

KIRKLAND'S, INC  
 Form 4  
 June 11, 2015

**FORM 4**

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

OMB APPROVAL

OMB Number: 3235-0287  
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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
 Owen Jeffery

(Last) (First) (Middle)

C/O KIRKLAND'S, INC., 5310  
 MARYLAND WAY

(Street)

BRENTWOOD, TN 37027

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
 KIRKLAND'S, INC [KIRK]

3. Date of Earliest Transaction  
 (Month/Day/Year)  
 06/04/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

Director  10% Owner  
 Officer (give title below)  Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
 Form filed by One Reporting Person  
 Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership (Instr. 4)
Common Stock	06/04/2015		A	(A) 4,000 (1)	\$ 0 4,000	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474  
 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

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1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)	8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
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## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Owen Jeffery C/O KIRKLAND'S, INC. 5310 MARYLAND WAY BRENTWOOD, TN 37027	X			

## Signatures

/s/ Adam Holland, Attorney In Fact for Jeffery C. Owen 06/11/2015

\*\*Signature of Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, see Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (1) The reporting person was granted 4,000 restricted stock units ("RSUs") under Kirkland's 2002 Equity Incentive Plan. Restricted stock units vest in full one year after the date of the grant.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. M WIDTH="313" style="width:235.0pt;padding:0in 3.0pt 0in 3.0pt; height:.2in">

Interest Expense  
\$ -1,510,836  
Principle Mortgage Reduction  
\$ -330,514  
OPERATING CASH FLOW  
\$ 75,286

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**Material Factors Considered by IRET at the Time of Acquisition**

We acquired Plymouth Techcenter IV & V5 on April 1, 2001, from an unrelated party. The total purchase price for the property was \$13,750,000. Plymouth Techcenter IV & V is a 2-building, multi-tenant commercial property built in 1999 and located at 5000 and 5010 Chelshire Lane, North Plymouth, Minnesota. We considered the following material factors at the time of acquisition:

**Revenue Source:** One hundred percent (100%) of the property's revenue is derived from six different tenants.

**Occupancy:** At the time of acquisition, the property was 100% occupied and as of September 20, 2001, is still 100% occupied.

**Comparative Rents:** At the time of acquisition, rental rates for the property were equal to the area market or 2% to 3% higher.

**Competition:** There is a significant amount of competing space for rent in the immediate vicinity.

**Expenses:** All expenses, repairs, maintenance, and operating costs are paid by the tenants.

**Capital Improvements:** Since the property was built new in 1999, no capital improvements are planned for the next three to five years.

**Typical Lease Terms:** All leases are triple net with all property operating expenses paid by the tenants. All leases are for a term of three to eight years.

**Major Tenants:** The following tenants occupy 10% or more of the rentable square footage:

<u>Tenant</u>	<u>Square Footage</u>	<u>% of Total</u>	<u>Annual Rent</u>	<u>Lease Term</u>	<u>Business</u>
Plymouth IV					
Miracle Ear, Inc.	32,543	61%	\$ 404,367	06/30/07	medical
Simplex Time Recorder, Inc	13,612	26%	\$ 73,734	06/30/05	manufacturing
Ondeo Nalco Chemical Co.	3,365	6%	\$ 4,324	10/31/01	chemical sales
Hoyt Properties Master Lease	<u>3,789</u>	<u>7%</u>	\$ <u>32,585</u>	03/31/06	n/a
Total Plymouth IV	53,309	100%	\$ 915,707		
Plymouth V					
Miracle Ear, Inc.			\$		
	52,547	71%	651,922	06/04/07	medical
New Horizons	9,975	14%	\$ 119,196	09/30/06	childcare
Hoyt Properties Master Lease	<u>11,068</u>	<u>15%</u>	\$ <u>144,589</u>	03/31/06	n/a
Total Plymouth V	73,590	100%	\$ 832,891		

**Average Rent Per Square Foot:** For the 12 months prior to IRET's acquisition, the average monthly rent per square foot was \$0.96 for Plymouth IV and \$0.73 for Plymouth V.

**Lease Expiration Schedule:** For the next ten years the current leases will expire as follows:

<u>Year</u>	<u>Leases Expiring</u>	<u>Sq. Ft. Expiring</u>	<u>Annual Revenue of Expiring Leases</u>	<u>Percentage of Gross Revenue of Expiring Leases</u>
2001	0	0	\$ 0	0%
2002	0	0	\$ 0	0%
2003	0	0	\$ 0	0%
2004	0	0	\$ 0	0%
2005	0	0	\$ 0	0%
2006	2	31,834	\$ 395,234	25%
2007	1	9975	\$ 119,196	8%
2008	2	85,090	\$ 1,056,289	67%
2009	0	0	\$ 0	0%
2010	0	0	\$ 0	0%

**Depreciation:** Plymouth IV & V are being depreciated as follows:

<u>Asset</u>	<u>Federal Tax Basis</u>	<u>Method</u>	<u>Life</u>
Plymouth 4	\$4,456,135	SL	39 years
Plymouth 5	\$4,783,353	SL	39 years

**Real Estate Taxes:** At the time of acquisition, the annual real estate tax was \$128,937 per year. The rate for 2001 is \$135,585.

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## Independent Auditors Report

To the Board of Trustees of Investors Real Estate Trust

We have audited the accompanying Historical Summary of Gross Income and Direct Operating Expenses of Plymouth Techcenter IV & V ("Historical Summary") for the year ended December 31, 2000. This Historical Summary is the responsibility of the management. Our responsibility is to express an opinion on the Historical Summary based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether

Explanation of Responses:

the Historical Summary is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Historical Summary. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the Historical Summary. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, the Historical Summary referred to above presents fairly, in all material respects, the gross income and direct operating expenses described in Note 2 of Plymouth Techcenter IV & V for the year ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America.

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

Minot, North Dakota  
October 8, 2001

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**Plymouth Techcenter IV & V**  
**Historical Summary of Gross Income and Direct Operating Expenses**  
**For the Year Ended December 31, 2000**

<b>GROSS INCOME</b>	
Real Estate Rentals	\$ 637,758
Operating Expense Recoveries	\$ 84,910
Other rental income	\$ <u>4,854</u>
Total Gross Income	\$ <u>727,522</u>
<b>DIRECT OPERATING EXPENSE</b>	
Utilities	\$ 37,668
Real Estate Taxes	\$ 64,469
Insurance	\$ 8,418
Repairs and Maintenance	\$ <u>51,943</u>
Total Direct Operating Expenses	\$ <u>162,498</u>
<b>EXCESS OF GROSS INCOME OVER DIRECT OPERATING EXPENSES</b>	<b>\$ <u>565,024</u></b>

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

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**Plymouth Techcenter IV & V**  
**Notes To Historical Summary of Gross Income and Direct Operating Expenses**  
**For the Year Ended December 31, 2000**

*Note 1. Nature of Business*

*Plymouth Techcenter IV & V is multi-tenant commercial property consisting of 128,809 rentable square feet. Construction of the property was completed in calendar year 2000, lease-up began June, 2000. Accordingly, the above audited report only covers seven (7) months of operation. The property was acquired from an entity controlled by Steven B. Hoyt who is a Trustee of IRET. However, at the time of acquisition, Mr. Hoyt was not a member of the board or a related party.*

*Note 2. Basis of Presentation*

*Investors Real Estate Trust purchased Plymouth Techcenter IV & V on April 1, 2001. The historical summary has been prepared for the purpose of complying with Regulation S-X, Rule 3-14 of the Securities and Exchange Commission (SEC), which requires certain information with respect to real estate operations acquired to be included with certain filings with the SEC. This historical summary includes the historical gross income and direct operating expenses of Techcenter IV & V, exclusive of the following expenses which may not be comparable to the proposed future operations:*

- (a) interest expense on existing mortgage and borrowings*
- (b) depreciation of property and equipment*
- (c) management fees*
- (d) certain corporate expenses*
- (e) provision for income taxes*

*Note 3. Summary of Significant Accounting Policies*

*Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.*

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

*Revenue Recognition - Rental revenue is recognized on the straight-line basis, which averages minimum rents over the terms of the leases. All leases are classified as operating leases and expense at various dates prior to June 30, 2007. The following is a schedule by years of future minimum rents receivable on non-cancellable operating leases in effect as of December 31, 2000.*

<u>Year</u>	<u>Amount</u>
2001	\$ 1,254,425

2002	\$	1,254,715
2003	\$	1,256,165
2004	\$	1,256,165
2005	\$	1,163,713
Thereafter	\$	1,563,150

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**Plymouth Techcenter IV & V**  
**Notes To Historical Summary of Gross Income and Direct Operating Expenses**  
**For the Year Ended December 31, 2000**

*Note 3. During the year ended December 31, 2000 four tenants accounted for all of the base continued rents. Approximately 24,700 square feet was still vacant as of December 31, 2000. Expense Reimbursement - Expense reimbursements represent operating expenses, including real estate taxes billed to the tenants and are recognized in the period the expenses are incurred.*

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**Plymouth Techcenter IV & V**  
**Unaudited Interim Financial Statement**  
**For The Period January 1, 2001 through March 31, 2001**

<b>GROSS INCOME</b>	
Real estate rentals	\$ 425,172
Operating Expense Recovery	\$ <u>25,725</u>
Total revenue	\$ <u>450,897</u>
<b>DIRECT OPERATING EXPENSE</b>	
Utilities	\$ 1,744
Real Estate Taxes	\$ 33,896
Insurance	\$ 3,476
Repairs and Maintenance	\$ <u>9,041</u>
Total Direct Operating expenses	\$ <u>48,157</u>
<b>EXCESS OF GROSS INCOME OVER DIRECT OPERATING EXPENSES</b>	<b>\$ <u>402,740</u></b>

**Unaudited Estimated Taxable Operating Results**

The table below represents estimated taxable operating results of Plymouth IV & V for the first twelve-month period of the acquisition. Said property is a net lease commercial structure consisting 126,809 net rentable square footage, of which assumptions for net rent is based upon 100% occupancy.

	<u>Cash Flow Projections</u>
Rental Revenue	\$ 1,465,911
Interest Expense	\$ -753,818
Non-recoverable expenses	\$ -111,459
Principle Mortgage Reduction	\$ <u>-120,134</u>
<b>OPERATING CASH FLOW</b>	<b>\$ 480,500</b>

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

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**INVESTORS REAL ESTATE TRUST  
CONSOLIDATED FINANCIAL STATEMENTS  
for the Six Months Ended October 31, 2001**

**Balance Sheet**  
*(unaudited)*

ASSETS	<u>10/31/01</u>	<u>04/30/01</u>
Real Estate Investments		
Real Estate Owned	\$ 637,805,923	\$ 591,636,468
Less Accumulated Depreciation	<u>\$ -51,047,799</u>	<u>\$ -44,093,145</u>
	\$ 586,758,124	\$ 547,543,323
Mortgage Loans Receivable	<u>\$ 5,942,897</u>	<u>\$ 1,037,095</u>
Total Real Estate Investments	<u>\$ 592,701,021</u>	<u>\$ 548,580,418</u>
<b>OTHER ASSETS</b>		
Cash	\$ 19,994,239	\$ 6,356,063
Marketable Securities - Held to Maturity	0	2,351,248
Marketable Securities - Available for Sale	0	660,865
Rent Receivable	2,583,619	1,925,429
Real Estate Deposits	184,000	522,500
Prepaid and Other Assets	1,111,081	799,973
Tax and Insurance Escrow	4,568,060	4,323,960
Deferred Charges and Leasing Costs	3,398,461	3,064,109
Furniture & Fixtures, Net	204,211	187,313
Goodwill, Net	<u>\$ 1,495,532</u>	<u>\$ 1,550,246</u>

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TOTAL ASSETS	\$ 626,240,224	\$ 570,322,124
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 8,486,962	\$ 8,252,758
Mortgages Payable	401,345,146	368,956,930
Investment Certificates Issued	\$ 25,875,441	\$ 11,876,417
TOTAL LIABILITIES	\$ 435,707,549	\$ 389,086,105
Minority Interest in Partnerships		
Limited Partner - NSCM	3,430,974	3,287,665
Minority Interest in Operating Partnership		
Limited Partnership Units		
8,433,295 on 10/31/01		
7,527,151 on 04/30/01	\$ 65,523,274	\$ 59,003,194
SHAREHOLDERS' EQUITY		
Shares of Beneficial Interest		
24,530,009 on 10/31/01		
24,068,346 on 04/30/01	\$ 136,002,301	\$ 132,148,768
Accumulated Distributions in Excess of Net Income	-14,423,874	-13,073,157
Accumulated Other Comprehensive Income/Loss	\$ 0	\$ -130,451
Total Shareholders' Equity	\$ 121,578,427	\$ 118,945,160
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 626,240,224	\$ 570,322,124

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**Statement of Operations**

for Three Months and Six Months Ended October 31, 2001 and 2000  
(unaudited)

	3 Months Ended <u>10/31/01</u>	3 Months Ended <u>10/31/00</u>	6 Months Ended <u>10/31/01</u>	6 Months Ended <u>10/31/00</u>
REVENUE				
Real Estate Rentals	\$ 22,877,520	\$ 18,216,163	\$ 44,445,900	\$ 35,508,138
Interest, Discounts and Fees	\$ 297,521	\$ 188,097	\$ 509,235	\$ 327,766
Total Revenue	\$ 23,175,041	\$ 18,404,260	\$ 44,955,135	\$ 35,835,904
OPERATING EXPENSE				
Interest	\$ 7,597,039	\$ 6,087,438	\$ 14,795,417	\$ 11,778,403
Depreciation	3,718,328	3,042,137	7,375,090	5,698,346
Utilities and Maintenance	3,190,626	2,775,648	6,162,434	5,388,844

Explanation of Responses:

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Taxes	2,234,148	1,712,556	4,349,779	3,400,798
Insurance	313,713	174,471	628,398	341,752
Property Management Expenses	1,730,144	1,369,059	3,360,223	2,779,561
Administrative Expense & Trustee Services	394,240	295,827	780,546	759,789
Operating Expenses	118,672	124,078	245,295	204,555
Amortization	<u>\$ 134,716</u>	<u>\$ 115,235</u>	<u>\$ 263,672</u>	<u>\$ 210,914</u>
Total Expenses	<u>\$ 19,431,626</u>	<u>\$ 15,696,449</u>	<u>\$ 37,960,854</u>	<u>\$ 30,562,962</u>
INCOME BEFORE GAIN/LOSS ON PROPERTIES AND MINORITY INTEREST	3,743,415	2,707,811	6,994,281	5,272,942
GAIN ON SALE OF INVESTMENT	16,398	0	324,332	0
<b>MINORITY INTEREST OTHER PARTNERSHIP</b>	-86,554	0	-143,309	0
MINORITY INTEREST PORTION OF OPERATING PARTNERSHIP INCOME	<u>\$ -727,344</u>	<u>\$ -538,618</u>	<u>\$ -1,453,661</u>	<u>\$ -964,285</u>
NET INCOME	<u>\$ 2,945,915</u>	<u>\$ 2,169,193</u>	<u>\$ 5,721,643</u>	<u>\$ 4,308,657</u>
PER SHARE				
Net Income Per Share	\$ 0.1200	\$ 0.0900	\$ 0.2400	\$ 0.1900
Dividends Paid Per Share	\$ 0.1475	\$ 0.1350	\$ 0.2925	\$ 0.2675
Average Number of Shares Outstanding	<u>24,362,151</u>	<u>22,972,664</u>	<u>24,252,467</u>	<u>22,790,637</u>

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**Consolidated Statement of Cash Flows**  
For the Six Months Ended October 31, 2001 and 2000  
(*unaudited*)

	<u>10/31/01</u>	<u>10/31/00</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	\$ 5,721,643	\$ 4,308,657
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and Amortization	7,638,762	5,909,260
Minority interest portion of operating partnership income	1,596,970	964,285
Gain on Sale of Properties	-324,332	0
Interest reinvested in investment certificates	164,654	134,650
Changes in other assets and liabilities:		
(Increase) decrease in real estate deposits	346,000	-31,450
(Increase) decrease in other assets	-448,096	-224,407
(Increase) decrease in rent receivable	-658,190	-405,903
(Increase) decrease in tax and insurance escrow	-244,100	-859,525
(Increase) decrease in deferred charges	-543,309	-896,868
Increase (decrease) in accounts payable & accrued expenses	<u>\$ 244,321</u>	<u>\$ 432,125</u>
Net cash provided from operating activities	<u>\$ 13,494,323</u>	<u>\$ 9,330,824</u>

## CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of marketable securities held to maturity	\$ 3,085,209	\$ 151,516
Proceeds from sale of property	269,501	0
Principal payments on mortgage loans receivable	7,505	610,464
Payments for acquisition and improvements of properties	-31,575,245	-20,888,179
Investment in Mortgage loan receivable	\$ -4,913,307	\$ -2,079,264
Net Cash used for investing activities	\$ -33,126,337	\$ -22,205,463

## CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from sale of shares	\$ 0	\$ 3,617,279
Proceeds from sale of minority interest units	345,603	0
Proceeds from investment certificates issued	14,257,866	1,180,030
Proceeds from mortgages payable	27,513,766	21,571,148
Proceeds from short-term lines of credit	1,000,000	10,286,888
Repurchase of shares/minority interest	-20,107	-2,716,868
Dividends/Distributions Paid	-5,866,380	-4,071,222
Prepaid Advances to DRIP	0	-760,000
Redemption of investment certificates	-423,497	-1,353,614
Principal payments on mortgage loans	-2,537,061	-3,189,077
Payments on short-term lines of credit	\$ -1,000,000	\$ -9,752,420
Net cash provided from financing activities	\$ 33,270,190	\$ 14,812,144

NET INCREASE (DECREASE) IN CASH	\$ 13,638,176	\$ 1,937,505
CASH AT BEGINNING OF YEAR	\$ 6,356,063	\$ 3,449,264
CASH AT END OF 2nd PERIOD	\$ 19,994,239	\$ 5,386,769

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**Consolidated Statement of Cash Flows - continued**

	<u>10/31/01</u>	<u>10/31/00</u>
SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES 2001 and 2000		
Dividends reinvested	\$ 3,481,394	\$ 3,346,687
Real estate investment and mortgage loans receivable acquired through assumption of mortgage loans payable and accrual of costs	7,721,134	22,901,205
Proceeds from Sale of Properties deposited directly with escrow agent	711,777	0
Properties acquired through the issuance of minority interest units in the operating partnership	7,523,461	10,629,518
Interest reinvested directly in investment certificates	164,654	134,650
Goodwill acquired	0	1,604,961
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for:		
Interest paid on mortgages	\$ 13,417,626	\$ 10,254,870
Interest paid on margin account and other	1,438	181,565
Interest paid on investment certificates	207,805	207,039

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**Consolidated Statements of Shareholders' Equity**  
For the Periods Ended October 31, 2001 and April 30, 2001  
(*unaudited*)

	NUMBER OF SHARES	SHARES OF BENEFICIAL INTEREST	DISTRIBUTIONS IN EXCESS OF NET INCOME	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDER'S EQUITY
Balance April 30, 2000	22,452,069	\$119,233,172	\$ -9,094,076	\$ -218,505	\$ 109,920,591
Comprehensive Income					
Net income	0	0	8,694,240	0	8,694,294
Unrealized loss on securities available for sale	0	0	0	-88,054	<u>-88,054</u>
Total comprehensive income					\$ 8,782,294
Dividends distributed	0	0	-12,673,321		-12,673,321
Dividend reinvested	273,155	2,230,445	0	0	2,230,445
Sale of shares	1,383,908	11,001,509	0	0	11,001,509
Fractional Shares repurchased	<u>-40,786</u>	<u>-316,358</u>	<u>0</u>	<u>0</u>	<u>-316,358</u>
Balance April 30, 2001	<u>24,068,346</u>	<u>\$132,148,768</u>	<u>\$ -13,073,157</u>	<u>\$ -130,451</u>	<u>\$ 118,945,160</u>
Balance April 30, 2001	<u>24,068,346</u>	<u>\$132,148,768</u>	<u>\$ -13,073,157</u>	<u>\$ -130,451</u>	<u>\$ 118,945,160</u>
Comprehensive Income					
Net income	0	0	5,721,643	0	5,721,643
Unrealized gain on securities available for sale	0	0	0	130,451	<u>130,451</u>
Total comprehensive income					\$ 5,852,094
Dividends distributed	0	0	-7,072,360	0	-7,072,358
Dividend reinvestment plan	462,779	3,863,207	0	0	3,863,207
Sale of shares	0	0	0	0	0
Fractional Shares repurchased	<u>-1,116</u>	<u>-9,674</u>	<u>0</u>	<u>0</u>	<u>-9,675</u>
Balance October 31, 2001	<u>24,530,009</u>	<u>\$136,002,301</u>	<u>\$ -14,423,874</u>	<u>\$ 0</u>	<u>\$ 121,578,427</u>

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**Notes to Consolidated Financial Statements**  
Six Months Ended October 31, 2001 and 2000

**Note 1 - Organization**

Investors Real Estate Trust ("IRET") elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856-860 of the Internal Revenue Code of 1986, as amended, commencing with its taxable year ended April 30, 1971. REITs are subject to a number of organization and operational requirements, including a requirement to contribute 90% of ordinary taxable income and, generally, are not subject to Federal income tax on net income. IRET is engaged in the acquisition and ownership of residential apartment communities and commercial properties located mainly in the state of North Dakota and Minnesota but also in the states of Colorado, Idaho, Iowa, Georgia, Kansas, Montana, Nebraska, South Dakota, Texas, and Washington. As of October 31, 2001, IRET owned 59 apartment communities with 8,248 apartments and 62 commercial buildings totaling 2,928,338 square feet. IRET conducts a majority of its business activities through its operating partnership, IRET Properties, a North Dakota Limited Partnership, as well as through a number of other subsidiary entities.

## **Note 2 - Basis of Presentation and Significant Account Policies**

### **Basis of Presentation**

The consolidated financial statements include the accounts of IRET and all its subsidiaries in which it maintains a controlling interest. The financial statements have been prepared on the basis of accounting principles that are in effect as of the financial statement date. IRET operates on a fiscal year commencing May 1 and ending April 30.

The accompanying consolidated financial statements include the accounts of IRET and its 74.4% (76.2% at April 30, 2001) partnership interest in the operating partnership. Such interest has been calculated as the percentage of outstanding common shares divided by the total outstanding common shares and operating partnership units ("UPREIT Units") outstanding. The remaining 25.6% (23.8% at April 30, 2001) is reflected as minority interest in these consolidated financial statements.

IRET's investment in the NSCM Partnership is a controlling interest and IRET has financial and operating control and accounted for using the equity method. All significant intercompany balances and transactions have been eliminated in these consolidated financial statements.

### **Unaudited Interim Financial Statements**

The interim consolidated financial statements of IRET have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and the applicable rules and regulations of the Securities and Exchange Commission. Accordingly, certain disclosures accompanying annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America are omitted. The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

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### **Note 2 - continued**

In the opinion of management, all adjustments, consisting solely of normal recurring adjustments, necessary for the fair presentation of the consolidated financial statements for the interim periods have been included.

The current period's results of operations are not necessarily indicative of results which ultimately may be achieved for the year. The interim consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in the company's form 10-K405 for the year ended April 30, 2001.

### **Significant Accounting Policies**

IRET has not made any significant changes in accounting policy and practices since the most recent audited financial statements.

### **Recent Accounting Pronouncements**

In June, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 141, Business Combinations. This Statement addresses financial accounting and reporting for business combinations and supersedes APB Opinion No., 16, Business Combinations, and FASB Statement No. 38, Accounting for Preacquisition Contingencies of Purchased Enterprises. The provisions of this Statement provide that all business combinations under the scope of this Statement are to be accounted for using one method - the purchase

method. The provisions of this Statement apply to all business combinations initiated after June 30, 2001, and to all business combinations accounted for using the purchase method for which the date of acquisition is July 1, 2001, or later. The Trust has not entered into any business combinations since June 30, 2001, and therefore the provisions of this statement do not yet impact the Trust's financial position, results of operations and cash flows. The Trust will be adopting this Statement for any future business combinations.

In June, 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets. This Statement addresses financial accounting and reporting for acquired goodwill and other intangible assets and supersedes APB Opinion No. 17, Intangible Assets. It addresses how intangible assets that are acquired individually or with a group of other assets (but not those acquired in a business combination) should be accounted for in financial statements upon their acquisitions. This Statement also addresses how goodwill and other intangible assets should be accounted for after they have been initially recognized in the financial statements. The provisions of this Statement are required to be applied starting with fiscal years beginning after December 15, 2001. Although the Statement allows for early adoption by entities with fiscal years beginning after March 15, 2001, provided that the first interim financial statements have not previously been issued, the Trust has no plans to adopt the provisions of SFAS No. 142 prior to the effective date. Therefore, this Statement is will be adopted by the Trust at the beginning of fiscal year May 1, 2002. The provisions of SFAS No. 142 will be applied to all goodwill and other intangible assets reflected on its financial statements at that date.

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**Note 2** - continued

SFAS No. 142 requires that goodwill and intangible assets that have indefinite useful lives will not be amortized as in the past, but will instead be tested at least annually for impairment. SFAS No. 142 adopts a more aggressive view of goodwill and bases the accounting for goodwill on the units of the combined entity into which an acquired entity is integrated (referred to as reporting units). This statement provides specific guidance for testing goodwill for impairment. The Trust will follow this guidance and goodwill will be tested for impairment at least annually using a two-step process that begins with an estimation of the fair value of a reporting unit.

The first step is a screen for potential impairment, and the second step measures the amount of impairment, if any. If certain criteria are met, the requirement to test goodwill for annual impairment can be satisfied without remeasurement of the fair value of a reporting entity.

Impairment losses for goodwill and indefinite -lived intangible assets that arise due to the initial application of this Statement (resulting from a transitional impairment test) are to be reported as resulting from a change in accounting principle. As of October 31, 2001, the impact of adopting the provisions of SFAS No. 142 on the Trust's financial position, results of operations and cash flows would not be material since as of this date the Trust's goodwill and indefinite intangibles are not determined to be impaired. The impact of adopting this Statement on its effective date is not yet estimable since fact and circumstances that could impact the impairment estimation will need to be evaluated as of that date.

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 143, Accounting for Asset Retirement Obligations. The provisions of this statement address the financial

accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This Statement requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The provisions of this Statement become effective for fiscal years beginning after June 15, 2002. Although the Statement allows for early adoption prior to becoming effective, the Trust has no plans for to adopt the provision of SFAS No. 143 prior to the effective date. Therefore, this Statement will be adopted by the Trust at the beginning of fiscal year May 1, 2003. As of October 31, 2001 the impact of adopting the provisions of this Statement on the Trust's financial position, results of operations and cash flow would not be material as the Trust did not currently retire any tangible long-lived assets. The impact of adopting this Statement on its effective date is not yet estimable since fact and circumstances that could impact retirement costs and obligations will depend on future retirements of long-lived assets.

In August 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. This Statement addresses financial accounting and reporting for the impairment or disposal of long-lived assets.

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**Note 2 - continued**

This Statement supersedes FASB No. 121, Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be disposed of, and the accounting and reporting provision of APB Opinion No. 30, Reporting the Results of Operations-Reporting the Effects of Disposal of a Segment of a Business and Extraordinary, Unusual and Infrequently Occurring Events and Transactions, for the disposal of a segment of a business (as previously defined in the Opinion). This Statement also amends ARB No. 51, Consolidated Financial Statements, to eliminate the exception to consolidation for a subsidiary for which control is likely to be temporary. The provisions of this statement become effective for financial statements issued for fiscal years beginning after December 15, 2001 and interim periods within those fiscal years. Although the statement provides for early adoption prior to becoming effective, the Trust has no plans to adopt this Statement prior to the effective date. Therefore, this Statement is will be adopted by the Trust at the beginning of fiscal year May 1, 2002.

This statement does not materially change the measurement of impairment for long-lived assets to "be held or used". Instead, it provides guidance on measuring impairment of long-lived assets to "be held and used". As of October 31, 2001, the Trust did have long-lived assets that are being "held and used" (primarily real estate) as part of its normal business operations of a REIT. The Trust has implemented its measuring of impairment for assets "held and used" in accordance with the implementation guidance in SFAS No. 144 which is consistent with SFAS No. 121 and therefore this Statement has no material impact on the Trust's financial position, results of operations and cash flows.

SFAS No. 144 also has some provisions, primarily guidance, on implementation of the provisions of SFAS No. 122, that apply to long-lived assets to be disposed of "other than by sale" and long-lived assets to be disposed of "by sale". As of October 31, 2001, the Trust did not have any long-lived assets within these categories and therefore the application as of that date does not have any material impact on the financial position, results of operations, and cash flows. The impact of adopting the provisions of this Statement for long-lived assets to be disposed of "other than by sale" or "by sale" on its effective date is not yet estimable since facts and circumstances have not yet occurred that would cause the Trust to classify properties in either of these categories.

**Note 3 - Earnings Per Share**

Earnings per share ("EPS") is computed as net income available to common shareholders divided by the weighted average number of common shares outstanding for the period. The company has no outstanding warrants, convertible stock, or other contractual obligations requiring issuance of additional common shares that would result in a dilution of earnings.



The exchange of outstanding operation partnership units for common shares will have no effect on EPS as unitholders and shareholders presently share equally in the net income of the operating partnership. Thus, diluted EPS is not shown because there is no potential dilution.

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**Note 3 - continued**

The weighted average shares and operating partnership units outstanding for the three months and six months ended October 31, 2001, and 2000 are as follows:

<u>Three Months Ended</u>		<u>10/31/01</u>	<u>10/31/00</u>
Weighted average shares outstanding		24,362,151	22,972,664
Weighted average operating partnership units	outstanding	<u>8,148,596</u>	<u>5,569,012</u>
Total		32,510,747	28,541,676
<u>Six Months Ended</u>		<u>10/31/01</u>	<u>10/31/00</u>
Weighted average shares outstanding		24,252,467	22,790,637
Weighted average operating partnership units	outstanding	<u>7,870,182</u>	<u>5,160,743</u>
Total		32,122,649	27,951,380

**Note 4 - Mortgage Loan Receivable**

Mortgage loans receivable consist of eight contracts, which are collateralized by real estate. Contract terms call for monthly payments of principals and interest. Interest rates range from 7% to 11%. Mortgage loans receivable have been evaluated for possible losses considering repayment history, market value of underlying collateral, and economic conditions.

Future principal payments due under the mortgage loan contracts as of October 31, 2001, are as follows:

<u>Year Ended April 30,</u>	
2002	\$ 5,671,332
2003	\$ 98,252
2004	\$ 43,313
2005	\$ 0
2006	\$ 0
Later years	<u>\$ 130,000</u>
	<u>\$ 5,942,897</u>

There were no significant non-performing mortgage loans receivable as of October 31, 2001. Non-performing loans are recognized as impaired in conformity with FASB Statement No. 114, Accounting by Creditors for Impairment of a Loan. The average balance of impaired loans for the period ended October 31, 2001, was not significant. For

impairment recognized in conformity with FASB statement No. 114, the entire change in present value of expected cash flows is reported as bad debt expense in the same manner in which impairment initially was recognized or as a reduction in the amount of bad debt expense that otherwise would be reported. Additional interest income that would have been earned on loans if they had not been non-performing was not significant in this period. There was not interest income on non-performing loans recognized on a cash basis for the period ended October 31, 2001.

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**Note 5 - Investment Certificates Issued**

The trust has placed investment certificates with the public. The interest rates vary from 6% to 9% per annum, depending on the term of the security. Total securities maturing within fiscal years ended April 30, are shown below. Interest is paid annually, semiannually, or quarterly on the anniversary date of the security.

<u>Year Ended April 30,</u>	
2002	\$ 14,294,281
2003	\$ 4,606,210
2004	\$ 1,922,323
2005	\$ 1,296,574
2006	\$ 3,421,758
Later years	\$ <u>334,295</u>
	\$ <u>25,875,441</u>

**Note 6 - Segment Reporting**

The following information summarizes IRET's segment reporting for residential and commercial properties along with reconciliations to the consolidated financial statements:

Three Months Ended October 31, 2001

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
Segment Revenue			
Rental Revenue	\$ <u>7,554,280</u>	\$ <u>15,323,240</u>	\$ <u>22,877,520</u>
Segment Expenses			
Mortgage Interest	3,341,519	3,776,404	7,117,923
Utilities and Maintenance	410,110	2,780,516	3,190,626
Real Estate Taxes	553,805	1,680,343	2,234,148
Insurance	40,205	273,508	313,713
Property Management	\$ <u>219,244</u>	\$ <u>1,510,900</u>	\$ <u>1,730,144</u>
Total Segment Expense	\$ <u>4,564,883</u>	\$ <u>10,021,671</u>	\$ <u>14,586,554</u>
Segment Gross Profit	\$ <u>2,989,397</u>	\$ <u>5,301,569</u>	\$ <u>8,290,966</u>

Reconciliation to consolidated operations:

Interest Discounts and Fee Revenue	\$ 297,521
Other Interest Expense	-479,116
Depreciation	-3,718,328
Administrative Expense and Trustee Fees	-394,240

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Operating Expenses	-118,672
Amortization	\$ <u>-134,716</u>
Income Before Gain/Loss on Properties and Minority Interest	\$ <u>3,743,415</u>

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**Note 6** - continued

Three Months Ended October 31, 2000

**Three Months Ended October 31, 2000**

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
Segment Revenue			
Rental Revenue	\$ <u>4,031,487</u>	\$ <u>14,184,676</u>	\$ <u>18,216,163</u>
Segment Expenses			
Mortgage Interest	1,970,431	3,930,180	5,900,611
Utilities and Maintenance	225,545	2,550,103	2,775,648
Taxes	240,445	1,472,111	1,712,556
Insurance	23,780	150,691	174,471
Property Management	\$ <u>96,614</u>	\$ <u>1,272,445</u>	\$ <u>1,369,059</u>
Total Segment Expense	\$ <u>2,556,815</u>	\$ <u>9,375,530</u>	\$ <u>11,932,345</u>
Segment Gross Profit	\$ <u>1,474,672</u>	\$ <u>4,809,146</u>	\$ <u>6,283,818</u>

Reconciliation to consolidated operations:

Interest Discounts and Fee Revenue		\$ 188,097
Other Interest Expense		-186,827
Depreciation		-3,042,137
Advisory and Trust Fees		-295,827
Operating Expenses		-124,078
Amortization		\$ <u>-115,235</u>
Income Before Gain/Loss on Properties and Minority Interest		\$ <u>2,707,811</u>

**Six Months Ended October 31, 2001**

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
Segment Revenue			
Rental Revenue	\$ <u>14,993,811</u>	\$ <u>29,452,089</u>	\$ <u>44,445,900</u>
Segment Expenses			
Mortgage Interest	5,991,223	8,147,417	14,138,640
Utilities and Maintenance	821,176	5,341,258	6,162,434
Real Estate Taxes	1,087,504	3,262,275	4,349,779

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Insurance	86,458	541,940	628,398
Property Management	\$ <u>405,069</u>	\$ <u>2,955,154</u>	\$ <u>3,360,223</u>
Total Segment Expense	\$ <u>8,391,430</u>	\$ <u>20,248,044</u>	\$ <u>28,639,474</u>
Segment Gross Profit	\$ <u>6,602,381</u>	\$ <u>9,204,045</u>	\$ <u>15,806,426</u>

Reconciliation to consolidated operations:			
Interest Discounts and Fee Revenue			\$ 509,235
Other Interest Expense			-656,777
Depreciation			-7,375,090
Administrative Expense and Trustee Fees			-780,546
Operating Expenses			-245,295
Amortization			\$ <u>-263,672</u>
Income Before Gain/Loss on Properties and Minority Interest			\$ <u>6,994,281</u>

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**Six Months Ended October 31, 2000**

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
Segment Revenue			
Rental Revenue	\$ <u>8,433,133</u>	\$ <u>27,075,005</u>	\$ <u>35,508,138</u>
Segment Expenses			
Mortgage Interest	3,716,448	7,693,327	11,409,775
Utilities and Maintenance	420,135	4,968,709	5,388,844
Taxes	499,981	2,900,817	3,400,798
Insurance	40,905	300,847	341,752
Property Management	\$ <u>179,885</u>	\$ <u>2,599,676</u>	\$ <u>2,779,561</u>
Total Segment Expense	\$ <u>4,857,354</u>	\$ <u>18,463,376</u>	\$ <u>23,320,730</u>
Segment Gross Profit	\$ <u>3,575,779</u>	\$ <u>8,611,629</u>	\$ <u>12,187,408</u>

Reconciliation to consolidated operations:			
Interest Discounts and Fee Revenue			\$ 327,766
Other Interest Expense			-368,628
Depreciation			-5,698,346
Advisory and Trust Fees			-759,789
Operating Expenses			-204,555
Amortization			\$ <u>-210,914</u>

Income Before Gain/Loss on Properties  
and Minority Interest

\$ 5,272,942

## Segment Assets and Accumulated Depreciation

### Quarter Ended October 31, 2001

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
Segment Assets			
Property Owned	\$ 257,124,967	\$ 380,680,956	\$ 637,805,923
Less Accumulated Depreciation	<u>\$ - 14,423,580</u>	<u>\$ - 36,624,219</u>	<u>\$ - 51,047,799</u>
Total Property Owned	<u>\$ 242,701,387</u>	<u>\$ 344,056,737</u>	<u>\$ 586,758,124</u>

### Year Ended April 30, 2001

	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
Segment Assets			
Property Owned	\$ 230,058,846	\$ 361,577,6229	\$ 591,636,468
Less Accumulated Depreciation	<u>\$ - 11,796,966</u>	<u>\$ - 32,296,179</u>	<u>\$ - 44,093,145</u>
Total Property Owned	<u>\$ 218,216,880</u>	<u>\$ 329,281,443</u>	<u>\$ 547,543,323</u>

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### Note 8 - Subsequent Events

- 1.) On November 14, 2001, the Board of Trustees of IRET declared a dividend of \$0.15 per share, payable January 17, 2002, to shareholders of record at the close of business on January 2, 2002.
- 2.) IRET's Form S-11/A Registration Statement for 2,500,000 of its shares of beneficial interest became effective on December 3, 2001, under which statement said shares will be offered for sale to the public for \$8.75 per share by broker/dealers on a best-efforts basis.

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## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
Investor Real Estate Trust  
and Subsidiaries  
Minot, North Dakota

We have audited the accompanying consolidated balance sheets of Investors Real Estate Trust and Subsidiaries as of April 30, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended April 30, 2001, 2000 and 1999. These consolidated financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Investors Real Estate Trust and Subsidiaries as of April 30, 2001 and 2000, and the consolidated results of its operations and cash flows for the years ended April 30, 2001, 2000 and 1999, in conformity with accounting principles generally accepted in the United States of America.

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

**BRADY, MARTZ & ASSOCIATES, P.C.**

Minot, North Dakota, USA

May 23, 2001

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
*April 30, 2001 and 2000*

## ASSETS

	<u>2001</u>	<u>2000</u>
<b>REAL ESTATE INVESTMENTS</b>		
Property owned	\$ 591,636,468	\$ 449,919,890
Less accumulated depreciation	<u>- 44,093,145</u>	<u>- 33,232,952</u>
	\$ 547,543,323	\$ 416,686,938
Mortgage loans receivable	<u>1,037,095</u>	<u>1,529,578</u>
Total real estate investments	\$ 548,580,418	\$ 418,216,516
<b>OTHER ASSETS</b>		
Cash	\$ 6,356,063	\$ 3,449,264
Marketable securities -held-to-maturity	2,351,248	2,601,420
Marketable securities -available for sale	660,865	572,811
Rent receivable	1,925,429	1,055,922
Real estate deposits	522,500	768,850
Prepaid and other assets	799,973	577,624
Tax and insurance escrow	4,323,960	3,218,603
Furniture & Fixtures	187,313	0
Goodwill	1,550,246	0
Deferred charges and Leasing Costs	<u>3,064,109</u>	<u>2,517,289</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>570,322,124</u></b>	<b>\$ <u>432,978,299</u></b>

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS** *(continued)*  
*April 30, 2001 and 2000*

## LIABILITIES AND SHAREHOLDERS' EQUITY

	<u>2001</u>	<u>2000</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 8,252,758	\$ 6,343,595
Notes payable	0	6,452,420
Mortgages payable	368,956,930	265,056,767
Investment certificates issued	<u>11,876,417</u>	<u>10,087,256</u>
Total Liabilities	\$ <u>389,086,105</u>	\$ <u>287,940,038</u>
<b>MINORITY INTEREST IN PARTNERSHIPS</b>	<u>\$ 3,287,665</u>	<u>\$ 0</u>
<b>MINORITY INTEREST OF UNIT HOLDERS IN OPERATING PARTNERSHIP</b>	<u>\$ 59,003,194</u>	<u>\$ 35,117,670</u>
<b>SHAREHOLDER'S EQUITY</b>		
Shares of beneficial interest <i>(unlimited authorization, no par value, 24,068,346 shares outstanding in 2001 and 22,452,069 shares outstanding in 2000)</i>	\$ 132,148,768	\$ 119,233,172

Accumulated distributions in excess of net income	-13,073,157	-9,094,076
Accumulated other comprehensive loss	<u>-130,451</u>	<u>- 218,505</u>
Total shareholders' equity	<u>\$ 118,945,160</u>	<u>\$ 109,920,591</u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>\$ 570,322,124</u></b>	<b><u>\$ 432,978,299</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
*for the years ended April 30, 2001, 2000 and 1999*

	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>REVENUE</b>			
Real estate rentals	\$ 74,800,722	\$ 54,257,881	\$ 38,785,287
Interest, discounts and fees	<u>966,428</u>	<u>1,187,312</u>	<u>1,141,975</u>
Total revenue	<u>\$ 75,767,150</u>	<u>\$ 55,445,193</u>	<u>\$ 39,927,262</u>
<b>EXPENSES</b>			
Interest	\$ 25,231,398	\$ 17,014,170	\$ 12,101,981
Depreciation	12,299,532	8,460,112	5,966,874
Utilities and maintenance	11,546,566	8,044,530	6,356,483
Taxes	7,545,182	5,282,361	4,025,559
Insurance	831,963	476,962	384,203
Property management expenses	5,784,423	4,290,275	3,288,267
Loss on Impairment of Properties	0	1,319,316	0
Administrative Expenses	1,057,469	0	0
Advisory and trustee services	423,227	1,159,120	844,901
Operating expenses	431,390	633,692	402,641
Amortization	<u>428,188</u>	<u>216,097</u>	<u>154,677</u>
Total expenses	<u>\$ 65,579,338</u>	<u>\$ 46,896,635</u>	<u>\$ 33,525,586</u>
<b>INCOME BEFORE GAIN/LOSS ON PROPERTIES AND MINORITY INTEREST</b>	<b>\$ 10,187,812</b>	<b>\$ 8,548,558</b>	<b>\$ 6,401,676</b>
<b>GAIN ON SALE OF PROPERTIES</b>	<b>601,605</b>	<b>1,754,496</b>	<b>1,947,184</b>
<b>MINORITY INTEREST PORTION OF OPERATING PARTNERSHIP INCOME</b>	<b><u>-2,095,177</u></b>	<b><u>-1,495,209</u></b>	<b><u>- 744,725</u></b>
<b>NET INCOME</b>	<b><u>\$ 8,694,240</u></b>	<b><u>\$ 8,807,845</u></b>	<b><u>\$ 7,604,135</u></b>
<b>Net income per share (basic and diluted)</b>	<b><u>\$ .38</u></b>	<b><u>\$ .42</u></b>	<b><u>\$ .44</u></b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**



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for the years ended April 30, 2001, 2000 and 1999

	NUMBER OF <u>SHARES</u>	SHARES OF BENEFICIAL <u>INTEREST</u>	DISTRIBUTIONS IN EXCESS OF NET <u>INCOME</u>	ACCUMULATED OTHER COMPREHENSIVE <u>INCOME (LOSS)</u>	TOTAL SHAREHOLDER'S <u>EQUITY</u>
<b>BALANCE May 1, 1998</b>	<b>16,391,412</b>	<b>\$ 74,708,559</b>	<b>\$ -6,666,555</b>	<b>\$ 110,622</b>	<b>\$ 68,152,626</b>
Comprehensive Income					
Net income	0	0	7,604,135	0	7,604,135
Unrealized loss on securities available for sale	0	0	0	-167,189	<u>-167,189</u>
Total comprehensive income					\$ 7,436,946
Dividends distributed	0	0	-8,193,538	0	-8,193,538
Dividends reinvested	762,051	5,389,464	0	0	5,389,464
Sale of shares	2,368,504	16,284,684	0	0	16,284,684
Shares repurchased	<u>-455,013</u>	<u>-3,286,888</u>	<u>0</u>	<u>0</u>	<u>-3,286,888</u>
<b>BALANCE APRIL 30, 1999</b>	<b>19,066,954</b>	<b>\$ 93,095,819</b>	<b>\$ -7,255,958</b>	<b>\$ - 56,567</b>	<b>\$ 85,783,294</b>
Comprehensive income					
Net income	0	0	8,807,845	0	8,807,845
Unrealized loss on securities available for sale	0	0	0	-161,938	<u>-161,938</u>
Total comprehensive income					\$8,645,907
Dividends distributed	0	0	-10,645,963	0	-10,645,963
Dividend reinvestment plan	803,192	6,330,301	0	0	6,330,301
Sales of shares	3,115,789	24,022,246	0	0	24,022,246
Shares repurchased	<u>-533,866</u>	<u>-4,215,194</u>	<u>0</u>	<u>0</u>	<u>-4,215,194</u>
<b>BALANCE APRIL 30, 2000</b>	<b>22,452,069</b>	<b>\$ 119,233,172</b>	<b>\$ -9,094,076</b>	<b>\$ -218,505</b>	<b>\$ 109,920,591</b>
Comprehensive Income					
Net income	0	0	8,694,240	0	8,694,240
Unrealized gain on securities available for sale	0	0	0	88,054	<u>88,054</u>
Total comprehensive income					\$ 8,782,294
Dividends distributed	0	0	-12,673,321	0	-12,673,321
Dividend reinvestment plan	273,155	2,230,445	0	0	2,230,445
Sale of shares	1,383,908	11,001,509	0	0	11,001,509
Fractional Shares repurchased	<u>-40,786</u>	<u>-316,358</u>	<u>0</u>	<u>0</u>	<u>- 316,358</u>
<b>BALANCE APRIL 30, 2001</b>	<b>24,068,346</b>	<b>\$ 132,148,768</b>	<b>\$ -13,073,157</b>	<b>\$ -130,451</b>	<b>\$ 118,945,160</b>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
for the years ended April 30, 2001, 2000 and 1999

	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net Income	\$ 8,694,240	\$ 8,807,845	\$ 7,604,135
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	12,727,720	8,676,209	6,121,551

BALANCE May 1, 1998

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Minority interest portion of operating partnership income	2,095,177	1,495,209	744,725
Accretion of discount on contracts	0	-1,506	-2,920
Gain on sale of properties	-601,605	-1,754,496	-1,947,184
Loss on impairment of properties	0	1,319,316	0
Interest reinvested in investment certificates	360,181	363,935	408,097
Effects on operating cash flows due to changes in:			
Real estate deposits	246,350	-467,950	2,192,813
Rent receivable	-990,213	-1,055,922	0
Other assets	-201,547	-283,838	-11,884
Tax and insurance escrow	-1,105,357	-1,457,408	-507,127
Deferred charges	-805,364	-1,319,634	-480,413
Accounts payable and accrued expenses	<u>1,909,163</u>	<u>1,955,325</u>	<u>1,541,190</u>
Net cash provided from operating activities	<u>\$ 22,328,745</u>	<u>\$ 16,277,085</u>	<u>\$ 15,662,983</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from maturity of marketable securities held-to-maturity	\$ 250,172	\$ 363,014	\$ 572,104
Principal payments on mortgage loans receivable	613,934	492,547	372,155
Proceeds from sale of property	0	7,326,563	435,787
Payments for acquisitions and improvement of properties	-72,319,419	-121,931,571	-45,325,061
Purchase of marketable securities available-for-sale	0	0	-181,250
Investment in mortgage loans receivable	<u>-4,709,838</u>	<u>-6,291,617</u>	<u>-7,655,061</u>
Net cash used for investing activities	<u>\$ -76,165,151</u>	<u>\$ -120,041,064</u>	<u>\$ -51,781,326</u>

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS** *(continued)*  
*for the years ended April 30, 2001, 2000 and 1999*

	<u>2001</u>	<u>2000</u>	<u>1999</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from sale of shares, net of issue costs	\$ 11,001,509	\$ 24,022,246	\$ 16,284,684
Proceeds from investment certificates issued	3,257,574	3,769,003	4,591,528
Proceeds from mortgages payable	79,369,000	93,969,098	32,326,973
Repurchase of shares and minority interest units	-5,497,952	-4,832,012	-3,534,813
Dividends paid	-5,963,290	-4,315,662	-2,804,074
Distributions paid to minority interest unitholders	-3,059,078	-1,846,104	-791,458
Redemption of investment certificates	-1,828,594	-5,815,818	-3,599,050
Principal payments on mortgage loans	-14,083,544	-7,902,981	-3,774,614
Net increase (decrease) in short-term lines of credit	<u>-6,452,420</u>	<u>6,452,420</u>	<u>-1,000,000</u>
Net cash provided from financing activities	<u>\$ 56,743,205</u>	<u>\$ 103,500,190</u>	<u>\$ 37,699,176</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>\$ 2,906,799</u>	<u>\$ -263,789</u>	<u>\$ 1,580,833</u>
<b>CASH AT BEGINNING OF YEAR</b>	<u>3,449,264</u>	<u>3,713,053</u>	<u>2,132,220</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 6,356,063</u>	<u>\$ 3,449,264</u>	<u>\$ 3,713,053</u>
<b>SUPPLEMENTARY SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES</b>			
Dividend reinvestment plan	\$ 2,230,445	\$ 6,330,301	\$ 5,389,464
Real estate investment and mortgage loans	38,611,547	4,049,568	12,458,735

receivable acquired through assumption of mortgage loans payable and accrual of costs			
Mortgage loan receivable transferred to property owned	4,709,838	15,000,000	0
Proceeds from sale of properties deposited directly with escrow agent	4,093,684	0	6,863,691
Properties and goodwill acquired through the issuance of Minority interest units in the operating partnership	25,543,524	21,602,841	6,485,927
Minority partner interest in Southdale Medical Center	3,287,655	0	0
Interest reinvested directly in investment certificates	360,181	363,935	408,097

**SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION**

Cash paid during the year for:			
Interest paid on mortgages	\$ 23,763,584	\$ 15,670,488	\$ 10,998,722
Interest paid on investment certificates	<u>745,391</u>	<u>544,977</u>	<u>895,214</u>
	<u>\$ 24,508,975</u>	<u>\$ 16,215,465</u>	<u>\$ 11,893,936</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

*April 30, 2001, 2000 and 1999*

**NOTE 1 - NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS** Investors Real Estate Trust qualifies under Section 856 of the Internal Revenue Code as a real estate investment trust. The Trust has properties located primarily throughout the Upper Midwest, with principal offices located in Minot, North Dakota. The Company invests in commercial and residential real estate, real estate contracts, real estate related governmental backed securities (GNMA), and equity securities in other real estate investment trusts. Rental revenue from residential properties represents the major source of revenues for the Trust.

Effective February 1, 1997, the Trust reorganized its structure in order to convert to Umbrella Partnership Real Estate Investment Trust (UPREIT) status. The Trust established an operating partnership (IRET Properties, a North Dakota Limited Partnership) with a wholly owned corporate subsidiary acting as its sole general partner (IRET, Inc., a North Dakota Corporation). At that date, the Trust transferred substantially all of its assets and liabilities to the operating partnership in exchange for general partnership units.

The general partner has full and exclusive management responsibility for the real estate investment portfolio owned by the operating partnership. The partnership is operated in a manner that allows IRET to continue its qualification as a real estate investment trust under the Internal Revenue Code.

All limited partners of the operating partnership have "exchange rights" allowing them, at their option, to exchange their limited partnership units for shares of the Trust on a one for one basis. The exchange rights are subject to certain restrictions including no exchanges for at least one year following the acquisition of the limited partnership units. The operating partnership distributes cash on a quarterly basis in the amounts determined by the Trust, which results in each limited partner receiving a distribution equivalent to the dividend received by a Trust shareholder.

Effective July 1, 2000, the Trust became self-administered as a result of the acquisition of its former advisory company, Odell-Wentz & Associates, LLC. Virtually all officers and employees of Odell-Wentz & Associates, LLC were retained by the Trust. Please refer to Note 9 for information concerning the impact of this acquisition on the accompanying financial statements.

**BASIS OF PRESENTATION** The consolidated financial statements include the accounts of Investors Real Estate Trust and all of its subsidiaries in which it maintains a controlling interest. The Trust is the sole shareholder of IRET, Inc., which is the general partner of the operating partnership, IRET Properties. The trust is also the sole shareholder of Miramont IRET Inc. and Pine Cone IRET Inc., both of which are invested in real estate.

The Trust is the sole shareholder of the following entities: Forest Park -IRET, Inc., Thomasbrook -IRET, Inc., Dakota -IRET, Inc., MedPark -IRET, Inc., Flying Cloud -IRET, Inc., Meadows 2 -IRET, Inc., and IRET -Ridge Oaks, LLC. These entities are the sole general partners and IRET Properties is the sole limited partner for the following limited partnerships, respectively: Forest Park Properties, a North Dakota Limited Partnership; Thomasbrook Properties, a Nebraska Limited Partnership; Dakota Hill Properties, a Texas Limited Partnership; MedPark Properties, a North Dakota Limited Partnership; and 7901 Properties L.P., a Minnesota

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**NOTE 1 - (continued)**

Limited Partnership, Meadows 2 Properties, LP, a North Dakota Limited Partnership, and Ridge Oaks, LP an Iowa Limited Partnership. IRET Properties is also the sole owner of Health Investors Business Trust. These entities are all invested in real estate and are primarily formed and acquired for the beneficial ownership of certain properties that may be encumbered by mortgage indebtedness.

The consolidated financial statements also include the ownership of a controlling interest in Minnesota Medical Investors LLC, SMB Operating Company LLC, and SMB MM LLC, collectively known as Southdale Medical Center. These companies are accounted for under the consolidation method of accounting.

All material inter-company transactions and balances have been eliminated in the consolidated financial statements.

**ACCOUNTING POLICIES**

**NEW ACCOUNTING PRONOUNCEMENTS** The Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition," which provides guidance on the recognition, presentation, and disclosure of revenue in financial statements. The Trust's accounting policies comply with SAB 101 in all material respects.

Statement of Financial Accounting Standards ("SFAS") No. 133, Accounting for Derivative Instruments and Hedging Activities, establishes accounting and reporting standards requiring that every derivative instrument be recorded on the balance sheet as either an asset or liability measured at its fair value. The statement requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Certain provisions of SFAS 133 were amended by SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" an amendment of Statement 133." SFAS 133 has no impact as the Trust does not currently use derivatives.

**USE OF ESTIMATES** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**PROPERTY OWNED** Real estate is stated at cost. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Refurbishment type costs such as property-wide painting, carpeting, wallpaper, tiling, replacement of worn out appliances, replacement of worn out bathroom fixtures, replacement of worn out windows, siding, roofs, walkways, parking lots or landscaping, and any other type of refurbishment activity is capitalized. Interest, real estate taxes, and other development costs relating to the acquisition and development of certain qualifying properties are also capitalized. Expenditures for routine maintenance and repairs, such as individual apartment painting, wallpapering, cleaning, and appliance repair, which do not add to the value or extend useful lives are charged to expense as incurred.

The Trust assesses whether there has been an impairment in the value of its real estate by comparing its carrying amount to the aggregate undiscounted future cash flows without interest charges. Such cash flows consider factors such as expected future operating income, trends and prospects as well as the effects of demand, competition and other economic factors. Such market factors include a lessee's ability to pay rent under the terms of the lease. If a property is leased at a significantly lower rent, the Trust may recognize a loss if the income stream is not sufficient to recover its investment. If impairment is determined to be present, the loss is measured as the amount by which the carrying value exceeds the property's fair value.

**NOTE 1- (continued)**

The fair value of the property is the amount which would be recoverable upon the disposition of the property. Techniques used to establish fair value include present value of estimated expected future cash flows using a discount rate commensurate with the risks involved, or appraised value.

**REAL ESTATE HELD FOR SALE** is stated at the lower of its carrying amount or estimated fair value less disposal costs. Depreciation is not recorded on assets classified as held for sale.

In the normal course of business the Trust will receive offers for sale of its properties, either solicited or unsolicited. For those offers that are accepted, the prospective buyer will usually acquire a due diligence period before consummation of the transaction. It is not unusual for matters to arise that result in the withdrawal or rejection of the offer during this process. As a result, real estate is not classified as "held for sale" until it is likely, in the opinion of management, that a property will be disposed of in the near term, even if sale negotiations for such property are currently under way. There were no properties considered "held for sale" at April 30, 2001 or 2000.

**FURNITURE AND FIXTURES** consists of office furniture, fixtures, and equipment located at the Trust's operational head quarters and are stated at cost net of accumulated depreciation. Accumulated depreciation was \$215,757 and \$0 at April 30, 2001 and 2000, respectively.

**DEPRECIATION** is provided to amortize the cost of individual assets over their estimated useful lives using principally the straight-line method. Useful lives range from 5 - 12 years for furniture and fixtures to 20 - 40 years for buildings and improvements.

**MORTGAGE LOANS RECEIVABLE** are shown at cost. Interest income is accrued and reflected in the related balance.

**ALLOWANCE FOR DOUBTFUL ACCOUNTS** The Trust evaluates the need for an allowance for doubtful accounts periodically. In performing its evaluation, management assesses the recoverability of individual real estate mortgage loans and rent receivables by a comparison of their carrying amount with their estimated net realizable value.

**MARKETABLE SECURITIES** The Trust's investments in securities are classified as securities "held-to-maturity" and securities "available-for-sale." The securities classified as "available-for-sale" consist of equity shares in other real estate investment trusts and are stated at fair value. Unrealized gains and losses on securities available-for-sale are recognized as direct increases or decreases in shareholders' equity. Cost of securities sold are recognized on the basis of specific identification. The securities classified as "held-to-maturity" consist of Government National Mortgage Association securities for which the Trust has positive intent and ability to hold to maturity. They are reported at cost, adjusted by amortization of premiums and accretion of discounts which are recognized in interest income using the straight-line method over the period to maturity which approximates the effective interest method.

**REAL ESTATE DEPOSITS** consist of funds held by an escrow agent to be applied toward the purchase of real estate qualifying for gain deferral as a like-kind exchange of property under section 1031 of the Internal Revenue Code. It also consists of earnest money, or "good faith deposits," to be used by the Trust toward the purchase of property or the payment of loan costs associated with loan refinancing.

**NOTE 1- (continued)**

**GOODWILL** is amortized on a straight-line basis over a period of 15 years. The Trust periodically reviews goodwill for impairment and if a permanent decline in value has occurred, the Trust will reduce its goodwill balance to fair value. Accumulated amortization of goodwill was \$91,191 and \$0 at April 30, 2001 and 2000, respectively.

**DEFERRED LEASING AND LOAN ACQUISITION COSTS** -Costs and commissions incurred in obtaining tenant leases are amortized on the straight-line method over the terms of the related leases. Costs incurred in obtaining long-term financing are amortized over the life of the loan and charged to amortization expense over the terms of the related debt agreements.

**MINORITY INTEREST** Interests in the operating partnership held by limited partners are represented by operating partnership units. The operating partnerships' income is allocated to holders of units based upon the ratio of their holdings to the total units outstanding during the period. Capital contributions, distributions, and profits and losses are allocated to minority interests in accordance with the terms of the operating partnership agreement.

The Trust reflects minority interests in the Southdale Medical Center on the balance sheet for the portion of properties consolidated by the Trust that are not wholly owned by the Trust. The earnings or losses from these properties attributable to the minority interests are reflected as limited partner minority interests in the consolidated statements of operations.

**NET INCOME PER SHARE** Effective May 1, 1998, the Trust adopted Statement of Financial Accounting Standard No. 128, Earnings Per Share. Basic net income per share is computed using the weighted average number of shares outstanding. There is potential for dilution of net income per share due to the conversion option of operating partnership units. However, basic and diluted net income per share are the same. The computation of basic and diluted net income per share can be found in Note 12.

**INCOME TAXES** The Trust intends to continue to qualify as a real estate investment trust as defined by the Internal Revenue Code and, as such, will not be taxed on the portion of the income that is distributed to the shareholders, provided at least 90% of its real estate investment trust taxable income is distributed and other requirements are met. The Trust intends to distribute all of its taxable income and realized capital gains from property dispositions within the prescribed time limits and, accordingly, there is no provision or liability for income taxes shown on the financial statements.

UPREIT status allows non-recognition of gain by an owner of appreciated real estate if that owner contributes the real estate to a partnership in exchange for a partnership interest. The UPREIT concept was born when the non-recognition provisions of Section 721 of the Internal Revenue Code were combined with "Exchange Rights" which allow the contributing partner to exchange the limited partnership interest received in exchange for the appreciated real estate for the Trust stock. Upon conversion of the partnership units to Trust shares, a taxable event occurs for that limited partner. Income or loss of the operating partnership shall be allocated among its partners in compliance with the provisions of the Internal Revenue Code Section 701(b) and 704(c).

**REVENUE RECOGNITION** Residential rental properties are leased under operating leases with terms generally of one year or less. Commercial properties are leased under operating leases to tenants for various terms exceeding one year. Lease terms often include renewal options. Rental revenue is recognized on the straight-line basis, which averages minimum required rents over the terms of the leases. Rents recognized in advance of collection is reflected as rent receivable, net of allowance for doubtful accounts of \$120,314 and \$0 as of April 30, 2001 and 2000, respectively.

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**NOTE 1 - (continued)**

A number of the commercial leases provide for a base rent plus a percentage rent based on gross sales in excess of a stipulated amount. These percentage rents are recorded once the required sales level is achieved and are included in rental income at that time. These leases also typically provide for tenant reimbursement of common area maintenance and other operating expenses.

Profit on sales of real estate shall be recognized in full when real estate is sold, provided the profit is determinable, that is, the collectibility of the sales price is reasonably assured or the amount that will be collectible can be estimated and the earnings process is virtually complete, that is, the seller is not obliged to perform significant activities after the sale to earn the profit. Any gain or loss on the sale of disposition is recognized in accordance with accounting principles generally accepted in the United States of America.

Interest on mortgage loans receivable is recognized in income as it accrues during the period the loan is outstanding. In the case of non-performing loans, income is recognized as discussed in Note 4.

**RECLASSIFICATIONS** Certain previously reported amounts have been reclassified to conform with the current financial statement presentation.

**THE DIVIDEND REINVESTMENT PLAN** is available to all shareholders of the Trust. Under the Dividend Reinvestment Plan, shareholders may elect for their dividends to be used by the plan administrator to acquire additional shares on the NASDAQ Small Cap Market or, if not available, directly from the Trust. Amounts are deposited with the plan administrator in advance of the dividend date to acquire shares for dividend reinvestment.

**NOTE 2 - OFF-BALANCE-SHEET RISK**

The Trust had deposits at First Western Bank, Bremer Bank, and First International Bank which exceeded Federal Deposit Insurance Corporation limits by \$3,844,663, \$785,073 and \$561,155, respectively, at April 30, 2001.

**NOTE 3 - PROPERTY OWNED UNDER LEASE**

Property consisting principally of real estate owned under lease is stated at cost less accumulated depreciation and is summarized as follows:

	<u>April 30, 2001</u>	<u>April 30, 2000</u>
Residential	\$ 361,577,622	\$ 329,205,116
Less accumulated depreciation	<u>-32,296,179</u>	<u>-25,029,645</u>
	<u>\$ 329,281,443</u>	<u>\$ 304,175,471</u>
Commercial	\$ 230,058,846	\$ 120,714,774
Less accumulated depreciation	<u>-11,796,966</u>	<u>-8,203,307</u>
	<u>\$ 218,261,880</u>	<u>\$ 112,511,467</u>
Remaining Cost	<u>\$ 547,543,323</u>	<u>\$ 416,686,938</u>

*There were no repossessions during the years ended April 30, 2001 and 2000.*

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**NOTE 3 - (continued)**

The above cost of residential real estate owned included construction in progress of \$6,307,018 and \$6,190,287 as of April 30, 2001 and 2000, respectively. As of April 30, 2001, the trust expects to fund approximately \$3,500,000 during the upcoming year to complete these construction projects. The Trust also has outstanding offers to purchase selected properties as part of their normal operations. As of April 30, 2001, significant signed purchase commitments are estimated at \$23,400,000 for the upcoming year.

Construction period interest of \$316,644, \$404,089 and \$211,882 has been capitalized for the years ended April 30, 2001, 2000 and 1999, respectively.

Residential apartment units are rented to individual tenants with lease terms up to one year. Gross revenues from residential rentals totaled \$55,806,712, \$42,379,855 and \$33,010,126 for the years ended April 20, 2001, 2000 and 1999, respectively.

Gross revenues from commercial property rentals totaled \$18,994,010, \$11,878,026 and \$5,775,161 for the years ended April 30, 2001, 2000 and 1999, respectively. Commercial properties are leased to tenants under terms of leases expiring at various dates through 2024. Lease terms often include renewal options. In addition, a number of the commercial leases provide for a base rent plus a percentage rent based on gross sales in excess of a stipulated amount. Rents based on a percentage of sales totaled \$124,092, \$102,659 and \$101,032 for the years ended April 30, 2001, 2000 and 1999, respectively.

The future minimum lease payments to be received under these operating leases for the commercial properties as of April 30, 2000, are as follows:

<u>Year ending April 30,</u>	
2002	\$ 20,379,372
2003	19,239,427

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2004	18,626,368
2005	17,681,872
2006	16,268,305
Thereafter	<u>126,659,158</u>
	<b>\$ 218,854,502</b>

Loss on impairment of two commercial properties totaled \$1,319,316 for the year ended April 30, 2000. Impairment losses were determined based on present value of estimated expected future cash flows from each property. The carrying value of First Avenue Building, located in Minot, North Dakota, was reduced by \$311,202. The carrying value of a commercial building located in Boise, Idaho was reduced by \$1,008,114. There were no losses on impairment of properties for the years ended April 30, 2001 and 1999.

**NOTE 4 - MORTGAGE LOANS RECEIVABLE**

Mortgage loans receivable consists of seven contracts which are collateralized by real estate. Contract terms call for monthly payments of principals and interest. Interest rates range from 7% to 11%. Mortgage loans receivable have been evaluated for possible losses considering repayment history, market value of underlying collateral, and economic conditions.

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**NOTE 4- (continued)**

Future principal payments due under the mortgage loans contracts as of April 30, 2001, are as follows:

<u>Year ending April 30,</u>	
2002	\$ 765,530
2003	98,252
2004	43,313
2005	0
2006	0
Later years	<u>130,000</u>
	<b>\$ 1,037,095</b>

There were no significant non-performing mortgage loans receivable as of April 30, 2001 and 2000. Non-performing loans are recognized as impaired in conformity with FASB Statement No. 114, *Accounting by Creditors for Impairment of a Loan*. The average balance of impaired loans for the years ended April 30, 2001 and 2000 was not significant. For impairment recognized in conformity with FASB Statement No. 114, the entire change in present value of expected cash flows is reported as bad debt expense in the same manner in which impairment initially was recognized or as a reduction in the amount of bad debt expense that otherwise would be reported. Additional interest income that would have been earned on loans if they had not been non-performing was not significant in 2001, 2000, or 1999. There was no interest income on non-performing loans recognized on a cash basis for 2001, 2000, and 1999.

**NOTE 5 - MARKETABLE SECURITIES**

The amortized cost and estimated market values of marketable securities held-to-maturity at April 30, 2001 and 2000 are as follows:

<u>2001</u>	<u>Amortized Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
ISSUER GNMA	\$ <u>2,351,248</u>	\$ <u>80,159</u>	\$ <u>77,389</u>	\$ <u>2,354,018</u>



**2000**

ISSUER GNMA	\$ <u>2,601,420</u>	\$ <u>34,608</u>	\$ <u>159,785</u>	\$ <u>2,476,243</u>
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**NOTE 5 - (continued)**

The amortized cost and estimated market values of marketable securities available-for-sale at April 30, 2001 and 2000 are as follows:

	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Fair Value</b>
<b>2001</b>				
Equity shares in other REIT's	\$ <u>791,316</u>	\$ <u>97,209</u>	\$ <u>227,660</u>	\$ <u>660,865</u>
<b>2000</b>				
Equity shares in other REIT's	\$ <u>791,316</u>	\$ <u>65,338</u>	\$ <u>283,843</u>	\$ <u>572,811</u>

There were no realized gains or losses on sales of securities for the years ended April 30, 2001, 2000 and 1999.

Marketable securities held-to-maturity consists of Governmental National Mortgage Association (GNMA) securities bearing interest from 6.5% to 9.5% with maturity dates ranging from May 15, 2016, to September 15, 2023. The following is a summary of the maturities of securities held-to-maturity at April 30, 2001 and 2000:

	<b>2001</b>		<b>2000</b>	
	<b>Amortized Cost</b>	<b>Fair Value</b>	<b>Amortized Cost</b>	<b>Fair Value</b>
Due After 10 years	\$ <u>2,351,248</u>	\$ <u>2,354,018</u>	\$ <u>2,601,420</u>	\$ <u>2,476,243</u>

**NOTE 6 - NOTES PAYABLE**

As of April 30, 2001, the trust had lines of credit available from three financial institutions. An unsecured line of credit was issued by First Western Bank & Trust in the amount of \$4,000,000 carrying an interest rate equal to prime and maturing August 15, 2002, the weighted average interest rate for year ended April 30, 2001 was 9.46%. A second unsecured line of credit from First International Bank & Trust was issued in the amount of \$3,500,000 carrying an interest rate equal to prime and maturing October 15, 2002, the weighted average interest rate for year ended April 30, 2001 was 8.15%. A third unsecured line of credit from Bremer Bank was issued in the amount of \$10,000,000 carrying an interest rate equal to Bremer Financial Corp.'s reference rate and maturing August 1, 2002, the weighted average interest rate for year ended April 30, 2001 was 8.99%. Interest payments are due monthly on all three notes. As of April 30, 2001, the Trust had no unpaid balances on any of their lines of credit. As of April 30, 2000, the trust had an unpaid balance of \$6,452,420 on the line of credit at Bremer Bank.

**NOTE 7 - MORTGAGES PAYABLE**

Mortgages payable as of April 30, 2001, included mortgages on properties owned totaling \$368,956,930. The carrying value of the related real estate owned was \$577,045,712.

Mortgages payable as of April 30, 2000, included mortgages on properties owned totaling \$265,054,767. The carrying value of the related real estate owned was \$410,776,553.

**NOTE 7 - (continued)**

Monthly installments are due on the mortgages with interest rates ranging from 6.47% to 9.75% and with varying maturity dates through November 30, 2036.

Of the mortgages payable, the balances of fixed rate mortgages totaled \$337,364,781 and \$232,919,354, and the balances of variable rate mortgages totaled \$31,592,149 and \$32,137,413 as of April 30, 2001 and 2000, respectively.

The aggregate amount of required future principal payments on mortgages payable is as follows:

<u>Year ending April 30,</u>	
2002	\$ 14,474,108
2003	8,298,146
2004	8,940,912
2005	9,746,970
2006	13,133,365
Later years	<u>314,363,429</u>
Total payments	<u>\$ 368,956,930</u>

**NOTE 8 - INVESTMENT CERTIFICATES ISSUED**

The Trust has placed investment certificates with the public. The interest rates vary from 6% to 9% per annum, depending on the term of the security. Total securities maturing within fiscal years ending April 30, are shown below. Interest is paid annually, semiannually, or quarterly on the anniversary date of the security.

<u>Year ending April 30,</u>	
2002	\$ 5,820,502
2003	1,326,062
2004	1,932,291
2005	669,657
2006	2,116,601
Thereafter	<u>11,304</u>
	<u>\$ 11,876,417</u>

**NOTE 9 - TRANSACTIONS WITH RELATED PARTIES**

Through June 30, 2000, the advisor to the Trust was Odell-Wentz & Associates, LLC. Roger R. Odell and Thomas A. Wentz, Sr. were the owners of Odell-Wentz & Associates LLC and also officers and shareholders of the Trust. Under the advisory contract between the Trust and Odell-Wentz & Associates, LLC, the Trust paid an advisor's fee based on the net assets of the Trust and a percentage fee for investigating and negotiating the acquisition of new investments. For the year ended April 30, 2001, Odell-Wentz & Associates, LLC received total fees under said agreement of \$265,573. The fees for April 30, 2000, were \$1,400,973 and for April 30, 1999, were \$951,234.

**NOTE 9 - (continued)**

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For the years ended April 30, 2001, 2000 and 1999, the Trust has capitalized \$58,250, \$316,458, and \$195,019 respectively, of these fees, with the remainder of 207,323, \$1,084,515, and \$756,215, respectively, expensed as advisory fees on the statement of operations. The advisor was obligated to provide office space, staff, office equipment, computer services and other services necessary to conduct the business affairs of the Trust.

On July 1, 2000, IRET Properties acquired assets from Odell-Wentz & Associates, LLC in exchange for operating partnership units at a total purchase price of \$2,083,350. This acquisition included real estate, furniture, fixtures, equipment and other assets of approximately \$675,000, goodwill of approximately \$1,645,000, and the assumption of mortgages and other liabilities of approximately \$236,000. Except for Roger R. Odell who retired, all officers and employees of Odell-Wentz & Associates, LLC were retained by IRET Properties.

As part of the acquisition of Odell-Wentz & Associates, LLC, IRET Properties acquired a note receivable due from Timothy P. Mihalick of approximately \$100,000. Timothy P. Mihalick was an officer of Odell Wentz & Associates, LLC and is currently an officer of the Trust.

Investors Management and Marketing (IMM) provides property management services to the Trust. Roger R. Odell is a shareholder in IMM. IMM received \$114,421 for services rendered from May 1, 2000 through June 30, 2000, IMM received \$649,729, and \$609,783 for services rendered for years ended April 30, 2000, and 1999, respectively.

Hoyt Properties Inc . provides property management services to the Trust. Steven B. Hoyt is the owner of Hoyt Properties Inc., and is also a trustee of IRET. Hoyt Properties received \$533 for services rendered from April 1, 2001 through April 30, 2001, The management contract with Hoyt Properties commenced on April 1, 2001.

Inland National Securities is a corporation that provides underwriting services in the sale of additional shares for the Trust. Roger R. Odell is also a shareholder in Inland National Securities. Fees for services from May 1, 2000 through June 30, 2000 were \$6,861. Fees for services totaled \$100,081, and \$157,392, for the years ended April 30, 2000 and 1999, respectively.

The Trust paid fees and expense reimbursements to the law firm in which Thomas A. Wentz, Jr. was, until December 31, 1999, a partner totaling \$89,497 and \$33,022 for the years ended April 30, 2000, and 1999, respectively. Thomas A. Wentz, Jr. is a trustee of the Trust.

Investment certificates issued by the Trust to officers and trustees totaled \$80,000, \$200,000, and \$2,138,758 at April 30, 2001, 2000 and 1999, respectively.

Management believes that all activity with related parties were transacted at amounts consistent with current fair market prices.

### **NOTE 10 - MARKET PRICE RANGE OF SHARES**

For the year ended April 30, 2001, a total of 3,668,819 shares were traded in 4,692 separate trades. The high trade price during the period was 8.980, low was 7.375, and the closing price on April 30, 2001 was 8.770. For the year ended April 30, 2000, a total of 4,058,018 shares were traded in 3,414 separate trades. The high trade price during the period was 17.875, low was 7.681, and the closing price on April 30, 2000 was 7.875. For the year ended April 30, 1999, a total of 1,862,187 shares were traded in 1,017 separate trades. The high trade price during the period was 14.00, low was 6.50, and the closing price on April 30, 1999 was 7.50.

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### **NOTE 11 - OPERATING SEGMENTS**

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated by the chief decision makers in deciding how to allocate resources and in assessing performance. Operating segments of the Trust are determined to be commercial and residential rental operations. All properties falling into these categories have similar economic characteristics, as well as similar production processes, type of customers, distribution methods, and regulatory environments. Although information is available on a property-by-property basis, including rental income and operating expenses, analysis and decisions are primarily made based on residential and commercial segments. Generally, segmental information follows the same accounting policies utilized for consolidated reporting, except, certain expenses, such as depreciation, are not allocated to segments for management purposes.

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The following information summarizes the Trust's segment reporting for residential and commercial properties along with reconciliations to the consolidated financial statements:

<b><u>YEAR ENDING APRIL 30, 2001</u></b>	<b><u>Commercial</u></b>	<b><u>Residential</u></b>	<b><u>Total</u></b>
Segment Revenue			
Rental revenue	\$ <u>18,994,010</u>	\$ <u>55,806,712</u>	\$ <u>74,800,722</u>
Segment Expenses			
Mortgage interest	8,043,382	16,398,046	24,441,428
Utilities and maintenance	1,012,658	10,533,905	11,546,563
Taxes	1,083,759	6,461,423	7,545,182
Insurance	161,941	670,022	831,963
Property management	<u>347,748</u>	<u>5,436,675</u>	<u>5,784,423</u>
Total Segment Expense	\$ <u>10,649,488</u>	\$ <u>39,500,071</u>	\$ <u>50,149,559</u>
Segment Gross Profit	\$ <u>8,344,522</u>	\$ <u>16,306,641</u>	\$ <u>24,651,163</u>

**Reconciliation to consolidated operations:**

Interest discounts and fee revenue	966,428
Other interest expense	-789,973
Depreciation	-12,299,532
Advisory and trust fees	-1,480,696
Operating expenses	-431,390
Amortization	<u>-428,188</u>
Consolidated income before gain/loss on properties and minority interest	\$ <u>10,187,812</u>

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**NOTE 11 - (continued)**

<b><u>APRIL 30, 2001</u></b>	<b><u>Commercial</u></b>	<b><u>Residential</u></b>	<b><u>Total</u></b>
Segment Assets			
Property owned	\$ 230,058,846	\$ 361,577,622	\$ 591,636,468
Less accumulated depreciation	<u>-11,796,966</u>	<u>-32,296,179</u>	<u>-44,093,145</u>
Total consolidated property owned	\$ <u>218,216,880</u>	\$ <u>329,281,443</u>	\$ <u>547,543,323</u>

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<b><u>YEAR ENDING APRIL 30, 2000</u></b>	<b><u>Commercial</u></b>	<b><u>Residential</u></b>	<b><u>Total</u></b>
Segment Revenue			
Rental revenue	\$ <u>11,878,026</u>	\$ <u>42,379,855</u>	\$ <u>54,257,881</u>
Segment Expenses			
Mortgage interest	3,980,450	12,312,038	16,292,488
Utilities and maintenance	452,229	7,592,301	8,044,530
Taxes	481,191	4,801,170	5,282,361
Insurance	52,288	424,674	476,962
Property management	132,435	4,157,840	4,290,275
Loss on impairment of properties	<u>1,319,316</u>	<u>0</u>	<u>1,319,316</u>
Total Segment Expense	\$ <u>6,417,909</u>	\$ <u>29,288,023</u>	\$ <u>35,705,932</u>
Segment Gross Profit	\$ <u>5,460,117</u>	\$ <u>13,091,832</u>	\$ <u>18,551,949</u>

**Reconciliation to consolidated operations:**

Interest discounts and fee revenue	1,187,312
Other interest expense	-721,682
Depreciation	-8,460,112
Advisory and trust fees	-1,159,120
Operating expenses	-633,692
Amortization	<u>-216,097</u>
Consolidated income before gain/loss on properties and minority interest	\$ <u>8,548,558</u>

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**NOTE 11 - (continued)**

<b><u>APRIL 30, 2000</u></b>	<b><u>Commercial</u></b>	<b><u>Residential</u></b>	<b><u>Total</u></b>
Segment Assets			
Property owned	\$ 120,714,774	\$ 329,205,116	\$ 449,919,890
Less accumulated depreciation	<u>-8,203,307</u>	<u>-25,029,645</u>	<u>-33,232,952</u>
Total consolidated property owned	\$ <u>112,511,467</u>	\$ <u>304,175,471</u>	\$ <u>416,686,938</u>

<b><u>YEAR ENDING APRIL 30, 1999</u></b>	<b><u>Commercial</u></b>	<b><u>Residential</u></b>	<b><u>Total</u></b>
Segment Revenue			

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Rental revenue	\$ <u>5,775,161</u>	\$ <u>33,010,126</u>	\$ <u>38,785,287</u>
Segment Expenses			
Mortgage interest	2,417,316	8,782,600	11,199,916
Utilities and maintenance	113,374	6,243,109	6,356,483
Taxes	192,930	3,832,629	4,025,559
Insurance	30,067	354,136	384,203
Property management	<u>60,612</u>	<u>3,227,655</u>	<u>3,288,267</u>
Total Segment Expense	\$ <u>2,814,299</u>	\$ <u>22,440,129</u>	\$ <u>25,254,428</u>
Segment Gross Profit	\$ <u>2,960,862</u>	\$ <u>10,569,997</u>	\$ <u>13,530,859</u>

**Reconciliation to consolidated operations:**

Interest discounts and fee revenue	1,141,975
Other interest expense	-902,065
Depreciation	-5,966,874
Advisory and trust fees	-927,063
Operating expenses	-320,479
Amortization	<u>-154,677</u>
Consolidated income before gain/loss on properties and minority interest	\$ <u>6,401,676</u>

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**NOTE 11 - (continued)**

<b>APRIL 30, 1999</b>	<b>Commercial</b>	<b>Residential</b>	<b>Total</b>
Segment Assets			
Property owned	\$ 67,250,863	\$ 228,574,976	\$ 295,825,839
Less accumulated depreciation	<u>-7,109,615</u>	<u>-19,002,784</u>	<u>-26,112,399</u>
Total consolidated property owned	\$ <u>60,141,248</u>	\$ <u>209,572,192</u>	\$ <u>269,713,440</u>

**NOTE 12 - EARNINGS PER SHARE**

Basic earnings per share are computed by dividing the earnings available to stockholders by the weighted average number of shares outstanding during the period. Diluted earnings per share reflect per share amounts that would have resulted if potential dilutive securities had been converted to shares. Operating partnership units can be exchanged for shares on a one for one basis. The following tables reconciles amounts reported in the consolidated financial statements for the years ended April 30, 2001, 2000, and 1999:

	<b>2001</b>	<b>2000</b>	<b>1999</b>
<b>NUMERATOR</b>			

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Net income applicable to shares	\$ <u>8,694,240</u>	\$ <u>8,807,845</u>	\$ <u>7,604,135</u>
Numerator for basic earnings per share	8,694,240	8,807,845	7,604,135
Minority interest portion of operating partnership income	<u>2,095,177</u>	<u>1,495,209</u>	<u>744,725</u>
Numerator for diluted earnings per share	\$ <u>10,789,417</u>	\$ <u>10,303,054</u>	\$ <u>8,348,860</u>
<b>DENOMINATOR</b>			
Denominator for basic earnings per share			
Weighted average shares	23,071,500	20,899,848	17,441,976
Effect of dilutive securities			
Convertible operating partnership units	<u>5,506,200</u>	<u>3,577,136</u>	<u>1,662,489</u>
Denominator for diluted earnings per share	<u>28,577,700</u>	<u>24,476,984</u>	<u>19,104,465</u>
Basic earnings per share	\$ <u>.38</u>	\$ <u>.42</u>	\$ <u>0.44</u>
Diluted earnings per share	\$ <u>.38</u>	\$ <u>.42</u>	\$ <u>0.44</u>

**NOTE 13 - RETIREMENT PLAN**

As part of the acquisition on July 1, 2000 of Odell-Wentz & Associates, LLC, the Trust assumed a defined contribution profit sharing retirement plan and a defined contribution 401K retirement plan. Employees over the age of 21 and after completion of one year of service are eligible to participate in the profit sharing plan. Contributions to the profit sharing plan are at the discretion of the management. All employees are immediately eligible to participate in the 401K plan and may contribute up to 15% of their compensation subject to maximum levels. The Trust matches up to 3% of participating employees' wages. Pension expense of the Trust for the year ended April 30, 2001 was \$45,301.

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**NOTE 14 - COMMITMENTS AND CONTINGENCIES**

The Trust, as an owner of real estate, is subject to various environmental laws of Federal and local governments. Compliance by the Trust with existing laws has not had a material adverse effect on the Trust's financial condition and results of operations. However, the Trust cannot predict the impact of new or changed laws or regulations on its current properties or on properties that it may acquire in the future.

**NOTE 15 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

Mortgage loans receivable - Fair values are based on the discounted value of future cash flows expected to be received for a loan using current rates at which similar loans would be made to borrowers with similar credit risk and the same remaining maturities.

Cash - The carrying amount approximates fair value because of the short maturity of those instruments.

Marketable securities - The fair values of these instruments are estimated based on quoted market prices for these instruments.

Notes payable - The carrying amount approximates fair value because of the short maturity of those notes.

Mortgages payable - For variable rate loans that re-price frequently, fair values are based on carrying values. The fair value of fixed rate loans is estimated based on the discounted cash flows of the loans using current market rates.

Investment certificates issued - The fair value is estimated using a discounted cash flow calculation that applies interest rates currently being offered on deposits with similar remaining maturities.

Accrued interest payable - The carrying amount approximates fair value because of the short-term nature of which interest will be paid.

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**NOTE 15 - (continued)**

The estimated fair values of the Company's financial instruments are as follows:

	<u>2001</u>		<u>2000</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<b>FINANCIAL ASSETS</b>				
Mortgage loan receivable	\$ 1,037,095	\$ 1,037,095	\$ 1,650,284	\$ 1,650,284
Cash	6,356,063	6,356,063	3,449,264	3,449,264
Marketable securities held-to-maturity	2,351,248	2,354,018	2,601,420	2,476,243
Marketable securities available-for-sale	660,865	660,865	572,811	572,811
<b>FINANCIAL LIABILITIES</b>				
Notes payable	\$ 0	\$ 0	\$ 6,452,420	\$ 6,452,420
Mortgages payable	368,956,930	356,434,028	265,057,767	250,897,221
Investment certificates issued	11,876,417	11,804,535	10,087,256	10,810,160
Accrued interest payable	2,369,454	2,369,454	1,679,000	1,679,000

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**INDEPENDENT AUDITOR'S REPORT ON ADDITIONAL INFORMATION**



Board of Trustees  
Investor Real Estate Trust  
and Subsidiaries  
Minot, North Dakota

Our report on our audit of the consolidated balance sheets of Investors Real Estate Trust and Subsidiaries as of April 30, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended April 30, 2001, 2000 and 1999, appears on page F-13. Those audits were made for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The information on pages F-37 through F-54 related to the consolidated balance sheets of Investors Real Estate Trust and Subsidiaries as of April 30, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended April 30, 2001, 2000 and 1999 is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information, except for information on page F-55 that is marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audits of the basic consolidated financial statements, and, in our opinion, the information is fairly stated in all material respects in relation to the consolidated balance sheets of Investors Real Estate Trust and Subsidiaries as of April 30, 2001 and 2000, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years ended April 30, 2001, 2000 and 1999, taken as a whole.

We also have previously audited, in accordance with auditing standards generally accepted in the United State of America, the consolidated balance sheets of Investors Real Estate Trust and Subsidiaries as of April 30, 1999, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years ended April 30, 1998 and 1997, none of which is presented herein, and we expressed unqualified opinions on those consolidated financial statements. In our opinion, the information on page F-49 relating to the consolidated balance sheets of Investors Real Estate Trust and Subsidiaries as of April 30, 1999, 1998 and 1997, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the two years ended April 30, 1998 and 1997, is fairly stated in all material respects in relation to the basic consolidated financial statements from which it has been derived.

/S/ Brady, Martz & Associates, P.C.  
**BRADY, MARTZ & ASSOCIATES, P.C.**  
Minot, North Dakota, USA

May 23, 2001

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

*April 30, 2001 and 2000*

**Schedule I**  
**MARKETABLE SECURITIES**

	<u>April 30, 2001</u>		<u>April 30, 2000</u>	
	<u>Principal Amount</u>	<u>Fair Value</u>	<u>Principal Amount</u>	<u>Fair Value</u>
GNMA Pools	\$ <u>2,351,248</u>	\$ <u>2,354,018</u>	\$ <u>2,601,420</u>	\$ <u>2,476,243</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Equity shares in other REIT's	\$ <u>791,316</u>	\$ <u>660,865</u>	\$ <u>791,316</u>	\$ <u>572,811</u>

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**  
for the years ended April 30, 2001, 2000 and 1999

**Schedule X**  
**SUPPLEMENTAL INCOME STATEMENT INFORMATION**

<u>ITEM</u>	<u>Charges to Costs and Expenses</u>		
	<u>2001</u>	<u>2000</u>	<u>1999</u>
Maintenance and repairs	\$ 6,436,205	\$ 4,564,693	\$ 3,470,202
Taxes, other than payroll and income taxes	\$ 7,545,182	\$ 5,282,361	\$ 4,025,560
Royalties	*	*	*
Advertising costs	*	*	*

\*Less than 1 percent of total revenues

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**  
April 30, 2001

**Schedule XI**

<u>REAL ESTATE AND ACCUMULATED DEPRECIATION</u>	<u>COST CAPITALIZATION</u>				
	<u>INITIAL COST TO TRUST</u>			<u>SUBSEQUENT TO ACQUISITION</u>	
	<u>ENCUMBRANCES</u>	<u>LAND</u>	<u>BUILDINGS &amp; IMPROVEMENTS</u>	<u>IMPROVEMENTS</u>	<u>CARRYING COSTS</u>
<u>APARTMENTS</u>	\$			\$	
BEULAH CONDOS - BEULAH, ND	0	\$ 6,360	\$ 468,620	\$ 8,154	0
BISON PROPERTIES - CARRINGTON, ND	0	100,210	508,151	6,180	0
CANDLELIGHT APTS - FARGO, ND	411,529	80,040	852,030	45,013	0
CASTLE ROCK - BILLINGS, MT	3,857,473	736,000	4,973,639	32,895	0
BALANCE APRIL 30, 2000					42

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CENTURY APTS. - DICKINSON, ND	1,393,489	100,000	2,105,494	116,320	0
CENTURY APTS. - WILLISTON, ND	2,358,883	200,000	3,754,445	171,302	0
CHATEAU APTS. - MINOT, ND	1,528,906	122,000	2,322,200	24,785	0
CLEARWATER - BOISE, ID	2,589,905	585,000	3,245,486	20,151	0
COLTON HEIGHTS - MINOT, ND	256,077	80,000	877,199	10,354	0
COTTONWOOD LAKE - BISMARCK, ND	5,540,374	1,055,862	10,644,946	1,917,474	114,353
COUNTRY MEADOWS PHASE I - BILLINGS, MT	2,522,888	245,624	3,990,795	3,895	120,821
COUNTRY MEADOWS PHASE II - BILLINGS, MT	2,564,285	245,624	4,086,664	27,430	0
CRESTVIEW APTS. - BISMARCK, ND	3,245,760	235,000	4,569,503	157,332	0
CROWN COLONY - TOPEKA, KS	7,253,424	620,000	10,023,038	174,052	0
DAKOTA ARMS - MINOT, ND	309,303	50,000	571,189	4,298	0
DAKOTA HILL AT VALLEY RANCH - IRVING, TX	25,293,305	3,650,000	33,823,258	143,849	0
EASTGATE PROPERTIES - MOORHEAD, MN	1,601,726	23,917	2,099,972	301,848	0
EASTWOOD - DICKINSON, ND	210,961	40,000	405,272	27,122	0
FOREST PARK ESTATES. - GRAND FORKS, ND	7,386,895	810,000	6,494,715	178,122	0
HERITAGE MANOR - ROCHESTER, MN	4,749,593	403,256	7,194,917	99,608	0
IVY CLUB - VANCOUVER, WA	6,910,101	1,274,000	10,463,597	90,266	0
JENNER PROPERTIES - GRAND FORKS, ND	1,103,784	220,000	1,971,033	40,151	0
KIRKWOOD APTS. - BISMARCK, ND	2,267,110	449,290	3,171,933	110,178	0
LANCASTER APTS. - ST. CLOUD, MN	1,716,664	289,000	2,899,120	38,506	0
LEGACY APTS. - GRAND FORKS, ND	6,171,186	1,361,855	9,307,090	104,274	224,180
LEGACY IV - GRAND FORKS, ND	2,958,788	725,277	6,119,239	186,610	0
LONETREE APTS. - HARVEY, ND	0	13,584	213,792	1,471	0
MAGIC CITY APTS. - MINOT, ND	1,879,730	532,000	4,627,059	98,148	0
MEADOWS PHASE I & II - JAMESTOWN, ND	1,965,867	111,550	3,607,059	38,663	0
MEADOWS PHASE III - JAMESTOWN, ND	0	55,775	1,990,680	0	0
MIRAMONT - FORT COLLINS, CO	11,381,741	1,470,000	12,845,599	47,939	0
NEIGHBORHOOD APTS. - CO. SPRINGS, CO	7,044,910	1,033,592	10,258,092	131,097	0
NORTH POINTE - BISMARCK, ND	1,640,483	143,500	2,151,277	28,211	123,687
OAK MANOR APTS. - DICKINSON, ND	0	25,000	336,033	13,697	0
OAKWOOD ESTATES - SIOUX FALLS, SD	1,965,736	342,800	3,257,671	116,585	0
OLYMPIC VILLAGE - BILLINGS, MT	8,377,235	1,164,000	10,618,852	0	0
OXBOW - SIOUX FALLS, SD	3,114,600	404,072	4,606,469	20,148	0
PARK EAST APTS. - FARGO, ND	3,385,258	83,000	4,983,651	70,302	0
PARK MEADOWS - WAITE PARK, MN	8,081,923	1,143,450	10,257,185	272,948	0
PARKWAY APTS. - BEULAH, ND	0	7,000	136,980	6,932	0

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Schedule XI

REAL ESTATE AND ACCUMULATED DEPRECIATION (continued)

INITIAL COST TO TRUST

COST CAPITALIZATION

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APARTMENTS	ENCUMBRANCES	BUILDINGS & IMPROVEMENTS			SUBSEQUENT TO ACQUISITION	CARRYING COSTS
		LAND	IMPROVEMENTS	IMPROVEMENTS		
PEBBLE CREEK - BISMARCK, ND	\$ 448,744	\$ 7,200	\$ 749,493	\$ 28,269	\$	0
PINE CONE APTS. - FORT COLLINS, CO	10,315,861	904,545	12,325,605	33,711		0
POINTE WEST APTS. - MINOT, ND	2,291,125	240,000	3,757,816	63,245		0
PRAIRIE WINDS APTS. - SIOUX FALLS, SD	1,300,993	144,097	1,858,747	10,212		0
PRAIRIEWOOD MEADOWS - FARGO, ND	2,059,583	280,000	2,559,271	0		0
RIDGE OAKS APTS. - SIOUX CITY, IA	2,895,279	178,100	4,103,867	0		0
RIMROCK APTS. - BILLINGS, MT	2,599,093	329,708	3,537,917	32,055		0
ROCKY MEADOWS 96 - BILLINGS, MT	3,693,447	655,985	5,956,386	21,360		103,378
ROSEWOOD/OAKWOOD - SIOUX FALLS, SD	1,172,698	200,000	1,747,935	0		0
SHERWOOD APTS. - TOPEKA, KS	10,880,136	1,150,000	14,748,882	102,324		0
SOUTH POINTE - MINOT, ND	6,272,436	550,000	9,358,131	34,233		402,672
SOUTHVIEW APTS. - MINOT, ND	0	185,000	539,212	4,464		0
SOUTHWIND APTS. - GRAND FORKS, ND	3,956,460	400,000	5,378,731	193,342		0
SUNCHASE - FARGO, ND	309,623	52,870	986,975	2,365		0
SUNSET TRAIL PHASE I - ROCHESTER, MN	4,346,961	168,188	7,403,527	0		0
SUNSET TRAIL PHASE II & III - ROCHESTER, MN	0	336,376	4,006,932	0		0
SWEETWATER PROPERTIES - DEVILS LAKE, ND	87,079	90,767	1,183,071	52,460		0
THOMASBROOK - LINCOLN, NE	6,070,287	600,000	8,972,130	384,743		0
VALLEY PARK MANOR - GRAND FORKS, ND	2,990,184	293,500	4,226,508	193,684		0
VAN MALL WOODS - VANCOUVER, WA	3,858,149	600,000	5,518,313	33,449		0
WEST STONEHILL - ST. CLOUD, MN	7,544,370	939,000	10,710,087	122,053		0
WESTWOOD PARK - BISMARCK, ND	1,180,304	161,114	2,011,049	33,325		0
WOODRIDGE APTS. - ROCHESTER, MN	<u>3,941,271</u>	<u>370,000</u>	<u>6,353,956</u>	<u>51,178</u>		<u>0</u>
	\$			\$		
	<u>221,253,971</u>	<u>\$ 29,074,087</u>	<u>\$ 325,131,485</u>	<u>6,282,959</u>	<u>\$</u>	<u>1,089,091</u>

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## INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

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### Schedule XI

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

OFFICE BUILDINGS	ENCUMBRANCES	COST CAPITALIZATION			CARRYING COSTS
		INITIAL COST TO TRUST	BUILDINGS & IMPROVEMENTS	SUBSEQUENT TO ACQUISITION IMPROVEMENTS	
1ST AVENUE BUILDING - MINOT, ND	\$ 0	\$ 30,000	\$ 500,462	\$ 3,303	0
12 SOUTH MAIN - MINOT, ND	0	29,000	360,205	0	0
17 SOUTH MAIN - MINOT, ND	0	15,000	75,000	0	0

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401 SOUTH MAIN - MINOT, ND	0	70,600	542,707	0	0
408 1ST STREET SE - MINOT, ND	0	10,000	36,907	0	0
2030 CLIFF ROAD - EAGAN, MN	650,000	145,900	834,966	0	0
7901 FLYING CLOUD DR - EDEN PRAIRIE, MN	3,812,804	1,062,000	3,859,181	153,629	0
BURNSVILLE BLUFFS - BURNSVILLE, MN	1,641,798	300,300	2,156,349	0	0
COLD SPRING CENTER - ST. CLOUD, MN	5,250,000	588,000	7,807,539	0	0
CREEKSIDE OFF BLDG. - BILLINGS, MT LESTER	1,106,166	311,310	1,427,832	129,428	0
CHIROPRACTIC CLINIC - BISMARCK, ND	0	25,000	243,917	300	0
LEXINGTON COMMERCE CENTER - EAGAN, MN	3,379,724	453,400	5,035,922	401	0
NICOLLETT VII - BURNSVILLE, MN	4,779,722	429,400	6,931,270	0	0
NORTHGATE II - MAPLE GROVE, MN	1,552,846	357,800	1,982,264	8,915	0
PILLSBURY BUSINESS CENTER - EDINA, MN	1,260,000	284,400	1,558,570	0	0
PLYMOUTH IV & V - PLYMOUTH, MN	9,271,270	640,500	13,387,829	0	0
SOUTHDALE MEDICAL CENTER - EDINA, MN	23,949,215	3,500,000	28,921,070	0	0
SOUTHEAST TECH CENTER - EAGAN, MN	4,201,819	559,500	5,551,871	4,146	0
WALTERS 214 SO MAIN - MINOT, ND	0	27,055	84,941	0	0
		\$			
	\$ 60,855,364	8,839,165	\$ 81,298,798	\$ 299,523	\$ 0

**COMMERCIAL**

AMERICA'S BEST WAREHOUSE - BOISE, ID	\$ 3,303,018	\$ 765,000	\$ 4,023,094	\$ 200	\$ 0
AMERITRADE - OMAHA, NE	5,854,994	326,500	7,980,035	0	0
ARROWHEAD SHOPPING CENTER - MINOT, ND	1,290,671	100,359	2,812,463	60,965	0
BARNES & NOBLE - FARGO, ND	1,800,608	540,000	2,752,012	32,119	0
BARNES & NOBLE - OMAHA, NE	1,950,659	600,000	3,099,197	0	0
CARMIKE THEATRE - GRAND FORKS, ND	1,845,233	183,515	2,295,154	0	67,068
COMPUSA - KENTWOOD, MI	1,365,519	225,000	1,888,574	7,900	0
CONSECO BLDG - RAPID CITY, SD	4,682,203	285,000	6,759,870	0	0
CORNER EXPRESS - MINOT, ND	798,550	195,000	1,386,260	0	0
DEWEY HILL BUSINESS CENTER - EDINA, MN	3,114,964	985,000	3,507,381	0	0
EAST GRAND STATION - EAST GRAND FORKS, ND	948,989	150,000	1,235,315	6,936	0
EDGEWOOD VISTA - BELGRADE, MT	0	14,300	434,596	4,598	0
	645,737	130,000	850,218	0	0

EDGEWOOD VISTA - BILLINGS, MT					
EDGEWOOD VISTA - COLUMBUS, NE	304,367	14,300	434,480	6,846	0
EDGEWOOD VISTA - DULUTH, MN	2,719,619	390,000	3,822,400	1,468,787	0
EDGEWOOD VISTA - EAST GRAND FORKS, MN	549,604	25,000	874,821	516,700	0
EDGEWOOD VISTA - FREMONT, ND	0	56,000	490,410	0	0
EDGEWOOD VISTA - GRAND ISLAND, NE	304,367	14,300	434,480	6,846	0
EDGEWOOD VISTA - HASTINGS, NE	0	13,971	551,805	0	0
EDGEWOOD VISTA - KALISPELL, MT	0	70,000	498,150	0	0

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## INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

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### Schedule XI

#### REAL ESTATE AND ACCUMULATED DEPRECIATION *(continued)*

<u>OFFICE BUILDINGS</u>	<u>ENCUMBRANCES</u>	<u>COST CAPITALIZATION</u>				<u>CARRYING COSTS</u>
		<u>INITIAL COST TO TRUST</u>		<u>SUBSEQUENT TO ACQUISITION</u>		
		<u>LAND</u>	<u>BUILDINGS &amp; IMPROVEMENTS</u>	<u>IMPROVEMENTS</u>		
<b>COMMERCIAL</b> <i>continued</i>						
EDGEWOOD VISTA - MINOT, ND	\$ 3,815,498	\$ 260,000	\$ 6,010,707	\$ 0	\$ 0	
EDGEWOOD VISTA - MISSOULA, MT	917,342	108,900	853,528	0	0	
EDGEWOOD VISTA - OMAHA, NE	0	88,567	522,803	0	0	
EDGEWOOD VISTA - SIOUX FALLS, SD	649,494	130,000	844,739	0	0	
HEALTH EAST MED CTR -WDBRY & ST JHNS, MN	19,176,624	3,238,275	18,362,724	0	0	
HOSPITALITY ASSOCIATES						
MINNETONKA, MN	280,000	40,000	360,898	0	0	
GREAT PLAINS SOFTWARE - FARGO, ND	8,870,861	125,501	15,249,652	0	0	
LINDBERG BLDG. - EDEN PRAIRIE, MN	1,140,863	198,000	1,410,535	0	0	
MAPLEWOOD SQUARE - ROCHESTER, MN	7,154,199	3,275,000	8,623,946	0	0	
MED PARK MALL - GRAND FORKS, ND	3,381,663	680,500	4,811,862	150,587	0	
MINOT PLAZA - MINOT, ND	0	50,000	459,079	0	0	
PETCO WAREHOUSE - FARGO, ND	901,454	324,148	927,541	0	27,245	
PIONEER SEED - MOORHEAD, MN	221,367	56,925	596,951	0	0	
STERNER LIGHTING - WINSTED, MN	700,000	100,000	900,789			
STONE CONTAINER - FARGO, ND	2,567,688	440,251	4,469,078	2,001,878	89,156	

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STONE CONTAINER - WACONIA, MN	1,303,763	165,000	1,501,518	0	0
VIROMED - EDEN PRAIRIE, MN	2,866,820	666,000	4,197,634	0	0
WEDGEWOOD - SWEETWATER, GA	<u>1,420,859</u>	<u>334,346</u>	<u>3,637,532</u>	<u>0</u>	<u>0</u>
	\$ <u>86,847,595</u>	\$ <u>15,364,658</u>	\$ <u>119,873,108</u>	\$ <u>4,200,125</u>	\$ <u>183,469</u>
	\$ <u>368,956,930</u>	\$ <u>53,277,910</u>	\$ <u>526,303,391</u>	\$ <u>10,782,607</u>	\$ <u>1,272,560</u>

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

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Schedule XI

REAL ESTATE AND ACCUMULATED DEPRECIATION

APARTMENTS	LAND	BUILDING & IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	DATE ACQUIRED	LIFE ON WHICH LATEST INCOME STATEMENT IS COMPUTED
	\$					
BEULAH CONDOS - BEULAH, ND	6,360	\$ 476,774	\$ 483,134	\$ 329,273	1983	15-40 years
BISON PROPERTIES - CARRINGTON, ND	100,210	514,331	614,541	364,035	1972	25-40 years
CANDLELIGHT APTS. - FARGO, ND	80,040	897,043	977,083	179,684	1993	24-40 years
CASTLE ROCK - BILLINGS, MT	736,000	5,006,534	5,742,534	304,436	1999	40 years
CENTURY APTS. - DICKINSON, ND	100,000	2,221,814	2,321,814	757,085	1986	35-40 years
CENTURY APTS. - WILLISTON, ND	200,000	3,295,747	4,125,747	1,488,381	1986	35-40 years
CHATEAU APTS. - MINOT, ND	122,000	2,346,984	2,468,984	187,074	1997	12-40 years
CLEARWATER - BOISE, ID	585,000	3,268,838	3,853,638	217,307	1999	40 years
COUNTRY MEADOWS PHASE I - BILLINGS, MT	245,624	4,115,511	4,361,135	249,483	1996	40 years
COUNTRY MEADOWS PHASE II - BILLINGS, MT	245,623	4,114,095	4,359,718	249,483	1999	40 years
COLTON HEIGHTS - MINOT, ND	80,000	887,773	967,733	415,053	1984	33-40 years
COTTONWOOD LAKE - BISMARCK, ND	1,055,862	12,676,773	13,732,636	696,954	1997	40 years
CRESTVIEW APTS. - BISMARCK, ND	235,000	4,726,835	4,961,835	853,823	1994	24-40 years
CROWN COLONY - TOPEKA, KS	620,000	10,197,090	10,817,090	402,287	2000	40 years
DAKOTA ARMS - MINOT, ND	50,000	575,487	625,487	80,729	1996	24-40 years
DAKOTA HILLS - IRVING, TX	3,650,000	33,967,106	37,617,106	1,035,419	2000	40 years
EASTGATE PROPERTIES - MOORHEAD, MN	23,917	2,401,820	2,425,737	1,529,752	1970	33-40 years
EASTWOOD - DICKINSON, ND	40,000	432,394	472,394	112,860	1989	24-40 years
FOREST PARK ESTATES - GRAND FORKS, ND	810,000	6,672,837	7,482,837	1,341,702	1993	24-40 years
HERITAGE MANOR - ROCHESTER, MN	403,256	7,294,524	7,697,780	499,892	1999	40 years
IVY CLUB - VANCOUVER, WA	1,274,000	10,553,863	11,827,863	591,803	1999	40 years
	220,000	2,011,184	2,231,184	193,431	1996	40 years

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JENNER PROPERTIES - GRAND FORKS, ND						
KIRKWOOD APTS. - BISMARCK, ND	449,290	3,282,111	3,731,401	311,091	1997	12-40 years
LANCASTER APTS. - ST. CLOUD, MN	289,000	2,937,626	3,226,626	80,316	2000	40 years
LEGACY APTS. - GRAND FORKS, ND	1,361,855	9,635,543	10,997,398	1,031,588	1996	24-40 years
LEGACY IV - GRAND FORKS, ND	725,277	6,305,848	7,031,125	228,341	2000	40 years
LONETREE APTS. - HARVEY, ND	13,584	215,262	228,846	49,155	1991	24-40 years
MAGIC CITY APTS. - MINOT, ND	532,000	4,725,208	5,257,208	442,011	1997	12-40 years
MEADOWS PHASE I & II - JAMESTOWN, ND	111,550	3,645,722	3,757,272	136,508	2000	40 years
MEADOWS PHASE III - JAMESTOWN, ND	55,775	1,990,680	2,046,455	1,595	2001	N/A -construction in progress
MIRAMONT - FT. COLLINS, CO	1,470,000	12,893,539	14,363,529	1,457,970	1996	40 years
NEIGHBORHOOD APTS. - COLORADO SPRINGS, CO	1,033,592	10,389,189	11,422,781	1,206,581	1996	40 years
NORTH POINTE - BISMARCK, ND	143,500	2,303,175	2,446,675	310,289	1995	24-40 years
OAK MANOR APTS. - DICKINSON, ND	25,000	349,730	374,730	84,069	1989	24-40 years
OAKWOOD ESTATES - SIOUX FALLS, SD	342,800	3,374,256	3,717,056	688,361	1993	24-40 years

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

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Schedule XI

REAL ESTATE AND ACCUMULATED DEPRECIATION (continued)

APARTMENTS	LAND	BUILDING & IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	DATE ACQUIRED	LIFE ON WHICH
						LATEST INCOME STATEMENT IS COMPUTED
OLYMPIC VILLAGE - BILLINGS, MT	\$ 1,164,000	\$ 10,618,852	\$ 11,782,852	\$ 175,258	2001	40 years
OXBOW - SIOUX FALLS, SD	404,072	4,626,617	5,030,689	750,715	1994	24-40 years
PARK EAST APTS. - FARGO, ND	83,000	5,053,953	5,136,953	381,418	1997	12-40 years
PARK MEADOWS - WAITE PARK, MN	1,143,450	10,530,133	11,673,583	1,293,868	1997	40 years
PARKWAY APTS. - BEULAH, ND	7,000	143,912	150,912	27,623	1988	540 years
PEBBLE CREEK - BISMARCK, ND	7,200	777,792	784,962	31,282	2000	40 years
PINE CONE APTS. - FT. COLLINS, CO	904,545	12,359,315	13,263,861	1,539,847	1994	40 years
POINTE WEST APTS. - MINOT, ND	240,000	3,821,061	4,061,061	714,954	1994	24-40 years
PRAIRIE WINDS APTS. - SIOUX FALLS, SD	144,097	1,868,958	2,013,055	393,585	1993	24-40 years
PRAIRIEWOOD MEADOWS - FARGO, ND	280,000	2,559,271	2,839,271	47,763	2001	40 years
RIDGE OAKS APTS. - SIOUX CITY, IA	178,100	4,103,867	4,281,967	105,045	2001	40 years
RIMROCK APTS. - BILLINGS, MT	329,708	3,569,972	3,899,680	162,211	2000	40 years
ROCKY MEADOWS 96 - BILLINGS, MT	655,985	6,081,124	6,737,109	697,830	1996	40 years
ROSEWOOD/OAKWOOD - SIOUX FALLS, SD	200,000	1,747,935	1,947,935	196,245	1996	40 years
SHERWOOD APTS. - TOPEKA, KS	1,150,000	14,851,205	16,001,205	587,097	2000	40 years
SOUTH POINTE - MINOT, ND	550,000	9,795,036	10,345,036	1,220,817	1995	24-40 years

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SOUTHVIEW APTS. - MINOT, ND	185,000	543,676	728,676	94,340	1994	24-40 years
SOUTHWIND APTS - GRAND FORKS, ND	400,000	5,572,073	5,972,073	749,522	1996	24-40 years
SUNCHASE - FARGO, ND	52,870	989,340	1,042,210	304,382	1988	5-40 years
SUNSET TRAIL PHS I - ROCHESTER, MN	168,188	7,403,527	7,571,715	106,602	2001	40 years
SUNSET TRAIL - PHS II & III ROCHESTER, MN	336,376	4,006,932	4,343,308	0	N/a	N/A -construction in progress
SWEETWATER PROP. - DEVILS LAKE, ND	90,767	1,535,531	1,626,298	907,394	1972	5-40 years
THOMASBROOK APTS. - LINCOLN, NE	600,000	9,356,873	9,956,873	411,582	2000	40 years
VALLEY PARK MANOR - GRAND FORKS, ND	293,500	4,420,192	4,713,692	210,317	2000	40 years
VAN MALL WOODS - VANCOUVER -WA	600,000	5,551,761	6,151,761	354,296	1999	40 years
WEST STONEHILL - ST CLOUD, MN	939,000	10,832,140	11,771,140	1,523,900	1995	40 years
WESTWOOD PARK - BISMARCK, ND	161,114	2,044,374	2,205,488	151,269	1999	40 years
WOODRIDGE APTS. - ROCHESTER, MN	<u>370,000</u>	<u>6,405,134</u>	<u>6,775,134</u>	<u>728,810</u>	1996	40 years
	<u>\$ 29,074,087</u>	<u>\$ 332,503,535</u>	<u>\$ 361,577,622</u>	<u>\$ 32,296,179</u>		

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## INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

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### Schedule XI

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

OFFICE BUILDINGS	LAND	BUILDING & IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	DATE ACQUIRED	LIFE ON WHICH LATEST INCOME
						STATEMENT IS COMPUTED
	\$		\$			
1ST AVENUE BUILDING - MINOT, ND	30,000	503,765	533,765	386,191	1981	33-40 years
12 SOUTH MAIN - MINOT, ND	29,000	360,205	389,205	7,618	2001	40 years
17 SOUTH MAIN - MINOT, ND	15,000	75,000	90,000	1,484	2001	40 years
401 SOUTH MAIN - MINOT, ND	70,600	542,707	613,307	167,206	1987	24-40 years
2030 CLIFF ROAD - EAGAN, MN	145,900	834,966	980,866	870	2001	40 years
408 1ST STREET SE - MINOT, ND	10,000	36,907	46,907	27,691	1986	19-40 years
7901 FLYING CLOUD DR - EDEN PRAIRIE, MN	1,062,000	4,012,810	5,074,810	140,051	2000	40 years
BURNSVILLE BLUFFS - BURNSVILLE, MN	300,300	2,156,346	2,456,646	2,246	2001	40 years
COLD SPRINGS CENTER - ST. CLOUD, MN	588,000	7,807,539	8,395,539	8,133	2001	40 years
CREEKSIDE OFF BLDG. - BILLINGS, MT	311,310	1,557,260	1,868,570	319,016	1992	40 years
LESTER CHIROPRACTIC CLINIC - BISMARCK, ND	25,000	243,917	268,617	76,401	1988	40 years
LEXINGTON COMMERCE CENTER - EAGAN, MN	453,400	5,036,323	5,489,723	171,926	2000	40 years
NICOLLETT VII - BURNSVILLE, MN	429,400	6,931,270	7,360,670	7,220	2001	40 years
NORTHGATE II - MAPLE GROVE, MN	357,800	1,991,179	2,348,979	68,024	2000	40 years
PILLSBURY BUSINESS CENTER - EDINA, MN	284,400	1,558,570	1,842,970	1,624	2001	40 years
PLYMOUTH IV & V - PLYMOUTH, MN	640,500	13,387,829	14,028,329	13,221	2001	40 years

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SOUTHDALE MEDICAL CENTER - EDINA, MN	3,500,000	28,921,070	32,421,070	191,582	2001	40 years
SOUTHEAST TECH CENTER - EAGAN, MN	559,500	5,556,017	6,115,517	191,582	2000	40 years
WALTERS 214 SO MAIN - MINOT, ND	<u>27,055</u>	<u>84,941</u>	<u>111,996</u>	<u>76,960</u>	1978	20-40 years
			\$-			
	\$ <u>8,839,165</u>	\$ <u>81,598,321</u>	\$ <u>90,437,486</u>	\$ <u>1,878,349</u>		

**COMMERCIAL**

AMERICA'S BEST WAREHOUSE - BOISE, ID	\$ 765,000	\$ 4,023,294	\$ 4,788,294	\$ 924,442	1994	40 years
AMERITRADE - OMAHA, NE	326,500	7,980,035	8,306,535	407,220	1999	40 years
ARROWHEAD SHOPPING CENTER - MINOT, ND	100,359	2,873,427	2,973,786	2,216,168	1973	15 1/2-40 years
BARNES & NOBLE - FARGO, ND	540,000	2,719,893	3,259,893	447,202	1994	40 years
BARNES & NOBLE - OMAHA, NE	600,000	3,099,197	3,699,197	426,131	1995	40 years
CARMIKE THEATRE - GRAND FORKS, ND	183,515	2,362,222	2,545,737	383,798	1994	40 years
COMPUSA - KENTWOOD, MI	225,000	1,896,474	2,121,474	212,473	1996	40 years
CONSECO - RAPID CITY, SD	285,000	6,759,870	7,044,870	133,740	2001	40 years
CORNER EXPRESS - MINOT, ND	195,000	1,386,260	1,581,260	88,411	1999	40 years
DEWEY HILL BUSINESS CENTER - EDINA, MN	985,000	3,507,381	4,492,381	32,882	2001	40 years
EAST GRAND STATION - EAST GRAND FORKS, ND	150,000	1,242,251	1,392,251	45,160	2000	40 years
EDGEWOOD VISTA - BELGRADE, MT	14,300	439,194	453,494	19,462	2000	40 years
EDGEWOOD VISTA - BILLINGS, MT	130,000	850,218	980,218	61,015	1999	40 years
EDGEWOOD VISTA - COLUMBUS, NE	14,300	441,326	455,626	19,456	2000	40 years
EDGEWOOD VISTA - DULUTH, MN	390,000	5,291,187	5,681,187	115,553	2000	40 years
EDGEWOOD VISTA - EAST GRAND FORKS, MN	25,000	1,391,521	1,416,521	85,608	1997	40 years
EDGEWOOD VISTA - FREMONT, NE	56,000	490,410	546,410	4,598	2001	40 years
EDGEWOOD VISTA - GRAND ISLAND, NE	14,300	441,326	455,626	19,456	2000	40 years
EDGEWOOD VISTA - HASTINGS, NE	13,971	551,805	565,777	5,677	2001	40 years

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

April 30, 2001

**Schedule XI**

**REAL ESTATE AND ACCUMULATED DEPRECIATION** (continued)

OFFICE BUILDINGS	LAND	BUILDING & IMPROVEMENTS	TOTAL	ACCUMULATED DEPRECIATION	DATE ACQUIRED	LIFE ON WHICH
						LATEST INCOME STATEMENT IS COMPUTED
<b>COMMERCIAL</b> continued						
EDGEWOOD VISTA - KALISPELL, MT	\$ 70,000	\$ 498,150	\$ 568,150	\$ 2,578	2001	40 years
EDGEWOOD VISTA - MINOT, ND	260,000	6,010,707	6,270,707	528,442	1997	40 years
EDGEWOOD VISTA - MISSOULA, MT	108,900	853,528	962,428	96,022	1997	40 years
EDGEWOOD VISTA - OMAHA, NE	88,567	522,803	611,370	3,812	2001	40 years
EDGEWOOD VISTA - SIOUX FALLS, SD	130,000	844,739	974,739	60,674	1999	40 years

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HEALTHEAST MED CNTR - WDBRY & ST. JHNS, MN	3,238,275	18,362,724	21,600,999	439,868	2001	40 years
HOSPITALITY ASSOCIATES - MINNETONKA, MN	40,000	360,898	400,898	1,671	2001	40 years
GREAT PLAINS SOFTWARE - FARGO, ND	125,501	15,249,652	15,375,154	651,141	2000	40 years
LINDBERG BLDG. - EDEN PRAIRIE, MN	198,000	1,410,535	1,608,535	293,633	1992	40 years
MAPLEWOOD SQUARE - ROCHESTER, MN	3,275,000	8,623,946	11,898,946	386,937	2000	40 years
MEDPARK MALL - GRAND FORKS, ND	680,500	4,962,450	5,642,950	149,361	2000	40 years
MINOT PLAZA - MINOT, ND	50,000	459,954	509,954	97,496	1993	40 years
PETCO - FARGO, ND	324,148	954,786	1,278,934	154,418	1994	40 years
PIONEER SEED - MOORHEAD, MN	56,925	596,951	653,876	136,955	1992	40 years
STERNER LIGHTING - WINSTED, MN	100,000	900,789	1,000,789	3,208	2001	40 years
STONE CONTAINER - FARGO, ND	440,251	6,560,113	7,000,364	624,306	1995	40 years
STONE CONTAINER - WACONIA, MN	165,000	1,501,518	1,666,518	26,589	2001	40 years
VIROMED - EDEN PRAIRIE, MN	666,000	4,197,634	4,863,634	231,669	1999	40 years
WEDGEWOOD - SWEETWATER, GA	<u>334,346</u>	<u>3,637,532</u>	<u>3,971,878</u>	<u>381,386</u>	1996	40 years
	<u>\$ 15,364,658</u>	<u>\$ 4,256,702</u>	<u>\$139,621,360</u>	<u>\$ 9,918,617</u>		
	<u>\$ 53,277,910</u>	<u>\$ 538,358,558</u>	<u>\$591,636,468</u>	<u>\$ 44,093,145</u>		

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## INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

April 30, 2001

### Schedule XI

#### REAL ESTATE AND ACCUMULATED DEPRECIATION

Reconciliations of total real estate carrying value for the three years ending April 30, 2001, 2000 and 1999 are as follows:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Balance at beginning of year	\$ 449,919,890	\$ 295,825,839	\$ 231,416,322
Additions during year			
acquisitions	141,040,413	155,284,745	62,455,508
improvements and other	<u>5,583,148</u>	<u>7,041,248</u>	<u>4,780,853</u>
	\$ 596,543,451	\$ 458,151,832	\$ 298,652,683
Deduction during year			
cost of real estate sold	-4,906,983	-6,912,626	-2,826,844
impairment valuation	<u>0</u>	<u>-1,319,316</u>	<u>0</u>
Balance at close of year	<u>\$ 591,636,468</u>	<u>\$ 449,919,890</u>	<u>\$ 295,825,839</u>

Reconciliations of accumulated depreciation for the three years ended April 30, 2001, 2000 and 1999 are as follows:

<u>2001</u>	<u>2000</u>	<u>1999</u>
-------------	-------------	-------------

Balance at beginning of year	\$ 33,232,952	\$ 26,112,399	\$ 21,516,129
Additions during year			
provisions for depreciation	12,299,532	8,460,112	5,966,874
Deduction during year			
accumulated depreciation on real estate sold	<u>-1,439,339</u>	<u>-1,339,559</u>	<u>-1,370,604</u>
Balance at close of year	<u>\$ 44,093,145</u>	<u>\$ 33,232,952</u>	<u>\$ 26,112,399</u>

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## INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

*April 30, 2001*

### Schedule XII

#### INVESTMENTS IN MORTGAGE LOANS ON REAL ESTATE

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Payment Terms</u>	<u>Prior Liens</u>	<u>Face Amt. of Mortgages</u>	<u>Carrying Amt. of Mortgages</u>	<u>Prin. Amt of Loans Subject to Delinquent Prin. or Int.</u>
RESIDENTIAL							
Fricke	7.00%	01/01/02	Monthly		\$ 7,470	\$ 954	\$ 0
Rolland Hausmann	9.00%	02/01/16	Monthly		315,659	278,527	0
Diamond T -Scottsbluff, NE	8.00%	11/01/02	/Balloon		115,000	106,926	0
KMOX -Prior Lake, MN	8.00%	01/01/04	/Balloon		46,500	43,313	0
Duane Peterson	Variable		Quarterly		130,000	130,000	0
Edgewood Norfolk, NE	11.00%	04/01/01	Balloon		<u>477,375</u>	<u>477,375</u>	<u>0</u>
					<u>\$ 1,092,004</u>	<u>\$ 1,037,095</u>	<u>\$ 0</u>

	<u>2001</u>	<u>2000</u>
<b>MORTGAGE LOANS RECEIVABLE, BEGINNING OF YEAR</b>	\$ 1,650,284	\$ 10,721,214
New participations in and advances on mortgage loans	<u>0</u>	<u>607,375</u>
	\$ 1,650,284	\$ 11,328,589
Collections	<u>-613,189</u>	<u>-9,678,305</u>
<b>MORTGAGE LOANS RECEIVABLE, END OF YEAR</b>	<u>\$ 1,037,095</u>	<u>\$ 1,650,284</u>

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## INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

## SELECTED FINANCIAL DATA

	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Consolidated Income Statement Data					
Revenue	\$ 75,767,150	\$ 55,445,193	\$ 39,927,262	\$ 32,407,545	\$ 23,833,981
Income before gain/loss on properties and minority interest	10,187,812	8,548,558	6,401,676	4,691,198	3,499,443
Gain on repossession/ Sale of properties	601,605	1,754,496	1,947,184	465,499	398,424
Minority interest of portion of operating partnership income	-2,095,177	-1,495,209	-744,725	-141,788	-18
Net income	8,694,240	8,807,845	7,604,135	5,014,909	3,897,849
Consolidated Balance Sheet Data					
Total real estate investments	\$ 548,580,418	\$ 418,216,516	\$ 280,311,442	\$ 213,211,369	\$ 177,891,168
Total assets	570,322,124	432,978,299	291,493,311	224,718,514	186,993,943
Shareholders' equity	118,945,160	109,920,591	85,783,294	68,152,626	59,997,619
Consolidated Per Share Data (basic and diluted)					
Net Income	.38	.42	.44	.32	.28
Dividends	.55	.51	.47	.42	.39
CALENDAR YEAR					
Tax status of dividend					
Capital gain	.72%	30.3%	6.3%	2.9%	21.0%
Ordinary income	86.76%	69.7%	76.0%	97.1%	79.0%
Return of capital	12.52%	0%	17.7%	0.0%	0.0%

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## INVESTORS REAL ESTATE TRUST AND AFFILIATED PARTNERSHIPS

April 30, 2001, 2000 and 1999

## GAIN FROM PROPERTY DISPOSITIONS

	<u>Total</u>	<u>Unrealized</u>	<u>Realized</u>	<u>Realized</u>	<u>Realized</u>
	<u>Original</u>	<u>04/30/01</u>	<u>04/30/01</u>	<u>04/30/00</u>	<u>04/30/99</u>
	<u>Gain(Loss)</u>				
Brooklyn Addition - Minot, ND	\$ 25,000	\$ 0	\$ 0	\$ 1,000	\$ 1,000
Superpumper - Grand Forks, ND	86,479	0	0	86,479	0
Superpumper - Crookston, ND	89,903	0	0	89,903	0
Superpumper - Langdon, ND	64,352	0	0	64,352	0
Superpumper - Sidney, MT	17,161	0	0	17,161	0
Mandan Apartments - Mandan, ND	75,612	0	0	75,612	0
Sweetwater Apts. - Devils Lake, ND	335,303	0	0	335,303	0
Hutchinson Technology - Hutchinson, MN	1,109,003	0	0	1,109,003	0
Jenner 18-Plex - Devils Lake, ND	14,009	0	0	14,009	0
Virginia Apartments - Minot, ND	10,308	0	0	10,308	0
Fairfield Apts - Marshall, MN	80,121	0	0	0	80,121

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Superpumper - Emerado, ND	158,146	0	0	0	158,146
Park Place Apts - Waseca, MN	366,018	0	0	0	366,018
Bison Properties - Jamestown, ND	1,341,899	0	0	0	1,341,899
Evergreen Shopping Center - Evergreen, CO	1,690	0	1,690	0	0
Chalet Apartments - Minot, ND	23,434	0	23,434	0	0
Hill Park Apts - Bismarck, ND	576,482	<u>0</u>	<u>576,482</u>	<u>0</u>	<u>0</u>
		<u>\$ 0</u>	<u>\$ 601,605</u>	<u>\$ 1,754,496</u>	<u>\$ 1,947,184</u>

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES  
April 30, 2001

**MORTGAGE LOANS PAYABLE**

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Periodic Payment Terms</u>	<u>Face Amount of Mortgage</u>	<u>Carrying Amount of Mortgage</u>	<u>Delinquent Principal or Interest</u>
1112 32nd Ave SW - Minot, ND	7.50%	07/20/10	Monthly	\$ 425,000	\$ 309,303	\$ 0
177 10th Ave East - Dickinson, ND	9.00%	11/01/18	Monthly	250,963	210,961	0
2030 Cliff Road - Eagan, MN	7.40%	04/01/11	Monthly	650,000	650,000	0
4301 9th Ave Sunchase II - Fargo, ND	9.04%	09/01/02	Monthly	364,765	32,534	0
4313 9th Ave Sunchase II - Fargo, ND	8.706%	02/01/14	Monthly	370,000	277,089	0
America's Best Furniture - Boise, ID	9.75%	03/29/03	Monthly	3,750,000	3,303,018	0
Ameritrade - Omaha, NE	7.25%	05/01/19	Monthly	6,150,000	5,854,993	0
Arrowhead Shopping Center - Minot, ND	8.25%	01/01/20	Monthly	1,325,000	1,290,671	0
Barnes & Noble Stores - ND & NE	7.98%	12/01/10	Monthly	4,900,000	3,751,267	0
Burnsville Bluffs - Burnsville, MN	8.25%	01/01/21	Monthly	1,644,551	1,641,798	0
Candlelight Apts. - Fargo, ND	7.50%	12/01/99	Monthly	578,000	411,529	0
Carmike - Grand Forks, ND	7.75%	02/01/07	Monthly	2,000,000	1,845,233	0
Castle Rock - Billings, ND	6.66%	03/01/09	Monthly	3,950,000	3,857,473	0
Century Apts. - Dickinson, ND	7.003%	03/01/06	Monthly	1,595,000	1,393,489	0
Century Apts. - Williston, ND	7.003%	03/01/06	Monthly	2,700,000	2,358,883	0
Chateau Apts. - Minot, ND	7.003%	03/01/06	Monthly	1,674,350	1,528,906	0
Clearwater Apts. - Boise, ID	6.47%	01/01/09	Monthly	2,660,000	2,589,905	0
Cold Springs Center -St. Cloud, MN	7.40%	04/01/11	Monthly	5,250,000	5,250,000	0
Colton Heights - Minot, ND	8.35%	03/01/07	Monthly	730,000	256,077	0
Cottonwood Phase I - Bismarck, ND	6.59%	01/01/09	Monthly	2,800,000	2,727,822	0
Cottonwood Phase II - Bismarck, ND	7.55%	11/01/09	Monthly	2,850,000	2,812,552	0
Country Meadows Phase I - Billings, MT	7.51%	01/01/08	Monthly	2,660,000	2,522,888	0
Country Meadows Phase II - Billings, MT	8.10%	01/01/08	Monthly	2,600,000	2,564,285	0
Creekside - Billings, MT	7.375%	06/01/13	Monthly	1,250,000	1,106,166	0
Crestview Apts. - Bismarck, ND	6.91%	07/01/08	Monthly	3,400,000	3,245,760	0
CompUSA - Kentwood, MI	7.75%	02/01/11	Monthly	1,565,361	1,365,519	0
Conseco Bldg - Rapid City, SD	8.07%	08/01/15	Monthly	4,795,000	4,682,203	0
Corner Express - East Grand Forks, MN	7.52%	10/01/13	Monthly	885,000	798,550	0
Crown Colony Apts. - Topeka, KS	7.55%	08/01/09	Monthly	7,350,000	7,253,424	0
Dakota Hill - Irving TX	7.88%	01/01/10	Monthly	25,550,000	25,293,305	0

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Dewey Hill Business Center - Edina, MN	7.93%	12/01/10	Monthly	3,125,000	3,114,964	0
East Grand Station - East Grand Forks, ND	8.60%	08/1/15	Monthly	970,000	948,989	0
Eastgate - Moorhead, MN	7.19%	090/1/09	Monthly	1,627,500	1,601,726	0
Edgewood Vista - Missoula, MT	8.65%	04/15/12	Monthly	945,000	917,342	0
Edgewood Vista - East Grand Forks, MN	8.88%	07/05/12	Monthly	650,000	549,604	0
Edgewood Vista - Minot, ND	7.52%	08/01/12	Monthly	4,510,000	3,815,498	0
Edgewood Vista - Sioux Falls, SD	7.52%	070/1/13	Monthly	720,000	649,494	0
Edgewood Vista - Billings, MT	7.13%	10/01/13	Monthly	720,000	645,737	0
Edgewood Vista - Columbus & G. I., NE	8.65%	07/01/15	Monthly	624,000	608,733	0
Edgewood Vista - Duluth, MN	8.86%	05/01/15	Monthly	3,600,000	2,719,619	0
Flying Cloud - Eden Prairie, MN	8.61%	07/01/09	Monthly	3,830,000	3,812,804	0
Forest Park Estates - Grand Forks, ND	7.33%	080/1/09	Monthly	7,560,000	7,386,895	0

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES  
April 30, 2001

MORTGAGE LOANS PAYABLE (continued)

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Periodic Payment Terms</u>	<u>Face Amount of Mortgage</u>	<u>Carrying Amount of Mortgage</u>	<u>Delinquent Principal or Interest</u>
Great Plains Software - Fargo, ND	7.08%	10/01/13	Monthly	9,500,000	8,870,861	0
Health Investors Business Trust	7.94%	02/01/19	Monthly	19,482,851	19,176,624	0
Heritage Manor - Rochester, MN Hospitality Associates - Minnetonka, MN	6.80%	10/01/18	Monthly	5,075,000	4,749,593	0
Ivy Club Apts. - Vancouver, WA	7.50%	04/01/06	Monthly	280,000	280,000	0
Jenner Properties - Grand Forks, ND	7.355%	12/01/01	Monthly	7,092,443	6,910,101	0
Kirkwood Manor - Bismarck, ND	9.50%	11/01/04	Monthly	1,391,585	1,103,784	0
Kirkwood Manor - Bismarck, ND	8.15%	05/01/10	Monthly	2,293,900	2,267,110	0
Lancaster Apts. - St. Cloud, MN	7.04%	08/01/18	Monthly	1,769,568	1,716,664	0
Legacy Apts. Phase I - Grand Forks, ND	7.07%	01/01/05	Monthly	4,000,000	3,714,145	0
Legacy Apts. Phase II - Grand Forks, ND	7.07%	05/29/08	Monthly	2,575,000	2,457,041	0
Legacy Apts. Phase IV - Grand Forks, ND	8.10%	07/31/20	Monthly	3,000,000	2,958,788	0
Lexington Commerce Center - Eagan, MN	8.09%	02/01/10	Monthly	3,431,750	3,379,724	0
Lindberg Bldg. - Eden Prairie, MN	7.625%	02/01/07	Monthly	1,200,000	1,140,863	0
Magic City Apts. - Minot, ND	7.50%	10/10/10	Monthly	2,794,299	1,879,730	0
Maplewood Square - Rochester, MN	6.90%	08/01/09	Monthly	7,670,000	7,154,199	0
Meadows I & II - Jamestown, ND	8.155%	07/01/10	Monthly	1,975,000	1,965,867	0
MedPark Mall - Grand Forks, ND	8.075%	02/01/10	Monthly	3,425,000	3,381,663	0
Miramont Apts. - Ft. Collins, CO	8.25%	08/01/36	Monthly	11,582,472	11,381,741	0
Neighborhood Apts. - Colorado Springs, CO	7.98%	0101/07	Monthly	7,525,000	7,044,910	0
Nicollett VII - Burnsville, MN	8.05%	11/29/10	Monthly	4,784,880	4,779,772	0

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NorthGate II - Maple Grove, MN	8.09%	02/01/10	Monthly	1,576,750	1,552,846	0
North Pointe - Bismarck, ND	7.12%	02/01/07	Monthly	1,700,000	1,640,483	0
Oakwood Estates - Sioux Falls, SD	7.003%	03/01/06	Monthly	2,250,000	1,965,736	0
Olympic Village - Billings, MT	7.62%	11/01/10	Monthly	8,400,000	8,377,235	0
Oxbow - Sioux Falls, SD	7.003%	03/01/06	Monthly	3,565,000	3,114,600	0
Park East Apts. - Fargo, ND	6.82%	05/01/08	Monthly	3,500,000	3,385,258	0
Park Meadows Phase I - Waite Park, MN	7.19%	10/01/13	Monthly	3,022,500	2,974,635	0
Park Meadows Phase II - Waite Park, MN	7.899%	10/01/05	Monthly	2,214,851	2,052,288	0
Park Meadows Phase III - Waite Park, MN	4.00%	30 yr bond	Monthly	3,235,000	3,055,000	0
Pebblecreek - Bismarck, ND	8.10%	07/30/20	Monthly	455,000	448,744	0
PETCO Warehouse - Fargo, ND	7.28%	09/01/08	Monthly	1,100,000	901,454	0
Pillsbury Business Center - Bloomington, MN	7.40%	04/01/11	Monthly	1,260,000	1,260,000	0
Pinecone - Ft. Collins, CO	7.125%	12/01/33	Monthly	10,685,215	10,315,861	0
Pioneer Building - Fargo, ND	8.00%	12/01/06	Monthly	425,000	221,367	0
Plymouth IV & V - Plymouth, MN	8.17%	01/01/11	Monthly	9,280,912	9,271,270	0
Pointe West Apts. - Minot, ND	6.91%	07/01/08	Monthly	2,400,000	2,291,125	0
Prairie Winds Apts. - Sioux Falls, SD	7.04%	07/01/09	Monthly	1,325,000	1,300,993	0
Prairiewood Meadows - Fargo, ND	7.70%	11/01/20	Monthly	2,088,973	2,059,583	0
Ridge Oaks Apts. - Sioux City, IA	7.05%	01/01/31	Monthly	2,900,000	2,895,279	0
Rimrock Apts. - Billing, MT	7.33%	08/01/09	Monthly	2,660,000	2,599,093	0
Rocky Meadows - Billings, MT	7.33%	08/01/09	Monthly	3,780,000	3,693,447	0

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INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

April 30, 2001

**MORTGAGE LOANS PAYABLE** (continued)

	<b>Interest Rate</b>	<b>Final Maturity Date</b>	<b>Periodic Payment Terms</b>	<b>Face Amount of Mortgage</b>	<b>Carrying Amount of Mortgage</b>	<b>Delinquent Principal or Interest</b>
RoseWood/Oakwood - Sioux Falls, SD	8.85%	09/01/96	Monthly	1,323,000	1,172,698	0
Southdale Medical Center - Edina, MN	7.80%	01/01/11	Monthly	24,000,000	23,949,215	0
Sherwood Apts. - Topeka, KS	7.55%	08/01/09	Monthly	11,025,000	10,880,136	0
SouthEast Tech Center - Eagan, MN	8.09%	02/01/10	Monthly	4,266,500	4,201,819	0
South Pointe - Minot, ND	7.12%	02/01/07	Monthly	6,500,000	6,272,436	0
Southwind Apts. - Grand Forks, ND	7.12%	02/01/07	Monthly	4,100,000	3,956,460	0
Sunset Trail Phase I - Rochester, MN	7.80%	03/01/11	Monthly	4,350,000	4,346,961	0
Sterner Lighting - Winsted, MN	7.50%	04/01/06	Monthly	700,000	700,000	0
Stone Container - Fargo, ND	8.25%	02/01/11	Monthly	3,300,000	2,567,688	0
Stone Container - Waconia, MN	8.79%	10/15/06	Monthly	1,329,381	1,303,763	0
Sweetwater 24-Plex - Grafton, ND	9.75%	02/01/03	Monthly	270,000	36,840	0
Sweetwater 18-Plex - Grafton, ND	9.75%	02/01/03	Monthly	198,000	50,240	0
Thomasbrook - Lincoln, NE	7.22%	10/01/09	Monthly	6,200,000	6,070,287	0
Valley Park Manor - Grand Forks, ND	8.375%	10/01/01	Monthly	3,000,000	2,990,184	0
Van Mall Woods - Vancouver, WA	6.86%	12/01/03	Monthly	4,070,426	3,858,149	0

BALANCE APRIL 30, 2000

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VIROMED - Eden Prairie, MN	6.98%	040/1/14	Monthly	3,120,000	2,866,820	0
Wedgewood Retirement -Sweetwater, GA	9.17%	05/01/17	Monthly	1,566,720	1,420,809	0
West Stonehill - St. Cloud, MN	7.93%	06/01/17	Monthly	8,232,569	7,544,371	0
Westwood Park - Bismarck, ND	7.88%	12/01/09	Monthly	1,200,000	1,180,304	0
Woodridge Apts. - Rochester, MN	7.85%	010/1/17	Monthly	<u>4,410,000</u>	<u>3,941,271</u>	<u>0</u>
<b>TOTALS</b>				<b>\$ 387,389,035</b>	<b>\$ 368,956,930</b>	<b>\$ 0</b>

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**INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES**

*April 30, 2001*

**SIGNIFICANT PROPERTY ACQUISITIONS**

Acquisitions for cash, assumptions of mortgages, and issuance of units in the operating partnership.

**COMMERCIAL**

Healtheast Medical Center - Woodbury & St. Johns, MN	\$ 21,588,498
Conseco Financial Bldg. - Rapid City, SD	6,850,000
12 South Main - Minot, ND	385,000
17 South Main - Minot, ND	90,000
Stone Container - Waconia, MN	1,666,500
Dewey Hill Business Center - Edina, MN	4,472,895
Edgewood Vista - Fremont, NE	535,550
Edgewood Vista - Hastings, NE	550,800
Edgewood Vista - Omaha, NE	610,800
Edgewood Vista Alzheimer Addition - East Grand Forks, MN	516,700
Edgewood Vista Addition - Duluth, MN	2,200,000
Edgewood Vista - Kalispell, MT	560,000
Southdale Medical Center (60.31% partnership interest) - Edina, MN	32,421,070
Hospitality Associates - Minnetonka, MN	400,000
Sterner Lighting - Winsted, MN	1,000,000
2030 Cliff Road - Eagan, MN	950,000
Burnsville Bluffs - Burnsville, MN	2,400,000
Cold Springs Center - St. Cloud, MN	8,250,000
Nicollett VII - Burnsville, MN	7,200,000
Pillsbury Business Center - Bloomington, MN	1,800,000
Plymouth IV & V - Plymouth, MN	<u>13,750,000</u>
	<b>\$ 108,197,813</b>

**RESIDENTIAL**

Olympic Village - Billings, MT	11,616,500
Prairiewood Meadows - Fargo, ND	2,811,000
Sunset Trail, Phase I - Rochester, MN	6,493,150
Cottonwood Phase III - Bismarck, ND***	1,854,800
Ridge Oaks - Sioux City, IA	4,195,036
Meadows Phase III - Jamestown, ND***	1,865,182
Sunset Trail, Phase II - Rochester, MN**	<u>4,006,932</u>
	<b>\$ 32,842,600</b>
<b>TOTAL</b>	<b>\$ 141,040,413</b>

\*\*Property not placed in service at April 30, 2001. Additional costs are still to be incurred.

\*\*\*Represents costs to complete a project started in year ending April 30, 2000.

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## INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

### QUARTERLY RESULTS OF CONSOLIDATED OPERATIONS (unaudited)

	<b>QUARTER ENDED</b>			
	<b><u>07-31-00</u></b>	<b><u>10-31-00</u></b>	<b><u>01-31-01</u></b>	<b><u>04-30-01</u></b>
Revenues	\$ 17,431,644	\$ 18,404,260	\$ 19,004,737	\$ 20,926,509
Income before gain on properties and minority interest	2,565,131	2,707,811	2,719,679	2,195,191
Net gain on sale of properties	0	0	25,124	576,481
Minority interest of unitholders in operating partnership	-425,667	-538,618	-426,316	-704,576
Net Income	2,139,464	2,169,193	2,327,262	2,058,321
Per share				
Net Income	.09	.10	.10	.09

	<b>QUARTER ENDED</b>			
	<b><u>07-31-99</u></b>	<b><u>10-31-99</u></b>	<b><u>01-31-00</u></b>	<b><u>04-30-00</u></b>
Revenues	\$ 11,201,913	\$ 12,900,697	\$ 14,054,660	\$ 17,287,923
Income before gain(loss) on properties and minority interest	1,801,322	2,478,912	2,390,868	1,877,456
Net gain(loss) on sale of properties	257,895	1,519,918	0	-23,317
Minority interest of unitholders in operating partnership	-235,935	-579,625	-369,028	-310,621
Net Income	1,823,282	3,419,205	2,021,840	1,543,518
Per share				
Net Income	.09	.16	.11	.06

	<b>QUARTER ENDED</b>			
	<b><u>7-31-98</u></b>	<b><u>10-31-98</u></b>	<b><u>01-31-99</u></b>	<b><u>04-30-99</u></b>
Revenues	\$ 9,102,179	\$ 9,836,370	\$ 10,236,797	\$ 10,151,916
Income before gain on properties and minority interest	1,327,851	1,760,067	1,732,928	1,580,830
Net gain on sale of properties	366,017	1,341,899	80,122	158,146
Minority interest of unitholders in operating partnership	-133,863	-287,579	-158,820	-164,463
Net Income	1,560,005	2,814,387	1,654,228	1,575,515
Per share				
Net Income	.09	.17	.09	.09

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

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## Part II. Information Not Required In Prospectus

**Other Expenses of Issuance and Distribution**

The following is an itemization of the anticipated cost to the Trust in connection with the issuance and distribution of the securities to be registered.

Selling Commission	\$ 420,000
Legal	\$ 7,500
Advertising, Printing & Promotion Expenses	\$ 20,000
Registration Fees	\$ 10,500
Accounting	\$ 5,000
	\$ 463,500

**Sales to Special Parties**

There is no person or class of persons to whom any securities have been sold within the past six months, or are to be sold, by the registrant or any security holder for whose account any of the securities being registered are to be offered, at a price varying from that at which securities of the same class are to be offered to the general public pursuant to this registration except as follows:

The Trust has a policy allowing its trustees and employees and their spouses to purchase its shares of beneficial interest at a 5% discount to the registration price of \$8.75. No commissions or other discounts were paid or given in connection with such sales. As a result of this policy, trustees and employees of IRET may purchase shares registered under this S-11 for \$8.31 per share. IRET pays no commissions of the sale of shares to trustees and employees. All shares purchased under this plan must be held for one full year before they can be sold.

No portion of the consideration to be received by the registrant for such shares is to be credited to an account other than the appropriate capital share account.

**Recent Sales of Unregistered Securities**

None.

**Indemnification of Trustees and Officers**

The governing provisions of the Trust provide non-liability of and indemnification to the Board of Trustees and officers except for willful misfeasance, bad faith, gross negligence, or any liability imposed by the Securities Act of 1933. The Trust currently provides insurance coverage for the errors or omissions of Board members and Officers.

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**Financial Statements and Exhibits**

a) List of all financial statements filed as part of this registration statement.

<u>Financial Statements Filed</u>	<u>Included in Prospectus</u>
Unaudited Quarterly Financial Data for the three months and six months ended October 31, 2001, and 2000	See Pages S-5 through S-6
Pro Forma Consolidated Statement of Operations for Acquisitions for the Six Months Ended October 31, 2001	See Page 102
Unaudited Pro Forma Consolidated Financial Information Fiscal 2001	See Page 104
Olympic Village - Billings, Montana	See Pages 105 through 110

Material Factors Considered by IRET at the Time of  
Acquisition

Independent Auditor's Report  
Historical Summary of Gross Income & Direct Operating  
Expense For the Year Ended December 31, 1999  
Unaudited Interim Financial Statement -  
January 1, 2000 - August 30, 2000  
Unaudited Estimated Taxable Operating Results

Southdale Medical- Edina, Minnesota

See Pages 111 through 116

Material Factors Considered by IRET at the Time of  
Acquisition

Independent Auditor's Report  
Historical Summary of Gross Income & Direct Operating  
Expense For the Year Ended December 31, 2000  
Notes to Historical Summary of Gross Income and Direct  
Operating Expenses for the Year Ended December 31,

2000

Unaudited Estimated Taxable Operating Results

HealthEast I & II - Maplewood & Woodbury, Minnesota

See Pages 117 through 121

Material Factors Considered by IRET at the Time of  
Acquisition

Independent Auditor's Report  
Historical Summary of Gross Income & Direct Operating  
Expense For the Year Ended December 31, 1999  
Notes to Historical Summary of Gross Income and Direct  
Operating Expenses for the Year Ended December 31,

1999

Unaudited Interim Financial Statement -

January 1, 2000 - April 30, 2000

Unaudited Estimated Taxable Operating Results

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Financial Statements Filed

Included in Prospectus

Plymouth Techcenter - Plymouth, Minnesota

See Pages 122 through 128

Material Factors Considered by IRET at the Time of  
Acquisition

Independent Auditor's Report Ended December 31, 2000  
Historical Summary of Gross Income & Direct Operating  
Expense For the Year Ended December 31, 2000  
Notes to Historical Summary of Gross Income and Direct  
Operating Expenses for the Year Ended December 31,

2000

Unaudited Interim Financial Statement -

January 1, 2001 - March 31, 2001

Unaudited Estimated Taxable Operating Results

See F-1 through F-14

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Consolidated Financial Statements by Investors Real Estate Trust  
for the Six Months Ended October 31, 2001, and 2000 (unaudited)

Consolidated Financial Statement by Investors Real Estate Trust for See F-15 through F-57  
the period ended April 30, 2001 (audited by Brady Martz &  
Associates, P.C., Certified Public Accountants)

b) Exhibit Index

<u>Description of Exhibit</u>	<u>Location in Form S-11 Filing</u>
(1) (i) Security Sales Agreement	Ex-1(i), Pages ii-10 - ii-11
(2) Plan of acquisition, reorganization, arrangement, liquidation or succession	Not Applicable
(3)	
(i) Second Restated Declaration of Trust Dated February 10, 1999	Filed as Ex-3(i) to Form S-11 filed by the Registrant on May 11, 1999, (File No333-78223) and incorporated by reference herein
(ii) IRET Properties Partnership Agreement	IRET Properties Partnership Agreement dated January 31, 1997, filed as Ex-3(ii) to Form S-11 filed by the Registrant on February 18, 1997, (File No. 333-21945) and Incorporated herein by reference
(4) Instruments defining the rights of securityholders, including indentures	See #3
(5) Opinion re legality	Ex-5, Pages ii-17- ii-18
(6) Opinion re discount on capital shares	Not Applicable

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<u>Financial Statements Filed</u>	<u>Included in Prospectus</u>
(7) Opinion re-liquidation preference	Not Applicable
(8) Opinion re tax matters	Ex-8, Page ii-14
(9) Voting trust agreement	Not Applicable
(10) Material Contracts	Not Applicable
(11) Statement re computation of per share earnings	Not Applicable
(12) Statement re computation of ratios	Not Applicable
(15) Letter re unaudited interim financial information	Not Applicable

(16)	Letter re change in certifying accountant	Not Applicable
(21)	Subsidiaries of the Registrant	See note 1 page F-22, F-23 & Page 16
(23)	Consent of experts and counsel	
	(i) Pringle & Herigstad, P.C.	Ex-23(i), Page ii-15
	(ii) Brady Martz & Associates, P.C.	Ex-23(ii), Page ii-16
(24)	Power of Attorney	Not Applicable
(25)	Statement of eligibility of trustee	Not Applicable
(27)	Financial Data Schedule	Not Applicable
(99)	Additional Exhibits	
	(i) Subscription Agreement	(i) Ex-99 Page ii-17

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## Undertakings

The undersigned registrant hereby undertakes:

(1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:

(i) To include any prospectus required by section 10(a)(3) of the Securities Act of 1933;

(ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement;

(2) That for the purpose of determining any liability under the Securities Act of 1933, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate

jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) of (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

## Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant certified that it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-11 and has duly caused this registration to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Minot, State of North Dakota.

### Investors Real Estate Trust

Dated: December 27, 2001

By: /S/ Thomas A. Wentz, Jr.  
Thomas A. Wentz, Jr.  
Its: Vice President & General Counsel

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Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dated indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/S/ Jeffrey L. Miller</u> Jeffrey L. Miller	Trustee & Chairman	December 27, 2001
<u>/S/ Daniel L. Feist</u> Daniel L. Feist	Trustee & Vice Chairman	December 27, 2001
<u>/S/ C. Morris Anderson</u> C. Morris Anderson	Trustee & Vice Chairman	December 27, 2001

<u>/S/ John F. Decker</u>		
John F. Decker	Trustee	December 27, 2001
<u>/S/ Patrick G. Jones</u>		
Patrick G. Jones	Trustee	December 27, 2001
<u>/S/ Stephen L. Stenehjem</u>		
Stephen L. Stenehjem	Trustee	December 27, 2001
<u>/S/ Steven B. Hoyt</u>		
Steven B. Hoyt	Trustee	December 27, 2001
<u>/S/ Thomas A. Wentz, Jr.</u>		
Thomas A. Wentz, Jr.	Trustee, Vice President & General Counsel	December 27, 2001
<u>/S/ Timothy P. Mihalick</u>		
Timothy P. Mihalick	Trustee, Senior Vice President & Chief Operating Officer	December 27, 2001
<u>/S/ Thomas A. Wentz, Sr.</u>		
Thomas A. Wentz, Sr.	President & Chief Executive Officer	December 27, 2001
<u>/S/ Diane K. Bryantt</u>		
Diane K. Bryantt	Secretary & Chief Financial Officer	December 27, 2001

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## Index of Exhibits

<u>Description of Exhibit</u>	<u>Location in Form S-11 Filing</u>
(1) (i) Security Sales Agreement	Ex-1(i), Pages ii-10 - ii-11
Plan of acquisition, reorganization, arrangement, liquidation	
(2) or succession	Not Applicable
(i) Second Restated Declaration Trust dated February 10, 1999	Filed as Ex-3(i) to Form S-11 of filed by the Registrant on May 11, 1999 (File No 333-78223) and incorporated by reference herein
(3) (ii) IRET Properties Partnership IRET Properties Partnership Agreement	Agreement dated January 31, 1997, filed as Ex-3 (ii) to Form S-11 filed by the Registrant on February 18, 1997, (File No. 333-21945) and Incorporated herein by reference
Instruments defining the rights of security holders,	
(4) including indentures	See #3
(5) Opinion re legality	Ex-5, Pages ii-12 - ii-13
(6) Opinion re discount on capital shares	Not Applicable
(7) Opinion re liquidation preference	Not Applicable
(8) Opinion re tax matters	Ex-8, Page ii-14
(9) Voting trust agreement	Not Applicable
(10) Material Contracts	Not Applicable
(11) Statement re computation of per share earnings	Not Applicable
(12) Statement re computation	Not Applicable
(15) Letter re unaudited interim financial information	Not Applicable



(16) Letter re change in certifying accountant Subsidiaries of the Registrant	Not Applicable See note 1 page F-22, F-23 & Page 16
(23) Consent of experts and counsel	

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<u>Description of Exhibit</u>	<u>Location in Form S-11 Filing</u>
(i) Pringle & Herigstad, P.C.	Ex-23 (i), Page ii-15
(ii) Brady Martz & Associates, P.C.	Ex-23 (ii), Page ii-16
(24) Power of Attorney	Not Applicable
25) Statement of eligibility of trustee	Not Applicable
(27) Financial Data Schedule	Not Applicable
(99) Additional Exhibits	
(i) Subscription Agreement	(i) Ex-99, Page ii-17

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**EX-1(i)**

**SECURITY SALES AGREEMENT**

THIS AGREEMENT, made this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, between INVESTORS REAL ESTATE TRUST, a North Dakota Business Trust, 12 South Main, Suite 100, Minot, North Dakota 58701 (hereinafter "IRET"), and «Company», «Address», «City», «State», «Zip» (hereinafter "BROKER").

WHEREAS, IRET intends to file a Form S-11 with the Securities and Exchange Commission to register for sale to the public 600,000 shares of its shares of Beneficial Interest (hereinafter "SHARES"); and,

WHEREAS, BROKER is a broker registered with the National Association of Securities Dealers and is also registered in states in which said SHARES will also be registered for sale by IRET;

NOW, THEREFORE, in consideration of the mutual covenants herein contained, it is agreed as follows:

1. IRET hereby employs BROKER as a Broker to offer said SHARES for sale for \$8.75 per SHARE with a minimum purchase of 100 SHARES. BROKER agrees to use its best efforts to conduct the sales effort necessary to market said securities subject to the terms and conditions of this agreement. This agreement shall become effective only upon the effectiveness of the registration of said securities by the Securities and Exchange Commission and the applicable state Securities Commissioners and shall terminate contemporaneously with the termination or completion of said registration.

2. IRET shall be responsible for paying all costs and expenses relating to the registration of said securities, including the preparation, printing and filing of the Prospectus and Registration Statements and all

amendments and exhibits, all filing and registration fees and costs, and all legal, accounting, printing and filing fee expenses in connection therewith.

3. All solicitation expenses including travel, telephone and other expenses incurred by BROKER and its salesmen shall be the responsibility of BROKER and its salesmen. In the event the offering is terminated, BROKER will NOT be reimbursed for any out-of-pocket expenses.

4. As compensation for its services hereunder, BROKER shall receive 8% of the proceeds of all of the securities sold by it and paid for. All commissions shall be rounded down to the nearest penny. Assuming a sale at \$8.75 the commission would be \$.70.

5. BROKER or its fulltime employees shall be allowed to purchase SHARES, provided that any SHARES so acquired shall not be sold, transferred, assigned, pledged or hypothecated by any person for a period of one year following the date of acquisition. The one-year holding period shall be calculated in accordance with Rule 144(d) of Securities Act of 1933. Additionally, any such purchase shall be at \$8.75 per SHARE.

6. Broker shall comply in all respects with all applicable NASD Conduct Rules, including but not limited to Rule 2110-1, 2420, 2710(c)(7)(A), 2730, 2740, and 2750 of the NASD Conduct Rules.

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7. Any notice to be given under this Agreement shall be deemed properly given three days after the same is deposited postage prepaid with the United States Postal Service for First Class or Priority Delivery to the following:

**If to IRET:**

Michael J. Hale, Asst. VP  
Investors Real Estate Trust  
12 South Main Street, Suite 100  
PO Box 1988  
Minot, ND 58702-1988  
Telephone: (701) 837.4738  
Fax: (701) 838.7785

**If to BROKER:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_

8. IRET represents and warrants to BROKER as follows:

- IRET is a North Dakota Business Trust duly organized and in good standing under the laws of the State of North Dakota and duly authorized to conduct its business in the states in which it operates.
- The SHARES of Beneficial Interest described in the Prospectus filed in connection with the above described Offering have the characteristics set forth in said Prospectus and IRET is authorized to issue an unlimited number of its SHARES of Beneficial Interest under its trust powers.
- The Financial Statements and all other material contained in the Prospectus and by reference incorporated herein are true, correct and complete, and no material, adverse changes have occurred since the issuance of such statement.

IRET hereby indemnifies and will hold BROKER harmless from all claims, demands, liabilities and expenses (including legal expenses) arising out of or based on any of the representations or warranties made by IRET herein.

This agreement shall be binding upon and shall inure to the benefit of the parties, their successors and assigns.

<b>INVESTORS REAL ESTATE TRUST</b>
By _____ Thomas A. Wentz, Jr. Vice President
<b>Broker/Dealer</b>
By _____ Its _____

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**Exhibit EX-5**

**OPINION RE LEGALITY**

December 27, 2001

Securities and Exchange Commission  
Washington, D.C. 20549

**INVESTORS REAL ESTATE TRUST - FORM S-11 DATED DECEMBER 27, 2001**

In connection with the filing of Form S-11 by Investors Real Estate Trust, we advise you that we have examined and are familiar with the originals of all documents, trust records and other instruments relating to the organization of Investors Real Estate Trust, the authorization and issuance of the shares of Beneficial Interest described in said application, including the following:

1. Second Restated Declaration of Trust of Investors Real Estate Trust dated February 10, 1999.
2. Registration Statement dated December 27, 2001 (Form S-11).

From our examination of said documents and records, it is our opinion:

1. Investors Real Estate Trust has been duly organized and is a validly existing business trust under the laws of the State of North Dakota.
2. Investors Real Estate Trust has the power under North Dakota law to conduct the business activities described in the Trust Agreement and said Prospectus.
3. Investors Real Estate Trust is authorized to issue an unlimited number of its shares of Beneficial Interest as set forth in its Trust Agreement and such shares conform to the statements made about them in said Form S-11 and Prospectus.
4. Said shares of Beneficial Interest have been duly and validly authorized and issued.
5. Said shares of beneficial interest once sold and paid for by a purchaser shall be legally issued, fully paid and non-assessable.

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**Exhibit EX-5 (continued)**

6. We are not aware, and Investors Real Estate Trust has advised us that it is not aware of any legal or governmental proceedings pending or threatened to which Investors Real Estate Trust is a party or which the property thereof is the subject; and it and we do not know of any contracts of a character to be disclosed on said application or prospectus which are not disclosed, filed and properly summarized therein.
7. Said Form S-11 and the Prospectus and other exhibits attached thereto are in the form required and have been examined by us; we have no reason to believe that any of said documents contain any untrue statement of material fact or omits to state any material fact the statements therein not misleading. We have reviewed said documents and to the best of our knowledge, information and belief, the statements contained therein are correct.

PRINGLE & HERIGSTAD, P.C.

By /S/ Michael A. Bosh  
Michael A. Bosh

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**Exhibit EX-8**

**OPINION RE TAX MATTERS**

December 27, 2001

Securities and Exchange Commission  
Washington, D.C. 20549

**INVESTORS REAL ESTATE TRUST - FORM S-11 DATED DECEMBER 27, 2001**

In connection with the filing of the above described Amended Form S-11 by Investors Real Estate Trust, we advise you that we have prepared the section of the Prospectus entitled "Tax Treatments of IRET and Its Shareholders," including the following subcategories: Federal Income Tax, State and Local Income Taxation; Taxation of IRET's Shareholders, Taxation of IRA's, 401K's, Pension Plans and Other Tax-Exempted Shareholders; and IRET Reporting to the IRS and Backup Withholding. We also advise you that we have prepared the section of the Prospectus entitled "Tax Treatment of IRET Properties and its Limited Partners," including the subcategory Classification as a Partnership. We also advise you that we have prepared the section of the Prospectus entitled "Income Taxation of IRET Properties and its Partners," including the following subcategories: Partners Not IRET Properties Subject to Tax; Partnership Allocation Income, Losses and Capital Gain; Tax Allocations with Respect to Contributed Property; Tax Basis in IRET Properties; and Sale of Real Estate.

In connection with the preparation of said portion of the filing, we have examined and are familiar with the originals of all documents, trust records and other instruments relating to the organization and operation of Investors Real Estate Trust, IRET Properties, a North Dakota Limited Partnership, and all other related entities described in the filing.

In addition, we have reviewed all applicable provisions of the Internal Revenue Code, the regulations issued thereunder and, where appropriate, revenue rulings, federal and state court decisions and such other materials as we deemed necessary and relevant to the matters being opined upon.

The conclusions and statements made in the above described portions of the S-11 filing represent our opinions on such matters and have been set forth with our knowledge and consent. The above portions of the Prospectus are hereby incorporated by reference.

PRINGLE & HERIGSTAD, P.C.

By /S/ Michael A. Bosh  
Michael A. Bosh

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**EX-23(i)**

December 27, 2001

UNITED STATES SECURITIES AND  
EXCHANGE COMMISSIONER  
WASHINGTON DC 20549

**FORM S-11 REGISTRATION STATEMENT INVESTORS REAL ESTATE TRUST**

TO WHOM IT MAY CONCERN:

BALANCE APRIL 30, 2000

We consent to the incorporation directly or by reference in this Registration Statement of Investors Real Estate Trust, on Form S-11 dated December 27, 2001, of our Legality and Tax Matters opinion letters dated December 27, 2001. We also consent to the reference to us under the heading "Experts" in the Prospectus, which is also part of this Registration Statement.

PRINGLE & HERIGSTAD, P.C.

By /S/ Michael A. Bosh  
Michael A. Bosh

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**EX-23(ii)**

**BRADY, MARTZ & ASSOCIATES, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

December 20, 2001

UNITED STATES SECURITIES AND  
EXCHANGE COMMISSIONER  
WASHINGTON DC 20549

**RE: FORM S-11 REGISTRATION STATEMENT  
INVESTORS REAL ESTATE TRUST**

TO WHOM IT MAY CONCERN:

We hereby consent to the incorporation directly or by reference in the Registration Statement of Investors Real Estate Trust on Form S-11 of our Independent Auditor's Report, our Independent Auditor's Report on Additional Information dated May 23, 2001, and our four Independent Auditor's Reports pertaining to significant fiscal year 2001 real estate acquisitions dated October 8, 2001. We also consent to the reference to us under the heading "Experts" in the Prospectus, which is part of the Registration Statement.

We also acknowledge that we are aware that said Form S-11 Filing includes unaudited financial statements of the Registrant for the quarter ending October 31, 2001.

/S/ Brady Martz & Associates, P.C.  
BRADY, MARTZ & ASSOCIATES, P.C.

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**EX-99**  
**INVESTORS REAL ESTATE TRUST**  
**Subscription Agreement**

<b>OWNERSHIP</b>	\$ Amt. _____	# of Common Shares _____	Price Per Share _____	Acct. No. _____
	Name(s) _____			
<b>REGISTRATION:</b>	<i>investor(s) names</i>			
	1st Person SSN _____ - _____ - _____	or Tax I.D. # _____ - _____	Date of Birth _____ / _____ / _____	
	2nd Person SSN _____ - _____ - _____	or Tax I.D. # _____ - _____	Date of Birth _____ / _____ / _____	
	Address _____			
	City _____	State _____	Zip _____	

Under penalties of perjury, the undersigned certified (1) that the number shown as his taxpayer identification number is his correct taxpayer identification number and (2) that he is not subject to backup withholding either because he has not been notified that he is subject to backup withholding as a result of a failure to report all interest and dividends or because the Internal Revenue Service has notified him that he is no longer subject to backup withholding.

<b>MAILING ADDRESS</b>	Name(s) _____			
<b>FOR</b>	_____			
<b>CORRESPONDENCE &amp;</b>	_____			
<b>CASH</b>	Address _____			
<b>DISTRIBUTIONS:</b>	City _____	State _____	Zip _____	
<i>(if different from above)</i>				
<b>TITLE TO BE HELD:</b>	_____ Individual	_____ Tenants in Common	_____ IRA	_____ Partnership
	_____ Joint	_____ Corporation	_____ Trust	_____ Pension Plan/ Tenants/
		_____ Transfer on Death	_____ Custodian	Profit Sharing
	Rights of Survivorship			_____ UTMA/UGMA
<b>SIGNATURES:</b>	I hereby certify as follows: That a copy of the Prospectus, including the Subscription Agreement attached thereto, as amended and/or supplemented to date, has been delivered to me, and I acknowledge that such Prospectus was received.			
	Executed this _____ day of _____, _____, at _____ (city)			
	_____ (state)			
	<b>Signature</b> <i>(investor's, otherwise Trustee of IRA, Pension Plan, etc.)</i> _____			
	<b>Additional Signature</b> <i>(if joint tenant)</i> _____			

The undersigned hereby represents that it has reasonable grounds to believe on the basis of information obtained from the above-named investor concerning his-her investment objectives, other investment, financial situation and needs, and any other information known by it that:

- A. The above-named investor has a fair market net worth sufficient to sustain the risks inherent in the Shares, including loss of investment and lack of liquidity; and
- B. The Shares are otherwise suitable for the above-named investor. I further represent that prior to executing this purchase transaction, I informed the above-named investor of all pertinent facts relating to the liquidity of the Shares.

<b>SOLICITING</b>	Firm _____			
<b>DEALER</b>	Registered Representative _____	Phone _____		
<b>ENDORSEMENT:</b>	_____			
	Address _____			

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Dealer Authorized  
Signature \_\_\_\_\_

**NOTE:** Make checks payable to: Investors Real Estate Trust - PO Box 1988 - Minot, ND 58702-1988

**ACCEPTED BY:** This subscription agreement shall not be effective until signed by an officer of Investors Real Estate Trust.

SIGNATURE \_\_\_\_\_

Date \_\_\_\_\_

INVESTORS REAL ESTATE TRUST (*Transfer Agent/Registrar*)

Date \_\_\_\_\_

Reinvest Dividends    (*circle one*)    YES                      NO

Issue Certificate        (*circle one*)    YES                      NO