

INVESTORS REAL ESTATE TRUST  
Form S-11/A  
January 08, 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**

<b><u>Title of Securities to be Registered</u></b>	<b><u>Amount to be Registered</u></b>	<b><u>Proposed Maximum Offering Price Per Unit</u></b>	<b><u>Proposed Maximum Aggregate Offering Price</u></b>	<b><u>Amount of Registration Fee</u></b>
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.

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**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	\$ <u>.70</u>	\$ <u>420,000</u>	<u>8%</u>
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

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## 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.

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- \* 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.

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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				