

INVESTORS REAL ESTATE TRUST

Form 10-Q

December 11, 2017

Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-35624

INVESTORS REAL ESTATE TRUST

(Exact name of registrant as specified in its charter)

North Dakota

(State or other jurisdiction of incorporation or organization)

45-0311232

(I.R.S. Employer Identification No.)

Edgar Filing: INVESTORS REAL ESTATE TRUST - Form 10-Q

1400 31st Avenue SW, Suite 60, Post Office Box 1988, Minot, ND 58702-1988  
(Address of principal executive offices) (Zip code)

(701) 837-4738

(Registrant's telephone number, including area code)

N/A

(Former name, former address, and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to the filing requirements for at least the past 90 days.

YesNo

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

YesNo

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large

accelerated filer   Accelerated filer   Non-accelerated filer   Smaller Reporting Company   Emerging growth company  
filer

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Edgar Filing: INVESTORS REAL ESTATE TRUST - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YesNo

The number of common shares of beneficial interest outstanding as of December 4, 2017, was 120,037,183.

---

Table of Contents

TABLE OF CONTENTS

	Page
<u>Part I. Financial Information</u>	
<u>Item 1. Financial Statements - Second Quarter - Fiscal 2018 :</u>	3
<u>Condensed Consolidated Balance Sheets (unaudited) October 31, 2017, and April 30, 2017</u>	3
<u>Condensed Consolidated Statements of Operations (unaudited) For the Three and Six Months ended October 31, 2017 and 2016</u>	4
<u>Condensed Consolidated Statements of Equity (unaudited) For the Six Months ended October 31, 2017 and 2016</u>	5
<u>Condensed Consolidated Statements of Cash Flows (unaudited) For the Six Months ended October 31, 2017 and 2016</u>	6
<u>Notes to Condensed Consolidated Financial Statements (unaudited)</u>	8
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	23
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	37
<u>Item 4. Controls and Procedures</u>	38
<u>Part II. Other Information</u>	
<u>Item 1. Legal Proceedings</u>	39
<u>Item 1A. Risk Factors</u>	39
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	39
<u>Item 3. Defaults Upon Senior Securities</u>	39
<u>Item 4. Mine Safety Disclosures</u>	39
<u>Item 5. Other Information</u>	39
<u>Item 6. Exhibits</u>	40
<u>Signatures</u>	41

Table of Contents

## PART I

## ITEM 1. FINANCIAL STATEMENTS - SECOND QUARTER - FISCAL 2018

## INVESTORS REAL ESTATE TRUST AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)

	(in thousands)	
	October 31, 2017	April 30, 2017
<b>ASSETS</b>		
Real estate investments		
Property owned	\$ 1,831,181	\$ 1,677,481
Less accumulated depreciation	(384,402)	(340,417)
	1,446,779	1,337,064
Unimproved land	15,216	18,455
Mortgage loans receivable	10,329	—
Total real estate investments	1,472,324	1,355,519
Assets held for sale and assets of discontinued operations	—	37,708
Cash and cash equivalents	42,464	28,819
Restricted cash	4,306	28,709
Other assets	31,933	23,759
<b>TOTAL ASSETS</b>	<b>\$ 1,551,027</b>	<b>\$ 1,474,514</b>
<b>LIABILITIES, REDEEMABLE NONCONTROLLING INTERESTS, AND EQUITY</b>		
<b>LIABILITIES</b>		
Liabilities held for sale and liabilities of discontinued operations	\$ —	\$ 30,062
Accounts payable and accrued expenses	33,757	40,430
Revolving line of credit	247,500	57,050
Mortgages payable, net of unamortized loan costs of \$3,062 and \$3,480, respectively	655,903	661,960
Construction debt	21,561	41,737
<b>TOTAL LIABILITIES</b>	<b>958,721</b>	<b>831,239</b>
<b>COMMITMENTS AND CONTINGENCIES (NOTE 6)</b>		
<b>REDEEMABLE NONCONTROLLING INTERESTS – CONSOLIDATED REAL ESTATE ENTITIES</b>	<b>6,812</b>	<b>7,181</b>
<b>EQUITY</b>		
Series B Preferred Shares of Beneficial Interest (Cumulative redeemable preferred shares, no par value, no shares issued and outstanding at October 31, 2017 and 4,600 shares issued and outstanding at April 30, 2017, aggregate liquidation preference of \$115,000)	—	&