

INVESTORS REAL ESTATE TRUST

Charter of the Audit Committee of the Board of Trustees

(adopted by the Board of Trustees on January 14, 2004)

Purpose

The purpose of the Audit Committee is to oversee the accounting and financial reporting processes of the Company and the audits of the financial statements of the Company. The Audit Committee represents and assists the Board of Trustees in its oversight of (1) the integrity of the financial reporting of the Company, (2) the independence, qualifications and performance of the Company's external auditor and the performance of the internal auditors and (3) the Company's compliance with legal and regulatory requirements. The Audit Committee also prepares the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement.

Members

The Audit Committee shall be comprised of at least three members of the Board who satisfy the independence and financial literacy requirements of the NASDAQ Stock Market, Inc. ("NASDAQ") and applicable federal law, and at least one member of the Audit Committee shall satisfy the finance or accounting experience or background requirements of NASDAQ, as such requirements are interpreted by the Board in its business judgment. The members of the Audit Committee shall be appointed by the Board at its annual organizational meeting and shall serve until their successors are duly appointed and qualified. The Board shall designate one member as Chair, or delegate authority to designate a Chair to the Audit Committee.

Notwithstanding the foregoing, the Board may appoint to the Audit Committee one member of the Board who is not independent as defined in NASDAQ Rule 4200, if such member otherwise meets the independence criteria set forth in Rule 10A(m)(3) under the Securities Exchange Act of 1934 and the rules thereunder, and is not a current officer or employee of the Company or a family member (as defined in NASDAQ Rule 4200) of such officer or employee, and if the Board, under exceptional and limited circumstances, determines that membership on the committee by the individual is required by the best interests of the Company and its shareholders. The Board shall disclose, in the next annual proxy statement subsequent to such determination, the nature of the relationship and the reasons for that determination. A member appointed under this exception may not serve longer than two years and may not chair the Audit Committee.

Meetings

The Audit Committee shall meet at least four times per year, with authority to convene additional meetings as circumstances dictate, either in person or telephonically, and at such times and places as the Audit Committee shall determine. The Audit Committee shall meet periodically with management, the independent auditor and the director of the internal audit department in separate executive sessions. The Audit Committee shall report its activities to the Board regularly.

Duties and Responsibilities

On behalf of the Board, the Audit Committee shall, among its duties and responsibilities:

1. Review the annual audited financial statements with management and the independent auditor, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, significant issues and judgments regarding accounting and auditing principles and practices, and the effect of regulatory and accounting initiatives on the Company's financial statements, and recommend to the Board whether the financial statements should be included in the Form 10-K.
2. Review and discuss with management and the independent auditor the Company's quarterly financial statements prior to filing the Form 10-Q, including the results of the independent auditor's review of the financial statements and the Company's disclosures under Management's Discussion and Analysis of Financial Conditions and Results of Operations.
3. Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.
4. Meet periodically with management to review the Company's major financial and business risk exposures and the steps management has taken to monitor and control such exposures.
5. Be directly responsible, in its capacity as a committee of the Board, for the appointment, compensation and oversight of the work of the independent auditor for the purpose of preparing or issuing an audit report or related work. In this regard, the Audit Committee shall appoint and retain, compensate, evaluate and terminate (when appropriate), the independent auditor, which shall report directly to the Audit Committee.
6. Preapprove all auditing services and permitted non-audit services (including the fees and terms thereof) to be performed for the Company by its independent auditor, and establish policies and procedures for the engagement of the independent auditor to provide auditing and permitted non-audit services.
7. Receive at least annually and discuss with the independent auditor the auditor's report regarding its independence.
8. Meet with the independent auditor prior to the audit to review the scope and planning of the audit.
9. Review with the independent auditor the results of the annual audit examination, and any issues the auditor may have encountered in the course of its audit work and management's response. This review should include, among other things, any management letter, any restrictions on the scope of activities or access to required information, and changes required in the planned scope of the internal audit. Inquire as to the auditor's views about whether management's choices of accounting principles are conservative, moderate or aggressive from the perspective of income,

asset and liability recognition, and whether those principles are common practices or are minority practices.

10. Discuss with management the Company's earnings press releases and corporate policies with respect to earnings releases and financial information and earnings guidance provided to analysts and rating agencies.
11. Review and discuss with management, the independent auditor and the internal auditor the adequacy and effectiveness of the Company's internal controls, including any significant deficiencies in internal controls and significant changes in such controls reported to the Audit Committee by the independent auditor, the internal auditor or management, and review the adequacy and effectiveness of the Company's disclosure controls and procedures.
12. Review with the independent auditor and the internal auditor the scope and results of the internal audit program, including responsibilities and staffing, and review the appointment and replacement of internal audit personnel.
13. Review and approve all related-party transactions (as defined in applicable NASDAQ rules).
14. Establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters.
15. Advise the Board with respect to the Company's policies and procedures regarding compliance with applicable laws and regulations and with the Company's Code of Conduct.
16. Review with the Company's General Counsel and independent auditor (1) legal matters that may have a material impact on the financial statements, (2) accounting or compliance policies, and (3) any material reports or inquiries received from regulators, governmental agencies or employees that raise material issues regarding the Company's financial statements and accounting or compliance policies.
17. Review this Charter annually and recommend any changes to the Board for approval.

Outside Advisors

The Audit Committee shall have the authority to retain such outside legal, accounting or other consultants or advisors as it determines appropriate to assist it in the performance of its functions, or to advise or inform the Audit Committee. The Audit Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Audit Committee or to meet with any members of, or consultants to, the Audit Committee. The Company shall provide for appropriate funding, as determined by the Audit Committee, for payment of compensation to the independent auditor and to any advisors retained by the Audit Committee.