MERITOR INC
Form 10-Q
February 02, 2017
Index

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended January 1, 2017
Commission File No. 1-15983

MERITOR, INC.

(Exact name of registrant as specified in its charter)

Indiana	38-3354643
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
2135 West Maple Road, Troy, Michigan	48084-7186
(Address of principal executive offices)	(Zip Code)

(248) 435-1000
(Registrant's telephone number, including area code)
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
YesXNo
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Registration S-T during the preceding twelve months (or for such shorter period that the registrant was required to submit and post such files).
YesXNo
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer X	Accelerated filer
Non-accelerated filer	Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes NoX
88,191,038 shares of Common Stock, $1.00 par value, of Meritor, Inc. were outstanding on February 1, 2017.

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MERITOR, INC.

PART I. FINANCIAL INFORMATION
ITEM 1. Financial Statements

CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
(in millions, except per share amounts)

	Three Months Ended December 31,	
	2016	2015
	(Unaudited)	
Sales	$699	$809
Cost of sales	(610)	(705)
GROSS MARGIN	89	104
Selling, general and administrative	(53)	(56)
Restructuring costs	—	(1)
Other operating expense, net	(3)	—
OPERATING INCOME	33	47
Other income, net	—	1
Equity in earnings of affiliates	10	10
Interest expense, net	(21)	(22)
INCOME BEFORE INCOME TAXES	22	36
Provision for income taxes	(6)	(7)
INCOME FROM CONTINUING OPERATIONS	16	29
LOSS FROM DISCONTINUED OPERATIONS, net of tax	—	(2)
NET INCOME	16	27
Less: Net income attributable to noncontrolling interests	(1)	(1)
NET INCOME ATTRIBUTABLE TO MERITOR, INC.	$15	$26
NET INCOME ATTRIBUTABLE TO MERITOR, INC.		
Net income from continuing operations	$15	$28
Loss from discontinued operations	—	(2)
Net income	$15	$26
BASIC EARNINGS (LOSS) PER SHARE		
Continuing operations	$0.17	$0.30
Discontinued operations	—	(0.02)
Basic earnings per share	$0.17	$0.28
DILUTED EARNINGS (LOSS) PER SHARE		
Continuing operations	$0.17	$0.30
Discontinued operations	—	(0.02)
Diluted earnings per share	$0.17	$0.28
Basic average common shares outstanding	87.1	92.5
Diluted average common shares outstanding	88.5	94.3

See notes to condensed consolidated financial statements.

MERITOR, INC.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS)
(in millions)

	Three Months Ended December 31,	
	2016	2015
	(Unaudited)	
Net income	$ 16	$ 27
Other comprehensive income (loss):		
Foreign currency translation adjustments:		
Attributable to Meritor, Inc.	(28)	(6)
Attributable to noncontrolling interest	(2)	—
Pension and other postretirement benefit related adjustments	11	9
Unrealized gain on investments and foreign exchange contracts	1	3
Other comprehensive income (loss), net of tax	(18)	6
Total comprehensive income (loss)	(2)	33
Less: Comprehensive income (loss) attributable to noncontrolling interest	1	(1)
Comprehensive income (loss) attributable to Meritor, Inc.	$ (1)	$ 32

See notes to condensed consolidated financial statements.

MERITOR, INC.

CONDENSED CONSOLIDATED BALANCE SHEET
(in millions)

	December 31, 2016 (Unaudited)	September 30, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents [1]	$125	$ 160
Receivables, trade and other, net [1]	332	396
Inventories [1]	334	316
Other current assets	40	33
TOTAL CURRENT ASSETS	831	905
NET PROPERTY [1]	423	439
GOODWILL [1]	383	390
OTHER ASSETS	757	760
TOTAL ASSETS	$2,394	$ 2,494
LIABILITIES AND EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Short-term debt	$11	$ 14
Accounts and notes payable [1]	430	475
Other current liabilities	236	268
TOTAL CURRENT LIABILITIES	677	757
LONG-TERM DEBT	983	982
RETIREMENT BENEFITS	691	703
OTHER LIABILITIES	228	238
TOTAL LIABILITIES	2,579	2,680
COMMITMENTS AND CONTINGENCIES (See Note 21)		
EQUITY (DEFICIT):		
Common stock (December 31, 2016 and September 30, 2016, 101.0 and 99.6 shares issued and 88.2 and 86.8 shares outstanding, respectively)	101	99
Additional paid-in capital	877	876
Accumulated deficit	(226)	(241)
Treasury stock, at cost (at both December 31, 2016 and September 30, 2016, 12.8 shares)	(136)	(136)
Accumulated other comprehensive loss	(825)	(809)
Total deficit attributable to Meritor, Inc.	(209)	(211)
Noncontrolling interests [1]	24	25
TOTAL DEFICIT	(185)	(186)
TOTAL LIABILITIES AND DEFICIT	$2,394	$ 2,494

[1] As of December 31, 2016, Assets and Liabilities held for sale were: (i) $2 million Cash and cash equivalents; (ii) $6 million Receivables, trade and other, net; (iii) $1 million Inventories; (iv) $1 million Goodwill; (v) $5 million Accounts and notes payable; and (vi) $2 million Noncontrolling interests. As of September 30, 2016, Assets and Liabilities held for sale were: (i) $1 million Cash and cash equivalents; (ii) $8 million Receivables, trade and other, net; (iii) $1 million Inventories; (iv) $3 million Net property; (v) $5 million Accounts and notes payable; and (vi) $3 million Noncontrolling interests.

See notes to condensed consolidated financial statements.

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MERITOR, INC.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)

	Three Months Ended December 31,	
	2016	2015
	(Unaudited)	
OPERATING ACTIVITIES		
CASH USED FOR OPERATING ACTIVITIES (See Note 10)	$(14)	$(5)
INVESTING ACTIVITIES		
Capital expenditures	(17)	(22)
Other investing activities	—	1
Net investing cash flows provided by discontinued operations	2	3
CASH USED FOR INVESTING ACTIVITIES	(15)	(18)
FINANCING ACTIVITIES		
Repurchase of common stock	—	(43)
Other financing activities	(4)	1
CASH USED FOR FINANCING ACTIVITIES	(4)	(42)
EFFECT OF CHANGES IN FOREIGN CURRENCY EXCHANGE RATES ON CASH AND CASH EQUIVALENTS	(2)	—
CHANGE IN CASH AND CASH EQUIVALENTS	(35)	(65)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	160	193
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$125	$128

See notes to condensed consolidated financial statements.

MERITOR, INC.

CONDENSED CONSOLIDATED STATEMENT OF EQUITY (DEFICIT)
(In millions)
(Unaudited)

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Treasury Stock	Accumulated Other Comprehensive Loss	Total Deficit Attributable to Meritor, Inc.	Noncontrolling Interests	Total
Beginning balance at September 30, 2016	$ 99	$ 876	$ (241)	$ (136)	$ (809)	$ (211)	$ 25	$ (186)
Comprehensive income	—	—	15	—	(16)	(1)	(1)	(2)
Equity based compensation expense	—	3	—	—	—	3	—	3
Vesting of equity based awards	2	(2)	—	—	—	—	—	—
Ending Balance at December 31, 2016	$ 101	$ 877	$ (226)	$ (136)	$ (825)	$ (209)	$ 24	$ (185)
Beginning balance at September 30, 2015	$ 99	$ 865	$ (814)	$ (55)	$ (766)	$ (671)	$ 25	$ (646)
Comprehensive income	—	—	26	—	6	32	1	33
Equity based compensation expense	—	3	—	—	—	3	—	3
Repurchase of common stock	—	—	—	(43)	—	(43)	—	(43)
Ending Balance at December 31, 2015	$ 99	$ 868	$ (788)	$ (98)	$ (760)	$ (679)	$ 26	$ (653)

See notes to condensed consolidated financial statements.

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MERITOR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Meritor, Inc. (the "company" or "Meritor"), headquartered in Troy, Michigan, is a premier global supplier of a broad range of integrated systems, modules and components to original equipment manufacturers ("OEMs") and the aftermarket for the commercial vehicle, transportation and industrial sectors. The company serves commercial truck, trailer, military, bus and coach, construction and other industrial OEMs and certain aftermarkets. The condensed consolidated financial statements are those of the company and its consolidated subsidiaries.

Certain businesses are reported in discontinued operations in the condensed consolidated statement of operations, condensed consolidated statement of cash flows and related notes for all periods presented. Additional information regarding discontinued operations is discussed in Note 4.

In the opinion of the company, the unaudited condensed consolidated financial statements contain all adjustments, consisting solely of adjustments of a normal, recurring nature, necessary to present fairly the financial position, results of operations and cash flows for the periods presented. These statements should be read in conjunction with the company's audited consolidated financial statements and notes thereto included in the company's Annual Report on Form 10-K for the fiscal year ended September 30, 2016, as amended. The condensed consolidated balance sheet data as of September 30, 2016 was derived from audited financial statements but does not include all annual disclosures required by accounting principles generally accepted in the United States of America. The results of operations for the three months ended December 31, 2016 are not necessarily indicative of the results for the full year.

The company's fiscal year ends on the Sunday nearest September 30, and its fiscal quarters generally end on the Sundays nearest December 31, March 31, and June 30. The first quarter of fiscal years 2017 and 2016 ended on January 1, 2017 and January 3, 2016, respectively. All year and quarter references relate to the company's fiscal year and fiscal quarters, unless otherwise stated. For ease of presentation, September 30 and December 31 are used consistently throughout this report to represent the fiscal year end and first fiscal quarter end, respectively.

2. Earnings per Share

Basic earnings (loss) per share is calculated using the weighted average number of shares outstanding during each period. The diluted earnings (loss) per share calculation includes the impact of dilutive common stock options, restricted shares, restricted share units, performance share unit awards, and convertible securities, if applicable.

A reconciliation of basic average common shares outstanding to diluted average common shares outstanding is as follows (in millions):

	Three Months Ended December 31,	
	2016	2015
Basic average common shares outstanding	87.1	92.5
Impact of restricted shares, restricted share units and performance share units	1.4	1.8
Diluted average common shares outstanding	88.5	94.3

In November 2016, the Board of Directors approved a grant of performance share units to all executives eligible to participate in the long-term incentive plan. Each performance share unit represents the right to receive one share of common stock or its cash equivalent upon achievement of certain performance and time vesting criteria. The fair value of each performance share unit was $12.77, which was the company's share price on the grant date of December 1, 2016. The Board of Directors also approved a grant of 0.5 million restricted share units to these executives. The restricted share units vest at the earlier of three years from the date of grant or upon termination of employment with

the company under certain circumstances. The fair value of each restricted share unit was $12.77, which was the company's share price on the grant date of December 1, 2016.
The actual number of performance share units that will vest depends upon the company’s performance relative to the established M2019 goals for the three-year performance period of October 1, 2016 to September 30, 2019, measured at the end of the performance period. The number of performance share units will depend on meeting the established M2019 goals at the following

weights: 50% associated with achieving an Adjusted diluted earnings per share from continuing operations target, 25% associated with achieving revenue growth above market, and 25% associated with achieving a Net Debt to Adjusted EBITDA target. The number of performance share units that vest will be between 0% and 200% of the grant date amount of 0.6 million performance share units.

In November 2015, the Board of Directors approved a grant of performance share units to all executives eligible to participate in the long-term incentive plan. Each performance share unit represents the right to receive one share of common stock or its cash equivalent upon achievement of certain performance and time vesting criteria. The fair value of each performance share unit was $10.51, which was the company’s share price on the grant date of December 1, 2015. The Board of Directors also approved a grant of 0.5 million restricted share units to these executives. The restricted share units vest at the earlier of three years from the date of grant or upon termination of employment with the company under certain circumstances. The fair value of each restricted share unit was $10.51, which was the company's share price on the grant date of December 1, 2015.

The actual number of performance share units that will vest depends upon the company’s performance relative to the established performance metrics for the three-year performance period of October 1, 2015 to September 30, 2018, measured at the end of the performance period. The number of performance share units that vest will depend on Adjusted EBITDA margin and Adjusted diluted earnings per share from continuing operations at the following weights: 50% associated with achieving an Adjusted EBITDA margin target and 50% associated with achieving an Adjusted diluted earnings per share from continuing operations target. The number of performance share units that vest will be between 0% and 200% of the grant date amount of 0.7 million performance share units.

In November 2014, the Board of Directors approved a grant of performance share units to all executives eligible to participate in the long-term incentive plan. Each performance share unit represents the right to receive one share of common stock or its cash equivalent upon achievement of certain performance and time vesting criteria. The fair value of each performance share unit was $13.74, which was the company’s share price on the grant date of December 1, 2014. The Board of Directors also approved a grant of 0.4 million restricted share units to these executives. The restricted share units vest at the earlier of three years from the date of grant or upon termination of employment with the company under certain circumstances. The fair value of each restricted share unit was $13.74, which was the company’s share price on the grant date of December 1, 2014.

The actual number of performance share units that will vest depends upon the company’s performance relative to the established performance metrics for the three-year performance period of October 1, 2014 to September 30, 2017, measured at the end of the performance period. The number of performance share units that vest will depend on Adjusted EBITDA margin and Adjusted diluted earnings per share from continuing operations at the following weights: 75% associated with achieving an Adjusted EBITDA margin target and 25% associated with achieving an Adjusted diluted earnings per share from continuing operations target. The number of performance share units that vest will be between 0% and 200% of the grant date amount of 0.6 million performance share units.

In November 2013, the Board of Directors approved a grant of performance share units to all executives eligible to participate in the long-term incentive plan. Each performance share unit represented the right to receive one share of common stock or its cash equivalent upon achievement of certain performance and time vesting criteria. The fair value of each performance share unit was $7.97, which was the company’s share price on the grant date of December 1, 2013.

The actual number of performance share units that vested on December 1, 2016 depended upon the company’s performance relative to the established M2016 goals for the three-year performance period of October 1, 2013 to September 30, 2016, which was measured after the end of the performance period. The number of performance share units that vested depended on meeting the established M2016 goals at the following weights: 50% associated with achieving an Adjusted EBITDA margin target, 25% associated with achieving a net debt including retirement benefit liabilities target, and 25% associated with achieving an incremental booked revenue target. The company's

performance resulted in the vesting of the performance share units at 112% of the grant date amounts. There were 0.9 million shares related to these performance share units included in the diluted earnings per share calculation for the three months ended December 31, 2016 and December 31, 2015, as certain payout thresholds were achieved relative to the Adjusted EBITDA, net debt reduction and incremental booked revenue targets.

For the three months ended December 31, 2016, the dilutive impact of previously issued restricted shares, restricted share units, and performance share units was 1.4 million, compared to 1.8 million share units for the same period in the prior fiscal year. For the three months ended December 31, 2016 and December 31, 2015, compensation cost related to restricted shares, restricted share units, performance share units and stock options was $3 million.

For the three-month period ended December 31, 2015, options to purchase 0.3 million shares of common stock were excluded in the computation of diluted earnings per share because their exercise price exceeded the average market price for the periods and thus their inclusion would be anti-dilutive.

For the three months ended December 31, 2016 and December 31, 2015, the company’s convertible senior unsecured notes were excluded from the computation of diluted earnings per share, as the company’s average stock price during this period was less than conversion price for the notes.

3. New Accounting Standards

Accounting standards to be implemented

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2017-04, Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment, the new guidance eliminates the need to determine the fair value of individual assets and liabilities of a reporting unit to measure a goodwill impairment. A goodwill impairment will now be the amount by which a reporting unit’s carrying value exceeds its fair value. The revised guidance will be applied prospectively, and is effective for calendar year-end SEC filers in 2020. Early adoption is permitted for any impairment tests performed after January 1, 2017. The new guidance is not expected to have a material impact on the company's consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, Business Combinations (Topic 805): Clarifying the Definition of a Business. The ASU provides clarification on the definition of a business and adds guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. To be considered a business under the new guidance, it must include an input and a substantive process that together significantly contribute to the ability to create output. The amendment removes the evaluation of whether a market participant could replace missing elements. The amendments in this update are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years, and will be applied prospectively. The potential impact of this new guidance will be assessed for future acquisitions or dispositions, but it is not expected to have a material impact on the company's consolidated financial statements.

In October 2016, the FASB issued ASU 2016-17, Consolidation (Topic 810): Interests held through Related Parties that are under Common Control, which alters how a decision maker needs to consider indirect interests in a variable interest entity (VIE) held through an entity under common control. Under the ASU, if a decision maker is required to evaluate whether it is the primary beneficiary of a VIE, it will need to consider only its proportionate indirect interest in the VIE held through a common control party. The amendments in this update are effective for public business entities for fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. The company is currently evaluating the potential impact of this new guidance on its consolidated financial statements but does not expect a material impact upon adoption.

In October 2016, the FASB issued ASU 2016-16, Accounting for Income Taxes: Intra-Entity Asset Transfers of Assets Other than Inventory. The ASU was issued to remove the prohibition in ASC 740 against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The amendments in this update are effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted; however, the guidance can only be adopted in the first interim period of a fiscal year. The company is currently evaluating the potential impact of this new guidance on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force). The ASU was issued to reduce differences in practice with respect to how specific transactions are classified in the statement of cash flows. The update provides guidance on the following eight types of transactions: debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies, distributions received from equity method investments, beneficial interests in securitization transactions, and separately identifiable cash flows and application of the predominance principle. The amendments in this update are effective for public business entities in fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted, provided that all of the amendments are adopted in the same period. The guidance requires application using a retrospective transition method. The company is currently evaluating the potential impact of this new guidance on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. The ASU introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments, including accounts receivable. The ASU also modifies the impairment model for available-for-sale (AFS) debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The amendments in this update are required to be adopted by public business entities in fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The company is currently evaluating the potential impact of this new guidance on its on its accounting policies and its consolidated financial statements.

In May 2016, the FASB issued ASU 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients. The ASU clarifies the assessment of the likelihood that revenue will be collected from a contract, the guidance for presenting sales taxes and similar taxes, and the timing for measuring customer payments that are not in cash. The ASU also establishes a practical expedient for contract modifications at the transition. The amendments in this update affect the guidance in ASU 2014-09, which is not effective yet. The effective date and the transition requirements for the amendments in ASU 2016-12 are the same as the effective date and transition requirements in ASU 2014-09 as described below. Therefore, the company plans to implement this standard in the first quarter of the fiscal year beginning October 1, 2018 in connection with its planned implementation of ASU 2014-09 and is currently evaluating the potential impact of this new guidance on its accounting policies and its consolidated financial statements.

In May 2016, the FASB issued ASU 2016-11, Revenue Recognition (Topic 605) and Derivatives and Hedging (Topic 815): Rescission of SEC Guidance Because of Accounting Standards Updates 2014-09 and 2014-16 Pursuant to Staff Announcements at the March 3, 2016 EITF Meeting (SEC Update). The ASU was issued to remove from the Codification certain SEC staff guidance that the SEC staff stated would be rescinded: Revenue and Expense Recognition for Freight Services in Process; Accounting for Shipping and Handling Fees and Costs; and Accounting for Consideration Given by a Vendor to a Customer (including a Reseller of the Vendor's Products). The amendments in this update affect the guidance in ASU 2014-09, which is not effective yet. The effective date and the transition requirements for the amendments in ASU 2016-11 are the same as the effective date and transition requirements in ASU 2014-09 as described below. Therefore, the company plans to implement this standard in the first quarter of the fiscal year beginning October 1, 2018 in connection with its planned implementation of ASU 2014-09 and is currently evaluating the potential impact of this new guidance on its consolidated financial statements.

In April, 2016, the FASB issued ASU 2016-10, Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing. The ASU provides guidance regarding the identification of performance and licensing obligations. The amendments in this update affect the guidance in ASU 2014-09, which is not effective yet. The effective date and the transition requirements for the amendments in ASU 2016-10 are the same as the effective date and transition requirements in ASU 2014-09 as described below. Therefore, the company plans to implement this standard in the first quarter of the fiscal year beginning October 1, 2018 in connection with its planned implementation of ASU 2014-09 and is currently evaluating the potential impact of this new guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-09, Compensation - Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting. The ASU intends to simplify how share-based payments are accounted for, including accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. The standard is required to be adopted by public business entities in fiscal

years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The company is assessing the potential impact of this new guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-08, Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net) to clarify certain aspects of the principal-versus-agent guidance in its new revenue recognition standard. The amendments in this update affect the guidance in ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which is not yet effective. The effective date and transition requirements for the amendments in ASU 2016-08 are the same as the effective date and transition requirements of ASU 2014-09. Therefore, the company plans to implement this standard in the first quarter of the fiscal year beginning October 1, 2018 in connection with its planned implementation of ASU 2014-09. The company is currently evaluating the potential impact of this new guidance on its consolidated financial statements.

In March 2016, the FASB issued ASU 2016-07, Investments-Equity Method and Joint Ventures (Topic 323), Simplifying the Transition to the Equity Method of Accounting. The ASU will eliminate the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. The standard is required

to be adopted by public business entities in fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The company does not expect a material impact on its consolidated financial statements from adoption of this guidance.

In March 2016, the FASB issued ASU 2016-06, Derivatives and Hedging (Topic 815), Contingent Put and Call Options in Debt Instruments. The ASU clarifies that an exercise contingency itself does not need to be evaluated to determine whether it is in an embedded derivative, just the underlying option. The standard is required to be adopted by public business entities in fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. Early adoption is permitted. The company does not expect a material impact on its consolidated financial statements from adoption of this guidance.

In March 2016, the FASB issued ASU 2016-05, Derivatives and Hedging (Topic 815), Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships. The update clarifies that a change in a counterparty to a derivative instrument designated as a hedging instrument would not require the entity to dedesignate the hedging relationship and discontinue the application of hedge accounting. The standard is required to be adopted by public business entities in fiscal years beginning after December 15, 2016, including interim years within those fiscal periods. Early adoption is permitted. The company does not expect a material impact on its consolidated financial statements from adoption of this guidance.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The update will require lessees to recognize a right-of-use asset and lease liability for substantially all leases. The standard is required to be adopted by public business entities in fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. The company plans to implement this standard in the first quarter of the fiscal year beginning October 1, 2019 and is currently assessing the potential impact of this new guidance on its on its accounting policies and its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, Financial Instruments - Overall (Subtopic 825-10), Recognition and Measurement of Financial Assets and Financial Liabilities, which requires equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. The guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted. The company does not expect a material impact on its consolidated financial statements from adoption of this guidance.

In July 2015, the FASB issued ASU 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory, which requires entities that measure inventory using first-in, first-out (FIFO) or average cost to measure inventory at the lower of cost and net realizable value. The standard is required to be adopted by public business entities in fiscal years beginning after December 15, 2016, including interim periods within those fiscal years. The company does not expect a material impact on its consolidated financial statements from adoption of this guidance.

In August 2014, the FASB issued ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40), which provides guidance about management's responsibility in evaluating whether there is substantial doubt relating to an entity’s ability to continue as a going concern and to provide related footnote disclosures as applicable. ASU 2014-15 is effective for the annual period ending after December 15, 2016 and for annual periods and interim periods thereafter. Early adoption is permitted. The company does not expect a material impact on its consolidated financial statements from adoption of this guidance.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which requires companies to recognize revenue when a customer obtains control rather than when companies have transferred substantially all risks and rewards of a good or service and requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts. ASU 2014-09 was originally effective for fiscal periods beginning after December 15, 2016, including interim periods within those fiscal periods. In August 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 by one year making it effective for fiscal periods beginning after December 15, 2017, including interim periods within those fiscal periods, while also providing for early adoption but not before the original effective date. The company plans to implement this standard in the first quarter of the fiscal year beginning October 1, 2018 and is currently evaluating the potential impact of this new guidance on its on its accounting policies and its consolidated financial statements.

Accounting standards implemented during fiscal year 2017

In January 2017, the FASB issued ASU 2017-03 which amended Accounting Changes and Error Corrections (Topic 250) to state that registrants should consider additional qualitative disclosures if the impact of an issued but not yet adopted ASU is unknown or cannot be reasonably estimated and to include a description of the effect of the accounting policies that the registrant expects

to apply, if determined. Transition guidance included in certain issued but not yet adopted ASUs was also updated to reflect this amendment.

In June 2014, the FASB issued ASU 2014-12, Compensation - Stock Compensation (Topic 718), Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could be Achieved After the Requisite Service Period. This guidance requires that an award with a performance target that affects vesting and that could be achieved after the requisite service period, such as when an employee retires, but may still vest if and when the performance target is achieved, be treated as an award with performance conditions that affect vesting and the company apply existing guidance under ASC Topic 718, Compensation - Stock Compensation. The guidance is effective for fiscal periods beginning after December 15, 2015, including interim periods within those fiscal periods and may be applied either prospectively or retrospectively. The company adopted this standard prospectively in the first quarter of fiscal year 2017. This guidance did not have a material impact on its consolidated financial statements.

4. Discontinued Operations

Results of discontinued operations are summarized as follows (in millions):

	Three Months Ended December 31,	
	2016	2015
Sales	$ —	$ —
Loss before income taxes	$ —	$ (3)
Benefit from income taxes	—	1
Loss from discontinued operations attributable to Meritor, Inc.	$ —	$ (2)

Loss from discontinued operations attributable to the company for the three months ended December 31, 2015 was primarily attributable to changes in estimates related to legal costs incurred in connection with previously divested businesses.

Total discontinued operations assets as of December 31, 2016 and September 30, 2016 were $1 million and total discontinued operations liabilities as of December 31, 2016 and September 30, 2016 were $6 million.

5. Assets and Liabilities Held for Sale

During the first quarter of 2017, management approved a plan to sell a business within the Commercial Truck & Industrial reporting segment. The company expects to sell the business within one year from management's approval of the plan. The business and its associated assets and liabilities met the criteria for presentation as held for sale as of December 31, 2016.

Assets and liabilities held for sale are measured at the lower of the carrying value or fair value less costs to sell. Upon meeting the held for sale criteria, the company determined the carrying value of the business exceeded the fair value less costs to sell. As a result, an impairment charge of $3 million was recorded within other operating expense, net in the company’s condensed consolidated statement of operations during the first quarter of 2017.

6. Goodwill

In accordance with FASB Accounting Standards Codification (ASC) Topic 350-20, “Intangibles - Goodwill and Other”, goodwill is reviewed for impairment annually during the fourth quarter of the fiscal year or more frequently if certain indicators arise. If business conditions or other factors cause the operating results and cash flows of a reporting unit to decline, the company may be required to record impairment charges for goodwill at that time.

The company tests goodwill for impairment at a level of reporting referred to as a reporting unit, which is an operating segment or one level below an operating segment (referred to as a component). A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. When two or more components of an operating segment have similar economic characteristics, the components are aggregated and deemed a single reporting unit. An operating segment is deemed to be a reporting unit if all of its components are similar, if none of its components are a reporting unit, or if the segment comprises only a single component.

A summary of the changes in the carrying value of goodwill by the company's two reportable segments are presented below (in millions):

	Commercial Truck & Industrial	Aftermarket & Trailer	Total
Goodwill	$ 245	$ 160	$ 405
Accumulated impairment losses	(15)	—	(15)
Beginning balance at September 30, 2016	230	160	390
Foreign currency translation	(4)	(3)	(7)
Balance at December 31, 2016	$ 226	$ 157	$ 383

7. Restructuring Costs

Restructuring reserves, primarily related to unpaid employee termination benefits, were $13 million at December 31, 2016 and $16 million at September 30, 2016. The changes in restructuring reserves for the three months ended December 31, 2016 and 2015 are as follows (in millions):

	Employee Termination Benefits	Plant Shutdown & Other	Total
Beginning balance at September 30, 2016	$ 15	$ 1	$ 16
Activity during the period:			
Charges to continuing operations	—	—	—
Cash payments – continuing operations	(3)	—	(3)
Total restructuring reserves at December 31, 2016	12	1	13
Less: non-current restructuring reserves	(2)	—	(2)
Restructuring reserves – current, at December 31, 2016	$ 10	$ 1	$ 11
Balance at September 30, 2015	$ 10	$ —	$ 10
Activity during the period:			
Charges to continuing operations	1	—	1
Cash payments – continuing operations	(2)	—	(2)
Total restructuring reserves at December 31, 2015	9	—	9
Less: non-current restructuring reserves	(2)	—	(2)
Restructuring reserves – current, at December 31, 2015	$ 7	$ —	$ 7

8. Income Taxes

For each interim reporting period, the company makes an estimate of the effective tax rate expected to be applicable for the full fiscal year pursuant to FASB ASC Topic 740-270, "Accounting for Income Taxes in Interim Periods." The rate so determined is used in providing for income taxes on a year-to-date basis. Jurisdictions with a projected loss for the year or an actual year-to-date loss where no tax benefit can be recognized are excluded from the estimated annual effective tax rate. The impact of including these jurisdictions on the quarterly effective rate calculation could result in a higher or lower effective tax rate during a particular quarter, based upon the mix and timing of actual earnings versus annual projections.

Income tax expense (benefit) is allocated among continuing operations, discontinued operations and other comprehensive income ("OCI"). Such allocation is applied by tax jurisdiction, and in periods in which there is a pre-tax loss from continuing operations and pre-tax income in another category, such as discontinued operations or OCI,

income tax expense is allocated to the other sources of income, with a related benefit recorded in continuing operations.

In prior years, the company established valuation allowances against its U.S. net deferred tax assets and the net deferred tax assets of its 100-percent-owned subsidiaries in France, the United Kingdom, Brazil, and certain other countries. In evaluating its ability to recover these net deferred tax assets, the company utilizes a consistent approach which considers its historical operating results, including an assessment of the degree to which any gains or losses are driven by items that are unusual in nature, and tax planning strategies. In addition, the company reviews changes in near-term market conditions and other factors that impact future operating results. Continued improvement in the company’s operating results could lead to reversal of some or all of these valuation allowances in the future.

During the fourth quarter of fiscal year 2016, as a result of sustained profitability in the U.S. evidenced by a strong earnings history, future forecasted earnings, and additional positive evidence, the company determined it was more likely than not that it would be able to realize deferred tax assets in the U.S. Accordingly, the company reversed a portion of the valuation allowance in the U.S. Also in the fourth quarter of fiscal year 2016, due to a three-year cumulative loss and future economic uncertainty, the company established a tax valuation allowance in Brazil because the company determined it was not more likely than not that it would realize its deferred tax assets in Brazil.

The company continues to maintain valuation allowances in France, the United Kingdom, Brazil, and certain other jurisdictions, as the company believes the negative evidence that it will be able to recover these net deferred tax assets continues to outweigh the positive evidence.

For the three months ended December 31, 2016, the company had approximately $1 million of net pre-tax loss compared to $11 million of net pre-tax income in the same period in fiscal year 2016 in tax jurisdictions in which tax expense (benefit) is not recorded.

9. Accounts Receivable Factoring and Securitization

Off-balance sheet arrangements

Swedish Factoring Facility: The company has an arrangement to sell trade receivables due from AB Volvo through one of its European subsidiaries. On January 17, 2017, Meritor extended this Swedish factoring facility with Nordea Bank until March 31, 2017. All other terms of the agreement remain unchanged. Under this arrangement, the company can sell up to, at any point in time, €155 million ($163 million) of eligible trade receivables. The company is working to extend this arrangement before its current maturity date. The amount of eligible receivables sold may exceed Nordea Bank's commitment at Nordea Bank's discretion. The receivables under this program are sold at face value and are excluded from the condensed consolidated balance sheet. The company had utilized €158 million ($166 million) and €121 million ($135 million) of this accounts receivable factoring facility as of December 31, 2016 and September 30, 2016, respectively.

The above facility is backed by a 364-day liquidity commitment from Nordea Bank which extends through December 18, 2017. The commitment is subject to standard terms and conditions for this type of arrangement.

U.S. Factoring Facility: The company has an arrangement to sell trade receivables due from AB Volvo and its U.S. subsidiaries through one of its U.S. subsidiaries. Under this arrangement with Nordea Bank, which expires in February 2019, the company can sell up to, at any point in time, €80 million ($84 million) of eligible trade receivables. The amount of eligible receivables sold may exceed Nordea Bank’s commitment at Nordea Bank’s discretion. The receivables under this program are sold at face value and are excluded from the condensed consolidated balance sheet. The company had utilized €33 million ($34 million) and €39 million ($44 million) of this accounts receivable factoring facility as of December 31, 2016 and September 30, 2016, respectively.

United Kingdom Factoring Facility: The company has an arrangement to sell trade receivables due from AB Volvo and its European subsidiaries through one of its United Kingdom subsidiaries. Under this arrangement, which expires in February 2018, the company can sell up to, at any point in time, €25 million ($26 million) of eligible trade

receivables. The receivables under this program are sold at face value and are excluded from the condensed consolidated balance sheet. The company had utilized €9 million ($9 million) and €6 million ($6 million) of this accounts receivable factoring facility as of December 31, 2016 and September 30, 2016, respectively. The agreement is subject to standard terms and conditions for these types of arrangements, including a sole discretion clause whereby the bank retains the right to not purchase receivables, which has not been invoked since the inception of the program.

Italy Factoring Facility: The company has an arrangement to sell trade receivables due from AB Volvo and its European subsidiaries through one of its Italian subsidiaries. Under this arrangement, which expires in June 2017, the company can sell up to, at any point in time, €30 million ($31 million) of eligible trade receivables. The receivables under this program are sold at face value and are excluded from the condensed consolidated balance sheet. The company had utilized €25 million ($26 million) and €22 million ($24 million) of this accounts receivable factoring facility as of December 31, 2016 and September 30, 2016, respectively. The agreement is subject to standard terms and conditions for these types of arrangements, including a sole discretion clause whereby the bank retains the right to not purchase receivables, which has not been invoked since the inception of the program.

In addition to the above facilities, a number of the company's subsidiaries, primarily in Europe, factor eligible accounts receivable with financial institutions. Certain receivables are factored without recourse to the company and are excluded from accounts receivable in the condensed consolidated balance sheet. The amount of factored receivables excluded from accounts receivable under these arrangements was $13 million and $10 million at December 31, 2016 and September 30, 2016, respectively.

Total costs associated with all of the off-balance sheet arrangements described above were $1 million and $2 million in the three months ended December 31, 2016 and 2015, respectively, and are included in selling, general and administrative expenses in the condensed consolidated statements of operations.

On-balance sheet arrangements

The company has a $100 million U.S. accounts receivables securitization facility. On December 5, 2016, the company entered into an amendment which extends the facility expiration date to December 5, 2019. The maximum permitted priority-debt-to-EBITDA ratio as of the last day of each fiscal quarter under the facility is 2.25 to 1.00. This program is provided by PNC Bank, National Association, as Administrator and Purchaser, and the other Purchasers and Purchaser Agents from time to time (participating lenders), which are party to the agreement. Under this program, the company has the ability to sell an undivided percentage ownership interest in substantially all of its trade receivables (excluding the receivables due from AB Volvo and subsidiaries eligible for sale under the U.S. accounts receivable factoring facility) of certain U.S. subsidiaries to ArvinMeritor Receivables Corporation ("ARC"), a wholly-owned, special purpose subsidiary. ARC funds these purchases with borrowings from participating lenders under a loan agreement. This program also includes a letter of credit facility pursuant to which ARC may request the issuance of letters of credit issued for the company's U.S. subsidiaries (originators) or their designees, which when issued will constitute a utilization of the facility for the amount of letters of credit issued. Amounts outstanding under this agreement are collateralized by eligible receivables purchased by ARC and are reported as short-term debt in the condensed consolidated balance sheet. At December 31, 2016 and September 30, 2016, no amounts, including letters of credit, were outstanding under this program. This securitization program contains a cross default to the revolving credit facility. At certain times during any given month, the company may sell eligible accounts receivable under this program to fund intra-month working capital needs. In such months, the company would then typically utilize the cash received from customers throughout the month to repay the borrowings under the program. Accordingly, during any given month, the company may borrow under this program, amounts exceeding the amounts shown as outstanding at fiscal quarter ends.

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10. Operating Cash Flow

The reconciliation of net income to cash flows used for operating activities is as follows (in millions):

	Three Months Ended December 31,	
	2016	2015
OPERATING ACTIVITIES		
Net income	$16	$27
Less: Loss from discontinued operations, net of tax	—	(2)
Income from continuing operations	16	29
Adjustments to income from continuing operations to arrive at cash used for operating activities:		
Depreciation and amortization	17	15
Restructuring costs	—	1
Asset impairment charges	3	—
Equity in earnings of affiliates	(10)	(10)
Pension and retiree medical expense	4	5
Other adjustments to income from continuing operations	8	—
Dividends received from equity method investments	5	8
Pension and retiree medical contributions	(10)	(13)
Restructuring payments	(3)	(2)
Changes in off-balance sheet accounts receivable factoring	39	48
Changes in assets and liabilities, excluding effects of acquisitions, divestitures, foreign currency adjustments and discontinued operations	(84)	(88)
Operating cash flows used for continuing operations	(15)	(7)
Operating cash flows provided by discontinued operations	1	2
CASH USED FOR OPERATING ACTIVITIES	$(14)	$(5)

11. Inventories

Inventories are stated at the lower of cost (using FIFO or average methods) or market (determined on the basis of estimated realizable values) and are summarized as follows (in millions):

	December 31, 2016	September 30, 2016
Finished goods	$ 138	$ 125
Work in process	26	26
Raw materials, parts and supplies	170	165
Total	$ 334	$ 316

12. Other Current Assets

Other current assets are summarized as follows (in millions):

	December 31, 2016	September 30, 2016
Asbestos-related recoveries (see Note 21)	$ 10	$ 10
Prepaid and other	30	23
Other current assets	$ 40	$ 33

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13. Net Property

Net property is summarized as follows (in millions):

	December 31, 2016	September 30, 2016
Property at cost:		
Land and land improvements	$ 29	$ 30
Buildings	228	231
Machinery and equipment	830	839
Company-owned tooling	116	113
Construction in progress	43	56
Total	1,246	1,269
Less: accumulated depreciation	(823)	(830)
Net property	$ 423	$ 439

14. Other Assets

Other assets are summarized as follows (in millions):

	December 31, 2016	September 30, 2016
Investments in non-consolidated joint ventures	$ 104	$ 100
Asbestos-related recoveries (see Note 21)	47	49
Unamortized revolver debt issuance costs	6	7
Capitalized software costs, net	27	29
Non-current deferred income tax assets, net	409	413
Assets for uncertain tax positions	33	35
Prepaid pension costs	123	123
Other	8	4
Other assets	$ 757	$ 760

In accordance with FASB ASC Topic 350-40, costs relating to internally developed or purchased software in the preliminary project stage and the post-implementation stage are expensed as incurred. Costs in the application development stage that meet the criteria for capitalization are capitalized and amortized using the straight-line basis over the estimated economic useful life of the software.

The company holds a variable interest in a joint venture accounted for under the equity method of accounting. The joint venture manufactures components for commercial vehicle applications primarily on behalf of the company. The variable interest relates to a supply arrangement between the company and the joint venture whereby the company supplies certain components to the joint venture on a cost-plus basis. The company is not the primary beneficiary of the joint venture, as the joint venture partner has shared or absolute control over key manufacturing operations, labor relationships, financing activities and certain other functions of the joint venture. Therefore, the company does not consolidate the joint venture. At December 31, 2016 and September 30, 2016, the company’s investment in the joint venture was $47 million and $45 million, respectively.

15. Unconsolidated Significant Subsidiary

Rule 10-01(b)(1) of Regulation S-X requires separate interim period summarized income statement information for each 50-percent-or-less-owned subsidiary not consolidated that would have been a significant subsidiary for annual periods in accordance with Rule 3-09 of Regulation S-X. In accordance with this requirement, the company’s non-consolidated joint venture Meritor WABCO Vehicle Control Systems’ summarized income statement information is as follows (in millions):

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	Three Months Ended December 31,	
	2016	2015
Sales	$ 72	$ 85
Gross Margin	$ 20	$ 22
Income from continuing operations	$ 12	$ 15
Net income	$ 12	$ 15

16. Other Current Liabilities

Other current liabilities are summarized as follows (in millions):

	December 31, 2016	September 30, 2016
Compensation and benefits	$ 86	$ 115
Income taxes	7	8
Taxes other than income taxes	21	21
Accrued interest	15	14
Product warranties	16	18
Environmental reserves (see Note 21)	6	7
Restructuring (see Note 7)	11	14
Asbestos-related liabilities (see Note 21)	18	18
Indemnity obligations (see Note 21)	2	2
Other	54	51
Other current liabilities	$ 236	$ 268

The company records estimated product warranty costs at the time of shipment of products to customers. Warranty reserves are primarily based on factors that include past claims experience, sales history, product manufacturing and engineering changes and industry developments. Liabilities for product recall campaigns are recorded at the time the company’s obligation is probable and can be reasonably estimated. Policy repair actions to maintain customer relationships are recorded as other liabilities at the time an obligation is probable and can be reasonably estimated. Product warranties, including recall campaigns, not expected to be paid within one year are recorded as a non-current liability.

A summary of the changes in product warranties is as follows (in millions):

	Three Months Ended December 31,	
	2016	2015
Total product warranties – beginning of period	$44	$48
Accruals for product warranties	3	3
Payments	(3)	(4)
Change in estimates and other	(4)	—
Total product warranties – end of period	40	47

Less: Non-current product warranties	(24)	(25)
Product warranties – current	$16	$22

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17. Other Liabilities

Other liabilities are summarized as follows (in millions):

	December 31, 2016	September 30, 2016
Asbestos-related liabilities (see Note 21)	$ 130	$ 136
Restructuring (see Note 7)	2	2
Non-current deferred income tax liabilities	12	12
Liabilities for uncertain tax positions	14	16
Product warranties (see Note 16)	24	26
Environmental (see Note 21)	6	6
Indemnity obligations (see Note 21)	11	11
Other	29	29
Other liabilities	$ 228	$ 238

18. Long-Term Debt

Long-Term Debt, net of discounts where applicable, is summarized as follows (in millions):

	December 31, 2016	September 30, 2016
4.0 percent convertible notes due 2027[(1)(3)]	$ 142	$ 142
7.875 percent convertible notes due 2026[(1)(4)]	130	129
6.75 percent notes due 2021[(2)(5)]	271	271
6.25 percent notes due 2024[(2)(6)]	443	442
Capital lease obligation	15	16
Export financing arrangements and other	6	10
Unamortized discount on convertible notes [(7)]	(13)	(14)
Subtotal	994	996
Less: current maturities	(11)	(14)
Long-term debt	$ 983	$ 982

(1) The 4.0 percent and 7.875 percent convertible notes contain a put and call feature, which allows for earlier redemption beginning in 2019 and 2020, respectively.

(2) The 6.75 percent and 6.25 percent notes contain a call option, which allows for early redemption.

(3) The 4.0 percent convertible notes due 2027 are presented net of $1 million unamortized issuance costs as of December 31, 2016 and September 30, 2016.

(4) The 7.875 percent convertible notes due 2026 are presented net of $2 million unamortized issuance costs as of December 31, 2016 and September 30, 2016, and $8 million and $9 million original issuance discount as of December 31, 2016 and September 30, 2016, respectively.

(5) The 6.75 percent notes due 2021 are presented net of $4 million unamortized issuance costs as of December 31, 2016 and September 30, 2016.

(6) The 6.25 percent notes due 2024 are presented net of $7 million unamortized issuance costs as of December 31, 2016 and September 30, 2016.

(7) The carrying amount of the equity component related to convertible debt.

Revolving Credit Facility

On June 2, 2016, the company entered into a third amendment of its senior secured revolving credit facility. The amendment increased the 2019 revolving loan commitment to $466 million, permitted the company to execute certain internal restructuring plans, including the release of certain guarantors when required by such plans, and reset

covenant basket amounts. Pricing and maturity dates remain unchanged. Subsequent to the amendment, certain lenders converted their $32 million of 2017 revolving loan commitments to 2019 revolving loan commitments and are now subject to the terms of 2019 lenders. Pursuant to the revolving

credit agreement, the company now has a $506 million revolving credit facility, $8 million of which matures in April 2017 for banks not electing to extend their commitments under the revolving credit facility, and $498 million of which matures in February 2019.

The availability under the revolving credit facility is subject to certain financial covenants based on (i) the ratio of the company’s priority debt (consisting principally of amounts outstanding under the revolving credit facility, U.S. accounts receivable securitization and factoring programs, and third-party non-working capital foreign debt) to EBITDA and (ii) the amount of annual capital expenditures. The company is required to maintain a total priority-debt-to-EBITDA ratio, as defined in the agreement, of 2.25 to 1.00 or less as of the last day of each fiscal quarter throughout the term of the agreement.

The availability under the revolving credit facility is also subject to a collateral test, pursuant to which borrowings on the revolving credit facility cannot exceed 1.0x the collateral test value. The collateral test is performed on a quarterly basis. At December 31, 2016, the revolving credit facility was collateralized by approximately $677 million of the company's assets, primarily consisting of eligible domestic U.S. accounts receivable, inventory, plant, property and equipment, intellectual property and the company's investment in all or a portion of certain of its wholly-owned subsidiaries.

Borrowings under the revolving credit facility are subject to interest based on quoted LIBOR rates plus a margin and a commitment fee on undrawn amounts, both of which are based upon the company’s current corporate credit rating. At December 31, 2016, the margin over LIBOR rate was 325 basis points, and the commitment fee was 50 basis points. Overnight revolving credit loans are at the prime rate plus a margin of 225 basis points.

Certain of the company’s subsidiaries, as defined in the revolving credit agreement, irrevocably and unconditionally guarantee amounts outstanding under the revolving credit facility. Similar subsidiary guarantees are provided for the benefit of the holders of the publicly held notes outstanding under the company’s indentures (see Note 24).

No borrowings were outstanding under the revolving credit facility at December 31, 2016 and September 30, 2016. The amended and extended revolving credit facility includes $100 million of availability for the issuance of letters of credit. At December 31, 2016 and September 30, 2016, there were no letters of credit outstanding under the revolving credit facility.

Debt Securities

In December 2014, the company filed a shelf registration statement with the Securities and Exchange Commission, registering an unlimited amount of debt and/or equity securities that the company may offer in one or more offerings on terms to be determined at the time of sale. The December 2014 shelf registration statement superseded and replaced the shelf registration statement filed in February 2012, as amended.

Issuance of Debt Securities - 2024 Notes

On February 13, 2014, the company completed a public offering of debt securities consisting of the issuance of $225 million principal amount of 10-year, 6.25 percent notes due 2024 (the “Initial 2024 Notes”). The offering and sale were made pursuant to the company's February 2012 shelf registration statement. The Initial 2024 Notes were issued under the company's indenture dated as of April 1, 1998, as supplemented. The Initial 2024 Notes were issued at 100 percent of their principal amount. The proceeds from the sale of the Initial 2024 Notes were $225 million and, together with cash on hand, were primarily used to repurchase $250 million principal amount of the company’s previously outstanding 10.625 percent notes due 2018.

On June 11, 2015, the company completed a public offering of an additional $225 million aggregate principal amount of 6.25 percent notes due 2024 (the “Additional 2024 Notes”), in an underwritten public offering pursuant to the company's December 2014 shelf registration statement. The proceeds from the sale of the Additional 2024 Notes were used to replenish available cash used to pay $179 million, including premium and fees, to repurchase $110 million

principal amount at maturity of the company's 7.875 percent convertible notes due 2026. The company used the remaining net proceeds to purchase an annuity to satisfy its obligations under the company's Canadian and German pension plans for its employees and for general corporate purposes. The Additional 2024 Notes constitute a further issuance of, and are fungible with, the $225 million aggregate principal amount of Initial 2024 Notes that the company issued on February 13, 2014 and form a single series with the Initial 2024 Notes (collectively, the "2024 Notes"). The Additional 2024 Notes have terms identical to the Initial 2024 Notes, other than issue date and offering price, and have the same CUSIP number as the Initial 2024 Notes. Upon completion of the offering, the aggregate principal amount of outstanding notes of this series was $450 million.

The 2024 Notes bear interest at a fixed rate of 6.25 percent per annum. The company pays interest on the 2024 Notes semi-annually, in arrears, on February 15 and August 15 of each year. The 2024 Notes constitute senior unsecured obligations of the

company and rank equally in right of payment with existing and future senior unsecured indebtedness, and effectively junior to existing and future secured indebtedness. The 2024 Notes are guaranteed on a senior unsecured basis by each of the company's subsidiaries from time to time guaranteeing its senior secured credit facility. The guarantees rank equally with existing and future senior unsecured indebtedness of the guarantors and will be effectively subordinated to all of the existing and future secured indebtedness of the guarantors, to the extent of the value of the assets securing such indebtedness.

Prior to February 15, 2019, the company may redeem, at its option, from time to time, the 2024 Notes, in whole or in part, at a redemption price equal to 100 percent of the principal amount of the 2024 Notes to be redeemed, plus an applicable make-whole premium (as defined in the indenture under which the 2024 Notes were issued) and any accrued and unpaid interest. On or after February 15, 2019, the company may redeem, at its option, from time to time, the 2024 Notes, in whole or in part, at the redemption prices (expressed as percentages of the principal amount of the 2024 Notes to be redeemed) set forth below, plus accrued and unpaid interest, if any, if redeemed during the 12-month period beginning on February 15 of the years indicated below:

Year	Redemption Price
2019	103.125%
2020	102.083%
2021	101.042%
2022 and thereafter	100.000%

Prior to February 15, 2017, the company may redeem, at its option, from time to time, up to approximately $79 million aggregate principal amount of the 2024 Notes with the net cash proceeds of one or more public sales of the company's common stock at a redemption price equal to 106.25 percent of the principal amount, plus accrued and unpaid interest, if any, provided that at least approximately $146 million aggregate principal amount of the 2024 Notes remain outstanding after each such redemption and notice of any such redemption is mailed within 90 days of any such sale of common stock.

If a Change of Control (as defined in the indenture under which the 2024 Notes were issued) occurs, unless the company has exercised its right to redeem the 2024 Notes, each holder of 2024 Notes may require the company to repurchase some or all of such holder's 2024 Notes at a purchase price equal to 101 percent of the principal amount of the 2024 Notes to be repurchased, plus accrued and unpaid interest, if any.

Repurchase of Debt Securities

In fiscal year 2015, the company repurchased $110 million principal amount at maturity of the company's 7.875 percent convertible notes due 2026, of which $85 million were repurchased at a premium equal to approximately 64 percent of their principal amount in the third quarter of 2015, and $25 million were purchased at a premium equal to approximately 58 percent of their principal amount in the fourth quarter of 2015. The 7.875 percent convertible notes contain a conversion to equity feature which can be settled in cash upon conversion. Accordingly, the liability and equity components are required to be separately accounted for upon recognition. Subsequently, upon derecognition of the convertible notes, the total cash consideration paid by the company is required to be allocated between the extinguishment of the liability component and the reacquisition of the equity component. Of the fiscal year 2015 total cash consideration of $179 million paid, $121 million and $58 million were allocated between the liability and equity components, respectively. The repurchase of $110 million principal amount at maturity of the company's 7.875 percent convertible notes was accounted for as an extinguishment of debt, and accordingly, the company recognized a net loss on debt extinguishment of $24 million, which consisted of $14 million of unamortized discount and deferred issuance costs and $10 million of premium. The net loss on debt extinguishment is included in Interest expense, net in the consolidated statement of operations. The repurchases were made under the company's 2026 convertible notes repurchase authorization.

In fiscal year 2015, the company repurchased $19 million principal amount of the company's 4.0 percent convertible notes due 2027. In the second quarter of fiscal year 2015, $15 million of the notes were repurchased at a premium equal to approximately 6 percent of their principal amount. In the third quarter of fiscal year 2015, $4 million of the notes were repurchased at a premium equal to approximately 5 percent of their principal amount. The repurchases of the $19 million principal amount of the company's 4.0 percent convertible notes due 2027 was accounted for as an extinguishment of debt, and accordingly the company recognized an insignificant net loss on debt extinguishment, the majority of which was premium. The net loss on debt extinguishment is included in interest expense, net in the consolidated statement of operations.

On March 1, 2016, substantially all of the $55 million principal amount of 4.625 percent convertible notes were repurchased at 100 percent of their face value. On April 15, 2016, the remaining 4.625 percent convertible notes were redeemed at 100 percent of their face value. As of September 30, 2016, none of the 4.625 percent convertible notes were outstanding.
The repurchases were made under the company's equity and equity linked repurchase authorizations (see Note 22). The repurchase program under these authorizations was complete as of September 30, 2016.

Capital Leases
On March 20, 2012, the company entered into an arrangement to finance equipment acquisitions for various U.S. locations. Under this arrangement, the company can request financing from Wells Fargo Equipment Finance ("Wells Fargo") for progress payments for equipment under construction, not to exceed $10 million at any time. The financing rate is equal to the 30-day LIBOR plus 475 basis points per annum. Under this arrangement, the company can also enter into lease arrangements with Wells Fargo for completed equipment. The lease term is 60 months, and the lease interest rate is equal to the 5-year Swap Rate published by the Federal Reserve Board plus 564 basis points. The company had $5 million and $7 million outstanding under this capital lease arrangement as of December 31, 2016 and September 30, 2016, respectively. In addition, the company had another $10 million and $9 million outstanding through other capital lease arrangements at December 31, 2016 and September 30, 2016, respectively.

Letter of Credit Facilities
On February 21, 2014, the company entered into an arrangement to amend and restate the letter of credit facility with Citicorp USA, Inc., as administrative agent and issuing bank, and the other lenders party thereto. Under the terms of this amended credit agreement, the company has the right to obtain the issuance, renewal, extension and increase of letters of credit up to an aggregate availability of $30 million through December 19, 2015. From December 20, 2015 through March 19, 2019, the aggregate availability is $25 million. This facility contains covenants and events of default generally similar to those existing in the company's public debt indentures. There were $23 million of letters of credit outstanding under this facility at December 31, 2016 and September 30, 2016. The company had another $5 million of letters of credit outstanding through other letter of credit facilities at December 31, 2016 and September 30, 2016.

Export Financing Arrangements
The company entered into a number of export financing arrangements through its Brazilian subsidiary during fiscal year 2014. The export financing arrangements are issued under an incentive program of the Brazilian government to fund working capital for Brazilian companies in exportation programs. The arrangements bear interest at 5.5 percent and have maturity dates in 2017. There was $6 million and $9 million outstanding under these arrangements at December 31, 2016 and September 30, 2016, respectively.

Other
One of the company's consolidated joint ventures in China participates in a bills of exchange program to settle its obligations with its trade suppliers. These programs are common in China and generally require the participation of local banks. Under these programs, the company's joint venture issues notes payable through the participating banks to its trade suppliers. If the issued notes payable remain unpaid on their respective due dates, this could constitute an event of default under the company's revolving credit facility if the defaulted amount exceeds $35 million per bank. As of December 31, 2016 and September 30, 2016, the company had $8 million and $10 million, respectively, outstanding under this program at more than one bank.

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19. Financial Instruments

Fair values of financial instruments are summarized as follows (in millions):

	December 31, 2016		September 30, 2016	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 125	$ 125	$ 160	$ 160
Short-term debt	11	11	14	14
Long-term debt	983	1,071	982	1,051
Foreign exchange forward contracts (other assets)	2	2	1	1
Foreign exchange forward contracts (other liabilities)	2	2	2	2
Short-term foreign currency option contracts (other assets)	1	1	—	—
Long-term foreign currency option contracts (other asset)	2	2	2	2

The following table reflects the offsetting of derivative assets and liabilities (in millions):

	December 31, 2016			September 30, 2016		
	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Reported	Gross Amounts Recognized	Gross Amounts Offset	Net Amounts Reported
Derivative Asset						
Foreign exchange forward contract	3	(1)	2	1	—	1
Derivative Liabilities						
Foreign exchange forward contract	3	(1)	2	2	—	2

Fair Value

The current FASB guidance provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical instruments (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described below:

- Level 1 inputs use quoted prices in active markets for identical instruments.
- Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar instruments in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.
- Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related instrument.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest priority level input that is significant to the valuation. The company's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

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Fair value of financial instruments by the valuation hierarchy at December 31, 2016 is as follows (in millions):

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 125	$ —	$ —
Short-term debt	—	—	11
Long-term debt	—	1,060	11
Foreign exchange forward contracts (asset)	—	2	—
Foreign exchange forward contracts (liability)	—	2	—
Short-term foreign currency option contracts (asset)	—	—	1
Long-term foreign currency option contracts (asset)	—	—	2

Fair value of financial instruments by the valuation hierarchy at September 30, 2016 is as follows (in millions):

	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 160	$ —	$ —
Short-term debt	—	—	14
Long-term debt	—	1,040	11
Foreign exchange forward contracts (asset)	—	1	—
Foreign exchange forward contracts (liability)	—	2	—
Short-term foreign currency option contracts (asset)	—	—	—
Long-term foreign currency option contracts (asset)	—	—	2

The tables below provide a reconciliation of changes in fair value of the Level 3 financial assets and liabilities measured at fair value in the condensed consolidated balance sheet for the three months ended December 31, 2016 and 2015, respectively. No transfers of assets between any of the Levels occurred during these periods.

Three months ended December 31, 2016 (in millions)	Short-term foreign currency option contracts (asset)	Long-term foreign currency option contracts (asset)	Total
Fair Value as of September 30, 2016	$ —	$ 2	$ 2
Total unrealized gains (losses):			
Included in other income	—	—	—
Included in cost of sales	—	1	1
Total realized gains (losses):			
Included in other income	—	—	—
Included in cost of sales	—	—	—
Purchases, issuances, sales and settlements:			
Purchases	—	—	—
Settlements	—	—	—
Transfer in and / or out of Level 3 (1)	—	—	—
Reclass between short-term and long-term	1	(1)	—
Fair Value as of December 31, 2016	$ 1	$ 2	$ 3

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Three months ended December 31, 2015 (in millions)	Short-term foreign currency option contracts (asset)	Long-term foreign currency option contracts (asset)	Total
Fair Value as of September 30, 2015	$ 1	$ 1	$ 2
Total unrealized gains (losses):			
Included in other income	—	—	—
Included in cost of sales	—	(1)	(1)
Total realized gains (losses):			
Included in other income	—	—	—
Included in cost of sales	—	—	—
Purchases, issuances, sales and settlements:			
Purchases	1	—	1
Settlements	—	—	—
Transfer in and / or out of Level 3 [1]	—	—	—
Reclass between short-term and long-term	—	—	—
Fair Value as of December 31, 2015	$ 2	$ —	$ 2

[1] Transfers as of the last day of the reporting period.

Cash and cash equivalents — All highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents. The carrying value approximates fair value because of the short maturity of these instruments. The company did not have any cash equivalents at December 31, 2016 or September 30, 2016.

Short- and long-term debt — Fair values are based on transaction prices at public exchange for publicly traded debt. For debt instruments that are not publicly traded, fair values are based on interest rates that would be currently available to the company for issuance of similar types of debt instruments with similar terms and remaining maturities.

The Company reports, in discontinued operations, the results of operations and the related gains or losses of a property that has either been disposed of or is classified as held for sale and otherwise meets the classification of a discontinued operation.

Impairment. The Company's long-lived assets are reviewed for impairment when and if events or changes in circumstances or triggering events (such as adverse market conditions, including conditions resulting from an ongoing economic recession) indicate that the cost of a long lived asset might not be recoverable. Judgments regarding existence of impairment indicators are based on factors such as operational performance, market conditions, expected holding period of each asset and events that occur that affect the financial strength of significant tenants of the assets, including tenants who have filed for bankruptcy. For long-lived assets in which a triggering event has been identified, the Company compares the expected future undiscounted cash flows for the long-lived asset against the carrying amount of the asset, including any associated intangibles, subject to evaluation. The evaluation of undiscounted cash flows is subjective and reflects assumptions regarding current market conditions relative to the long-lived asset being evaluated, such as future occupancy, rental rates and capital requirements that could differ materially from actual results. A worsening real estate market may cause the Company to re-evaluate the assumptions used in our impairment analysis. If the undiscounted cash flows plus reversion are less than the asset's carrying value, impairment is recorded based on the estimated fair value (typically based on a current independent appraisal) of the long-lived asset in comparison to its carrying value. The results of the Company's evaluation of impairment analysis could be material to the Company's financial statements.

Allowance for Doubtful Accounts. The Company periodically evaluates the collectibility of amounts due from tenants and maintains an allowance for doubtful accounts (approximately $563,000 as of April 30, 2013) for estimated losses resulting from the inability of tenants to make required payments under their respective lease agreements. The Company also maintains an allowance for deferred rents receivable arising from the straight-lining of rents (approximately $830,000 as of April 30, 2013) and from mortgage loans ($0 as of April 30, 2013). The straight-lining of rents receivable arises from earnings recognized in excess of amounts currently due under lease agreements. Management exercises judgment in establishing these allowances and considers payment history and current credit status in developing these estimates. If estimates differ from actual results this would impact reported results.

Revenue Recognition - The Company has the following revenue sources and revenue recognition policies:

- Base Rents - income arising from tenant leases. These rents are recognized over the non-cancelable term of the related leases on a straight-line basis, which includes the effects of rent increases and abated rent under the leases. Certain leases provide for tenant occupancy during periods for which no rent is due or where minimum rent payments increase during the term of the lease. Rental revenue is recorded for the full term of each lease on a straight-line basis. Accordingly, the Company records a receivable from tenants for rents that it expects to collect over the remaining lease term as deferred rents receivable. When the Company acquires a property, the term of the existing leases is considered to commence as of the acquisition date for the purposes of this calculation. Revenue recognition is considered to be critical because the evaluation of the reliability of such deferred rents receivable involves management's assumptions relating to such tenant's viability.

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- Percentage Rents - income arising from retail tenant leases which are contingent upon the sales of the tenant exceeding a defined threshold. These rents are recognized only after the contingency has been removed (i.e., sales thresholds have been achieved).
- Expense Reimbursement Income – revenue arising from tenant leases, which provide for the recovery of all or a portion of the operating expenses and real estate taxes of the respective property. This revenue is accrued in the same periods as the expenses are incurred.

Income Taxes. The Company operates in a manner intended to enable it to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a distribution 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. The Company intends to distribute to its shareholders 100% of its taxable income. Therefore, no provision for Federal income taxes is required. If the Company fails to distribute the required amount of income to its shareholders, it would fail to qualify as a REIT and substantial adverse tax consequences may result.

The Company's taxable income is affected by a number of factors, including, but not limited to, the following: that the Company's tenants perform their obligations under their leases with the Company and that the Company's tax and accounting positions do not change. These factors, which impact the Company's taxable income, are subject to change, and many are outside the control of the Company. If actual results vary, the Company's taxable income may change.

Recent Accounting Pronouncements

For disclosure regarding recent accounting pronouncements and the anticipated impact they will have on our operations, please refer to Note 2 to our Consolidated Financial Statements.

Fiscal 2013 Significant Events and Transactions

During fiscal year 2013, the Company successfully completed various acquisition, development, disposition, financing and capital raising transactions, including the following significant activities:

Acquisitions, Dispositions, and Development Projects Placed in Service:

During fiscal year 2013, the Company added approximately 1,394 apartment units to its multi-family residential portfolio during fiscal year 2013, through its acquisition of five multi-family residential properties and the placement in service of three multi-family residential development projects, and sold three multi-family properties in Fargo, North Dakota, with a total of 267 units, for a net addition to the Company's multi-family residential portfolio in fiscal year 2013 of approximately 1,127 apartment units.

Additional development projects placed in service during fiscal year 2013 were a medical office building in Jamestown, North Dakota; an expansion of the Company's senior housing project in Laramie, Wyoming; an industrial building in Minot, North Dakota, and a branch bank building in Minot, North Dakota. The Company also acquired a number of parcels of unimproved land in North Dakota and Minnesota for possible future development, for purchase prices totaling approximately $22.5 million.

During fiscal year 2013, in addition to its sale of three multi-family residential projects in Fargo, North Dakota, the Company also disposed of a small retail property in Kentwood, Michigan; four condominium units in its Georgetown Square project in Grand Chute, Wisconsin; and a healthcare property in Stevens Point, Wisconsin.

Development Projects in Process:
During fiscal year 2013, the Company began construction of its 146-unit River Ridge Apartments project in Bismarck, North Dakota and of its 132-unit Cypress Court Apartment Homes project in St. Cloud, Minnesota, of which the Company owns approximately 79%, with the remaining 21% owned by the Company's joint venture partner. The Company also acquired an approximately 51% interest in a joint venture entity constructing the Southgate Apartments project in Minot, North Dakota.
Common Share Offering:
In April 2013, the Company completed a public offering of approximately 6.0 million common shares at a public offering price of $9.25 per share, for net proceeds of approximately $53.0 million after underwriting discounts and estimated offering expenses.
Preferred Share Offering:
The Company completed, in August 2012, a public offering of 4.6 million Series B preferred shares, for net proceeds of approximately $111.2 million, after underwriting discounts and estimated offering expenses.
Credit Facility and Term Loan Transactions:
During fiscal year 2013, the Company executed an amendment to the Company's multi-bank line of credit, to lower the floor on the interest rate to 5.15% per annum and to change the interest rate under the loan agreement to the prime rate plus 1.25%. Additionally, in March 2013, a joint venture entity in which the Company owns a 70% interest entered into a Construction and Term Loan Agreement in the maximum principal amount of approximately $43.7 to construct a multi-family apartment facility in Williston, North Dakota (the Company's Renaissance Heights project). The construction and term loan has a maturity date of October 1, 2019, and is secured in part by a first mortgage on the project and by the guaranty of the Company's Operating Partnership.
Transfer of Stock Exchange Listing:
In December 2012, the Company transferred the listing of its common and preferred shares to the New York Stock Exchange from the NASDAQ Global Select Market.
Market Conditions and Outlook
During the Company's fiscal year 2013, real estate operating fundamentals continued to improve, particularly in the Company's multi-family residential segment. High occupancy levels in its multi-family residential portfolio allowed the Company to implement selected rent increases, and the Company's three multi-family residential development projects placed in service during the year (the Company's Quarry Ridge II project in Rochester, Minnesota; Buildings 3 and 4 of the Company's four-building Williston Garden project in Williston, North Dakota, and the Company's 20-unit First Avenue project in Minot, North Dakota) leased up quickly, with Quarry Ridge 98.7% leased as of April 30, 2013; the four buildings of the Williston Garden project 99.3% leased as of April 30, 2013; and the First Avenue project 100% leased as of April 30, 2013. The Company expects to see continued favorable results in this segment in fiscal year 2014; however, the Company's ability to maintain occupancy levels and selectively raise rents remains dependent on continued economic recovery and employment and wage growth. The Company also observes considerable multi-family development activity in the Company's markets, and as this new construction is completed and leased, the Company will experience increased competition for tenants.
The Company's commercial office segment, while still negatively affected by a number of adverse macro conditions, including unemployment levels that remain elevated and stagnant wage growth, also showed some progress, with new leasing activity matching absorption rates in the Company's Minneapolis market and in other of its office markets. However, these absorption rates remain low, and businesses, in a continued focus on costs, appear to be increasing the density of their work spaces by placing more employees in less total square footage and giving back the excess space or downsizing upon lease renewals. The Company continues to expect recovery of the overall office market to be challenged by the slow and uneven recovery of the broader economy and by relatively high unemployment rates.

The Company's healthcare segment consists of medical office properties and senior housing facilities. The medical office sector remains stable with modest increases in both occupancy and rents, as the uncertainty of healthcare reform is replaced with implementation and the corresponding expected increase in healthcare utilization, as previously uninsured patients enter the traditional medical services system. Likewise, senior housing assets continue to benefit from a recovery of the housing market, as occupancy trends are closely aligned with the ability of seniors to sell their homes in anticipation of moving to a senior care facility.
Both the retail and industrial property markets are showing signs of revival. In the retail segment, better-located retail properties are enjoying more leasing success, while outlying shopping centers continue to experience higher vacancy rates. In the industrial segment, a relative lack of new supply is leading to vacant industrial space being absorbed. Industrial rents are not yet rising to reflect this lack of new supply, but tenant concessions appear to be dissipating.
The Company plans to continue in fiscal year 2014 its selective disposition of assets in non-core markets, particularly industrial and retail segment assets, and intends to use the proceeds from these dispositions to continue deleveraging its portfolio and for developing and acquiring high-quality assets in its multi-family and healthcare segments.
Subsequent to the end of fiscal year 2013, on May 13, 2013, the Company sold four industrial properties in Minnesota and North Dakota, for a total sales price of approximately $19.5 million, and a smaller retail property for a sale price of approximately $2.3 million. Also subsequent to the end of fiscal year 2013, the Company has signed agreements to sell four industrial properties in Minnesota and Iowa, and three office properties in Minnesota. These pending dispositions are subject to various contingencies, and no assurances can be given that these sales transactions will be completed.
The Company continues to allocate resources to the dynamic economy of the energy-rich Bakken Shale Formation region of eastern Montana, western and central North Dakota, northwest South Dakota and western Minnesota. Development projects currently scheduled for completion in fiscal years 2014 and 2015 in this region include the Company's 146-unit River Ridge apartment project in Bismarck, North Dakota; the 108-unit Landing at Southgate and 233-unit Commons at Southgate apartment projects in Minot, North Dakota, in which the Company has a 51% interest; and the 288-unit Renaissance Heights Phase I apartment project in Williston, North Dakota, in which the Company has a 70% interest. Energy activity in the Bakken Shale region continues to be robust, and the Company expects this activity to remain strong in the next several years.
Stabilized and Non-Stabilized Properties
Throughout this Annual Report on Form 10-K, we have provided certain information on a stabilized and non-stabilized properties basis. Information provided on a stabilized properties basis includes the results of properties that we have owned and operated for the entirety of both periods being compared (except for properties for which significant redevelopment or expansion occurred during either of the periods being compared, and properties classified as discontinued operations), and which, in the case of development or re-development properties, have achieved a target level of occupancy of 90% for multi-family residential properties and 85% for commercial office, healthcare, industrial and retail properties.
For the comparison of fiscal years 2013 and 2012, all or a portion of 27 properties were non-stabilized, of which non-stabilized properties 7 were redevelopment or in-service development properties. For the fiscal year 2013/2012 comparison, all or a portion of 9 properties were added to non-stabilized and all or a portion of 8 properties were moved to stabilized compared to the designations for the fiscal year 2012/2011 comparison. For the comparison of 2012 and 2011, all or a portion of 26 were non-stabilized, of which non-stabilized properties 4 were redevelopment or in-service development properties.
While there are judgments to be made regarding changes in designation, we typically remove properties from stabilized to non-stabilized when redevelopment has or is expected to have a significant impact on property net operating income within the fiscal year. Acquisitions are moved to stabilized once we have owned the property for the entirety of comparable periods and the property is not under significant redevelopment or expansion. Our development projects in progress are not included in our non-stabilized properties category until they are placed in-service, which occurs upon the substantial completion of a commercial property, and upon receipt of a certificate of occupancy, in the case of a multi-family residential development project. They are then subsequently moved from non-stabilized to stabilized when the property has been in-service for the entirety of both periods being compared and has reached the target level of occupancy specified above.

RESULTS OF OPERATIONS

Consolidated Results of Operations

The discussion that follows is based on our consolidated results of operations for the fiscal years ended April 30, 2013, 2012 and 2011.

	(in thousands) Year Ended April 30			2013 vs. 2012		2012 vs. 2011	
	2013	2012	2011	$ Change	% Change	$ Change	% Change
Real estate rentals	$212,969	$196,149	$189,245	$16,820	8.6%	$6,904	3.6%
Tenant reimbursement	46,437	42,929	44,931	3,508	8.2%	(2,002)	(4.5%)
TOTAL REVENUE	259,406	239,078	234,176	20,328	8.5%	4,902	2.1%
Depreciation/amortization related to real estate investments	61,996	56,426	55,080	5,570	9.9%	1,346	2.4%
Utilities	19,172	17,442	18,020	1,730	9.9%	(578)	(3.2%)
Maintenance	29,237	26,354	28,955	2,883	10.9%	(2,601)	(9.0%)
Real estate taxes	34,380	31,581	30,637	2,799	8.9%	944	3.1%
Insurance	3,927	3,502	2,256	425	12.1%	1,246	55.2%
Property management expenses	15,408	18,651	20,348	(3,243)	(17.4%)	(1,697)	(8.3%)
Other property expenses	1,008	(142)	665	1,150	(809.9%)	(807)	(121.4%)
Administrative expenses	7,904	6,694	6,617	1,210	18.1%	77	1.2%
Advisory and trustee services	590	687	605	(97)	(14.1%)	82	13.6%
Other expenses	2,173	1,898	1,747	275	14.5%	151	8.6%
Amortization related to non-real estate investments	3,274	3,216	2,679	58	1.8%	537	20.0%
Impairment of real estate investments	305	0	0	305	n/a	0	n/a
TOTAL EXPENSES	179,374	166,309	167,609	13,065	7.9%	(1,300)	(0.8%)
Gain on involuntary conversion	5,084	274	0	4,810	1755.5%	274	n/a
Operating income	85,116	73,043	66,567	12,073	16.5%	6,476	9.7%
Interest expense	(62,900)	(64,066)	(62,735)	1,166	(1.8%)	(1,331)	2.1%
Interest income	222	148	259	74	50.0%	(111)	(42.9%)
Other income	526	638	282	(112)	(17.6%)	356	126.2%
Income from continuing operations	22,964	9,763	4,373	13,201	135.2%	5,390	123.3%
Income (loss) from discontinued operations	7,008	(57)	19,978	7,065	(12394.7%)	(20,035)	(100.3%)
NET INCOME	29,972	9,706	24,351	20,266	208.8%	(14,645)	(60.1%)
Net income attributable to noncontrolling interests – Operating Partnership	(3,633)	(1,359)	(4,449)	(2,274)	167.3%	3,090	(69.5%)
Net (income) loss attributable to noncontrolling interests – consolidated real estate entities	(809)	(135)	180	(674)	499.3%	(315)	(175.0%)
Net income attributable to Investors Real Estate Trust	25,530	8,212	20,082	17,318	210.9%	(11,870)	(59.1%)
Dividends to preferred shareholders	(9,229)	(2,372)	(2,372)				
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$16,301	$5,840	$17,710				

Revenues. Total revenues increased by 8.5% to $259.4 million in fiscal year 2013, compared to $239.1 million in fiscal year 2012. Total revenues increased by 2.1% to $239.1 million in fiscal year 2012, compared to $234.2 million in fiscal year 2011. These increases were primarily attributable to the addition of new income-producing real estate properties.

For fiscal 2013, the increase in revenue of $20.3 million resulted from:

	(in thousands)
Rent in Fiscal 2013 primarily from properties acquired and development projects placed in service in fiscal year 2012 in excess of that received in 2012 from the same properties	$ 8,154
Rent primarily from properties acquired and development projects placed in service in fiscal year 2013	8,820
Increase in rental income on stabilized properties due primarily to an increase in occupancy and rents	7,086
Decrease in rental income on stabilized properties due to changes within the assisted living portfolio in the commercial healthcare segment[1]	(5,300)
Net change in tenant concessions and straight line rent	1,568
	$ 20,328

(1) Decrease in rent was offset by $5.0 million decrease in expense. See analysis of commercial healthcare NOI on page 51 of the MD&A for additional information.

For fiscal 2012, the increase in revenue of $4.9 million resulted from:

	(in thousands)
Rent in Fiscal 2012 primarily from properties acquired and development projects placed in service in fiscal year 2011 in excess of that received in 2011 from the same properties	$ 2,342
Rent primarily from properties acquired and development projects placed in service in fiscal year 2012	4,707
Decrease in rental income on stabilized properties due primarily to a decrease in occupancy	(1,511)
Decrease in rental income on stabilized properties due to changes within the assisted living portfolio in the commercial healthcare segment[1]	(2,200)
Net change in tenant concessions and straight line rent	1,564
	$ 4,902

(1) Decrease in rent was offset by $2.2 million decrease in expense. See analysis of commercial healthcare NOI on page 57 of the MD&A for additional information.

As illustrated above, the majority of the increase in our gross revenue for fiscal years 2013 and 2012 ($17.0 million and $7.0 million respectively) resulted from the addition of new income-producing real estate properties to the IRET Properties' portfolio. Rental revenue from stabilized properties increased in fiscal year 2013 by $1.8 million and decreased in fiscal year 2012 by $3.7 million. For the next 12 months, we continue to look to acquisitions and development of new properties and recovery in our stabilized portfolio to be the most significant factors in any increases in our revenues and ultimately our net income. However, identifying attractive acquisition possibilities remains a continuing challenge.

Depreciation/Amortization Related to Real Estate Investments. Depreciation/amortization related to real estate investments increased by 9.9% to $62.0 million in fiscal year 2013, compared to $56.4 million in fiscal year 2012. This increase was primarily attributable to the addition of depreciable assets from acquisitions, development projects placed in service, capital improvements and tenant improvements.

Depreciation/amortization related to real estate investments increased by 2.4% to $56.4 million in fiscal year 2012, compared to $55.1 million in fiscal year 2011. This increase was primarily attributable to the addition of depreciable assets from acquisitions, development projects placed in service, capital improvements and tenant improvements.

Utilities. Utilities increased by 9.9% to $19.2 million in fiscal year 2013, compared to $17.4 million in fiscal year 2012. This increase was primarily attributable to the addition of new income-producing real estate properties which added $1.2 million in utility expense in fiscal 2013 compared to fiscal 2012. Utilities at stabilized properties increased by approximately $573,000 in fiscal year 2013, primarily due to the effect of milder weather on heating costs in the

prior period.

Utilities decreased by 3.2% to $17.4 million in fiscal year 2012, compared to $18.0 million in fiscal year 2011. This decrease was primarily attributable to the effect of milder weather on heating costs in fiscal year 2012 as compared to the prior year.

Maintenance. Maintenance expenses increased by 10.9% to $29.2 million in fiscal year 2013, compared to $26.4 million in fiscal year 2012. The addition of new income-producing real estate properties accounted for approximately half of this increase. The remainder of the increase was due to increased snow removal costs at stabilized properties compared to the prior year.

Maintenance expenses decreased by 9.0% to $26.4 million in fiscal year 2012, compared to $29.0 million in fiscal year 2011. This decrease was primarily attributable to reduced snow removal costs at stabilized properties compared to the prior year.

Real Estate Taxes. Real estate taxes increased by 8.9% to $34.4 million in fiscal year 2013, compared to $31.6 million in fiscal year 2012. The addition of new income-producing real estate properties accounted for approximately half of this increase. The remainder of the increase was due to increased real estate taxes at stabilized properties compared to the prior year.

Real estate taxes increased by 3.1% to $31.6 million in fiscal year 2012, compared to $30.6 million in fiscal year 2011. This increase was primarily attributable to the addition of new income-producing real estate properties.

Insurance. Insurance expense increased by 12.1% to $3.9 million in fiscal year 2013, compared to $3.5 million in fiscal year 2012. This increase was primarily attributable to the addition of new income-producing real estate properties.

Insurance expense increased by 55.2% to $3.5 million in fiscal year 2012, compared to $2.3 million in fiscal year 2011. This increase was primarily due to the addition of new income-producing real estate properties and a change in estimate for the Company's self-insurance reserve.

Property Management Expenses. Property management expenses decreased by 17.4% to $15.4 million in fiscal year 2013, compared to $18.7 million in fiscal year 2012. This decrease was primarily due to the restructuring of the Company's assisted living portfolio in the third quarter of fiscal year 2012, when the Company sold its wholly-owned taxable REIT subsidiary. Following the sale of this entity, the Company's revenue from its Wyoming assisted living portfolio is received as rent under the lease agreement with the tenant in the facilities, and property management expenses are paid by the tenant, rather than (as was previously the case) included in the property management expense category of the Company's statements.

Property management expenses decreased by 8.3% to $18.7 million in fiscal year 2012, compared to $20.3 million in fiscal year 2011. This decrease was primarily due to the restructuring of the Company's assisted living portfolio in the third quarter of fiscal year 2012, when the Company sold its wholly-owned taxable REIT subsidiary. Following the sale of this entity, the Company's revenue from its Wyoming assisted living portfolio is received as rent under the lease agreement with the tenant in the facilities, and property management expenses are paid by the tenant, rather than (as was previously the case) included in the property management expense category of the Company's statements.

Other Property Expenses. Other property expense, consisting of bad debt provision expense, increased by 809.9% to $1.0 million in fiscal year 2013, compared to approximately $142,000 of revenue in fiscal year 2012. In fiscal 2012 approximately $715,000 was received in the bankruptcy settlement of a former tenant. The remainder of the change from fiscal year 2012 to fiscal year 2013 was due to increased bad debt write-offs in fiscal year 2013.

Other property expense decreased by 121.4%, resulting in revenue of approximately $142,000 in fiscal year 2012, compared to approximately $665,000 of expense in fiscal year 2011. In fiscal 2012 approximately $715,000 was received in the bankruptcy settlement of a former tenant.

Administrative Expenses. Administrative expenses increased by 18.1% to $7.9 million in fiscal year 2013, compared to $6.7 million in fiscal year 2012. This increase was primarily due to an increase of approximately $407,000 in salary expense related to high labor costs in our energy-impacted markets, $467,000 in executive bonus expense per the compensation plan and an increase of approximately $317,000 in health insurance costs in fiscal

Advisory and Trustee Services. Advisory and trustee services expense decreased by 14.1% to $590,000 in fiscal year 2013, compared to $687,000 in fiscal year 2012. Advisory and trustee services expense increased by 13.6% to $687,000 in fiscal year 2012, compared to $605,000 in fiscal year 2011. These changes in advisory and trustee services expense were primarily due to changes in the composition of the board of trustees.

Other Expenses. Other expenses increased 14.5% to $2.2 million in fiscal year 2013, compared to $1.9 million in fiscal year 2012. This increase was primarily due to increases in securities issuance and registration expenses.

Other expenses increased 8.6% to $1.9 million in fiscal year 2012, compared to $1.7 million in fiscal year 2011. This increase was primarily attributable to an increase in acquisition fees of approximately $363,000 in fiscal year 2012 as compared to fiscal year 2011, due to increased acquisition activity. This increase was partially offset by decreases in legal and other operating expenses.

Amortization Related to Non-Real Estate Investments. Amortization related to non-real estate investments increased 1.8% in fiscal year 2013 to $3.3 million, compared to $3.2 million in fiscal year 2012, primarily due to the amortization of new leasing commissions.

Amortization related to non-real estate investments increased 20.0% in fiscal year 2012 to $3.2 million, compared to $2.7 million in fiscal year 2011, primarily due to the amortization of new leasing commissions.

Impairment of Real Estate Investments. During fiscal year 2013, the Company incurred a loss of approximately $305,000 due to the impairment of a commercial retail property. See Note 2 of the Notes to Consolidated Financial Statements in this report for additional information.

Gain on Involuntary Conversion. During fiscal years 2013 and 2012, the Company recognized gains on involuntary conversion of $5.1 million and approximately $274,000, respectively. See Note 2 of the Notes to Consolidated Financial Statements in this report for additional information.

Interest Expense. Our mortgage interest expense increased approximately $525,000, or 0.9%, to $60.1 million during fiscal year 2013, compared to $59.6 million in fiscal year 2012. Mortgage interest expense for properties newly acquired in fiscal years 2013 and 2012 added $3.8 million to our total mortgage interest expense in fiscal year 2013, while mortgage interest expense on existing properties decreased $3.2 million. The decrease in mortgage interest expense is due to loan payoffs and refinancings in our stabilized properties portfolio. The mortgage interest expense category does not include interest expense on our line of credit, which totaled approximately $980,000 and $2.4 million in fiscal year 2013 and 2012, respectively. Mortgage interest expense and interest expense on our line of credit are all components of "Interest expense" on our Condensed Consolidated Statements of Operations. Our overall weighted average interest rate on all outstanding mortgage debt (excluding borrowings under our secured line of credit and construction loans) was 5.55% as of April 30, 2013 and 5.78% as of April 30, 2012. Our mortgage debt on April 30, 2013 increased approximately $517,000 0.0% from April 30, 2012. Mortgage debt does not include our multi-bank line of credit or our construction loans which appear on our Condensed Consolidated Balance Sheets in "Revolving line of credit" and "Other," respectively.

In addition to IRET's mortgage interest expense, the Company incurs interest expense for a line of credit, construction loans, amortization of loan costs, security deposits, and special assessments offset by capitalized construction interest. For fiscal years 2013, 2012 and 2011 these amounts were $2.8 million, $4.5 million and $2.9 million, respectively, for a total interest expense for fiscal years 2013, 2012 and 2011 of $62.9 million, $64.1 million and $64.0 million. Interest expense on the line of credit decreased by $1.5 million in fiscal year 2013 as compared to the prior year due to the pay down of the line of credit with part of the proceeds from the Series B Preferred offering. Interest expense on the line of credit increased by $1.4 million in fiscal year 2012 as compared to fiscal year 2011 due to increased borrowings on the line of credit to fund acquisitions and development projects.

Interest Income and Other Income. The Company recorded interest income in fiscal years 2013, 2012 and 2011 of approximately $222,000, $148,000 and $259,000, respectively. The change in interest income was due to changes in the amounts deposited in interest-bearing accounts and changes in the interest rate earned.

Other income consists of real estate tax appeal refunds and other miscellaneous income. The Company earned other income in fiscal years 2013, 2012 and 2011 of approximately $526,000, $638,000 and $282,000, respectively.
Income from Discontinued Operations. Income from discontinued operations was $7.0 million in fiscal year 2013, compared to a loss of approximately $57,000 in fiscal year 2012 and income of $20.0 million in fiscal year 2011. The Company reports in discontinued operations the results of operations of a property that has either been disposed of or is classified as held for sale. The Company also reports any gains or losses from the sale of a property in discontinued operations. During fiscal year 2013, the Company disposed of five properties and four condominium units. There were no properties classified as held for sale at April 30, 2013. During fiscal year 2012, the Company disposed of two properties. During fiscal year 2011, the Company disposed of six properties and one patio home. The Company realized a gain on sale of real estate, land and other investments for fiscal year 2013 of approximately $6.9 million. This compares to an approximately $349,000 gain on sale of real estate recognized in fiscal year 2012 and $19.4 million recognized in fiscal year 2011. Properties sold in fiscal years 2013 and 2012 are detailed below in the section captioned "Property Dispositions." See Note 12 of the Notes to Consolidated Financial Statements in this report for further information on discontinued operations.
Net Income. Net income available to common shareholders for fiscal year 2013 was $16.3 million, compared to $5.8 million in fiscal year 2012 and $17.7 million in fiscal year 2011. The increase in net income in fiscal year 2013 as compared to fiscal year 2012 was primarily due to an increase in the gain on involuntary conversion and the gain on sale of discontinued operations. The decrease in net income in fiscal year 2012 as compared to fiscal year 2011 was primarily due to a higher gain on sale of discontinued operations in the prior year. On a per common share basis, net income was $.17 per common share in fiscal year 2013, compared to $.07 per common share in fiscal year 2012 and $.22 in fiscal year 2011.
Net Operating Income
Net Operating Income ("NOI") is a non-GAAP measure which we define as total real estate revenues and gain on involuntary conversion less real estate expenses (which consist of utilities, maintenance, real estate taxes, insurance, property management expenses and other property expenses). We believe that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of core operations that is unaffected by depreciation, amortization, financing and general and administrative expense. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income, net income available for common shareholders or cash flow from operating activities as a measure of financial performance.
The following tables show real estate revenues, real estate operating expenses, gain on involuntary conversion and NOI by reportable operating segment for fiscal years 2013, 2012 and 2011. For a reconciliation of net operating income of reportable segments to net income as reported, see Note 11 of the Notes to Consolidated Financial Statements in this report.
The tables also show net operating income by reportable operating segment on a stabilized property and non-stabilized property basis. Stabilized properties are properties owned or in service for the entirety of the periods being compared, and, in the case of development or re-development properties, which have achieved a target level of occupancy of 90% for multi-family residential properties and 85% for commercial office, healthcare, industrial and retail properties. This comparison allows the Company to evaluate the performance of existing properties and their contribution to net income. Management believes that measuring performance on a stabilized property basis is useful to investors because it enables evaluation of how the Company's properties are performing year over year. Management uses this measure to assess whether or not it has been successful in increasing net operating income, renewing the leases of existing tenants, controlling operating costs and appropriately handling capital improvements. The discussion below focuses on the main factors affecting real estate revenue and real estate expenses from stabilized properties, since changes from one fiscal year to another in real estate revenue and expenses from non-stabilized properties are due to the addition of those properties to the Company's real estate portfolio, and accordingly provide less useful information for evaluating the ongoing operational performance of the Company's real estate portfolio.

Fiscal Year 2013 Compared to Fiscal Year 2012

All Segments

The following table of selected operating data reconciles NOI to net income and provides the basis for our discussion of NOI by segment in fiscal year 2013 compared to fiscal year 2012.

	(in thousands, except percentages)			
	Years Ended April 30			
	2013	2012	$ Change	% Change
All Segments				
Real estate revenue				
Stabilized	$236,701	$233,928	$2,773	1.2%
Non-stabilized[1]	22,705	5,150	17,555	340.9%
Total	$259,406	$239,078	$20,328	8.5%
Real estate expenses				
Stabilized	$96,106	$95,987	$119	0.1%
Non-stabilized[1]	7,026	1,401	5,625	401.5%
Total	$103,132	$97,388	$5,744	5.9%
Gain on involuntary conversion				
Stabilized	$1,232	$274	$958	349.6%
Non-stabilized[1]	3,852	0	3,852	n/a
Total	$5,084	$274	$4,810	1755.5%
Net operating income				
Stabilized	$141,827	$138,215	$3,612	2.6%
Non-stabilized[1]	19,531	3,749	15,782	421.0%
Total	$161,358	$141,964	$19,394	13.7%
Depreciation/amortization	(65,270)	(59,642)		
Administrative, advisory and trustee services	(8,494)	(7,381)		
Other expenses	(2,173)	(1,898)		
Impairment of real estate investments	(305)	0		
Interest expense	(62,900)	(64,066)		
Interest and other income	748	786		
Income from continuing operations	22,964	9,763		
Income (loss) from discontinued operations[2]	7,008	(57)		
Net income	$29,972	$9,706		

(1) NON-STABILIZED PROPERTIES CONSIST OF THE FOLLOWING PROPERTIES (RE-DEVELOPMENT AND IN-SERVICE DEVELOPMENT PROPERTIES ARE LISTED IN BOLD TYPE):

FY2013 - MULTI-FAMILY RESIDENTIAL - ASHLAND, GRAND FORKS, ND; CHATEAU I, MINOT, ND; COLONY, LINCOLN, NE; COTTAGE WEST TWIN HOMES, SIOUX FALLS, SD; EVERGREEN II, ISANTI, MN; FIRST AVENUE, MINOT, ND; GABLES TOWNHOMES, SIOUX FALLS, SD; GRAND GATEWAY, ST CLOUD, MN; LAKESIDE VILLAGE,

	LINCOLN, NE; PONDS AT HERITAGE PLACE, SARTELL, MN; QUARRY RIDGE II, ROCHESTER, MN; REGENCY PARK ESTATES, ST CLOUD, MN; VILLA WEST, TOPEKA, KS; WHISPERING RIDGE, OMAHA, NE AND WILLISTON GARDEN, WILLISTON, ND. TOTAL NUMBER OF UNITS, 1,953.
COMMERCIAL HEALTHCARE -	EDINA 6525 DREW AVENUE, EDINA, MN; JAMESTOWN MEDICAL OFFICE BUILDING, JAMESTOWN, ND; SPRING CREEK AMERICAN FALLS, AMERICAN FALLS, ID; SPRING CREEK SODA SPRINGS, SODA SPRINGS, ID; SPRING CREEK EAGLE, EAGLE, ID; SPRING CREEK MERIDIAN, MERIDIAN, ID; SPRING CREEK OVERLAND, BOISE, ID; SPRING CREEK BOISE, BOISE, ID; SPRING CREEK USTICK, MERIDIAN, ID AND TRINITY AT PLAZA 16, MINOT, ND. TOTAL RENTABLE SQUARE FOOTAGE, 223,192.
COMMERCIAL INDUSTRIAL -	MINOT IPS, MINOT, ND. TOTAL RENTABLE SQUARE FOOTAGE, 27,698.
COMMERCIAL RETAIL -	ARROWHEAD FIRST INTERNATIONAL BANK, MINOT, ND. TOTAL RENTABLE SQUARE FOOTAGE, 3,702.

FY2012 -	MULTI-FAMILY RESIDENTIAL -	ASHLAND, GRAND FORKS, ND; CHATEAU I, MINOT, ND; COTTAGE WEST TWIN HOMES, SIOUX FALLS, SD; EVERGREEN II, ISANTI, MN; GABLES TOWNHOMES, SIOUX FALLS, SD; GRAND GATEWAY, ST CLOUD, MN; REGENCY PARK ESTATES, ST CLOUD, MN; VILLA WEST, TOPEKA, KS; AND WILLISTON GARDEN, WILLISTON, ND. TOTAL NUMBER OF UNITS, 561.
	COMMERCIAL HEALTHCARE -	EDINA 6525 DREW AVENUE, EDINA, MN; SPRING CREEK AMERICAN FALLS, AMERICAN FALLS, ID; SPRING CREEK SODA SPRINGS, SODA SPRINGS, ID; SPRING CREEK EAGLE, EAGLE, ID; SPRING CREEK MERIDIAN, MERIDIAN, ID; SPRING CREEK OVERLAND, BOISE, ID; SPRING CREEK BOISE, BOISE, ID; SPRING CREEK USTICK, MERIDIAN, ID AND TRINITY AT PLAZA 16, MINOT, ND. TOTAL RENTABLE SQUARE FOOTAGE, 177,970.

(2) DISCONTINUED OPERATIONS INCLUDE GAIN ON DISPOSALS AND INCOME FROM OPERATIONS FOR:
2013 DISPOSITIONS AND PROPERTIES HELD FOR SALE – CANDLELIGHT, GEORGETOWN SQUARE CONDOMINIUMS, KENTWOOD THOMASVILLE FURNITURE, PRAIRIEWOOD MEADOWS, STEVENS POINT AND TERRACE ON THE GREEN.
2012 DISPOSITIONS AND PROPERTIES HELD FOR SALE – LIVINGSTON PAMIDA, EAST GRAND STATION, GEORGETOWN SQUARE CONDOMINIUMS AND KENTWOOD THOMASVILLE FURNITURE.

An analysis of NOI by segment follows.
Multi-Family Residential

Real estate revenue from stabilized properties in our multi-family residential segment increased by $3.1 million in the twelve months ended April 30, 2013 compared to the same period in the prior fiscal year. The continued levels of high occupancy allowed for rental rate increases of approximately $2.4 million. The remainder of the real estate revenue increase is attributable to a decrease of $400,000 in allowances and concessions and an increase of $263,000 in other fee revenue items.
Real estate expenses at stabilized properties decreased by $356,000 in the twelve months ended April 30, 2013 compared to the same period in the prior fiscal year. Real estate taxes increased by $371,000; utilities expense increased by $288,000 and insurance expense increased by $132,000. These increases in expenses were offset by a decrease in property management expenses of $1,065,000 and a combined decrease in maintenance and other property expenses of $82,000 for a net decrease in overall expenses of $356,000. The decrease in property management expenses is attributable to recoverable allocations of internal management fees as compared to prior periods.

	(in thousands, except percentages)			
	Years Ended April 30,			
	2013	2012	$ Change	% Change
Multi-Family Residential				
Real estate revenue				
Stabilized	$72,948	$69,883	$3,065	4.4%
Non-stabilized	17,811	2,617	15,194	580.6%

Total	$90,759	$72,500	$18,259	25.2%
Real estate expenses				
Stabilized	$32,445	$32,801	$(356)	(1.1%)
Non-stabilized	6,271	1,104	5,167	468.0%
Total	$38,716	$33,905	$4,811	14.2%
Gain on involuntary conversion				
Stabilized	$0	$0	$0	n/a
Non-stabilized	3,852	0	3,852	n/a
Total	$3,852	$0	$3,852	n/a
Net operating income				
Stabilized	$40,503	$37,082	$3,421	9.2%
Non-stabilized	15,392	1,513	13,879	917.3%
Total	$55,895	$38,595	$17,300	44.8%

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Occupancy	2013	2012
Stabilized	94.7%	94.2%
Non-stabilized	94.5%	85.4%
Total	94.6%	93.7%

Number of Units	2013	2012
Stabilized	8,327	8,333
Non-stabilized	1,953	561
Total	10,280	8,894

Commercial Office

Real estate revenue from stabilized properties in our commercial office segment increased by $2.8 million in the twelve months ended April 30, 2013 compared to the same period from the prior fiscal year. Real estate rentals increased by $1.2 million and tenant reimbursements increased by $1.6 million due to an increase in occupancy and increased recoverable operating expenses.

Real estate expenses at stabilized properties increased by 9.0%, or $3.1 million in the twelve months ended April 30, 2013 compared to the same period from the prior fiscal year. The increase was primarily due to an increase in real estate taxes of $741,000; an increase in property management expense of $917,000; an increase in maintenance expenses of $973,000 and an increase of $498,000 in other expense items. The increase in property management expenses is attributable to recoverable allocations of internal management fees as compared to prior periods, while the increase in maintenance expenses is primarily due to increased snow removal costs.

	(in thousands, except percentages)			
	Years Ended April 30,			
	2013	2012	$ Change	% Change
Commercial Office				
Real estate revenue				
Stabilized	$77,162	$74,334	$ 2,828	3.8%
Non-stabilized	0	0	0	n/a
Total	$77,162	$74,334	$ 2,828	3.8%
Real estate expenses				
Stabilized	$37,946	$34,816	$ 3,130	9.0%
Non-stabilized	0	0	0	n/a
Total	$37,946	$34,816	$ 3,130	9.0%
Net operating income				
Stabilized	$39,216	$39,518	$ (302)	(0.8%)
Non-stabilized	0	0	0	n/a
Total	$39,216	$39,518	$ (302)	(0.8%)

Occupancy	2013	2012
Stabilized	80.2%	78.6%
Non-stabilized	n/a	n/a
Total	80.2%	78.6%

Rentable Square Footage	2013	2012
Stabilized	5,063,026	5,061,212
Non-stabilized	0	0
Total	5,063,026	5,061,212

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Commercial Healthcare

Real estate revenue from stabilized properties in our commercial healthcare segment decreased by $4.7 million in the twelve months ended April 30, 2013 compared to the same period from the prior fiscal year. The decrease was primarily due to the reduction in revenue of $5.3 million at our Wyoming senior living facilities and a reduction of $367,000 in straight-line rent. These reductions in revenue were offset by an increase in percentage rent revenue of $476,000 at our Edgewood Vista senior living facilities due to a percentage rent clause that was newly effective in fiscal year 2013 and an increase in tenant reimbursements of $532,000 due to slight increases in occupancy and reimbursable expenses. The revenue reduction at our Wyoming senior living facilities (which is offset by a $5.0 million reduction in real estate expenses outlined below) is the result of the restructuring of the Company's assisted living portfolio in the third quarter of fiscal year 2012, when the Company sold its wholly-owned taxable REIT subsidiary. Following the sale of this entity, the Company's revenue from its Wyoming assisted living portfolio is received as rent under the lease agreement with the tenant in the facilities, and property management expenses are paid by the tenant, rather than (as was previously the case) included in the property management expense category of the Company's statements.

Real estate expenses from stabilized properties decreased by $4.3 million in the twelve months ended April 30, 2013 compared to the same period from the prior fiscal year. A decrease of $5.0 million was the result of the portfolio restructuring discussed above. This reduction in expenses was offset by an increase in property management expenses of $615,000 and other real estate expenses of $33,000. The increase in property management expenses is attributable to recoverable allocations of internal management fees as compared to prior periods.

	(in thousands, except percentages)			
	Years Ended April 30,			
	2013	2012	$ Change	% Change
Commercial Healthcare				
Real estate revenue				
Stabilized	$57,304	$61,978	$(4,674)	(7.5%)
Non-stabilized	4,671	2,533	2,138	84.4%
Total	$61,975	$64,511	$(2,536)	(3.9%)
Real estate expenses				
Stabilized	$16,027	$20,353	$(4,326)	(21.3%)
Non-stabilized	752	297	455	153.2%
Total	$16,779	$20,650	$(3,871)	(18.7%)
Net operating income				
Stabilized	$41,277	$41,625	$(348)	(0.8%)
Non-stabilized	3,919	2,236	1,683	75.3%
Total	$45,196	$43,861	$1,335	3.0%

Occupancy	2013	2012
Stabilized	94.6%	94.0%
Non-stabilized	95.7%	99.8%
Total	94.7%	94.4%

Rentable Square Footage	2013	2012
Stabilized	2,732,830	2,701,768
Non-stabilized	223,192	177,970
Total	2,956,022	2,879,738

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Commercial Industrial

Real estate revenue from stabilized properties in our commercial industrial segment increased by $374,000 in the twelve months ended April 30, 2013 compared to the same period in the prior fiscal year. The increase was primarily due to increased tenant reimbursements of $259,000 which was attributable to our Dixon Avenue Property. The increase at Dixon Avenue was the result of 90,000 square feet of previously vacant space being leased and additional expiring space that was previously leased as a gross lease renewing as a net lease which allows for the additional collections of expense reimbursements. An increase in rental revenue of $183,000 was realized due to a slight increase in occupancy while other revenue items decreased by $68,000.

Real estate expenses from stabilized properties increased by $706,000 in the twelve months ended April 30, 2013 compared to the same period in the prior fiscal year. The increase was primarily due to an increase in bad debt provision of $684,000 which was the result of a bad debt collection at our Brooklyn Park 7401 Boone Avenue property in the prior fiscal year. All other expenses combined increased by $22,000.

	(in thousands, except percentages)			
	Years Ended April 30,			
	2013	2012	$ Change	% Change
Commercial Industrial				
Real estate revenue				
Stabilized	$14,699	$14,325	$ 374	2.6%
Non-stabilized	212	0	212	n/a
Total	$14,911	$14,325	$ 586	4.1%
Real estate expenses				
Stabilized	$4,255	$3,549	$ 706	19.9%
Non-stabilized	0	0	0	n/a
Total	$4,255	$3,549	$ 706	19.9%
Net operating income				
Stabilized	$10,444	$10,776	$ (332)	(3.1%)
Non-stabilized	212	0	212	n/a
Total	$10,656	$10,776	$ (120)	(1.1%)

Occupancy	2013	2012
Stabilized	96.8%	95.5%
Non-stabilized	100.0%	n/a
Total	96.8%	95.5%

Rentable Square Footage	2013	2012
Stabilized	2,935,764	2,945,239
Non-stabilized	27,698	0
Total	2,963,462	2,945,239

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Commercial Retail

Real estate revenue from stabilized properties in our commercial retail segment increased by $1.2 million in the twelve months ended April 30, 2013 compared to the same period of the prior fiscal year. The increase was due primarily to a $488,000 increase in real estate rentals with the remaining increase of $692,000 being attributable to tenant reimbursements. Increased occupancy and stabilization of our Minot Arrowhead Shopping Center post-flood accounted for $442,000 of the increase in real estate revenue. Increased occupancy at our Rochester Maplewood Square property resulted in increased real estate revenue of $292,000 as well.

Real estate expenses from stabilized properties increased by $965,000, primarily due to an increase in maintenance expense of $633,000; an increase in real estate taxes of $167,000 and an increase in other expenses combined of $165,000. The increase in maintenance expenses was primarily due to more general maintenance items being completed and an increase in snow removal.

	(in thousands, except percentages)			
	Years Ended April 30,			
	2013	2012	$ Change	% Change
Commercial Retail				
Real estate revenue				
Stabilized	$ 14,588	$ 13,408	$ 1,180	8.8%
Non-stabilized	11	0	11	n/a
Total	$ 14,599	$ 13,408	$ 1,191	8.9%
Real estate expenses				
Stabilized	$ 5,433	$ 4,468	$ 965	21.6%
Non-stabilized	3	0	3	n/a
Total	$ 5,436	$ 4,468	$ 968	21.7%
Gain on involuntary conversion				
Stabilized	$ 1,232	$ 274	$ 958	349.6%
Non-stabilized	0	0	0	n/a
Total	$ 1,232	$ 274	$ 958	349.6%
Net operating income				
Stabilized	$ 10,387	$ 9,214	$ 1,173	12.7%
Non-stabilized	8	0	8	n/a
Total	$ 10,395	$ 9,214	$ 1,181	12.8%

Occupancy	2013	2012
Stabilized	86.5%	87.1%
Non-stabilized	100.0%	n/a
Total	86.5%	87.1%

Rentable Square Footage	2013	2012
Stabilized	1,395,632	1,392,133
Non-stabilized	3,702	0
Total	1,399,334	1,392,133

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Fiscal Year 2012 Compared to Fiscal Year 2011

All Segments
The following table of selected operating data reconciles NOI to net income and provides the basis for our discussion of NOI by segment in fiscal year 2012 compared to fiscal year 2011.

	(in thousands, except percentages)			
	Years Ended April 30			
	2012	2011	$ Change	% Change
All Segments				
Real estate revenue				
Stabilized	$229,025	$231,164	$(2,139)	(0.9%)
Non-stabilized[1]	10,053	3,012	7,041	233.8%
Total	$239,078	$234,176	$4,902	2.1%
Real estate expenses				
Stabilized	$94,942	$100,270	$(5,328)	(5.3%)
Non-stabilized[1]	2,446	611	1,835	300.3%
Total	$97,388	$100,881	$(3,493)	(3.5%)
Gain on involuntary conversion				
Stabilized	$274	$0	$274	n/a
Non-stabilized[1]	0	0	0	n/a
Total	$274	$0	$274	n/a
Net operating income				
Stabilized	$134,357	$130,894	$3,463	2.6%
Non-stabilized[1]	7,607	2,401	5,206	216.8%
Total	$141,964	$133,295	$8,669	6.5%
Depreciation/amortization	(59,642)	(57,759)		
Administrative, advisory and trustee services	(7,381)	(7,222)		
Other expenses	(1,898)	(1,747)		
Interest expense	(64,066)	(62,735)		
Interest and other income	786	541		
Income from continuing operations	9,763	4,373		
(Loss) income from discontinued operations[2]	(57)	19,978		
Net income	$9,706	$24,351		

(1) NON-STABILIZED PROPERTIES CONSIST OF THE FOLLOWING PROPERTIES (REDEVELOPMENT AND IN-SERVICE DEVELOPMENT PROPERTIES ARE LISTED IN BOLD TYPE):

FY2012 -	MULTI-FAMILY RESIDENTIAL -	ASHLAND, GRAND FORKS, ND; CHATEAU, MINOT, ND; COTTAGE WEST TWIN HOMES, SIOUX FALLS, SD; EVERGREEN II, ISANTI, MN; GABLES TOWNHOMES, SIOUX FALLS, SD; GRAND GATEWAY, ST CLOUD, MN; NORTH POINTE II, BISMARCK, ND; REGENCY PARK ESTATES, ST CLOUD, MN; SIERRA VISTA, SIOUX FALLS, SD AND WILLISTON GARDEN, WILLISTON, ND.

	TOTAL NUMBER OF UNITS, 629.
COMMERCIAL OFFICE -	FIRST AVENUE BUILDING, MINOT, ND AND OMAHA 10802 FARNAM DRIVE, OMAHA, NE. TOTAL RENTABLE SQUARE FOOTAGE, 63,001.
COMMERCIAL HEALTHCARE -	BILLINGS 2300 GRANT ROAD, BILLINGS, MT; EDGEWOOD VISTA-MINOT, MINOT, ND; EDINA 6525 DREW AVENUE, EDINA, MN; MISSOULA 3050 GREAT NORTHERN AVENUE, MISSOULA, MT; SPRING CREEK AMERICAN FALLS, AMERICAN FALLS, ID; SPRING CREEK SODA SPRINGS, SODA SPRINGS, ID; SPRING CREEK EAGLE, EAGLE, ID; SPRING CREEK MERIDIAN, MERIDIAN, ID; SPRING CREEK OVERLAND, BOISE, ID; SPRING CREEK BOISE, BOISE, ID; SPRING CREEK USTICK, MERIDIAN, ID AND TRINITY AT PLAZA 16, MINOT, ND TOTAL RENTABLE SQUARE FOOTAGE, 315,818.
COMMERCIAL INDUSTRIAL -	FARGO 1320 45TH STREET NORTH, FARGO, ND. TOTAL RENTABLE SQUARE FOOTAGE, 42,244.
COMMERCIAL RETAIL -	MINOT 1400 31ST AVE, MINOT, ND. TOTAL RENTABLE SQUARE FOOTAGE, 48,960.

FY2011 -	MULTI-FAMILY RESIDENTIAL -	CHATEAU, MINOT, ND; NORTH POINTE II, BISMARCK, ND AND SIERRA VISTA, SIOUX FALLS, SD. TOTAL NUMBER OF UNITS, 132.
	COMMERCIAL OFFICE -	FIRST AVENUE BUILDING, MINOT, ND AND OMAHA 10802 FARNAM DRIVE, OMAHA, NE. TOTAL RENTABLE SQUARE FOOTAGE, 63,001.
	COMMERCIAL HEALTHCARE -	BILLINGS 2300 GRANT ROAD, BILLINGS, MT; EDGEWOOD VISTA-MINOT, MINOT, ND AND MISSOULA 3050 GREAT NORTHERN AVENUE, MISSOULA, MT . TOTAL RENTABLE SQUARE FOOTAGE, 137,848.
	COMMERCIAL INDUSTRIAL -	FARGO 1320 45TH STREET NORTH, FARGO, ND. TOTAL RENTABLE SQUARE FOOTAGE, 42,244.
	COMMERCIAL RETAIL -	MINOT 1400 31ST AVE, MINOT, ND. TOTAL RENTABLE SQUARE FOOTAGE, 47,709.

(2) DISCONTINUED OPERATIONS INCLUDE GAIN ON DISPOSALS AND INCOME FROM OPERATIONS FOR:
2013 DISPOSITIONS AND PROPERTIES HELD FOR SALE – CANDLELIGHT, GEORGETOWN SQUARE CONDOMINIUMS, KENTWOOD THOMASVILLE FURNITURE, PRAIRIEWOOD MEADOWS, STEVENS POINT AND TERRACE ON THE GREEN.
2012 DISPOSITIONS AND PROPERTIES HELD FOR SALE – LIVINGSTON PAMIDA, EAST GRAND STATION, GEORGETOWN SQUARE CONDOS AND KENTWOOD THOMASVILLE FURNITURE.
2011 DISPOSITIONS – MIRAMONT APARTMENTS, NEIGHBORHOOD APARTMENTS, PINECONE APARTMENTS, WACONIA, DAKOTA HILL, EDGEWOOD VISTA FARGO AND LADYSMITH PAMIDA.

An analysis of NOI by segment follows.
Multi-Family Residential

Real estate revenue from stabilized properties in our multi-family residential segment increased by approximately $4.8 million in fiscal year 2012 compared to fiscal year 2011. Approximately $2.8 million of this increase was due to increased occupancy across our multifamily portfolio; increased occupancy allowed for rental rate increases of approximately $1.1 million of additional revenue in this segment in fiscal year 2012 compared to fiscal year 2011. The remainder of the real estate revenue increase is attributable to a decrease of $396,000 in allowances and concessions and an increase of $450,000 in other fee revenue items.
Real estate expenses at stabilized properties decreased by $394,000 in fiscal year 2012 compared to fiscal year 2011. The mild winter season permitted overall lower utilities usage for a reduction in expense of approximately $42,000, and reduced snow removal expenses by $500,000. Additionally, of the $394,000 decrease in real estate expenses in this segment in fiscal year 2012 compared to fiscal year 2011, approximately $309,000 was due to lower property management expense, which includes lower fees to third party managers, savings from the Company's internal management initiative and less bad debt write-off. These decreases in expenses were offset by an increase in insurance expense of $435,000 and an increase in losses not covered by insurance due to deductible levels of $324,000. Other expense items decreased by $303,000.

(in thousands, except percentages)		
Years Ended April 30,		
2012	2011	% Change

			$ Change	
Multi-Family Residential				
Real estate revenue				
Stabilized	$69,292	$64,471	$ 4,821	7.5%
Non-stabilized	3,208	758	2,450	323.2%
Total	$72,500	$65,229	$ 7,271	11.1%
Real estate expenses				
Stabilized	$32,486	$32,880	$ (394)	(1.2%)
Non-stabilized	1,419	336	1,083	322.3%
Total	$33,905	$33,216	$ 689	2.1%
Net operating income				
Stabilized	$36,806	$31,591	$ 5,215	16.5%
Non-stabilized	1,789	422	1,367	323.9%
Total	$38,595	$32,013	$ 6,582	20.6%

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Occupancy	2012	2011
Stabilized	94.2%	92.9%
Non-stabilized	86.8%	93.9%
Total	93.7%	92.9%

Number of Units	2012	2011
Stabilized	8,265	8,262
Non-stabilized	629	132
Total	8,894	8,394

Commercial Office

Real estate revenue from stabilized properties in our commercial office segment decreased by approximately $4.3 million in fiscal year 2012 compared to fiscal year 2011, due to a continued decrease in occupancy which resulted in a reduction in rental revenue of $1.3 million and in tenant reimbursements of $2.8 million. Allowances and concessions increased by $1.2 million, further reducing revenue. These reductions in revenue were offset by an increase in straight line rents of $615,000 and an increase in lease termination fees of $313,000.

Real estate expenses from stabilized properties decreased by approximately $1.6 million in fiscal year 2012 as compared to fiscal 2011, primarily due to maintenance expense decreasing by $1.4 million, mainly as a result of lower snow removal costs, a reduction in real estate taxes of $267,000 due to successful appeals, and a reduction of $283,000 in third party management fees due to bringing property management in-house; offset by an increase in insurance expense of $405,000 and an increase in other expense items of $55,000.

	(in thousands, except percentages)			
	Years Ended April 30,			
	2012	2011	$ Change	% Change
Commercial Office				
Real estate revenue				
Stabilized	$72,995	$77,257	$(4,262)	(5.5%)
Non-stabilized	1,339	490	849	173.3%
Total	$74,334	$77,747	$(3,413)	(4.4%)
Real estate expenses				
Stabilized	$34,256	$35,855	$(1,599)	(4.5%)
Non-stabilized	560	200	360	180.0%
Total	$34,816	$36,055	$(1,239)	(3.4%)
Net operating income				
Stabilized	$38,739	$41,402	$(2,663)	(6.4%)
Non-stabilized	779	290	489	168.6%
Total	$39,518	$41,692	$(2,174)	(5.2%)

Occupancy	2012	2011
Stabilized	78.4%	79.5%
Non-stabilized	98.7%	98.7%
Total	78.6%	79.7%

Rentable Square Footage	2012	2011
Stabilized	4,998,211	4,998,572
Non-stabilized	63,001	63,001
Total	5,061,212	5,061,573

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Commercial Healthcare

Real estate revenue from stabilized properties in our commercial healthcare segment decreased by approximately $3.7 million in fiscal year 2012 compared to fiscal year 2011. The decrease was primarily due to a reduction in revenue of $2.2 million at our Wyoming senior living facilities following the sale of our TRS and a change to a triple net lease structure in December 2011. The decrease was also due to a reduction of $1.9 million in scheduled rent at some assisted living facilities, following amendment of the leases to shorten terms and remove purchase options. Lower occupancy also decreased revenue by approximately $799,000, offset by an increase in straight line rent of $1.5 million and an increase in other revenue items of $233,000.

Real estate expenses from stabilized properties decreased by approximately $2.1 million, primarily due to the operating change from a TRS structure to a triple net lease structure, which reduced real estate expenses by approximately $2.2 million, and to a decrease in maintenance expense of $382,000, primarily due to lower snow removal costs, a reduction in utilities expense of $110,000, and other total expense reductions of $130,000. These expense reductions were offset by an increase in real estate taxes of $234,000 and an increase in insurance expense of $228,000.

	(in thousands, except percentages)			
	Years Ended April 30,			
	2012	2011	$ Change	% Change
Commercial Healthcare				
Real estate revenue				
Stabilized	$ 60,026	$ 63,717	$ (3,691)	(5.8%)
Non-stabilized	4,485	1,162	3,323	286.0%
Total	$ 64,511	$ 64,879	$ (368)	(0.6%)
Real estate expenses				
Stabilized	$ 20,337	$ 22,420	$ (2,083)	(9.3%)
Non-stabilized	313	23	290	1,260.9%
Total	$ 20,650	$ 22,443	$ (1,793)	(8.0%)
Net operating income				
Stabilized	$ 39,689	$ 41,297	$ (1,608)	(3.9%)
Non-stabilized	4,172	1,139	3,033	266.3%
Total	$ 43,861	$ 42,436	$ 1,425	3.4%

Occupancy	2012	2011
Stabilized	93.7%	95.7%
Non-stabilized	99.9%	100.0%
Total	94.4%	95.9%

Rentable Square Footage	2012	2011
Stabilized	2,563,920	2,541,407
Non-stabilized	315,818	137,848
Total	2,879,738	2,679,255

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Commercial Industrial

Real estate revenue from stabilized properties in our commercial industrial segment increased by approximately $1.1 million in fiscal year 2012 compared to fiscal year 2011. The increase was primarily due to increased occupancy, which provided for additional revenue from rents of $717,000 and additional tenant reimbursements of $599,000, offset by an increase in allowance and concessions of $197,000 and an increase in other revenue items of $19,000. Real estate expenses from stabilized properties decreased by $778,000 in fiscal 2012 compared to fiscal 2011, primarily due to a recovered bad debt from a former tenant in bankruptcy of approximately $700,000 and reduced utility expense of $325,000, offset by an increase in real estate taxes of $167,000, an increase in insurance expense of $108,000, and an increase in other total expenses of $42,000.

	(in thousands, except percentages)			
	Years Ended April 30,			
	2012	2011	$ Change	% Change
Commercial Industrial				
Real estate revenue				
Stabilized	$13,884	$12,797	$1,087	8.5%
Non-stabilized	441	368	73	19.8%
Total	$14,325	$13,165	$1,160	8.8%
Real estate expenses				
Stabilized	$3,543	$4,321	$(778)	(18.0%)
Non-stabilized	6	7	(1)	(14.3%)
Total	$3,549	$4,328	$(779)	(18.0%)
Net operating income				
Stabilized	$10,341	$8,476	$1,865	22.0%
Non-stabilized	435	361	74	20.5%
Total	$10,776	$8,837	$1,939	21.9%

Occupancy	2012	2011
Stabilized	95.4%	90.0%
Non-stabilized	100.0%	100.0%
Total	95.5%	90.1%

Rentable Square Footage	2012	2011
Stabilized	2,902,995	2,936,235
Non-stabilized	42,244	42,244
Total	2,945,239	2,978,479

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Commercial Retail

Real estate revenue from stabilized properties in our commercial retail segment decreased by approximately $94,000 in fiscal year 2012 compared to fiscal year 2011. Occupancy increased as a percentage of square feet leased; however, lease renewal rates were lower for new or existing tenants.

Real estate expenses from stabilized properties decreased by $474,000, primarily due to decreased maintenance expense of $513,000, mainly as a result of reduced snow removal expense, and to utility expenses decreasing by $68,000, offset by an increase in real estate tax of $83,000, an increase in insurance expense of $106,000 and an increase in other property management expense items of $82,000.

	(in thousands, except percentages)			
	Years Ended April 30,			
	2012	2011	$ Change	% Change
Commercial Retail				
Real estate revenue				
Stabilized	$12,828	$12,922	$ (94)	(0.7%)
Non-stabilized	580	234	346	147.9%
Total	$13,408	$13,156	$ 252	1.9%
Real estate expenses				
Stabilized	$4,320	$4,794	$ (474)	(9.9%)
Non-stabilized	148	45	103	228.9%
Total	$4,468	$4,839	$ (371)	(7.7%)
Gain on involuntary conversion				
Stabilized	$274	$0	$ 274	n/a
Non-stabilized	0	0	0	n/a
Total	$274	$0	$ 274	n/a
Net operating income				
Stabilized	$8,782	$8,128	$ 654	8.0%
Non-stabilized	432	189	243	128.6%
Total	$9,214	$8,317	$ 897	10.8%

Occupancy	2012	2011
Stabilized	86.6%	83.2%
Non-stabilized	100.0%	53.6%
Total	87.1%	82.2%

Rentable Square Footage	2012	2011
Stabilized	1,343,173	1,342,655
Non-stabilized	48,960	47,709
Total	1,392,133	1,390,364

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Comparison of Results from Commercial and Residential Properties

The following table presents an analysis of the relative investment in (corresponding to "Property owned" on the balance sheet, i.e., cost), and net operating income of, our commercial and multi-family residential properties over the past three fiscal years:

	(in thousands, except percentages)					
Fiscal Years Ended April 30	2013	%	2012	%	2011	%
Real Estate Investments – (cost before depreciation)						
Multi-Family Residential	$659,696	32.4%	$539,783	28.5%	$484,815	27.4%
Commercial Office	613,775	30.2%	605,318	32.0%	595,491	33.6%
Commercial Healthcare	501,191	24.7%	500,268	26.4%	447,831	25.3%
Commercial Industrial	125,772	6.2%	119,002	6.3%	117,602	6.6%
Commercial Retail	132,536	6.5%	127,638	6.8%	125,059	7.1%
Total	$2,032,970	100.0%	$1,892,009	100.0%	$1,770,798	100.0%
Net Operating Income						
Multi-Family Residential	$55,895	34.7%	$38,595	27.2%	$32,013	24.0%
Commercial Office	39,216	24.3%	39,518	27.8%	41,692	31.3%
Commercial Healthcare	45,196	28.0%	43,861	30.9%	42,436	31.8%
Commercial Industrial	10,656	6.6%	10,776	7.6%	8,837	6.6%
Commercial Retail	10,395	6.4%	9,214	6.5%	8,317	6.3%
Total	$161,358	100.0%	$141,964	100.0%	$133,295	100.0%

Analysis of Commercial Segments' Credit Risk and Leases

Credit Risk

The following table lists our top ten commercial tenants on April 30, 2013, for all commercial properties owned by us, measured by percentage of total commercial segments' minimum rents as of April 1, 2013. Our results of operations are dependent on, among other factors, the economic health of our tenants. We attempt to mitigate tenant credit risk by working to secure creditworthy tenants that meet our underwriting criteria and monitoring our portfolio to identify potential problem tenants. We believe that our credit risk is also mitigated by the fact that no individual tenant accounts for more than approximately 10% of our total real estate rentals, although affiliated entities of Edgewood Vista together accounted for approximately 13.2% of our total commercial segments' minimum rents as of April 1, 2013.

As of April 30, 2013, 62 of our 182 commercial properties, including all 20 of our Edgewood Vista properties, all 7 of our Idaho Spring Creek senior housing properties, and all 5 of our Wyoming senior housing properties, were leased under triple net leases under which the tenant pays a monthly lump sum base rent as well as all costs associated with the property, including property taxes, insurance, replacement, repair or restoration, in addition to maintenance. The failure by any of our triple net tenants to effectively conduct their operations or to maintain and improve our properties in accordance with the terms of their respective triple net leases could adversely affect their business reputations and ability to attract and retain residents and customers to our properties, which could have an indirect adverse effect on us.

We regularly monitor the relative credit risk of our significant tenants, including our triple net tenants. The metrics the Company uses to evaluate a significant tenant's liquidity and creditworthiness depend on facts and circumstances specific to that tenant and to the industry in which it operates, and include the tenant's credit history and economic conditions related to the tenant, its operations and the markets in which it operates, that may change over time. Prior to signing a lease with a tenant, the Company generally assesses the prospective tenant's credit quality through review of its financial statements and tax returns, and the result of that review is a factor in establishing the rent to be charged (e.g., higher risk tenants will be charged higher rent). Over the course of a lease, the Company's property management and asset management personnel have regular contact with tenants and tenant employees, and, where the terms of the lease permit, receive tenant financial information for periodic review, or review publicly-available financial

statements, in the case of public company tenants or non-profit entities, such as hospital systems, whose financial statements are required to be filed with state agencies. Through these means the Company monitors tenant credit quality.

Lessee	% of Total Commercial Segments Minimum Rents as of April 1, 2013
Affiliates of Edgewood Vista	13.2%
St. Luke's Hospital of Duluth, Inc.	3.5%
Fairview Health Services	3.4%
Applied Underwriters	2.3%
HealthEast Care System	1.6%
Affiliates of Siemens USA	1.3%
Nebraska Orthopaedic Hospital	1.3%
Arcadis Corporate Services, Inc.	1.2%
Microsoft (NASDAQ: MSFT)	1.2%
State of ID Dept of Health & Welfare	1.1%
All Others	69.9%
Total Monthly Commercial Rent as of April 1, 2013	100.0%

Commercial Leasing Activity

During Fiscal 2013, we executed new and renewal commercial leases for our stabilized rental properties on 1,010,136 square feet. As a result of our leasing efforts, occupancy in our stabilized commercial portfolio increased to 88.2% as of April 30, 2013, up from 87.1% as of April 30, 2012.

The total leasing activity for our stabilized commercial rental properties, expressed in square feet of leases signed during the period, and the resulting physical occupancy levels are as follows for the years ended April 30, 2013 and 2012 respectively.

	Square Feet of New Leases(1)		Square Feet of Leases Renewed(1) (2)		Total Square Feet of Leases Executed(1)		Physical Occupancy Fiscal Year Ended April 30,	
Segments	2013	2012	2013	2012	2013	2012	2013	2012
Office	263,799	324,633	399,399	522,656	663,198	847,289	80.2%	78.6%
Healthcare	51,126	98,987	55,718	41,463	106,844	140,450	94.6%	94.0%
Industrial	36,982	144,833	23,572	526,576	60,554	671,409	96.8%	95.5%
Retail	92,662	84,634	86,878	110,832	179,540	195,466	86.5%	87.1%
Total	444,569	653,087	565,567	1,201,527	1,010,136	1,854,614	88.2%	87.1%

(1) The leasing activity presented is based on leases signed or executed for our stabilized rental properties during the period and is not intended to coincide with the commencement of rental revenue in accordance with GAAP.

(2) Leases renewed include the retained occupancy of tenants on a month-to-month basis past their original lease expiration date.

New Leases

The following table sets forth the average effective rents and the estimated costs of tenant improvements and leasing commissions, on a per square foot basis, that we are obligated to fulfill under the new leases signed for our stabilized commercial rental properties during the years ended April 30, 2013 and 2012, respectively:

	Square Feet of New Leases(1)		Average Term in Years		Average Effective Rent(2)		Estimated Tenant Improvement Cost per Square Foot(1)		Leasing Commissions per Square Foot(1)	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Office	263,799	324,633	5.5	4.5	$14.53	$11.51	$14.24	$11.36	$5.34	$4.01
Healthcare	51,126	98,987	8.2	7.5	20.14	17.35	37.99	22.88	7.06	3.27
Industrial	36,982	144,833	4.8	1.7	4.84	2.80	3.90	0.39	1.43	0.42

Retail	92,662	84,634	5.0	4.5	8.93	7.87	9.66	5.97	2.21	1.47
Total	444,569	653,087	5.9	5.0	$13.20	$9.99	$15.16	$9.97	$4.56	$2.77

(1) The leasing activity presented is based on leases signed or executed for our stabilized rental properties during the period and is not intended to coincide with the commencement of rental revenue in accordance with GAAP. Tenant improvements and leasing commissions presented are based on square feet leased during the period.

(2) Effective rents represent average annual base rental payments, on a straight-line basis for the term of each lease, excluding operating expense reimbursements. The underlying leases contain various expense structures including gross, modified gross, net and triple net.

Our ability to maintain or increase occupancy rates is a principal driver of maintaining and increasing the average effective rents in our commercial segments. The increase in the average effective rental rates of new leases executed for the fiscal year ended April 30, 2013 when compared to new leases executed for the same period in the prior year is due primarily to the recovery of higher per square foot tenant improvements and leasing commissions and is not a function of significant increases in market rent.

Lease Renewals

The following table summarizes our lease renewal activity within our stabilized commercial segments for the years ended April 30, 2013 and 2012, respectively (square feet data in thousands):

	Square Feet of Leases Renewed[1]		Percent of Expiring Leases Renewed[2]		Average Term in Years		Weighted Average Growth (Decline) in Effective Rents[3]		Estimated Tenant Improvement Cost per Square Foot[1]		Leasing Commissions per Square Foot[1]	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Office	399,399	522,656	87.1%	73.8%	3.1	3.5	(5.3%)	5.8%	$ 5.89	$ 5.53	$ 4.47	$ 2.23
Healthcare	55,718	41,463	74.1%	23.9%	6.5	4.3	4.6%	(3.2%)	16.67	8.53	4.74	2.74
Industrial	23,572	526,576	30.9%	100.0%	3.1	3.8	(2.8%)	1.5%	0.21	0.66	0.59	0.64
Retail	86,878	110,832	72.4%	91.2%	3.4	4.0	8.6%	12.0%	1.03	0.17	0.25	0.46
Total	565,567	1,201,527	70.1%	79.4%	3.9	3.8	(2.6%)	5.0%	$ 5.97	$ 3.01	$ 3.69	$ 1.39

(1) The leasing activity presented is based on leases signed or executed for our stabilized rental properties during the period and is not intended to coincide with the commencment of rental revenue in accordance with GAAP. Tenant improvements and leasing commissions are based on square feet leased during the period.

(2) Renewal percentage of expiring leases is based on square footage of renewed leases and not the number of leases renewed. Expiring leases where the tenant retained occupancy on a month-to-month basis past the lease expiration date were considered to have been renewed.

(3) Represents the percentage change in effective rent between the original leases and the renewal leases. Effective rents represent average annual base rental payments, on a straight-line basis for the term of each lease, excluding operating expense reimbursements. The underlying leases contain various expense structures including gross, modified gross, net and triple net.

Lease Expirations

Our ability to maintain and improve occupancy rates, and base rents, primarily depends upon our continuing ability to re-lease expiring space. The following table reflects the in-service portfolio lease expiration schedule of our consolidated commercial segments properties, including square footage and annualized base rent for expiring leases, as of April 30, 2013.

Fiscal Year of Lease Expiration	# of Leases	Square Footage of Expiring Leases[3]	Percentage of Total Commercial Segments Leased Square Footage	Annualized Base Rent of Expiring Leases at Expiration[2]	Percentage of Total Commercial Segments Annualized Base Rent
2014[1]	209	1,777,267	16.2%	$ 18,575,753	14.3%
2015	137	1,233,502	11.3%	13,456,175	10.3%
2016	114	1,714,308	15.7%	18,143,439	13.9%
2017	99	1,436,680	13.1%	19,981,679	15.3%
2018	79	710,246	6.5%	11,794,092	9.1%
2019	39	968,062	8.9%	11,753,118	9.0%
2020	16	461,541	4.2%	4,688,991	3.6%

2021	20	223,328	2.1%	3,195,545	2.5%
2022	42	1,437,143	13.1%	16,268,643	12.5%
2023	10	460,613	4.2%	1,829,322	1.4%
Thereafter	31	518,177	4.7%	10,513,593	8.1%
Totals	796	10,940,867	100.0%	$130,200,350	100.0%

(1) Includes month-to-month leases. As of April 30, 2013 month-to-month leases accounted for 417,506 square feet.
(2) Annualized Base Rent is monthly scheduled rent as of April 1, 2013, multiplied by 12.
(3) Assuming that none of the tenants exercise renewal or termination options, and including leases renewed prior to expiration.

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Information on current market rents can be difficult to obtain, is highly subjective, and is often not directly comparable between properties. Because of this, we believe the increase or decrease in effective rent on lease renewals, as previously defined, is the most objective and meaningful relationship between rents on leases expiring in the near-term and current market rents.

Property Acquisitions

IRET Properties paid approximately $135.8 million for real estate properties added to its portfolio during fiscal year 2013, compared to $97.1 million in fiscal year 2012. The fiscal year 2013 and 2012 acquisitions and development projects placed in service are detailed below.

Fiscal 2013 (May 1, 2012 to April 30, 2013)

		(in thousands)			
Acquisitions	Date Acquired	Land	Building	Intangible Assets	Acquisition Cost
Multi-Family Residential					
308 unit - Villa West - Topeka, KS	2012-05-08	$ 1,590	$ 15,760	$ 300	$ 17,650
232 unit - Colony - Lincoln, NE	2012-06-04	1,515	15,731	254	17,500
208 unit - Lakeside Village - Lincoln, NE	2012-06-04	1,215	15,837	198	17,250
58 unit - Ponds at Heritage Place - Sartell, MN	2012-10-10	395	4,564	61	5,020
336 unit - Whispering Ridge - Omaha, NE	2013-04-24	2,139	25,424	751	28,314
		6,854	77,316	1,564	85,734
Unimproved Land					
University Commons - Williston, ND	2012-08-01	823	0	0	823
Cypress Court - St. Cloud, MN	2012-08-10	447	0	0	447
Cypress Court Apartment Development - St. Cloud, MN(1)	2012-08-10	1,136	0	0	1,136
Badger Hills - Rochester, MN(2)	2012-12-14	1,050	0	0	1,050
Grand Forks - Grand Forks, ND	2012-12-31	4,278	0	0	4,278
Minot (Southgate Lot 4) - Minot, ND	2013-01-11	1,882	0	0	1,882
Commons at Southgate - Minot, ND(3)	2013-01-22	3,691	0	0	3,691
Landing at Southgate - Minot, ND(3)	2013-01-22	2,262	0	0	2,262
Grand Forks 2150 - Grand Forks, ND	2013-03-25	1,600	0	0	1,600
Bismarck 4916 - Bismarck, ND	2013-04-12	3,250	0	0	3,250
Arcata - Golden Valley, MN	2013-04-30	2,088	0	0	2,088
		22,507	0	0	22,507
Total Property Acquisitions		$ 29,361	$ 77,316	$ 1,564	$ 108,241

(1) Land is owned by a joint venture in which the Company has an approximately 79% interest.

(2) Acquisition of unimproved land consisted of two parcels acquired separately on December 14 and December 20, 2012, respectively.

(3) Land is owned by a joint venture entity in which the Company has an approximately 51% interest.

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		(in thousands)		
Development Projects Placed in Service	Date Placed in Service	Land	Building	Development Cost
Multi-Family Residential				
159 unit - Quarry Ridge II - Rochester, MN(1)	2012-06-29	$0	$4,591	$ 4,591
73 unit - Williston Garden Buildings 3 and 4 - Williston, ND(2)	2012-07-31	0	7,058	7,058
20 unit - First Avenue - Minot, ND(3)	2013-04-15	0	2,356	2,356
		0	14,005	14,005
Commercial Healthcare				
26,662 sq ft Spring Wind Expansion - Laramie, WY(4)	2012-11-16	0	1,675	1,675
45,222 sq ft Jamestown Medical Office Building - Jamestown, ND(5)	2013-01-01	0	6,597	6,597
		0	8,272	8,272
Commercial Industrial				
27,698 sq ft Minot IPS - Minot, ND(6)	2012-12-17	0	4,087	4,087
Commercial Retail				
3,702 sq ft Arrowhead First International Bank - Minot, ND(7)	2013-03-19	0	1,165	1,165
Total Development Projects Placed in Service		$0	$27,529	$ 27,529

(1) Development property placed in service June 29, 2012. Additional costs paid in fiscal years 2012 and 2011, and land acquired in fiscal year 2007, totaled $13.0 million, for a total project cost at April 30, 2013 of $17.6 million.

(2) Development property placed in service July 31, 2012. Buildings 1 and 2 were placed in service in fiscal year 2012. Additional costs paid in fiscal year 2012 totaled $12.0 million, for a total project cost at April 30, 2013 of $19.1 million.

(3) Redevelopment property placed in service April 15, 2013. Additional costs paid in fiscal years 2012 and 2011 totaled approximately $321,000, for a total project cost at April 30, 2013 of $2.7 million.

(4) Expansion project placed in service November 16, 2012. Additional costs paid in fiscal year 2012 totaled $1.8 million, for a total project cost at April 30, 2013 of $3.5 million.

(5) Development property placed in service January 1, 2013. Additional costs paid in fiscal year 2012 totaled $1.0 million, for a total project cost at April 30, 2013 of $7.6 million.

(6) Development property placed in service December 17, 2012. Additional costs paid in fiscal year 2012 totaled $1.8 million, for a total project cost at April 30, 2013 of $5.9 million.

(7) Development property placed in service March 19, 2013. Additional costs paid in fiscal year 2012 totaled approximately $75,000, for a total project cost at April 30, 2013 of $1.2 million

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Fiscal 2012 (May 1, 2011 to April 30, 2012)

Acquisitions	Date Acquired	(in thousands) Land	Building	Intangible Assets	Acquisition Cost
Multi-Family Residential					
147 unit - Regency Park Estates - St. Cloud, MN	2011-08-01	$702	$10,198	$ 0	$ 10,900
50 unit - Cottage West Twin Homes - Sioux Falls, SD	2011-10-12	968	3,762	0	4,730
24 unit - Gables Townhomes - Sioux Falls, SD	2011-10-12	349	1,921	0	2,270
36 unit - Evergreen II - Isanti, MN	2011-11-01	691	2,784	0	3,475
116 unit - Grand Gateway - St. Cloud MN	2012-02-16	814	7,086	0	7,900
84 unit - Ashland - Grand Forks, ND	2012-03-16	741	7,569	0	8,310
		4,265	33,320	0	37,585
Commercial Healthcare					
17,273 sq. ft Spring Creek American Falls - American Falls, ID	2011-09-01	145	3,870	55	4,070
15,571 sq. ft Spring Creek Soda Springs - Soda Springs, ID	2011-09-01	66	2,134	30	2,230
15,559 sq. ft Spring Creek Eagle - Eagle, ID	2011-09-01	263	3,775	62	4,100
31,820 sq. ft Spring Creek Meridian - Meridian, ID	2011-09-01	424	6,724	102	7,250
26,605 sq. ft Spring Creek Overland - Boise, ID	2011-09-01	687	5,941	97	6,725
16,311 sq. ft Spring Creek Boise - Boise, ID	2011-09-01	708	4,296	71	5,075
26,605 sq. ft Spring Creek Ustick - Meridian, ID	2011-09-01	467	3,833	0	4,300
Meadow Wind Land - Casper, WY	2011-09-01	50	0	0	50
3,431 sq. ft Edina 6525 Drew Ave S - Edina, MN	2011-10-13	388	117	0	505
		3,198	30,690	417	34,305
Unimproved Land					
Industrial-Office Build-to-Suit - Minot, ND	2011-09-07	416	0	0	416
Renaissance Heights - Williston, ND	2012-04-11	4,600	0	0	4,600
		5,016	0	0	5,016
Total Property Acquisitions		$12,479	$64,010	$ 417	$ 76,906

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Development Projects Placed in Service	Date Placed in Service	(in thousands) Land	Building	Development Cost
Multi-Family Residential				
72 unit - Williston Garden Buildings 1 and 2 - Williston, ND[1]	2012-04-27	$700	$ 8,978	$ 9,678
Commercial Healthcare				
24,795 sq. ft Trinity at Plaza 16 - Minot, ND[2]	2011-09-23	0	5,685	5,685
22,193 sq. ft Meadow Winds Addition - Casper, WY[3]	2011-12-30	0	3,952	3,952
		0	9,637	9,637
Commercial Retail				
19,037 sq. ft. Jamestown Buffalo Mall - Jamestown, ND[4]	2011-06-15	0	879	879
Total Development Projects Placed in Service		$700	$ 19,494	$ 20,194

(1) Development property placed in service April 27, 2012. Buildings 3 and 4 of this project are expected to be placed in service during the first quarter of fiscal year 2013.

(2) Development property placed in service September 23, 2011. Additional costs paid in fiscal year 2011 totaled $3.3 million, for a total project cost at April 30, 2012 of $9.0 million.

(3) Expansion project placed in service December 30, 2011.

(4) Construction project placed in service June 15, 2011. Additional costs paid in fiscal year 2011 totaled $1.4 million, for a total project cost at April 30, 2012 of $2.3 million.

Property Dispositions

During fiscal year 2013, the Company disposed of three multi-family residential properties, one retail property, one healthcare property and four condominium units for an aggregate sales price of $26.3 million, compared to dispositions totaling $3.2 million in fiscal year 2012. The fiscal year 2013 and 2012 dispositions are detailed below.

Fiscal 2013 (May 1, 2012 to April 30, 2013)

Dispositions	Date Disposed	(in thousands) Sales Price	Book Value and Sales Cost	Gain/(Loss)
Multi-Family Residential				
116 unit - Terrace on the Green - Fargo, ND	2012-09-27	$3,450	$1,248	$ 2,202
85 unit - Prairiewood Meadows - Fargo, ND	2012-09-27	3,450	2,846	604
66 unit - Candlelight - Fargo, ND	2012-11-27	1,950	1,178	772
		8,850	5,272	3,578
Commercial Retail				
16,080 sq ft Kentwood Thomasville - Kentwood, MI	2012-06-20	625	692	(67)
Commercial Healthcare				
47,950 sq ft Steven's Pointe -Steven's Point, WI	2013-04-25	16,100	12,667	3,433

Other				
Georgetown Square Condominiums 5 and 6	2012-06-21	330	336	(6)
Georgetown Square Condominiums 3 and 4	2012-08-02	368	421	(53)
		698	757	(59)
Total Property Dispositions		$26,273	$19,388	$ 6,885

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Fiscal 2012 (May 1, 2011 to April 30, 2012)

Dispositions	Date Disposed	Sales Price (in thousands)	Book Value and Sales Cost	Gain/(Loss)
Commercial Retail				
41,200 sq ft. Livingstone Pamida - Livingston, MT	2011-08-01	$2,175	$1,586	$ 589
12,556 sq ft. East Grand Station – East Grand Forks, MN	2012-03-03	1,062	1,302	(240)
Total Property Dispositions		$3,237	$2,888	$ 349

Development and Re-Development Projects

The following tables provide additional detail, as of April 30, 2013 and 2012, on the Company's in-service (completed) development and re-development projects, and development and re-development projects in progress. All of these projects are excluded from the stabilized pool. The Company measures initial yield on its development projects upon completion and achievement of target lease-up levels by measuring net operating income from the development against the cost of the project. Estimated initial yields on the projects listed below range from an estimated approximate 5.50% to an estimated approximate 13% initial yield. While development costs in the Company's markets in the energy-impacted region of western and central North Dakota are significantly higher than in other Company markets, the Company continues to experience heightened tenant demand, low vacancy, and rent growth in this region, and accordingly actual initial yields upon project completion for projects in these markets have been trending higher than the estimated initial yields forecast at the project underwriting stage. For example, the Company estimated an approximately 11.94% initial yield for its Williston Garden Apartments project in Williston, North Dakota; the Company calculates that actual initial yield after project completion and target lease-up was approximately 17.45%. The Company expects these trends of heightened tenant demand and low vacancy to continue to affect yields on its development projects in the region.

Projects Completed in Fiscal Year 2013

Project Name and Location	Total Rentable Square Feet or Number of Units	Percentage Leased or Committed	(in thousands) Anticipated Total Project Cost(1)	Costs as of April 30, 2013(1)	Cost per Square Foot or Unit(1)	Construction Completion Date	Anticipated Date of Stabilization
First Avenue - Minot, ND	Convert 15,000 sf. commercial office to 20 multi-family residential units	100%	$3,000	$2,900	$150,000	4th Quarter Fiscal 2013	1st Quarter Fiscal 2015
Quarry Ridge II - Rochester, MN	159 unit apartment building	98.7%	16,600	16,600	104,403	1st Quarter Fiscal 2013	1st Quarter Fiscal 2015
Williston Garden - Williston, ND	144 unit apartment building	99.3%	19,100	19,100	132,639	1st Quarter Fiscal 2013	1st Quarter Fiscal 2015
Jamestown Medical Office Building - Jamestown, ND	45,222 square foot commercial healthcare building	80.5%	7,600	7,600	168	3rd Quarter Fiscal 2013	1st Quarter Fiscal 2015
Spring Wind Expansion - Laramie,	26,662 square foot commercial healthcare	100%	3,500	3,500	131	3rd Quarter Fiscal 2013	n/a

WY	expansion						
Minot IPS - Minot, ND	27,698 square foot commercial industrial building	100%	6,400	5,900	231	3rd Quarter Fiscal 2013	1st Quarter Fiscal 2015
Arrowhead First International Bank - Minot, ND	3,700 square foot commercial retail building	100%	1,700	1,600	459	4th Quarter Fiscal 2013	1st Quarter Fiscal 2015

(1) Excludes tenant improvements and leasing commissions.

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Projects in Progress at April 30, 2013

Project Name and Location	Total Rentable Square Feet or # of Units	Percentage Leased or Committed	(in thousands) Anticipated Total Cost	Cost to Date	Anticipated Construction Completion
River Ridge - Bismarck, ND	146 unit apartment building	16.4%	$25,800	$13,200	2nd Quarter Fiscal 2014
Cypress Court Apartment Development - St. Cloud, MN(1)	132 unit apartment building	20.0%	14,300	6,500	2nd Quarter Fiscal 2014
Landing at Southgate - Minot, ND(2)	three 36 unit apartment buildings	12.0%	15,000	7,400	2nd Quarter Fiscal 2014
Commons at Southgate - Minot, ND(2)	233 unit apartment building	0%	37,200	6,500	1st Quarter Fiscal 2015
Renaissance Heights I - Williston, ND(3)	288 unit apartment building	0%	62,200	10,100	2nd Quarter Fiscal 2015
Arcata - Golden Valley, MN	165 unit apartment building	0%	33,400	2,700	3rd Quarter Fiscal 2015
Other	n/a	n/a	n/a	400	n/a
			$187,900	$46,800	

(1) The Company is a 79% partner in the joint venture entity constructing this property; the anticipated total cost amount given is the total cost to the joint venture entity.
(2) The Company is a 51% partner in the joint venture entity constructing these properties; the anticipated total cost amount given is the total cost to the joint venture entity
(3) The Company is a 70% partner in the joint venture entity constructing this property; the anticipated total cost amount given is the total cost to the joint venture entity

Projects Completed in Fiscal Year 2012 (all information presented as of April 30, 2012)

Project Name and Location	Total Rentable Square Feet or Number of Units	Percentage Leased or Committed	(in thousands) Anticipated Total Project Cost(1)	Costs as of April 30, 2012(1)	Cost per Square Foot or Unit(1)	Construction Completion Date	Anticipated Date of Stabilization
Buffalo Mall Theater - Jamestown, ND	19,037 square foot commercial retail building	100%	$2,300	$2,300	$121	1st Quarter Fiscal 2012	1st Quarter Fiscal 2014
Trinity at Plaza 16 - Minot, ND	24,795 square foot commercial healthcare building	100%	9,700	9,000	391	2nd Quarter Fiscal 2012	1st Quarter Fiscal 2014
Meadow Winds Addition - Casper, WY	22,193 square foot commercial healthcare building	100%	4,500	4,000	203	3rd Quarter Fiscal 2012	n/a
Williston Garden Buildings 1 and 2 - Williston, ND	72 unit apartment building	98.6%	9,700	9,700	134,722	4th Quarter Fiscal 2012	1st Quarter Fiscal 2014

(1) Excludes tenant improvements and leasing commissions.

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Projects in Progress at April 30, 2012 (all information presented as of April 30, 2012)

			(in thousands)		
Project Name and Location	Total Rentable Square Feet or # of Units	Percentage Leased or Committed	Anticipated Total Cost	Cost to Date	Anticipated Construction Completion
Williston Garden Buildings 3 and 4 - Williston, ND	72 unit apartment building	100%	$9,700	$4,700	1st Quarter Fiscal 2013
Spring Wind Expansion - Laramie, WY	26,662 square foot commercial healthcare expansion	100%	3,800	1,800	1st Quarter Fiscal 2013
Quarry Ridge II - Rochester, MN	159 unit apartment building	42.0%	18,300	15,400	1st Quarter Fiscal 2013
Minot IPS - Minot, ND	27,698 square foot commercial industrial building	100%	5,800	2,300	2nd Quarter Fiscal 2013
Jamestown Medical Office Building - Jamestown, ND	45,222 square foot commercial healthcare building	89.0%	9,200	1,600	3rd Quarter Fiscal 2013
First Avenue - Minot, ND	Convert 15,000 sf. commercial office to 20 multi-family residential units	0%	3,000	300	4th Quarter Fiscal 2013
Other	n/a	n/a	n/a	1,500	n/a
			$49,800	$27,600	

Funds From Operations

IRET considers Funds from Operations ("FFO") a useful measure of performance for an equity REIT. IRET uses the definition of FFO adopted by the National Association of Real Estate Investment Trusts, Inc. ("NAREIT"). NAREIT defines FFO to mean "net income (computed in accordance with generally accepted accounting principles), excluding gains (or losses) from sales of property, plus depreciation and amortization, and after adjustments for unconsolidated partnerships and joint ventures. Adjustments for unconsolidated partnerships and joint ventures will be calculated to reflect funds from operations on the same basis." In addition, in October 2011 NAREIT clarified its computation of FFO so as to exclude impairment charges for all periods presented. Because of limitations of the FFO definition adopted by NAREIT, IRET has made certain interpretations in applying the definition. IRET believes all such interpretations not specifically provided for in the NAREIT definition are consistent with the definition.

IRET management considers that FFO, by excluding depreciation costs, the gains or losses from the sale of operating real estate properties and extraordinary items as defined by GAAP, is useful to investors in providing an additional perspective on IRET's operating results. Historical cost accounting for real estate assets in accordance with GAAP assumes, through depreciation, that the value of real estate assets decreases predictably over time. However, real estate asset values have historically risen or fallen with market conditions. NAREIT's definition of FFO, by excluding depreciation costs, reflects the fact that depreciation charges required by GAAP may not reflect underlying economic realities. Additionally, the exclusion, in NAREIT's definition of FFO, of gains and losses from the sales of previously depreciated operating real estate assets, assists IRET management and investors in identifying the operating results of the long-term assets that form the core of IRET's investments, and assists in comparing those operating results between periods. FFO is used by IRET's management and investors to identify trends in occupancy rates, rental rates and operating costs.

While FFO is widely used by REITs as a primary performance metric, not all real estate companies use the same definition of FFO or calculate FFO in the same way. Accordingly, FFO presented here is not necessarily comparable to FFO presented by other real estate companies.

FFO should not be considered as an alternative to net income as determined in accordance with GAAP as a measure of IRET's performance, but rather should be considered as an additional, supplemental measure, and should be viewed in conjunction with net income as presented in the consolidated financial statements included in this report. FFO does

not represent cash generated from operating activities in accordance with GAAP, and is not necessarily indicative of sufficient cash flow to fund all of IRET's needs or its ability to service indebtedness or make distributions.

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FFO applicable to common shares and limited partnership units for the fiscal year ended April 30, 2013 was $78.9 million, compared to $67.3 million and $62.2 million for the fiscal years ended April 30, 2012 and 2011, respectively.

Reconciliation of Net Income Attributable to Investors Real Estate Trust to Funds From Operations

For the years ended April 30, 2013, 2012 and 2011:

	(in thousands, except per share and unit amounts)								
Fiscal Years Ended April 30,	2013			2012			2011		
	Amount	Weighted Avg Shares and Units(2)	Per Share and Unit(3)	Amount	Weighted Avg Shares and Units(2)	Per Share and Unit(3)	Amount	Weighted Avg Shares and Units(2)	Per Share and Unit(3)
Net income attributable to Investors Real Estate Trust	$25,530		$	$8,212		$	$20,082		$
Less dividends to preferred shareholders	(9,229)			(2,372)			(2,372)		
Net income available to common shareholders	16,301	93,344	0.17	5,840	83,557	0.07	17,710	78,628	0.22
Adjustments:									
Noncontrolling interests – Operating Partnership	3,633	21,191		1,359	19,875		4,449	20,154	
Depreciation and amortization(1)	65,542			60,057			59,402		
Impairment of real estate	305			428			0		
Gains on depreciable property sales	(6,885)			(349)			(19,365)		
Funds from operations applicable to common shares and Units	$78,896	114,535	$ 0.69	$67,335	103,432	$ 0.65	$62,196	98,782	$ 0.63

(1) Real estate depreciation and amortization consists of the sum of depreciation/amortization related to real estate investments and amortization related to non-real estate investments from the Consolidated Statements of Operations, totaling $65,270, $59,642 and $57,759 and depreciation/amortization from Discontinued Operations of $479, $682 and $1,915, less corporate-related depreciation and amortization on office equipment and other assets of $207, $267 and $272 for the fiscal year ended April 30, 2013, 2012 and 2011.

(2) UPREIT Units of the Operating Partnership are exchangeable for common shares of beneficial interest on a one-for-one basis.

(3) Net income is calculated on a per share basis. FFO is calculated on a per share and unit basis.

Cash Distributions

The following cash distributions were paid to our common shareholders and UPREIT unitholders during fiscal years 2013, 2012 and 2011:

	Fiscal Years		
Quarters	2013	2012	2011
First	$.1300	$.1715	$.1715
Second	.1300	.1300	.1715
Third	.1300	.1300	.1715
Fourth	.1300	.1300	.1715
	$.5200	$.5615	$.6860

The fiscal year 2013 cash distributions decreased 7.4% over the cash distributions paid during fiscal year 2012, and fiscal year 2012 cash distributions decreased 18.1% over the cash distributions paid during fiscal year 2011.

Liquidity and Capital Resources

Overview

The Company's principal liquidity demands are maintaining distributions to the holders of the Company's common and preferred shares of beneficial interest and UPREIT Units, capital improvements and repairs and maintenance to the Company's properties, acquisition of additional properties, property development, tenant improvements and debt

service and repayments.

The Company has historically met its short-term liquidity requirements through net cash flows provided by its operating activities, and, from time to time, through draws on its lines of credit. Management considers the Company's ability to generate cash from property operating activities, cash-out refinancing of existing properties and, from time to time, draws on its line of credit to be adequate to meet all operating requirements and to make distributions to its shareholders in accordance with the REIT provisions of the Internal Revenue Code. Budgeted expenditures for ongoing maintenance and capital improvements and renovations to our real estate portfolio are also generally expected to be funded from existing cash on hand, cash flow generated from property operations, cash-out refinancing of existing properties, and/or new borrowings, and the Company believes it will have sufficient cash to meet its commitments over the next twelve months. However, the commercial real estate markets continue to experience challenges including reduced occupancies and rental rates as well as some restrictions on the availability of financing. In the event of deterioration in property operating results, or absent the Company's ability to successfully continue cash-out refinancing of existing properties and/or new borrowings, the Company may need to consider additional cash preservation alternatives, including scaling back development activities, capital improvements and renovations. Budgeted expenditures for ongoing maintenance and capital improvements and renovations at our properties are also generally expected to be funded from existing cash on hand, cash flow generated from property operations, cash-out refinancing of existing properties, and/or new borrowings, and the Company believes it will have sufficient cash to meet its commitments over the next twelve months, including an estimated $23.9 million in capital expenditures (excluding capital expenditures recoverable from tenants and tenant improvements). For the fiscal year ended April 30, 2013, the Company paid distributions of $46.8 million in cash and $12.4 million in common shares pursuant to our DRIP to common shareholders and unitholders of the Operating Partnership, as compared to net cash provided by operating activities of $77.7 million and FFO of $78.9 million.

To the extent the Company does not satisfy its long-term liquidity requirements, which consist primarily of maturities under the Company's long-term debt, construction and development activities and potential acquisition opportunities, through net cash flows provided by operating activities and its credit facilities, the Company intends to satisfy such requirements through a combination of funding sources which the Company believes will be available to it, including the issuance of UPREIT Units, additional common or preferred equity, proceeds from the sale of properties, and additional long-term secured or unsecured indebtedness. However, our ability to raise funds through the sale of equity securities, the sale of properties, and additional long-term secured or unsecured borrowings is dependent on, among other things, general economic conditions, general market conditions for REITs, our operating performance, and the current trading price of our common shares, and the capital and debt markets may not consistently be available at all or on terms that we consider attractive. In particular, as a result of the economic downturn and turmoil in the capital markets, the availability of secured and unsecured loans was for a time sharply curtailed. We cannot predict whether these conditions will recur. As a result of general economic conditions in our markets, economic downturns affecting the ability to attract and retain tenants, unfavorable fluctuations in interest rates or our share price, unfavorable changes in the supply of competing properties, or our properties not performing as expected, we may not generate sufficient cash flow from operations or otherwise have access to capital on favorable terms, or at all. If we are unable to obtain capital from other sources, we may not be able to pay the distribution required to maintain our status as a REIT, make required principal and interest payments, make strategic acquisitions or make necessary routine capital improvements or undertake re-development opportunities with respect to our existing portfolio of operating assets. In addition, if a property is mortgaged to secure payment of indebtedness and we are unable to meet mortgage payments, the holder of the mortgage could foreclose on the property, resulting in loss of income and asset values.

Sources and Uses of Cash

As of April 30, 2013, the Company had one secured line of credit with First International Bank and Trust, Watford City, North Dakota, as lead bank. This line of credit matures on August 12, 2014, and had, as of April 30, 2013, lending commitments of $60.0 million. Participants in this secured credit facility as of April 30, 2013 included, in addition to First International Bank, the following financial institutions: The Bank of North Dakota; First Western Bank and Trust; Dacotah Bank; United Community Bank of North Dakota; American State Bank & Trust Company and Town & Country Credit Union. As of April 30, 2013, the Company had advanced $10.0 million under the line of credit. The line of credit has a minimum outstanding principal balance requirement of $10.0 million. The interest rate on borrowings under the facility is the Wall Street Journal Prime Rate +1.25%, with a floor of 5.15% and a cap of 8.65%; interest-only payments are due monthly based on the total amount of advances outstanding. The line of credit

may be prepaid at par at any time. The facility includes covenants and restrictions requiring the Company to achieve on a calendar quarter basis a debt service coverage ratio on borrowing base collateral of 1.25x in the aggregate and 1.00x on individual assets in the collateral pool, and the Company is also required to maintain minimum depository account(s) totaling $6.0 million with First International, of which $1.5 million is to be held in a

non-interest bearing account. As of April 30, 2013, 23 properties with a total cost of $117.3 million collateralized this line of credit. As of April 30, 2013, the Company believes it is in compliance with the facility covenants.
The Company maintains compensating balances, not restricted as to withdrawal, with several financial institutions in connection with financing received from those institutions and/or to ensure future credit availability. At April 30, 2013, the Company's compensating balances totaled $8.9 million and consisted of the following: Dacotah Bank, Minot, North Dakota, deposit of $350,000; United Community Bank, Minot, North Dakota, deposit of $275,000; Commerce Bank, A Minnesota Banking Corporation, deposit of $250,000; First International Bank, Watford City, North Dakota, deposit of $6.1 million; Peoples State Bank of Velva, North Dakota, deposit of $225,000; Equity Bank, Minnetonka, Minnesota, deposit of $300,000; Associated Bank, Green Bay, Wisconsin, deposit of $500,000; Venture Bank, Eagan, Minnesota, deposit of $500,000; and American National Bank, Omaha, Nebraska, deposit of $400,000.
On April 1, 2013 the Company terminated its existing at-the-market ("ATM") equity program under which the Company from time to time offered and sold common shares to fund acquisitions and development and redevelopment projects, to repay outstanding debt, and for other general corporate purposes. For the three months ended April 30, 2013, the Company issued no common shares under this program. During the fiscal year ended April 30, 2013, the Company issued 300,000 common shares at a weighted average price per share of $7.24 for net cash proceeds of $2.1 million, and paid approximately $43,000 in commissions related to the sales of these common shares. During fiscal year 2012, the Company issued 3.3 million common shares under this program at a weighted average price per share of $7.48 for net cash proceeds of $24.0 million, and paid approximately $490,000 in commissions related to the sales of these common shares. The Company currently has no ATM equity program in place.
During fiscal year 2013, economic conditions in the United States continued to improve and credit markets continued to be stable, with credit availability relatively unconstrained and benchmark interest rates remaining at or near historic lows. Underwriting on commercial real estate continues to be more conservative compared to the underwriting standards employed prior to the recessionary period, however, and we continue to find recourse security more frequently required, lower amounts of proceeds available, and lenders limiting the amount of financing available in an effort to manage capital allocations and credit risk. While we continue to expect to be able to refinance our maturing debt without significant issues, we also expect lenders to continue to employ conservative underwriting regarding asset quality, occupancy levels and tenant creditworthiness. As we were in regard to fiscal year 2013, we remain cautious regarding our ability in fiscal year 2014 to rely on cash-out refinancing at levels we had achieved in recent years to provide funds for investment opportunities and other corporate purposes. Additionally, while to date there has been no material negative impact on our ability to borrow in our multi-family segment, we continue to monitor proposals to modify the roles of the Federal Home Loan Mortgage Corporation (Freddie Mac) and the Federal National Mortgage Association (Fannie Mae) in financing multi-family residential properties. We consider that one of the consequences of a modification in the agencies' roles could potentially be a narrowing of their lending focus away from the smaller secondary or tertiary markets which we generally target, to multi-family residential properties in major metropolitan markets. IRET obtains a majority of its multi-family debt from primarily Freddie Mac, and we continue to plan to refinance a majority of our maturing multi-family debt with these two entities, so any change in their ability or willingness to lend going forward would most likely result in higher loan costs and/or more constricted availability of financing for us. As of April 30, 2013, approximately 39.0%, or $14.5 million of our mortgage debt maturing in the next twelve months is placed on multi-family residential assets, and approximately 61.0%, or $22.7 million, is placed on properties in our four commercial segments. Mortgage debt maturing in the first two quarters of fiscal year 2014 totals approximately $16.2 million under mortgage loans secured by properties in Minnesota; of this amount $1.0 million was paid off on May 1, 2013. The Company typically seeks to refinance its maturing mortgage debt, although under certain circumstances the Company may choose to repay the debt rather than refinance, depending on the loan amount outstanding, Company plans for the property securing the debt, interest rates and other loan terms available, and other factors specific to a particular property. Under present market conditions, the Company currently expects to be able to refinance its individual mortgage loans maturing in the next twelve months, should it choose to refinance rather than pay off some or all of these loans.
IRET during fiscal year 2013 acquired properties with an investment cost totaling $135.8 million. In fiscal year 2013, IRET disposed of three multi-family residential properties, one retail property, one healthcare property, and four condominium units for sales prices totaling approximately $26.3 million, compared to dispositions totaling $3.2 million in fiscal year 2012.

The Company has a Distribution Reinvestment and Share Purchase Plan ("DRIP"). The DRIP provides common shareholders and UPREIT Unitholders of the Company an opportunity to invest their cash distributions in common shares of the Company, and purchase additional shares through voluntary cash contributions, at a discount (currently 3%) from the market price. The maximum monthly voluntary cash contribution permitted without prior Company approval is currently $10,000. The Company can issue waivers to DRIP participants to provide for investments in excess of the $10,000 maximum monthly investment. During fiscal year 2013, the Company issued approximately 755,000 shares at an average price of $7.94 per share pursuant to such waivers, for total net proceeds to the Company of $6.0 million. During fiscal year 2013, 5.3 million common shares with a total value of $43.1 million were issued under the DRIP plan, with an additional 4.8 million common shares with a total value of $34.3 million issued during fiscal year 2012, and 1.7 million common shares with a total value of $14.5 million issued during fiscal year 2011.

The issuance of UPREIT Units for property acquisitions continues to be a source of capital for the Company. During fiscal year 2013, 1.6 million units, valued at issuance at $12.6 million, were issued in connection with the Company's acquisition of property. Approximately 1.0 million units, valued at issuance at $8.1 million, and approximately 555,000 units, valued at issuance at $5.0 million, respectively, were issued in connection with property acquisitions during fiscal years 2012 and 2011.

As a result of the issuance of common shares pursuant to our shelf registration statement and distribution reinvestment plan, net of fractional shares repurchased, the Company's equity capital increased during fiscal 2013 by $99.0 million. Additionally, the equity capital of the Company increased by $12.6 million as a result of contributions of real estate in exchange for UPREIT units, as summarized above, resulting in a total increase in equity capital of $111.6 million from these sources during fiscal year 2013. The Company's equity capital increased by $67.3 million and $36.2 million in fiscal years 2012 and 2011, respectively, as a result of the issuance of common shares pursuant to our shelf registration statement and distribution reinvestment plan, net of fractional shares repurchased, and contributions of real estate in exchange for UPREIT units.

Cash and cash equivalents on April 30, 2013 totaled $94.1 million, compared to $40.0 million and $41.2 million on the same date in 2012 and 2011, respectively. Net cash provided by operating activities increased to $77.7 million in fiscal year 2013 from $65.1 million in fiscal year 2012 due primarily to an increase in net income. Net cash provided by operating activities increased to $65.1 million in fiscal year 2012 from $58.8 million in fiscal year 2011 due primarily to an increase in net income from continuing operations due to acquisitions and increased occupancy.

Net cash used by investing activities increased to $134.1 million in fiscal year 2013, compared to $128.3 million in fiscal year 2012. Net cash provided by investing activities was $11.7 million in fiscal year 2011. The increase in net cash used by investing activities in fiscal year 2013 compared to fiscal year 2012 was due primarily to an increase in payments for acquisitions of real estate assets and a decrease in refunds from lender holdbacks, net of an increase in proceeds from the sale of discontinued operations. The increase in net cash used by investing activities in fiscal year 2012 compared to fiscal year 2011 was primarily a result of a decrease in proceeds from the sale of real estate coupled with an increase in expenditures for acquisitions and improvements of real estate investments. Net cash provided by financing activities increased to $110.6 million in fiscal 2013, compared to $61.9 million in fiscal year 2012, due primarily to proceeds from a public offering of preferred shares and a public offering of common shares, net of an increase in principal payments on mortgages payable, a decrease in mortgage proceeds and the pay down of the Company's line of credit. Net cash provided by financing activities during fiscal year 2012 was $61.9 million, compared to $84.1 million used by financing activities during fiscal year 2011, with the change due primarily to a decrease in principal payments on mortgages payable.

Financial Condition

Mortgage Loan Indebtedness. Mortgage loan indebtedness was $1.0 billion on April 30, 2013 and April 30, 2012. Approximately 97.5% of such mortgage debt is at fixed rates of interest, with staggered maturities. This limits the Company's exposure to changes in interest rates, which minimizes the effect of interest rate fluctuations on the Company's results of operations and cash flows. As of April 30, 2013, the weighted average rate of interest on the Company's mortgage debt was 5.55% compared to 5.78% on April 30, 2012.

Revolving lines of credit. As of April 30, 2013, the Company had one secured line of credit with First International Bank and Trust, Watford City, North Dakota, as lead bank. This line of credit matures on August 12, 2014, and had, as of April 30, 2013, lending commitments of $60.0 million. Participants in this secured credit facility as of

April 30, 2013 included, in addition to First International Bank, the following financial institutions: The Bank of North Dakota; First Western Bank and Trust; Dacotah Bank; United Community Bank of North Dakota; American State Bank & Trust Company and Town & Country Credit Union. As of April 30, 2013, the Company had advanced $10.0 million under the line of credit. The line of credit has a minimum outstanding principal balance requirement of $10.0 million. The interest rate on borrowings under the facility is the Wall Street Journal Prime Rate +1.25%, with a floor of 5.15% and a cap of 8.65%; interest-only payments are due monthly based on the total amount of advances outstanding. The line of credit may be prepaid at par at any time. The facility includes covenants and restrictions requiring the Company to achieve on a calendar quarter basis a debt service coverage ratio on borrowing base collateral of 1.25x in the aggregate and 1.00x on individual assets in the collateral pool, and the Company is also required to maintain minimum depository account(s) totaling $6.0 million with First International, of which $1.5 million is to be held in a non-interest bearing account. As of April 30, 2013, 23 properties with a total cost of $117.3 million collateralized this line of credit. As of April 30, 2013, the Company believes it is in compliance with the facility covenants.

Property Owned. Property owned was $2.0 billion and $1.9 billion at April 30, 2013 and 2012, respectively. Acquisitions, developments and improvements to existing properties in fiscal year 2013, partially offset by fiscal year 2013 dispositions, resulted in the net increase in property owned as of April 30, 2013 compared to April 30, 2012.

Cash and Cash Equivalents. Cash and cash equivalents on April 30, 2013 totaled $94.1 million, compared to $40.0 million on April 30, 2012. The increase in cash on hand on April 30, 2013, as compared to April 30, 2012, was due primarily to the issuance of preferred shares of beneficial interest.

Other Investments. Other investments, consisting of bank certificates of deposit, increased slightly to approximately $639,000 on April 30, 2013, from $634,000 on April 30, 2012.

Operating Partnership Units. Outstanding limited partnership units in the Operating Partnership increased to 21.6 million units on April 30, 2013, compared to 20.3 million units on April 30, 2012. The increase in units outstanding at April 30, 2013 as compared to April 30, 2012, resulted from the issuance of units in exchange for property, net of the conversion of units to shares.

Common and Preferred Shares of Beneficial Interest. Common shares of beneficial interest outstanding on April 30, 2013 totaled 101.5 million, compared to 89.5 million common shares outstanding on April 30, 2012. This increase in common shares outstanding from April 30, 2012 to April 30, 2013 was due to the issuance of common shares in a public offering, in ATM equity program sales, in exchange for limited partnership interests of the Company's Operating Partnership, and under the Company's distribution reinvestment plan.

On April 5, 2013, the Company completed the public offering of approximately 6.0 million common shares of beneficial interest at a public offering price of $9.25 per share, for net proceeds of approximately $53.0 million after underwriting discounts and estimated offering expenses. The Company contributed the net proceeds from the sale of common shares to the Operating Partnership for general business purposes, including the acquisition and development of income-producing real estate properties and debt repayment. The common shares were registered under a shelf registration statement declared effective on May 4, 2010, and which expired on May 4, 2013.

During fiscal year 2013, IRET issued 300,000 common shares under its ATM equity program with BMO Capital Markets Corp. as sales agent, for net proceeds (before offering expenses but after underwriting discounts and commissions) of $2.1 million, used for general corporate purposes including the acquisition and development of investment properties. The Company issued approximately 5.3 million common shares pursuant to its Distribution Reinvestment and Share Purchase Plan during fiscal year 2013, for a total value of approximately $43.1 million. Conversions of approximately 317,000 UPREIT Units to common shares during fiscal year 2013, for a total of approximately $1.6 million in IRET shareholders' equity, also increased the Company's common shares of beneficial interest outstanding during the twelve months ended April 30, 2013 compared to the twelve months ended April 30, 2012.

On August 7, 2012, the Company completed the public offering of 4.6 million Series B Cumulative Redeemable Preferred Shares of Beneficial Interest ("Series B preferred shares") at a price of $25.00 per share for net proceeds of approximately $111.2 million after underwriting discounts and estimated offering expenses. These shares are nonvoting and redeemable for cash at $25.00 per share at the Company's option on or after August 7, 2017. Holders

of these shares are entitled to cumulative distributions, payable quarterly (as and if declared by the Board of Trustees). Distributions accrue at an annual rate of $1.9875 per share, which is equal to 7.95% of the $25.00 per share liquidation preference ($115 million liquidation preference in the aggregate). The Company contributed the net proceeds from the sale to the Operating Partnership for general business purposes, including the acquisition and development of income-producing real estate properties and debt repayment, in exchange for 4.6 million Series B preferred units, which carry terms that are substantially the same as the Series B preferred shares. On August 7, 2012, the Operating Partnership used a portion of the proceeds of the offering of Series B preferred shares to repay $34.5 million in borrowings under its multi-bank line of credit, reducing outstanding borrowings under the line of credit from $44.5 million to $10.0 million. The Series B preferred shares were registered under a shelf registration statement declared effective on July 12, 2012. This shelf has since been terminated, upon the Company's filing of a new shelf registration statement. As of April 30, 2013, the Company had 1.2 million Series A preferred shares and 4.6 million Series B preferred shares outstanding.

Contractual Obligations and Other Commitments

The primary contractual obligations of the Company relate to its borrowings under its line of credit and mortgage notes payable. The Company's line of credit matures in August 2014, and had $10.0 million in loans outstanding at April 30, 2013. The principal and interest payments on the mortgage notes payable for the years subsequent to April 30, 2013, are included in the table below as "Long-term debt." Interest due on variable rate mortgage notes is calculated using rates in effect on April 30, 2013. The "Other Debt" category consists of principal and interest payments on construction loans and an unsecured promissory note issued by the Company to the sellers of an office/warehouse property located in Minnesota (a portion of the purchase price was paid by the Company in the form of a $1.0 million promissory note with a ten-year term; if the tenant defaults in the initial terms of the lease, the then-current balance of the promissory note is forfeited to the Company).

As of April 30, 2013, the Company was a tenant under operating ground or air rights leases on twelve of its properties. The Company pays a total of approximately $500,000 per year in rent under these leases, which have remaining terms ranging from 2.5 to 88 years, and expiration dates ranging from October 2015 to October 2100.

Purchase obligations of the Company represent those costs that the Company is contractually obligated to pay in the future. The Company's significant purchase obligations as of April 30, 2013, which the Company expects to finance through debt and operating cash, are summarized in the following table. The significant components in the purchase obligation category are costs for construction and expansion projects and capital improvements at the Company's properties. Purchase obligations that are contingent upon the achievement of certain milestones are not included in the table below, nor are service orders or contracts for the provision of routine maintenance services at our properties, such as landscaping and grounds maintenance, since these arrangements are generally based on current needs, are filled by our service providers within short time horizons, and may be cancelled without penalty. The expected timing of payment of the obligations discussed below is estimated based on current information.

	(in thousands)				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Long-term debt (principal and interest)	$1,338,330	$122,155	$301,797	$353,432	$560,946
Line of credit (principal and interest)[1]	$10,671	$481	$10,190	$0	$0
Other Debt (principal and interest)	$19,264	$755	$17,633	$187	$689
Operating Lease Obligations	$24,053	$504	$983	$899	$21,667
Purchase Obligations	$7,495	$7,495	$0	$0	$0

(1) The future interest payments on the Company's line of credit were estimated using the outstanding principal balance and interest rate in effect as of April 30, 2013.

Off-Balance-Sheet Arrangements

As of April 30, 2013, the Company had no significant off-balance-sheet arrangements, as defined in Item 303(a)(4)(ii) of SEC Regulation S-K.

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Recent Developments

Common and Preferred Share Distributions. On July 1, 2013, the Company paid a distribution of 51.56 cents per share on the Company's Series A Cumulative Redeemable Preferred Shares, to preferred shareholders of record on June 14, 2013. On July 1, 2013, the Company paid a distribution of 49.68 cents per share on the Company's Series B Cumulative Redeemable Preferred Shares, to preferred shareholders of record on June 14, 2013. On July 1, 2013, the Company paid a distribution of 13.00 cents per share on the Company's common shares of beneficial interest, to common shareholders and UPREIT unitholders of record on June 14, 2013.

Completed Acquisitions and Dispositions. Subsequent to the end of fiscal year 2013, on May 1, 2013, the Company closed on its acquisition of a 71-unit multi-family residential property in Rapid City, South Dakota, for a purchase price totaling $6.2 million, of which approximately $2.9 million was paid in cash and the remainder in limited partnership units of the Operating Partnership valued at approximately $3.3 million. On May 21, 2013, the Company closed on its acquisition of an approximately 0.69-acre parcel of land in Minot, North Dakota for a purchase price of approximately $171,000.

On May 13, 2013, the Company sold four industrial properties: Bodycote Industrial Building in Eden Prairie, Minnesota; Metal Improvement Company in New Brighton, Minnesota; Roseville 2929 Long Lake Road in Roseville, Minnesota and Fargo 1320 45th Street N in Fargo, North Dakota for a total sale price of $19.5 million. On May 14, 2013, the Company sold a retail property in Eagan, Minnesota, for a sale price of approximately $2.3 million.

Pending Acquisitions. Subsequent to the end of fiscal year 2013, the Company signed purchase agreements to acquire the following properties; all of these pending acquisitions are subject to various closing conditions and contingencies, and no assurances can be given that any of these acquisitions will be completed:

- A multi-family residential property in Grand Forks, North Dakota with 96 units, for a purchase price of $10.6 million, of which approximately $560,000 would be paid through the issuance of limited partnership units of the Operating Partnership with the remainder in cash and
- An approximately 9-acre parcel of vacant land in Jamestown, North Dakota for a purchase of approximately $700,000 to be paid in cash.

Pending Dispositions. The Company has signed agreements to sell the following properties; all of these pending dispositions are subject to various closing conditions and contingencies, and no assurances can be given that any or all of these transactions will be completed on the terms currently expected, or at all:

- the Company's 121,669-square foot Bloomington Business Plaza commercial office property in Bloomington, Minnesota for a sale price of $4.5 million;
- the 322,751-square foot Brooklyn Park 7401 Boone Avenue commercial industrial property in Brooklyn Park, Minnesota for a sale price of $12.8 million;
- the 50,400-square foot Cedar Lake Business Center commercial industrial property in St. Louis Park, Minnesota for a sale price of $2.6 million;
- the 118,125-square foot Nicollett VII commercial office property in Burnsville, Minnesota for a sale price of $7.2 million;
- the 42,929-square foot Pillsbury Business Center commercial office property in Bloomington, Minnesota for a sale price of $1.3 million;
- the 42,510-square foot Clive 2075 NW 94th Street commercial industrial property in Clive, Iowa for a sale price of $2.7 million and
- the 606,006-square foot Dixon Avenue Industrial Park commercial industrial property in Des Moines, Iowa for a sale price of $14.7 million.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk is limited primarily to fluctuations in the general level of interest rates on our current and future fixed and variable rate debt obligations, and secondarily to our deposits with and investments in certain products issued by various financial institutions.

Variable interest rates. Because approximately 97.5% of our mortgage debt, as of April 30, 2013 (98.5% and 99.8% as of April 30, 2012 and 2011, respectively), is at fixed interest rates, we have little exposure to interest rate fluctuation risk on our existing mortgage debt. However, even though our goal is to maintain a fairly low exposure to interest rate risk, we are still vulnerable to significant fluctuations in interest rates on any future repricing or refinancing of our fixed or variable rate debt and on future debt. We primarily use long-term (more than nine years) and medium term (five to seven years) debt as a source of capital. We do not currently use derivative securities, interest-rate swaps or any other type of hedging activity to manage our interest rate risk. As of April 30, 2013, we had the following amount of future principal and interest payments due on mortgages secured by our real estate.

	Future Principal Payments (in thousands, except percentages)							
Long Term Debt	2014	2015	2016	2017	2018	Thereafter	Total	Fair Value
Fixed Rate	$61,146	$93,879	$92,213	$219,188	$66,813	$489,751	$1,022,990	$1,133,974
Average Fixed Interest Rate	5.49%	5.39%	5.30%	4.81%	5.31%			
Variable Rate	$3,777	$17,093	$123	$127	$131	$4,965	$26,216	$26,216
Average Variable Interest Rate	4.46%	5.63%	3.30%	3.29%	3.29%			
							$1,049,206	$1,160,190

	Future Interest Payments (in thousands)						
Long Term Debt	2014	2015	2016	2017	2018	Thereafter	Total
Fixed Rate	$56,153	$51,817	$46,045	$37,277	$29,556	$66,081	$286,929
Variable Rate	1,079	450	177	172	168	149	2,195
							$289,124

As of April 30, 2013, the weighted-average interest rate on our fixed rate and variable rate loans was 5.59% and 4.18%, respectively. The weighted-average interest rate on all of our mortgage debt as of April 30, 2013, was 5.55%. Any fluctuations in variable interest rates could increase or decrease our interest expenses. For example, an increase of one percent per annum on our $26.2 million of variable rate mortgage indebtedness would increase our annual interest expense by $262,000.

Exposure to interest rate fluctuation risk on our $60.0 million secured line of credit is limited by a cap on the interest rate. The interest rate on borrowings under the facility is the Wall Street Journal Prime Rate +1.25%, with a floor of 5.15% and a cap of 8.65%; interest-only payments are due monthly based on the total amount of advances outstanding. The line of credit may be prepaid at par at any time. The line of credit matures in August 2014 and had an outstanding balance of $10.0 million at April 30, 2013.

Investments with Certain Financial Institutions. IRET has entered into a cash management arrangement with First Western Bank (the "Bank") with respect to deposit accounts that exceed Federal Deposit Insurance Corporation ("FDIC") coverage. On a daily basis, account balances are swept into a repurchase account. The Bank pledges fractional interests in US Government Securities owned by the Bank at an amount equal to the excess over the uncollected balance in the repurchase account. The amounts deposited by IRET pursuant to the repurchase agreement are not insured by FDIC. At April 30, 2013 and 2012, these amounts totaled $29.6 million and $15.1 million, respectively.

Deposits exceeding FDIC insurance. The Company is potentially exposed to off-balance-sheet risk in respect of cash deposited with FDIC-insured financial institutions in accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

Item 8. Financial Statements and Supplementary Data

Financial statements required by this item appear with an Index to Financial Statements and Schedules, starting on page F-1 of this report, and are incorporated herein by reference.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 9A. Controls and Procedures

Disclosure Controls and Procedures: As of April 30, 2013, the end of the period covered by this Annual Report on Form 10-K, our management carried out an evaluation, under the supervision and with the participation of the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, the Company's Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by IRET in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to management, including the Company's principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Internal Control Over Financial Reporting: There have been no changes in the Company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Investors Real Estate Trust (together with its consolidated subsidiaries, the "Company"), is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's principal executive and principal financial officers to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with United States generally accepted accounting principles.

As of April 30, 2013, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting, based on the framework established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management has determined that the Company's internal control over financial reporting as of April 30, 2013, was effective.

The Company's internal control over financial reporting includes policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect transactions and acquisitions and dispositions of assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with United States generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and the trustees of the Company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Company assets that could have a material effect on the Company's financial statements.

The Company's internal control over financial reporting as of April 30, 2013, has been audited by Grant Thornton LLP, an independent registered public accounting firm, as stated in their report on page F-3 hereof, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of April 30, 2013.

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Item 9B. Other Information

None.

PART III

Item 10. Trustees, Executive Officers and Corporate Governance

Information regarding executive officers required by this Item is set forth in Part I, Item 1 of this Annual Report on Form 10-K pursuant to Instruction 3 to Item 401(b) of Regulation S-K. Other information required by this Item will be included in our definitive Proxy Statement for our 2013 Annual Meeting of Shareholders and such information is incorporated herein by reference. IRET has adopted a Code of Ethics applicable to, among others, IRET's principal executive officer and principal financial and accounting officer. This Code is available on our website at www.iret.com.

Item 11. Executive Compensation

The information required by this Item will be contained in our definitive Proxy Statement for our 2013 Annual Meeting of Shareholders and such information is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this Item will be contained in our definitive Proxy Statement for our 2013 Annual Meeting of Shareholders and such information is incorporated herein by reference.

The following table provides information as of April 30, 2013 regarding compensation plans (including individual compensation arrangements) under which our common shares of beneficial interest are available for issuance:

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders[1]	0	0	1,847,685[2]
Equity compensation plans not approved by security holders	0	0	0
Total	0	0	1,847,685

(1) The 2008 Incentive Award Plan of Investors Real Estate Trust and IRET Properties approved by shareholders on September 16, 2008.

(2) All of the shares available for future issuance under the 2008 Incentive Award Plan approved by shareholders may be issued as restricted shares, performance awards or stock payment awards.

Item 13. Certain Relationships and Related Transactions, and Trustee Independence

The information required by this Item will be contained in our definitive Proxy Statement for our 2013 Annual Meeting of Shareholders and such information is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services

The information required by this Item will be contained in our definitive Proxy Statement for our 2013 Annual Meeting of Shareholders and such information is incorporated herein by reference.

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PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) The following documents are filed as part of this report:

1. Financial Statements

The response to this portion of Item 15 is submitted as a separate section of this report. See the table of contents to Financial Statements and Supplemental Data.

2. Financial Statement Schedules

The response to this portion of Item 15 is submitted as a separate section of this report. The following financial statement schedules should be read in conjunction with the financial statements referenced in Part II, Item 8 of this Annual Report on Form 10-K:

Schedule III Real Estate Owned and Accumulated Depreciation

3. Exhibits

See the list of exhibits set forth in part (b) below.

(b) The following is a list of Exhibits to this Annual Report on Form 10-K. We will furnish a printed copy of any exhibit listed below to any security holder who requests it upon payment of a fee of 15 cents per page. All Exhibits are either contained in this Annual Report on Form 10-K or are incorporated by reference as indicated below.

3.1	Articles of Amendment and Third Restated Declaration of Trust of Investors Real Estate Trust, as amended, incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-3 (Reg. No. 333-182451), filed with the SEC on June 29, 2012.
3.2	Third Restated Trustees' Regulations (Bylaws), dated May 16, 2007, and incorporated herein by reference to the Company's Current Report on Form 8-K , filed with the SEC on May 16, 2007.
3.3	Agreement of Limited Partnership of IRET Properties, A North Dakota Limited Partnership, dated January 31, 1997, filed as Exhibit 3(ii) to the Registration Statement on Form S-11, effective March 14, 1997 (SEC File No. 333-21945) filed for the Registrant on February 18, 1997 (File No. 0-14851), and incorporated herein by reference.
4.1	Loan Agreement dated August 12, 2010 by and among IRET Properties, as borrower, the financial institutions party thereto as lenders, and First International Bank & Trust as lender and lead bank, incorporated herein by reference to the Company's Current Report on Form 8-K, filed with the SEC on August 18, 2010.
4.2	Third Amendment to Loan Agreement dated June 15, 2012 by and between IRET Properties, as borrower, and First International Bank & Trust, as lender, incorporated herein by reference to the Company's Current Report on Form 8-K, filed with the SEC on June 22, 2012.
10.1	Member Control and Operating Agreement dated September 30, 2002, filed as Exhibit 10 to the Company's Form 8-K filed October 15, 2003, and incorporated herein by reference.
10.2	Letter Agreement dated January 31, 2003, filed as Exhibit 10(i) to the Company's Form 8-K filed February 27, 2003, and incorporated herein by reference.
10.3	Option Agreement dated January 31, 2003, filed as Exhibit 10(ii) to the Company's Form 8-K filed February 27, 2003, and incorporated herein by reference.
10.4	Financial Statements of T.F. James Company filed as Exhibit 10 to the Company's Form 8-K filed January 31, 2003, and incorporated herein by reference.

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10.5	Agreement for Purchase and Sale of Property dated February 13, 2004, by and between IRET Properties and the Sellers specified therein, filed as Exhibit 10.5 to the Company's Form 10-K filed July 20, 2004, and incorporated herein by reference.
10.6	Contribution Agreement, filed as Exhibit 10.1 to the Company's Form 8-K filed May 17, 2006, and incorporated herein by reference.
10.7	Loan and Security Agreement, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 18, 2006, and incorporated herein by reference.
10.8*	Short-Term Incentive Program, filed as Exhibit 10.1 to the Company's Form 8-K filed June 4, 2012 and incorporated herein by reference.
10.9*	Long-Term Incentive Program, filed as Exhibit 10.2 to the Company's Form 8-K filed June 4, 2012 and incorporated herein by reference.
10.10*	Description of Compensation of Trustees and Named Executive Officers, as described in 5.02 in the Company's Form 8-K filed June 4, 2012 and incorporated herein by reference.
10.11	Construction and Term Loan Agreement, filed as Exhibit 10.1 to the Company's Form 8-K filed March 21, 2013 and incorporated herein by reference.
12.1	Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Share Dividends, filed herewith.
21.1	Subsidiaries of Investors Real Estate Trust, filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm, filed herewith.
23.2	Consent of Independent Registered Public Accounting Firm, filed herewith.
31.1	Section 302 Certification of President and Chief Executive Officer, filed herewith.
31.2	Section 302 Certification of Executive Vice President and Chief Financial Officer, filed herewith.
32.1	Section 906 Certification of the President and Chief Executive Officer, filed herewith.
32.2	Section 906 Certification of the Executive Vice President and Chief Financial Officer, filed herewith.
101	The following materials from our Annual Report on Form 10-K for the year ended April 30, 2013 formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Equity, (iv) the Consolidated Statements of Cash Flows, and (v) notes to these consolidated financial statements.[1]

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* Indicates management compensatory plan, contract or arrangement.

(1) Users of this data are advised pursuant to Rule 406T of Regulation S-T that these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act, are deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise are not subject to liability under these sections.

2013 Annual Report

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: July 1, 2013 Investors Real Estate Trust

By: /s/ Timothy P. Mihalick
Timothy P. Mihalick
President & Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Jeffrey L. Miller Jeffrey L. Miller	Trustee & Chairman	June 26, 2013
/s/ John D. Stewart John D. Stewart	Trustee & Vice Chairman	June 26, 2013
/s/ Timothy P. Mihalick Timothy P. Mihalick	President & Chief Executive Officer (Principal Executive Officer); Trustee	June 26, 2013
/s/ Thomas A. Wentz, Jr. Thomas A. Wentz, Jr.	Trustee, Executive Vice President & Chief Operating Officer	June 26, 2013
/s/ Diane K. Bryantt Diane K. Bryantt	Executive Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)	June 26, 2013
/s/ Linda J. Hall Linda J. Hall	Trustee	June 26, 2013
/s/ John T. Reed John T. Reed	Trustee	June 26, 2013
/s/ W. David Scott W. David Scott	Trustee	June 26, 2013
/s/ Stephen L. Stenehjem Stephen L. Stenehjem	Trustee	

		June 26, 2013
/s/ Jeffrey K. Woodbury		
Jeffrey K. Woodbury	Trustee	June 26, 2013

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INVESTORS REAL ESTATE TRUST
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF April 30, 2013 AND 2012,
AND THE RELATED CONSOLIDATED STATEMENTS OF OPERATIONS,
EQUITY AND CASH FLOWS FOR EACH OF
THE FISCAL YEARS IN THE THREE YEARS ENDED April 30, 2013.
ADDITIONAL INFORMATION
FOR THE YEAR ENDED
April 30, 2013
and
REPORTS OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRMS

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

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Schedules other than those listed above are omitted since they are not required or are not applicable, or the required information is shown in the consolidated financial statements or notes thereon.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of
Investors Real Estate Trust
Minot, North Dakota

We have audited the accompanying consolidated balance sheet of Investors Real Estate Trust (a North Dakota real estate investment trust) and subsidiaries (the "Company") as of April 30, 2013, and the related consolidated statements of operations, equity, and cash flows for the year ended April 30, 2013. Our audit of the basic consolidated financial statements included the financial statement schedules listed in the index appearing under Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedules based on our audit.
We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Investors Real Estate Trust and subsidiaries as of April 30, 2013, and the results of their operations and their cash flows for the year ended April 30, 2013, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of April 30, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated July 1, 2013, expressed an unqualified opinion thereon.

/s/ GRANT THORNTON LLP
Minneapolis, Minnesota
July 1, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of
Investors Real Estate Trust
Minot, North Dakota

We have audited the internal control over financial reporting of Investors Real Estate Trust (a North Dakota real estate investment trust) and subsidiaries (the "Company") as of April 30, 2013, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2013, based on criteria established in Internal Control—Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended April 30, 2013, and our report dated July 1, 2013 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP
Minneapolis, Minnesota
July 1, 2013

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Trustees and Shareholders of
Investors Real Estate Trust
Minot, North Dakota

We have audited the accompanying consolidated balance sheet of Investors Real Estate Trust and subsidiaries (the "Company") as of April 30, 2012 and the related consolidated statements of operations, equity, and cash flows for each of the two years in the period ended April 30, 2012. Our audits also included the consolidated financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Investors Real Estate Trust and subsidiaries as of April 30, 2012 and the results of their operations and their cash flows for each of the two years in the period ended April 30, 2012, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Minneapolis, Minnesota
July 16, 2012 (July 1, 2013, as to the effects of discontinued operations discussed in Note 12)

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
April 30, 2013 and 2012

	(in thousands)	
	April 30, 2013	April 30, 2012
ASSETS		
Real estate investments		
Property owned	$2,032,970	$1,892,009
Less accumulated depreciation	(420,421)	(373,490)
	1,612,549	1,518,519
Development in progress	46,782	27,599
Unimproved land	21,503	10,990
Total real estate investments	1,680,834	1,557,108
Real estate held for sale	0	2,067
Cash and cash equivalents	94,133	39,989
Other investments	639	634
Receivable arising from straight-lining of rents, net of allowance of $830 and $1,209, respectively	26,354	23,273
Accounts receivable, net of allowance of $563 and $154, respectively	4,534	7,052
Real estate deposits	196	263
Prepaid and other assets	5,124	3,703
Intangible assets, net of accumulated amortization of $27,708 and $47,813, respectively	40,457	44,588
Tax, insurance, and other escrow	12,569	11,669
Property and equipment, net of accumulated depreciation of $1,673 and $1,423, respectively	1,221	1,454
Goodwill	1,106	1,120
Deferred charges and leasing costs, net of accumulated amortization of $18,714 and $16,244, respectively	22,387	21,447
TOTAL ASSETS	$1,889,554	$1,714,367
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable and accrued expenses	$50,797	$47,403
Revolving line of credit	10,000	39,000
Mortgages payable	1,049,206	1,048,689
Other	18,170	14,012
TOTAL LIABILITIES	1,128,173	1,149,104
COMMITMENTS AND CONTINGENCIES (NOTE 15)		
EQUITY		
Investors Real Estate Trust shareholders' equity		
Series A Preferred Shares of Beneficial Interest (Cumulative redeemable preferred shares, no par value, 1,150,000 shares issued and outstanding at April 30, 2013 and April 30, 2012, aggregate liquidation preference of $28,750,000)	27,317	27,317
Series B Preferred Shares of Beneficial Interest (Cumulative redeemable preferred shares, no par value, 4,600,000 shares issued and outstanding at April 30, 2013 and 0 shares issued and outstanding at April 30, 2012, aggregate liquidation preference of $115,000,000)	111,357	0
Common Shares of Beneficial Interest (Unlimited authorization, no par value, 101,487,976 shares issued and outstanding at April 30, 2013, and 89,473,838 shares issued and outstanding at April 30, 2012)	784,454	684,049

Accumulated distributions in excess of net income	(310,341)	(278,377)
Total Investors Real Estate Trust shareholders' equity	612,787	432,989
Noncontrolling interests – Operating Partnership (21,635,127 units at April 30, 2013 and 20,332,415 units at April 30, 2012)	122,539	118,710
Noncontrolling interests – consolidated real estate entities	26,055	13,564
Total equity	761,381	565,263
TOTAL LIABILITIES AND EQUITY	$1,889,554	$1,714,367

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
for the years ended April 30, 2013, 2012, and 2011

	(in thousands, except per share data)		
	2013	2012	2011
REVENUE			
Real estate rentals	$212,969	$196,149	$189,245
Tenant reimbursement	46,437	42,929	44,931
TOTAL REVENUE	259,406	239,078	234,176
EXPENSES			
Depreciation/amortization related to real estate investments	61,996	56,426	55,080
Utilities	19,172	17,442	18,020
Maintenance	29,237	26,354	28,955
Real estate taxes	34,380	31,581	30,637
Insurance	3,927	3,502	2,256
Property management expenses	15,408	18,651	20,348
Other property expenses	1,008	(142)	665
Administrative expenses	7,904	6,694	6,617
Advisory and trustee services	590	687	605
Other expenses	2,173	1,898	1,747
Amortization related to non-real estate investments	3,274	3,216	2,679
Impairment of real estate investments	305	0	0
TOTAL EXPENSES	179,374	166,309	167,609
Gain on involuntary conversion	5,084	274	0
Operating income	85,116	73,043	66,567
Interest expense	(62,900)	(64,066)	(62,735)
Interest income	222	148	259
Other income	526	638	282
Income from continuing operations	22,964	9,763	4,373
Income (loss) from discontinued operations	7,008	(57)	19,978
NET INCOME	29,972	9,706	24,351
Net income attributable to noncontrolling interests – Operating Partnership	(3,633)	(1,359)	(4,449)
Net (income) loss attributable to noncontrolling interests – consolidated real estate entities	(809)	(135)	180
Net income attributable to Investors Real Estate Trust	25,530	8,212	20,082
Dividends to preferred shareholders	(9,229)	(2,372)	(2,372)
NET INCOME AVAILABLE TO COMMON SHAREHOLDERS	$16,301	$5,840	$17,710
Earnings per common share from continuing operations – Investors Real Estate Trust – basic and diluted	$.11	$.07	$.02
Earnings (loss) per common share from discontinued operations – Investors Real Estate Trust – basic and diluted	.06	.00	.20
NET INCOME PER COMMON SHARE – BASIC & DILUTED	$.17	$.07	$.22

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
for the years ended April 30, 2013, 2012, and 2011
(in thousands)

	NUMBER OF PREFERRED SHARES	PREFERRED SHARES	NUMBER OF COMMON SHARES	COMMON SHARES	ACCUMULATED DISTRIBUTIONS IN EXCESS OF NET INCOME	NONCONTROLLING INTERESTS	TOTAL EQUITY
BALANCE APRIL 30, 2010	1,150	$ 27,317	75,805	$ 583,618	$ (201,412)	$ 145,592	$ 555,115
Net income attributable to Investors Real Estate Trust and nonredeemable noncontrolling interests					20,082	4,282	24,364
Distributions - common shares and units					(53,861)	(13,803)	(67,664)
Distributions - preferred shares					(2,372)		(2,372)
Distribution reinvestment and share purchase plan			1,706	14,548			14,548
Shares issued			2,004	16,676			16,676
Partnership units issued						4,996	4,996
Redemption of units for common shares			1,009	6,905		(6,905)	0
Adjustments to redeemable noncontrolling interests				370			370
Other			(1)	(181)		(1,562)	(1,743)
BALANCE APRIL 30, 2011	1,150	$ 27,317	80,523	$ 621,936	$ (237,563)	$ 132,600	$ 544,290
Net income attributable to Investors Real Estate Trust and nonredeemable noncontrolling interests					8,212	1,482	9,694
Distributions - common shares and units					(46,654)	(11,102)	(57,756)
Distributions - preferred shares					(2,372)		(2,372)
Distribution reinvestment and share purchase plan			4,796	34,345			34,345
Shares issued			3,398	24,870			24,870
Partnership units issued						8,055	8,055
Redemption of units for common shares			759	3,454		(3,454)	0
Other			(2)	(556)		4,693	4,137
BALANCE APRIL 30, 2012	1,150	$ 27,317	89,474	$ 684,049	$ (278,377)	$ 132,274	$ 565,263

Net income attributable to Investors Real Estate Trust and noncontrolling interests					25,530	4,442	29,972
Distributions - common shares and units					(48,265)	(10,985)	(59,250)
Distributions – Series A preferred shares					(2,372)		(2,372)
Distributions – Series B preferred shares					(6,857)		(6,857)
Distribution reinvestment and share purchase plan			5,290	43,123			43,123
Shares issued			6,409	55,846			55,846
Series B preferred shares issued	4,600	111,357					111,357
Partnership units issued						12,632	12,632
Redemption of units for common shares			317	1,551		(1,551)	0
Contributions from noncontrolling interests – consolidated real estate entities						12,415	12,415
Other			(2)	(115)		(633)	(748)
BALANCE APRIL 30, 2013	5,750	$ 138,674	101,488	$ 784,454	$ (310,341)	$ 148,594	$ 761,381

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
for the years ended April 30, 2013, 2012, and 2011

	(in thousands)		
	2013	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	$29,972	$9,706	$24,351
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	67,559	61,954	61,344
Gain on sale of real estate, land, other investments and discontinued operations	(6,885)	(349)	(19,365)
Gain on involuntary conversion	(5,084)	(274)	0
Impairment of real estate investments	305	428	0
Bad debt expense	665	298	733
Changes in other assets and liabilities:			
Increase in receivable arising from straight-lining of rents	(2,733)	(4,831)	(1,732)
Decrease (increase) in accounts receivable	689	1,542	(914)
Increase in prepaid and other assets	(693)	(1,361)	(1,162)
(Increase) decrease in tax, insurance and other escrow	(325)	(353)	1,469
Increase in deferred charges and leasing costs	(5,946)	(6,145)	(6,501)
Increase in accounts payable, accrued expenses and other liabilities	194	4,522	551
Net cash provided by operating activities	77,718	65,137	58,774
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from real estate deposits	2,037	2,254	2,766
Payments for real estate deposits	(1,970)	(2,188)	(2,579)
Principal proceeds on mortgage loans receivable	0	159	2
Increase in other investments	0	0	(205)
Decrease in lender holdbacks for improvements	1,891	5,681	3,276
Increase in lender holdbacks for improvements	(2,466)	(1,730)	(10,712)
Proceeds from sale of discontinued operations	20,009	3,142	81,539
Proceeds from sale of real estate and other investments	95	430	74
Insurance proceeds received	6,211	5,758	347
Payments for acquisitions of real estate assets	(76,020)	(61,661)	(26,541)
Payments for development and re-development of real estate assets	(57,649)	(37,777)	(10,799)
Payments for improvements of real estate assets	(26,280)	(42,333)	(25,484)
Net cash (used) provided by investing activities	(134,142)	(128,265)	11,684
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from mortgages payable	85,230	117,595	139,947
Principal payments on mortgages payable	(104,976)	(77,089)	(213,658)
Proceeds from revolving lines of credit and other debt	44,262	31,925	56,300
Principal payments on revolving lines of credit and other debt	(55,411)	(10,060)	(25,650)
Proceeds from sale of common shares, net of issue costs	55,448	24,427	16,423
Proceeds from sale of common shares under distribution reinvestment and share purchase program	30,707	23,511	3,175
Proceeds from underwritten Public Offering of Preferred Shares – Series B, net of offering costs	111,357	0	0
Repurchase of fractional shares and partnership units	(15)	(14)	(10)
Proceeds from noncontrolling partner – consolidated real estate entities	0	2,854	0
Payments for acquisition of noncontrolling interests – consolidated real estate entities	0	(1,289)	(425)

Distributions paid to common shareholders, net of reinvestment of $11,802, $10,177 and $10,627, respectively	(36,463)	(36,477)	(43,234)
Distributions paid to preferred shareholders	(8,467)	(2,372)	(2,372)
Distributions paid to noncontrolling interests – Unitholders of the Operating Partnership, net reinvestment of $614, $657 and $746, respectively	(10,371)	(10,445)	(13,057)
Distributions paid to noncontrolling interests – consolidated real estate entities	(733)	(613)	(1,055)
Distributions paid to redeemable noncontrolling interests-consolidated real estate entities	0	(27)	(442)
Net cash provided (used) by financing activities	110,568	61,926	(84,058)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	54,144	(1,202)	(13,600)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	39,989	41,191	54,791
CASH AND CASH EQUIVALENTS AT END OF YEAR	$94,133	$39,989	$41,191

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)
for the years ended April 30, 2013, 2012, and 2011

	(in thousands)		
	2013	2012	2011
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Distribution reinvestment plan	$11,802	$10,177	$10,627
Operating partnership distribution reinvestment plan	614	657	746
Operating partnership units converted to shares	1,551	3,454	6,905
Shares issued under the Incentive Award Plan	398	443	253
Real estate assets acquired through the issuance of operating partnership units	12,632	8,055	4,996
Real estate assets acquired through assumption of indebtedness and accrued costs	12,500	7,190	9,895
Mortgages included in real estate dispositions	5,887	0	0
Increase (decrease) to accounts payable included within real estate investments	2,502	(5,445)	933
Real estate assets contributed by noncontrolling interests – consolidated real estate entities	12,415	2,227	0
Fair value adjustments to redeemable noncontrolling interests	0	35	370
Involuntary conversion of assets due to flood and fire damage	107	2,783	0
Construction debt reclassified to mortgages payable	13,650	7,190	0
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION			
Cash paid for interest, net of amounts capitalized of $742,$571 and $56, respectively	$60,357	$63,653	$64,562

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS.

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2013 Annual Report

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
April 30, 2013, 2012, and 2011

NOTE 1 • ORGANIZATION

Investors Real Estate Trust ("IRET" or the "Company") is a self-advised real estate investment trust engaged in acquiring, owning and leasing multi-family residential and commercial real estate. IRET has elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986, as amended. REITs are subject to a number of organizational and operational requirements, including a requirement to distribute 90% of ordinary taxable income to shareholders, and, generally, are not subject to federal income tax on net income, except for taxes on undistributed REIT taxable income. IRET's multi-family residential properties and commercial properties are located mainly in the states of North Dakota and Minnesota, but also in the states of Colorado, Idaho, Iowa, Kansas, Missouri, Montana, Nebraska, South Dakota, Wisconsin and Wyoming. As of April 30, 2013, IRET owned 87 multi-family residential properties with approximately 10,280 apartment units and 182 commercial properties, consisting of commercial office, commercial healthcare, commercial industrial and commercial retail properties, totaling approximately 12.4 million net rentable square feet. IRET conducts a majority of its business activities through its consolidated operating partnership, IRET Properties, a North Dakota Limited Partnership (the "Operating Partnership"), as well as through a number of other subsidiary entities.

All references to IRET or the Company refer to Investors Real Estate Trust and its consolidated subsidiaries.

NOTE 2 • BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of IRET and all subsidiaries in which it maintains a controlling interest. All intercompany balances and transactions are eliminated in consolidation. The Company's fiscal year ends April 30th.

The accompanying consolidated financial statements include the accounts of IRET and its general partnership interest in the Operating Partnership. The Company's interest in the Operating Partnership was 82.4% and 81.5%, respectively, as of April 30, 2013 and 2012, which includes 100% of the general partnership interest. The limited partners have a redemption option that they may exercise. Upon exercise of the redemption option by the limited partners, IRET has the option of redeeming the limited partners' interests ("Units") for IRET common shares of beneficial interest, on a one-for-one basis, or for cash payment to the unitholder. The redemption generally may be exercised by the limited partners at any time after the first anniversary of the date of the acquisition of the Units (provided, however, that not more than two redemptions by a limited partner may occur during each calendar year, and each limited partner may not exercise the redemption for less than 1,000 Units, or, if such limited partner holds less than 1,000 Units, for all of the Units held by such limited partner). Some limited partners have contractually agreed to a holding period of greater than one year.

The consolidated financial statements also reflect the ownership by the Operating Partnership of certain joint venture entities in which the Operating Partnership has a general partner or controlling interest. These entities are consolidated into IRET's other operations with noncontrolling interests reflecting the noncontrolling partners' share of ownership and income and expenses.

RECENT ACCOUNTING PRONOUNCEMENTS

In September 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-08, Testing Goodwill for Impairment. This standard gives entities testing goodwill for impairment the option of performing a qualitative assessment before calculating the fair value of the reporting unit (step I of the goodwill impairment test). If entities determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than its carrying amount, the two-step impairment test would be required. Otherwise, no further testing is required. The ASU does not change how goodwill is calculated or assigned to reporting units, nor does it revise the requirement to test goodwill annually for impairment. The ASU is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The Company's adoption of this update for fiscal year 2013 did not have an impact on the Company's consolidated results of operations or financial condition.

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NOTE 2 • continued

USE OF ESTIMATES

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

RECLASSIFICATIONS

Certain previously reported amounts have been reclassified to conform to the current financial statement presentation. The Company reports, in discontinued operations, the results of operations and the related gains or losses of a property that has either been disposed of or is classified as held for sale and otherwise meets the classification of a discontinued operation. As a result of discontinued operations, retroactive reclassifications that change prior period numbers have been made. See Note 12 for additional information. During fiscal year 2013, the Company sold three multi-family residential properties and one commercial healthcare property. During fiscal year 2012, the Company sold two retail properties. Eight condominium units in Grand Chute, Wisconsin, and a retail property in Kentwood, Michigan, were classified as held for sale at April 30, 2012. The results of operations for these properties are included in income from discontinued operations in the Consolidated Statements of Operations.

The Company also reclassified bad debt provision expense from property management expenses to other property expenses on the Consolidated Statements of Operations and reclassified amounts from payments for acquisitions and improvements of real estate assets to payments for acquisitions of real estate assets and payments for development and re-development of real estate assets on the Consolidated Statements of Cash Flows.

REAL ESTATE INVESTMENTS

Real estate investments are recorded at cost less accumulated depreciation and an adjustment for impairment, if any. Acquisitions of real estate are recorded based upon preliminary allocations of the purchase price which are subject to adjustment as additional information is obtained, but in no case more than one year after the date of acquisition. The Company allocates the purchase price based on the relative fair values of the tangible and intangible assets of an acquired property (which includes the land, building, and personal property) which are determined by valuing the property as if it were vacant and to fair value of the intangible assets (which include in-place leases.) The as-if-vacant value is allocated to land, buildings, and personal property based on management's determination of the relative fair values of these assets. The estimated fair value of the property is the amount that would be recoverable upon the disposition of the property. Techniques used to estimate fair value include discounted cash flow analysis and reference to recent sales of comparables. A land value is assigned based on the purchase price if land is acquired separately or based on estimated fair value if acquired in a merger or in a single or portfolio acquisition.

Acquired above- and below-market lease values are recorded as the difference between the contractual amounts to be paid pursuant to the in-place leases and management's estimate of fair market value lease rates for the corresponding in-place leases. The capitalized above- and below-market lease values are amortized as adjustments to rental revenue over the remaining terms of the respective leases, which includes fixed rate renewal options for below-market leases if it is determined probable the tenant will execute a bargain renewal option.

Other intangible assets acquired include amounts for in-place lease values that are based upon the Company's evaluation of the specific characteristics of the leases. Factors considered in the fair value analysis include an estimate of carrying costs and foregone rental income during hypothetical expected lease-up periods, considering current market conditions, and costs to execute similar leases. The Company also considers information about each property obtained during its pre-acquisition due diligence, marketing and leasing activities in estimating the relative fair value of the tangible and intangible assets acquired.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The Company uses a 20-40 year estimated life for buildings and improvements and a 5-12 year estimated life for furniture, fixtures and equipment.

NOTE 2 • continued
The Company follows the real estate project costs guidance in ASC 970, Real Estate – General, in accounting for the costs of development and re-development projects. As real estate is undergoing development or redevelopment, all project costs directly associated with and attributable to the development and construction of a project, including interest expense and real estate tax expense, are capitalized to the cost of the real property. The capitalization period begins when development activities and expenditures begin and ends upon completion, which is when the asset is ready for its intended use. Generally, rental property is considered substantially complete and ready for its intended use upon completion of tenant improvements (in the case of commercial properties) or upon issuance of a certificate of occupancy (in the case of multi-family residential properties). General and administrative costs are expensed as incurred.

Expenditures for ordinary maintenance and repairs are expensed to operations as incurred. Renovations and improvements that improve and/or extend the useful life of the asset are capitalized and depreciated over their estimated useful life, generally five to ten years. Property sales or dispositions are recorded when title transfers and sufficient consideration has been received by the Company and the Company has no significant involvement with the property sold.

The Company periodically evaluates its long-lived assets, including its real estate investments, for impairment indicators. The judgments regarding the existence of impairment indicators are based on factors such as operational performance, market conditions, expected holding period of each asset and legal and environmental concerns. If indicators exist, the Company compares the expected future undiscounted cash flows for the long-lived asset against the carrying amount of that asset. If the sum of the estimated undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recorded for the difference between the estimated fair value and the carrying amount of the asset. If our anticipated holding period for properties, the estimated fair value of properties or other factors change based on market conditions or otherwise, our evaluation of impairment charges may be different and such differences could be material to our consolidated financial statements. The evaluation of anticipated cash flows is subjective and is based, in part, on assumptions regarding future occupancy, rental rates and capital requirements that could differ materially from actual results. Plans to hold properties over longer periods decrease the likelihood of recording impairment losses.

During fiscal year 2013, the Company incurred a loss of approximately $305,000 due to impairment of one property. The impairment of the Company's Eagan, Minnesota, retail property was based on receipt of a market offer to purchase and the Company's intent to dispose of the property (a purchase agreement was signed by the Company in the fourth quarter of fiscal year 2013). See Note 12 for additional information.

During fiscal year 2012, the Company incurred a loss of approximately $428,000 due to impairment of two properties. The $128,000 impairment of the Company's Kentwood, Michigan, retail property was based on receipt of a market offer to purchase and the Company's intention to dispose of the property (a purchase agreement was signed by the Company in the fourth quarter of fiscal year 2012). A related impairment of $7,000 was recorded to write-off goodwill assigned to the Kentwood property. This property was classified as held for sale at April 30, 2012, and the related impairment charge for fiscal year 2012 is in discontinued operations. Also during fiscal year 2012, the Company recognized a $293,000 impairment loss on eight condominium units in Grand Chute, Wisconsin. The impairment of the condominiums was based on receipt of a market offer to purchase two of the units and the Company's intention to dispose of the units (a purchase agreement was signed by the Company in the fourth quarter of fiscal year 2012). The condominiums were classified as held for sale at April 30, 2012, and the related impairment charge for fiscal year 2012 is reported in discontinued operations. See Note 12 for additional information. No impairment losses were recorded in fiscal year 2011.

REAL ESTATE HELD FOR SALE

Real estate held for sale is stated at the lower of its carrying amount or estimated fair value less disposal costs. The Company's determination of fair value is based on inputs management believes are consistent with those that market participants would use. Estimates are significantly impacted by estimates of sales price, selling velocity, and other factors. Due to uncertainties in the estimation process, actual results could differ from such estimates. Depreciation is

not recorded on assets classified as held for sale.

NOTE 2 • continued

U.S. GAAP requires management to make certain significant judgments as to the classification of any of our properties as held for sale on the balance sheet. The Company makes a determination as to the point in time that it is probable that a sale will be consummated. It is not unusual for real estate sales contracts to allow potential buyers a period of time to evaluate the property prior to formal acceptance of the contract. In addition, certain other matters critical to the final sale, such as financing arrangements, often remain pending even upon contract acceptance. As a result, properties under contract may not close within the expected time period, or may not close at all. Due to these uncertainties, it is not likely that the Company can meet the criteria of the current accounting principles governing the classification of properties as held for sale prior to a sale formally closing. Therefore, any properties categorized as held for sale represent only those properties that management has determined are probable to close within the requirements set forth in current accounting principles. No properties were classified as held for sale at April 30, 2013. Eight condominium units in Grand Chute, Wisconsin, and a retail property in Kentwood, Michigan, were classified as held for sale at April 30, 2012.

The Company reports, in discontinued operations, the results of operations and the related gains or losses of a property that has either been disposed of or is classified as held for sale and otherwise meets the classification of a discontinued operation.

IDENTIFIED INTANGIBLE ASSETS AND LIABILITIES AND GOODWILL

Upon acquisition of real estate, the Company records the intangible assets and liabilities acquired (for example, if the leases in place for the real estate property acquired carry rents above the market rent, the difference is classified as an intangible asset) at their estimated fair value separate and apart from goodwill. The Company amortizes identified intangible assets and liabilities that are determined to have finite lives based on the period over which the assets and liabilities are expected to affect, directly or indirectly, the future cash flows of the real estate property acquired (generally the life of the lease). In the twelve months ended April 30, 2013 and 2012, respectively, the Company added $1.6 million and approximately $416,000 of new intangible assets and no new intangible liabilities. The weighted average lives of the intangible assets acquired in the twelve months ended April 30, 2013 and 2012 are 0.5 years and 10.0 years, respectively. Amortization of intangibles related to above or below-market leases is recorded in real estate rentals in the Consolidated Statements of Operations. Amortization of other intangibles is recorded in depreciation/amortization related to real estate investments in the Consolidated Statements of Operations. Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized if the carrying amount of an intangible asset is not recoverable and its carrying amount exceeds its estimated fair value.

The excess of the cost of an acquired business over the net of the amounts assigned to assets acquired (including identified intangible assets) and liabilities assumed is recorded as goodwill. The Company's goodwill has an indeterminate life and is not amortized, but is tested for impairment on an annual basis, or more frequently if events or changes in circumstances indicate that the asset might be impaired. Goodwill book value as of April 30, 2013 and 2012 was $1.1 million. The annual reviews of goodwill compared the fair value of the business units that have been assigned goodwill to their carrying value (investment cost less accumulated depreciation), with the results for these periods indicating no impairment. In fiscal year 2013, the Company disposed of two multi-family residential properties that had goodwill assigned, and as a result, approximately $14,000 of goodwill was derecognized. During fiscal year 2012 the impairment of a Kentwood, Michigan, retail property indicated that goodwill assigned to the property was also impaired. Accordingly, an approximately $7,000 impairment to goodwill was recognized. In fiscal year 2011, the Company disposed of four multi-family residential properties that had goodwill assigned, and as a result, approximately $261,000 of goodwill was derecognized.

PROPERTY AND EQUIPMENT

Property and equipment consists of the equipment contained at IRET's headquarters in Minot, North Dakota, corporate offices in Minneapolis and St. Cloud, Minnesota, and additional property management offices in Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota and South Dakota. The balance sheet reflects these assets at cost, net of accumulated depreciation. As of April 30, 2013 and 2012, property and equipment cost was $2.9 million.

Accumulated depreciation was $1.7 million and $1.4 million as of April 30, 2013 and 2012, respectively.

NOTE 2 • continued

MORTGAGE LOANS RECEIVABLE

Mortgage loans receivable (which include contracts for deed) are stated at the outstanding principal balance, net of an allowance for uncollectibility. Interest income is accrued and reflected in the balance sheet. Non-performing loans are recognized as impaired. The Company evaluates the collectibility of both interest and principal of each of its loans, if circumstances warrant, to determine whether the loan is impaired. A loan is considered to be impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due according to the existing contractual terms. An allowance is recorded to reduce impaired loans to their estimated fair value. Interest on impaired loans is recognized on a cash basis. At April 30, 2013 and 2012 the Company had no mortgage loans receivable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash and highly liquid investments purchased with maturities of three months or less. Cash and cash equivalents consist of the Company's bank deposits and short-term investment certificates acquired subject to repurchase agreements, and the Company's deposits in a money market mutual fund. At times these deposits may exceed the FDIC limit.

COMPENSATING BALANCES AND OTHER INVESTMENTS; LENDER HOLDBACKS

The Company maintains compensating balances, not restricted as to withdrawal, with several financial institutions in connection with financing received from those institutions and/or to ensure future credit availability. At April 30, 2013, the Company's compensating balances totaled $8.9 million and consisted of the following: Dacotah Bank, Minot, North Dakota, deposit of $350,000; United Community Bank, Minot, North Dakota, deposit of $275,000; Commerce Bank, A Minnesota Banking Corporation, deposit of $250,000; First International Bank, Watford City, North Dakota, deposit of $6.1 million; Peoples State Bank of Velva, North Dakota, deposit of $225,000; Equity Bank, Minnetonka, Minnesota, deposit of $300,000; Associated Bank, Green Bay, Wisconsin, deposit of $500,000; Venture Bank, Eagan, Minnesota, deposit of $500,000; and American National Bank, Omaha, Nebraska, deposit of $400,000. The deposits at United Community Bank and Equity Bank and a portion of the deposit at Dacotah Bank are held as certificates of deposit and comprise the $639,000 in other investments on the Consolidated Balance Sheets. The certificates of deposit have remaining terms of less than two years and the Company intends to hold them to maturity. The Company has a number of mortgage loans under which the lender retains a portion of the loan proceeds for the payment of construction costs or tenant improvements. The decrease of $1.9 million in lender holdbacks for improvements reflected in the Consolidated Statements of Cash Flows for the fiscal year ended April 30, 2013 is due primarily to the release of loan proceeds to the Company upon completion of these construction milestones and tenant improvement projects, while the increase of $2.5 million represents additional amounts retained by lenders.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

Management evaluates the appropriate amount of the allowance for doubtful accounts by assessing the recoverability of individual real estate mortgage loans and rent receivables, through a comparison of their carrying amount with their estimated realizable value. Management considers tenant financial condition, credit history and current economic conditions in establishing these allowances. Receivable balances are written off when deemed uncollectible. Recoveries of receivables previously written off, if any, are recorded when received. A summary of the changes in the allowance for doubtful accounts for fiscal years ended April 30, 2013, 2012 and 2011 is as follows:

	(in thousands)		
	2013	2012	2011
Balance at beginning of year	$1,363	$1,316	$1,172
Provision	665	298	733
Write-off	(635)	(251)	(589)
Balance at close of year	$1,393	$1,363	$1,316

NOTE 2 • continued

TAX, INSURANCE, AND OTHER ESCROW

Tax, insurance, and other escrow includes funds deposited with a lender for payment of real estate tax and insurance, and reserves for funds to be used for replacement of structural elements and mechanical equipment of certain projects. The funds are under the control of the lender. Disbursements are made after supplying written documentation to the lender.

REAL ESTATE DEPOSITS

Real estate deposits include funds held by escrow agents to be applied toward the purchase of real estate or the payment of loan costs associated with loan placement or refinancing.

DEFERRED LEASING AND LOAN ACQUISITION COSTS

Costs and commissions incurred in obtaining tenant leases are amortized on the straight-line method over the terms of the related leases. Costs incurred in obtaining long-term financing are amortized to interest expense over the life of the loan using the straight-line method, which approximates the effective interest method.

INCOME TAXES

IRET operates in a manner intended to enable it to continue to qualify as a REIT under Sections 856-860 of the Internal Revenue Code of 1986, as amended. Under those sections, a REIT which distributes at least 90% of its REIT taxable income as a dividend 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 shareholders. For the fiscal years ended April 30, 2013, 2012 and 2011, the Company distributed in excess of 90% of its taxable income and realized capital gains from property dispositions within the prescribed time limits; accordingly, no provision has been made for federal income taxes in the accompanying consolidated financial statements. If the Company fails to qualify as a REIT in any taxable year, the Company will be subject to federal income tax on its taxable income at regular corporate rates (including any alternative minimum tax) and may not be able to qualify as a REIT for the four subsequent taxable years. Even as a REIT, the Company may be subject to certain state and local income and property taxes, and to federal income and excise taxes on undistributed taxable income. In general, however, if the Company qualifies as a REIT, no provisions for federal income taxes are necessary except for taxes on undistributed REIT taxable income and taxes on the income generated by a taxable REIT subsidiary (TRS). The Company currently has no TRS.

IRET conducts its business activity as an Umbrella Partnership Real Estate Investment Trust ("UPREIT") through its Operating Partnership. UPREIT status allows IRET to accept the contribution of real estate in exchange for Units. Generally, such a contribution to a limited partnership allows for the deferral of gain by an owner of appreciated real estate.

Distributions for the calendar year ended December 31, 2012 were characterized, for federal income tax purposes, as 23.17% ordinary income, 2.41% capital gain and 74.42% return of capital. Distributions for the calendar year ended December 31, 2011 were characterized, for federal income tax purposes, as 18.04% ordinary income, 37.48% capital gain and 44.48% return of capital.

REVENUE RECOGNITION

Residential rental properties are leased under operating leases with terms generally of one year or less. Commercial properties are leased under operating leases to tenants for various terms generally exceeding one year. Lease terms often include renewal options. Rental revenue is recognized on the straight-line basis, which averages minimum required rents over the terms of the leases. Rents recognized in advance of collection are reflected as receivable arising from straight-lining of rents, net of allowance for doubtful accounts. Rent concessions, including free rent, are amortized on a straight-line basis over the terms of the related leases.

Reimbursements from tenants for real estate taxes and other recoverable operating expenses are recognized as revenue in the period the applicable expenditures are incurred. IRET receives payments for these reimbursements from substantially all of its tenants at multi-tenant commercial properties throughout the year.

NOTE 2 • continued

A number of the commercial leases provide for a base rent plus a percentage rent based on gross sales in excess of a stipulated amount. These percentage rents are recorded once the required sales level is achieved.

Interest on mortgage loans receivable is recognized in income as it accrues during the period the loan is outstanding. In the case of non-performing loans, income is recognized as discussed above in the Mortgage Loans Receivable section of this Note 2.

NET INCOME PER SHARE

Basic net income per share is computed as net income available to common shareholders divided by the weighted average number of common shares outstanding for the period. The Company has no potentially dilutive financial interests; the potential exchange of Units for common shares will have no effect on net income per share because Unitholders and common shareholders effectively share equally in the net income of the Operating Partnership.

INVOLUNTARY CONVERSION OF ASSETS

As previously reported, Minot, North Dakota, where IRET's corporate headquarters is located, experienced significant flooding in June 2011, resulting in extensive damage to the Arrowhead Shopping Center and to the Chateau Apartments property, which consisted of two 32-unit buildings. Additionally, on February 22, 2012, one of the buildings of the Chateau Apartments property, which had been undergoing restoration work following the flood, was completely destroyed by fire. The costs related to clean-up, redevelopment and loss of rents for these properties are being reimbursed to the Company by its insurance carrier, less the Company's deductible of $200,000 per event under the policy. The Company expensed $400,000 in fiscal year 2012 for the flood and fire deductibles.

During fiscal year 2012, for the Arrowhead and Chateau flood loss, the Company received $5.7 million of insurance proceeds for flood clean-up costs and redevelopment. In regard to Arrowhead Shopping Center, the total insurance proceeds for redevelopment at April 30, 2012 exceeded the estimated basis in the assets requiring replacement, resulting in the recognition of approximately $274,000 in gain from involuntary conversion in fiscal year 2012. During fiscal year 2013, final settlement was reached for the Arrowhead and Chateau flood loss and the Company received additional proceeds of $2.7 million resulting in the recognition of approximately $2.8 million in gain from involuntary conversion in fiscal year 2013.

In fiscal year 2013, for the Chateau fire loss, the Company received $2.9 million of insurance proceeds for redevelopment. The total insurance proceeds for redevelopment related to the Chateau fire exceeded the estimated basis in the assets requiring replacement, resulting in the recognition of $2.3 million in gain from involuntary conversion in fiscal year 2013. The Company expects to rebuild the destroyed building but has no firm estimates at this time for costs or expected completion date of such rebuilding. IRET expects final settlement of the Chateau fire insurance claim to occur when the property is rebuilt.

Final settlement was reached during fiscal year 2013 for business interruption from the flood and fire with proceeds received during the year of $409,000. During fiscal year 2012, approximately $666,000 was received, for total business interruption proceeds from the claims of $1.1 million. Reimbursement for business interruption is included within real estate rentals in the Consolidated Statements of Operations.

NOTE 3 • CREDIT RISK

The Company is potentially exposed to credit risk for cash deposited with FDIC-insured financial institutions in accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts.

IRET has entered into a cash management arrangement with First Western Bank (the "Bank") with respect to deposit accounts that exceed FDIC Insurance coverage. On a daily basis, account balances are swept into a repurchase account. The Bank pledges fractional interests in US Government Securities owned by the Bank at an amount equal to the excess over the uncollected balance in the repurchase account. The amounts deposited by IRET pursuant to the repurchase agreement are not insured by FDIC. At April 30, 2013 and 2012, these amounts totaled $29.6 million and $15.1 million, respectively.

NOTE 4 • PROPERTY OWNED

Property, consisting principally of real estate, is stated at cost less accumulated depreciation and totaled $1.6 billion and $1.5 billion as of April 30, 2013, and 2012, respectively.

Construction period interest of approximately $742,000, $571,000, and $152,000 has been capitalized for the years ended April 30, 2013, 2012, and 2011, respectively.

The future minimum lease receipts to be received under non-cancellable leases for commercial properties as of April 30, 2013, assuming that no options to renew or buy out the lease are exercised, are as follows:

Year Ended April 30,	(in thousands)
2014	$ 114,118
2015	102,967
2016	92,131
2017	77,193
2018	61,744
Thereafter	195,986
	$ 644,139

See Real Estate Investments within Note 2 for information about impairment losses recorded during fiscal years 2013 and 2012.

NOTE 5 • IDENTIFIED INTANGIBLE ASSETS AND LIABILITIES

The Company's identified intangible assets and intangible liabilities at April 30, 2013 and 2012 were as follows:

	(in thousands)	
	April 30, 2013	April 30, 2012
Identified intangible assets (included in intangible assets):		
Gross carrying amount	$68,165	$92,401
Accumulated amortization	(27,708)	(47,813)
Net carrying amount	$40,457	$44,588
Indentified intangible liabilities (included in other liabilities):		
Gross carrying amount	$391	$1,104
Accumulated amortization	(296)	(967)
Net carrying amount	$95	$137

The effect of amortization of acquired below-market leases and acquired above-market leases on rental income was approximately $(29,000), $(45,000) and $(72,000) for the twelve months ended April 30, 2013, 2012 and 2011, respectively. The estimated annual amortization of acquired below-market leases, net of acquired above-market leases for each of the five succeeding fiscal years is as follows:

Year Ended April 30,	(in thousands)
2014	$ 37
2015	18
2016	14
2017	6
2018	(5)

NOTE 5 • continued

Amortization of all other identified intangible assets (a component of depreciation/amortization related to real estate investments) was $5.5 million, $5.5 million and $7.1 million for the twelve months ended April 30, 2013, 2012 and 2011, respectively. The estimated annual amortization of all other identified intangible assets for each of the five succeeding fiscal years is as follows:

Year Ended April 30,	(in thousands)
2014	$ 4,826
2015	3,815
2016	3,598
2017	3,129
2018	2,643

NOTE 6 • NONCONTROLLING INTERESTS

Interests in the Operating Partnership held by limited partners are represented by Units. The Operating Partnership's income is allocated to holders of Units based upon the ratio of their holdings to the total Units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to noncontrolling interests in accordance with the terms of the Operating Partnership agreement.

IRET reflects noncontrolling interests in consolidated real estate entities on the balance sheet for the portion of properties consolidated by IRET that are not wholly owned by IRET. The earnings or losses from these properties attributable to the noncontrolling interests are reflected as net income attributable to noncontrolling interests – consolidated real estate entities in the Consolidated Statements of Operations. The Company's noncontrolling interests – consolidated real estate entities at April 30, 2013 and 2012 were as follows:

	(in thousands)	
	April 30, 2013	April 30, 2012
Mendota Properties LLC	$7,236	$7,460
IRET-1715 YDR, LLC	1,003	958
IRET-Williston Garden Apartments, LLC	2,597	2,295
IRET - Jamestown Medical Building, LLC	1,396	1,471
WRH Holding, LLC	1,118	1,380
IRET-Cypress Court Apartments, LLC	1,149	0
IRET - Minot Apartments, LLC	5,937	0
IRET - WRH 1, LLC	5,619	0
Noncontrolling interests – consolidated real estate entities	$26,055	$13,564

On November 27, 2012 the Company entered into a joint venture operating agreement with a real estate development company to construct an apartment project in Minot, North Dakota as IRET – Minot Apartments, LLC. The project is expected to be completed in two phases, with a total of approximately 341 units. Phase I, the Landing at Southgate, consists of three approximately 36-unit buildings, and is expected to be completed in August 2013. Phase II, the Commons at Southgate, is currently expected to consist of an approximately 233-unit building to be completed in June 2014. The Company currently estimates total costs for both phases of the project at $52.2 million, with approximately 69% of the project financed with third-party debt and approximately 7% financed with debt from IRET to the joint venture entity. IRET is the 51% owner of the joint venture and will have management and leasing responsibilities when the project is completed. The real estate development company owns 49% of the joint venture and is responsible for the development and construction of the property. The Company has determined that the joint venture is a variable interest entity ("VIE"), primarily based on the fact that the equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support. The Company has also determined

that IRET is the primary beneficiary of the VIE due to the fact that IRET is providing 51% of the equity contributions, the subordinated debt and a guarantee on the third party debt and has the power to direct the most significant activities that impact the entity's economic performance.

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NOTE 7 • LINE OF CREDIT

As of April 30, 2013, the Company had one secured line of credit with First International Bank and Trust, Watford City, North Dakota, as lead bank. This line of credit matures on August 12, 2014, and had, as of April 30, 2013, lending commitments of $60.0 million. Participants in this secured credit facility as of April 30, 2013 included, in addition to First International Bank, the following financial institutions: The Bank of North Dakota; First Western Bank and Trust; Dacotah Bank; United Community Bank of North Dakota; American State Bank & Trust Company and Town & Country Credit Union. As of April 30, 2013, the Company had advanced $10.0 million under the line of credit. The line of credit has a minimum outstanding principal balance requirement of $10.0 million. The interest rate on borrowings under the facility is the Wall Street Journal Prime Rate +1.25%, with a floor of 5.15% and a cap of 8.65%; interest-only payments are due monthly based on the total amount of advances outstanding. The line of credit may be prepaid at par at any time. The facility includes covenants and restrictions requiring the Company to achieve on a calendar quarter basis a debt service coverage ratio on borrowing base collateral of 1.25x in the aggregate and 1.00x on individual assets in the collateral pool, and the Company is also required to maintain minimum depository account(s) totaling $6.0 million with First International, of which $1.5 million is to be held in a non-interest bearing account. As of April 30, 2013, 23 properties with a total cost of $117.3 million collateralized this line of credit. As of April 30, 2013, the Company believes it is in compliance with the facility covenants. This credit facility is summarized in the following table:

(in thousands)

Financial Institution	Amount Available	Amount Outstanding as of April 30, 2013	Amount Outstanding as of April 30, 2012	Applicable Interest Rate as of April 30, 2013	Maturity Date	Weighted Average Int. Rate on Borrowings during fiscal year 2013
First International Bank & Trust	$ 60,000	$ 10,000	$ 39,000	5.15%	8/12/14	5.17%

NOTE 8 • MORTGAGES PAYABLE

Most of the properties owned by the Company individually serve as collateral for separate mortgage loans on single properties or groups of properties. The majority of these mortgages payable are non-recourse to the Company, other than for standard carve-out obligations such as fraud, waste, failure to insure, environmental conditions and failure to pay real estate taxes. As of April 30, 2013, the management of the Company believes there are no defaults or material compliance issues in regard to any of these mortgages payable. Interest rates on mortgages payable range from 2.57% to 8.25%, and the mortgages have varying maturity dates from June 30, 2013, through July 1, 2036.

Of the mortgages payable, the balance of fixed rate mortgages totaled $1.0 billion at April 30, 2013 and 2012, and the balances of variable rate mortgages totaled $26.2 million and $16.2 million as of April 30, 2013, and 2012, respectively. The Company does not utilize derivative financial instruments to mitigate its exposure to changes in market interest rates. Most of the fixed rate mortgages have substantial pre-payment penalties. As of April 30, 2013, the weighted-average rate of interest on the Company's mortgage debt was 5.55%, compared to 5.78% on April 30, 2012. The aggregate amount of required future principal payments on mortgages payable as of April 30, 2013, is as follows:

Year Ended April 30,	(in thousands)
2014	$ 64,923
2015	110,972

2016	92,336
2017	219,315
2018	66,944
Thereafter	494,716
Total payments	$1,049,206

In addition to the individual first mortgage loans comprising the Company's $1.0 billion of mortgage indebtedness, the Company also has a revolving, multi-bank secured line of credit which had, as of April 30, 2013, lending commitments of $60.0 million and an outstanding balance of $10.0 million. This facility, which as of April 30, 2013 is secured by mortgages on 23 Company properties, is not included in the Company's mortgage indebtedness total. The Company currently has 35 unencumbered properties.

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NOTE 9 • TRANSACTIONS WITH RELATED PARTIES

BANKING SERVICES

The Company has an ongoing banking relationship with First International Bank and Trust, Watford City, North Dakota ("First International"). Stephen L. Stenehjem, a member of the Company's Board of Trustees, is the President and Chief Executive Officer of First International, and the bank is owned by Mr. Stenehjem and members of his family. Currently, and during fiscal year 2013, the Company has one mortgage loan outstanding with First International, with an original principal balance of $13.7 million (Williston Garden) bearing interest at 5.5% per annum. In connection with this loan, the Company maintains a compensating balance of $50,000. For a portion of fiscal year 2013, the Company had two other mortgage loans outstanding with First International, in the amount of approximately $2.4 million (Georgetown Square) and $3.2 million (Grand Forks MedPark Mall), respectively, bearing interest at 7.25% and 6.25% per annum; these loans were repaid in the first and second quarters of fiscal year 2013, respectively. During fiscal year 2013, the Company entered into a construction loan with First International for $43.7 million to finance the development of a residential property in Williston, North Dakota. At April 30, 2013, the construction loan was not drawn on. The Company paid interest on these loans of approximately $665,000, $0, $52,000 and $0, respectively, in fiscal year 2013, and paid approximately $258,000 in origination fees and closing costs on the construction loan. The Company has a multi-bank line of credit with a capacity of $60.0 million, of which First International is the lead bank and a participant with a $12.0 million commitment. In fiscal year 2013, the Company paid First International a total of approximately $196,000 in interest on First International's portion of the outstanding balance of this credit line, and paid fees of $40,000. In connection with this multi-bank line of credit, the Company maintains compensating balances with First International totaling $6.0 million, of which $1.5 million is held in a non-interest bearing account, and $4.5 million is held in an account that pays the Company interest on the deposited amount of 0.25% per annum. The Company also maintains a number of checking accounts with First International. In fiscal year 2013, the Company paid less than $500 in total in various bank service and other fees charged on these checking accounts.

In fiscal years 2012 and 2011, respectively, the Company paid First International $531,000 and $212,000 in interest on First International's portion of the multi-bank line of credit and paid fees of $70,000 and $219,000. In fiscal year 2011, the Company paid interest of approximately $72,000 for borrowing under a $14.0 million line of credit that was subsequently terminated in fiscal year 2011. In fiscal years 2012 and 2011, the Company paid interest and fees on outstanding mortgage and construction loans of approximately $422,000 and $390,000, respectively. In both fiscal years 2012 and 2011, the Company paid under $500 in total in various bank service and other fees charged on checking accounts maintained with First International.

Total payments of interest and fees from the Company to First International Bank were approximately $1.2 million, $1.1 million and $893,000 in fiscal years 2013, 2012 and 2011, respectively.

LEASE TRANSACTION

In the first quarter of fiscal year 2013, the Company entered into an agreement with First International to construct an approximately 3,700 square-foot building on an outlot of the Company's Arrowhead Shopping Center in Minot, North Dakota, to be leased by First International under a 20-year lease for use as a branch bank location. The total cost of the project is estimated to be approximately $1.7 million, with net rental payments under the lease currently estimated at approximately $2.4 million in total over the 20-year lease term.

NOTE 10 • ACQUISITIONS AND DISPOSITIONS

PROPERTY ACQUISITIONS

IRET Properties added approximately $135.8 million of real estate properties to its portfolio during fiscal year 2013, compared to $97.1 million in fiscal year 2012. Of the total property added during fiscal 2013, the Company paid $128.7 million for real estate properties and $7.1 million of land was contributed by joint venture partners. The $128.7 million paid for real estate properties added to the Company's portfolio in fiscal year 2013 consisted of limited partnership units of the Operating Partnership valued at issuance at $12.6 million and $12.5 million in assumed mortgage debt, with the remainder paid in cash. The Company expensed approximately $434,000 of transaction costs related to the acquisitions in fiscal year 2013. Of the $97.1 million paid in fiscal year 2012, approximately $8.1 million was paid in the form of limited partnership units of the Operating Partnership and approximately $7.2 million consisted of the assumption of mortgage debt, with the remainder paid in cash. The Company expensed approximately $542,000 of transaction costs related to the acquisitions in fiscal year 2012. The fiscal year 2013 and 2012 additions are detailed below.

Fiscal 2013 (May 1, 2012 to April 30, 2013)

Acquisitions	Date Acquired	Land	Building	Intangible Assets	Acquisition Cost
		(in thousands)			
Multi-Family Residential					
308 unit - Villa West - Topeka, KS	2012-05-08	$ 1,590	$ 15,760	$ 300	$ 17,650
232 unit - Colony - Lincoln, NE	2012-06-04	1,515	15,731	254	17,500
208 unit - Lakeside Village - Lincoln, NE	2012-06-04	1,215	15,837	198	17,250
58 unit - Ponds at Heritage Place - Sartell, MN	2012-10-10	395	4,564	61	5,020
336 unit - Whispering Ridge - Omaha, NE	2013-04-24	2,139	25,424	751	28,314
		6,854	77,316	1,564	85,734
Unimproved Land					
University Commons - Williston, ND	2012-08-01	823	0	0	823
Cypress Court - St. Cloud, MN	2012-08-10	447	0	0	447
Cypress Court Apartment Development - St. Cloud, MN[1]	2012-08-10	1,136	0	0	1,136
Badger Hills - Rochester, MN[2]	2012-12-14	1,050	0	0	1,050
Grand Forks - Grand Forks, ND	2012-12-31	4,278	0	0	4,278
Minot (Southgate Lot 4) - Minot, ND	2013-01-11	1,882	0	0	1,882
Commons at Southgate - Minot, ND[3]	2013-01-22	3,691	0	0	3,691
Landing at Southgate - Minot, ND[3]	2013-01-22	2,262	0	0	2,262
Grand Forks 2150 - Grand Forks, ND	2013-03-25	1,600	0	0	1,600
Bismarck 4916 - Bismarck, ND	2013-04-12	3,250	0	0	3,250
Arcata - Golden Valley, MN	2013-04-30	2,088	0	0	2,088
		22,507	0	0	22,507
Total Property Acquisitions		$ 29,361	$ 77,316	$ 1,564	$ 108,241

(1) Land is owned by a joint venture in which the Company has an approximately 79% interest. The joint venture is consolidated in IRET's financial statements.

(2) Acquisition of unimproved land consisted of two parcels acquired separately on December 14 and December 20, 2012, respectively.

(3) Land is owned by a joint venture entity in which the Company has an approximately 51% interest. The joint venture is consolidated in IRET's financial statements.

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NOTE 10 • continued

Development Projects Placed in Service	Date Placed in Service	(in thousands) Land	Building	Development Cost
Multi-Family Residential				
159 unit - Quarry Ridge II - Rochester, MN[1]	2012-06-29	$0	$4,591	$ 4,591
73 unit - Williston Garden Buildings 3 and 4 - Williston, ND[2]	2012-07-31	0	7,058	7,058
20 unit - First Avenue - Minot, ND[3]	2013-04-15	0	2,356	2,356
		0	14,005	14,005
Commercial Healthcare				
26,662 sq ft Spring Wind Expansion - Laramie, WY[4]	2012-11-16	0	1,675	1,675
45,222 sq ft Jamestown Medical Office Building - Jamestown, ND[5]	2013-01-01	0	6,597	6,597
		0	8,272	8,272
Commercial Industrial				
27,698 sq ft Minot IPS - Minot, ND[6]	2012-12-17	0	4,087	4,087
Commercial Retail				
3,702 sq ft Arrowhead First International Bank - Minot, ND[7]	2013-03-19	0	1,165	1,165
Total Development Projects Placed in Service		$0	$27,529	$ 27,529

(1) Development property placed in service June 29, 2012. Additional costs paid in fiscal years 2012 and 2011, and land acquired in fiscal year 2007, totaled $13.0 million, for a total project cost at April 30, 2013 of $17.6 million.

(2) Development property placed in service July 31, 2012. Buildings 1 and 2 were placed in service in fiscal year 2012. Additional costs paid in fiscal year 2012 totaled $12.0 million, for a total project cost at April 30, 2013 of $19.1 million.

(3) Redevelopment property placed in service April 15, 2013. Additional costs paid in fiscal years 2012 and 2011 totaled approximately $321,000, for a total project cost at April 30, 2013 of $2.7 million.

(4) Expansion project placed in service November 16, 2012. Additional costs paid in fiscal year 2012 totaled $1.8 million, for a total project cost at April 30, 2013 of $3.5 million.

(5) Development property placed in service January 1, 2013. Additional costs paid in fiscal year 2012 totaled $1.0 million, for a total project cost at April 30, 2013 of $7.6 million.

(6) Development property placed in service December 17, 2012. Additional costs paid in fiscal year 2012 totaled $1.8 million, for a total project cost at April 30, 2013 of $5.9 million.

(7) Development property placed in service March 19, 2013. Additional costs paid in fiscal year 2012 totaled approximately $75,000, for a total project cost at April 30, 2013 of $1.2 million

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NOTE 10 • continued
Fiscal 2012 (May 1, 2011 to April 30, 2012)

Acquisitions	Date Acquired	Land	Building	Intangible Assets	Acquisition Cost
		(in thousands)			
Multi-Family Residential					
147 unit - Regency Park Estates - St. Cloud, MN	2011-08-01	$ 702	$ 10,198	$ 0	$ 10,900
50 unit - Cottage West Twin Homes - Sioux Falls, SD	2011-10-12	968	3,762	0	4,730
24 unit - Gables Townhomes - Sioux Falls, SD	2011-10-12	349	1,921	0	2,270
36 unit - Evergreen II - Isanti, MN	2011-11-01	691	2,784	0	3,475
116 unit - Grand Gateway - St. Cloud MN	2012-02-16	814	7,086	0	7,900
84 unit - Ashland - Grand Forks, ND	2012-03-16	741	7,569	0	8,310
		4,265	33,320	0	37,585
Commercial Healthcare					
17,273 sq. ft Spring Creek American Falls - American Falls, ID	2011-09-01	145	3,870	55	4,070
15,571 sq. ft Spring Creek Soda Springs - Soda Springs, ID	2011-09-01	66	2,134	30	2,230
15,559 sq. ft Spring Creek Eagle - Eagle, ID	2011-09-01	263	3,775	62	4,100
31,820 sq. ft Spring Creek Meridian - Meridian, ID	2011-09-01	424	6,724	102	7,250
26,605 sq. ft Spring Creek Overland - Boise, ID	2011-09-01	687	5,941	97	6,725
16,311 sq. ft Spring Creek Boise - Boise, ID	2011-09-01	708	4,296	71	5,075
26,605 sq. ft Spring Creek Ustick - Meridian, ID	2011-09-01	467	3,833	0	4,300
Meadow Wind Land - Casper, WY	2011-09-01	50	0	0	50
3,431 sq. ft Edina 6525 Drew Ave S - Edina, MN	2011-10-13	388	117	0	505
		3,198	30,690	417	34,305
Unimproved Land					
Industrial-Office Build-to-Suit - Minot, ND	2011-09-07	416	0	0	416
Renaissance Heights - Williston, ND	2012-04-11	4,600	0	0	4,600
		5,016	0	0	5,016
Total Property Acquisitions		$ 12,479	$ 64,010	$ 417	$ 76,906

NOTE 10 • continued

Development Projects Placed in Service	Date Placed in Service	(in thousands) Land	Building	Development Cost
Multi-Family Residential				
72 unit - Williston Garden Buildings 1 and 2 - Williston, ND[1]	2012-04-27	$700	$ 8,978	$ 9,678
Commercial Healthcare				
24,795 sq. ft Trinity at Plaza 16 - Minot, ND[2]	2011-09-23	0	5,685	5,685
22,193 sq. ft Meadow Winds Addition - Casper, WY[3]	2011-12-30	0	3,952	3,952
		0	9,637	9,637
Commercial Retail				
19,037 sq. ft. Jamestown Buffalo Mall - Jamestown, ND[4]	2011-06-15	0	879	879
Total Development Projects Placed in Service		$700	$ 19,494	$ 20,194

(1) Development property placed in service April 27, 2012. Buildings 3 and 4 of this project are expected to be placed in service during the first quarter of fiscal year 2013.

(2) Development property placed in service September 23, 2011. Additional costs paid in fiscal year 2011 totaled $3.3 million, for a total project cost at April 30, 2012 of $9.0 million.

(3) Expansion project placed in service December 30, 2011.

(4) Construction project placed in service June 15, 2011. Additional costs paid in fiscal year 2011 totaled $1.4 million, for a total project cost at April 30, 2012 of $2.3 million.

Acquisitions in fiscal years 2013 and 2012 are immaterial to our real estate portfolio both individually and in the aggregate, and consequently no proforma information is presented. The results of operations from acquired properties are included in the Consolidated Statements of Operations as of their acquisition date. The revenue and net income of our fiscal year 2013 and 2012 acquisitions (excluding development projects placed in service) are detailed below.

	(in thousands) April 30, 2013	April 30, 2012
Total revenue	$6,497	$4,213
Net income	$(66)	$950

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NOTE 10 • continued
PROPERTY DISPOSITIONS
During fiscal year 2013, the Company disposed of three multi-family residential properties, one retail property, one healthcare property and four condominium units for an aggregate sales price of $26.3 million, compared to dispositions totaling $3.2 million in fiscal year 2012. The fiscal year 2013 and 2012 dispositions are detailed below.
Fiscal 2013 (May 1, 2012 to April 30, 2013)

		(in thousands)		
Dispositions	Date Disposed	Sales Price	Book Value and Sales Cost	Gain/(Loss)
Multi-Family Residential				
116 unit - Terrace on the Green - Fargo, ND	2012-09-27	$3,450	$1,248	$ 2,202
85 unit - Prairiewood Meadows - Fargo, ND	2012-09-27	3,450	2,846	604
66 unit - Candlelight - Fargo, ND	2012-11-27	1,950	1,178	772
		8,850	5,272	3,578
Commercial Retail				
16,080 sq ft Kentwood Thomasville - Kentwood, MI	2012-06-20	625	692	(67)
Commercial Healthcare				
47,950 sq ft Steven's Pointe -Steven's Point, WI	2013-04-25	16,100	12,667	3,433
Other				
Georgetown Square Condominiums 5 and 6	2012-06-21	330	336	(6)
Georgetown Square Condominiums 3 and 4	2012-08-02	368	421	(53)
		698	757	(59)
Total Property Dispositions		$26,273	$19,388	$ 6,885

Fiscal 2012 (May 1, 2011 to April 30, 2012)

		(in thousands)		
Dispositions	Date Disposed	Sales Price	Book Value and Sales Cost	Gain/(Loss)
Commercial Retail				
41,200 sq ft. Livingstone Pamida - Livingston, MT	2011-08-01	$2,175	$1,586	$ 589
12,556 sq ft. East Grand Station – East Grand Forks, MN	2012-03-03	1,062	1,302	(240)
Total Property Dispositions		$3,237	$2,888	$ 349

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NOTE 11 • OPERATING SEGMENTS
IRET reports its results in five reportable segments: multi-family residential; commercial office; commercial healthcare, including senior housing (formerly referred to as the commercial medical segment; the composition of this segment has not changed from prior periods); commercial industrial and commercial retail properties. The Company's reportable segments are aggregations of similar properties.

Segment information in this report is presented based on net operating income, which we define as total real estate revenues and gain on involuntary conversion less real estate expenses (which consist of utilities, maintenance, real estate taxes, insurance, property management expenses and other property expenses). We believe that NOI is an important supplemental measure of operating performance for a REIT's operating real estate because it provides a measure of core operations that is unaffected by depreciation, amortization, financing and general and administrative expense. NOI does not represent cash generated by operating activities in accordance with GAAP and should not be considered an alternative to net income, net income available for common shareholders or cash flow from operating activities as a measure of financial performance. The following tables present real estate revenues and net operating income for the fiscal years ended April 30, 2013, 2012 and 2011 from our five reportable segments, and reconcile net operating income of reportable segments to net income as reported in the consolidated financial statements. Segment assets are also reconciled to Total Assets as reported in the consolidated financial statements.

Year Ended April 30, 2013	(in thousands) Multi-Family Residential	Commercial Office	Commercial Healthcare	Commercial Industrial	Commercial Retail	Total
Real estate revenue	$90,759	$ 77,162	$ 61,975	$ 14,911	$ 14,599	$259,406
Real estate expenses	38,716	37,946	16,779	4,255	5,436	103,132
Gain on involuntary conversion	3,852	0	0	0	1,232	5,084
Net operating income	$55,895	$ 39,216	$ 45,196	$ 10,656	$ 10,395	161,358
Depreciation/amortization						(65,270)
Administrative, advisory and trustee fees						(8,494)
Other expenses						(2,173)
Impairment of real estate investments						(305)
Interest expense						(62,900)
Interest and other income						748
Income from continuing operations						22,964
Income from discontinued operations						7,008
Net income						$29,972

Year Ended April 30, 2012	(in thousands) Multi-Family Residential	Commercial Office	Commercial Healthcare	Commercial Industrial	Commercial Retail	Total
Real estate revenue	$72,500	$ 74,334	$ 64,511	$ 14,325	$ 13,408	$239,078
Real estate expenses	33,905	34,816	20,650	3,549	4,468	97,388
Gain on involuntary conversion	0	0	0	0	274	274
Net operating income	$38,595	$ 39,518	$ 43,861	$ 10,776	$ 9,214	141,964
Depreciation/amortization						(59,642)
Administrative, advisory and trustee fees						(7,381)
Other expenses						(1,898)
Interest expense						(64,066)

Interest and other income	786
Income from continuing operations	9,763
Loss from discontinued operations	(57)
Net income	$9,706

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NOTE 11 • continued

Year Ended April 30, 2011 (in thousands)	Multi-Family Residential	Commercial-Office	Commercial-Healthcare	Commercial-Industrial	Commercial-Retail	Total
Real estate revenue	$65,229	$ 77,747	$ 64,879	$ 13,165	$ 13,156	$234,176
Real estate expenses	33,216	36,055	22,443	4,328	4,839	100,881
Net operating income	$32,013	$ 41,692	$ 42,436	$ 8,837	$ 8,317	133,295
Depreciation/amortization						(57,759)
Administrative, advisory and trustee services						(7,222)
Other expenses						(1,747)
Interest expense						(62,735)
Interest and other income						541
Income from continuing operations						4,373
Income from discontinued operations						19,978
Net income						$24,351

Segment Assets and Accumulated Depreciation

As of April 30, 2013 (in thousands)	Multi-Family Residential	Commercial Office	Commercial Healthcare	Commercial Industrial	Commercial Retail	Total
Segment assets						
Property owned	$659,696	$613,775	$ 501,191	$ 125,772	$ 132,536	$2,032,970
Less accumulated depreciation	(140,354)	(138,270)	(90,891)	(23,688)	(27,218)	(420,421)
Total property owned	$519,342	$475,505	$ 410,300	$ 102,084	$ 105,318	$1,612,549
Cash and cash equivalents						94,133
Other investments						639
Receivables and other assets						113,948
Development in progress						46,782
Unimproved land						21,503
Total Assets						$1,889,554

As of April 30, 2012 (in thousands)	Multi-Family Residential	Commercial Office	Commercial Healthcare	Commercial Industrial	Commercial Retail	Total
Segment assets						
Property owned	$539,783	$605,318	$ 500,268	$ 119,002	$ 127,638	$1,892,009
Less accumulated depreciation	(128,834)	(121,422)	(78,744)	(20,693)	(23,797)	(373,490)
Total property owned	$410,949	$483,896	$ 421,524	$ 98,309	$ 103,841	$1,518,519
Real estate held for sale						2,067
Cash and cash equivalents						39,989
Other investments						634
Receivables and other assets						114,569
Development in progress						27,599
Unimproved land						10,990
Total Assets						$1,714,367

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NOTE 12 • DISCONTINUED OPERATIONS

The Company reports in discontinued operations the results of operations of a property that has either been disposed of or is classified as held for sale. The Company also reports any gains or losses from the sale of a property in discontinued operations. During fiscal year 2013, the Company disposed of three multi-family residential properties, one retail property, one healthcare property and four condominium units. Eight condominium units in Grand Chute, Wisconsin, and a retail property in Kentwood, Michigan, were classified as held for sale at April 30, 2012. There were no properties classified as held for sale as of April 30, 2013 and 2011. The following information shows the effect on net income and the gains or losses from the sale of properties classified as discontinued operations for the fiscal years ended April 30, 2013, 2012 and 2011.

	(in thousands)		
	2013	2012	2011
REVENUE			
Real estate rentals	$1,818	$2,852	$9,056
Tenant reimbursement	1	62	112
TOTAL REVENUE	1,819	2,914	9,168
EXPENSES			
Depreciation/amortization related to real estate investments	479	682	1,911
Utilities	67	225	776
Maintenance	132	246	993
Real estate taxes	78	196	853
Insurance	25	52	158
Property management expenses	115	272	1,047
Other property expenses	16	4	72
Other expenses	0	67	28
Amortization related to non-real estate investments	0	0	4
Impairment of real estate investments	0	428	0
TOTAL EXPENSES	912	2,172	5,842
Operating income	907	742	3,326
Interest expense	(786)	(1,164)	(2,718)
Interest income	0	0	5
Other income	2	16	0
Income (loss) from discontinued operations before gain on sale	123	(406)	613
Gain on sale of discontinued operations	6,885	349	19,365
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	$7,008	$(57)	$19,978
Segment Data			
Multi-Family Residential	$3,653	$161	$19,268
Commercial Office	0	0	0
Commercial Healthcare	3,419	(465)	(84)
Commercial Industrial	0	0	726
Commercial Retail	(64)	247	68
Total	$7,008	$(57)	$19,978

	(in thousands)		
	2013	2012	2011
Property Sale Data			
Sales price	$26,273	$3,237	$83,330
Net book value and sales costs	(19,388)	(2,888)	(63,965)
Gain on sale of discontinued operations	$6,885	$349	$19,365

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NOTE 13 • EARNINGS PER SHARE

Basic earnings per share is computed by dividing net income available to common shareholders by the weighted average number of common shares outstanding during the period. The Company has no outstanding options, warrants, convertible stock or other contractual obligations requiring issuance of additional common shares that would result in a dilution of earnings. Units can be exchanged for shares on a one-for-one basis after a minimum holding period of one year. The following table presents a reconciliation of the numerator and denominator used to calculate basic and diluted earnings per share reported in the consolidated financial statements for the fiscal years ended April 30, 2013, 2012 and 2011:

	For Years Ended April 30, (in thousands, except per share data)		
	2013	2012	2011
NUMERATOR			
Income from continuing operations – Investors Real Estate Trust	$19,790	$8,263	$4,101
Income (loss) from discontinued operations – Investors Real Estate Trust	5,740	(51)	15,981
Net income attributable to Investors Real Estate Trust	25,530	8,212	20,082
Dividends to preferred shareholders	(9,229)	(2,372)	(2,372)
Numerator for basic earnings per share – net income available to common shareholders	16,301	5,840	17,710
Noncontrolling interests – Operating Partnership	3,633	1,359	4,449
Numerator for diluted earnings per share	$19,934	$7,199	$22,159
DENOMINATOR			
Denominator for basic earnings per share weighted average shares	93,344	83,557	78,628
Effect of convertible operating partnership units	21,191	19,875	20,154
Denominator for diluted earnings per share	114,535	103,432	98,782
Earnings per common share from continuing operations – Investors Real Estate Trust – basic and diluted	$.11	$.07	$.02
Earnings per common share from discontinued operations – Investors Real Estate Trust – basic and diluted	.06	.00	.20
NET INCOME PER COMMON SHARE – BASIC & DILUTED	$.17	$.07	$.22

NOTE 14 • RETIREMENT PLANS

IRET sponsors a defined contribution profit sharing retirement plan and a defined contribution 401(k) plan. IRET's defined contribution profit sharing retirement plan is available to employees over the age of 21 who have completed 1,000 hours within the plan year and are employed on the last day of the plan year. Participation in IRET's defined contribution 401(k) plan is available to employees over the age of 21 who have completed six months of service and who work at least 1,000 hours per calendar year, and employees participating in the 401(k) plan may contribute up to maximum levels established by the IRS. Employer contributions to the profit sharing and 401(k) plans are at the discretion of the Company's management. IRET expects to contribute not more than 3.5% of the salary of each employee participating in the profit sharing plan, and currently matches, dollar for dollar, employee contributions to the 401(k) plan in an amount equal to up to 4.0% of the eligible salary of each employee participating in the 401(k) plan, for a total expected contribution of not more than 7.5% of the salary of each of the employees participating in both plans. Contributions by IRET to the profit sharing plan are subject to a vesting schedule; contributions by IRET under the 401(k) plan are fully vested when made. IRET's contributions to these plans on behalf of employees totaled approximately $912,000, $871,000 and $598,000 in fiscal years 2013, 2012 and 2011, respectively. The increase in cost from fiscal year 2011 to fiscal year 2013 was due to growth in the number of employees during IRET's transition to internal property management.

NOTE 15 • COMMITMENTS AND CONTINGENCIES

Ground Leases. As of April 30, 2013, the Company is a tenant under operating ground or air rights leases on twelve of its properties. The Company pays a total of approximately $500,000 per year in rent under these ground leases, which have remaining terms ranging from 2.5 to 88 years, and expiration dates ranging from October 2015 to October 2100. The Company has renewal options for six of the twelve ground leases, and rights of first offer or first refusal for the remainder.

The expected timing of ground and air rights lease payments as of April 30, 2013 is as follows:

Year Ended April 30,	(in thousands) Lease Payments
2014	$504
2015	506
2016	478
2017	449
2018	449
Thereafter	21,667
Total	$24,053

Legal Proceedings. IRET is involved in various lawsuits arising in the normal course of business. Management believes that such matters will not have a material effect on the Company's consolidated financial statements.

Environmental Matters. It is generally IRET's policy to obtain a Phase I environmental assessment of each property that the Company seeks to acquire. Such assessments have not revealed, nor is the Company aware of, any environmental liabilities that IRET believes would have a material adverse effect on IRET's financial position or results of operations. IRET owns properties that contain or potentially contain (based on the age of the property) asbestos or lead, or have underground fuel storage tanks. For certain of these properties, the Company estimated the fair value of the conditional asset retirement obligation and chose not to book a liability, because the amounts involved were immaterial. With respect to certain other properties, the Company has not recorded any related asset retirement obligation, as the fair value of the liability cannot be reasonably estimated, due to insufficient information. IRET believes it does not have sufficient information to estimate the fair value of the asset retirement obligations for these properties because a settlement date or range of potential settlement dates has not been specified by others, and, additionally, there are currently no plans or expectation of plans to sell or to demolish these properties, or to undertake major renovations that would require removal of the asbestos, lead and/or underground storage tanks. These properties are expected to be maintained by repairs and maintenance activities that would not involve the removal of the asbestos, lead and/or underground storage tanks. Also, a need for renovations caused by tenant changes, technology changes or other factors has not been identified.

Tenant Improvements. In entering into leases with tenants, IRET may commit itself to fund improvements or build-outs of the rented space to suit tenant requirements. These tenant improvements are typically funded at the beginning of the lease term, and IRET is accordingly exposed to some risk of loss if a tenant defaults prior to the expiration of the lease term, and the rental income that was expected to cover the cost of the tenant improvements is not received. As of April 30, 2013, the Company is committed to fund approximately $7.5 million in tenant improvements, within approximately the next 12 months.

Purchase Options. The Company has granted options to purchase certain IRET properties to tenants in these properties, under lease agreements. In general, the options grant the tenant the right to purchase the property at the greater of such property's appraised value or an annual compounded increase of a specified percentage of the initial cost of the property to IRET. The property cost and gross rental revenue of these properties are as follows:

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NOTE 15 • continued

Property	(in thousands) Investment Cost	Gross Rental Revenue 2013	2012	2011
Billings 2300 Grant Road - Billings, MT	$2,522	$299	$291	$226
Fargo 1320 45th Street N - Fargo, ND	4,160	400	400	333
Healtheast St John & Woodwinds - Maplewood & Woodbury, MN	21,601	2,152	2,152	2,152
Missoula 3050 Great Northern - Missoula, MT	2,723	323	315	243
Sartell 2000 23rd Street South - Sartell, MN	12,716	365	868	1,209
Spring Creek American Falls- American Falls, ID	4,070	352	234	n/a
Spring Creek Boise - Boise, ID	5,075	440	293	n/a
Spring Creek Eagle - Eagle, ID	4,100	356	237	n/a
Spring Creek Meridian - Meridian, ID	7,250	624	417	n/a
Spring Creek Overland - Overland, ID	6,725	580	387	n/a
Spring Creek Soda Springs - Soda Springs, ID	2,262	196	130	n/a
Spring Creek Ustick - Meridian, ID	4,300	368	246	n/a
St. Michael Clinic - St. Michael, MN	2,851	249	248	244
Urbandale - Urbandale, IA	15,218	1,153	n/a	n/a
Winsted Industrial Building - Winsted, MN	1,054	70	32	n/a
Total	$96,627	$7,927	$6,250	$4,407

Restrictions on Taxable Dispositions. Approximately 112 of the Company's properties, consisting of approximately 6.2 million square feet of our combined commercial segment's properties and 4,865 apartment units, are subject to restrictions on taxable dispositions under agreements entered into with some of the sellers or contributors of the properties. The real estate investment amount of these properties (net of accumulated depreciation) was approximately $855.3 million at April 30, 2013. The restrictions on taxable dispositions are effective for varying periods. The terms of these agreements generally prevent us from selling the properties in taxable transactions. The Company does not believe that the agreements materially affect the conduct of its business or its decisions whether to dispose of restricted properties during the restriction period because the Company generally holds these and its other properties for investment purposes, rather than for sale. Historically, however, where the Company has deemed it to be in its shareholders' best interests to dispose of restricted properties, the Company has done so through transactions structured as tax-deferred transactions under Section 1031 of the Internal Revenue Code.

Redemption Value of UPREIT Units. The limited partnership units ("UPREIT Units") of the Company's operating partnership, IRET Properties, are redeemable at the option of the holder for cash, or, at our option, for the Company's common shares of beneficial interest on a one-for-one basis, after a minimum one-year holding period. All UPREIT Units receive the same cash distributions as those paid on common shares. UPREIT Units are redeemable for an amount of cash per Unit equal to the average of the daily market price of an IRET common share for the ten consecutive trading days immediately preceding the date of valuation of the Unit. As of April 30, 2013 and 2012, the aggregate redemption value of the then-outstanding UPREIT Units of the operating partnership owned by limited partners was approximately $209.7 million and $147.8 million, respectively.

Joint Venture Buy/Sell Options. Certain of IRET's joint venture agreements contain buy/sell options in which each party under certain circumstances has the option to acquire the interest of the other party, but do not generally require that the Company buy its partners' interests. During the third quarter of fiscal year 2012, IRET acquired, in an equity transaction for $1.3 million, its joint venture partner's interest in the Company's only joint venture which allowed IRET's unaffiliated partner, at its election, to require that IRET buy its interest at a purchase price to be determined by an appraisal conducted in accordance with the terms of the agreement, or at a negotiated price. The entity will continue to be consolidated in IRET's financial statements. The Company currently has no joint ventures in which its

joint venture partner can require the Company to buy the partner's interest.
Development, Expansion and Renovation Projects. The Company has various contracts outstanding with third parties in connection with development, expansion and renovation projects that are underway or recently completed, the costs for which have been capitalized. As of April 30, 2013, contractual commitments for these projects are as follows:

2013 Annual Report

NOTE 15 • continued

First Avenue Apartment Homes, Minot, North Dakota: In the fourth quarter of fiscal 2013, the Company substantially completed the conversion of an existing approximately 15,000 square foot commercial office building in Minot, North Dakota to a 20-unit multi-family residential property, for an estimated total cost of $3.0 million. As of April 30, 2013, the Company had incurred approximately $2.9 million of these project costs.

Arrowhead First International Bank, Minot, North Dakota: During the first quarter of fiscal year 2013, the Company entered into an agreement with First International Bank and Trust, Watford City, North Dakota (First International) to construct an approximately 3,700 square-foot building on an outlot of the Company's Arrowhead Shopping Center in Minot, North Dakota, to be leased by First International under a 20-year lease for use as a branch bank location. The total cost of the project is estimated to be approximately $1.7 million. The building was substantially completed in the fourth quarter of fiscal year 2013. As of April 30, 2013, the Company had incurred approximately $1.6 million of these estimated project costs. Stephen Stenehjem, a member of the Company's Board of Trustees, is the President and Chairman of First International, and accordingly this transaction was reviewed and approved by the Company's Audit Committee under the Company's related party transactions approval policy, and by the Company's independent trustees.

River Ridge Apartment Homes, Bismarck, ND: During the second quarter of fiscal year 2013, the Company began construction of its 146-unit River Ridge Apartments project in Bismarck, North Dakota. River Ridge is located near IRET's Cottonwood Apartments in Bismarck, and will offer amenities including a pool, exercise facility and underground parking. The Company estimates that the total cost to construct the project will be approximately $25.8 million. Completion of the project is currently expected in the second quarter of the Company's fiscal year 2014. As of April 30, 2013, the Company had incurred approximately $13.2 million of the total estimated project costs.

Cypress Court Apartment Homes, St. Cloud, Minnesota: In August 2012, the Company entered into a joint venture agreement with a real estate development and contracting company in St. Cloud, Minnesota, to construct a two-building, 132-unit multi-family residential property in St. Cloud, Minnesota, for an estimated total project cost of $14.3 million. The Company owns approximately 79% of the joint venture entity, and the Company consolidates the joint venture's results in its financial statements; the remaining approximately 21% interest is owned by its joint venture partner. Completion of the apartment project is currently expected in the second quarter of the Company's fiscal year 2014. As of April 30, 2013, the Company had incurred approximately $6.5 million of the total estimated project costs.

Southgate Apartments, Minot, North Dakota: In January 2013, the Company entered into a joint venture agreement to construct an apartment project in Minot, North Dakota. The Company owns approximately 51% of the joint venture entity, and the Company consolidates the joint venture's results in its financial statements; the remaining approximately 49% of the joint venture entity is owned by its joint venture partner. See Note 6 for additional information on the joint venture. The project is expected to be completed in two phases, with a total of approximately 341 units. Phase I, the Landing at Southgate, consists of three approximately 36-unit buildings, and is expected to be completed in August 2013. Phase II, the Commons at Southgate, is currently expected to consist of an approximately 233-unit building to be completed in June 2014. IRET currently estimates total costs for both phases of the project at $52.2 million. As of April 30, 2013, the Company had incurred approximately $13.9 million of the total estimated project costs. The development is located near IRET's Plaza 16 property (formerly IRET Corporate Plaza) in southwest Minot.

Renaissance Heights I Apartments, Williston, North Dakota: In February 2013, the Company entered into a joint venture agreement to construct the first phase of an apartment project in Williston, North Dakota. The Company's joint venture partner in the Renaissance Heights project is also the Company's partner in its Williston Garden Apartments Project. The Company will own approximately 70% of the project, subject to final project costs, and the joint venture's results are consolidated in the Company's financial statements. The first phase of the Renaissance Heights Apartments project, consisting of five buildings with a total of 288 units, commenced construction in April 2013, with construction completion expected in September 2014. The site of the first phase of this development project is approximately 14.5 acres of an approximately 40-acre parcel of land purchased by the Company in April 2012. The total cost of this first phase of the Renaissance Heights project is estimated at $62.2 million, including the

purchase price of the land. The remaining two phases of the project are expected to consist of an additional total of approximately 462 units, for a total of approximately 750 units in all three phases. This development project is

NOTE 15 • continued

subject to various contingencies, and no assurances can be given that the project will be completed in the time frame or on the terms currently proposed, or at all.

Arcata Apartments, Golden Valley, Minnesota: In April 2013, the Company acquired approximately two acres of vacant land in Golden Valley, Minnesota for a purchase price of approximately $2.1 million. The parcel of land is located near the Company's Golden Hills Office Center. The Company has signed a development services agreement with Trammell Crow Company to develop on this parcel an approximately 165-unit apartment building. Construction is currently expected to commence in August 2013 and conclude in approximately November 2014, with a total project cost of approximately $33.4 million, including the purchase price of the land. However, the Company has not yet finalized the construction contract for the project, and the project is subject to various additional contingencies, and, accordingly, no assurances can be given that the project will be completed in the time frame or on the terms currently proposed, or at all.

Bank Office Build-to-Suit, Minot, North Dakota: In June 2013, the Company signed a lease agreement with a national bank committing the Company to develop and construct an approximately 5,000 square foot bank building in Minot, North Dakota for lease by the bank, at a projected total cost of approximately $3 million, including the cost of the land for the project, which is an approximately 1.1 acre parcel. Construction of the bank building is currently planned to commence in August 2013, with completion expected in March 2014. However, the Company is currently finalizing the construction contract for the project prior to obtaining construction bids, and the tenant in the project may terminate the project if construction costs exceed the budget agreed in the lease. Accordingly, no assurances can be given that this project will be completed in the time frame or on the terms currently proposed, or at all.

NOTE 16 • FAIR VALUE MEASUREMENTS

ASC 820, Fair Value Measurement and Disclosures defines and establishes a framework for measuring fair value. The objective of fair value is to determine the price that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three levels, as follows:

Level 1: Quoted prices in active markets for identical assets

Level 2: Significant other observable inputs

Level 3: Significant unobservable inputs

There were no transfers in and out of Level 1, Level 2 and Level 3 fair value measurements during fiscal years 2013 and 2012. Fair value estimates may be different than the amounts that may ultimately be realized upon sale or disposition of the assets and liabilities.

Fair Value Measurements on a Recurring Basis

The Company had no assets or liabilities recorded at fair value on a recurring basis at April 30, 2013 and 2012.

Fair Value Measurements on a Nonrecurring Basis

Non-financial assets measured at fair value on a nonrecurring basis at April 30, 2013 consisted of real estate investments that were written-down to estimated fair value during fiscal year 2013. Non-financial assets measured at fair value on a nonrecurring basis at April 30, 2012 consisted of real estate held for sale that was written-down to estimated fair value during fiscal year 2012. See Note 2 for additional information on impairment losses recognized during fiscal years 2013 and 2012. The aggregate fair value of these assets by their levels in the fair value hierarchy are as follows:

NOTE 16 • continued

	(in thousands)			
	April 30, 2013			
	Total	Level 1	Level 2	Level 3
Real estate investments	$335	$ 0	$ 0	$335

	(in thousands)			
	April 30, 2012			
	Total	Level 1	Level 2	Level 3
Real estate held for sale	$2,067	$ 0	$ 0	$2,067

Financial Assets and Liabilities Not Measured at Fair Value
The following methods and assumptions were used to estimate the fair value of each class of financial assets and liabilities. The fair values of our financial instruments approximate their carrying amount in our consolidated financial statements except for debt.
Mortgage Loans Receivable. Fair values are based on the discounted value of future cash flows expected to be received for a loan using current rates at which similar loans would be made to borrowers with similar credit risk and the same remaining maturities. Terms are short term in nature and carrying value approximates the estimated fair value.
Cash and Cash Equivalents. The carrying amount approximates fair value because of the short maturity.
Other Investments. The carrying amount, or cost plus accrued interest, of the certificates of deposit approximates fair value.
Other Debt. The fair value of other debt is estimated based on the discounted cash flows of the loan using current market rates, which are estimated based on recent financing transactions (Level 3).
Lines of Credit. The carrying amount approximates fair value because the variable rate debt re-prices frequently.
Mortgages Payable. For variable rate loans that re-price frequently, fair values are based on carrying values. The fair value of fixed rate loans is estimated based on the discounted cash flows of the loans using current market rates, which are estimated based on recent financing transactions (Level 3).
The estimated fair values of the Company's financial instruments as of April 30, 2013 and 2012 are as follows:

	(in thousands)			
	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	94,133	94,133	39,989	39,989
Other investments	639	639	634	634
FINANCIAL LIABILITIES				
Other debt	18,076	18,156	13,875	13,973
Lines of credit	10,000	10,000	39,000	39,000
Mortgages payable	1,049,206	1,160,190	1,048,689	1,087,082

NOTE 17 • COMMON AND PREFERRED SHARES OF BENEFICIAL INTEREST AND EQUITY

Distribution Reinvestment and Share Purchase Plan. During fiscal years 2013 and 2012, IRET issued 5.3 million and 4.8 million common shares, respectively, pursuant to its distribution reinvestment and share purchase plan, at a total value at issuance of $43.1 million and $34.3 million, respectively. The shares issued under the distribution reinvestment and share purchase plan during fiscal year 2013 consisted of 1.5 million shares valued at issuance at $12.4 million that were issued for reinvested distributions and approximately 3.8 million shares valued at $30.7 million at issuance that were sold for voluntary cash contributions. The shares issued under the distribution reinvestment and share purchase plan during fiscal year 2012 consisted of 1.5 million shares valued at issuance at $10.8 million that were issued for reinvested distributions and approximately 3.3 million shares valued at $23.5 million at issuance that were sold for voluntary cash contributions. IRET's distribution reinvestment plan is available to common shareholders of IRET and all limited partners of IRET Properties. Under the distribution reinvestment plan, shareholders or limited partners may elect to have all or a portion of their distributions used to purchase additional IRET common shares, and may elect to make voluntary cash contributions for the purchase of IRET common shares, at a discount (currently 3%) from the market price.

Conversion of Units to Common Shares. During fiscal years 2013 and 2012, respectively, approximately 317,000 and 759,000 Units were converted to common shares, with a total value of $1.6 million and $3.5 million included in equity.

Issuance of Common and Preferred Shares. On April 5, 2013, the Company completed the public offering of approximately 6.0 million common shares of beneficial interest at a public offering price of $9.25 per share, for net proceeds of approximately $53.0 million after underwriting discounts and estimated offering expenses. The Company contributed the net proceeds from the sale of common shares to the Operating Partnership for general business purposes, including the acquisition and development of income-producing real estate properties and debt repayment. The common shares were registered under a shelf registration statement declared effective on May 4, 2010, and which expired on May 4, 2013.

On August 7, 2012, the Company completed the public offering of 4.6 million Series B Cumulative Redeemable Preferred Shares of Beneficial Interest ("Series B preferred shares") at a price of $25.00 per share for net proceeds of approximately $111.2 million after underwriting discounts and estimated offering expenses. These shares are nonvoting and redeemable for cash at $25.00 per share at the Company's option on or after August 7, 2017. Holders of these shares are entitled to cumulative distributions, payable quarterly (as and if declared by the Board of Trustees). Distributions accrue at an annual rate of $1.9875 per share, which is equal to 7.95% of the $25.00 per share liquidation preference ($115 million liquidation preference in the aggregate). The Company contributed the net proceeds from the sale to the Operating Partnership for general business purposes, including the acquisition and development of income-producing real estate properties and debt repayment, in exchange for 4.6 million Series B preferred units, which carry terms that are substantially the same as the Series B preferred shares. On August 7, 2012, the Operating Partnership used a portion of the proceeds of the offering of Series B preferred shares to repay $34.5 million in borrowings under its multi-bank line of credit, reducing outstanding borrowings under the line of credit from $44.5 million to $10.0 million. The Series B preferred shares were registered under a shelf registration statement declared effective on July 12, 2012. This currently-effective shelf has a remaining unused capacity of $35 million.

In addition to the 4.6 million Series B preferred shares outstanding, the Company also has outstanding approximately 1.2 million shares of 8.25% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, issued during the Company's fiscal year 2004 for total proceeds of $27.3 million, net of selling costs. Holders of the Company's Series A preferred shares are entitled to receive dividends at an annual rate of 8.25% of the liquidation preference of $25 per share, or $2.0625 per share per annum. These dividends are cumulative and payable quarterly in arrears. The shares are not convertible into or exchangeable for any other property or any other securities of the Company at the election of the holders. However, the Company, at its option, may redeem the shares at a redemption price of $25.00 per share, plus any accrued and unpaid dividends through the date of redemption. The shares have no maturity date and will remain outstanding indefinitely unless redeemed by the Company.

During fiscal year 2013, IRET issued 300,000 common shares at a weighted average price per share of $7.24 under its ATM equity program with BMO Capital Markets Corp. as sales agent, for net proceeds (before offering expenses but after underwriting discounts and commissions) of $2.1 million, used for general corporate purposes including the acquisition and development of investment properties. On April 1, 2013 the Company terminated this ATM equity program, and the Company currently has no ATM equity program in place.

NOTE 18 • QUARTERLY RESULTS OF CONSOLIDATED OPERATIONS (unaudited)

	(in thousands, except per share data)			
QUARTER ENDED	July 31, 2012	October 31, 2012	January 31, 2013	April 30, 2013
Revenues	$61,730	$64,689	$65,976	$67,011
Net income attributable to Investors Real Estate Trust	$1,679	$8,512	$5,324	$10,015
Net income available to common shareholders	$1,086	$5,634	$2,445	$7,136
Net income per common share - basic & diluted	$.01	$.06	$.03	$.07

	(in thousands, except per share data)			
QUARTER ENDED	July 31, 2011	October 31, 2011	January 31, 2012	April 30, 2012
Revenues	$58,909	$59,946	$60,291	$59,932
Net income attributable to Investors Real Estate Trust	$1,421	$1,285	$2,127	$3,379
Net income (loss) available to common shareholders	$828	$692	$1,534	$2,786
Net income (loss) per common share - basic & diluted	$.01	$.01	$.02	$.03

The above financial information is unaudited. In the opinion of management, all adjustments (which are of a normal recurring nature) have been included for a fair presentation.

NOTE 19 • REDEEMABLE NONCONTROLLING INTERESTS

Redeemable noncontrolling interests on our Consolidated Balance Sheets represent the noncontrolling interest in a joint venture of the Company in which the Company's unaffiliated partner, at its election, could require the Company to buy its interest at a purchase price to be determined by an appraisal conducted in accordance with the terms of the agreement, or at a negotiated price. Redeemable noncontrolling interests are presented at the greater of their carrying amount or redemption value at the end of each reporting period. Changes in the value from period to period are charged to common shares of beneficial interest on our Consolidated Balance Sheets. The Company acquired this interest from its joint venture partner in the third quarter of fiscal year 2012. The Company had no redeemable noncontrolling interests during the fiscal year ended April 30, 2013. As of April 30, 2012 and 2011, the estimated redemption value of the redeemable noncontrolling interests was $0 and $987,000, respectively. Below is a table reflecting the activity of the redeemable noncontrolling interests.

	(in thousands)	
	2012	2011
Balance at beginning of fiscal year	$987	$1,812
Net income (loss)	12	(13)
Net distributions	(27)	(442)
Mark-to-market adjustments	35	(370)
Acquisition of joint venture partner's interest	(1,007)	0
Balance at close of fiscal year	$0	$987

NOTE 20 • STOCK BASED COMPENSATION

The Company maintains a long-term incentive plan that allows for stock-based awards to officer and non-officer employees of the Company. Stock based awards are provided to officers, non-officer employees and trustees, under the Company's 2008 Incentive Award Plan approved by shareholders on September 16, 2008, which allows for awards in the form of cash and awards of unrestricted and restricted common shares, up to an aggregate of 2,000,000 shares over the ten year period in which the plan will be in effect. Through April 30, 2013, awards under the 2008 Incentive

Award Plan have consisted of cash awards and grants of unrestricted common shares. No grants of restricted shares have been made under the 2008 Incentive Award Plan.
In fiscal year 2012, the Company's Compensation Committee conducted an extensive review of the Company's executive compensation philosophy, resulting in a new long-term incentive ("LTIP") plan, which was approved by the Compensation Committee and the Company's independent trustees on June 1, 2012, effective as of May 1, 2012.

NOTE 20 • continued

Under the LTIP, executives are provided the opportunity to earn awards, payable 50% in unrestricted shares and 50% in restricted shares, based on achieving one or more performance objectives within a one-year performance period (with the performance period for fiscal year 2013 commencing on May 1, 2012 and concluding on April 30, 2013). LTIP performance is evaluated based on the following objective performance goal: Three-Year Average Annual Total Shareholder Return ("TSR"), which means the average of the Annual Total Shareholder Return for common shares in each of the three consecutive fiscal years ending with and including the performance period. "Annual Total Shareholder Return," and "Three-Year Average Annual Total Shareholder Return," have the meanings set forth in the LTIP. The unrestricted shares vest immediately at the end of the one-year performance period, and the restricted shares vest on the one year anniversary of the award date.

Trustee Awards

We award share based compensation to our trustees on an annual basis in the form of unrestricted shares which vest immediately. The value of share-based compensation for each trustee was $15,975, $7,560 and $8,650 for each of the years ended April 2013, 2012, and 2011, respectively.

Total Compensation Expense

Total compensation expense recognized in the consolidated financial statements for the three years ended April 30, 2013 for all share based awards, was as follows (in thousands):

	Year Ended April 30,		
	2013	2012	2011
Stock-based compensation expense	$0	$332,000	$404,000

NOTE 21 • SUBSEQUENT EVENTS

Common and Preferred Share Distributions. On July 1, 2013, the Company paid a distribution of 51.56 cents per share on the Company's Series A Cumulative Redeemable Preferred Shares, to preferred shareholders of record on June 14, 2013. On July 1, 2013, the Company paid a distribution of 49.68 cents per share on the Company's Series B Cumulative Redeemable Preferred Shares, to preferred shareholders of record on June 14, 2013. On July 1, 2013, the Company paid a distribution of 13.00 cents per share on the Company's common shares of beneficial interest, to common shareholders and UPREIT unitholders of record on June 14, 2013.

Completed Acquisitions and Dispositions. Subsequent to the end of fiscal year 2013, on May 1, 2013, the Company closed on its acquisition of a 71-unit multi-family residential property in Rapid City, South Dakota, for a purchase price totaling $6.2 million, of which approximately $2.9 million was paid in cash and the remainder in limited partnership units of the Operating Partnership valued at approximately $3.3 million. On May 21, 2013, the Company closed on its acquisition of an approximately 0.69-acre parcel of land in Minot, North Dakota for a purchase price of approximately $171,000. The purchase price accounting is incomplete for the acquisitions that closed subsequent to the end of fiscal year 2013.

On May 13, 2013, the Company sold four industrial properties: Bodycote Industrial Building in Eden Prairie, Minnesota; Metal Improvement Company in New Brighton, Minnesota; Roseville 2929 Long Lake Road in Roseville, Minnesota and Fargo 1320 45th Street N in Fargo, North Dakota for a total sale price of $19.5 million. On May 14, 2013, the Company sold a retail property in Eagan, Minnesota, for a sale price of $2.3 million.

Pending Acquisitions. Subsequent to the end of fiscal year 2013, the Company signed purchase agreements to acquire the following properties; all of these pending acquisitions are subject to various closing conditions and contingencies, and no assurances can be given that any of these acquisitions will be completed:

- A multi-family residential property in Grand Forks, North Dakota with 96 units, for a purchase price of $10.6 million, of which approximately $560,000 would be paid through the issuance of limited partnership units of the Operating Partnership with the remainder in cash and

- An approximately 9-acre parcel of vacant land in Jamestown, North Dakota for a purchase of approximately $700,000 to be paid in cash.

Pending Dispositions. The Company has signed agreements to sell the following properties; all of these pending dispositions are subject to various closing conditions and contingencies, and no assurances can be given that any or all of these transactions will be completed on the terms currently expected, or at all:

- the Company's 121,669-square foot Bloomington Business Plaza commercial office property in Bloomington, Minnesota for a sale price of $4.5 million;
- the 322,751-square foot Brooklyn Park 7401 Boone Avenue commercial industrial property in Brooklyn Park, Minnesota for a sale price of $12.8 million;
- the 50,400-square foot Cedar Lake Business Center commercial industrial property in St. Louis Park, Minnesota for a sale price of $2.6 million;
- the 118,125-square foot Nicollett VII commercial office property in Burnsville, Minnesota for a sale price of $7.2 million;
- the 42,929-square foot Pillsbury Business Center commercial office property in Bloomington, Minnesota for a sale price of $1.3 million;
- the 42,510-square foot Clive 2075 NW 94th Street commercial industrial property in Clive, Iowa for a sale price of $2.7 million and
- the 606,006-square foot Dixon Avenue Industrial Park commercial industrial property in Des Moines, Iowa for a sale price of $14.7 million.

Registration Statement. On June 27, 2013, the Company filed a registration statement with the Securities and Exchange Commission to enable the Company to offer and sell, from time to time, in one or more offerings, an indeterminate amount of its common and preferred shares of beneficial interest and debt securities.

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
April 30, 2013
Schedule III - REAL ESTATE AND ACCUMULATED DEPRECIATION (in thousands)

		Initial Cost to Company			Gross amount at which carried at close of period					
Description	Encumbrances(a)	Land	Buildings & Improvements	Costs capitalized subsequent to acquisition	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation in latest income statement is computed
Multi-Family Residential										
11th Street 3 Plex - Minot, ND	$ 90	$ 11	$ 53	$ 12	$ 16	$ 60	$ 76	$ (8)	2008	40 years
4th Street 4 Plex - Minot, ND	104	15	74	21	23	87	110	(11)	2008	40 years
Apartments on Main - Minot, ND	688	158	1,123	24	179	1,126	1,305	(164)	1987	24-40 years
Arbors - S Sioux City, NE	4,000	350	6,625	1,281	614	7,642	8,256	(1,522)	2006	40 years
Ashland - Grand Forks, ND	5,710	741	7,569	46	756	7,600	8,356	(247)	2012	40 years
Boulder Court - Eagan, MN	3,231	1,067	5,498	2,596	1,293	7,868	9,161	(2,007)	2003	40 years
Brookfield Village - Topeka, KS	5,385	509	6,698	1,269	635	7,841	8,476	(1,957)	2003	40 years
Brooklyn Heights - Minot, ND	800	145	1,450	785	206	2,174	2,380	(804)	1997	12-40 years
Campus Center - St. Cloud, MN	1,280	395	2,244	171	400	2,410	2,810	(388)	2007	40 years
Campus Heights - St. Cloud, MN	0	110	628	72	122	688	810	(113)	2007	40 years
Campus Knoll - St. Cloud, MN	853	266	1,512	96	273	1,601	1,874	(263)	2007	40 years
Campus Plaza - St. Cloud, MN(1)	0	54	311	45	59	351	410	(59)	2007	40 years
Campus Side - St. Cloud, MN(1)	0	107	615	85	116	691	807	(115)	2007	40 years
Campus View - St. Cloud, MN(1)	0	107	615	79	111	690	801	(112)	2007	40 years
Canyon Lake - Rapid City, SD	2,942	305	3,958	1,009	361	4,911	5,272	(1,357)	2001	40 years
Castlerock - Billings, MT	6,773	736	4,864	1,816	961	6,455	7,416	(2,267)	1998	40 years

Chateau I - Minot, ND	0	61	5,663	326	61	5,989	6,050	(359)	2013	40 years
Cimarron Hills - Omaha, NE	4,879	706	9,588	4,128	1,279	13,143	14,422	(3,948)	2001	40 years
Colonial Villa - Burnsville, MN	6,461	2,401	11,515	4,259	2,797	15,378	18,175	(3,941)	2003	40 years
Colony - Lincoln, NE	13,817	1,515	15,731	107	1,526	15,827	17,353	(365)	2012	40 years
Colton Heights - Minot, ND	450	80	672	392	114	1,030	1,144	(697)	1984	40 years
Cornerstone - St. Cloud, MN[(1)]	0	54	311	48	55	358	413	(60)	2007	40 years
Cottage West Twin Homes - Sioux Falls, SD	3,704	968	3,762	320	991	4,059	5,050	(155)	2011	40 years
Cottonwood - Bismarck, ND	16,007	1,056	17,372	2,969	1,345	20,052	21,397	(5,812)	1997	40 years
Country Meadows - Billings, MT	6,790	491	7,809	1,210	534	8,976	9,510	(3,241)	1995	33-40 years
Crestview - Bismarck, ND	3,990	235	4,290	1,422	494	5,453	5,947	(2,571)	1994	24-40 years
Crown - Rochester, MN	2,687	261	3,289	171	266	3,455	3,721	(270)	2010	40 years
Crown Colony - Topeka, KS	8,350	620	9,956	2,010	817	11,769	12,586	(3,897)	1999	40 years
East Park - Sioux Falls, SD	0	115	2,405	728	156	3,092	3,248	(921)	2002	40 years
Evergreen - Isanti, MN	2,049	380	2,740	64	380	2,804	3,184	(324)	2008	40 years
Evergreen II - Isanti, MN	2,148	691	2,784	9	691	2,793	3,484	(117)	2011	40 years
Fairmont - Minot, ND	356	28	337	51	53	363	416	(48)	2008	40 years

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Multi-Family Residential - continued										
First Avenue - Minot, ND	$ 0	$ 0	$ 2,677	$ 232	$ 0	$ 2,909	$ 2,909	$ (3)	2013	40 years
Forest Park - Grand Forks, ND	7,816	810	5,579	6,554	1,365	11,578	12,943	(4,462)	1993	24-40 years
Gables Townhomes - Sioux Falls, SD	1,499	349	1,921	134	366	2,038	2,404	(79)	2011	40 years
Grand Gateway - St. Cloud, MN	5,580	814	7,086	353	909	7,344	8,253	(256)	2012	40 years
Greenfield - Omaha, NE	3,642	578	4,122	586	775	4,511	5,286	(641)	2007	40 years
Heritage Manor - Rochester, MN	4,198	403	6,968	2,422	480	9,313	9,793	(3,206)	1998	40 years
Indian Hills - Sioux City, IA[(1)]	0	294	2,921	3,309	375	6,149	6,524	(944)	2007	40 years
Kirkwood Manor - Bismarck, ND	3,361	449	2,725	1,443	546	4,071	4,617	(1,528)	1997	12-40 years
Lakeside Village - Lincoln, NE	13,625	1,215	15,837	88	1,216	15,924	17,140	(365)	2012	40 years
Lancaster - St. Cloud, MN	762	289	2,899	981	451	3,718	4,169	(1,329)	2000	40 years
Landmark - Grand Forks, ND	1,700	184	1,514	904	277	2,325	2,602	(896)	1997	40 years
Legacy - Grand Forks, ND	16,222	1,362	21,727	5,870	2,080	26,879	28,959	(8,591)	1995-2005	24-40 years
Mariposa - Topeka, KS	3,022	399	5,110	392	422	5,479	5,901	(1,185)	2004	40 years
Meadows - Jamestown, ND[(1)]	0	590	4,519	1,200	653	5,656	6,309	(1,811)	1998	40 years
Monticello Village - Monticello, MN	2,886	490	3,756	435	621	4,060	4,681	(1,016)	2004	40 years
North Pointe - Bismarck, ND	3,478	303	3,957	469	336	4,393	4,729	(1,206)	1995-2011	24-40 years

Northern Valley - Rochester, MN	0	110	610	64	119	665	784	(54)	2010	40 years
Oakmont Estates - Sioux Falls, SD	2,524	423	4,838	450	515	5,196	5,711	(1,464)	2002	40 years
Oakwood Estates - Sioux Falls, SD	4,107	543	2,784	4,134	767	6,694	7,461	(2,830)	1993	40 years
Olympic Village - Billings, MT	10,955	1,164	10,441	2,563	1,624	12,544	14,168	(4,061)	2000	40 years
Olympik Village - Rochester, MN	4,610	1,034	6,109	1,493	1,154	7,482	8,636	(1,612)	2005	40 years
Oxbow Park - Sioux Falls, SD	4,011	404	3,152	2,468	563	5,461	6,024	(2,446)	1994	24-40 years
Park Meadows - Waite Park, MN	8,581	1,143	9,099	4,406	1,545	13,103	14,648	(5,283)	1997	40 years
Pebble Springs - Bismarck, ND	792	7	748	132	44	843	887	(299)	1999	40 years
Pinehurst - Billings, MT	279	72	687	229	77	911	988	(245)	2002	40 years
Pines - Minot, ND	128	35	215	181	49	382	431	(121)	1997	40 years
Plaza - Minot, ND	5,602	867	12,784	2,246	986	14,911	15,897	(1,635)	2009	40 years
Pointe West - Rapid City, SD	2,731	240	3,538	1,453	363	4,868	5,231	(2,095)	1994	24-40 years
Ponds at Heritage Place - Sartell, MN	4,045	395	4,564	105	395	4,669	5,064	(73)	2012	40 years
Prairie Winds - Sioux Falls, SD	1,464	144	1,816	436	226	2,170	2,396	(1,107)	1993	24-40 years
Quarry Ridge - Rochester, MN	11,599	1,312	13,362	964	1,347	14,291	15,638	(2,385)	2006	40 years
Quarry Ridge II - Rochester, MN	0	942	16,677	19	942	16,696	17,638	(385)	2012	40 years
Regency Park Estates - St. Cloud, MN	6,966	702	10,198	638	723	10,815	11,538	(474)	2011	40 years
Ridge Oaks - Sioux City, IA	3,466	178	4,073	2,017	272	5,996	6,268	(1,883)	2001	40 years

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Multi-Family Residential - continued										
Rimrock West - Billings, MT	$ 3,392	$ 330	$ 3,489	$ 1,413	$ 431	$ 4,801	$ 5,232	$ (1,483)	1999	40 years
Rocky Meadows - Billings, MT	5,260	656	5,726	996	767	6,611	7,378	(2,756)	1995	40 years
Rum River - Isanti, MN	3,677	843	4,823	105	848	4,923	5,771	(749)	2007	40 years
Sherwood - Topeka, KS	12,534	1,142	14,684	2,729	1,590	16,965	18,555	(5,699)	1999	40 years
Sierra Vista - Sioux Falls, SD	1,450	241	2,097	322	251	2,409	2,660	(129)	2011	40 years
South Pointe - Minot, ND	8,954	550	9,548	2,351	1,305	11,144	12,449	(4,802)	1995	24-40 years
Southview - Minot, ND	1,082	185	469	314	236	732	968	(313)	1994	24-40 years
Southwind - Grand Forks, ND	5,719	400	5,034	2,627	719	7,342	8,061	(3,037)	1995	24-40 years
Summit Park - Minot, ND	1,110	161	1,898	1,145	292	2,912	3,204	(1,064)	1997	24-40 years
Sunset Trail - Rochester, MN	8,259	336	12,814	2,322	536	14,936	15,472	(4,572)	1999	40 years
Sycamore Village - Sioux Falls, SD	0	101	1,317	470	152	1,736	1,888	(536)	2002	40 years
Temple - Minot, ND	81	0	0	228	0	228	228	(42)	2006	40 years
Terrace Heights - Minot, ND	185	29	312	83	40	384	424	(153)	2006	40 years
Thomasbrook - Lincoln, NE	6,076	600	10,306	2,871	1,151	12,626	13,777	(3,943)	1999	40 years
University Park Place - St.	0	78	450	73	80	521	601	(81)	2007	40 years

Cloud, MN[1]										
Valley Park - Grand Forks, ND	3,946	294	4,137	2,674	533	6,572	7,105	(2,178)	1999	40 years
Villa West - Topeka, KS	12,446	1,590	15,760	80	1,595	15,835	17,430	(393)	2012	40 years
Village Green - Rochester, MN	1,237	234	2,296	619	357	2,792	3,149	(728)	2003	40 years
West Stonehill - Waite Park, MN	8,783	939	10,167	4,654	1,378	14,382	15,760	(6,424)	1995	40 years
Westridge - Minot, ND	1,716	68	1,887	90	74	1,971	2,045	(250)	2008	40 years
Westwood Park - Bismarck, ND	2,012	116	1,909	1,673	260	3,438	3,698	(1,204)	1998	40 years
Whispering Ridge - Omaha, NE	22,000	2,139	25,424	0	2,139	25,424	27,563	(82)	2012	40 years
Williston Garden - Williston, ND	13,523	1,400	17,712	0	1,400	17,712	19,112	(704)	2012	40 years
Winchester - Rochester, MN	3,028	748	5,622	1,597	1,003	6,964	7,967	(1,839)	2003	40 years
Woodridge - Rochester, MN	6,560	370	6,028	1,754	485	7,667	8,152	(3,103)	1997	40 years
Total Multi-Family Residential	$ 376,225	$ 46,532	$ 504,983	$ 108,181	$ 57,889	$ 601,807	$ 659,696	$ (140,354)		
Commercial Office										
1st Avenue Building - Minot, ND	$ 0	$ 30	$ 80	$ (41)	$ 33	$ 36	$ 69	$ 245	1981	33-40 years
2030 Cliff Road - Eagan, MN	967	146	835	90	158	913	1,071	(273)	2001	40 years
610 Business Center IV - Brooklyn Park, MN	7,011	975	5,542	2,886	980	8,423	9,403	(1,711)	2007	40 years

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Commercial Office - continued										
7800 West Brown Deer Road - Milwaukee, WI	$ 10,709	$ 1,455	$ 8,756	$ 2,333	$ 1,475	$ 11,069	$ 12,544	$ (3,233)	2003	40 years
American Corporate Center - Mendota Heights, MN	8,909	893	16,768	3,908	893	20,676	21,569	(7,763)	2002	40 years
Ameritrade - Omaha, NE	2,831	327	7,957	65	327	8,022	8,349	(2,813)	1999	40 years
Benton Business Park - Sauk Rapids, MN	560	188	1,261	86	188	1,347	1,535	(359)	2003	40 years
Bismarck 715 East Broadway - Bismarck, ND	2,218	389	1,283	1,126	443	2,355	2,798	(287)	2008	40 years
Bloomington Business Plaza - Bloomington, MN	0	1,300	6,106	1,625	1,313	7,718	9,031	(2,357)	2001	40 years
Brenwood - Minnetonka, MN	5,250	1,641	12,138	3,547	1,650	15,676	17,326	(4,964)	2002	40 years
Brook Valley I - La Vista, NE	1,301	347	1,671	81	347	1,752	2,099	(355)	2005	40 years
Burnsville Bluffs II - Burnsville, MN	1,719	300	2,154	976	374	3,056	3,430	(1,236)	2001	40 years
Cold Spring Center - St. Cloud, MN	5,661	588	7,808	1,092	727	8,761	9,488	(2,913)	2001	40 years
Corporate Center West - Omaha, NE	17,315	3,880	17,509	957	4,167	18,179	22,346	(2,975)	2006	40 years
Crosstown Centre - Eden Prairie, MN	13,211	2,884	14,569	2,473	2,919	17,007	19,926	(3,660)	2004	40 years
Dewey Hill Business Center - Edina, MN	0	985	3,507	904	995	4,401	5,396	(1,643)	2000	40 years
Farnam Executive Center - Omaha, NE	12,160	2,188	11,404	0	2,188	11,404	13,592	(1,889)	2006	40 years
Flagship - Eden Prairie, MN	21,565	1,899	21,638	1,424	2,094	22,867	24,961	(4,125)	2006	40 years

Gateway Corporate Center - Woodbury, MN	8,700	1,637	7,763	1,065	1,675	8,790	10,465	(1,453)	2006	40 years
Golden Hills Office Center - Golden Valley, MN	17,988	3,018	18,544	3,639	3,018	22,183	25,201	(7,236)	2003	40 years
Great Plains - Fargo, ND	0	126	15,240	111	126	15,351	15,477	(5,232)	1997	40 years
Highlands Ranch I - Highlands Ranch, CO	8,221	2,268	8,362	427	2,268	8,789	11,057	(1,549)	2006	40 years
Highlands Ranch II - Highlands Ranch, CO	7,898	1,437	9,549	1,527	1,437	11,076	12,513	(2,659)	2004	40 years
Interlachen Corporate Center - Edina, MN	8,857	1,650	14,983	2,395	1,668	17,360	19,028	(4,990)	2001	40 years
Intertech Building - Fenton, MO	4,418	2,130	3,968	1,275	2,165	5,208	7,373	(696)	2007	40 years
Mendota Office Center I - Mendota Heights, MN	3,836	835	6,169	853	835	7,022	7,857	(2,161)	2002	40 years
Mendota Office Center II - Mendota Heights, MN	5,668	1,121	10,085	1,501	1,121	11,586	12,707	(4,185)	2002	40 years
Mendota Office Center III - Mendota Heights, MN	3,895	970	5,734	697	970	6,431	7,401	(1,888)	2002	40 years
Mendota Office Center IV - Mendota Heights, MN	4,631	1,070	7,635	578	1,070	8,213	9,283	(2,716)	2002	40 years
Minnesota National Bank - Duluth, MN	781	287	1,454	174	288	1,627	1,915	(352)	2004	40 years
Minot 2505 16th Street SW - Minot, ND[(1)]	0	298	1,724	296	298	2,020	2,318	(164)	2009	40 years
Miracle Hills One - Omaha, NE	8,895	1,974	10,117	1,450	2,120	11,421	13,541	(2,446)	2006	40 years
Nicollett VII - Burnsville, MN	0	429	6,931	410	436	7,334	7,770	(2,181)	2001	40 years
Northgate I - Maple Grove, MN	5,163	1,062	6,358	990	1,235	7,175	8,410	(1,637)	2004	40 years
Northgate II - Maple Grove, MN	939	359	1,944	284	403	2,184	2,587	(744)	1999	40 years
Northpark Corporate Center - Arden Hills, MN	12,332	2,034	14,584	1,585	2,034	16,169	18,203	(3,104)	2006	40 years
Omaha 10802 Farnam Dr - Omaha, NE	5,297	2,462	4,374	392	2,818	4,410	7,228	(269)	2010	40 years

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Commercial Office - continued										
Pacific Hills - Omaha, NE	$ 16,770	$4,220	$ 11,988	$ 2,179	$4,507	$ 13,880	$ 18,387	$ (2,604)	2006	40 years
Pillsbury Business Center - Bloomington, MN	0	284	1,556	171	299	1,712	2,011	(551)	2001	40 years
Plaza 16 - Minot, ND	7,434	389	5,444	3,843	591	9,085	9,676	(1,291)	2009	40 years
Plaza VII - Boise, ID	993	300	3,058	478	351	3,485	3,836	(1,027)	2003	40 years
Plymouth 5095 Nathan Lane - Plymouth, MN	1,215	604	1,253	83	636	1,304	1,940	(190)	2007	40 years
Plymouth I - Plymouth, MN	1,157	530	1,133	65	530	1,198	1,728	(274)	2004	40 years
Plymouth II - Plymouth, MN	1,157	367	1,264	40	367	1,304	1,671	(305)	2004	40 years
Plymouth III - Plymouth, MN	1,425	507	1,495	365	507	1,860	2,367	(490)	2004	40 years
Plymouth IV & V - Plymouth, MN	6,875	1,336	12,693	2,141	1,338	14,832	16,170	(4,771)	2001	40 years
Prairie Oak Business Center - Eden Prairie, MN	3,304	531	4,069	1,852	764	5,688	6,452	(1,904)	2003	40 years
Rapid City 900 Concourse Drive - Rapid City, SD	1,171	285	6,600	736	514	7,107	7,621	(2,275)	2000	40 years
Riverport - Maryland Heights, MO	19,690	1,891	18,982	554	1,917	19,510	21,427	(3,285)	2006	40 years
	1,691	560	5,496	419	569	5,906	6,475	(2,133)	1999	40 years

Southeast Tech Center - Eagan, MN										
Spring Valley IV - Omaha, NE	775	178	916	60	186	968	1,154	(212)	2005	40 years
Spring Valley V - Omaha, NE	852	212	1,123	251	240	1,346	1,586	(295)	2005	40 years
Spring Valley X - Omaha, NE	790	180	1,024	60	189	1,075	1,264	(212)	2005	40 years
Spring Valley XI - Omaha, NE	775	143	1,094	36	151	1,122	1,273	(218)	2005	40 years
Superior Office Building - Duluth, MN	1,174	336	2,200	83	336	2,283	2,619	(526)	2004	40 years
TCA Building - Eagan, MN	7,080	627	8,571	911	684	9,425	10,109	(2,616)	2003	40 years
Three Paramount Plaza - Bloomington, MN[(1)]	0	1,261	6,149	1,755	1,298	7,867	9,165	(2,539)	2002	40 years
Thresher Square - Minneapolis, MN	0	1,094	10,026	1,643	1,104	11,659	12,763	(3,648)	2002	40 years
Timberlands - Leawood, KS	13,155	2,375	12,218	1,405	2,495	13,503	15,998	(2,603)	2006	40 years
UHC Office - International Falls, MN	995	119	2,366	80	119	2,446	2,565	(586)	2004	40 years
US Bank Financial Center - Bloomington, MN	13,425	3,117	13,350	610	3,119	13,958	17,077	(2,894)	2005	40 years
Viromed - Eden Prairie, MN	324	666	4,197	1	666	4,198	4,864	(1,491)	1999	40 years
Wells Fargo Center - St Cloud, MN	6,206	869	8,373	1,448	869	9,821	10,690	(2,087)	2005	40 years
West River Business Park - Waite Park, MN	560	235	1,195	50	235	1,245	1,480	(322)	2003	40 years
Westgate - Boise, ID	4,125	1,000	10,618	1,921	1,000	12,539	13,539	(3,573)	2003	40 years
Whitewater Plaza - Minnetonka, MN	3,830	530	4,860	850	577	5,663	6,240	(1,774)	2002	40 years
Wirth Corporate Center - Golden Valley, MN	3,539	970	7,659	911	971	8,569	9,540	(2,568)	2002	40 years
	4,360	771	4,609	1,441	837	5,984	6,821	(1,033)	2006	40 years

Woodlands Plaza IV - Maryland Heights, MO								
Total Commercial Office	$ 343,753	$ 72,069	$ 472,083	$ 69,623	$ 75,222	538,553	$ 613,775	$ (138,270)

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Commercial Healthcare										
2800 Medical Building - Minneapolis, MN	$ 5,399	$ 204	$ 7,135	$ 2,191	$ 229	$ 9,301	$ 9,530	$ (2,343)	2005	40 years
2828 Chicago Avenue - Minneapolis, MN	8,379	726	11,319	5,627	729	16,943	17,672	(2,764)	2007	40 years
Airport Medical - Bloomington, MN	1,083	0	4,678	0	0	4,678	4,678	(1,497)	2002	40 years
Barry Pointe Office Park - Kansas City, MO	1,435	384	2,366	103	392	2,461	2,853	(398)	2007	40 years
Billings 2300 Grant Road - Billings, MT	1,645	649	1,216	0	649	1,216	1,865	(85)	2010	40 years
Burnsville 303 Nicollet Medical (Ridgeview) - Burnsville, MN	8,445	1,071	6,842	1,523	1,071	8,365	9,436	(1,054)	2008	40 years
Burnsville 305 Nicollet Medical (Ridgeview South) - Burnsville, MN	5,287	189	5,127	768	189	5,895	6,084	(741)	2008	40 years
Casper 1930 E 12th Street (Park Place) - Casper, WY[1]	0	439	5,780	162	439	5,942	6,381	(530)	2009	40 years
Casper 3955 E 12th Street (Meadow Wind) - Casper, WY[1]	0	388	10,494	25	388	10,519	10,907	(775)	2009	40 years
Cheyenne 4010 N College Drive (Aspen Wind) - Cheyenne, WY[1]	0	628	10,272	260	629	10,531	11,160	(903)	2009	40 years
Cheyenne 4606 N College Drive (Sierra Hills) -	0	695	7,455	40	695	7,495	8,190	(639)	2009	40 years

Cheyenne, WY[1]										
Denfeld Clinic - Duluth, MN	1,656	501	2,597	1	501	2,598	3,099	(588)	2004	40 years
Eagan 1440 Duckwood Medical - Eagan, MN	1,811	521	1,547	519	521	2,066	2,587	(447)	2008	40 years
Edgewood Vista - Belgrade, MT	0	35	779	5	35	784	819	(100)	2008	40 years
Edgewood Vista - Billings, MT	1,905	115	1,767	7	115	1,774	1,889	(231)	2008	40 years
Edgewood Vista - Bismarck, ND	0	511	9,193	114	511	9,307	9,818	(1,758)	2005	40 years
Edgewood Vista - Brainerd, MN	0	587	8,999	54	587	9,053	9,640	(1,721)	2005	40 years
Edgewood Vista - Columbus, NE[1]	0	43	824	3	44	826	870	(106)	2008	40 years
Edgewood Vista - East Grand Forks, MN	2,902	290	1,352	15	290	1,367	1,657	(177)	2000	40 years
Edgewood Vista - Fargo, ND	12,877	775	20,870	9	775	20,879	21,654	(2,674)	2008	40 years
Edgewood Vista - Fremont, NE	593	56	490	42	56	532	588	(153)	2008	40 years
Edgewood Vista - Grand Island, NE[1]	0	33	773	30	39	797	836	(100)	2008	40 years
Edgewood Vista - Hastings, NE	611	49	517	44	50	560	610	(167)	2008	40 years
Edgewood Vista - Hermantown I, MN	16,382	288	9,871	1,514	288	11,385	11,673	(3,304)	2000	40 years
Edgewood Vista - Hermantown II, MN	0	719	10,517	33	719	10,550	11,269	(2,009)	2005	40 years
Edgewood Vista - Kalispell, MT	613	70	502	603	70	1,105	1,175	(211)	2001	40 years
Edgewood Vista - Minot, ND	9,470	1,045	11,590	70	1,047	11,658	12,705	(714)	2010	40 years
Edgewood Vista - Missoula, MT	870	109	854	72	116	919	1,035	(359)	1996	40 years
Edgewood Vista - Norfolk, NE[1]	0	42	722	7	42	729	771	(93)	2008	40 years
Edgewood Vista - Omaha, NE	387	89	547	42	89	589	678	(171)	2001	40 years
Edgewood Vista - Sioux Falls, SD	1,091	314	974	12	314	986	1,300	(128)	2008	40 years

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
April 30, 2013
Schedule III - REAL ESTATE AND ACCUMULATED DEPRECIATION (in thousands)

		Initial Cost to Company			Gross amount at which carried at close of period					
Description	Encumbrances	Land[1]	Buildings & Improvements	Costs capitalized subsequent to acquisition	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation in latest income statement is computed
Commercial Healthcare - continued										
Edgewood Vista - Spearfish, SD	$ 0	$315	$ 8,584	$ 65	$330	$ 8,634	$8,964	$ (1,271)	2005	40 years
Edgewood Vista - Virginia, MN	13,932	246	11,823	115	246	11,938	12,184	(3,056)	2002	40 years
Edina 6363 France Medical - Edina, MN	10,000	0	12,675	1,762	0	14,437	14,437	(2,458)	2008	40 years
Edina 6405 France Medical - Edina, MN	8,782	0	12,201	41	0	12,242	12,242	(2,097)	2008	40 years
Edina 6517 Drew Avenue - Edina, MN	1,133	353	660	529	372	1,170	1,542	(460)	2002	40 years
Edina 6525 Drew Avenue - Edina, MN	0	388	117	0	388	117	505	(4)	2011	40 years
Edina 6525 France SMC II - Edina, MN	10,170	755	8,054	6,018	1,040	13,787	14,827	(5,226)	2003	40 years
Edina 6545 France SMC I - Edina MN	30,786	3,480	30,743	12,464	3,480	43,207	46,687	(14,411)	2001	40 years
Fresenius - Duluth, MN	716	50	1,520	2	50	1,522	1,572	(344)	2004	40 years
Garden View - St. Paul, MN	1,320	0	7,408	709	12	8,105	8,117	(2,217)	2002	40 years
Gateway Clinic - Sandstone, MN	959	66	1,699	0	66	1,699	1,765	(384)	2004	40 years
Healtheast St John & Woodwinds - Maplewood & Woodbury, MN	10,304	3,239	18,362	0	3,239	18,362	21,601	(5,948)	2000	40 years
High Pointe Health Campus - Lake Elmo, MN	5,400	1,305	10,528	1,630	1,329	12,134	13,463	(2,888)	2004	40 years
Jamestown Medical Office Building - Jamestown, ND	6,200	0	7,605	0	0	7,605	7,605	(76)	2013	40 years
Laramie 1072 N 22nd Street (Spring Wind) - Laramie, WY[1]	0	406	10,151	17	406	10,168	10,574	(631)	2009	40 years

Mariner Clinic - Superior, WI	2,097	0	3,781	90	20	3,851	3,871	(871)	2004	40 years
Minneapolis 701 25th Avenue Medical - Minneapolis, MN	7,532	0	7,873	1,093	0	8,966	8,966	(1,133)	2008	40 years
Missoula 3050 Great Northern - Missoula, MT	1,727	640	1,331	0	640	1,331	1,971	(93)	2010	40 years
Nebraska Orthopedic Hospital - Omaha, NE	11,964	0	20,272	1,615	0	21,887	21,887	(4,764)	2004	40 years
Park Dental - Brooklyn Center, MN	621	185	2,767	0	185	2,767	2,952	(735)	2002	40 years
Pavilion I - Duluth, MN	5,525	1,245	8,898	31	1,245	8,929	10,174	(1,993)	2004	40 years
Pavilion II - Duluth, MN	10,168	2,715	14,673	1,937	2,715	16,610	19,325	(4,739)	2004	40 years
Ritchie Medical Plaza - St Paul, MN	6,463	1,615	7,851	1,911	1,647	9,730	11,377	(1,952)	2005	40 years
Sartell 2000 23rd Street South - Sartell, MN	3,256	0	11,781	935	0	12,716	12,716	(3,458)	2002	40 years
Spring Creek-American Falls - American Falls, ID	2,328	145	3,870	0	145	3,870	4,015	(180)	2011	40 years
Spring Creek-Boise - Boise, ID	2,957	708	4,296	0	708	4,296	5,004	(214)	2011	40 years
Spring Creek-Eagle - Eagle, ID	2,141	263	3,775	0	263	3,775	4,038	(176)	2011	40 years
Spring Creek-Meridian - Meridian, ID	3,538	424	6,724	0	424	6,724	7,148	(310)	2011	40 years
Spring Creek-Overland - Overland, ID	3,339	687	5,941	0	687	5,941	6,628	(286)	2011	40 years
Spring Creek-Soda Springs - Soda Springs, ID	838	66	2,134	33	66	2,167	2,233	(101)	2011	40 years

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
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Schedule III - REAL ESTATE AND ACCUMULATED DEPRECIATION (in thousands)

		Initial Cost to Company			Gross amount at which carried at close of period					
Description	Encumbrances[a]	Land	Buildings & Improvements	Costs capitalized subsequent to acquisition	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation in latest income statement is computed
Commercial Healthcare - continued	$	$	$	$	$	$	$	$		
Spring Creek-Ustick - Meridian, ID	0	467	3,833	0	467	3,833	4,300	(165)	2011	40 years
St Michael Clinic - St Michael, MN	1,902	328	2,259	264	328	2,523	2,851	(384)	2007	40 years
Trinity at Plaza 16 - Minot, ND	4,984	568	8,987	5	568	8,992	9,560	(361)	2011	40 years
Wells Clinic - Hibbing, MN	1,463	162	2,497	2	162	2,499	2,661	(565)	2004	40 years
Total Commercial Healthcare	$ 255,386	$ 32,386	$ 423,642	$ 45,163	$ 32,847	468,344	$ 501,191	$ (90,891)		
Commercial Industrial										
API Building - Duluth, MN	$ 796	$ 115	$ 1,605	$ 3	$ 115	$ 1,608	$ 1,723	$ (363)	2004	40 years
Bloomington 2000 W 94th Street - Bloomington, MN[1]	0	2,133	4,097	1,185	2,172	5,243	7,415	(972)	2006	40 years
Bodycote Industrial Building - Eden Prairie, MN	1,046	198	1,154	800	198	1,954	2,152	(858)	1992	40 years
Brooklyn Park 7401 Boone Avenue - Brooklyn Park, MN	7,411	1,368	11,643	2,121	1,368	13,764	15,132	(3,801)	2002	40 years
Cedar Lake Business Center - St. Louis Park, MN	2,276	895	2,810	68	895	2,878	3,773	(444)	2007	40 years
	2,175	408	2,611	47	408	2,658	3,066	(246)	2002	40 years

Clive 2075 NW 94th Street - Clive, IA										
Dixon Avenue Industrial Park - Des Moines, IA	0	1,439	10,758	1,609	1,439	12,367	13,806	(3,501)	2002	40 years
Eagan 2785 & 2795 Highway 55 - Eagan, MN	0	3,058	2,570	0	3,058	2,570	5,628	(337)	2008	40 years
Fargo 1320 45th Street N - Fargo, ND	0	395	3,518	247	395	3,765	4,160	(273)	2010	40 years
Lexington Commerce Center - Eagan, MN	2,348	453	4,352	1,982	480	6,307	6,787	(2,407)	1999	40 years
Lighthouse - Duluth, MN	836	90	1,788	7	90	1,795	1,885	(408)	2004	40 years
Metal Improvement Company - New Brighton, MN	0	240	2,189	78	240	2,267	2,507	(648)	2002	40 years
Minnetonka 13600 County Road 62 - Minnetonka, MN	2,427	809	434	2,459	809	2,893	3,702	(308)	2009	40 years
Minot IPS - Minot, ND	0	416	5,484	62	416	5,546	5,962	(59)	2012	40 years
Roseville 2929 Long Lake Road - Roseville, MN	0	1,966	7,272	1,729	2,000	8,967	10,967	(1,506)	2006	40 years
Stone Container - Fargo, ND	1,426	440	6,597	104	440	6,701	7,141	(2,608)	2001	40 years
Stone Container - Roseville, MN	4,500	810	7,440	254	882	7,622	8,504	(2,176)	2001	40 years
Urbandale 3900 106th Street - Urbandale, IA	10,702	3,680	9,893	1,215	3,721	11,067	14,788	(1,732)	2007	40 years
Winsted Industrial Building - Winsted, MN	0	100	901	53	100	954	1,054	(358)	2001	40 years
Woodbury 1865 Woodlane - Woodbury, MN	2,679	1,108	2,628	1,884	1,123	4,497	5,620	(683)	2007	40 years
Total Commercial Industrial	$ 38,622	$20,121	$89,744	$15,907	$20,349	105,423	$125,772	$(23,688)		

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
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Description	Encumbrances[(a)]	Initial Cost to Company		Costs capitalized subsequent to acquisition	Gross amount at which carried at close of period			Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation in latest income statement is computed
		Land	Buildings & Improvements		Land	Buildings & Improvements	Total			
Commercial Retail										
17 South Main - Minot, ND	$ 81	$ 15	$ 75	$ 197	$ 17	$ 270	$ 287	$ (196)	2000	40 years
Anoka Strip Center - Anoka, MN	0	123	602	25	134	616	750	(160)	2003	40 years
Arrowhead First International Bank - Minot, ND	0	75	1,165	360	75	1,525	1,600	(3)	2013	40 years
Burnsville 1 Strip Center - Burnsville, MN	329	208	773	205	208	978	1,186	(256)	2003	40 years
Burnsville 2 Strip Center - Burnsville, MN	259	291	469	214	294	680	974	(196)	2003	40 years
Champlin South Pond - Champlin, MN	1,473	842	2,703	69	866	2,748	3,614	(650)	2004	40 years
Chan West Village - Chanhassen, MN	13,052	5,035	14,665	1,987	5,606	16,081	21,687	(4,298)	2003	40 years
Dakota West Plaza - Minot , ND	364	92	493	30	106	509	615	(95)	2006	40 years
Duluth 4615 Grand - Duluth, MN	677	130	1,800	4	131	1,803	1,934	(407)	2004	40 years
Duluth Denfeld Retail - Duluth, MN	2,235	276	4,699	160	297	4,838	5,135	(1,114)	2004	40 years
Eagan Community - Eagan, MN	0	702	1,243	800	703	2,042	2,745	(498)	2003	40 years
Fargo Express Community - Fargo, ND	938	374	1,420	777	386	2,185	2,571	(430)	2003-2005	40 years
	0	50	446	13	50	459	509	(120)	2003	40 years

Forest Lake Auto - Forest Lake, MN[1]										
Forest Lake Westlake Center - Forest Lake, MN	0	2,446	5,304	487	2,480	5,757	8,237	(1,485)	2003	40 years
Grand Forks Carmike - Grand Forks, ND	1,541	184	2,360	2	184	2,362	2,546	(1,092)	1994	40 years
Grand Forks Medpark Mall - Grand Forks, ND	0	681	4,808	251	722	5,018	5,740	(1,683)	2000	40 years
Jamestown Buffalo Mall - Jamestown, ND	2,331	566	5,551	3,036	1,114	8,039	9,153	(1,486)	2003	40 years
Jamestown Business Center - Jamestown, ND	466	297	1,023	1,332	333	2,319	2,652	(844)	2003	40 years
Kalispell Retail Center - Kalispell, MT	1,280	250	2,250	973	253	3,220	3,473	(761)	2003	40 years
Lakeville Strip Center - Lakeville, MN	932	46	1,142	852	94	1,946	2,040	(613)	2003	40 years
Minot 1400 31st Ave - Minot, ND[1]	0	1,026	6,143	4,352	1,038	10,483	11,521	(1,054)	2010	40 years
Minot Arrowhead - Minot, ND[1]	0	100	3,007	5,272	116	8,263	8,379	(1,403)	1973	15 1/2-40 years
Minot Plaza - Minot, ND	795	50	453	147	80	570	650	(296)	1993	40 years
Monticello C Store - Monticello, MN[1]	0	65	770	37	97	775	872	(206)	2003	40 years
Omaha Barnes & Noble - Omaha, NE	2,418	600	3,099	0	600	3,099	3,699	(1,356)	1995	40 years
Pine City C-Store - Pine City, MN	0	83	357	12	83	369	452	(96)	2003	40 years
Pine City Evergreen Square - Pine City, MN	0	154	2,646	606	385	3,021	3,406	(890)	2003	40 years
	0	3,275	8,610	1,966	3,652	10,199	13,851	(3,229)	1999	40 years

Rochester Maplewood Square - Rochester, MN[(1)]										
St. Cloud Westgate - St. Cloud, MN	3,008	918	5,535	1,669	941	7,181	8,122	(1,481)	2004	40 years
Weston Retail - Weston, WI	0	79	1,575	27	80	1,601	1,681	(408)	2003	40 years
Weston Walgreens - Weston, WI	3,041	66	1,718	671	67	2,388	2,455	(412)	2006	40 years
Total Commercial Retail	$ 35,220	$ 19,098	$ 86,904	$ 26,534	$ 21,192	111,344	$ 132,536	$ (27,218)		
Subtotal	$ 1,049,206	$ 190,201	$ 1,575,7[illegible]	$ 26[illegible]	$ 207,499	$ 1,825,471	$ 2,032,970	$ (420,421)		

INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES
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		Initial Cost to Company			Gross amount at which carried at close of period					
Description	Encumbrances[(a)]	Land	Buildings & Improvements	Costs capitalized subsequent to acquisition	Land	Buildings & Improvements	Total	Accumulated Depreciation	Date of Construction or Acquisition	Life on which depreciation in latest income statement is computed
Unimproved Land										
Badger Hills - Rochester, MN	$0	$1,050	$0	$0	$1,050	$0	$1,050	$0	2012	
Bismarck 4916 - Bismarck, ND	0	3,250	0	0	3,250	0	3,250	0	2013	
Bismarck 700 E Main - Bismarck, ND	0	314	0	558	872	0	872	0	2008	
Cypress Court - St. Cloud, MN	0	447	0	0	447	0	447	0	2012	
Eagan - Eagan, MN	0	423	0	0	423	0	423	0	2006	
Georgetown Square - Grand Chute, WI	0	1,860	0	0	1,860	0	1,860	0	2006	
Grand Forks 2150 - Grand Forks, ND	0	1,600	0	0	1,600	0	1,600	0	2013	
Grand Forks - Grand Forks, ND	0	4,278	0	0	4,278	0	4,278	0	2012	
Kalispell - Kalispell, MT	0	1,400	0	23	1,423	0	1,423	0	2003	
Minot (Southgate Lot 4) - Minot, ND	0	1,882	0	0	1,882	0	1,882	0	2013	
Monticello - Monticello, MN	0	115	0	2	117	0	117	0	2006	
	0	2,373	0	0	2,373	0	2,373	0	2012	

Renaissance Heights - Williston, ND									
River Falls - River Falls, WI	0	176	0	3	179	0	179	0	2003
Urbandale - Urbandale, IA	0	5	0	109	114	0	114	0	2009
Weston - Weston, WI	0	812	0	0	812	0	812	0	2006
Williston - Williston, ND	0	823	0	0	823	0	823	0	2012
Total Unimproved Land	$ 0	$ 20,808	$ 0	$ 695	$ 21,503	$ 0	$ 21,503	$ 0	
Development in Progress									
Arcata	$0	$2,088	$569	$0	$2,088	$569	$2,657	$0	2013
Chateau II - Minot, ND	0	61	189	8	61	197	258	0	2013
Commons at Southgate - Minot, ND	0	3,691	2,180	594	$ 3,691	2,774	6,465	0	2013
Cypress Court - St. Cloud, MN	0	1,136	4,610	713	$ 1,136	5,323	6,459	0	2012
Landing at Southgate - Minot, ND	0	2,262	4,054	1,104	$ 2,262	5,158	7,420	0	2013
Renaissance Heights I - Minot, ND	0	3,080	5,895	1,102	$ 3,080	6,997	10,077	0	2013
River Ridge - Bismarck, ND	0	576	9,526	3,073	589	12,586	13,175	0	2008
Total Development in Progress	$ 0	$ 12,894	$ 27,023	$ 6,594	$ 12,907	$ 33,604	$ 46,511	$ 0	
Total	$ 1,049,206	$ 223,909	$ 1,604,380	272,695	241,909	1,859,075	2,100,984	(420,421)	

(a) Amounts in this column are the mortgages payable balances as of April 30, 2013. These amounts do not include amounts owing under the Company's multi-bank line of credit or under the Company's construction loans.

(1) As of April 30, 2013, this property was included in the collateral pool securing the Company's $60.0 million multi-bank line of credit. The Company may add and remove eligible properties from the collateral pool if certain minimum collateral requirements are satisfied. Advances under the facility may not exceed 60% of the value of properties provided as security.

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REAL ESTATE AND ACCUMULATED DEPRECIATION

Reconciliations of total real estate carrying value for the three years ended April 30, 2013, 2012, and 2011 are as follows:

	(in thousands)		
	2013	2012	2011
Balance at beginning of year	$1,892,009	$1,770,798	$ 1,800,519
Additions during year			
Multi-Family Residential	113,859	47,433	4,210
Commercial Office	0	0	6,836
Commercial Healthcare	11,122	47,408	19,249
Commercial Industrial	5,900	0	3,914
Commercial Retail	1,240	2,316	7,169
Improvements and Other	36,375	35,176	23,183
	2,060,505	1,903,131	1,865,080
Deductions during year			
Cost of real estate sold	(21,953)	(3,498)	(86,994)
Impairment charge	(305)	(127)	0
Other[(A)]	(5,277)	(7,497)	(7,288)
Balance at close of year[(B)]	$2,032,970	$1,892,009	$ 1,770,798

Reconciliations of accumulated depreciation/amortization for the three years ended April 30, 2013, 2012, and 2011, are as follows:

	(in thousands)		
	2013	2012	2011
Balance at beginning of year	$373,490	$328,952	$308,626
Additions during year			
Provisions for depreciation	56,611	51,093	49,375
Deductions during year			
Accumulated depreciation on real estate sold	(6,444)	(758)	(25,366)
Other[(C)]	(3,236)	(5,797)	(3,683)
Balance at close of year	$420,421	$373,490	$328,952

(A) Consists of miscellaneous disposed assets and assets moved to Development in Progress.
(B) The net basis of the Company's real estate investments for Federal Income Tax purposes was approximately $1.5 billion, $1.4 billion and $1.2 billion at April 30, 2013, 2012 and 2011, respectively.
(C) Consists of miscellaneous disposed assets.

Exhibit Index

3.1	Articles of Amendment and Third Restated Declaration of Trust of Investors Real Estate Trust, as amended, incorporated herein by reference to Exhibit 3.1 to the Company's Registration Statement on Form S-3 (Reg. No. 333-182451), filed with the SEC on June 29, 2012.
3.2	Third Restated Trustees' Regulations (Bylaws), dated May 16, 2007, and incorporated herein by reference to the Company's Current Report on Form 8-K , filed with the SEC on May 16, 2007.
3.3	Agreement of Limited Partnership of IRET Properties, A North Dakota Limited Partnership, dated January 31, 1997, filed as Exhibit 3(ii) to the Registration Statement on Form S-11, effective March 14, 1997 (SEC File No. 333-21945) filed for the Registrant on February 18, 1997 (File No. 0-14851), and incorporated herein by reference.
4.1	Loan Agreement dated August 12, 2010 by and among IRET Properties, as borrower, the financial institutions party thereto as lenders, and First International Bank & Trust as lender and lead bank, incorporated herein by reference to the Company's Current Report on Form 8-K, filed with the SEC on August 18, 2010.
4.2	Third Amendment to Loan Agreement dated June 15, 2012 by and between IRET Properties, as borrower, and First International Bank & Trust, as lender, incorporated herein by reference to the Company's Current Report on Form 8-K, filed with the SEC on June 22, 2012.
10.1	Member Control and Operating Agreement dated September 30, 2002, filed as Exhibit 10 to the Company's Form 8-K filed October 15, 2003, and incorporated herein by reference.
10.2	Letter Agreement dated January 31, 2003, filed as Exhibit 10(i) to the Company's Form 8-K filed February 27, 2003, and incorporated herein by reference.
10.3	Option Agreement dated January 31, 2003, filed as Exhibit 10(ii) to the Company's Form 8-K filed February 27, 2003, and incorporated herein by reference.
10.4	Financial Statements of T.F. James Company filed as Exhibit 10 to the Company's Form 8-K filed January 31, 2003, and incorporated herein by reference.
10.5	Agreement for Purchase and Sale of Property dated February 13, 2004, by and between IRET Properties and the Sellers specified therein, filed as Exhibit 10.5 to the Company's Form 10-K filed July 20, 2004, and incorporated herein by reference.
10.6	Contribution Agreement, filed as Exhibit 10.1 to the Company's Form 8-K filed May 17, 2006, and incorporated herein by reference.
10.7	Loan and Security Agreement, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed September 18, 2006, and incorporated herein by reference.
10.8*	Short-Term Incentive Program, filed as Exhibit 10.1 to the Company's Form 8-K filed June 4, 2012 and incorporated herein by reference.
10.9*	Long-Term Incentive Program, filed as Exhibit 10.2 to the Company's Form 8-K filed June 4, 2012 and incorporated herein by reference.
10.10*	Description of Compensation of Trustees and Named Executive Officers, as described in 5.02 in the Company's Form 8-K filed June 4, 2012 and incorporated herein by reference.
10.11	Construction and Term Loan Agreement, filed as Exhibit 10.1 to the Company's Form 8-K filed March 21, 2013 and incorporated herein by reference.
12.1	Computation of Ratio of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Share Dividends, filed herewith.

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21.1	Subsidiaries of Investors Real Estate Trust, filed herewith.
23.1	Consent of Independent Registered Public Accounting Firm, filed herewith.
23.2	Consent of Independent Registered Public Accounting Firm, filed herewith
31.1	Section 302 Certification of President and Chief Executive Officer, filed herewith.
31.2	Section 302 Certification of Executive Vice President and Chief Financial Officer, filed herewith.
32.1	Section 906 Certification of the President and Chief Executive Officer, filed herewith.
32.2	Section 906 Certification of the Executive Vice President and Chief Financial Officer, filed herewith.
101	The following materials from our Annual Report on Form 10-K for the year ended April 30, 2013 formatted in eXtensible Business Reporting Language ("XBRL"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Equity, (iv) the Consolidated Statements of Cash Flows, and (v) notes to these consolidated financial statements.(1)

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* Indicates management compensatory plan, contract or arrangement.

(1) Users of this data are advised pursuant to Rule 406T of Regulation S-T that these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act, are deemed not filed for purposes of Section 18 of the Exchange Act, and otherwise are not subject to liability under these sections.