

INVESTORS REAL ESTATE TRUST  
Form 8-K/A  
December 16, 2002

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

**FORM 8-K/A**

**AMENDMENT NO. 1 TO CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**December 13, 2002**  
(Date of Report)

**October 1, 2002**  
(Date of earliest event reported)

**INVESTORS REAL ESTATE TRUST**  
(Exact name of registrant as specified in its charter)

**North Dakota**  
(State or other jurisdiction of  
incorporation)

**0-14851**  
(Commission File Number)

**45-0311232**  
(IRS Employer Identification  
Number)

**12 South Main Street, Suite 100, Minot, ND**  
(Address of principal executive offices)

**58701**  
(Zip Code)

**(701) 837-4738**  
(Registrant's telephone number, including area code)

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The undersigned Registrant hereby amends its Current Report on Form 8-K dated October 1, 2002, which was filed with the Securities and Exchange Commission on October 15, 2002, to include the financial statements required by Item 7 (a) of Form 8-K and the pro forma financial information required by Item 7 (b) of Form 8-K.

**ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS**

(a) Financial Statements: See Index to Financial Statements and Pro Forma Financial Information appearing on Page F-1 of this Form 8-K/A.

(b) Pro Forma Financial Information: See Index to Financial Statements and Pro Forma Financial Information appearing on page F-1 of this Form 8-K/A.

(c) Exhibits

None

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### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

### INVESTORS REAL ESTATE TRUST

By: /S/ Thomas A. Wentz, Sr.  
Thomas A. Wentz, Sr.  
President & CEO

December 13, 2002

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**Bermans, The Leather Experts Corporate Office, Warehouse and Distribution Complex**

IRET Properties purchased Bermans, The Leather Experts Corporate Office, Warehouse and Distribution Complex on September 3, 2002. The property is a 353,049 square foot, single story building. Because prior to acquisition the building was owner occupied, historical summaries of gross income and direct operating expenses have not been prepared and no audit was performed as required by Regulation S-X, Rule 3-14 of the Securities and Exchange Commission ("SEC").

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**Bermans, The Leather Experts Corporate Office, Warehouse and Distribution Complex Unaudited Estimated Taxable Operating Results**

The table below represents estimated taxable operating results of Bermans, Brooklyn Park, Minnesota, for the first twelve-month period of the acquisition. Said property is a net lease commercial structure consisting of 353,049 net rentable square footage, of which assumptions for net rent is based upon 0% vacancy.

|                              | <u>Cash Flow Projections</u> |
|------------------------------|------------------------------|
| Rental Revenue               | \$ 1,365,000                 |
| Interest Expense             | -659,750                     |
| Principal Mortgage Reduction | <u>-231.024</u>              |
| OPERATING CASH FLOW          | \$ <u>474.226</u>            |

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**Independent Auditor's Report**

To the Board of Trustees of Investors Real Estate Trust

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses of Garden View Medical Condominium ("Historical Summary") for the year ended December 31, 2001. This Historical Summary is the responsibility of the management. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 2, and is not intended to be a complete presentation of Garden View Medical Condominium revenue and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in Note 2 of Garden View Medical Condominium for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/S/ Brady, Martz, and Associates, P.C.

Brady, Martz, and Associates, P.C.

Minot, North Dakota

December 12, 2002

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**Garden View Medical Condominium Historical Summary of Gross Income and Direct Operating Expenses for the Year Ended December 31, 2001**

|   |    |                  |
|---|----|------------------|
| GROSS INCOME  |    | <u>12/31/01</u>  |
| Real estate rentals                                   | \$ | 699,189          |
| Operating Expense Reimbursements                      |    | <u>522,837</u>   |
| Total Gross Income                                    | \$ | <u>1,222,026</u> |
| DIRECT OPERATING EXPENSES                             |    |                  |
| Utilities   |    | 135,441          |
| Repairs and Maintenance                               |    | 146,290          |
| Real Estate Taxes                                     |    | 165,082          |
| Property Management                                   |    | 77,697           |
| Insurance   |    | 126              |
| Building Security Services                            |    | <u>43,869</u>    |
| Total Direct Operating Expenses                       | \$ | <u>568,505</u>   |
| EXCESS OF GROSS INCOME OVER DIRECT OPERATING EXPENSES | \$ | <u>653,521</u>   |

The Notes to Historical Summary of Gross Income and Direct Operating Expenses are an integral part of this summary.

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**Garden View Medical Condominium Notes to Historical Summary of Gross Income and Direct Operating Expenses for the Year Ended December 31, 2001**

Note 1. Nature of Business

*Garden View Medical Condominium consists of the top two floors of a medical office building located in St. Paul, Minnesota, containing 43,046 square feet of rentable space, which was acquired on September 17, 2002.*

Note 2. Basis of Presentation

*IRET Properties purchased Garden View Medical Condominium September 17, 2002. The historical summary has been prepared for the purpose of complying with Regulation S-X, Rule 3-14 of the Securities and Exchange Commission ( SEC ), which requires certain information with respect to real estate operations acquired to be included with certain filings with the SEC. This historical summary includes the historical gross income and direct operating expenses of Garden View Medical Condominium, exclusive of the following expenses which may not be comparable to the proposed future operations:*

- (a) interest expense on existing mortgage and borrowings*
- (b) depreciation of property and equipment*
- (c) professional expenses*

Note 3. Summary of Significant Accounting Policies

Use of Estimates - *The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.*

Capitalization Policy - *Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs, which do not add to the value or extend useful lives, are charged to expense as incurred.*

Revenue Recognition - *Rental revenue is recognized on the straight-line basis, which averages minimum rents over the terms of the leases. All leases are classified as operating leases and expire at various dates prior to May 31, 2015. The following is a schedule by years of future minimum rents receivable on non-cancelable operating leases in effect as of December 31, 2001.*

| <i>Year</i> |    | <i>Amount</i>    |
|-------------|----|------------------|
| 2002        | \$ | 768,063          |
| 2003        |    | 768,063          |
| 2004        |    | 768,835          |
| 2005        |    | 783,666          |
| 2006        |    | 796,862          |
| Thereafter  |    | <u>3,761,077</u> |
| Total       | \$ | <u>7,646,566</u> |

Expense Reimbursement Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred. Garden View Medical Condominium receives payments for these reimbursements from substantially all its multi-tenant commercial tenants throughout the year based on estimates. Differences between estimated recoveries and the final billed amounts, which are immaterial, are recognized in the subsequent year.

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### Garden View Medical Condominium Unaudited Estimated Taxable Operating Results

The table below represents estimated taxable operating results of Garden View Medical Condominium, St. Paul, Minnesota, for the first twelve-month period of the acquisition. Said property is a net lease commercial structure consisting of 43,046 net rentable square footage, of which assumptions for net rent is based upon 5% vacancy.

|                              | <u>Cash Flow Projections</u> |                 |
|------------------------------|------------------------------|-----------------|
| Rental Revenue               | \$                           | 1,413,492       |
| Direct Operating Expense     |                              | -590,951        |
| Interest Expense             |                              | -413,507        |
| Principal Mortgage Reduction |                              | <u>-209,497</u> |
| OPERATING CASH FLOW          | \$                           | <u>199,537</u>  |

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### Independent Auditor's Report

To the Board of Trustees of Investors Real Estate Trust

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We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses of the Park Dental ("Historical Summary") for the nine months ended December 31, 2001. This Historical Summary is the responsibility of the management. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 2, and is not intended to be a complete presentation of the Park Dental revenue and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in Note 2 of the Park Dental for the nine months ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/S/ Brady, Martz, and Associates, P.C.

Brady, Martz, and Associates, P.C.

Minot, North Dakota

December 12, 2002

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**Park Dental Historical Summary of Gross Income and Direct Operating Expenses for the Nine Months Ended December 31, 2001**

|   |    |                 |
|---|----|-----------------|
| GROSS INCOME  |    | <u>12/31/01</u> |
| Real estate rentals                                   | \$ | 211,214         |
| Operating Expense Reimbursements                      |    | <u>99,863</u>   |
| Total Gross Income                                    | \$ | <u>311,077</u>  |
| DIRECT OPERATING EXPENSES                             |    |                 |
| Utilities   |    | 16,726          |
| Repairs and Maintenance                               |    | 43,154          |
| Real Estate Taxes                                     |    | 33,265          |
| Property Management                                   |    | 12,842          |
| Insurance   |    | <u>733</u>      |
| Total Direct Operating Expenses                       | \$ | <u>106,720</u>  |
| EXCESS OF GROSS INCOME OVER DIRECT OPERATING EXPENSES | \$ | <u>204,357</u>  |

The Notes to Historical Summary of Gross Income and Direct Operating Expenses are an integral part of this summary.



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**Park Dental Notes to Historical Summary of Gross Income and Direct Operating Expenses for the Nine Months Ended December 31, 2001**

*Note 1.*                    Nature of Business

*The Park Dental is an office building located in Brooklyn Center, Minnesota, containing 10,008 square feet of rentable space, which was acquired on September 17, 2002. Construction of the property was completed in calendar year 2001. Lease-up began April 2001. Accordingly, the above audited report only covers the nine (9) months of operations.*

*Note 2.*                    Basis of Presentation

*IRET Properties purchased Park Dental September 17, 2002. The historical summary has been prepared for the purpose of complying with Regulation S-X, Rule 3-14 of the Securities and Exchange Commission ( SEC ), which requires certain information with respect to real estate operations acquired to be included with certain filings with the SEC. This historical summary includes the historical gross income and direct operating expenses of Park Dental, exclusive of the following expenses which may not be comparable to the proposed future operations:*

- (a) interest expense on existing mortgage and borrowings*
- (b) depreciation of property and equipment*
- (c) professional expenses*

*Note 3.*                    Summary of Significant Accounting Policies

Use of Estimates - *The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.*

Capitalization Policy - *Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs, which do not add to the value or extend useful lives, are charged to expense as incurred.*

Revenue Recognition - *Rental revenue is recognized on the straight-line basis, which averages minimum rents over the terms of the leases. The lease is classified as an operating lease and will expire on March 31, 2021. The following is a schedule by years of future minimum rents receivable on operating lease in effect as of December 31, 2001.*

| <i>Year</i> | <i>Amount</i>       |
|-------------|---------------------|
| 2002        | \$ 268,546          |
| 2003        | 268,546             |
| 2004        | 268,546             |
| 2005        | 268,546             |
| 2006        | 274,395             |
| Thereafter  | <u>4,082,385</u>    |
| Total       | <u>\$ 5,430,964</u> |

Expense Reimbursement - *Reimbursements for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred. Park Dental receives payments for these reimbursements throughout the year based on estimates. Differences between estimated recoveries and the*

*final billed amounts, which are immaterial, are recognized in the subsequent year.*

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### **Park Dental Unaudited Estimated Taxable Operating Results**

The table below represents estimated taxable operating results of the Park Dental, Brooklyn Center, Minnesota for the first twelve-month period of the acquisition. Said property is a net lease commercial structure consisting of 10,008 rentable square footage, of which assumptions for net rent is based upon 0% occupancy.

|                              | <u>Cash Flow Projections</u> |
|------------------------------|------------------------------|
| Rental Revenue               | \$ 422,112                   |
| Direct Operating Expenses    | -154,115                     |
| Interest Expense             | -148,943                     |
| Principal Mortgage Reduction | <u>-73,333</u>               |
| OPERATING CASH FLOW          | \$ <u>45,721</u>             |

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### **Independent Auditor's Report**

To the Board of Trustees of Investors Real Estate Trust

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses of Park Nicollet Clinic ("Historical Summary") for the eleven months ended December 31, 2001. This Historical Summary is the responsibility of the management. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 2, and is not intended to be a complete presentation of Park Nicollet Clinic revenue and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in Note 2 of Park Nicollet Clinic for the eleven months ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/S/ Brady, Martz, and Associates, P.C.

Brady, Martz, and Associates, P.C.

Minot, North Dakota

December 12, 2002

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**Park Nicollet Clinic Historical Summary of Gross Income and Direct Operating Expenses for the Eleven Months Ended December 31, 2001**

|   |    |                 |
|---|----|-----------------|
| GROSS INCOME  |    | <u>12/31/01</u> |
| Real estate rentals                                   | \$ | 421,796         |
| Operating Expense Reimbursements                      |    | <u>35,318</u>   |
| Total Gross Income                                    | \$ | <u>457,114</u>  |
| DIRECT OPERATING EXPENSES                             |    |                 |
| Repairs and Maintenance                               |    | 16,746          |
| Property Management                                   |    | 13,735          |
| Insurance   |    | <u>2,274</u>    |
| Total Direct Operating Expenses                       | \$ | <u>32,755</u>   |
| EXCESS OF GROSS INCOME OVER DIRECT OPERATING EXPENSES | \$ | <u>424,359</u>  |

The Notes to Historical Summary of Gross Income and Direct Operating Expenses are an integral part of this summary.

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**Park Nicollet Clinic Notes to Historical Summary of Gross Income and Direct Operating Expenses for the Eleven Months Ended December 31, 2001**

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Note 1. Nature of Business

Park Nicollet Clinic is a single-story medical office building located in Bloomington, Minnesota, containing 24,218 square feet of rentable space, which was acquired on September 17, 2002. Construction of the property was completed in calendar year 2001. Lease-up began February 2001. Accordingly, the above audited report only covers eleven (11) months of operations.

Note 2. Basis of Presentation

IRET Properties purchased Park Nicollet Clinic September 17, 2002. The historical summary has been prepared for the purpose of complying with Regulation S-X, Rule 3-14 of the Securities and Exchange Commission ( SEC ), which requires certain information with respect to real estate operations acquired to be included with certain filings with the SEC. This historical summary includes the historical gross income and direct operating expenses of Park Nicollet Clinic, exclusive of the following expenses which may not be comparable to the proposed future operations:

- (a) interest expense on existing mortgage and borrowings
- (b) depreciation of property and equipment
- (c) professional expenses

Note 3. Summary of Significant Accounting Policies

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capitalization Policy - Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs, which do not add to the value or extend useful lives, are charged to expense as incurred.

Revenue Recognition - Rental revenue is recognized on the straight-line basis, which averages minimum rents over the terms of the leases. All leases are classified as operating leases and expire at various dates prior to February 01, 2031. The following is a schedule by years of future minimum rents receivable on non-cancelable operating leases in effect as of December 31, 2001.

| Year       | Amount               |
|------------|----------------------|
| 2002       | \$ 484,360           |
| 2003       | 484,360              |
| 2004       | 484,360              |
| 2005       | 484,360              |
| 2006       | 506,560              |
| Thereafter | <u>10,916,263</u>    |
| Total      | <u>\$ 13,360,263</u> |

Expense Reimbursement Reimbursements for various recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred. Park Nicollet Clinic receives payments for these reimbursements throughout the year based on estimates. Differences between estimated recoveries and the final billed amounts, which are immaterial, are recognized in the subsequent year. The tenant is also responsible for direct payment of utilities and real estate taxes. Therefore, utilities and real estate taxes have been excluded from the historical summary for the eleven months ended December 31, 2001.

## Park Nicollet Clinic Unaudited Estimated Taxable Operating Results

The table below represents estimated taxable operating results of Park Nicollet Clinic, Bloomington, Minnesota, for the first twelve-month period of the acquisition. Said property is a net lease commercial structure consisting of 24,218 net rentable square footage, of which assumptions for net rent is based upon 0% vacancy.

|                              | <u>Cash Flow Projections</u> |
|------------------------------|------------------------------|
| Rental Revenue               | \$ 535,596                   |
| Direct Operating Expense     | -62,808                      |
| Interest Expense             | -259,696                     |
| Principal Mortgage Reduction | <u>-127,855</u>              |
| OPERATING CASH FLOW          | <u>\$ 85,237</u>             |

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### Independent Auditor's Report

To the Board of Trustees of Investors Real Estate Trust

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses of Abbott Northwestern Specialty Care Center ("Historical Summary") for the one month ended December 31, 2001. This Historical Summary is the responsibility of the management. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the

Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Historical Summary was prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission as described in Note 2, and is not intended to be a complete presentation of Abbott Northwestern Specialty Care Center revenue and expenses.

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in Note 2 of Abbott Northwestern Specialty Care Center for the one month ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

/S/ Brady, Martz, and Associates, P.C.

Brady, Martz, and Associates, P.C.

Minot, North Dakota

December 12, 2002

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**Abbott Northwestern Specialty Care Center Historical Summary of Gross Income and Direct Operating Expenses for the One Month Ended December 31, 2001**

|   |    |                 |
|---|----|-----------------|
| GROSS INCOME  |    | <u>12/31/01</u> |
| Real estate rentals                                   | \$ | 107,183         |
| Operating Expense Reimbursements                      |    | <u>39,457</u>   |
| Total Gross Income                                    | \$ | <u>146,640</u>  |
| DIRECT OPERATING EXPENSES                             |    |                 |
| Utilities   |    | 1,628           |
| Repairs and Maintenance                               |    | 15,494          |
| Real Estate Taxes                                     |    | 13,006          |
| Property Management                                   |    | <u>5,467</u>    |
| Total Direct Operating Expenses                       | \$ | <u>35,595</u>   |
| EXCESS OF GROSS INCOME OVER DIRECT OPERATING EXPENSES | \$ | <u>111,045</u>  |

The Notes to Historical Summary of Gross Income and Direct Operating Expenses are an integral part of this summary.

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**Abbott Northwestern Specialty Care Center Notes to Historical Summary of Gross Income and Direct Operating Expenses for the One Month Ended December 31, 2001**

Note 1. Nature of Business

Abbott Northwestern Specialty Care Center consists of a three-story building located in Sartell, Minnesota, containing 60,095 square feet of rentable space, which was acquired on September 17, 2002. Construction of the property was completed in November 2001. Lease-up began December 2001. Accordingly, the above audited report only covers one (1) month of operations.

Note 2. Basis of Presentation

IRET Properties purchased Abbott Northwestern Specialty Care Center September 17, 2002. The historical summary has been prepared for the purpose of complying with Regulation S-X, Rule 3-14 of the Securities and Exchange Commission ( SEC ), which requires certain information with respect to real estate operations acquired to be included with certain filings with the SEC. This historical summary includes the historical gross income and direct operating expenses of Abbott Northwestern Specialty Care Center, exclusive of the following expenses which may not be comparable to the proposed future operations:

- (a) interest expense on existing mortgage and borrowings
- (b) depreciation of property and equipment
- (c) professional expenses

Note 3. Summary of Significant Accounting Policies

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capitalization Policy - Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for maintenance and repairs, which do not add to the value or extend useful lives, are charged to expense as incurred.

Revenue Recognition - Rental revenue is recognized on the straight-line basis, which averages minimum rents over the terms of the leases. All leases are classified as operating leases and expire at various dates prior to December 31, 2011. The following is a schedule by years of future minimum rents receivable on non-cancelable operating leases in effect as of December 31, 2001.

| Year       | <u>Amount</u>        |
|------------|----------------------|
| 2002       | \$ 1,257,039         |
| 2003       | 1,257,039            |
| 2004       | 1,257,039            |
| 2005       | 1,257,039            |
| 2006       | 1,261,898            |
| Thereafter | <u>6,467,130</u>     |
| Total      | <u>\$ 12,757,184</u> |

Expense Reimbursement Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred. Abbott Northwestern

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*Specialty Care Center receives payments for these reimbursements from substantially all its multi-tenant commercial tenants throughout the year based on estimates. Differences between estimated recoveries and the final billed amounts, which are immaterial, are recognized in the subsequent year.*

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Abbott Northwestern Specialty Care Center Unaudited Estimated Taxable Operating Results

The table below represents estimated taxable operating results of Abbott Northwestern Specialty Care Center, Sartell, Minnesota, for the first twelve-month period of the acquisition. Said property is a net lease commercial structure consisting of 60,095 net rentable square footage, of which assumptions for net rent is based upon 5% vacancy.

|                              | <u>Cash Flow Projections</u> |
|------------------------------|------------------------------|
| Rental Revenue               | \$ 1,906,884                 |
| Direct Operating Expense     | -426,264                     |
| Interest Expense             | -684,737                     |
| Principal Mortgage Reduction | <u>-336,259</u>              |
| OPERATING CASH FLOW          | \$ <u>459,624</u>            |

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**INVESTORS REAL ESTATE TRUST**  
**Unaudited Consolidated Balance Sheet as of October 31, 2002**

|  | <i>(unaudited)</i>    |
|--|-----------------------|
| ASSETS                                   | <u>10/31/02</u>       |
| Real Estate Investments                  |                       |
| Property Owned                           | \$ 825,032,048        |
| Less Accumulated Depreciation            | <u>-67,798,198</u>    |
|  | \$ 757,233,850        |
| Mortgage Loans Receivable                | <u>3,788,087</u>      |
| Total Real Estate Investments            | \$ <u>761,021,937</u> |
| OTHER ASSETS                             |                       |
| Cash                                     | \$ 14,742,760         |
| Marketable Securities Available for Sale | 2,652,269             |
| Rent Receivable                          | 4,080,347             |
| Real Estate Deposits                     | 1,391,297             |
| Notes Receivable                         | 0                     |
| Prepaid and Other Assets                 | 1,533,482             |
| Tax, Insurance and Other Escrow          | 7,110,997             |
| Deferred Charges and Leasing Costs       | 4,665,319             |
| Furniture & Fixtures, Net                | 648,640               |
| Goodwill                                 | <u>1,440,817</u>      |
| TOTAL ASSETS                             | \$ <u>799,287,865</u> |



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LIABILITIES

|                                       |                       |
|---------------------------------------|-----------------------|
| Accounts Payable and Accrued Expenses | \$ 10,654,055         |
| Mortgages Payable                     | 498,501,196           |
| Investment Certificates Issued        | <u>14,409,069</u>     |
| TOTAL LIABILITIES                     | <u>\$ 523,564,320</u> |

Commitments and Contingencies (Note 10)

|  |                      |
|--|----------------------|
| Minority Interest in Partnerships                          | 14,245,583           |
| Minority Interest of Unit Holders in Operating Partnership |                      |
| 10,308,178 on 10/31/02                                     |                      |
| 9,636,247 on 04/30/02                                      | <u>\$ 82,291,013</u> |

SHAREHOLDERS' EQUITY

|   |                    |
|---|--------------------|
| Shares of Beneficial Interest                     |                    |
| 32,023,980 on 10/31/02                            |                    |
| 27,847,079 on 04/30/02                            | \$ 200,788,459     |
| Accumulated Distributions in Excess of Net Income | <u>-21,601,510</u> |

|  |                       |
|--|-----------------------|
| Total Shareholders' Equity                 | <u>\$ 179,186,949</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>\$ 799,287,865</u> |

*Reflects the Company's Consolidated Balance Sheet as of October 31, 2002, as reported on Form 10-Q. The balance sheet reflects the acquisition of the ten real estate properties that were acquired during the six months ended October 31, 2002.*

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**Investors Real Estate Trust**  
**Pro Forma Consolidated Statement of Operations**  
**For the Six Months Ended October 31, 2002, and Twelve Months Ended April 30, 2002**

The unaudited pro forma Consolidated Statement of Operations for the six months ended October 31, 2002, and for the year ended April 30, 2002, is presented as if the acquisitions (6) had occurred on May 1, 2001. The unaudited pro forma Consolidated Statement of Operations for the six months ended October 31, 2002, and for the twelve months ended April 30, 2002, is not necessarily indicative of what the actual results of operations would have been assuming the transactions had occurred as of the beginning of the period presented, nor does it purport to represent the results of operations for future periods.

**Pro Forma Consolidated Statement of Operations for Six Months Ended October 31, 2002 (unaudited)**

|                              | Six Months Ended<br>October 2002 | Bermans,<br>The Leather<br>Experts<br>Corporate Office<br>(1) | Garden View<br>Medical<br>Condominium<br>(2) | Park Dental (3)   | Park Nicollet<br>Clinic (4) | Abbott<br>Northwestern<br>Specialty<br>Care Centers<br>(5) | Insignificant<br>Acquisitions | Total<br>Consolidated<br>Pro Forma |
|------------------------------|----------------------------------|---|--|-------------------|-----------------------------|--|-------------------------------|------------------------------------|
| <b>REVENUE</b>               |                                  |   |  |                   |                             |  |                               |                                    |
| Real estate rentals          | \$ 57,310,700                    | \$ 170,625  | \$ 530,060                                   | \$ 158,292        | \$ 200,849                  | \$ 715,082   | \$ 2,277,256                  | \$ 61,362,863                      |
| Interest, discounts and fees | <u>661,634</u>                   | <u>0</u>  | <u>0</u>                                     | <u>0</u>          | <u>0</u>                    | <u>0</u>   | <u>0</u>                      | <u>661,634</u>                     |
| Total revenue                | <u>\$ 57,972,334</u>             | <u>\$ 170,625</u>   | <u>\$ 530,060</u>                            | <u>\$ 158,292</u> | <u>\$ 200,849</u>           | <u>\$ 715,082</u>  | <u>\$ 2,277,256</u>           | <u>\$ 62,024,497</u>               |
| <b>EXPENSES</b>              |                                  |   |  |                   |                             |  |                               |                                    |
| Interest                     | \$ 17,884,096                    | \$ 82,469   | \$ 155,065                                   | \$ 55,854         | \$ 97,386                   | \$ 256,776   | \$ 629,179                    | \$ 19,160,825                      |
| Depreciation                 | 9,235,942                        | 36,596  | 68,438                                       | 24,469            | 43,125                      | 107,156  | 252,633                       | 9,768,358                          |

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|  |               |            |            |            |            |            |            |              |
|--|---------------|------------|------------|------------|------------|------------|------------|--------------|
| Utilities and maintenance  | 9,327,394     | 0          | 93,073     | 35,496     | 9,437      | 116,298    | 378,751    | 9,960,449    |
| Taxes  | 6,471,230     | 0          | 73,305     | 11,713     | 0          | 10,940     | 483,255    | 7,050,442    |
| Insurance  | 1,003,484     | 0          | 12,542     | 4,923      | 7,898      | 21,672     | 29,020     | 1,109,538    |
| Property management expenses   | 4,144,428     | 0          | 42,687     | 5,661      | 6,219      | 10,940     | 48,343     | 4,258,277    |
| Administrative Expense   | 0             | 0          | 0          | 0          | 0          | 0          | 0          | 0            |
| Advisory and trustee services  | 955,219       | 0          | 0          | 0          | 0          | 0          | 0          | 955,219      |
| Operating expenses   | 489,848       | 0          | 0          | 0          | 0          | 0          | 0          | 489,848      |
| Amortization Total   | 295,797       | 0          | 0          | 0          | 0          | 0          | 0          | 295,797      |
| expenses   | \$ 49,837,438 | 119,065    | 445,109    | 138,116    | 164,064    | 523,782    | 1,821,180  | 53,048,753   |
| INCOME BEFORE GAIN/LOSS ON PROPERTIES AND MINORITY INTEREST GAIN ON SALE OF PROPERTIES | 315,342       | 0          | 0          | 0          | 0          | 0          | 0          | 315,342      |
| MINORITY INTEREST PORTION - OTHER PARTNERSHIP  | -462,777      | 0          | 0          | 0          | 0          | 0          | 0          | -462,777     |
| MINORITY INTEREST PORTION - OTHER PARTNERSHIP  | -462,777      | 0          | 0          | 0          | 0          | 0          | 0          | -462,777     |
| OPERATING PARTNERSHIP  | -1,991,238    | -12,581    | -20,728    | -4,923     | -8,975     | -46,677    | -111,283   | -2,196,405   |
| NET INCOME   | \$ 5,996,223  | \$ 38,980  | \$ 64,222  | \$ 15,253  | \$ 27,809  | \$ 144,623 | \$ 344,794 | \$ 6,631,904 |
| Net income per share   | \$ 0.19       | \$ 0.001   | \$ 0.002   | \$ 0.000   | \$ 0.001   | \$ 0.005   | \$ 0.011   | \$ 0.21      |
| Weighted Average Shares  | 31,141,311    | 31,141,311 | 31,141,311 | 31,141,311 | 31,141,311 | 31,141,311 | 31,141,311 | 31,141,311   |

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**Pro Forma Consolidated Statement of Operations for Twelve Months Ended April 30, 2002 (unaudited)**

| Fiscal 2002         | Bermans,<br>The Leather<br>Experts<br>Corporate Office<br>(1) | Garden View<br>Medical<br>Condominium (2) | Park Dental (3) | Park<br>Nicollet<br>Clinic (4) | Abbott<br>Northwestern<br>Specialty<br>Care Centers (5) | Insignificant<br>Acquisitions | Total<br>Consolidated<br>Pro Forma |
|---------------------|---|---|-----------------|--------------------------------|---|-------------------------------|------------------------------------|
| <b>REVENUE</b>      |   |   |                 |                                |   |                               |                                    |
| Real estate rentals | \$ 91,738,602   | \$ 1,365,000                              | \$ 1,413,492    | \$ 422,112                     | \$ 535,596  | \$ 1,906,884                  | \$ 7,174,232                       |
|                     | 1,277,467   | 0   | 0               | 0                              | 0   | 0                             | 1,277,467                          |

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|   |                      |                     |                     |                   |                   |                     |                     |                       |  |
|---|----------------------|---------------------|---------------------|-------------------|-------------------|---------------------|---------------------|-----------------------|--|
| Interest,<br>discounts<br>and<br>fees   |                      |                     |                     | <u>0</u>          | <u>0</u>          |                     |                     |                       |  |
| Total<br>revenue  | \$ <u>93,016,069</u> | \$ <u>1,365,000</u> | \$ <u>1,413,492</u> | \$ <u>422,112</u> | \$ <u>535,596</u> | \$ <u>1,906,884</u> | \$ <u>7,174,232</u> | \$ <u>105,833,385</u> |  |
| EXPENSES  |                      |                     |                     |                   |                   |                     |                     |                       |  |
| Interest  | 30,604,846           | \$ 659,750          | \$ 413,507          | 148,943           | 259,696           | 684,737             | \$ ,886,900         | 34,658,379            |  |
| Depreciation  | 5,515,168            | 292,766             | 182,500             | 65,250            | 115,000           | 285,750             | 785,489             | 17,241,923            |  |
| Utilities<br>and<br>maintenance   | 2,709,614            | 0                   | 248,195             | 94,656            | 25,164            | 310,128             | 1,272,408           | 14,660,165            |  |
| Taxes   | 9,184,599            | 0                   | 195,480             | 31,235            | 0                 | 29,172              | 1,424,125           | 10,864,611            |  |
| Insurance   | 1,352,622            | 0                   | 33,444              | 13,128            | 21,060            | 57,792              | 97,578              | 1,575,624             |  |
| Property<br>management<br>expenses  | 6,985,542            | 0                   | 113,832             | 15,096            | 16,584            | 29,172              | 201,247             | 7,361,473             |  |
| Administrative<br>Expense   | 0                    | 0                   | 0                   | 0                 | 0                 | 0                   | 0                   | 0                     |  |
| Advisory<br>and<br>trustee<br>services  | 1,682,742            | 0                   | 0                   | 0                 | 0                 | 0                   | 0                   | 1,682,742             |  |
| Operating<br>expenses   | 565,802              | 0                   | 0                   | 0                 | 0                 | 0                   | 0                   | 565,802               |  |
| Amortization  | 549,200              | 0                   | 0                   | 0                 | 0                 | 0                   | 0                   | 549,200               |  |
| Total<br>expenses   | \$ <u>79,150,135</u> | \$ <u>952,516</u>   | \$ <u>1,186,958</u> | \$ <u>368,308</u> | \$ <u>437,504</u> | \$ <u>1,396,751</u> | \$ <u>5,667,747</u> | \$ <u>89,159,919</u>  |  |
| INCOME<br>BEFORE<br>GAIN/LOSS   |                      |                     |                     |                   |                   |                     |                     |                       |  |
| ON<br>PROPERTIES<br>AND   |                      |                     |                     |                   |                   |                     |                     |                       |  |
| MINORITY<br>INTEREST<br>GAIN<br>ON<br>SALE<br>OF<br>PROPERTIES<br>MINORITY<br>INTEREST<br>PORTION | \$ <u>13,865,934</u> | \$ 412,484          | \$ 226,534          | \$ 53,804         | \$ 98,092         | \$ 510,133          | \$ 1,506,485        | \$ 16,673,466         |  |
| OTHER<br>PARTNERSHIP<br>MINORITY<br>INTEREST<br>PORTION   | 8,564                | 0                   | 0                   | 0                 | 0                 | 0                   | 0                   | -198,564              |  |
|   | <u>-3,614,168</u>    | <u>-106,008</u>     | <u>-58,219</u>      | <u>-13,828</u>    | <u>-25,210</u>    | <u>-131,104</u>     | <u>-387,167</u>     | <u>-4,335,704</u>     |  |
| -   |                      |                     |                     |                   |                   |                     |                     |                       |  |

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| OPERATING PARTNERSHIP   |            |            |            |            |            |              |               |            |
|-------------------------|------------|------------|------------|------------|------------|--------------|---------------|------------|
| NET INCOME              |            |            |            |            |            |              |               |            |
| 10,600,129              | \$ 306,476 | \$ 168,315 | \$ 39,976  | \$ 72,882  | \$ 379,029 | \$ 1,119,318 | \$ 12,686,125 |            |
| Net income per share    | \$ 0.42    | \$ 0.10    | \$ 0.005   | \$ 0.001   | \$ 0.002   | \$ 0.012     | \$ 0.036      | \$ 0.483   |
| Weighted Average Shares | 25,492,282 | 31,141,311 | 31,141,311 | 31,141,311 | 31,141,311 | 31,141,311   | 31,141,311    | 31,141,311 |

- (1) *The pro forma income and expense items reflect estimated operations which was acquired on June 12, 2002.*
- (2) *The pro forma income and expense items reflect estimated operations which was acquired on September 17, 2002.*
- (3) *The pro forma income and expense items reflect estimated operations which was acquired on September 17, 2002.*
- (4) *The pro forma income and expense items reflect estimated operations which was acquired on September 17, 2002.*
- (5) *The pro forma income and expense items reflect estimated operations which was acquired on September 17, 2002.*
- (6) *The real estate assets acquired by IRET in fiscal year 2003 during the period from May 1, 2002, to October 31, 2002, are as follows: Three Paramount Plaza Office Building, Bloomington, MN, (acquired May 20, 2002), Bermans, The Leather Experts Corporate Office and Distribution Complex, Brooklyn Park, MN, (acquired June 21, 2002), East Park Apartments, Sioux Falls, SD, (acquired July 15, 2002), Sycamore Village Apartments, Sioux Falls, SD, (acquired July 15, 2002), Park Dental, Brooklyn Center, MN, (acquired September 17, 2002), Park Nicollet Clinic - Airport - Bloomington, MN, (acquired September 17, 2002), Garden View Medical Condominium, St. Paul, MN, (acquired September 17, 2002), Abbott Northwestern Specialty Care Center, Sartell, MN, (acquired September 17, 2002), Brenwood Office Complex, Minnetonka, MN, (acquired October 1, 2002), and Dixon Avenue Industrial Complex, Des Moines, IA, (acquired October 1, 2002)*