

DESCRIPTION OF SECURITIES

We are a corporation formed under the laws of the State of Maryland. Your rights as a stockholder are governed by Maryland law, our charter and our bylaws. The following summarizes the material terms of our common stock as described in our charter and bylaws which you should refer to for a full description. Copies of these documents are filed as exhibits to the registration statement of which this prospectus is a part. You also can obtain copies of these documents if you desire. See “Where You Can Find More Information” below.

General Description of Shares

Our charter authorizes us to issue up to 400,000,000 shares of common stock and 50,000,000 shares of preferred stock, each share having a par value of \$0.001. Of the total shares of common stock authorized, 320,000,000 are classified as Class A Shares and 80,000,000 are classified as Class T Shares.

Each share of Class A and Class T common stock is entitled to participate in distributions on its respective class of shares when and as authorized by the board of directors and declared by us and in the distribution of our assets upon liquidation. The per share amount of distributions on Class A and Class T Shares will differ because of different allocations of class-specific expenses. See “— Distribution Policy” below. Each share of common stock will be fully paid and non-assessable by us upon issuance and payment therefor. Shares of common stock are not subject to mandatory redemption. The shares of common stock have no preemptive rights (which are intended to insure that a stockholder has the right to maintain the same ownership interest on a percentage basis before and after the issuance of additional securities) or cumulative voting rights (which are intended to increase the ability of smaller groups of stockholders to elect directors). We have the authority to issue shares of any class or securities convertible into shares of any class or classes, to classify or to reclassify any unissued stock into other classes or series of stock by setting or changing the preferences, conversion or other rights, voting powers, restrictions, limitations as to distributions, qualifications and terms and conditions of redemption of the stock, all as determined by our board of directors. In addition, the board of directors, with the approval of a majority of the entire board and without any action by the stockholders, may amend our charter from time to time to increase or decrease the aggregate number of shares or the number of shares of any class or series that we have authority to issue. The issuance of any preferred stock must be approved by a majority of our independent directors who do not have an interest in the transaction and who have access, at our expense, to our counsel or independent legal counsel.

We will not issue stock certificates unless expressly authorized by our board. Shares will be held in “uncertificated” form, which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to the transfer agent to effect a transfer. Transfers can be effected by mailing to DST a duly executed transfer form available upon request from DST or from our website at www.InlandResidentialTrust.com. Upon the issuance of our shares and upon the request of a stockholder, we will send to each such stockholder a written statement which will include all information that is required to be written upon stock certificates under Maryland law.

Class A Shares

We will pay our dealer manager selling commissions equal to 6.0% of the price per Class A Share sold, or \$1.50 per Class A Share, with certain exceptions. Our dealer manager anticipates reallowing (paying) the full amount of the selling commissions to participating soliciting dealers as compensation for their services in soliciting and obtaining subscriptions. See “Plan of Distribution — Compensation We Pay For the Sale of Our Shares” for additional information. In addition, we will also pay a dealer manager fee of approximately \$0.69 per Class A share, or 2.75% of the price per share sold. Certain purchasers of Class A Shares may be eligible for volume discounts. See “Plan of Distribution — Volume Discounts (Class A Shares Only)” for additional information.

There are no distribution and stockholder servicing fees charged with respect to the Class A Shares.

We may also sell our Class A Shares at a discount to the offering price of \$25.00 per share through the following distribution channels in the event that the investor:

- (1) purchases shares through fee-based programs, also known as wrap accounts;
- (2) purchases shares through certain registered investment advisors;
- (3) purchases shares through soliciting dealers and any of their respective directors, officers, employees or affiliates who request and are entitled to alternative fee arrangements with their clients; or
- (4) purchases shares as a result of a volume discount.

Investors purchasing shares through one of the above distribution channels in our offering will pay \$23.50 per Class A Share (other than shares purchased as a result of a volume discount), reflecting the absence of selling commissions. The net proceeds to us will not be affected by any such reduction in selling commissions.

Inland Securities or any of its or our directors, officers, employees or affiliates or any directors, officers and employees of its affiliates, or any family members of those individuals (including spouses, parents, grandparents, children and siblings), may purchase Class A Shares net of sales commissions and the dealer manager fee for \$22.81 per Class A Share.

Class T Shares

We will pay our dealer manager selling commissions equal to 2.0% of the price per Class T Share sold, or approximately \$0.48 per Class T Share. In addition, we will also pay a dealer manager fee of approximately \$0.66 per share, or 2.75% of the price per share sold.

We will also pay the dealer manager a distribution and stockholder servicing fee of 1.0% per annum of the purchase price per share (or, once reported, the amount of our estimated value per share) for Class T Shares sold in the primary offering. The distribution and stockholder servicing fee will accrue daily and be paid monthly in arrears. The dealer manager may reallow the

distribution and stockholder servicing fee to the soliciting dealer who sold the Class T Shares or, if applicable, to a subsequent broker-dealer of record of the Class T Shares so long as the subsequent broker-dealer is party to a soliciting dealer agreement, or servicing agreement, with the dealer manager that provides for such reallowance. The distribution and stockholder servicing fees are ongoing fees that are not paid at the time of purchase. See “Plan of Distribution — Compensation We Pay for the Sale of Our Shares — Distribution and Stockholder Servicing Fee (Class T Shares Only).”

The per share amount of distributions on Class A and Class T Shares will differ because of the distribution and stockholder servicing fee that we pay on the Class T Shares. The distribution and stockholder servicing fee will be paid on each Class T Share that is purchased in the primary offering. We will cease paying the distribution and stockholder servicing fee with respect to any particular Class T Share and that Class T Share will convert into a Class A Share by multiplying each Class T Share to be converted by the “Conversion Rate” described herein on the earlier of (i) a listing of the Class A Shares on a national securities exchange; (ii) a merger or consolidation of the Company with or into another entity, or the sale or other disposition of all or substantially all of the Company’s assets; (iii) the end of the month in which the Dealer Manager determines that total underwriting compensation paid in the primary offering plus the distribution and stockholder servicing fee paid on all Class T Shares sold in the primary offering is equal to 10% of the gross proceeds of the primary offering from the sale of both Class A Shares and Class T Shares; and (iv) the end of the month in which the underwriting compensation paid in the primary offering plus the distribution and stockholder servicing fee paid with respect to that Class T Share equals 10% of the gross offering price of that Class T Share. In the case of a Class T Share purchased in the primary offering at a price equal to \$23.95, the maximum distribution and stockholder servicing fee that may be paid on that Class T Share will be equal to approximately \$1.26 per share. Although we cannot predict the length of time over which this fee will be paid due to potential changes in the estimated value of our Class T Shares, this fee would be paid over approximately 5.25 years from the date of purchase, assuming a constant estimated value of \$23.95 per Class T Share. The Conversion Rate will be equal to the quotient, the numerator of which is the estimated value per Class T Share (including any reduction for distribution and stockholder servicing fees as described herein) and the denominator of which is the estimated value per Class A Share. See “ERISA Considerations — Annual Valuation Requirement.” Persons wishing to purchase Class T Shares at multiple times during the primary offering must open a separate account for each purchase. We will further cease paying the distribution and stockholder servicing fee on any Class T Share that is redeemed or repurchased, as well as upon the Company’s dissolution, liquidation or the winding up of the Company’s affairs, or a merger or other extraordinary transaction in which the Company is a party and in which the Class T Shares as a class are exchanged for cash or other securities. If \$1 billion in shares (consisting of \$800 million in Class A Shares, at \$25.00 per share, and \$200 million in Class T Shares, at \$23.95 per share) are sold in the primary offering, then the maximum amount of distribution and stockholder servicing fees payable is estimated to be up to \$10.5 million, before the 10% limit on Class T Shares is reached. These estimates will change if the actual allocation of Class A and Class T Shares differs from our estimate. The aggregate amount of underwriting compensation for the Class A Shares and Class T Shares, including the distribution and stockholder servicing fee for the Class T Shares, will not exceed FINRA’s 10% cap on underwriting compensation.

Voting Rights. The Class A and Class T Shares will vote together as a single class, and, subject to the restrictions on transfer and ownership of stock set forth in our charter and except as may otherwise be specified in our charter, each share is entitled to one vote on each matter submitted to a vote at a meeting of our stockholders. Generally, all matters to be voted on by stockholders at a meeting of stockholders duly called and at which a quorum is present must be approved by a majority of the votes cast by the holders of all shares of common stock present in person or represented by proxy, voting together as a single class, subject to any voting rights granted to holders of any preferred stock, although the affirmative vote of a majority of shares present in person or by proxy at a meeting at which a quorum is present is necessary to elect each director.

Rights Upon Liquidation

If we liquidate (voluntarily or otherwise), dissolve or wind up, immediately before such liquidation, dissolution or winding up, our Class T Shares will automatically convert to Class A Shares at the Conversion Rate, and our net assets, or the proceeds therefrom, will be distributed to the holders of Class A Shares, which will include all converted Class T Shares, in accordance with their proportionate interests.