

INVESTORS REAL ESTATE TRUST
Form S-11/A
January 09, 2002

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM S-11/A

**1ST AMENDED REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933**

INVESTORS REAL ESTATE TRUST

(Exact name of registrant as specified in governing instruments)

12 South Main Street, Suite 100

Minot, ND 58701

(Address of principal executive offices, including zip code)

TIMOTHY P. MIHALICK

12 South Main Street, Suite 100

Minot, ND 58701

(Name and address of agent for service)

Copies of communications to:

THOMAS A. WENTZ, JR.

INVESTORS REAL ESTATE TRUST

12 South Main Street, Suite 100

Minot, ND 58701

(701) 837-4738

FAX (701) 838-7785

Approximate date of commencement of proposed sale to the public: As soon as practicable on or after the effective date of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 of the Securities Act of 1933, check the following box. X

CALCULATION OF REGISTRATION FEE

Title of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Investors Real Estate Trust Shares of	600,000 Shares	\$8.75 Per Share	\$5,250,000.00 aggregate offering	\$1,254.75

Beneficial Interest

price

The registrant hereby amends this registration statement on such dates or date as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

Page 1

600,000 COMMON SHARES
INVESTORS REAL ESTATE TRUST (IRET)
Common Shares of Beneficial Interest
Minimum Purchase of 100 Shares

The Company is a self-advised real estate investment trust (REIT) that, through its operating partnership, IRET Properties, is engaged in acquiring, owning, and leasing multi-family and commercial real estate. IRET is listed on the Nasdaq Small Cap Market under the symbol "IRETS."

We intend to use the proceeds of this offering to increase our capital for real estate additions or acquisitions.

The shares of beneficial interest being offered are the functional equivalent of common stock and hold the rights and preferences normally associated with common stock.

	<u>Per Share</u>	<u>Total if all shares sold</u>	<u>Percentage</u>
Public Offering Price	\$8.75	\$ 5,250,000	100%
Less Selling Commission	\$.70	\$ 420,000	8%
Proceeds to us before expenses	\$8.05	\$ 4,830,000	92%

After the payment of all fees and expenses associated with this offering and assuming all the shares are sold, IRET will receive approximately \$4,787,000 or 91.18% of the sale proceeds.

Investing involves certain risks. See page 4. Some, but not all of the risks to consider are:

The fixed \$8.75 price of shares under this offering may be priced higher than the current Nasdaq price. You may be paying more for your IRET shares than necessary.

This is a best efforts offering. Even if we do not sell enough shares to acquire additional real estate, we will not return any portion of your investment.

The book value of the shares available under this offering is substantially less than the purchase price of \$8.75 per share.

To preserve our status as a REIT, IRET may redeem its shares from any shareholder at anytime for the fair value of the shares at the time of redemption or IRET may refuse to transfer shares to any person.

The shares will be offered on a best efforts basis by broker/dealers who have signed a sales agreement and are registered with the National Association of Securities Dealers (NASD). The broker/dealers are not required to sell a specific number or dollar amount of shares. The broker/dealers will be paid an 8% commission on each share sold. Any money received from investors will go immediately to IRET and will not be placed in escrow or trust. This offering will end on the earlier of one year from the date of this prospectus or when all shares have been sold. Broker/dealers who have agreed to sell the shares are listed on page 19.

These securities have not been approved or disapproved by the Securities and Exchange Commission or any State Securities Commission nor has the Commission or any State Securities Commission passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

Effective Date: January _____, 2002 Prospectus

Table of Contents

Prospectus Summary Index	Page
Prospectus Summary.....	S-1
IRET.....	S-1
Investment Risks.....	S-1
Business.....	S-2
IRET's Real Estate Portfolio.....	S-3
This Offering & Plan of Distribution.....	S-4
Use of Proceeds.....	S-5
Unaudited Quarterly Financial Data For quarter Ended October 31, 2001.....	S-5
Summary Operating Data - Three Months and Six Months Ended October 31, 2001.....	S-5
Statement of Operations for Three Months and Six Months Ended	
October 31, 2001 and 2000.....	S-6
Selected Financial Data.....	S-6
Summary Operating Data Last Three Fiscal Years.....	S-7
Selected Financial Data for IRET for Three Years Ended April 30.....	S-7
Funds From Operations.....	S-7
Recent Developments.....	S-8

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Revenues.....	S-8
Funds From Operations.....	S-8
Capital Gain Income.....	S-8
Acquisition of Interlachen Corporate Center - Edina, Minnesota.....	S-9
Acquisition of Retail Strip Center - Cottage Grove, Minnesota.....	S-9
Acquisition of Bloomington Business Plaza - Bloomington, Minnesota.....	S-9
Acquisition of Canyon Lake Apartments - Rapid City, South Dakota.....	S-10
Acquisition of Applewood on the Green Apartments - Omaha, Nebraska.....	S-10
Price Range of Common Shares and Distributions.....	S-11
Legal Matters.....	S-11
Experts	S-11
Available Information Concerning IRET.....	S-12
Securities and Exchange Commission.....	S-12
Reports to Security Holders.....	S-12
Additional Information.....	S-12
Prospectus	
The Company.....	1
Selected Financial Information for the Past Three Years.....	2
Real Estate Investment by State for the Last Three Years Ended April 30.....	2
Commercial Square Footage for the Last Three Years Ended April 30.....	3
Apartment Units Owned for the Last Three Years Ended April 30.....	3
Gross Revenue from Real Estate Activities for the Last Three Years Ended April 30.....	4
Net Income from Real Estate Activities for the Last Three Years Ended April 30.....	4
Risk Factors.....	4
Price of Shares May be Higher than Nasdaq Price.....	4
Price Exceeds Book Value.....	5
High Leverage on Individual Properties or the Overall Portfolio May Result in Losses.....	5
Inability to Sell all the Shares May Prevent Completion of Rochester or Bismarck Apartments.....	6
Geographic Concentration in North Dakota and Minnesota May Result In Losses.....	6
Senior Securities will be Paid Before IRET Shares.....	7
Current and Future Commercial Vacancy May Negatively Impact Earnings.....	7
Mortgage Lending May Result in Losses.....	8

Prospectus	Page
Lack of Employment Contracts May Prevent IRET from Retaining Qualified Management.....	9
Competition May Negatively Impact IRET's Earnings.....	9
Low Trading Volume of IRET on the Nasdaq will Prevent the Timely Resale of Shares.....	10
Ability of IRET's Board of Trustees to Change Policy Without Shareholder Approval.....	10
Certain Restrictions on Transfer of Shares May Result in Losses.....	10
IRET Does Not Carry Insurance Against All Possible Losses.....	11
Adverse Changes in Laws May Affect Our Potential Liability Relating to the Properties and Our Operations.....	11
Potential Effect on Costs and Investment Strategy from Compliance with Laws Benefiting Disabled Persons.....	11
Potential Inability to Renew, Repay or Refinance Our Debt Financing.....	12
Increase in Cost of Indebtedness Due to Rising Interest Rates.....	12

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Potential Incurrence of Additional Debt and Related Debt Service.....	13
Potential Liability Under Environmental Laws.....	13
Provisions Which Could Limit a Change in Control or Deter a Takeover.....	14
Tax Liabilities as a Consequence of Failure to Qualify as a REIT.....	14
Conflicts of Interest May Negatively Impact the Financial Performance of IRET.....	15
Front-End Fees and Costs Associated With This Offering.....	17
Offering Compensation.....	17
Determination of Offering Price.....	18
Effective Date of Offering.....	18
Dilution.....	18
Plan of Distribution.....	19
Who May Invest.....	20
Use of Proceeds.....	20
Selected Financial Data for IRET for Five Years Ended April 30.....	21
Management's Discussion and Analysis of Financial Conditions and Results of Operations.....	22
General.....	22
Results from Operations - Three Months and Six Months Ended October 31, 2001.....	22
Revenues.....	22
Capital Gain Income.....	23
Expenses and Net Income.....	23
Anticipated Increase in Insurance Expense.....	24
Comparison of Commercial and Residential Properties.....	25
Net Real Estate Operating Income.....	25
Occupancy Rates.....	26
Property Acquisitions and Dispositions.....	26
Funds From Operations.....	26
Distributions.....	28
Liquidity and Capital Resources.....	29
Results from Operations for the Fiscal Years Ended April 30, 2001, 2000 and 1999.....	32
Revenues.....	32
Capital Gain Income.....	33
Expenses and Net Income.....	33
Telephone Endorsement Fee.....	34
Comparison of Results from Commercial and Residential Properties.....	34
Charge for Impairment of Value Fiscal 2000.....	34
Commercial Properties - Analysis of Lease Expirations and Credit Exposure.....	35
Significant Properties.....	35
Significant Tenants of IRET.....	37
Current Economic Slowdown.....	37
Results from Stabilized Properties.....	38
Funds From Operations.....	38
Self-Advised Status.....	39
Property Acquisitions.....	40
Fiscal 2001 Property Acquisitions for the Period May 1, 2000 to April 30, 2001.....	40
Fiscal 2000 Property Acquisitions for the Period May 1, 2001 to April 30, 2000.....	40
Property Dispositions.....	42
Distributions.....	43

Prospectus

Liquidity and Capital Resources.....	43
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Page

43

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Impact of Inflation.....	45
Anticipated Increase in Insurance Expense.....	45
Quantitative & Qualitative Disclosures about Market Risk.....	46
General Information As To Investors Real Estate Trust.....	46
Organization of IRET.....	46
Governing Instruments of IRET.....	46
Independent Trustees.....	47
Non-Independent Trustees.....	47
Shareholder Meetings.....	47
Structure of IRET.....	47
Policy With Respect To Certain Activities.....	49
To Issue Senior Securities.....	49
Senior Securities Outstanding as of April 30, 2001, 2000 and 1999.....	49
To Borrow Money.....	49
To Loan Money.....	50
Mortgage Loans Receivable.....	50
To Invest in the Securities of Other Companies for Purposes of Exercising Control.....	50
To Underwrite Securities of Other Issuers.....	51
To Engage in the Purchase and Sale or Turnover of Investments.....	51
To Offer Securities in Exchange for Property.....	51
To Purchase or Otherwise Re-Acquire Its Shares or Other Securities.....	52
To Make Annual and Other Reports Available to Shareholders.....	52
Investment Policies of IRET.....	52
Investments in Real Estate or Interests in Real Estate.....	52
Investments in Real Estate Mortgages.....	53
Investments in the Securities of or Interest in Persons Primarily Engaged in Real Estate Activities and Other Securities.....	54
Description of Real Estate.....	55
Commercial Real Estate.....	55
Residential Real Estate.....	61
Fiscal Year 2001 Property Sales for the Year Ended April 30, 2001.....	68
Fiscal 2001 Property Acquisitions for Year Ended April 30, 2001.....	68
Title.....	69
Insurance.....	69
Planned Improvements.....	69
Occupancy.....	69
Material Lease Terms.....	69
Residential Lease Terms.....	69
Commercial Lease Terms.....	70
Shares Available for Future Sale.....	70
Operating Partnership Agreement.....	72
IRET, Inc. is the Sole General Partner.....	72
Transferability of Limited Partnership and General Partnership Interests.....	72
Proceeds of this Offering will be Capital Contributions to IRET Properties.....	73
Exchange Rights of Limited Partners.....	74
Operation of IRET Properties and Payment of Expenses.....	75
Distributions and Liquidation.....	75
Allocations.....	75
Term.....	76
Fiduciary Duty.....	76
Tax Matters.....	76
Tax Treatment of IRET and Its Shareholders.....	77
Federal Income Tax.....	77
State and Local Income Taxation.....	78
Taxation of IRET's Shareholders.....	78

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Prospectus	Page
Taxation of IRA's, 401K's, Pension Plans and Other Tax-exempted Shareholders.....	79
IRET Reporting to the IRS and Backup Withholding.....	79
Tax Treatment of IRET Properties and Its Limited Partners.....	80
Classification as a Partnership.....	80
Income Taxation of IRET Properties and Its Partners.....	81
Partners and not IRET Properties Subject to Tax.....	81
Partnership Allocation Income, Losses and Capital Gain.....	81
Tax Allocations with Respect to Contributed Property.....	81
Tax Basis in IRET Properties.....	82
Sale of Real Estate.....	82
ERISA and Prohibited Transaction Considerations.....	83
Status of IRET and IRET Properties under ERISA.....	83
Market Price of and Dividends on IRET's Shares of Beneficial Interest.....	85
Market for IRET Shares of Beneficial Interest.....	85
Prior Share Offering Price.....	86
Share Buyback Program.....	86
Shares Outstanding.....	87
Distributions Payable Last Five Years.....	87
Distribution Reinvestment Plan.....	88
Description of IRET's Shares of Beneficial Interest.....	88
Ownership and Transfer Restrictions.....	89
Legal Proceeding.....	89
Management.....	90
Directors and Executive Officers.....	90
Executive Compensation.....	91
Trustee Compensation.....	93
Security Ownership of Management and Trustees.....	93
Certain Relationships and Related Transactions.....	95
Management Services.....	95
Acquisition of Odell-Wentz & Associates, L.L.C.....	95
Property Management Services.....	95
Security Sales Services.....	96
Legal Services.....	96
Selection, Management and Custody of IRET's Assets.....	96
Real Estate Management.....	96
Conflicts of Interest.....	98
Selling To or Buying Property From IRET.....	98
Sales Commissions or Finder Fees.....	99
Competition with IRET.....	99
Interests of Named Experts and Counsel.....	99
Limitations of Liability.....	99
Legal Matters.....	101
Experts.....	101
Pro Forma Statement of Operations Acquisitions for the Six Months Ended	
October 31, 2001.....	102
Unaudited Pro Forma Financial Information - Fiscal 2001.....	104
Pro Forma Consolidated Statement of Operations as of April 30, 2001.....	104
Financial Information for Significant Acquisitions - Fiscal 2001.....	105
Olympic Village - Billings, Montana.....	105
Material Factors Considered by IRET at the Time of Acquisition.....	105
Independent Auditor's Report.....	107
Historical Summary of Gross Income & Direct Operating Expenses	
For the Year Ended December 31, 1999.....	108
Notes to Historical Summary of Gross Income and Direct Operating Expenses	
For the Year Ended December 31, 1999.....	109
Unaudited Interim Financial Statement - January 1, 2000 - August 30, 2000.....	110

Prospectus	Page
Unaudited Estimated Taxable Operating Results.....	110
Southdale Medical - Edina, Minnesota.....	111
Material Factors Considered by IRET at the Time of Acquisition.....	111
Independent Auditor's Report.....	113
Historical Summary of Gross Income & Direct Operating Expenses	
For the Year Ended December 31, 2000.....	114
Notes to Historical Summary of Gross Income and Direct Operating Expenses	
For the Year Ended December 31, 2000.....	15
Unaudited Estimated Taxable Operating Results.....	116
HealthEast I & II.....	117
Material Factors Considered by IRET at the Time of Acquisition.....	117
Independent Auditor's Report.....	118
Historical Summary of Gross Income & Direct Operating Expenses	
For the Year Ended December 31, 1999.....	119
Notes to Historical Summary of Gross Income and Direct Operating Expenses	
For the Year Ended December 31, 1999.....	120
Unaudited Interim Financial Statement - January 1, 2000 - April 30, 2000.....	121
Unaudited Estimated Taxable Operating Results.....	121
Plymouth Techcenter IV & V.....	122
Material Factors Considered by IRET at the Time of Acquisition.....	122
Independent Auditor's Report.....	124
Historical Summary of Gross Income & Direct Operating Expenses	
For the Year Ended December 31, 2000.....	125
Notes to Historical Summary of Gross Income and Direct Operating Expenses	
For the Year Ended December 31, 2000.....	126
Unaudited Interim Financial Statement - January 1, 2001 - March 31, 2001.....	128
Unaudited Estimated Taxable Operating Results.....	128
Table of Contents Financial Statements.....	129
Consolidated Financial Statements - Six Months Ended	
October 31, 2001, and 2000	F-1 to F-14
Consolidated Financial Statements - Fiscal Year Ended April 30, 2001,	
2000, and 1999 and Independent Auditor' Report.....	F-15 to F-57

Prospectus Summary

This summary may not contain all of the information that may be important to you. You should read this prospectus summary and the accompanying prospectus and the documents incorporated and deemed to be incorporated by reference into the prospectus, including the financial data and the related notes, in their entirety before making an investment decision. When used in this prospectus supplement, the terms "we," "our," "us" and "IRET" refer to Investors Real Estate Trust.

IRET

Investors Real Estate Trust is a self-administered, self-managed equity real estate investment trust. Our business consists of the ownership and operation of income-producing real properties. We conduct our day-to-day business operations through our operating partnership IRET Properties, a North Dakota Limited Partnership. We have a fundamental strategy of focusing our real estate investments in the upper Midwest consisting primarily of the states of Minnesota, North Dakota, South Dakota, Montana, and Nebraska, of seeking diversification by property type. While we have historically focused most of our investments in the five states listed above, in order to maximize acquisition opportunities, we consider and undertake investments outside of our targeted region. We own a diversified portfolio consisting of 62 multi-family communities, and 61 total commercial properties.

We concentrate on increasing our income from operations per share and funds from operations per share to achieve our objective of paying increasing dividends to our shareholders. Our dividends have increased every year for 31 consecutive years

Our principal office is located at 12 South Main Street Suite 100 Minot, North Dakota 58701; our telephone number there is (701) 837-4738.

Investment Risks

If you purchase our shares offered pursuant to this offering you will be exposed to a number of risks that may result in a loss of all or a significant portion of your investment. For a complete discussion of the risks please see pages 4 through 16 of the full prospectus which follows this summary. A summary of the more significant risks that your investment with us may be exposed to are

- * The fixed \$8.75 price of shares under this offering may be priced higher than the current Nasdaq price, which may result in you paying more for your IRET shares than necessary.

S-1

- * As of October 31, 2001, total liabilities were 220% in relation to our net assets. The ratio of total liabilities to total assets was 69.58%, and the ratio of real estate assets to total real estate debt was 62.9%.. We intend to borrow 70% of the cost of any real estate constructed or purchased which may result in us becoming too highly leveraged and losing the real estate through foreclosure..
- * This is a best efforts offering. Even if we do not sell enough shares to acquire additional real estate, we will not return any portion of your investment.
- * The low trading volume of IRET shares on the Nasdaq small cap market may prevent the timely resale of any shares you purchase.
- * The management of IRET operates under a number of conflicts of interest that may prevent the company from receiving the benefit of management's undivided effort and time
- * The book value of the shares available under this offering is substantially less than the purchase price of \$8.75 per share.

Business

We have a fundamental strategy of focusing on the upper Midwest with a primary emphasis on the states of Minnesota, North Dakota, South Dakota, Montana, and Nebraska. For the six months ended October 31, 2001, IRET's investments in these states account for 71% of IRET's total gross revenue of \$44,445,900. We also seek diversification by property type with approximately 60% being multi-family apartment communities and the remaining 40% being commercial buildings. We attempt to concentrate our multi-family holdings in cities with populations from 35,000 to 500,000 in the 25-mile radius. As it applies to commercial real estate, we seek to acquire properties that are fully leased to quality tenants and located in medium to large population centers containing from

50,000 to 1,000,000 people or more within a 25-mile radius. Under certain circumstances, we seek to diversify our real estate portfolio by investing in assets located through out the United States and in smaller or larger metropolitan areas.

Based upon our ability to raise equity capital and exchange limited partnership units in IRET Properties, we anticipate acquiring \$50,000,000 to \$150,000,000 of real estate assets on an annual basis going forward.

S-2

IRET contracts with a locally based third party management company to handle all onsite management duties necessary for the proper operation of a particular property. All management contracts may be terminated on 30 days written notice and provide for compensation ranging from 2.75% to no more than 5% of gross rent collections. The use of local management companies allows us to enjoy the benefits of local knowledge of the applicable real estate market while avoiding the cost and difficulty associated with maintaining management personnel in every city in which we operate. Based upon our ability to raise equity capital, we plan to acquire \$100,000,000 of real estate assets on an annual basis going forward applying the investment focus outlined in the previous paragraph of approximately two-thirds apartments and one-third commercial primarily located in the upper Midwestern states of Minnesota, North Dakota, South Dakota, Montana, and Nebraska.

We operate in a manner intended to enable us to qualify as a real estate investment trust under the Internal Revenue Code. In accordance with the Code, a real estate investment trust which distributes its capital gains and at least 90% of its taxable income to its shareholders each year, and which meets certain other conditions, will not be taxed on that portion of its taxable income which is distributed to its shareholders.

We generally use available cash or incur short-term floating rate debt in connection with the acquisition of real estate. We replace the cash used or the floating rate debt with fixed-rate secured debt. In appropriate circumstances, we also may acquire one or more properties in exchange for our equity securities or operating partnership units that are convertible into our shares.

IRET's Real Estate Portfolio

As of April 30, 2001, our real estate portfolio consisted of 61% multi-family apartment complexes and 39% commercial buildings based on the dollar amount of our original investment plus capital improvements to date. The dollar amount and percentage of total real estate rental revenue by property group for the Fiscal years ending April 30, 2001, 2000 and 1999 was as follows:

	<u>Apartment</u>		<u>Commercial</u>		<u>Total Revenue</u>
	<u>Gross Revenue</u>	<u>%</u>	<u>Gross Revenue</u>	<u>%</u>	
2001	\$55,806,712	75%	\$18,994,010	25%	\$74,800,722
2000	\$42,379,855				