

INVESTORS REAL ESTATE TRUST
Form S-3
June 23, 2016
[Table of Contents](#)

As filed with the Securities and Exchange Commission on June 23, 2016

Registration No. -

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form S-3

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

Investors Real Estate Trust

(Exact name of registrant as specified in its charter)

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

45-0311232
(I.R.S. Employer Identification No.)

1400 31st Avenue SW, Suite 60

Minot, ND 58702

(701) 837-4738

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(Address, including zip code, and telephone number, including area code,

of registrant's principal executive offices)

Timothy P. Mihalick

President and Chief Executive Officer

Investors Real Estate Trust

1400 31st Avenue SW, Suite 60, P.O. Box 1988

Minot, ND 58702

(701) 837-4738

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

Copies to:

Joy S. Newborg, Esq.

Associate General Counsel

800 LaSalle Avenue, Suite 1600

Minneapolis, MN 55402

(952) 401-6600

Approximate date of commencement of proposed sale to the public: From time to time after the registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of earlier effective registration statement for same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for same offering.

If this Form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

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 Accelerated filer Non-accelerated filer Smaller reporting company

CALCULATION OF REGISTRATION FEE

Title of securities to be Registered	Amount to be registered (1)	Proposed Maximum offering price per share(2)	Proposed maximum aggregate offering price (2)	Amount of Registration fee (3)(4)
Common Shares of Beneficial Interest, no par value	4,710,432 shares(3)	\$ 6.24	\$ 29,393,095.68	\$ 0

(1) Pursuant to Rule 416 promulgated under the Securities Act of 1933, as amended (the "Securities Act"), this registration statement shall also cover any additional common shares which become issuable as a result of adjustment by reason of any share dividend, share split, recapitalization or similar transaction.

(2) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) of Regulation C under the Securities Act, based on the average of the high and low sales prices for the Registrant's common shares, as reported on the New York Stock Exchange on June 17, 2016, which was within five business days prior to the date of filing of this Registration Statement on Form S-3.

(3) Pursuant to Rule 415(a)(6) under the Securities Act, this Registration Statement includes 5,289,568 common shares previously registered on the prospectus supplement filed with the Commission on October 27, 2014 to the now expiring Form S-3 (No. 333-189637) filed with the Commission on June 27, 2013, which became effective on October 27, 2014 ("prior DRIP registration statement"), which remain unsold by the Registrant. The Registrant had paid a filing fee of \$4,941.77 for such unsold common shares, which will continue to be applied to such unsold shares pursuant to Rule 457(p) under the Securities Act. Pursuant to Rule 415(a)(6), the offering of unsold shares under the prior DRIP registration statement will be deemed terminated as of the effective date of this Registration Statement.

(4) Pursuant to Rule 457(p) under the Securities Act, a portion of the filing fees with respect to \$75,000,000 of unsold securities from the Registrant's prospectus supplement filed with the Commission on August 30, 2013 to the now expiring Form S-3 (No. 333-189637) filed with the Commission on June 27, 2013, which became effective on August 30, 2013 ("prior ATM registration statement"), are being applied towards this Registration Statement for the additional 4,710,432 common shares ("additional common shares"). The prior ATM registration statement registered common shares for a proposed maximum aggregate offering price of \$75,000,000. As of the expiration of the prior ATM registration statement, the Registrant had not sold any of the \$75,000,000 of common shares, resulting in an unused registration fee of \$10,230. Pursuant to Rule 457(p) under the Securities Act, \$2,959.88 of such previously paid registration fee is being applied to the additional common shares registered on this Registration Statement.

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

Table of Contents

The information contained in this Prospectus is not complete and may be changed. The selling shareholders named in this Prospectus may not sell the securities covered by this Prospectus until the registration statement filed with the Securities and Exchange Commission, of which this Prospectus is a part, is declared effective. This Prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where such an offer or sale is not permitted.

Subject to Completion, Dated June 23, 2016

PROSPECTUS

**DISTRIBUTION REINVESTMENT AND SHARE PURCHASE PLAN
10,000,000 Common Shares of Beneficial Interest**

Investors Real Estate Trust's (IRET) Distribution Reinvestment and Share Purchase Plan (the plan) provides new investors, existing holders of our common shares of beneficial interest (the common shares) and existing holders of the limited partnership units (units) of our operating partnership, IRET Properties, a North Dakota Limited Partnership (IRET Properties), a convenient way to purchase our common shares by permitting participants in the plan to automatically reinvest cash distributions on all or a portion of their common shares and units (subject to a minimum reinvestment percentage of 10%) and to make voluntary cash contributions under the terms of the plan. Participation in the plan is entirely voluntary, and shareholders and unitholders may join or terminate their participation in the plan at any time. Shareholders and unitholders who do not choose to participate in the plan will continue to receive cash distributions on their common shares and units when, as and if declared, in the usual manner. Beneficial owners of our common shares whose shares are registered in names other than their own (i.e. by brokers, banks or other nominees) may join the plan by having the shares they wish to enroll in the plan transferred to their own names, or by arranging for the holder of record to join the plan.

This prospectus relates to 10,000,000 common shares registered for purchase under the plan and makes certain amendments to our existing plan. Current plan participants automatically will continue to participate in the plan.

Common shares purchased under the plan will either be issued by us or purchased from third parties on the open market or in privately negotiated transactions. We may, in our sole discretion, determine the source from which common shares will be purchased under the plan. However, we expect these shares to be primarily shares issued by us.

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In our sole discretion, common shares purchased directly from us under the plan may be purchased at a discount (purchase price discount) ranging from 0% to 5% of the market price for our common shares at the time of purchase, and will provide us with additional capital for general corporate purposes. Common shares purchased under the plan through open market or privately negotiated transactions are not eligible for the purchase price discount, and the purchase price for such shares will be equal to the weighted average price (excluding brokerage commissions) of all common shares acquired in such manner on the distribution payment date, investment date or during the investment period, as applicable. Common shares purchased directly from us pursuant to an approved request for waiver of the monthly volume limit as described in this prospectus will be at the volume weighted average price, rounded to four decimal places, of our common shares, as traded on the New York Stock Exchange (NYSE) only during regular NYSE hours on the applicable trading days, and may be eligible for a purchase price discount. We may change or eliminate any purchase price discount at any time in our sole discretion.

To the extent required by applicable law in any jurisdiction, common shares offered under the plan to persons not presently common shareholders of record are offered only through a registered broker-dealer in such jurisdiction.

Table of Contents

A summary of the plan is provided in this prospectus in a question and answer format. We encourage you to read it carefully. If you have any additional questions, please call us at (701) 837-4738. We recommend that you retain this prospectus for future reference.

Our common shares are traded on the New York Stock Exchange under the symbol IRET. On June 17, 2016, the last reported sale price of our common shares was \$6.35 per share. Our principal executive office is located at 1400 31st Avenue SW, Suite 60, Minot, North Dakota 58702, telephone number (701) 837-4738, facsimile number (701) 838-7785 and web site: www.iret.com.

The information set forth on, or otherwise accessible through, our web site is not incorporated into, and does not form a part of, this prospectus or any other report or document we file with or furnish to the Securities and Exchange Commission (SEC).

Investing in our common shares involves risks. See Risk Factors beginning on page 3 of this prospectus before purchasing our common shares.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS SUPPLEMENT IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus , 2016

Table of Contents

TABLE OF CONTENTS

<u>About This Prospectus</u>	3
<u>IRET</u>	3
<u>Risk Factors</u>	3
<u>Use of Proceeds</u>	4
<u>Plan of Distribution</u>	4
<u>Description of the Distribution Reinvestment and Share Purchase Plan</u>	5
<u>Distributions</u>	22
<u>Description of Shares of Beneficial Interest</u>	22
<u>Description of LP Units and Agreement of Limited Partnership of IRET Properties</u>	37
<u>Material Federal Income Tax Considerations</u>	40
<u>Legal Matters</u>	65
<u>Experts</u>	65
<u>Where You Can Find More Information</u>	65
<u>Incorporation of Certain Information by Reference</u>	66
<u>Special Note Regarding Forward-Looking Statements</u>	67

Table of Contents

ABOUT THIS PROSPECTUS

You should not assume that the information appearing in this prospectus is accurate as of any date other than the date on the front of this prospectus. Our business, financial condition, results of operations and prospects may have changed since then. Updated information may have been subsequently provided as explained in this prospectus under **Where You Can Find More Information** and **Incorporation of Certain Documents by Reference**.

It is important for you to read and consider all of the information contained in this prospectus in making your decision to invest in our common shares. You should also read and consider the information in the documents we have referred you to in **Where You Can Find More Information** and **Incorporation of Certain Documents by Reference**. If you are a participant in the plan or if you decide to participate in the future, then please keep this prospectus with your investment records, since it contains important information about the plan.

You should rely only on the information contained or incorporated by reference in this prospectus. We have not authorized any other person to provide you with different or additional information. If anyone provides you with different or additional information, you should not rely on it. This prospectus may only be used where it is legal to sell these securities.

As used in this prospectus, references to **we**, **our**, **us**, **the Company**, **IRET** and similar references are to Investors Real Estate Trust and its consolidated subsidiaries, unless otherwise expressly stated or the context otherwise requires. References to **common shares** are to our common shares of beneficial interest, no par value. References to **Series A preferred shares** are to our 8.25% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value. References to **Series B preferred shares** are to our 7.95% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, no par value. References to **shares of beneficial interest** are to all of our shares of beneficial interest including, without limitation, our common shares, our Series A preferred shares, our Series B preferred shares and any other shares of beneficial interest that we may issue in the future. References to **units** are to the limited partnership units of our operating partnership, IRET Properties.

IRET

We are a self-administered equity real estate investment trust (**REIT**) organized under the laws of North Dakota, and began operations in July 1970. Our business consists of acquiring, owning and leasing income-producing properties located primarily in the upper Midwest. Our investments consist of multifamily residential properties, consisting of apartment buildings, complexes and communities; healthcare properties, including senior housing; industrial; and other commercial properties. Our primary source of income and cash is rents associated with multifamily residential and commercial property leases.

We operate in a manner intended to enable us to maintain our qualification as a REIT under the Internal Revenue Code of 1986, as may be amended (**Code**). We are structured as an Umbrella Partnership Real Estate Investment Trust, or UPREIT, where we own our assets and conduct our day-to-day business operations through an operating partnership, IRET Properties, a North Dakota Limited Partnership, of which IRET, Inc., a North Dakota corporation and our wholly-owned subsidiary, is the sole general partner.

RISK FACTORS

An investment in our common shares involves certain risks that could affect us and our business, as well as the real estate industry generally. Please see **Risk Factors** beginning on page 10 of our Annual Report on Form 10-K for the fiscal year ended April 30, 2015, which is incorporated by reference herein, as well as the risks, uncertainties and additional information set forth in our SEC reports on Forms 10-K, 10-Q and 8-K and in the other documents incorporated by reference in this prospectus, to read about factors you should consider before investing in our common shares. Much of the business information and financial and operational data contained in our risk factors are updated in our periodic reports, which are also incorporated by reference into this prospectus. We cannot assure you of a profit or protect you against a loss on the common shares that you purchase under the plan.

In addition, below are additional risks associated with participation in the plan:

Table of Contents

You will not know the price of the common shares you are purchasing under the plan at the time you authorize the investment or elect to have your distributions reinvested. Although we describe generally in this prospectus how the price of any common shares purchase under the plan will be determined, you will not know the actual price of those common shares at the time you authorize the investment or elect to have your distributions reinvested.

The price of our common shares may fluctuate between the time you decide to purchase our common shares under the plan and the time of the actual purchase. In addition, during this time period, you may become aware of additional information that might affect your investment decision. If you decide to withdraw from the plan, the market price of our common shares may decline between the time you decide to withdraw and the time your common shares are transferred or you receive a certificate evidencing your plan shares.

The market price of our common shares may be volatile due to numerous circumstances beyond our control. The trading prices of equity securities issued by REITs historically have been affected by changes in market interest rates. Another factor that may influence the price of our common shares is the annual yield from distributions on our common shares as compared to yields on other financial instruments. An increase in market interest rates, which may lead prospective purchasers of our common shares to demand a higher annual yield, or a decrease in our distributions to shareholders could reduce the market price of our common shares. Other factors that could affect the market price of our common shares include, but are not limited to, the following:

- actual or anticipated variations in our quarterly results of operations;
- changes in market valuations of companies in the real estate industry;
- changes in expectations of future financial performance or changes in estimates of securities analysts;
- fluctuations in stock market prices and volumes;
- issuances of our common shares or other securities in the future;
- the addition or departure of key personnel; and
- announcements by us or our competitors of acquisitions, investments or strategic alliances.

USE OF PROCEEDS

We will only receive proceeds from the sale of common shares purchased directly from us under the plan. We will not receive any proceeds from the purchase of shares in the open market or in privately negotiated transactions. We have no basis for estimating either the number of common shares that may be issued by us under the plan or the prices that we will receive for such common shares. Any net proceeds we receive

will be used for general corporate purposes, which may include one or more of the following:

- repayment of debt,
- acquisition of additional properties,
- funding our development and redevelopment pipeline,
- redemption of preferred shares,
- working capital and
- other general corporate purposes.

PLAN OF DISTRIBUTION

The common shares acquired under the plan will be either issued by us or acquired in the open market or in privately negotiated transactions. If you acquire common shares through the plan and resell them shortly before or after acquiring them (including covering short positions), under certain circumstances you may be participating in a distribution of securities that would require your compliance with Regulation M under the Exchange Act, and you may be considered to be an underwriter within the meaning of the Securities Act. We will not extend to you any rights or privileges other than those to which you would be entitled as a participant in the plan, nor will we enter into any agreement with you regarding your purchase of those common shares or any resale or distribution of those common shares. We may, however, accept voluntary cash contributions and initial investments made pursuant to requests for waiver of the monthly volume limit.

Table of Contents

In connection with the administration of the plan, we may be requested to approve investments made pursuant to requests for waiver of the monthly volume limit by or on behalf of existing shareholders and new investors who may be engaged in the securities business. Additionally, any person acquiring common shares directly from us at a purchase price discount may capture the discount by reselling the common shares shortly thereafter. We have not entered into any agreements with any financial intermediary or other person to engage in such arrangements. We anticipate that the availability of a purchase price discount may encourage some participants in the plan to purchase more common shares than they would purchase without a purchase price discount, but we have no basis to quantify the extent to which additional common shares will be purchased because of any purchase price discount. We reserve the right to modify, suspend or terminate participation in the plan by otherwise eligible persons to eliminate practices that are inconsistent with the purpose of the plan.

We will pay all brokerage commissions and administrative fees in connection with common shares acquired in open market or privately negotiated transactions. Those participants whose common shares are held by a broker or other nominee most likely will incur some fees and costs. Brokers and nominees may impose charges or fees in connection with their handling of participation in the plan by nominee and fiduciary accounts. Additionally, if a participant requests plan shares to be certificated, the Plan Administrator may charge a handling fee.

DESCRIPTION OF THE DISTRIBUTION REINVESTMENT AND SHARE PURCHASE PLAN

The following questions and answers constitute the plan. **You should read this prospectus carefully before electing to participate in the plan and retain it for future reference.**

Purpose and Administration:

1. *What is the purpose of the plan?*

The purpose of the plan is to primarily benefit long-term investors who want to increase their investment in our common shares by providing them a convenient and economical way to purchase our common shares. Under the plan, our common shares can be purchased with either voluntary cash contributions and/or reinvested cash distributions paid on our common shares and units. In addition, in our sole discretion, common shares that are acquired directly from us as newly issued common shares may be issued at a discount to the market price of our common shares at the time of purchase, ranging from 0% to 5% (purchase price discount).

2. *Who administers the plan?*

The plan is administered by the Plan Administrator, American Stock Transfer & Trust Company, LLC (AST), or such successor plan administrator as we may designate. The Plan Administrator keeps records, sends statements of account to participants and performs other duties relating to the plan. They also act as the distribution disbursing agent, transfer agent and registrar for our common shares. Correspondence with the Plan Administrator should be sent to:

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American Stock Transfer and Trust Company, LLC
Attention: Investors Real Estate Trust Distribution Reinvestment and Share Purchase Plan
P.O. Box 922
Wall Street Station
New York, NY 10269-0560
Telephone: 1-888-200-3167

We reserve the right to appoint a new Plan Administrator at any time, and may administer the plan ourselves.

You can obtain information about your AST account over the Internet, except for AST accounts registered in the name of an entity. To gain access, you will be required to use your account number and tax ID number. You may request your account number by calling the Plan Administrator at the telephone number above.

Table of Contents

3. *Who interprets and regulates the plan?*

We are authorized to issue such interpretations, adopt such regulations and take such action as we may deem reasonably necessary to effectuate the plan. Any action to effectuate the plan taken by us in the good faith exercise of our judgment will be binding on all plan participants.

4. *Can the plan be modified or terminated?*

While we expect to continue the plan indefinitely, we may amend, suspend or terminate the plan at any time, but such action shall have no retroactive effect that would prejudice your interests. All participants will receive notice of any such action. We also reserve the right to adopt, and from time to time change, such administrative rules and regulations (not inconsistent in substance with the basic provisions of the plan then in effect), as we deem desirable or appropriate for the administration of the plan.

If the plan is terminated, the Plan Administrator will transfer your common shares in DRP form as directed by you or, at your request, you will receive (a) a certificate for all whole common shares held in your account and (b) a check representing the value of any fractional common share held in your account and any uninvested cash distributions held in the account.

5. *Are there any costs to me for participating in the plan?*

We will pay, on behalf of plan participants, any applicable brokerage fees in connection with the purchase of common shares under the plan. In addition, we will pay all costs of administration of the plan. However, those participants whose common shares and/or units are held by a broker or other nominee most likely will incur some fees and costs. Brokers and nominees may impose charges or fees in connection with their handling of participation in the plan by nominee and fiduciary accounts. Additionally, if a participant requests plan shares to be certificated, we may charge a handling fee.

Eligibility to Participate

6. *Who is eligible to participate in the plan?*

- All holders of record of our common shares.
- All holders of record of units.

- New investors who make an initial cash investment of at least \$250 but not more than \$10,000 (unless this investment limit is waived by us). See Question for more details.
- Beneficial owners whose common shares and/or units are registered in names other than their own (for instance, in the name of a broker or bank nominee) may participate only if their broker or nominee offers the option of participating in the plan or the beneficial owner requests his or her bank, broker or trustee to transfer all or some of the common shares into the beneficial owner's own name in order to allow participation in the plan. Beneficial owners should consult directly with the entity holding their common shares to determine if they can enroll in the plan or if they need to transfer the common shares.

7. *Are there restrictions and limitations on participation?*

- Foreign Law Restrictions. If you are a citizen or resident of a country other than the United States, its territories and possessions, you should make certain that your participation in the plan does not violate local laws governing such things as taxes, currency and exchange controls, stock registration and foreign investments applicable to us, the plan and you as a participant.
- Ownership Limitations.
- In order to maintain our qualification as a REIT, not more than 50% in value of our outstanding shares of beneficial interest may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities). As a result, our Declaration of Trust prohibits any shareholder

Table of Contents

from owning over 9.8% of the lesser of the number or value of our outstanding shares, unless waived by us. If any shareholder acquires or is deemed to have acquired more than 9.8% of our outstanding shares, under the plan or otherwise, then (among other consequences) the number of shares owned by such shareholder that exceed the 9.8% ownership limit will be automatically transferred to a trust, the beneficiary of which will be a qualified charitable organization selected by us and the purported transferee will acquire no rights in the shares. At the direction of our board of trustees, the trust will thereafter sell the shares and remit to such shareholder the lesser of the price paid by such shareholder for the shares or the proceeds received by the trust for the shares, minus any expenses or compensation due to the trust. We reserve the right to invalidate any purchases made under the plan that we determine, in our sole discretion, may violate the 9.8% ownership limit. Any approval of a waiver to the investment limitation will not be deemed a waiver of the 9.8% ownership limit.

- If the number of shares on which distributions are reinvested falls below one share, your participation in the plan will be terminated automatically and a check will be sent to you for any fractional share remaining.
- Our Right to Terminate and/or Restrict Participation. We reserve the right to modify, suspend or terminate participation in the plan by otherwise eligible holders of common shares and units in order to eliminate practices which we determine, in our sole discretion, are not consistent with the purposes or operation of the plan or which may adversely affect the market price of our common shares. In addition, we reserve the right to restrict your participation in the plan for any other reason. We have the sole discretion to exclude you from, or terminate your participation in, the plan.

Sources of Common Shares to be Purchased

8. *What are the sources for the common shares to be purchased under the plan?*

Common shares purchased on your behalf under the plan will be either issued directly by us from our authorized but unissued shares, or purchased from third parties on the open market or in privately negotiated transactions. We may, in our sole discretion, determine the source from which common shares will be acquired under the plan, which may change from time to time. However, we expect these shares to be primarily issued by us.

Advantages and Disadvantages to Participation

9. *What are the advantages and disadvantages of the plan?*

Before deciding whether to participate in the plan, you should consider the following advantages and disadvantages.

Advantages:

- You may have the opportunity to reinvest your cash distributions on all or a portion of your common shares and units (subject to a minimum reinvestment percentage of 10%) to purchase additional common shares at a discount from the market price when such shares are issued directly by us.
- You may have the opportunity to make a voluntary cash contribution (subject to a minimum of \$250 and a maximum of \$10,000 per month (investment limitation) or, with our pre-approval, in excess of the investment limitation) to purchase our common shares at a discount from the market price when such shares are issued directly by us.
- You are not required to pay brokerage commissions or other expenses in connection with the purchase of common shares under the plan, including purchases from third parties on the open market or in privately negotiated transactions.

Table of Contents

- The plan permits whole and fractional common shares to be purchased from the reinvestment of cash distributions and voluntary cash contributions.
- By participating in the plan, you avoid the necessity of safekeeping certificates representing the common shares credited to your AST account, and thus have increased protection against loss, theft or destruction of such certificates.
- A regular statement for each participating AST account will provide you with a record of each transaction.

Disadvantages:

- You will bear the risks of fluctuation in the market price of our common shares. Therefore, you may not know the actual number of common shares purchased under the plan until after the Distribution Payment Date (as applicable for reinvestment of cash distributions) or the Investment Date or Investment Period (as applicable for voluntary cash contributions).
- You will have no control over the prices at which common shares are purchased for your account or control over the source of the acquired shares: either newly issued, open market purchases or privately negotiated transactions. Therefore, you may not know if the shares purchased for your account were eligible for any purchase price discount until after the Distribution Payment Date (as applicable for reinvestment of cash distributions) or Investment Date or Investment Period (as applicable for voluntary cash contributions).
- You will not receive the purchase price discount on common shares acquired through open market or privately negotiated transactions.
- The granting of a purchase price discount in any one month or quarter will not ensure the availability of a purchase price discount or the same purchase price discount in future months or quarters. Each month or quarter, we may, at our discretion, adjust or eliminate purchase price discounts after providing notice, at least 30 days prior to the next Investment Date, on our website, www.iret.com, in the Distribution Reinvestment and Share Purchase Plan section of the website.
- Any purchase price discount may create additional taxable income to you.

- If cash distributions are reinvested to purchase common shares on the open market, brokerage commissions or other trading expenses paid by us will be taxable income to you.
- The reinvestment of cash distributions on common shares will generally be taxable as dividends to the extent of our earnings and profits, and may give rise to a liability for the payment of income tax without providing you with the corresponding cash to pay the tax when due.
- The reinvestment of cash distributions on units exceeding your adjusted tax basis in the units will be treated as an amount received on the taxable sale or exchange of your units and may give rise to income tax liability without providing you with the corresponding cash to pay the tax when due.
- We will not pay interest on voluntary cash contributions while the Plan Administrator holds them pending investment.
- If you make a voluntary cash contribution but later change your mind and want it returned to you, we are obligated to do so only if the Plan Administrator receives your written request not less than three business days prior to the applicable Investment Date.

Table of Contents

Enrollment in the Plan

10. *How can an eligible person enroll in the plan?*

If you currently own common shares and/or units, and such common shares and/or units are registered in your name, you may enroll in the plan by completing the Distribution Reinvestment and Share Purchase Plan Enrollment Form (Enrollment Form) and returning it to us, along with any other documentation requested by such form, as directed on the form. You may also enroll online at www.amstock.com by accessing your AST account, except for AST accounts registered in the name of an entity which accounts cannot be accessed online.

If you currently own common shares and/or units but such common shares and/or units are not registered in your name but rather are held in a brokerage, bank or other intermediary account, you should contact your broker, bank or other intermediary to determine whether they will participate in the plan on your behalf. If your broker, bank or nominee participates in the DTC reinvestment service, you should be able to request that your broker code your shares for dividend reinvestment to allow your distributions to be automatically reinvested through the plan. If your broker, bank or nominee does not participate in the DTC reinvestment service and will not participate in the plan, you will need to request the broker, bank or nominee to transfer the shares you wish to enroll in the plan into your own name and then enroll in the plan by completing the Enrollment Form, the New Account Enrollment Form (New Account Form) to set up a new account with AST and the Form W-9 and return to us, along with any other documentation requested by such forms, as directed on the Enrollment Form.

If you do not currently own common shares and/or units, you may enroll in the plan by completing the Enrollment Form, New Account Form and Form W-9, including any other documentation requested by such forms, and making an initial cash investment of at least \$250 but not more than \$10,000 (unless a waiver of the investment limitation is preapproved by us). Payment must be made by check made payable to us or by electing an automatic recurring deduction from one of the sources listed on the Enrollment Form. You may not send cash, money orders, travelers checks or third-party checks. Please allow approximately four to six weeks for your account to be established, initial shares to be purchased and a transaction confirmation to be mailed to you. No interest will be paid on amounts held by us pending investment.

If you are currently participating in the plan, your enrollment will be continued without sending another Enrollment Form.

When completing the forms, if the common shares and/or units are registered under more than one name (e.g., joint tenants, trustees, minors, etc.), all registered holders must sign the forms. We reserve the right to limit or combine accounts with identical taxpayer identification numbers and/or legal registrations. When completing the Form W-9, be careful to include your social security number or taxpayer identification number and complete the required certification. Failure to supply this information will result in backup withholding of a percentage (28%) of payments owed to you.

If you are one of our trustees, executive officers or an employee, you may not enroll in the plan during a Blackout Period or when you have Material Nonpublic Information about us, as defined and explained in more detail under our Insider Trading Policy.

11. *How can participants in the plan make changes to their enrollment in the plan?*

You may change your participation in the plan in any way by completing the Change in Enrollment Form and returning it to us, along with any other documentation requested by such form, as directed on the form. You can make such changes at any time. However, if you are one of our trustees, executive officers or an employee, you may not change your enrollment in the plan during a Blackout Period or when you have Material Nonpublic Information about us.

12. *How can participants withdraw from the plan?*

You may terminate your participation in the plan at any time by completing the Change in Enrollment Form and returning it to us as directed on the form.

Table of Contents

If you want to terminate your participation in distribution reinvestment, you will need to submit the completed form no later than three business days prior to the next Distribution Payment Date. If received after this date, the withdrawal and termination will not become effective until after such Distribution Payment Date and subsequent distributions will be paid in cash.

When terminating a plan account, you may request your broker to initiate a Direct Registration System (DRS) transaction to transfer the common shares, or you may request that a share certificate be issued for all whole common shares held in the account. The Plan Administrator may charge a handling fee in addition to the cost of certified mail for issuing certificates for shares. As soon as practicable after notice of withdrawal and termination is received, the Plan Administrator will issue the shares in DRS form as directed by you, or mail to you at the address of record (a) a certificate for all whole common shares held in your plan account and (b) a check representing the value of any fractional common share held in the account. After your request for withdrawal has become effective and your AST account has been terminated, all distributions for the terminated account will be paid to you in cash unless and until you re-enroll in the plan.

13. *When may a prior participant re-elect to participate in the plan?*

Generally, an eligible participant may re-elect to participate in the plan at any time by submitting a new Enrollment Form. However, we reserve the right to reject any Enrollment Form on the grounds of excessive withdrawal and re-election. Such reservation is intended to minimize unnecessary administrative expenses and to encourage use of the plan as a long-term investment service.

14. *Where can the applicable enrollment forms for the plan be obtained?*

You may obtain the necessary forms to enroll, change enrollment or to terminate enrollment in the plan by contacting either the Plan Administrator (see Question 2 for contact information) or us by calling (701) 837-4738 or toll free at 1-888-478-4738 or by writing: Investors Real Estate Trust, Attn: Shareholder Relations Department, 1400 31st Avenue SW, Suite 60, P.O. Box 1988, Minot, ND 58702-1988. Such forms are also available on our website, www.iret.com, under Investor Relations/Stock Information/Distribution Reinvestment & Share Purchase Plan. You may also visit the Plan Administrator's website, www.amstock.com, to download the forms.

Distribution Reinvestment Under the Plan

15. *What distribution reinvestment options are available under the plan?*

The Enrollment Form allows you to choose one of the two options listed below regarding your participation in distribution reinvestment for your selected AST account:

- Full Distribution Reinvestment
- Partial Distribution Reinvestment

If you complete the Enrollment Form but do not specify which reinvestment option you desire, your account will automatically be set up for full distribution reinvestment. You can change your reinvestment option at any time by completing the Change in Enrollment Form and returning it to us.

16. *What sources of funds are used to purchase common shares under distribution reinvestment?*

By completing the Enrollment Form, you are instructing the Plan Administrator to purchase additional common shares under the plan by using:

- cash distributions on the common shares and/or units registered in your specified AST account;
- cash distributions on the common shares purchased under the plan and credited to your specified AST account; and
- any voluntary cash contributions received from you.

Table of Contents

17. How does partial distribution reinvestment work?

If you would like less than all of your common shares and/or units registered under the specified AST account to be subject to distribution reinvestment, you would select Partial Distribution Reinvestment on the Enrollment Form and specify what percentage of common shares and/or units you desire to be subject to distribution reinvestment (subject to a minimum reinvestment percentage of 10% of the common shares and/or units held as of the record date for a quarterly distribution). The cash distributions on the remaining common shares and/or units will be paid to you in cash in the usual manner.

In order for the plan to qualify as a distribution reinvestment plan, the Internal Revenue Service (the IRS) requires that distribution reinvestments under the plan cannot be for less than 10% of the distributions payable on all common shares and/or units under the specified AST account. Accordingly, the plan requires you to reinvest a minimum of every distribution payable on 10% of the common shares and/or units held as of the record date for a quarterly distribution. If your AST account falls below the 10% threshold, you will be sent a notification outlining your alternatives for reinvesting distributions.

In addition, the IRS requires the Plan Administrator to retain and accurately report cost basis information to shareholders and the IRS with respect to common shares acquired under the plan. Under the IRS regulations, the adjusted basis of shares in a qualified distribution reinvestment plan is determined by the plan administrator's default method, unless the participant elects another method. The common reporting method applicable to distribution reinvestment plans is the average basis method. If the plan administrator chooses a default method other than the average basis method, then a plan participant may elect the average basis method by submitting an election in writing (including electronic communication) to the plan administrator and the administrator must execute the average basis method for that participant. Currently, the default method used by the Plan Administrator for cost bases reporting is first in first out, FIFO, unless the participant designates lots to be used.

18. When are cash distributions reinvested?

Cash distributions will be reinvested to purchase additional common shares on the quarterly distribution payment date (the Distribution Payment Date), which is usually on or about the first day of each April, July and October, and on or about the 15th day of each January.

Quarterly distributions are paid when and if declared by our board of trustees. There can be no assurance that the board will declare distributions in the future, and nothing contained in the plan obligates the board to do so. However, we intend to continue to qualify as a REIT, and, as a REIT, we must distribute to our shareholders at least 90% of our taxable income each year.

19. When should an Enrollment Form be submitted in order to participate for the next quarterly distribution on common shares and/or units?

The completed Enrollment Form needs to be submitted at least three business days prior to the record date for a quarterly distribution in order for such cash distributions to be reinvested under the plan as specified under the Enrollment Form for such quarterly distribution. The record date for quarterly distributions is approximately two to three weeks before the Distribution Payment Date. However, if you need to set up a new

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AST account by submitting a New Account Form in addition to the Enrollment Form, these forms need to be submitted at least four weeks before the next Distribution Payment Date in order for the distributions to be reinvested under the plan for such Distribution Payment Date. If the Enrollment Form is received after these dates, then that quarterly distribution will be paid to you in cash and the following quarterly distribution will then be reinvested as specified under the Enrollment Form.

Table of Contents

20. *When should a Change in Enrollment Form be submitted in order to have the changes in effect for the next quarterly distribution on common shares and/or units?*

The completed Change in Enrollment Form needs to be submitted at least three business days prior to the record date for a quarterly distribution in order for the changes specified under the Change in Enrollment Form to take effect for such quarterly distribution. The record date for quarterly distributions is approximately two to three weeks before the Distribution Payment Date. If the Change in Enrollment Form is received after this date, then the changes may not commence with such quarterly distribution, but rather with the following quarterly distribution.

Voluntary Cash Contributions Under the Plan

21. *Are eligible or existing plan participants required to make voluntary cash contributions under the plan?*

Existing plan participants are not obligated to make any voluntary cash contributions under the plan. However, existing participants have the option to make voluntary cash contributions under the plan to acquire new common shares by making this election under the Enrollment Form or Change in Enrollment Form, as applicable. If you do not currently own common shares and/or units but would like to enroll in the plan, you are required to make at least one voluntary cash contribution subject to the investment limitations.

22. *What voluntary cash contribution options are available under the plan?*

The Enrollment Form and Change in Enrollment Form allow you the option to make to make voluntary cash contributions on a one-time basis or on a recurring monthly basis.

If you wish to make a voluntary cash contribution on a one-time basis, you will need to enclose a check made payable to Investors Real Estate Trust subject to the investment limitations. You may not send cash, money orders, travelers checks or third-party checks.

If you wish to make recurring monthly purchases, you can either:

- authorize an automatic withdrawal from either your checking or savings account at a US bank or
- if you are our employee or trustee, authorize an automatic payroll deduction

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by completing the applicable section of the Enrollment Form or Change in Enrollment Form. This feature enables you to make ongoing investments without writing a check each time you want to make an investment. For checking or savings account withdrawals, funds will be deducted from your bank account on the 24th of the month preceding each Investment Date. If the bank account at the time of withdrawal contains insufficient funds to cover the authorized withdrawal, no withdrawal or investment will occur for that period. For payroll deduction, funds will be deducted from each paycheck. It will take approximately three weeks for the first automatic withdrawal or payroll deduction to be initiated. To change or terminate an automatic withdrawal or payroll deduction, a completed Change in Enrollment Form must be received at least ten business days before the next automatic withdrawal or payroll deduction occurs.

We may, from time to time, authorize other methods of payment. In that event, you will be notified through a posting on our website of the changed payment methods.

23. Are there investment limitations applicable for voluntary cash contributions under the plan?

To purchase common shares using this feature of the plan, you must invest at least \$250 at any one time, but you cannot invest more than \$10,000 monthly (unless a waiver to the investment limitation is preapproved by us). Any voluntary cash contribution of less than \$250 and the portion of any voluntary cash contribution(s) totaling more than \$10,000 per month (unless a waiver to the investment limitation is preapproved by us), will be returned to you without interest. We may change these investment limitations at any time in our sole discretion. In that event, you will be notified through a posting on our website of the changed investment limits.

For the purpose of the above investment limitations, we may aggregate all voluntary cash contributions for participants with more than one AST account using the same Social Security Number or Taxpayer Identification Number. For participants unable to supply a Social Security Number or Taxpayer Identification Number, their participation may be limited by us to only one AST account. Also, all AST accounts we believe to be under common control or management or to have common ultimate beneficial ownership may be aggregated. Unless we have

Table of Contents

determined that investment of voluntary cash contributions for each such account would be consistent with the purposes of the plan, we will have the right to aggregate all such accounts and to instruct the Plan Administrator to return, without interest, within 30 days of receipt, any amounts in excess of the investment limitations applicable to a single AST account received in respect of all such accounts.

24. *How are distributions paid on common shares purchased with voluntary cash contributions under the plan?*

The Plan Administrator will automatically reinvest cash distributions paid on common shares purchased with voluntary cash contributions to purchase additional common shares on each Distribution Payment Date. You can not make a voluntary cash contribution without subjecting the common shares and/or units registered under the specified AST account, including the common shares purchased with voluntary cash contributions, to distribution reinvestment.

If you have already enrolled the common shares and/or units registered under the specified AST account for distribution reinvestment, then cash distributions paid on the common shares purchased with voluntary cash contributions will be reinvested in the same manner (Full Distribution Reinvestment or Partial Distribution Reinvestment) as indicated on the previous Enrollment Form or Change of Enrollment Form, or as indicated on the current form.

If you have not already enrolled in distribution reinvestment, but would like to make a voluntary cash contribution, you will need to select the desired distribution reinvestment option (Full Distribution Reinvestment or Partial Distribution Reinvestment) which will then apply to all common shares and/or units registered under the specified AST account. If you do not specify a distribution reinvestment option, your account will automatically be set up for full distribution reinvestment.

You can change your reinvestment option at any time by completing the Change in Enrollment Form and returning it to us.

25. *How can a current participant make a voluntary cash contribution?*

If you are a current participant in the plan and would like to invest an additional amount of money to purchase common shares under the plan, you will need to complete a Change in Enrollment Form and select Voluntary Cash Contributions along with the desired frequency and the source of funds and return it to us along with payment, if applicable. By completing the Change in Enrollment Form in this manner, you are instructing the Plan Administrator to purchase for your specified AST account additional common shares under the plan with the voluntary cash contribution(s) and to reinvest the distributions paid on such shares in the same manner as the distributions paid on the common shares and/or units registered under such specified AST account. If, at this time, you would like to change your existing distribution reinvestment election for the account, you can do so on this form by completing the Distribution Reinvestment section of the form.

26. *How can an eligible person who is not a participant in the plan make a voluntary cash contribution?*

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If you are not a current holder of common shares and/or units or have not previously enrolled the specified AST account under the plan and would like to invest an amount of money to purchase common shares under the plan, you will need to complete an Enrollment Form and select Voluntary Cash Contributions along with the desired frequency and the source of funds, select the desired distribution reinvestment option and return it to us along with payment, if applicable. By completing the Enrollment Form in this manner, you are instructing the Plan Administrator to purchase for your specified AST account common shares under the plan with the voluntary cash contribution(s) and to reinvest the distributions paid on the common shares and/or units registered under the account in the same manner as indicated on the Enrollment Form. If you do not specify a distribution reinvestment option, your account will automatically be set up for full distribution reinvestment. You can change your reinvestment option at any time by completing the Change in Enrollment Form and returning it to us. If you are not a current holder of common shares and/or units, you will also need to submit the New Account Form and Form W-9.

Table of Contents

27. *When are voluntary cash contributions invested?*

Purchases of our common shares made with voluntary cash contributions will begin on an investment date (the Investment Date), which will be the 5th of each month, and may extend through an investment period not to exceed 30 business days after such Investment Date (the Investment Period). If the 5th is not a trading day on the NYSE, then the Investment Date will be the next trading day. Common shares purchased directly from us under the plan will be credited to your specified AST account on the Investment Date. Common shares purchased on the open market or in privately negotiated transactions will be credited to your specified AST account as of the last day on which all voluntary cash contribution purchases under the plan during an Investment Period are completed.

28. *When should elections to make voluntary cash contributions be submitted in order to participate in the next Investment Date/Investment Period?*

If the voluntary cash contribution is to be paid with a check, the completed Enrollment Form or Change in Enrollment Form, as applicable, along with the check made payable to Investors Real Estate Trust in the total amount of the voluntary cash contribution, subject to the investment limitations stated above, must be received no later than five business days before the Investment Date for such contribution to be invested in our common shares beginning on next the Investment Date. If to be paid by an automatic recurring deduction, then the appropriate form must be received no later than ten business days before the Investment Date. However, if you need to set up a new AST account by submitting a New Account Form in addition to the Enrollment Form, these forms need to be submitted at least four weeks before the next Investment Date. If received after these dates, the Plan Administrator may hold those funds and invest them beginning on the next succeeding Investment Date. No interest will be paid on funds held pending investment. However, you have an unconditional right to request the return of any voluntary cash contributions not yet invested if written notice is received at least three business days prior to the Investment Date.

Purchase Prices Under the Plan

29. *What will be the price of the common shares purchased directly from us under the plan?*

If common shares are purchased directly from us, the purchase price will be the market price of our common shares, which is the volume weighted average price, rounded to four decimal places, of our common shares as traded on the NYSE during regular NYSE hours on the Distribution Payment Date or Investment Date, as applicable. We will obtain this pricing information from NYSE, or, if NYSE is no longer providing this information, another authoritative source. We may offer a purchase price discount, in our sole discretion, ranging from 0% to 5% of the market price. In no event will the purchase price (taking into account any applicable discount) be less than 95% of the market price of our common shares. The current purchase price discount can be found under the Distribution Reinvestment and Share Purchase Plan section of our website, www.iret.com.

30. *Is the purchase price discount subject to change?*

We may change or discontinue the purchase price discount at any time and for any reason, in our sole discretion. If the purchase price discount is to be changed, we will provide notice to participants under the Distribution Reinvestment and Share Purchase Plan section of our website at least 30 days prior to the next Investment Date.

31. *What will be the price of the common shares purchased under the plan through open market purchases or privately negotiated transactions?*

If common shares are to be purchased in the open market or in privately negotiated transactions, either we, the Plan Administrator or any independent agent appointed by us, may buy the common shares on behalf of the plan and, except for any limitations imposed by federal or state securities laws, will have full discretion as to all matters relating to such purchases including determining the number of shares to be purchased on any given day, the time of day, the price to be paid for shares, the markets in which the shares are to be purchased (which may include any securities exchange or over-the-counter market) and the persons (including brokers or dealers) from or through whom purchases are made. We reserve the right to designate any exclusive broker to purchase the shares on the open market.

Table of Contents

For purposes of executing purchase transactions, your funds may be commingled with the funds of other participants and purchases may be made over a number of days. No interest will be paid on funds held pending investment. The purchase price of such common shares will be equal to the weighted average cost (excluding brokerage commissions) of all common shares acquired on behalf of the plan during the Investment Period. Common shares acquired in open market or in privately negotiated transactions will not be eligible for the purchase price discount.

No participant in the plan will have the authority or power to control either the timing or the pricing of the shares purchased on the open market or in privately negotiated transactions. Therefore, you will not be able to precisely time your purchases through the plan, and you will bear the market risk associated with fluctuations in the price of our common shares. If you send in a voluntary cash contribution, it is possible that the market price for our common shares could go up or down before common shares are purchased with your funds under the plan. We, the Plan Administrator or the independent agent, as the case may be, will use its best efforts to apply all funds to the purchase of common shares during the Investment Period, subject to any applicable requirements of federal or state securities laws.

32. *How will the number of common shares purchased for my account be determined?*

The number of common shares purchased for your account as of any Distribution Payment Date, Investment Date or Investment Period, as applicable, will be equal to the total dollar amount invested for you divided by the applicable purchase price per share. The number of common shares will be computed to the third decimal place, and the applicable purchase price will be computed to the fourth decimal place. The amount to be invested for you will be reduced by any amount we are required to deduct for federal tax withholding purposes.

Waiver of Investment Limitations

33. *May a participant make a voluntary cash contribution over the investment limitation?*

If you wish to make a voluntary cash contribution, including an initial cash payment, in excess of the \$10,000 per month investment limitation and be eligible for a potential purchase price discount, you must obtain our prior written approval by submitting a Waiver Request Form. See Question 14 as to where you can obtain this form. The completed form must be faxed to us at the number listed on the form. We will notify you whether such waiver has been granted or denied, either in whole or in part, within three business days of the receipt of the waiver request.

We have sole discretion whether to approve any waiver request. We also reserve the right, in our sole discretion and without notice, to administer and approve any terms regarding the discount, threshold price or any other terms regarding investments exceeding the plan limitations as we deem necessary or desirable. In deciding whether to approve a waiver request, we will consider relevant factors, including but not limited to the following:

- Whether the plan is then acquiring newly issued shares directly from us or acquiring shares in the open market or in privately negotiated transactions from third parties,

- Our need for additional funds,
- The desirability of obtaining additional funds through the sale of common shares as compared to other sources of funds,
- The purchase price likely to apply to any sale of common shares,
- The participant or new investor submitting the request,
- The extent and nature of the participant's prior participation in the plan,
- The number of common shares held of record by the participant and
- The aggregate number of voluntary cash contributions in excess of investment limitation for which waiver requests have been submitted by other existing shareholders and new investors.

If waiver requests are submitted for an aggregate amount in excess of the amount we are then willing to accept, we may honor such requests in order of receipt, pro rata or by any other method that we determine to be appropriate. The plan does not provide for a predetermined maximum amount that an existing shareholder or new investor may

Table of Contents

invest or a maximum number of shares that may be purchased pursuant to a waiver request except that no one may own more than 9.8% of our outstanding shares.

34. *If a waiver request has been approved, how are shares priced and purchased?*

Common shares purchased pursuant to an approved waiver request will be purchased directly from us, and will be priced and purchased as follows:

- The purchase price will be the volume weighted average price, rounded to four decimal places, of our common shares as traded on the NYSE during NYSE's regular hours on the Waiver Investment Date (market price), less any applicable waiver discount. We will obtain this pricing information from the NYSE, or, if the NYSE is no longer providing this information, another authoritative source.
- We may, in our sole discretion, establish a discount to the purchase price (waiver discount), ranging from 0% to 5% of the purchase price, and may vary waiver discounts for each pricing period. Setting a waiver discount for a particular pricing period will not affect the setting of a waiver discount for any subsequent pricing period. The waiver discount, if any, will apply to the whole voluntary cash contribution, but will not be in addition to any purchase price discount that might be available.
- Funds for the full voluntary cash contribution must be received by us not later than three business days before the first day of the pricing period.
- Purchases will be made over a pricing period, which generally will consist of one to 30 separate days determined by us, in our sole discretion, during which trading of our common shares is reported on the NYSE. Each of these separate days will be a Waiver Investment Date, and an equal proportion of the voluntary cash contribution will be invested on each Waiver Investment Date during such pricing period, subject to the qualifications listed below.
- We may establish a minimum, or threshold, price for any pricing period (not adjusted for a waiver discount, if any). If the threshold price is not met on any Waiver Investment Date, then we will exclude such Waiver Investment Date from the pricing period and refund that day's proportional investment amount. For example, if the threshold price is not met for two of the Waiver Investment Dates in a 10-day pricing period, then we will return 20% of the funds submitted in connection with the waiver request, without interest, unless we have activated the pricing period extension for the pricing period, as described below. We are not required to notify a participant that a threshold price has been established for any pricing period. The setting of a threshold price and the possible return of a portion of the

voluntary cash contribution applies only to that portion of the voluntary cash contributions exceeding the investment limitation. Setting a threshold price for a pricing period will not affect the setting of a threshold price for any other pricing period. We may waive our right to set a threshold price for any pricing period.

- For any pricing period, we may activate a pricing period extension that will extend the pricing period by the number of days that the threshold price has not been satisfied on a Waiver Investment Date, subject to a maximum of five trading days. In the waiver request approval, we will indicate if we have activated a pricing period extension.
- Common shares purchased will be posted to participant's account within three business days following the end of the applicable pricing period, or, if we elect to activate the continuous settlement feature, within three business days of each separate Waiver Investment Date. In the waiver request approval, we will indicate if we have elected the continuous settlement feature.
- Request for waiver forms and information regarding the establishment of a threshold price, if any, and discount, if any, may be obtained by contacting us at 701-837-4738.

Table of Contents

For more information on waiver requests, please contact us at 701-837-4738

Reports to participants

35. *What reports will be sent to participants in the plan?*

After an investment is made under the plan for your account, you will be sent a statement which will provide a record of the purchase price paid, the number of common shares purchased, the date on which the common shares were credited to your account and the total number of common shares held in your account. This information will be your record of the cost of your purchases of common shares, and should be retained for income tax and other purposes. During the year, you will receive copies of the same communications sent to all other holders of our common shares. Following the final plan purchase in each calendar year, you will be sent income tax information for reporting distributions paid.

Other information

36. *Will I receive stock certificates for the common shares purchased under the plan?*

No certificates evidencing the common shares purchased on your behalf under the plan will be issued but rather such common shares will be credited to your AST account. If you would like certificates issued, you must submit a written request to the Plan Administrator, and such requests will be handled normally within two weeks. A handling fee, in addition to the cost of certified mail, may be charged. Any remaining common shares will continue to be credited to your account.

If you request the Plan Administrator to issue a certificate in your name representing all of the common shares in your account, you will be deemed to have terminated your participation in the plan. If your account contains fractional shares, you will be sent a certificate for all the whole common shares held in the account and a check representing the value of the fractional share held in the account. The value of fractional shares will be calculated using the NYSE Official Open Price on the day the share certificates are issued for the whole common shares held in the account. Certificates for fractional shares will not be issued under any circumstances.

37. *In whose name will certificates be registered and issued?*

Certificates for common shares will be registered in the name in which your AST account is maintained. For holders of record, this generally will be the name or names in which your common share certificates and/or units are registered at the time you enroll in the plan. Upon written request, common shares will be registered in any other name, upon the presentation to the Plan Administrator of evidence of compliance with all applicable transfer requirements, including securities laws and regulations and the payment of any applicable transfer taxes.

38. *May common shares in my plan account be pledged?*

You may not pledge or assign book-entry shares held in your AST account. If you wish to pledge such common shares, you must first request that a certificate for such common shares be issued in your name.

39. *What happens if I sell or transfer common shares and/or units registered in my name but held outside the plan?*

If you dispose of all common shares and/or units registered in your name but held outside of your AST account, the distributions on the common shares and/or units credited to your AST account will continue to be reinvested according to your instructions until you notify the Plan Administrator that you wish to withdraw from the plan by completing the Change in Enrollment Form. If your account balance falls below one (1) full share, the Plan Administrator may liquidate the fractional share and mail any proceeds to the address of record.

Table of Contents

40. *What happens if a stock distribution is declared or a stock split occurs?*

In the event of a stock split or a stock distribution payable in common shares, we will credit to your account the applicable number of whole and/or fractional common shares based on the number of common shares held in your AST account as of the record date for the stock distribution or split. Stock distributions or split shares distributed on common shares for which you hold certificates outside of your AST account will be sent directly to you in the same manner as to shareholders who are not participating in the plan. Transaction processing may be curtailed or suspended until the completion of any stock split, stock distribution or other corporate action.

41. *If rights to purchase securities are issued to common shareholders, how will the rights on common shares held in my plan account be handled?*

If we have a rights offering in which separately tradable and exercisable rights are issued to registered common shareholders, the rights attributable to whole common shares held in your AST account will be transferred to you as promptly as practicable after the rights are issued. Rights attributable to fractional common shares held in your account will be reinvested in common shares. Transaction processing may be curtailed or suspended until the completion of any rights offering or other corporate action.

42. *How are the common shares in my account voted at shareholder meetings?*

You will receive proxy materials relating to our annual shareholder meetings, and will have the right to vote the total number of common shares held by you, both the common shares for which you hold certificates, if any, and those credited to your AST account. The proxy materials will include instructions on how to vote the common shares. Unitholders are not entitled to vote at meetings of our shareholders.

43. *What is our responsibility under the plan?*

Neither we nor the Plan Administrator are liable for any act done in good faith or required by applicable law or for any good faith omission to act, including, without limitation, any claim of liability (a) arising out of failure to terminate a participant's AST account upon such participant's death prior to receipt of notice in writing of such death, (b) with respect to the prices and times at which common shares are purchased or sold for a participant, or (c) with respect to any fluctuation in market value before or after any purchase of common shares.

Neither we nor the Plan Administrator will have any duties, responsibilities or liabilities other than those expressly set forth in the plan or as imposed by applicable laws, including federal securities laws. We will be entitled to rely on completed forms and proof of due authority to participate in the plan, without further responsibility of investigation or inquiry. None of our trustees, officers, employees or shareholders will have any personal liability under the plan.

WE CANNOT ASSURE YOU OF A PROFIT OR PROTECT YOU AGAINST A LOSS ON COMMON SHARES PURCHASED UNDER THE PLAN.

44. *What are the responsibilities of participants under the plan?*

The common shares in your AST account may revert to the state in which you live in the event that the shares are deemed, under your state's laws, to have been abandoned by you. For this reason, you should notify the Plan Administrator promptly in writing of any change of address. The Plan Administrator will address account statements and other communications to you at the last address of record you have provided to the Plan Administrator. You will have no right to draw checks or drafts against your account or to instruct the Plan Administrator with respect to any common shares or cash held by the Plan Administrator pursuant to the plan except as expressly provided herein.

Table of Contents

45. *What law governs the plan?*

The terms and conditions of the plan and its operation shall be governed by the laws of the State of North Dakota.

46. *Are plan participants assured of receiving a distribution?*

The payment of distributions is at the discretion of our board of trustees and will depend upon future earnings, our financial condition and other factors. There can be no assurance as to the declaration or payment of any future distribution on our common shares and/or units.

47. *What are the federal income tax consequences of participation in the plan?*

The federal tax treatment of distribution reinvestment and share purchase programs is not entirely clear. You are encouraged to consult your tax advisor with specific reference to your own tax situation and potential changes in the applicable law as to all federal, state, local, foreign and other tax matters in connection with the reinvestment of distributions and purchase of shares under the plan, your tax basis and holding period for shares acquired under the plan and the character, amount and tax treatment of any gain or loss realized on the disposition of shares. The following is a brief summary of the material federal income tax considerations applicable to the plan, is for general information only, and does not constitute tax advice.

The information in this section is based on the Code, existing, temporary and proposed regulations under the Code, the legislative history of the Code, current administrative rulings and practices of the IRS and court decisions, all as of the date hereof. We cannot assure you that new laws, interpretations of law, or court decisions, any of which may take effect retroactively, will not cause any statement in this section to be inaccurate. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below. We have not sought and will not seek an advance ruling from the IRS regarding any matter in this prospectus supplement.

Reinvestment of Shareholder Distributions

Although the federal income tax treatment of distribution reinvestment plans is not entirely clear, it is expected that a shareholder participating in the plan will be treated for federal income tax purposes as having received, on the Distribution Payment Date, a distribution equal to the sum of (a) the fair market value of any common shares purchased under the plan (including common shares purchased through the reinvestment of distributions on shares held in the shareholder's account), (b) a pro rata portion of any brokerage costs incurred by us to acquire the common shares on the open market or in privately negotiated transactions, and (c) any cash distributions actually received by the shareholder with respect to any common shares not included in the plan. The total amount of cash and other distributions will be reported to a shareholder and to the IRS on the appropriate tax form shortly after the end of each year. The tax basis of common shares purchased under the plan will be equal to the fair market value of the shares on the Distribution Payment Date plus the shareholder's pro rata share of any brokerage costs paid by us. A shareholder's holding period for common shares purchased under the plan generally will begin on the day after the date on which the common shares are credited to the shareholder's account.

Our distributions to shareholders constitute dividends for federal income tax purposes up to the amount of our positive current and accumulated earnings and profits (as determined for federal income tax purposes) and, to that extent, will be taxable as ordinary income (except to the extent that we designate any portion of such dividend as either (i) a capital gain dividend or (ii) in the case of shareholders taxed at individual rates who satisfy certain holding period requirements, as qualified dividend income pursuant to applicable federal income tax rules). To the extent that we make a distribution in excess of our current and accumulated earnings and profits, such distribution will be treated first as a tax-free return of capital to the extent of a shareholder's adjusted tax basis in our common shares and, to the extent in excess of the shareholder's basis, will be taxable as a gain realized from the sale of the shareholder's common shares. Distributions to corporate shareholders, including amounts taxable as dividends to corporate shareholders, will generally not be eligible for the corporate dividends-received deduction. See Material Federal Income Tax Considerations Taxation of U.S. Shareholders and Material Federal Income Tax Considerations Taxation of Non-U.S. Shareholders.

Table of Contents

Reinvestment of Unitholder Distributions

The federal income tax treatment of unitholders who participate in the plan is not entirely clear, because there is no clear legal authority regarding the federal income tax treatment of an owner of an entity taxed as a partnership who invests cash distributions from the partnership in shares of another entity that is a partner in the partnership. The following, however, sets forth our view of the likely tax treatment of unitholders who participate in the plan. We and IRET Properties intend to report the tax consequences of a unitholder's participation in a manner consistent with the following.

In the case of common shares purchased from us pursuant to the plan, a unitholder will likely be treated for federal income tax purposes as having received a cash distribution from IRET Properties equal to the fair market value of the common shares purchased on the Distribution Payment Date. With respect to common shares purchased in open market transactions or in privately negotiated transactions with third parties, it is expected that a unitholder will be treated for federal income tax purposes as having received a distribution from IRET Properties equal to the sum of (a) the fair market value of the common shares purchased under the plan and (b) a pro rata portion of any brokerage costs incurred by us (and reimbursed to us by IRET Properties). A unitholder's tax basis in the common shares purchased under the plan will be equal to the fair market value of the shares on the Distribution Payment Date plus a unitholder's pro rata share of any brokerage costs. A unitholder's holding period for common shares purchased under the plan generally will begin on the day after the date on which the common shares are credited to its account.

Cash distributions from IRET Properties to unitholders, to the extent they do not exceed a unitholder's adjusted tax basis in its units, generally will not result in taxable income to that unitholder, but will reduce the unitholder's adjusted tax basis in its units by the amount distributed. Cash distributed to a unitholder in excess of its adjusted tax basis in its units generally will be treated as an amount received on the sale or exchange of its units and is generally taxable as long-term capital gain (or loss) to the extent of the portion of the unitholder's units that are held for more than twelve months, and short-term capital gain or loss to the extent of the portion of the unitholder's units that are held for twelve months or less. For this purpose, a unitholder will begin a new holding period in a portion of its units each time the unitholder makes an additional investment in IRET Properties. However, under Section 751(b) of the Code, to the extent a distribution is considered to be in exchange for a unitholder's interest in substantially appreciated inventory items or unrealized receivables of IRET Properties, that unitholder may recognize ordinary income rather than a capital gain. A distribution of property other than cash and marketable securities generally will not result in taxable income or loss to a unitholder.

Voluntary Cash Contributions

Although the treatment of direct share purchase programs is not entirely clear, if you participate in the voluntary cash contribution and the distribution reinvestment features under the plan, based on a private letter ruling issued to another REIT, it is expected that you will be treated for federal income tax purposes as having received, on the Distribution Payment Date, a distribution equal to the excess, if any, of the fair market value of the common shares on this date over the amount of your voluntary cash payment. In addition, you will be treated as having received a distribution equal to your *pro rata* share of any brokerage commissions paid by us in connection with the purchase of common shares by the Plan Administrator from parties other than us. Shares acquired through the share purchase feature under the plan should have a tax basis equal to the amount of the payment plus the total amount of distributions, if any, you are treated as receiving as described above. Your holding period for shares (including fractional shares) acquired through voluntary cash contributions under the plan generally will begin on the day after the shares were acquired.

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Distributions that you receive as a result of voluntary cash contributions will be taxable as dividends to the extent of our current and accumulated earnings and profits (as determined for federal income tax purposes). Distributions in excess of our current and accumulated earnings and profits will not be taxable to you to the extent that such distributions do not exceed the adjusted tax basis of your shares but instead will reduce the adjusted tax basis in your shares. To the extent that such distributions exceed the adjusted tax basis of your shares, they will be included in your income as capital gain. In addition, if we designate part or all of our distributions as capital gain

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Table of Contents

distributions, those distributions will be treated by you as long-term capital gains. See *Material Federal Income Tax Considerations – Taxation of U.S. Shareholders* and *Material Federal Income Tax Considerations – Taxation of Non-U.S. Shareholders*.

Backup Withholding and Administrative Expenses

We may be required to deduct as backup withholding a percentage (28%) of all distributions paid to you, regardless of whether such distributions are reinvested pursuant to the plan, and may be required to deduct backup withholding from all proceeds from sales of common shares held in your account. You are subject to backup withholding if: (a) you have failed properly to furnish us with your correct tax identification number, or TIN; (b) the IRS or a broker notifies us that the TIN furnished by you is incorrect; (c) the IRS or a broker notifies us that backup withholding should be commenced because you failed to properly report dividends paid to you; or (d) when required to do so, you fail to certify, under penalties of perjury, that you are not subject to backup withholding. Backup withholding amounts will be withheld from distributions before such distributions are reinvested under the plan. Therefore, if you are subject to backup withholding, distributions to be reinvested under the plan will be reduced by the backup withholding amount.

If you are a foreign person, you need to provide the required federal income tax certifications to establish your status as a foreign shareholder or unitholder so that the foregoing backup withholding does not apply to you. You also need to provide the required certifications if you wish to claim the benefit of exemptions from federal income tax withholding or reduced withholding rates under a treaty or convention entered into between the United States and your country of residence. If you are a foreign person whose distributions are subject to federal income tax withholding, the appropriate amount will be withheld and the balance in common shares will be credited to your account.

Foreign shareholders or unitholders who elect to make voluntary cash contributions only will continue to receive regular cash distributions on shares registered in their names, in the case of shareholders, and units, in the case of unitholders, in the same manner as if they were not participating in this plan. Funds for voluntary cash contributions must be in United States dollars and will be invested in the same way as payments from other participants.

All costs of administering the plan will be paid by us (however, if a participant requests plan shares to be certificated, the Plan Administrator may charge a handling fee, and the Plan Administrator currently deducts a \$15 new account enrollment fee from initial investments under the plan). Consistent with the conclusion reached by the IRS in a private letter ruling issued to another REIT, we intend to take the position that these costs of administering the plan do not constitute a distribution which is either taxable to you or which would reduce your basis in your shares. However, since the private letter ruling was not issued to us, we have no legal right to rely on its conclusions. Thus, it is possible that the IRS might view your share of the costs as constituting a taxable distribution to you and/or a distribution which reduces the basis in your common shares. For this or other reasons, we may in the future take a different position with respect to the costs of administering the plan. See *Material Federal Income Tax Considerations – Information Reporting Requirements and Withholding*.

Disposition

A gain or loss may be recognized upon your disposition of common shares received from the plan. You may recognize a gain or loss upon receipt of a cash payment for a fractional common share credited to your account. The amount of any such gain or loss will be the difference between the amount received for the whole or fractional common shares and the tax basis of the common shares. Generally, any gain or loss

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recognized on the disposition of common shares acquired under the plan will be treated for federal income tax purposes as a capital gain or loss. See Material Federal Income Tax Considerations Taxation of U.S. Shareholders Disposition of Shares and Material Federal Income Tax Considerations Taxation of Non-U.S. Shareholders.

Table of Contents

DISTRIBUTIONS

We currently pay regular quarterly distributions to holders of our common shares and units. Future distributions will be authorized by our board of trustees and declared by us based upon a number of factors, including the amount of funds from operations, our financial condition, debt service requirements, the dividend requirements for our Series A preferred shares, Series B preferred shares, capital expenditure requirements for our properties, our taxable income, the annual distribution requirements under the REIT provisions of the Code and other factors our trustees deem relevant. Our ability to make distributions to our shareholders and unitholders will depend on our receipt of distributions from IRET Properties, our operating partnership, and lease payments from our tenants with respect to our properties, and we can make no assurances to you about our ability to make future distributions.

DESCRIPTION OF SHARES OF BENEFICIAL INTEREST

The following is a summary of the material terms of our common shares of beneficial interest. This summary is not a complete legal description of the common shares offered by this prospectus or our Series A and Series B preferred shares and is qualified in its entirety by reference to our Articles of Amendment and Third Restated Declaration of Trust (including the Articles Supplementary classifying and designating our Series A preferred shares and our Series B preferred shares)(collectively referred to as our Declaration of Trust), and our Fourth Restated Trustee s Regulations (Bylaws) (Bylaws). We have filed copies of our Declaration of Trust and our Bylaws with the SEC and have incorporated by reference such documents as exhibits to the registration statement of which this prospectus is a part.

General

We are authorized, under our Declaration of Trust, to issue an unlimited number of our shares of beneficial interest. Our board of trustees is authorized, under our Declaration of Trust, to provide for the issuance of shares of beneficial interest upon terms and conditions and pursuant to agreements as the board of trustees may determine and, further, to establish by resolution more than one class or series of shares of beneficial interest and to fix the relative rights and preferences of these different classes or series. The rights and preferences of any class or series of shares of beneficial interest will be stated in the articles supplementary to our Declaration of Trust establishing the terms of that class or series adopted by our board of trustees and will become part of our Declaration of Trust. As of June 15, 2016, our authorized shares of beneficial interest consisted of an unlimited number of common shares, of which 121,091,249 were issued and outstanding, an unlimited number of Series A preferred shares, of which 1,150,000 were issued and outstanding, and an unlimited number of Series B preferred shares, of which 4,600,000 were issued and outstanding.

The voting and distribution rights of the holders of common shares are subject to the prior rights of the holders of our Series A preferred shares, our Series B preferred shares and any other subsequently-issued classes or series of preferred shares. Unless otherwise required by applicable law or regulation, other classes or series of preferred shares are issuable without further authorization by holders of the common shares and on such terms and for such consideration as may be determined by our board of trustees. Other classes or series of preferred shares may have varying voting rights, redemption and conversion features, distribution (including liquidating distribution) rights and preferences, and other rights, including rights of approval of specified transactions. Any subsequently-issued class or series of preferred shares could be given rights that are superior to rights of holders of common shares and a class or series having preferential distribution rights could limit common share distributions and reduce the amount holders of common shares would otherwise receive on dissolution.

Ownership and Transfer Restrictions

Our Declaration of Trust contains provisions that are intended to help preserve our status as a REIT for federal income tax purposes. Specifically, our Declaration of Trust provides that any transaction, other than a transaction entered into through the New York Stock Exchange or other similar exchange, that would result in our disqualification as a REIT under Section 856 of the Code, including any transaction that would result in (i) a person owning shares of beneficial interest in excess of the ownership limit, which as of the date of this prospectus is 9.8%, in number or value, of our outstanding shares of beneficial interest, (ii) less than 100 people owning our shares of beneficial interest, (iii) us being closely held, or (iv) 50% or more of the fair market value of our shares of beneficial

Table of Contents

interest being held by persons other than United States persons, will be void ab initio. If such transaction is not void ab initio, then the shares of beneficial interest that are in excess of the ownership limit, that would cause us to be closely held, that would result in 50% or more of the fair market value of our shares of beneficial interest to be held by persons other than United States persons or that otherwise would result in our disqualification as a REIT, would automatically be exchanged for an equal number of excess shares, and these excess shares will be transferred to an excess share trustee for the exclusive benefit of the charitable beneficiaries named by our board of trustees.

In such event, any distributions on excess shares will be paid to the excess share trust for the benefit of the charitable beneficiaries. The excess share trustee will be entitled to vote the excess shares, if applicable, on any matter. The excess share trustee may only transfer the excess shares held in the excess share trust as follows:

- if shares of beneficial interest were transferred to the excess share trustee due to a transaction or event that would have caused a violation of the ownership limit or would have caused us to be closely held then, at the direction of our board of trustees, the excess share trustee will transfer the excess shares to the person who makes the highest offer for the excess shares, pays the purchase price and whose ownership will not violate the ownership limit or cause us to be closely held; or
- if excess shares were transferred to the excess share trustee due to a transaction or event that would have caused persons other than United States persons to own more than 50% of the value of our shares of beneficial interest then, at the direction of our board of trustees, the excess share trustee will transfer the excess shares to the United States person who makes the highest offer for the excess shares and pays the purchase price.

We have certain rights to purchase excess shares from the excess share trustee and must have waived these rights prior to a transfer as described above.

Common Shares

General. Our Declaration of Trust authorizes the issuance of an unlimited number of our common shares. As of June 15, 2016, there were 121,091,249 of our common shares outstanding and 16,285,239 of our common shares potentially issuable upon exchange, in our sole description, of previously issued LP Units, on a one-for-one basis, upon holders' exercise of certain redemption rights under the Agreement of Limited Partnership of IRET Properties, dated January 31, 1997, and as amended to date (LP Agreement), and there were no warrants, options or other contractual arrangements, other than the LP Units, requiring the issuance of our common shares or any other shares of beneficial interest.

All of our common shares covered by this prospectus will be duly authorized, fully paid and nonassessable when exchanged for LP Units in accordance with the terms of the LP Agreement.

Voting Rights. Subject to the provisions of our Declaration of Trust regarding the restriction on the transfer of our common shares, our common shares have non-cumulative voting rights at the rate of one vote per common share on all matters submitted to the shareholders, including the election of members of our board of trustees.

Our Declaration of Trust generally provides that whenever any action is to be taken by the holders of our common shares, including the amendment of our Declaration of Trust if such amendment is previously approved by our board of trustees, such action will be authorized by a majority of the voting power of the holders of our common shares present in person or by proxy at a meeting at which a quorum is present, except as otherwise required by law, our Declaration of Trust or our Bylaws. Our Declaration of Trust further provides the following:

(i) that the following actions will be authorized by the affirmative vote of the holders of our common shares holding common shares possessing a majority of the voting power of our common shares then outstanding and entitled to vote on such action:

- our termination;
- our merger with or into another entity;
- our consolidation with one or more other entities into a new entity;
- the disposition of all or substantially all of our assets; and

Table of Contents

- the amendment of the Declaration of Trust, if such amendment has not been previously approved by our board of trustees.

(ii) that a member of our board of trustees may be removed with or without cause by the holders of our common shares by the affirmative vote of not less than two-thirds of our common shares then outstanding and entitled to vote on such matter.

Our Declaration of Trust also permits our board of trustees, by a two-thirds vote and without any action by the holders of our common shares, to amend our Declaration of Trust from time to time as necessary to enable us to continue to qualify as a REIT under the Code.

Dividend, Distribution, Liquidation and Other Rights. Subject to the preferential rights of our Series A preferred shares and Series B preferred shares, any other preferred shares of beneficial interest that we may issue in the future and the provisions of the Declaration of Trust regarding the restriction on the transfer of our common shares, holders of our common shares are entitled to receive dividends on their common shares if, as and when authorized and declared by our board of trustees and to share ratably in our assets legally available for distribution to our shareholders in the event of our liquidation, dissolution or winding up after payment of, or adequate provision for, all known debts and liabilities. Our common shares have equal dividend, distribution, liquidation and other rights. Our common shares have no preference, conversion, exchange, sinking fund or redemption rights.

Listing. Our common shares are listed on the New York Stock Exchange under the symbol IRET.

Transfer Agent and Registrar. American Stock Transfer & Trust Company, LLC acts as transfer agent and registrar with respect to our common shares.

Series A Preferred Shares

General. Our Declaration of Trust authorizes the issuance of an unlimited number of our Series A preferred shares. As of June 20, 2016, there were 1,150,000 of our Series A preferred shares outstanding, and there were no warrants, options or other contractual arrangements requiring the issuance of additional Series A preferred shares or any other shares of beneficial interest. Unless redeemed, our Series A preferred shares have a perpetual term with no stated maturity date.

Ranking. With respect to the payment of distributions and distribution of our assets and rights upon our liquidation, dissolution or winding up, whether voluntary or involuntary, our Series A preferred shares will rank:

- senior to our common shares and to all other shares of beneficial interest that, by their terms, rank junior to our Series A preferred shares,
- on a parity with all shares of beneficial interest that we issue, the terms of which specifically provide that those shares of beneficial interest rank on a parity with our Series A preferred shares, and
- junior to all shares of beneficial interest issued by us whose senior ranking is consented to as described under Voting Rights below.

Other than our Series B preferred shares, we do not currently have any other shares of beneficial interest outstanding that rank on a parity with, or senior to, our Series A preferred shares.

Distributions. Holders of our Series A preferred shares will be entitled to receive, when, as and if declared by our board of trustees, out of funds legally available for that purpose, cumulative quarterly cash distributions at the rate of 8.25% of the \$25.00 liquidation preference per year (equivalent to an annual rate of \$2.0625 per Series A preferred share). Distributions on our Series A preferred shares will accrue and be cumulative from and including the date of initial issuance or from and including the day immediately following the most recent date as to which distributions have been paid. Distributions will be payable quarterly in arrears on March 31, June 30, September 30 and December 31 of each year, or, if not a business day, the succeeding business day (without interest for the intervening period). Distributions will accrue regardless of whether we have earnings, whether we have funds legally available for payment or whether the distributions are declared. The first distribution on our Series A preferred shares was paid on June 30, 2004. Distributions will be computed on the basis of a 360-day year consisting

Table of Contents

of twelve 30-day months. Each payment of distributions will include distributions accrued to and including the date on which paid. Distributions will be payable to record holders of our Series A preferred shares as they appear in our records at the close of the business on the applicable record date, which will be the 15th day of the calendar month in which the applicable distribution payment date falls or such other date designated by our board of trustees for the payment of distributions that is not more than 30 nor less than 10 days prior to the distribution payment date.

No full distributions will be authorized or paid or set apart for payment on any class or series of shares of beneficial interest ranking, as to distributions, on a parity with our Series A preferred shares unless all accrued distributions on our Series A preferred shares for all past distribution periods and the then current distribution period have been, or contemporaneously are, authorized and paid in full or a sum sufficient for the payment in full of such distributions is set apart for that payment. When distributions are not paid in full (or a sum sufficient for their full payment is not so set apart) on our Series A preferred shares and any other class or series of shares of beneficial interest ranking on a parity as to distributions with our Series A preferred shares, all distributions declared upon our Series A preferred shares and any other such shares of beneficial interest will be authorized pro rata so that the amount of distributions authorized per share on our Series A preferred shares and all other such shares of beneficial interest will in all cases bear to each other the same ratio that accrued and unpaid distributions per share on our Series A preferred shares and all other shares of beneficial interest bear to each other.

Except as provided in the immediately preceding paragraph, unless all accrued distributions on our Series A preferred shares for all past distribution periods and the then current distribution period have been, or contemporaneously are, authorized and paid in full or a sum sufficient for the payment in full of such distributions is set apart for payment, no distributions (other than in the form of our common shares or any other shares of beneficial interest ranking junior to our Series A preferred shares as to distributions and upon our liquidation, dissolution or winding up, whether voluntary or involuntary) or other distribution will be authorized, paid or set aside for payment or made upon our common shares or any other shares of beneficial interest ranking junior to, or on a parity with, our Series A preferred shares as to distributions or upon our liquidation, dissolution or winding up, whether voluntary or involuntary, nor will any common shares or any other shares of beneficial interest ranking junior to or on a parity with our Series A preferred shares as to distributions or upon our liquidation, dissolution or winding up, whether voluntary or involuntary, be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such shares of beneficial interest) by us (except by conversion into or exchange for other shares of beneficial interest ranking junior to our Series A preferred shares as to distributions and upon our liquidation, dissolution or winding up, whether voluntary or involuntary, and except for the acquisition of shares of beneficial interest that have been designated as excess shares in accordance with the terms of our Declaration of Trust).

Distributions on our Series A preferred shares will accrue whether or not we have earnings, whether or not there are funds legally available for the payment of the distributions and whether or not the distributions are authorized. Accrued but unpaid distributions on our Series A preferred shares will not bear interest and holders of our Series A preferred shares will not be entitled to any distributions in excess of full accrued distributions as described above. No distributions on our Series A preferred shares will be authorized by our board of trustees or will be paid or set apart for payment by us at such time as the terms and provisions of any agreement of ours, including any agreement relating to our indebtedness, prohibits the authorization, payment or setting apart for payment or provides that the authorization, payment or setting apart for payment would constitute a breach of any agreement or a default under any agreement, or if the authorization, payment or setting apart for payment is restricted or prohibited by law.

Any distribution payment made on our Series A preferred shares will first be credited against the earliest accrued but unpaid distribution due with respect to the shares which remains payable.

Liquidation. In the event of our liquidation, dissolution or winding up, whether voluntary or involuntary, the holders of our Series A preferred shares will be entitled to be paid out of our assets legally available for distribution to the holders of our shares of beneficial interest a liquidation preference of \$25.00 per share, plus an amount equal to any accrued and unpaid distributions to and including the date of the liquidation, dissolution or winding up, before any distribution or payment may be made to the holders of our common shares or any other class or series of shares of beneficial interest issued by us ranking junior to our Series A preferred shares as to liquidation rights. In the event that, upon our liquidation, dissolution or winding up, whether voluntary or involuntary, our legally available assets are insufficient to pay the amount of the liquidating distributions on all outstanding shares of Series

Table of Contents

A preferred shares and the corresponding amounts payable on all other classes or series of shares of beneficial interest issued by us ranking on a parity with our Series A preferred shares as to liquidation rights, then the record holders of our Series A preferred shares and all other classes or series of shares of beneficial interest issued by us ranking on a parity with our Series A preferred shares as to liquidation rights will share ratably in any distribution of assets in proportion to the full liquidating distributions to which they would otherwise be respectively entitled. After payment of the full amount of the liquidating distributions to which they are entitled, the holders of our Series A preferred shares will have no right or claim to any of our remaining assets.

The record holders of our Series A preferred shares will be entitled to written notice of any liquidation, dissolution or winding up. Our consolidation or merger with or into any other trust, partnership, limited liability company, corporation or other entity, or the consolidation or merger of any other trust, partnership, limited liability company, corporation or other entity with or into us, will not be deemed to constitute our liquidation, dissolution or the winding up if, following the transaction, our Series A preferred shares remain outstanding as duly authorized shares of beneficial interest of us or any successor entity having the same rights and preferences as prior to the transaction.

Redemption at Our Option. Our Series A preferred shares are redeemable at our option. Additionally, in order to ensure that we remain qualified as a REIT for federal income tax purposes, our Series A preferred shares are subject to the provisions of our Declaration of Trust that provide