1,550 during the three and nine ended September 30, 2014. The amortization of this basis difference is included in equity in earnings of unconsolidated joint ventures in the accompanying consolidated statements of operations and comprehensive income. Differences in basis result from the recording of the Company's equity investment recorded at its historical basis versus the fair value of certain of the Company's contributions to the joint venture. Such differences are amortized over the respective depreciable lives of the joint venture property assets.

Joint Venture with PGGM

The Company formed a joint venture with PGGM, a leading Dutch pension fund administrator and asset manager in 2010 and completed an amendment to the partnership agreement in 2012 to increase the maximum equity contributions of each partner. In conjunction with the formation, the joint venture established two separate REIT entities (the "REITs") to hold title to the properties included in the joint venture. The joint venture may acquire up to a total of $900,000 of grocery-anchored and community retail centers located in Midwestern U.S. markets. The Company's maximum total equity contribution is approximately $281,000 and PGGM's maximum total equity contribution is approximately $230,000. The joint venture agreement provides that the Company has the option, to purchase up to 20% of PGGM's interest in the joint venture annually, over a five-year period, beginning in the fourth quarter of 2016, and that PGGM has the option to sell up to 20% of its interest in the joint venture to the Company annually, over the same five-year period. Per the partnership agreement, the term of the joint venture ends in June of 2020; provided, however, the partners may agree to extend the term for a mutually agreed length of time. Upon the final expiration of the term, the Company has the option to purchase PGGM's remaining interest in the joint venture, and PGGM has the option to sell its remaining interest to the Company.

As of September 30, 2015, the joint venture has acquired a total of approximately $881,000 of retail assets, including those properties contributed by the Company. As of September 30, 2015, PGGM's remaining maximum potential equity contribution was approximately $11,119 and the Company's was approximately $13,590.

PGGM owns a forty-five percent equity ownership interest and the Company owns a fifty-five percent equity ownership interest in the venture. The Company is the managing partner of the venture and is responsible for the day-to-day activities of the venture. The Company determined that this joint venture is not a VIE. Both partners have the ability to participate in major decisions, as detailed in the joint venture agreement, and therefore, neither partner is deemed to have control of the joint venture. Therefore, this joint venture is accounted for using the equity method of accounting.

In June 2013, the joint venture with PGGM entered into a limited liability company agreement with Pine Tree and IBT Group, LLC ("IBT"). This agreement forms a joint venture between the three parties to acquire, develop, operate and manage the property known as Evergreen Promenade, located in Evergreen Park, Illinois. The venture acquired the vacant land parcel for $5,500 and completed construction of the approximately 92,400 square foot shopping center as of December 31, 2014. As of September 30, 2015, Evergreen Promenade is 96% leased to two national retailers, Mariano's, which opened during the first quarter of 2015, and PetSmart, which opened during the fourth quarter of 2014. Management determined that this joint venture is not a VIE. All parties have the ability to participate in major decisions, as detailed in the agreement, and therefore, no partner is deemed to have control of the venture. Therefore, the joint venture with PGGM accounts for this joint venture using the equity method of accounting.

In September 2014, the joint venture with PGGM entered into a second limited liability company agreement with Pine Tree and IBT. This agreement forms a joint venture between the same parties to acquire, develop, operate and manage the property known as Pulaski Promenade, located in Chicago, Illinois. The venture acquired the vacant land parcel for $5,734 and has substantially completed construction of the approximately 122,000 square foot shopping center as of August 31, 2015. As of September 30, 2015, Pulaski Promenade is 80% leased to national retailers. Management determined that this joint venture is not a VIE. All parties have the ability to participate in major decisions, as detailed in the agreement, and therefore, no partner is deemed to have control of the joint venture. Therefore, the joint venture with PGGM accounts for this joint venture using the equity method of accounting.

On September 30, 2015, the REITs entered into an unsecured line of credit facility (the “PGGM Credit Agreement”). The aggregate commitment of the PGGM Credit Agreement is $50,000, and it matures on September 30, 2019. Borrowings under the PGGM Credit Agreement bear interest at a base rate applicable to any particular borrowing (e.g., LIBOR) plus a graduated spread that varies with the REITs leverage ratio. The REITs pay interest only, on a monthly basis during the term of the PGGM Credit Agreement, with all outstanding principal and unpaid interest due upon its termination. The REITs are also required to pay, on a quarterly basis, an amount less than 1% per annum on the average daily funds remaining under this line. As of September 30, 2015 the REITs had not drawn on the PGGM Credit Agreement and had up to $50,000 available. Availability under the PGGM Credit Agreement may be limited due to covenant compliance requirements. The REITs are expected to utilize this line of credit for general purposes, including funding the acquisition of the completed Evergreen Promenade and Pulaski Promenade shopping center developments and to pay off higher rate secured debt maturities on properties owned by the venture.

Development Joint Venture

The Company currently has one unconsolidated development joint venture, which was formed for the development or sale of the property commonly known as Savannah Crossing. This property consists of approximately five acres of vacant land, which the joint venture is holding for future sale or potential development.

Joint Venture Financial Information

Summarized financial information for the unconsolidated joint ventures is as follows:

	As of September 30, 2015	December 31, 2014
Balance Sheets:		
Assets:		
Investment in real estate, net	$801,792	755,656
Other assets	76,310	84,323
Total assets	$878,102	839,979
Liabilities:		
Mortgage payable (a) (b)	$385,962	320,883
Other liabilities	76,170	83,514
Total liabilities	$462,132	404,397

Total equity	$415,970	435,582
Total liabilities and equity	$878,102	839,979
Investment in and advances to unconsolidated joint ventures	$170,879	170,720

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	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Statements of Operations:				
Total revenues	$24,429	$22,889	78,072	67,914
Total expenses	(23,448)	(20,923)	(69,383)	(62,215)
Income from operations	$981	1,966	8,689	5,699
Inland's pro rata share of income from operations (c)	$2,011	2,774	8,936	6,831

(a) Includes $4,208 of unamortized mortgage premiums and discounts.

(b) Amount excludes the mortgage payable for Evergreen Promenade and Pulaski Promenade, because these properties are owned through unconsolidated joint ventures of INP Retail LP and are accounted for by INP Retail LP using the equity method of accounting.

(c) IRC's pro rata share includes the amortization of certain basis differences and an elimination of IRC's pro rata share of the management fee expense.

(6) Secured and Unsecured Debt

Total Debt Maturity Schedule

The following table presents the principal amount of total debt maturing each year, including amortization of principal, based on debt outstanding at September 30, 2015 and the weighted average interest rates for the debt maturing in each specified period:

	2015 (a)	2016 (a)	2017	2018	2019	Thereafter	Total
Fixed rate debt	$90,795	9,834	47,067	1,307	37,993	185,709	372,705 (b)
Weighted average interest rate	5.41 %	5.00 %	5.05 %	— %	4.42 %	5.25 %	5.17 %
Variable rate debt	$—	13,289	—	240,000 (c)(d)	200,000 (e)	—	453,289 (b)
Weighted average interest rate	— %	2.50 %	— %	2.04 %	1.60 %	— %	1.86 %
Total	$90,795	23,123	47,067	241,307	237,993	185,709	825,994

(a) Approximately $111,252 of the Company's mortgages payable mature in the next twelve months. Included in the debt maturing in 2015 is outstanding principal of approximately $90,247 secured by the Company's Algonquin Commons property. The loans encumbering Algonquin Commons have matured and the property is currently subject to foreclosure litigation and the Company cannot currently predict the outcome of the litigation. The Company intends to repay the other maturing debt upon maturity using available cash and/or borrowings under its unsecured line of credit facility.

(b) The total debt above reflects the total principal amount outstanding. The consolidated balance sheets at September 30, 2015 reflect the value of the debt including the remaining unamortized mortgages premium/discount of $1,694.

(c) Included in the debt maturing during 2018 is the Company's unsecured line of credit facility, totaling $190,000, which matures in July 2018. The Company pays interest only during the term of this facility at a variable rate equal to a spread over LIBOR, in effect at the time of the borrowing, which fluctuates with the Company's leverage ratio. As of September 30, 2015, the weighted average interest rate on outstanding draws on the line of credit facility was 1.65%. This credit facility requires compliance with certain covenants, such as debt service ratios, minimum net worth requirements, distribution limitations and investment restrictions. As of September 30, 2015, the Company was in compliance with these financial covenants.

(d) Included in the debt maturing during 2018 is the Company's $50,000 term loan which matures in November 2018. The Company pays interest only during the term of this loan at a variable rate, with an interest rate floor of 3.50%. As of September 30, 2015, the interest rate on this term loan was 3.50%. This term loan requires compliance with certain covenants, such as debt service ratios, minimum net worth requirements, distribution limitations and investment restrictions. As of September 30, 2015, the Company was in compliance with these financial covenants.

(e) Included in the debt maturing during 2019 is the Company's $200,000 term loan which matures in July 2019. The Company pays interest only during the term of this loan at a variable rate equal to a spread over LIBOR, in effect at the time of the borrowing, which fluctuates with the Company's leverage ratio. As of September 30, 2015, the weighted average interest rate on the term loan was 1.60%. This term loan requires compliance with certain covenants, such as debt service ratios, minimum net worth requirements, distribution limitations and investment restrictions. As of September 30, 2015, the Company was in compliance with these financial covenants.

Mortgages Payable

The Company's mortgages payable are secured by certain of its investment properties. The face value of mortgage loans outstanding as of September 30, 2015 was $385,994 and they bore interest at a weighted average interest rate of 5.08% per annum. Of this amount, $372,705 bore interest at fixed rates ranging from 4.00% to 6.03% per annum and a weighted average fixed rate of 5.17% per annum as of September 30, 2015. The remaining $13,289 of mortgage debt bears interest at variable rates with a weighted average interest rate of 2.50% per annum as of September 30, 2015. The consolidated balance sheets at September 30, 2015 include the remaining unamortized mortgages premium/discount of $1,694. As of September 30, 2015, scheduled maturities for the Company's outstanding mortgage indebtedness had various due dates through February 2023. The majority of the Company's mortgage loans require monthly payments of interest only, although some loans require principal and interest payments, as well as reserves for taxes, insurance and certain other costs.

In June 2012, a Company subsidiary ceased paying the monthly debt service on the two mortgage loans secured by both phases of Algonquin Commons. The Company subsidiary had hoped to reach an agreement with the special servicer that would revise the loan structure to make continued ownership of the property economically feasible. In January 2013, the Company subsidiary received notice that a complaint had been filed by the lender to Algonquin Commons, alleging events of default under the loan documents and seeking to foreclose on the property. In connection with the complaint, the plaintiff filed a motion for appointment of a receiver and the court granted the motion and issued an order effective February 28, 2013, appointing a receiver for the property. As a result, the receiver and its affiliated management company are now managing and operating Algonquin Commons and are now collecting all rents for the property. The Company cannot currently estimate the impact the dispute will have on its consolidated financial statements and may not be able to do so until a final outcome has been reached. The Company subsidiary believes the payment guaranty has, however, ceased and is of no further force and effect as a result of the conditions for termination having been met when the performance metrics set forth in the payment guaranty were met. As the Company has previously disclosed, if it is required to pay the full $18,600 outstanding under the guarantee, or a foreclosure occurs, there could be a material adverse effect on its cash flows and results of operations for the period and the year in which it occurs. The Company believes these events would not have a material effect on its consolidated balance sheets because there would be a corresponding reduction in both assets and liabilities. If the Company is required to pay under the payment guarantee, it would expect to fund this payment using available cash and/or a draw on its unsecured line of credit facility.

Derivative Instruments and Hedging Activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risk, including interest rate, liquidity and credit risk primarily by managing the amount, sources, and duration of its debt funding and, to a limited extent, the use of derivative instruments.

Specifically, the Company has entered into derivative instruments to manage exposures that arise from business activities that result in the payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative instruments, described below, are used to manage differences in the amount, timing, and duration of the Company's known or expected cash payments principally related to certain of the Company's borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objective in using interest rate derivatives is to manage exposure to interest rate movements and add stability to interest expense. To accomplish this objective, the Company uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

The Company currently has one interest rate swap outstanding that is used to hedge the variable cash flows associated with its variable-rate debt. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in comprehensive income (expense) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives, if any, is recognized directly in earnings. The Company has entered into one interest rate swap contract as a requirement under a secured mortgage and the hedging relationship is considered to be highly effective as of September 30, 2015.

Amounts reported in comprehensive income (expense) related to derivatives will be reclassified to interest expense as interest payments are made on the Company's variable-rate debt. The Company estimates that an additional $1,967 will be reclassified from comprehensive income (expense) as an increase to interest expense over the next twelve months.

In December 2010, the Company entered into a floating-to-fixed interest rate swap agreement with an original notional value of $60,000 and a maturity date of December 21, 2020 associated with the debt secured by first mortgages on a pool of eight investment properties. This interest rate swap fixed the floating LIBOR based debt under a variable rate loan to a fixed rate debt at an interest rate of 3.627% per annum plus the applicable margin to manage the risk exposure to interest rate fluctuations, or an effective fixed rate of 6.027% per annum.

As of September 30, 2015 and December 31, 2014, the Company had the following outstanding interest rate derivative designated as a cash flow hedge of interest rate risk:

Interest Rate Derivative	Notional	
	September 30, 2015	December 31, 2014
Interest Rate Swap	$60,000	60,000

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The table below presents the fair value of the Company's derivative financial instrument as well as its classification on the consolidated balance sheets as of September 30, 2015 and December 31, 2014.

	Derivative Liability As of September 30, 2015		Derivative Liability As of December 31, 2014	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivative designated as a cash flow hedge:				
Interest rate swap	Other liabilities	$6,995	Other liabilities	6,338

The table below presents the effect of the Company's derivative financial instrument on comprehensive income for the three and nine months ended September 30, 2015 and 2014.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Amount of gain (loss) recognized in comprehensive income on derivative, net	$(1,556)	(32)	(2,225)	(2,286)
Amount of loss reclassified from accumulated comprehensive income into interest expense	527	532	1,568	1,580
Unrealized gain (loss) on derivative	$(1,029)	500	(657)	(706)

Credit-risk-related Contingent Features

Derivative financial investments expose the Company to credit risk in the event of non-performance by the counterparties under the terms of the interest rate hedge agreements. The Company believes it minimizes the credit risk by transacting with major creditworthy financial institutions.

As of September 30, 2015, the fair value of derivatives in a liability position related to this agreement was $6,995. If the Company breached any of the contractual provisions of the derivative contract, it would be required to settle its obligation under the agreement at its termination value of $7,453.

Unsecured Credit Facilities

In 2014, the Company entered into amendments to its existing unsecured line of credit facility and term loan, together the "Credit Agreements." Under the term loan agreement, the Company borrowed, on an unsecured basis, $200,000. The aggregate commitment of the Company's line of credit facility is $275,000. The facility also provided for a $200,000 accordion feature, access to which is at the discretion of the current lending group. If approved, the terms for the funds borrowed under the accordion feature would be current market terms at the time of the borrowing and not the terms of the existing line of credit facility. The lending group is not obligated to approve access to the additional funds.

The line of credit facility matures on July 30, 2018 and the term loan matures on July 30, 2019. Borrowings under the Credit Agreements bear interest at a base rate applicable to any particular borrowing (e.g., LIBOR) plus a graduated spread that varies with the Company's leverage ratio.

The Company pays interest only, on a monthly basis during the term of the Credit Agreements, with all outstanding principal and unpaid interest due upon termination of the Credit Agreements. The Company is also required to pay, on a quarterly basis, an amount less than 1% per annum on the average daily funds remaining under this line. As of September 30, 2015 and December 31, 2014, the outstanding balance on the line of credit facility was $190,000 for each period. As of September 30, 2015, the Company had up to $85,000 available under its line of credit facility, not including the accordion feature. Availability under the line of credit facility may be limited due to covenant compliance requirements in the Credit Agreements.

On November 15, 2011, the Company entered into an unsecured loan agreement with Wells Fargo Bank, National Association as lender pursuant to which the company received $50,000 of loan proceeds. The loan matures on November 15, 2018. The Company pays interest only, on a monthly basis, with all outstanding principal and unpaid interest due upon the maturity date. The loan accrues interest at an effective rate calculated in accordance with the loan documents, provided, however, that in no event will the interest rate on the outstanding principal balance be less than 3.5% per annum. The Company could not prepay the loan in whole or in part prior to November 15, 2014. On or after that date, the Company may prepay the loan in its entirety or in part, together with all interest accrued and may incur a prepayment penalty in conjunction with such prepayment.

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(7) Fair Value Disclosures

In some instances, certain of the Company's assets and liabilities are required to be measured or disclosed at fair value according to a fair value hierarchy pursuant to relevant accounting literature. This hierarchy ranks the quality and reliability of the inputs used to determine fair values, which are then classified and disclosed in one of three categories. The three levels of the fair value hierarchy are:

- Level 1 — quoted prices in active markets for identical assets or liabilities.
- Level 2 — quoted prices in active markets for similar assets or liabilities; quoted prices in markets that are not active; and model-derived valuations whose inputs are observable.
- Level 3 — model-derived valuations with unobservable inputs that are supported by little or no market activity.

Assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment, and may affect the valuation of fair value assets and liabilities and their classifications within the fair value hierarchy levels.

For assets and liabilities measured at fair value on a recurring basis for which fair value disclosure is required, quantitative disclosure of the fair value for each major category of assets and liabilities is presented below:

	Fair value measurements at September 30, 2015 using	
Description	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate derivative liability (a)	$6,995	—
Variable rate debt (b)	—	452,442
Fixed rate debt (b)	—	399,330
Total liabilities	$6,995	851,772

	Fair value measurements at December 31, 2014 using	
Description	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate derivative liability (a)	$ 6,338	—
Variable rate debt (b)	—	440,163
Fixed rate debt (b)	—	407,692
Total liabilities	$ 6,338	847,855

(a) The Company entered into these interest rate swaps as a requirement under certain secured mortgage loans.

(b) The disclosure is included to provide information regarding the inputs used to determine the fair value of the outstanding debt, in accordance with existing accounting guidance. These instruments are not presented in the accompanying consolidated balance sheets at fair value.

Level 2

The fair value of derivative instruments was estimated based on data observed in the forward yield curve which is widely observed in the marketplace. The Company also incorporates credit valuation adjustments to appropriately reflect both its own nonperformance risk and the counterparty's nonperformance risk in the fair value measurements which utilizes Level 3 inputs, such as estimates of current credit spreads. The Company has determined that the credit valuation adjustments are not significant to the overall valuation of its derivative and therefore has classified this in Level 2 of the hierarchy.

Level 3

The fair value of both variable and fixed rate debt is the amount at which the instrument could be exchanged in a current transaction between willing parties. The Company estimates the fair value of its total debt by discounting the future cash flows of each instrument at rates currently offered for similar debt instruments of comparable maturities by the Company's lenders. At September 30, 2015 and December 31, 2014, the Company used rates of 3.0% and 3.4%, respectively, for fixed rate debt and 1.9% for variable rate debt in each period. The Company has not elected the fair value option with respect to its debt. The Company's other financial instruments, principally escrow deposits, accounts payable and accrued expenses, and working capital items are short term in nature and their carrying amounts approximate their fair value at September 30, 2015 and December 31, 2014.

(8) Stockholder's Equity

In November 2012, the Company entered into a three-year Sales Agency Agreement with BMO Capital Markets Corp., Jefferies & Company, Inc. and KeyBanc Capital Markets, Inc. (together the "Agents"). The Sales Agency Agreement provided that the Company could offer and sell shares of its common stock having an aggregate offering price up to $150,000 from time to time through the Agents. Offers and sales of shares of its common stock, if any, were to be made in privately negotiated transactions or by any other method deemed to be an "at the market" offering as defined in Rule 415 under the Securities Act, including sales made directly on the New York Stock Exchange or to or through a market maker. The Company has referred to this arrangement with the Agents in this report on Form 10-Q as its ATM issuance program. During the nine months ended September 30, 2015, the Company issued approximately 230 shares of its common stock through the ATM issuance program, generating net proceeds of approximately $2,511, comprised of approximately $2,550 in gross proceeds, offset by approximately $38 in commission and fees. This agreement expired on November 5, 2015, and the Company intends to review options available to renew this ATM issuance program.

(9) Accumulated Other Comprehensive Loss

The following table indicates the changes and reclassifications affecting other comprehensive loss by component for the nine months ended September 30, 2015.

	Gain (loss) on derivative instrument	
Balance at December 31, 2014	$(6,338	)
Unrealized gain (loss) on valuation of swap agreements	(2,225	)
Reclassification of realized interest on swap agreements	1,568	
Net other comprehensive income (loss)	(657	)
Balance at September 30, 2015	$(6,995	)

The following table indicates the changes and reclassifications affecting other comprehensive loss by component for the three months ended September 30, 2015.

	Gain (loss) on derivative instrument	
Balance at June 30, 2015	$(5,966	)
Unrealized gain (loss) on valuation of swap agreements	(1,556	)
Reclassification of realized interest on swap agreements	527	
Net other comprehensive income (loss)	(1,029	)
Balance at September 30, 2015	$(6,995	)

(10) Operating Leases

Certain tenant leases contain provisions providing for "stepped" rent increases. U.S. GAAP requires the Company to record rental income for the period of occupancy using the effective monthly rent, which is the average monthly rent for the entire period of occupancy during the term of the lease. The accompanying consolidated financial statements include increases of $194 and $367 for the three and nine months ended September 30, 2015, respectively, and $200 and $1,210 for the three and nine months ended September 30, 2014, respectively of rental income for the period of occupancy for which stepped rent increases apply and $23,751 and $23,384 in related accounts receivable as of September 30, 2015 and December 31, 2014, respectively. The Company anticipates collecting these amounts over the terms of the leases as scheduled rent payments are made.

(11) Income Taxes

The Company is qualified and has elected to be taxed as a REIT under the Internal Revenue Code of 1986, as amended ("the Code"), for federal income tax purposes commencing with the tax year ended December 31, 1995. Since the Company qualifies for taxation as a REIT, the Company generally is not subject to federal income tax on taxable income that is distributed to stockholders. A REIT is subject to a number of organizational and operational requirements, including a requirement that it distribute at least 90% of its taxable income to stockholders, subject to certain adjustments. If the Company fails to qualify as a REIT in any taxable year, without the benefit of certain relief provisions, the Company will be subject to federal and state income tax on its taxable income at regular corporate tax rates. Even if the Company qualifies for taxation as a REIT, the Company may be subject to certain state and local taxes on its income, property or net worth and federal income and excise taxes on its undistributed income.

The Company engages in certain activities through Inland Venture LLC ("IV LLC") (formerly known as Inland Venture Corporation), IEV LLC and Inland TRS Property Management, Inc., wholly-owned taxable REIT subsidiaries. These entities engage in activities that would otherwise produce income that would not be REIT qualifying income, including, but not limited to, managing properties owned through certain of the Company's joint ventures and the sale of ownership interests through the Company's IPCC joint venture. The taxable REIT subsidiaries are subject to federal and state income and franchise taxes from these activities.

The Company had no uncertain tax positions as of September 30, 2015. The Company expects no significant increases or decreases in uncertain tax positions due to changes in tax positions within one year of September 30, 2015. The Company has no material interest or penalties relating to income taxes recognized in the consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2015 and 2014 or in the consolidated balance sheets as of September 30, 2015 and December 31, 2014. As of September 30, 2015, returns for the calendar years 2011 through 2014 remain subject to examination by U.S. and various state and local tax jurisdictions.

Income taxes have been provided for on the asset and liability method, as required by existing guidance. Under the asset and liability method, deferred income taxes are recognized for the temporary differences between the financial reporting basis and the tax basis of assets and liabilities.

(12) Earnings per Share

Basic earnings (loss) per share ("EPS") is computed by dividing net income (loss) by the basic weighted average number of common shares outstanding for the period (the "common shares"). Diluted EPS is computed by dividing net income (loss) by the common shares plus shares issuable upon exercise of existing options or other contracts. As of September 30, 2015 and December 31, 2014, options to purchase 50 and 61 shares of common stock, respectively, at exercise prices ranging from $6.85 to $19.96 per share were outstanding. These options were not included in the computation of basic or diluted EPS as the effect would be immaterial or anti-dilutive for the periods presented.

As of September 30, 2015, 844 shares of common stock have been issued pursuant to employment agreements, employment incentives and as director compensation. Of the total shares issued, 486 have vested and 6 have been cancelled. The unvested shares are excluded from the computation of basic EPS but reflected in diluted EPS by application of the treasury stock method unless the effect would be immaterial or anti-dilutive.

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The following is a reconciliation of the numerator and denominator used in the basic and diluted EPS calculations, excluding amounts attributable to noncontrolling interests:

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Numerator:				
Income from continuing operations	$12,250	4,535	23,926	32,056
Income from discontinued operations	—	31	—	552
Net income	12,250	4,566	23,926	32,608
Less: Net (income) loss attributable to the noncontrolling interest	24	10	(51)	39
Net income attributable to Inland Real Estate Corporation	12,274	4,576	23,875	32,647
Dividends on preferred shares	(3,972)	(2,234)	(11,916)	(6,703)
Net income attributable to common stockholders	$8,302	2,342	11,959	25,944
Denominator:				
Denominator for net income per common share — basic:				
Weighted average number of common shares outstanding	100,188	99,617	100,041	99,495
Effect of dilutive securities:				
Unvested restricted shares	352 (a)	443 (a)	413 (a)	379 (a)
Denominator for net income per common share — diluted:				
Weighted average number of common and common equivalent shares outstanding	100,540	100,060	100,454	99,874

(a) Unvested restricted shares of common stock have a dilutive impact, although it is not material to the periods presented.

(13) Transactions with Related Parties

The Company pays or has paid affiliates of TIGI for real estate-related brokerage services and for certain administrative services, including, but not limited to, payroll preparation and management, data processing, insurance consultation and placement, property tax reduction services and mail processing. These TIGI affiliates provide these services at cost, with the exception of the broker commissions, which are charged as a percentage of the gross transaction amount. TIGI, through its affiliates, beneficially owns approximately 12.6% of the Company's outstanding common stock as of September 30, 2015. Daniel L. Goodwin, one of our directors, owns a controlling amount of the stock of TIGI. The Company also leases its corporate office from TIGI affiliates.

Effective July 1, 2014, the Company terminated its contracts with TIGI and its affiliates for insurance consultation and placement, mortgage/loan servicing and property tax reduction services. The Company has hired internal staff to handle loan servicing and property tax reduction services and engaged a third party broker to handle its insurance consultation and placement services.

The Company's current office lease expires in 2015. The Company executed an 11-year office lease with a third party and expects to relocate its corporate office early in the first quarter of 2016.

During the nine months ended September 30, 2015, the Company began the process of transitioning its computer services from a TIGI affiliate to a third-party managed service provider. The transition is expected to be complete before the end of 2015 and, at the time of full transition, the Company does not expect to incur additional fees for these services from TIGI affiliates.

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Amounts paid to TIGI and/or its affiliates for services and office space provided to the Company are set forth below.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Loan servicing	$—	—	—	67
Property tax payment/reduction work	—	50	—	191
Computer services	384	288	943	612
Other service agreements	62	55	172	171
Broker commissions	—	2	—	104
Office rent and reimbursements	275	189	688	501
Total	$721	584	1,803	1,646

Joel Simmons, one of the Company's directors, is the Executive Managing Director of Newmark Grubb Knight Frank ("NGKF"), a global provider of real estate services. The Company's joint venture with PGGM paid mortgage brokerage fees to NGKF of $195 during the nine months ended September 30, 2015. No mortgage brokerage fees were paid to NGKF during the nine months ended September 30, 2014. Mr. Simmons had an indirect personal interest as a broker in this transaction.

On February 10, 2015, the Company entered into a Limited Liability Company Agreement with NARE to acquire, develop, operate and manage an investment property located in Schaumburg, Illinois. The Company has a 95% equity interest in the joint venture and NARE has a 5% interest. On December 30, 2014, the Company entered into a promissory note and first mortgage and security agreement with the principal of NARE in the amount of $24,750. Reference is made to Note 4, "Mortgages Receivable" for a description of the loan arrangement with the NARE principal and to Note 16 "Subsequent Events" for information on the repayment of the mortgage.

(14) Segment Reporting

Guidance regarding the disclosures about segments of an enterprise and related information requires disclosure of certain operating and financial data with respect to separate business activities within an enterprise. The Company owns and acquires well located open air retail centers. The Company currently owns investment properties located in the States of Alabama, Arkansas, Florida, Illinois, Indiana, Kentucky, Louisiana, Minnesota, Nebraska, New York, North Carolina, Ohio, Oklahoma, Virginia and Wisconsin. These properties are typically anchored by grocery and drug stores, complemented with additional stores providing a wide range of other goods and services.

The Company assesses and measures operating results on an individual property basis for each of its investment properties based on property net operating income. Management internally evaluates the operating performance of the properties as a whole and does not differentiate properties by geography, size or type. The Company aggregates its properties into one reportable segment because all properties have similar characteristics and the Company evaluates the collective performance of its properties. Accordingly, the Company has concluded that it has a single reportable segment.

(15) Commitments and Contingencies

The Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of these matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material adverse effect on the financial statements of the Company.

(16) Subsequent Events

The Company has evaluated events subsequent to September 30, 2015 through November 5, 2015, the date of the financial statement issuance.

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Acquisitions
On October 21, 2015, the Company's joint venture with MAB acquired for redevelopment the Weaverville Plaza, located in Weaverville, North Carolina from an unaffiliated third party for approximately $11,425. Upon completion, Weaverville Plaza is expected to total 139,000 square feet of gross leasable area. Current tenants include Big Lots, Advance Auto Parts, and Wells Fargo. The redevelopment will include the construction of a new Publix grocery store, the addition of an outlot and a remerchandising of some of the existing shop space.

Dispositions
On October 9, 2015, the Company sold University Center, located in St. Paul, Minnesota to an unaffiliated third party for approximately $4,715, a price approximating its current carrying value, after recording an impairment adjustment of $726 during the nine months ended September 30, 2015.

On October 20, 2015, the Company sold Wauconda Shopping Center and the remaining portion of the Wauconda Crossings investment property both located in Wauconda, Illinois to an unaffiliated third party for approximately $8,000, a price above the combined current carrying value, after recording an impairment adjustment on this portion of Wauconda Crossings of $965 during the nine months ended September 30, 2015.

Distributions
On October 15, 2015, the Company paid a cash distribution of $0.169271 per share on the outstanding shares of its 8.125% Series A Cumulative Redeemable Preferred Stock to stockholders of record at the close of business on October 1, 2015.

On October 15, 2015, the Company announced that it had declared a cash distribution of $0.169271 per share on the outstanding shares of its 8.125% Series A Cumulative Redeemable Preferred Stock. This distribution is payable on November 16, 2015 to the stockholders of record at the close of business on November 2, 2015.

On October 15, 2015, the Company paid a cash distribution of $0.144791667 per share on the outstanding shares of its 6.95% Series B Cumulative Redeemable Preferred Stock to stockholders of record at the close of business on October 1, 2015.

On October 15, 2015, the Company announced that it had declared a cash distribution of $0.144791667 per share on the outstanding shares of its 6.95% Series B Cumulative Redeemable Preferred Stock. This distribution is payable on November 16, 2015 to the stockholders of record at the close of business on November 2, 2015.

On October 19, 2015, the Company paid a cash distribution of $0.0475 per share on the outstanding shares of its common stock to stockholders of record at the close of business on September 30, 2015.

On October 19, 2015, the Company announced that it had declared a cash distribution of $0.0475 per share on the outstanding shares of its common stock. This distribution is payable on November 17, 2015 to the stockholders of record at the close of business on November 2, 2015.

Other
On October 9, 2015, the Company's mortgage receivable, secured by the property commonly known as Clybourn Galleria, was repaid in full, including all accrued and unpaid interest. In conjunction with the repayment of this mortgage, the Company recognized the remaining $545 of the associated loan fee.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Certain statements in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this Quarterly Report on Form 10-Q (including documents incorporated herein by reference) constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Federal Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that do not reflect historical facts and instead reflect our management's intentions, beliefs, expectations, plans or predictions of the future. Forward-looking statements can often be identified by words such as "seek," "believe," "expect," "anticipate," "intend," "estimate," "may," "will," "should" an
Examples of forward-looking statements include, but are not limited to, statements that describe or contain information related to matters such as management's intent, belief or expectation with respect to our financial performance, investment strategy or our portfolio, our ability to address debt maturities, our cash flows, our growth prospects, the value of our assets, our joint venture commitments and the amount and timing of anticipated future cash distributions. Forward-looking statements reflect the intent, belief or expectations of our management based on their knowledge and understanding of the business and industry and their assumptions, beliefs and expectations with respect to the market for commercial real estate, the U.S. economy and other future conditions. These statements are not guarantees of future performance, and investors should not place undue reliance on forward-looking statements. Actual results may differ materially from those expressed or forecasted in forward-looking statements due to a variety of risks, uncertainties and other factors, including but not limited to the factors listed and described under Item 1A"Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission (the "SEC") on February 27, 2015 as they may be revised or supplemented by us in subsequent Reports on Form 10-Q and other filings with the SEC. Among such risks, uncertainties and other factors are market and economic challenges experienced by the U.S. economy or real estate industry as a whole, including dislocations and liquidity disruptions in the credit markets; the inability of tenants to continue paying their rent obligations due to bankruptcy, insolvency or a general downturn in their business; competition for real estate assets and tenants; impairment charges; the availability of cash flow from operating activities for distributions and capital expenditures; our ability to refinance maturing debt or to obtain new financing on attractive terms; future increases in interest rates; actions or failures by our joint venture partners, including development partners; and factors that could affect our ability to qualify as a real estate investment trust. We undertake no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes to future operating results.

In this report, all references to "we," "our" and "us" refer collectively to Inland Real Estate Corporation and its consolidated subsidiaries. All amounts in this Form 10-Q are stated in thousands with the exception of per share amounts, per square foot amounts, number of properties, and number of leases.

Executive Summary

We strive to be a leading owner and operator of high-quality, necessity and value-based retail centers in prime locations throughout the Central and Southeastern United States. We seek to provide predictable, sustainable cash flows and continually enhance shareholder value through the expert management and strategic improvement of our portfolio of premier retail properties.

We have qualified and elected to be taxed as a real estate investment trust ("REIT"). Inland Real Estate Corporation is a Maryland corporation formed on May 12, 1994. To date, we have focused on open-air neighborhood, community and power shopping centers and single-tenant retail properties located primarily in the Central and Southeastern United States. Through wholly owned subsidiaries, Inland Commercial Property Management, Inc. and Inland TRS Property Management, Inc., we manage all of the properties we own interests in as well as properties for certain third parties and related parties. Our investment properties are typically anchored by stores which provide everyday goods and services to consumers, such as grocery, drug or discount stores, rather than stores that sell discretionary items. We seek to acquire properties with high quality tenants and attempt to mitigate the impact of tenant defaults by maintaining a diversified tenant base. As of September 30, 2015, no single tenant accounted for more than approximately 4.0% of annual base rent in our total portfolio, excluding properties owned through our joint venture with Inland Private Capital Corporation ("IPCC").

As of September 30, 2015, we owned interests in 136 investment properties, including 37 properties owned by our unconsolidated joint ventures.

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Long-term Goals and Objectives

Management has implemented a strategic plan designed to accelerate internal growth, improve and diversify our portfolio and strengthen our balance sheet, with the ultimate goal of obtaining an investment-grade rating. The components of the plan are as follows:

- Continue to improve our tenant diversification and expand our geographic concentration, with increased footprints in the Central and Southeastern U.S.
- Continue to enhance the value of our portfolio through additional repositioning and redevelopment initiatives.
- Redeploy capital from dispositions of non-core, limited growth assets into acquisitions of high quality retail assets.
- Continue to reduce the cost, and extend the term, of our debt and reduce our overall leverage over time, which we believe will improve our financial flexibility and liquidity by maintaining access to multiple sources of capital.

In executing these objectives, during the nine months ended September 30, 2015, we:

- acquired one investment property in Alabama for our consolidated portfolio, one in Minnesota and three in Ohio for our PGGM joint venture and a development property in Schaumburg, Illinois for our new joint venture with North American Real Estate for an aggregate purchase price of $118,996.
- sold two investment properties, three outlot pads and portions of three investment properties for approximately $46,568, the proceeds from which were used to partially fund the acquisition of investment properties.
- repaid approximately $8,500 of consolidated mortgages payable, resulting in a decrease in outstanding secured debt.

As part of our growth strategy, management has implemented external growth initiatives focusing on investments in unconsolidated joint venture activities. Because certain joint ventures are unconsolidated, we are not able to present a complete picture of the impact these ventures have on our consolidated financial statements. We have included pro rata consolidated information in the Non-GAAP Financial Measures section of this Quarterly Report on Form 10-Q, which includes adjustments for the portion related to noncontrolling interests and unconsolidated joint ventures accounted for under the equity method of accounting. Because we incur expenses to manage properties that are not on our balance sheet, we believe providing this information allows investors to better compare our overall performance and operating metrics to those of other REITs in our peer group.

Total assets under management include consolidated assets, unconsolidated assets at 100% and assets that we do not have an ownership interest in, but that we manage on behalf of a third party. As of September 30, 2015, total assets under management were approximately $3,097,820 and produced total revenues of $88,604 and $276,500 for the three and nine months ended September 30, 2015, respectively.

Strategies and Objectives

Current Strategies

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. We believe our success in operating our centers efficiently and effectively is a direct result of our expertise in the acquisition, management, leasing and development/re-development of properties held either directly or through a joint venture.

Acquisition Strategies

We seek to selectively acquire well-located, open-air retail centers that meet our investment criteria. We will, from time to time, either acquire properties without financing contingencies or assume existing debt to provide us with a competitive advantage over other purchasers that require financing contingencies and those who are either unable or unwilling to assume existing debt. Additionally, we concentrate our property acquisitions in areas where we have, or seek to have, a large market concentration. In doing this, we believe we are able to achieve operating efficiencies and possibly lease several locations to retailers expanding in our markets.

Joint Ventures

We have formed joint ventures to acquire stabilized retail properties as well as properties to be redeveloped and vacant land to be developed. We structure these ventures to earn fees from the joint ventures for providing property management, asset

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management, acquisition and leasing services, in addition to the returns on our investment in the joint ventures. We will continue to receive management and leasing fees for those investment properties under management, although acquisition fees may fluctuate with the level of acquisition activity through these ventures.

We believe that joint ventures support our strategic goals of expanding our footprint to improve diversification, while utilizing our partner's capital and preserving liquidity on our balance sheet. Additionally, the joint ventures provide us with ongoing fee income that enhances our results of operations from our core portfolio.

To support our ongoing effort to expand our footprint into new markets, in November 2013, we entered into a joint venture with MAB, an affiliate of Melbourne Australia-based MAB Corporation to develop grocery-anchored shopping centers in select markets throughout the Southeastern United States in metropolitan areas in the Carolinas, Georgia, Florida, Virginia and Washington D.C. The joint venture agreement also provides that we will purchase each grocery-anchored center at a discount to fair market value after stabilization. A typical project likely will consist of a 50,000 square foot grocery store with approximately 20,000 square feet of additional retail space. Additionally, in September 2014, we entered into a joint venture with Thompson Thrift Development, Inc. to develop a single grocery anchored asset in North Carolina.

Additionally, we participate in a joint venture with IPCC that acquires properties which are ultimately sold to investors through a private offering of interests in Delaware Statutory Trusts ("DSTs"). We earn fees from the joint venture for providing asset management, property management, acquisition and leasing services. We will continue to receive management and leasing fees for those properties under management; even after all of the interests in a particular DST have been sold.

Operations

We actively manage costs to minimize operating expenses by centralizing all management, leasing, marketing, financing, accounting and data processing activities to provide operating efficiencies. We seek to improve rental income and cash flow by aggressively marketing rentable space. We emphasize regular maintenance and periodic renovation to meet the needs of tenants and to maximize long-term returns. We maintain a diversified tenant base consisting primarily of retail tenants providing consumer goods and services. We proactively review our existing portfolio for potential re-development opportunities.

Liquidity and Capital Resources

Our most liquid assets are cash and cash equivalents, which consists of cash and short-term investments. Cash and cash equivalents at September 30, 2015 and December 31, 2014 were $12,335 and $18,385, respectively. The higher cash balance at December 31, 2014 reflects proceeds from the sale of vacant land and sales activity in our joint venture with IPCC at year-end, the proceeds of which were subsequently used to pay down the balance on our unsecured line of credit facility. See our discussion of the statements of cash flows for a description of our cash activity during the nine months ended September 30, 2015 and 2014.

We consider all demand deposits, money market accounts and investments in certificates of deposit and repurchase agreements purchased with a maturity of three months or less, at the date of purchase, to be cash equivalents. We maintain our cash and cash equivalents at financial institutions. The combined account balances at one or more institutions could periodically exceed the Federal Depository Insurance Corporation ("FDIC") insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. However, we do not believe the risk is significant based on our review of the rating of the institutions where our cash is deposited. FDIC insurance currently covers up to $250 per depositor at each insured bank.

Sources of cash

Income generated from our investment properties is the primary source from which we generate cash. Other sources of cash include amounts raised from the sale of securities, including shares of our common stock sold under our dividend reinvestment plan and our ATM issuance program, which expired November 5, 2015 and may not be renewed, draws on our unsecured line of credit facility, which may be limited due to covenant compliance requirements, proceeds from financings secured by our investment properties, cash flows we retain that are not distributed to our stockholders and fee income received from our unconsolidated joint venture properties. As of September 30, 2015, we were in compliance with all financial covenants under our various debt agreements, and we had up to $85,000 available under our $275,000 line of credit facility and an additional $200,000 available under an accordion feature, subject to approval of the lending group. If approved, the terms for the funds borrowed under the accordion feature would be market terms at the time of the borrowing and not the terms of the other borrowings under the line of credit facility. The lending group is not obligated to approve access to funds under the accordion feature.

In the aggregate, our investment properties are currently generating sufficient cash flow to pay our operating expenses, monthly debt service requirements, certain capital expenditures and current distributions. Monthly debt service requirements consist primarily of interest payments on our debt obligations although certain of our secured mortgages require monthly principal amortization.

As noted above, we also have funded certain of our liquidity needs through the sale of our common stock in "at the market" or "ATM" issuances. This agreement expired on November 5, 2015, and the Company intends to review options available to renew this ATM issuance program. Under this ATM program, we were able to issue up to $150,000 of our shares of common stock. BMO Capital Markets Corp., Jefferies & Company, Inc. and KeyBanc Capital Markets, Inc. (together the "Agents") act as our sales agent(s) for these issuances which may be made in privately negotiated transactions or by any other method deemed to be an "at the market" offering as defined in Rule 415 under the Securities Act, including sales made directly on the New York Stock Exchange or to or through a market maker. We refer to the arrangement with the Agents in this report on Form 10-Q as our "ATM issuance program." During the nine months ended September 30, 2015, we issued approximately 230 shares of our common stock through our ATM issuance program, generating net proceeds of approximately $2,511, comprised of approximately $2,550 in gross proceeds, offset by approximately $38 in commissions and fees.

Uses of Cash

We use our cash primarily for the payment of distributions to our preferred and common stockholders, the operation of our investment properties, for interest expense on our debt obligations, for purchasing additional investment properties and capital commitments at existing investment properties and to meet joint venture commitments. Property operation outlays include, but are not limited to, real estate taxes, utilities, insurance, regular maintenance, landscaping, snow removal and periodic renovations to meet tenant needs. Pursuant to lease arrangements, most tenants are required to reimburse us for some or all of their pro rata share of the real estate taxes and operating expenses of the property.

Approximately $111,252 of consolidated debt, including required monthly principal amortization, matures in the next twelve months. Included in this total is an aggregate of approximately $90,247 of outstanding principal, secured by our Algonquin Commons property, which is subject to an $18,600 Payment Guaranty and carve-out guarantees, but generally is non-recourse to us. The loans encumbering Algonquin Commons have matured and the property is currently subject to foreclosure litigation through which the plaintiff is also seeking to enforce the Payment Guaranty. We believe the Payment Guaranty has terminated, but we cannot predict the outcome of the litigation or provide assurance that the Payment Guaranty will not be performed. We intend to repay the remaining maturing debt upon maturity using available cash and/or borrowings under our unsecured line of credit facility. Reference is made to the Total Debt Maturity Schedule in Note 6, "Secured and Unsecured Debt" to the accompanying consolidated financial statements for a discussion of our total debt outstanding as of September 30, 2015, which is incorporated into this Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

In October, 2012, we entered into a First Amendment (the "Amendment") to the Limited Partnership Agreement of our joint venture with PGGM. Subject to the terms and conditions of the Amendment, the partners increased the potential maximum equity contributions to allow for the acquisition of up to an additional $400,000 of grocery-anchored and community retail centers located in Midwestern U.S. markets, using partner equity and secured debt. The Amendment increased our potential maximum equity contribution to $281,000 and PGGM's potential maximum equity contribution to $230,000. The Amendment grants additional time to acquire assets and no contributions are required unless and until both partners approve an additional acquisition. We will fund our equity contributions with draws on our line of credit facility, proceeds from sales of investment properties, proceeds from financing unencumbered properties or the sale of preferred or common stock. As of September 30, 2015, PGGM's remaining maximum potential contribution was approximately $11,119 and ours was approximately $13,590.

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In November 2013, we entered into a joint venture to develop grocery-anchored shopping centers in select markets throughout the southeastern U.S. with MAB, an affiliate of Melbourne, Australia-based MAB Corporation. The five-year development program is expected to target metropolitan areas in the Carolinas, Georgia, Florida, Virginia and Washington D.C. Under the terms of the joint venture agreement, we have exclusive rights to all grocery-anchored, build-to-suit opportunities in the southeastern U.S. sourced by MAB. Upon our site approval, we will provide 90% of the equity required to fund approved project costs, while MAB will be responsible for the remaining 10% of the equity, plus venture management, sourcing and acquisition of sites, project financing and all property and development duties. The joint venture agreement also provides that we are required to purchase each grocery-anchored center at a discount to fair market value after stabilization and after certain criteria are met. A typical project likely will consist of a 50,000-square-foot grocery store with approximately 20,000 square feet of additional retail space. As of September 30, 2015, there were no acquisitions through this joint venture. Subsequent to the end of the quarter, the joint venture completed its first acquisition (see Note 16 "Subsequent Events").The joint venture has one additional site under contract, with closing anticipated during the first half of 2016.

In September 2014, we entered into a joint venture to develop Tanglewood Pavilions, a 158,000 square foot power center that is located in Elizabeth City, North Carolina with Thompson Thrift Development, Inc. ("TTDI"). The joint venture acquired the vacant land for $850. Construction was substantially completed during the third quarter, and the completed portion was placed in service effective August 21, 2015. We have provided 90% of the equity required to fund approved project costs not funded through the construction loan, while TTDI has provided the remaining 10% of the equity, plus venture management and development duties. The joint venture agreement also provides that we are required to purchase the power center at a discount to fair market value after stabilization and after certain other criteria are met. As a result, we have determined we are the primary beneficiary of this VIE. As of September 30, 2015, this property had not yet reached a stabilized financial occupancy rate.

One of our goals is to enhance the value of our portfolio through additional repositioning and redevelopment initiatives. We believe that the stability of our portfolio, the lack of new supply of retail space in our targeted markets, and the continued demand from growing retailers has put us in excellent position to be proactive in upgrading the quality of our tenancy and increasing rents. We continue to focus on leasing vacant spaces, but we are also focusing on right-sizing certain retailers and repositioning other centers to manage tenant exposures and open up space to accommodate larger tenants. These activities may require us to take tenants off-line during construction that may have a temporary adverse effect on our results of operations during the period the tenant is not paying rent. We are proactive in moving forward with these activities, as we believe the long term benefits outweigh the temporary decline in cash flows and net operating income. We currently have several projects underway and others under consideration. During 2015, we expect to invest a total of approximately $40,000 in capital for tenant improvements and leasing commission on new leases and building improvements related to some of these repositioning efforts, which is higher than amounts spent in the past two years. This increase in spending is reflective of planned redevelopment projects during 2015. During the nine months ended September 30, 2015, we invested approximately $33,549 on such capital items. We expect to continue to fund these improvements using a portion of our cash from operations and draws on our unsecured line of credit facility.

The table below reflects our current development pipeline:

Project / Entity	Major Tenants	Anticipated Construction Completion Date	Estimated Budget Costs	Estimated IRC Equity to be Invested	Project Costs to Date	IRC Equity Invested to Date	Projected GLA upon completion
Active Development Projects							
		Q4 2015	$32,358	$3,871	$24,296	$3,855	133,281

Pulaski Promenade Chicago, IL INP Retail LP (1)	Michaels, Ross Dress for Less, Marshall's, Shoe Carnival, PetSmart						
Tanglewood Pavilion Elizabeth City, NC IRC/Thompson Thrift	TJ Maxx, Ross Dress for Less, Hobby Lobby, Wal-Mart(non-owned)	Q4 2015	22,126	3,945	17,909	3,945	157,847
Shoppes at Rainbow Landing Rainbow City, AL Consolidated	Publix	Q4 2015	12,679	12,679	10,218	10,218	64,759
1300 Meacham Road Schaumburg, IL IRC/NARE	None	Q3 2016	8,500	8,075	4,934	4,520	10,000-18,000
Southshore Shopping Center Boise, ID Consolidated	Gordmans, Albertsons (non-owned)	—	—	—	5,910	5,910	106,972

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Project / Entity	Major Tenants	Anticipated Construction Completion Date	Estimated Budget Costs	Estimated IRC Equity to be Invested	Project Costs to Date	IRC Equity Invested to Date	Projected GLA upon completion
Redevelopment Projects							
Joliet Commons Ph I & II Joliet, IL Consolidated	Dick's Sporting Goods, DSW Shoe Warehouse	Q4 2015	6,630	6,630	5,733	5,733	—
Dunkirk Square Maple Grove, MN Consolidated	Hobby Lobby	Q4 2015	1,600	1,600	903	903	—
Land Held for Future Development							
Savannah Crossing Aurora, IL TMK/Inland Aurora Venture LLC	Wal-Mart (non-owned), Walgreens (non-owned)	—	—	—	2,253	—	—
North Aurora Towne Centre North Aurora, IL Consolidated	Best Buy, Target (non-owned), JC Penney (non-owned)	—	—	—	12,188	12,188	—
Shops at Lakemoor Lakemoor, IL Consolidated	None	—	—	—	10,234	10,234	—

(1) The estimated budget is shown including approximately $5,900 of anticipated TIF proceeds, the final amount of which will be determined upon project completion.

We have begun the process of transitioning our computer services from an affiliate of The Inland Group, Inc. ("TIGI") to a third-party managed service provider. The transition is expected to be complete before the end of 2015 and at the time of full transition, we do not expect to incur additional fees for these services from the TIGI affiliate. However, during the transition period, we may incur additional costs to the TIGI affiliate for their assistance. We have incurred $384 and $943 during the three and nine months ended September 30, 2015, respectively, as compared to $288 and $612 during the three and nine months ended September 30, 2014 for all computer services from the TIGI affiliate. After the transition, we expect costs for our computer services with our new service provider to be similar to the costs from the TIGI affiliate.

Acquisitions and Dispositions

The table below presents investment property acquisitions, including those acquired by our unconsolidated joint ventures, during the nine months ended September 30, 2015 and the year ended December 31, 2014.

Acquisition Date	Property	City	State	GLA Sq.Ft.	Approx. Ground Lease Sq.Ft. (a)	Purchase Price	Cap Rate (b)	Financial Occupancy at time of Acquisition

Consolidated Portfolio											
03/27/14	Mokena Marketplace	Mokena	IL	49,058	4,300	$13,737	7.25	%	76	%
10/02/14	Prairie Crossings Shopping Center	Frankfort	IL	109,079	—	24,663	6.77	%	98	%
10/17/14	Shoppes at Rainbow Landing (c)	Rainbow City	AL	—	—	3,008	(c)		(c)	
03/10/15	Westbury Square	Huntsville	AL	114,904	—	23,417	6.50	%	100	%
PGGM Joint Venture										
06/30/14 10/16/14	Newport Pavilion (d)	Newport	KY	205,053	131,854	66,920	6.50	%	90	%
08/19/14	Princess City Plaza (e)	Mishawaka	IN	172,181	6,327	28,608	7.37	%	100	%
09/10/14	Pulaski Promenade (f)	Chicago	IL	—	—	7,150	(f)		(f)	
02/02/15	Argonne Village	Lakeville	MN	109,869	—	26,304	6.61	%	100	%
04/02/15	Cedar Center North	South Euclid	OH	61,420	—	15,415	7.18	%	90	%
05/07/15	Creekside Commons	Mentor	OH	201,893	6,519	28,300	6.88	%	99	%
05/29/15	Eastgate Crossing	Cincinnati	OH	174,740	—	21,060	6.60	%	97	%
IPCC Joint Venture										
01/01/14	CVS	Port St. Joe	FL	13,225	—	4,303	6.28	%	100	%
01/01/14	O'Reilly	Kokomo	IN	7,210	—	1,475	6.39	%	100	%
01/02/14	Walgreens	Trenton	OH	14,820	—	4,462	6.50	%	100	%
02/12/14	BJ's Wholesale Club	Framingham	MA	114,481	—	26,500	6.43	%	100	%
02/26/14	Academy Sports	Olathe	KS	71,927	—	11,024	6.62	%	100	%

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Acquisition Date	Property	City	State	GLA Sq.Ft.	Approx. Ground Lease Sq.Ft. (a)	Purchase Price	Cap Rate (b)	Financial Occupancy at time of Acquisition
03/19/14	Mountain View Square	Wausau	WI	86,584	7,600	11,425	6.64 %	100 %
10/14/14	Family Dollar Portfolio (g)	(g)	(g)	97,076	—	17,990	6.55 %	100 %
10/14/14	Family Dollar Portfolio (h)	(h)	(h)	113,788	—	21,906	6.58 %	100 %
06/05/15	University Center	Jacksonville	FL	102,885	2,866	15,750	6.95 %	100 %
TTDI Joint Venture								
09/26/14	Tanglewood Pavilions (i)	Elizabeth City	NC	—	—	850	(i)	(i)
IRC-NARE Joint Venture								
02/12/15	1300 Meacham Road (j)	Schaumburg	IL	—	—	4,500	(j)	(j)
				1,820,193	159,466	$378,767		

(a) The purchase price of these properties includes square footage subject to ground leases. Ground lease square footage is not included in our GLA.

(b) The Cap Rate disclosed is as of the time of acquisition and is calculated by dividing the forecasted net operating income ("NOI") by the purchase price. Forecasted NOI is defined as forecasted net income for the twelve months following the acquisition of the property, calculated in accordance with U.S. GAAP, excluding straight-line rental income, amortization of lease intangibles, interest, depreciation, amortization and bad debt expense, less a vacancy factor to allow for potential tenant move-outs or defaults.

(c) We acquired vacant land to develop a 65,000 square foot shopping center that is 74% pre-leased. Additional information regarding this active development project can be found in the Development Pipeline schedule under Liquidity and Capital Resources.

(d) Newport Pavilion Phase I consisting of 95,400 square feet of GLA and 126,938 ground lease square feet was purchased on June 30, 2014 for $43,279. Newport Pavilion Phase II consisting of 109,653 square feet of GLA was purchased on October 16, 2014 for $23,641 and 4,916 ground lease square feet was purchased through an earnout. This property is also subject to future earnout payments of approximately $13,000, of which approximately $2,800 remains payable.

(e) This property was subject to future earnout payments of approximately $530, which have been paid.

(f) Our joint venture with PGGM acquired vacant land to develop a 133,000 square foot retail building through a development partnership that is 80% pre-leased to national tenants.

(g) This portfolio consists of twelve Family Dollar stores, located in Fruitland Park, Florida; Bell, Florida; Ocala, Florida; Citrus Springs, Florida; Phenix City, Alabama; Ponchatoula, Louisiana; Oklahoma City, Oklahoma; Turley, Oklahoma; Salisbury, North Carolina; King George, Virginia; Farmington, New York and Independence, Kentucky.

(h) This portfolio consists of fourteen Family Dollar stores, located in Rice, Texas; Bremond, Texas; Sardis, Georgia; McDonough, Georgia; Leesburg, Georgia; Mableton, Georgia; Macon, Georgia; Clarkston, Georgia; Columbus, Georgia; Macon, Georgia; Huber Heights, Ohio; Pacolet, South Carolina and Chaffee, Missouri.

(i)

Our joint venture with Thompson Thrift Development, Inc. acquired vacant land to develop a 158,000 square foot retail building that is approximately 70% pre-leased.

(j) Our joint venture with North American Real Estate acquired land to develop three pad sites which will be ground lease or build-to-suit opportunities.

The table below presents investment property dispositions, including properties disposed of by our unconsolidated joint ventures, during the nine months ended September 30, 2015 and the year ended December 31, 2014.

Disposition Date	Property	City	State	GLA Sq. Ft.	Approx. Ground Lease Sq.Ft. (a)	Sale Price	Gain (Loss) on Sale	Provision for Asset Impairment
Consolidated Portfolio								
01/24/14	Dominick’s	Countryside	IL	62,344	—	$ 3,000	$ 1,167	$ —
02/04/14	Golf Road Plaza	Niles	IL	25,992	—	3,300	742	—
03/11/14	River Square	Naperville	IL	58,260	—	16,750	10,941	—
04/18/14	Disney	Celebration	FL	166,131	—	25,700	7,030	—
05/16/14	Lake Park	Michigan City	IN	114,867	—	3,900	—	222
06/16/14	Winfield Pointe Center	Winfield	IL	19,888	—	2,500	(346)	—
06/26/14	Gateway Square	Hinsdale	IL	39,710	—	10,000	3,295	