INVESTORS REAL ESTATE TRUST
Form DEF 14A
August 13, 2003
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OMB APPROVAL

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant þ
Filed by a Party other than the Registrant o

Check the appropriate box:

o Preliminary Proxy Statement
o **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
þ Definitive Proxy Statement
o Definitive Additional Materials
o Soliciting Material Pursuant to Rule 14a-12

Investors Real Estate Trust

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (check the appropriate box):

þ No fee required.
o Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

4) Proposed maximum aggregate value of transaction:

5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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Investors Real Estate Trust
12 South Main Street
P.O. Box 1988
Minot, ND 58702-1988

August 11, 2003

Dear Shareholder:

It is a pleasure to invite you to attend our 33rd Annual Meeting of Shareholders to be held on Tuesday, September 23, 2003, at 7:00 p.m., CDT, at the International Inn, 1505 North Broadway, Minot, North Dakota.

This booklet includes the Notice of the Annual Meeting and the Proxy Statement relating to the annual meeting, each of which contains important information about the formal business to be acted on by the shareholders. The annual meeting will also feature a report on the operations of your company, followed by a question and answer period. After the annual meeting, you will have the opportunity to speak informally with the trustees and officers of the company.

At the annual meeting, you will be asked to vote on the following items: (i) the election of nine (9) trustees for a term of one year, (ii) the approval of the Articles of Amendment and Third Restated Declaration of Trust of the company, and (iii) such other matters as may properly come before the annual meeting.

The Board of Trustees unanimously recommends that you vote to elect the nine trustee nominees and to ratify, adopt or approve the other items to be voted on at the annual meeting.

It is important that your shares of beneficial interest be voted regardless of whether you plan to be present at the annual meeting. Please complete, sign, date and return the enclosed proxy promptly or authorize a proxy by telephone or through the internet site designated on the enclosed proxy card .. If you attend the annual meeting and wish to vote your shares personally, you may revoke any previously executed or authorized proxy.

Please vote promptly. I look forward to seeing you at the annual meeting.

Sincerely,

Investors Real Estate Trust

/S/ Thomas A. Wentz, Sr.

Thomas A. Wentz, Sr.
President and Chief Executive Officer

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NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

To Be Held on Tuesday, September 23, 2003, at 7:00 p.m. (CDT)

Notice is hereby given that the Annual Meeting of Shareholders of Investors Real Estate Trust (the Company) will be held on Tuesday, September 23, 2003, at 7:00 p.m., CDT, at the International Inn, 1505 North Broadway, Minot, North Dakota, 58703, for the following purposes:

1. To elect nine (9) trustees, each for a term of one year.

2. To approve the Articles of Amendment and Third Restated Declaration of Trust of the Company.

3. To transact such other business as may properly come before the shareholders of the Company or any adjournment thereof.

Shareholders of record at the close of business on August 1, 2003, are entitled to vote at the annual meeting.

By Order of the Board of Trustees,

/S/ Michael A. Bosh
Michael A. Bosh
Secretary and Associate General Counsel

Minot, North Dakota
August 11, 2003

Whether or not you expect to be present at the annual meeting, please sign, date and return the enclosed proxy or authorize a proxy by telephone or through the internet site designated on the enclosed proxy card . If you attend the annual meeting, you may withdraw your proxy and vote in person.

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Investors Real Estate Trust
12 South Main Street
PO Box 1988
Minot, ND 58702-1988
Telephone: (701) 837-4738
Fax: (701) 838-7785

PROXY STATEMENT
August 11, 2003

Proxies are solicited by the Board of Trustees of Investors Real Estate Trust, a Real Estate Investment Trust (the Company), for use at the Annual Meeting of Shareholders of the Company (the Annual Meeting) to be held on Tuesday, September 23, 2003, at 7:00 p.m. CDT. The Annual Meeting will be held at the International Inn, 1505 North Broadway, Minot, North Dakota, 58703. At the Annual Meeting, holders of record of the Companys shares of beneficial interest (Shares) at the close of business on August 1, 2003 (the Record Date), are entitled to vote. On the Record Date, the Company had 36,545,457 Shares issued and outstanding, each of which is entitled to one vote at the Annual Meeting.

The cost of soliciting proxies will be borne by the Company. Trustees, officers and employees of the Company may, without additional compensation, solicit proxies by mail, internet, personal interview, telephone and/or telecopy. The Company does not expect that specially engaged employees or paid solicitors will make the solicitation. Although the Company might use such employees or solicitors if the Company deems them necessary, the Company has not made arrangements or contracts with any such employees or solicitors as of the date of this proxy statement. This proxy statement and the enclosed proxy card are scheduled to be mailed to shareholders commencing on or about August 11, 2003.

The Company will request banks, brokerage houses and other institutions, nominees or fiduciaries to forward the soliciting material to the beneficial owners of Shares and to obtain authorization for the execution of proxies. The Company will, upon request, reimburse banks, brokerage houses and other institutions, nominees and fiduciaries for their reasonable expenses in forwarding proxy materials to the beneficial owners. If a shareholder is a participant in the Companys Distribution Reinvestment Plan (the Plan), the proxy represents a voting instruction as to the number of full Shares in the Plan account, as well as any Shares held directly by the shareholder.

All properly executed or authorized proxies delivered pursuant to this solicitation and not revoked will be voted at the Annual Meeting as specified in such proxies. If no vote is specified on a proxy, the Shares represented by such proxy will be voted **FOR** the election of the nine (9) nominees for trustee, **FOR** adoption and approval of the Articles of Amendment and Third Restated Declaration of Trust of the Company, and, in the proxy holders discretion, **FOR** such other business as may properly come before the Annual Meeting. The nine (9) nominees for trustee who receive the highest number of votes, voting in person or by proxy at the Annual Meeting, provided a quorum is present, shall be elected as trustees (Proxy Item No. 1). The affirmative vote of the holders of a majority of the issued and outstanding Shares will be required to adopt and approve the Articles of Amendment and Third Restated Declaration of Trust of the Company (Proxy Item No. 2).

In tallying shareholder votes, abstentions (i.e., Shares for which a proxy is presented but abstains from voting on one or more matters) and broker non-votes (i.e., Shares held by brokers or nominees for which proxies are presented but as to which (i) instructions have not been received from the beneficial owners or persons entitled to vote and (ii) the broker or nominee does not have discretionary voting power on a particular matter because it is a non-routine matter) will be counted for purposes of determining whether a quorum is present for the conduct of business at the Annual Meeting. For purposes of the vote required, abstentions and non-votes will have no effect on the election of trustees, and will act as a vote against the adoption of the Articles of Amendment and Third Restated Declaration of Trust.

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use at the Annual Meeting by delivering to Michael A. Bosh, the Secretary and Associate General Counsel of the Company, a written notice of revocation or a duly executed proxy bearing a later date, by authorizing a subsequent proxy by telephone or through the designated internet site, or by attending the Annual Meeting and voting in person.

The Companys principal executive offices are located at 12 South Main Street, PO Box 1988, Minot, North Dakota 58702-1988. The Companys telephone number is (701) 837-4738 and facsimile number is (701) 838-7785.

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ELECTION OF TRUSTEES
(Proxy Item No. 1)

General

The Second Restated Declaration of Trust of the Company provides that the number of trustees constituting the Board of Trustees (the Board) shall be neither fewer than five nor more than eleven. The Board currently consists of ten members. On May 21, 2003, the Board resolved to set the number of members of the Board to be elected at the Annual Meeting and to constitute the entire Board at nine members.

At the Annual Meeting, nine trustees are to be elected for a term of one year (expiring at the 2004 Annual Meeting) or until the election and qualification of their successors. The persons proposed for election as trustees of the Company are John F. Decker, Daniel L. Feist, Charles Wm. James, Patrick G. Jones, Stephen B. Hoyt, Timothy P. Mihalick, Jeffrey L. Miller, Stephen L. Stenehjem and Thomas A. Wentz, Jr., each of whom is presently a member the Board.

In the unanticipated event that any nominee should become unavailable for election or, upon election, should be unable to serve, the proxies will be voted for the election of such other person or persons as shall be determined by the persons named in the proxy in accordance with their judgment or, if none, the size of the Board will be reduced.

Vote Required

The nine nominees who receive the highest number of votes will be elected as trustees. The Board unanimously recommends that the shareholders vote **FOR** Messrs. John F. Decker, Daniel L. Feist, Charles Wm. James, Patrick G. Jones, Steven B. Hoyt, Timothy P. Mihalick, Jeffrey L. Miller, Stephen L. Stenehjem and Thomas A. Wentz, Jr.

Nominees

The following table sets forth certain information regarding each of the nominees, including their age, principal business experience during the past five years, the year they each first became a trustee and Board committee membership. No trustee currently serves as a trustee or board member for any other company that has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended (the Exchange Act) or subject to the requirements of Section 15(d) of the Exchange Act or any company registered as an Investment Company under the Investment Company Act of 1940, as amended.

Trustee	Principal Business Experience During Past Five Years	Age	Trustee Since	Board Committee Membership
John F. Decker	Financial Advisor/Senior Vice President of D.A. Davidson & Co., an investment banking firm	61	1998	
Daniel L. Feist *Vice Chairman*	President of Feist Construction & Realty, a construction and real estate development company; Former Director of First Bank - Minot, N.A.; Former Director of ND Holdings, Inc. - Minot, ND; Chairman of the Board for the Minot Area Community Foundation	71	1985	Executive, Audit & Compensation

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Trustee	Principal Business Experience During Past Five Years	Age	Trustee Since	Board Committee Membership
Steven B. Hoyt	Chief Executive Officer of Hoyt Properties, Inc., a property management company; Former Board Member of Stonehaven Realty Trust; Former President of Complast, Inc., a plastics manufacturing company	51	2001	
Charles Wm. James	Senior Vice President of the Company; Managing Member of Thomas F. James Properties, L.L.C., an Arkansas commercial development company; Partner of Peak Properties Development, a Montana commercial development partnership; Partner of James Family Properties, a Minnesota commercial development partnership; Limited Partner of Thomas F. James Realty Limited Partnership, L.L.L.P., a commercial property management company; Former Officer of T. F. James Company, an Iowa Corporation;	55	2003	
Patrick G. Jones	Former General Manager of the Minot Daily News; Former President of Central Venture Capital Inc., an investment firm	55	1986	Audit

Timothy P. Mihalick	Senior Vice President & Chief Operating Officer of the Company; Board Member of Trinity Health Group; Former Vice President of Odell-Wentz & Associates, LLC	44	1999	Executive

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Trustee	Principal Business Experience During Past Five Years	Age	Trustee Since	Board Committee Membership
Jeffrey L. Miller *Chairman*	President of M&S Concessions, Inc.; a food service and facility management company; Former President of Minot, North Dakota Coca-Cola Bottling franchise; Managing Partner of Miller Properties, LLP	59	1985	Executive & Compensation
Stephen L. Stenehjem	President & Chief Executive Officer of Watford City BancShares, Inc., a holding company; President & Chairman of First International Bank & Trust, Watford City, ND, a state banking and trust association	48	1999	Audit
Thomas A. Wentz, Jr. (1)	Senior Vice President & General Counsel of the Company; Director of SRT Communications, Inc.; Sole General Partner of Wenco, Ltd.; Shareholder & Attorney with Pringle & Herigstad, P.C. until December 31, 1999	37	1996	

(1) Mr. Wentz is the son of Thomas A. Wentz, Sr., the President and Chief Executive Officer of the Company.

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INFORMATION CONCERNING THE BOARD OF TRUSTEES

Director Meetings

During the year ended April 30, 2003, the Board held ten regular meetings and no special meetings. All of the trustees attended 75% or more of the meetings of the Board and the committees on which they served during the past year.

Committees

The Board has created three committees in order to more effectively direct and review the Companys operations and strategic outlook. In addition, the committees allow management to timely interface with and respond to factors affecting the ongoing operations of the Company. Further, management regularly consults with committee chairmen to review possible actions and seek counsel. Where appropriate, the Board delegates authority to committees (within specified parameters) to finalize the execution of various Board functions. While the committee structure has improved the level of Board oversight, it has also greatly increased the effort and time required of Board members who serve on the various committees.

The Board has established the following committees: Audit, Compensation and Executive. The present members of these committees are indicated in the preceding section of this proxy statement. The Audit Committee of the Board met six times, while the Compensation Committee met once and the Executive Committee met two times during the fiscal year ended April 30, 2003.

The Audit Committee is composed of three trustees, all of which are independent as that term is defined in the NASDAQ Marketplace Rules. Information regarding the functions performed by the committee is set forth in the Report of the Audit Committee, included on page 12 of this proxy statement. The Audit Committee is governed by a written charter that has been approved by the Board. The Compensation Committee reviews the compensation of the officers of the Company and the Companys management succession plan. The Executive Committee has all powers of the Board with respect to the management and affairs of the Company, subject to limitations prescribed by the Board and by North Dakota law.

The full Board acts as a nominating committee for purposes of selecting individuals to stand for election to the Board. The full Board will consider nominations from shareholders, provided such suggested nominations are received in writing on or before June 1st of each year. There are no formal nominating procedures or policies in place to be followed in connection with the making of a nomination.

Board Compensation

During the year ended April 30, 2003, trustees not employed by the Company received annual fees of $13,700, plus $100 for each Board meeting they attended in person or via conference call. Additionally, the Chairman of the Board received an additional $3,700 for serving as the Chairman, the Vice Chairman of the Board received an additional $1,800 for serving as the Vice Chairman, and the Audit Committee members each received $100 for each Audit Committee meeting they attended in person or via conference call. No other committee members received additional fees for their committee services. Trustees who are employees of the Company do not receive any separate compensation or other consideration, direct or indirect, for service as a trustee.

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SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table lists, as of June 30, 2003, the beneficial ownership of Shares and limited partnership units of IRET Properties, a North Dakota Limited Partnership and subsidiary of the Company, which are convertible into Shares on a one-to-one basis at the option of the Company (Units), by (i) each trustee of the Company, (ii) the executive officers of the Company named in the Summary Compensation Table that follows and (iii) all trustees and executive officers of the Company as a group. The amounts shown are based on information provided by the individuals named. As of June 30, 2003, no person owned more than five percent (5%) of the total number of outstanding Shares and Units.

Name of Beneficial Owner	Shares (1)	Units (2)	Total Shares and Units	Percent of Class (3)
Jeffrey L. Miller Trustee & Chairman of the Board	333,453	6,725	340,178	.7%
Daniel L. Feist Trustee & Vice Chairman of the Board	777,685	1,856	779,541	1.7%

C. Morris Anderson Trustee & Vice Chairman of the Board	4,759	171,170	175,929	.4%
John F. Decker Trustee	73,079	0	73,079	.2%
Patrick G. Jones Trustee	285,598	0	285,598	.6%
Stephen L. Stenehjem Trustee	77,333	0	77,333	.1%
Steven B. Hoyt Trustee	0	1,375,143	1,375,143	3.0%
Thomas A. Wentz, Sr. President & Chief Executive Officer	296,326	129,572	425,898	.9%
Timothy P. Mihalick, Trustee, Senior Vice President & Chief Operations Officer	35,080	0	35,080	.1%
Thomas A. Wentz, Jr. Trustee, Senior Vice President & General Counsel	195,289	10,374	205,663	.4%
Diane K. Bryantt Senior Vice President & Chief Financial Officer	6,742	0	6,742	.0%
Charles Wm. James Trustee & Senior Vice President	584,413	0	584,413	1.3%
Trustees and executive officers as a group	**2,669,757**	**1,694,840**	**4,339,982**	**9.4** %

(1) The amounts and percentages of Shares beneficially owned are reported on the basis of regulations of the SEC governing the determination of beneficial ownership of securities. Except as otherwise indicated, each individual has sole voting and sole investment power with regard to the Shares owned.

(2) The Units do not have voting rights but are exchangeable for Shares at the option of the Company upon expiration of an initial mandatory holding period.

(3) Percentage of class is based on a total of 46,378,507 Shares and Units outstanding as of June 30, 2003.

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EXECUTIVE COMPENSATION AND OTHER INFORMATION

Summary Compensation Table

The following table summarizes the compensation paid to the Companys Chief Executive Officer and the three other executive officers (the Named Executive Officers) whose compensation exceeded $100,000 for the period of May 1, 2002, to April 30, 2003.

Name and Principal Position	Period	Salary	Bonus	Other Annual Compensation(2)
Thomas A. Wentz, Sr	2003	$ 144,195	$ 5,948	$ 3,550
President and Chief Executive Officer	2002	138,600	5,775	3,643
	2001(1)	112,200	5,500	3,517
Timothy P. Mihalick	2003	157,293	122,703	19,657
Senior Vice President and Chief Operating Officer	2002	151,200	52,482	19,060
	2001(1)	122,400	6,000	11,784

Thomas A. Wentz, Jr	2003	131,078	92,567	17,685
Senior Vice President and General Counsel	2002	126,000	39,888	16,460
	2001(1)	102,000	5,000	10,365
Diane K. Bryantt	2003	81,924	61,487	13,807
Senior Vice President and Chief Financial Officer	2002	78,500	26,373	12,497
	2001(1)	65,900	0	0

(1) The compensation figures for 2001 are for the ten-month period of July 1, 2000, through April 30, 2001. Prior to July 1, 2000, the Company was externally advised and had no employees.

(2) Includes fringe benefits consisting of annual premiums for employee health, dental and disability insurance and annual contributions by the Company to the Companys 401(k) and retirement plan on behalf of the named executive officers. Additionally, with respect to Mr. Mihalick, includes annual compensation of $751 for a vehicle and Country Club dues in the amount of $1,550.00.

Retirement and 401(k) Plan

The Companys retirement plan is intended to be a qualified retirement plan under the Internal Revenue Code of 1986, as amended (the Code). Under the retirement plan, participating employees (including the Named Executive Officers) may contribute up to 15% of their compensation, but not exceeding the amount allowed under applicable tax laws, and the Company contributes 7½%. All fulltime employees of the Company over the age of 21 and with one year of service are eligible to participate in the retirement plan.

Compensation Committee Interlocks and Insider Participation

None of the compensation committee members currently is, or was formerly, an officer or employee of the Company. None of the Companys executive officers currently serves on the compensation committee or any similar committee of any other entity and none of the executive officers serves as a director for any other entity whose executive officers serve on the Companys compensation committee.

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Relationships and Related Transactions

Property Management Services

Hoyt Properties, Inc., a provider of property management services (Hoyt Properties), is owned by Steven B. Hoyt, a member of the Board. During the fiscal year ended April 30, 2003, Hoyt Properties managed the following commercial buildings pursuant to written management contracts:

Cold Spring Center...	4150 2nd Street South, St. Cloud, MN
2030 Cliff Road..	2030 Cliff Road, Eagan, MN
Plymouth IV & V...	5000 & 5010 Cheshire Lane, Plymouth, MN
Nicollet VII..	12109-12139 Nicollet Avenue South, Burnsville, MN
Burnsville Bluffs...	11351 Rupp Drive, Burnsville, MN
Pillsbury Business Center...	8300-8324 Pillsbury Avenue South, Bloomington, MN
Bloomington Business Plaza.....................................	9201 East Bloomington Freeway, Bloomington, MN
Thresher Square..	700 & 708 South 3rd Street, Minneapolis, MN
Wirth Corporate Center..	4101 Dahlberg Drive, Golden Valley, MN
Brenwood Office Complex 1, 2, 3 & 4.........................	5620, 5640, 5700, 5720 Smetana Drive, Minnetonka, MN

Effective July 1, 2003, Hoyt Properties, Inc. will no longer manage 2030 Cliff Road. The Company will manage such property directly.

As compensation for its services, Hoyt Properties receives a monthly fee of 5% percent of the gross rental income, provided that such management fee is reimbursable by the buildings tenants pursuant to the tenants lease agreement. In the event that the Company is not reimbursed for such fee by a tenant and must pay such fee from our rent proceeds, the annual fee is 3.5% of the gross rental proceeds. In addition to such management fee, Hoyt Properties is paid a separate fee for leasing space to tenants at each location. Any leasing commissions earned by Hoyt Properties are not reimbursed by the buildings tenants. The leasing commission rates are set forth in a written contract between the Company and Hoyt Properties.

Each of the written management and leasing contracts with Hoyt Properties commenced on April 1, 2001, with the exception of the contracts for Bloomington Business Plaza, which commenced on October 1, 2001, Thresher Square, which commenced on January 2, 2002, Wirth Corporate Center, which commenced on April 1, 2002, and Brenwood Office Complex, which commenced on October 1, 2002. All such contracts may be terminated by either party on 30 days written notice for any reason and without penalty. In Fiscal 2003, the Company paid management fees to Hoyt Properties in the amount of $503,976, 99.9% of which has been reimbursed by the tenants. Additionally, during that same period, the Company paid leasing commissions to Hoyt Properties in the amount of $179,553. The Company believes that all of the terms of the management contracts are commercially reasonable and are on terms no less favorable than we could have obtained from unrelated property management firms.

Acquisition of Brenwood Office Complex from Steven B. Hoyt, Marisa Moe and Natalie Hoyt

During Fiscal 2003, the Company acquired four commercial buildings from affiliates of Steven B. Hoyt, a member of the Board. On October 1, 2002, the Company acquired a 51% ownership interest in IRET-BD, LLC, a Minnesota limited liability company, for $13,107,000, with the total joint venture project having an independent third-party appraised value of $25,700,000. The joint venture partners are Steven B. Hoyt, Marisa Moe and Natalie Hoyt, who own 29.44%, 9.8% and 9.8% respectively. Marisa Moe and Natalie Hoyt are the adult daughters of Steven B. Hoyt. Steven B. Hoyt, Natalie Hoyt and Marisa Moe acquired their respective interest in the joint venture by contributing a parcel of real estate known as Brenwood Office Complex located at 5620 in Minnetonka, Minnesota, which was previously acquired on February 1, 2002, by Steven Hoyt, Natalie Hoyt and Marisa Moe for a purchase price of $12,500,000. This transaction required the approval of a majority of the Board and a majority of the independent members of the Board. Such approval was obtained on August 21, 2003. The office complex was appraised by an independent third-party MAI appraiser on September 13, 2002, at $13,900,000. In addition to the purchase price, the joint venture incurred acquisition costs of $186,436.

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The project consists of the four office buildings contributed by Steven B. Hoyt, Marisa Moe and Natalie Hoyt, as well as three industrial/warehouse buildings purchased by the joint venture on October 1, 2002, for $11,800,000. The individual properties are as follows:

Property	**Address**	**Year Built**	**Leasable Square Footage**	**Floors**
Brenwood I	5720 Smetana Drive, Minnetonka, MN	1979/80	50,150	4
Brenwood II	5700 Smetana Drive, Minnetonka, MN	1979/80	51,077	4
Brenwood III	5640 Smetana Drive, Minnetonka, MN	1979/80	38,065	3
Brenwood IV	5620 Smetana Drive, Minnetonka, MN	1979/80	37,625	3
4121 Dixon Avenue	Des Moines, IA	1977	177,431	1
4141 Dixon Avenue	Des Moines, IA	1977	263,196	1
4161 Dixon Avenue	Des Moines, IA	1979	164,084	1

The Companys 51% interest in the joint venture was acquired by contributing cash in the amount of $1,546,765, with the balance paid by the assumption, joint and severally with the joint venture partners, of existing debt with an unpaid principal balance of $22,729,238 as of October 1, 2002. The assumed debt consists of a loan from Allstate Life Insurance Company secured by a first mortgage on the Brenwood Office Complex, with an unpaid principal balance $8,769,176 as of October 1, 2002, bearing interest at a fixed rate of 8.1%, and amortized over 25 years with monthly installment payments of $70,061, with a final payment of all outstanding principal due on October 1, 2010.

The balance of the assumed debt of $5,254,037 on April 30, 2003, currently consists of two short-term unsecured promissory notes from us as the managing member. Both notes bear interest at a variable rate equal to the Prime Rate plus 150 basis points or 1.5%. The rate is currently 6.0% with a provision that the rate may never be below 6.0%. The joint venture secured permanent fixed financing from a third party lender covering the Dixon Avenue location.

As of April 30, 2003, the Brenwood Office Complex is 81% leased to approximately 25 different tenants, with remaining lease terms of one month to five years. No one tenant occupies more than 22% of the total leasable space. As of April 30, 2003, the three Dixon Avenue buildings are 93% leased to nine different tenants, with remaining lease terms of one month to five years. No one tenant occupies more than 32% of the total leasable space.

Charles Wm. James - Ripley and Excelsior Options

On February 1, 2003, the Company entered into a merger agreement with the T. F. James Company. As part of the merger agreement, two affiliated entities of the T. F. James Company, Thomas F. James Realty Limited Partnership, L.L.L.P. and Thomas F. James Properties, LLC, were granted the right to purchase certain real property acquired by the Company as a result of the merger. Charles Wm. James, a member of the Board, has an ownership interest in each of Thomas F. James Realty Limited Partnership, L.L.L.P. and Thomas F. James Properties, LLC, of less than ten percent. Both agreements required the approval of a majority of the Board and a majority of the independent members of the Board. Such approval was obtained on February 12, 2003. Under the terms of the agreement, the Thomas F. James Realty Limited Partnership, L.L.L.P. purchased a parcel of property located in Ripley, Tennessee for $250,000. The agreement further provides that Thomas F. James Properties, LLC has the option, but not the obligation, to purchase a commercial strip mall located in Excelsior, Minnesota, for the sum of $900,000, plus an annual Consumer Price Index increase from February 2003 until the date the option is exercised. The option purchase price is equal to the price the Company paid at closing on February 1, 2003. The purchase price is equal to the value set by an independent appraisal. Until such time as the option is exercised, the Company will continue to operate the property and collect all rents from the tenants.

Director and Executive Officer Loans

As a result of the acquisition of Odell-Wentz & Associates, L.L.C., the company that acted as advisor prior to July 1, 2000, the Company assumed a note receivable from Mr. Mihalick in the amount of $101,001.80. Proceeds of said note were used to purchase Shares. The note bears interest at New York Prime less 1% and is payable on demand. The note was paid in full by Mr. Mihalick on October 4, 2002, including principal and interest in the amount of $92,769.

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On January 16, 2002, the Board authorized an UPREIT unit loan program that was available to persons holding $1.0 million or more of IRET Properties limited partnership units. Under such loan program, the Company could lend up to 50% of the value of the borrowers limited partnership units, with such value to be based on the closing price of the Shares on the NASDAQ National Market on the date of the loan. Such loans were to be for terms of two years or less, secured by the borrowers limited partnership units in IRET Properties and at a variable interest rate of 1.5% over the interest rate charged to us by a participating lender. The interest rate adjusted on the first of each month. In connection with such loans, the Company charged a .5% loan fee.

On January 30, 2002, a loan in the amount of $3.5 million was made to Steven B. Hoyt, a member of the Board. The Board approved such loan. The terms of the loan required Mr. Hoyt to make quarterly interest payments beginning April 1, 2002, with the full balance of the principal sum due on or before January 31, 2004. The initial interest rate was equal to the Wall Street Journal Prime Rate as of January 31, 2002, plus 1.5%, which equaled 6.25%. Mr. Hoyt paid a $17,500 loan fee to the Company at the loan closing on January 30, 2002. On March 31, 2002, Mr. Hoyt made his first required interest payment of $35,958.90. On June 30, 2002, Mr. Hoyt made his second required quarterly interest payment of $54,537.67. On October 1, 2002, Mr. Hoyt repaid the loan in full in the amount of $3,500,000 plus accrued interest in the amount of $55,136.99.

Security Sale Services

D.A. Davidson & Co. is a corporation that has, and may in the future, on a best-efforts basis, participated in offerings of the Companys Shares. John F. Decker, a member of the Board, is an employee of D.A. Davidson. In the Companys two most recent offerings, D.A. Davidson & Co. participated as a member of the selling syndicate and sold 600,000 and 700,000 Shares, respectively. In connection with such offerings during the fiscal year ended April 30, 2002, the Company authorized and paid D.A. Davidson commissions in the amount of $490,000, and reimbursed it for legal and travel expenses in the amount of $4,814. Of these amounts, Mr. Decker personally received $37,370 in compensation from D.A. Davidson in connection with such offerings. The Company did not pay any commissions or expenses to D.A. Davidson during the fiscal year ended April 30, 2003.

COMPENSATION COMMITTEE REPORT ON COMPENSATION OF EXECUTIVE OFFICERS

General

The Compensation Committee of the Board (the Committee) administers the Companys executive compensation program. The Committee is composed entirely of independent trustees.

The objective of the Companys executive compensation program is to develop and maintain executive reward programs that contribute to the enhancement of shareholder value while attracting, motivating and retaining key executives who are essential to the long-term success of the Company. As discussed in detail below, the Companys executive compensation program consists of both fixed (base salary) and variable (incentive) annual compensation elements. Variable compensation consists of an annual cash bonus awarded from the annual incentive bonus program described below. Each year, the Committee evaluates executive compensation by reviewing the following: (i) the Companys performance during the year, (ii) individual performance during the year based on previously defined objectives, and (iii) compensation data of companies that are considered to be similar to the Company for performance purposes.

Base Salary

Base salaries for the executive officers of the Company, including the Chief Executive Officer, are designed to compensate such individuals for their sustained performance. For the calendar year ended December 31, 2002, base salaries were established by evaluating the responsibilities of the position held, the experience of the particular individual, a comparison of salaries paid for comparable positions by other companies in the real estate industry and the Committees desire to achieve the appropriate mix between fixed compensation and incentive based compensation. Salary information for companies that are similar to the Company was obtained by reference to the public disclosures made in the Securities and Exchange Commission (SEC) filings by such companies.

It is the Companys policy that base salaries of the executive officers, including the Chief Executive Officer, will generally be increased on January 1 of each year by the greater of the consumer price index (CPI) or five

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percent (5%). Such increase may be increased or decreased, at the discretion of the Committee, based on, among other things, the individuals performance over the past year, changes in the individuals responsibility or necessary adjustments to maintain base salaries that are competitive with industry practices and similar companies. For the calendar year beginning January 1, 2003, executive base salaries were increased by 3%, as opposed to the greater of the CPI or 5%, because the Company experienced a larger than anticipated increase in health insurance and the Company pays 100% of such insurance for its executive officers.

Incentive Bonus Program

The annual cash incentive bonus program is designed to provide incentive compensation to the Companys employees, including the Chief Executive Officer, by linking bonus compensation to the Companys annual performance. The Company considers Funds From Operations (FFO) to be a useful measure of performance for an equity real estate investment trust (REIT). As such, the Company has created an incentive bonus program wherein a bonus pool is established in an amount equal to ten percent (10%) of the Companys increase in Funds From Operation (FFO) per diluted Share. Such increase in FFO is based on an equivalent basis each fiscal year, with such calculation approved by the Committee. The bonus pool is capped at an amount equal to the total base salaries of the top three highly compensated executive officers and no one person may be awarded more than 40% of the total bonus pool in any one year. The Chief Executive Officer and the Chief Operating Officer are responsible for determining the amount to be granted to each executive officer and each employee based on the achievement of predetermined objectives agreed upon by the employee and the Committee prior to the start of each fiscal year. Approximately 75% of the bonus pool is paid out on or before May 15 of each year, with the remaining 25% paid out upon the completion of the Companys annual financial report. The Summary Compensation Table shows the bonuses paid under the annual cash incentive bonus program to the Companys Chief Executive Officer and the other Named Executive Officers during the year ended April 30, 2003.

Executive base salary is not based on the Companys annual performance. Rather, base salary is based on what pay level is necessary to attract and retain executives capable of properly managing the Companys daily operations and functions. Regardless of the Companys performance, base salary will only increase or decrease to the extent necessary to attract and retain executives who possess the skills necessary to effectively manage the Companys daily operations. The Board does not use base salary as a reward for performance. The annual bonus program as described above is the only form of compensation tied to company performance. If the Company increases its FFO from the prior year, the executives are rewarded accordingly. If the Companys performance does not improve, there is no bonus. For the fiscal year ending April 30, 2003, the Companys FFO did not increase from the prior year. As a result, the Compensation Committee has determined that there will be no incentive bonus paid for the fiscal year ended April 30, 2003. The bonus payment disclosed in this proxy statement is based on the Companys financial performance for the fiscal year ending April 30, 2002, during which the Companys FFO increased by 29.9%.

The current compensation program is policy only and may be changed by the Board at anytime without notice to or approval by the shareholders. The Company is in a very competitive industry where success is based largely on the ability of senior management to properly identify, acquire, and manage real estate properties. Therefore, to properly manage and grow the Company, it may be necessary to increase the base salary and cash incentive bonus program in order to attract and retain qualified executives.

Members of the Compensation Committee

C. Morris Anderson
Daniel L. Feist
Jeffrey L. Miller

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REPORT OF THE AUDIT COMMITTEE

The Audit Committee of the Board (the Audit Committee) oversees the Companys financial reporting process on behalf of the Board. Management has the primary responsibility for the financial statements and the reporting process, including the systems of internal controls.

In fulfilling its oversight responsibilities, the Audit Committee reviewed with management the audited financial statements, including a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements. The Audit Committee reviewed with the Companys independent auditors, Brady, Martz & Associates, P.C., who is responsible for expressing an opinion on the conformity of those audited financial statements with auditing standards generally accepted in the United States of America, the independent auditors judgment as to the quality, not just the acceptability, of the Companys accounting principles and such other matters as are required to be discussed with the Audit Committee under generally accepted auditing standards and, specifically, under SAS 61. Additionally, the Audit Committee discussed with the independent auditors their independence from management and the Company, including the matters in the written disclosures and the letter from the independent accountants required by the Independence Standards Board Standard No. 1, and has considered the compatibility of non-audit services with the auditors independence.

The Audit Committee discussed with the Companys internal and independent auditors the overall scope and plans for their respective audits. The Audit Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Companys internal controls, and the overall quality of the Companys financial reporting.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board approved, that the audited financial statements be included in the Annual Report on Form 10-K for the year ended April 30, 2003, for filing with the SEC. The Audit Committee and the Board have also recommended, subject to shareholder approval, the selection of the Companys independent auditors.

The Audit Committee is governed by a written charter that was approved by the Board on May 10, 2000, and is attached as Exhibit A to the Definitive Proxy Statement on Schedule 14A dated August 10, 2001.

Members of the Audit Committee

Daniel L. Feist
Patrick G. Jones
Stephen L. Stenehjem

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COMPARATIVE STOCK PERFORMANCE

Set forth below is a graph that compares, for the five fiscal years ended April 30, 2003, the cumulative total returns for the Shares with the comparable cumulative total return of two indexes:

- Standard and Poors (S&P) 500 Stock Index; and
- The NAREIT Equity Index, which is an index prepared by the National Association of Real Estate Investment Trusts (NAREIT), which includes all tax qualified equity REITs listed on the New York Stock Exchange, the American Stock Exchange and the NASDAQ National Market.

The performance graph assumes that on May 1, 1998, $100 was invested in the Shares (at the closing price of the previous trading day) and in each of the indexes. The comparison assumes the reinvestment of all distributions.

April 30,	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**
IRET	100	111.13	124.47	148.23	180.73	187.82
S&P 500	100	121.82	134.16	116.76	102.02	88.44
NAREIT	100	89.28				