ELECTRONIC ARTS INC.
Form 10-K
May 28, 2010
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-K

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

For the fiscal year ended March 31, 2010

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 No. 0-17948

ELECTRONIC ARTS INC.

(Exact name of registrant as specified in its charter)

Delaware	**94-2838567**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
209 Redwood Shores Parkway Redwood City, California	**94065**
(Address of principal executive offices)	*(Zip Code)*

Registrant s telephone number, including area code:

(650) 628-1500

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No þ

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 such filing requirements for the past 90 days. Yes þ No ¨

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). Yes þ No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

The aggregate market value of the registrant s common stock, $0.01 par value, held by non-affiliates of the registrant as of October 2, 2009, the last business day of our second fiscal quarter, was $5,931,009,000.

As of May 21, 2010 there were 329,676,985 shares of the registrant s common stock, $0.01 par value, outstanding.

Documents Incorporated by Reference

Portions of the registrant s definitive proxy statement for its 2010 Annual Meeting of Stockholders are incorporated by reference into Part III hereof.

ELECTRONIC ARTS INC.

2010 FORM 10-K ANNUAL REPORT

Table of Contents

Table of Contents

CAUTIONARY NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, made in this Report are forward looking. Examples of forward-looking statements include statements related to industry prospects, our future economic performance including anticipated revenues and expenditures, results of operations or financial position, and other financial items, our business plans and objectives, including our intended product releases, and may include certain assumptions that underlie the forward-looking statements. We use words such as anticipate, believe, expect, intend, estimate (and the negative of any of these terms), future and similar expressions to help identify forward-looking statements. These forward-looking statements are subject to business and economic risk and reflect management s current expectations, and involve subjects that are inherently uncertain and difficult to predict. Our actual results could differ materially from those in the forward-looking statements. We will not necessarily update information if any forward-looking statement later turns out to be inaccurate. Risks and uncertainties that may affect our future results include, but are not limited to, those discussed under the heading Risk Factors, beginning on page 15.

PART I

Item 1: ***Business***

We develop, market, publish and distribute video game software and content that can be played by consumers on a variety of platforms, including:

- Video game consoles such as the PLAYSTATION® 3, Microsoft Xbox 360 and Nintendo Wii ,
- Personal computers, including the Macintosh (we refer to personal computers and the Macintosh together as PCs),
- Handheld game players such as the PlayStation® Portable (PSP) and Nintendo DS , and
- Mobile devices, such as cellular phones and smart phones, including the Apple iPhone .

Our ability to publish games across multiple platforms has been, and will continue to be, a cornerstone of our product strategy. Historically, there have been multiple video game consoles and handheld game players available to consumers, and there has been vigorous competition among these platforms for consumer acceptance. In fiscal year 2010, the platforms for which we produced the most software products were:

Platform	Number of titles developed and published by EA in fiscal year 2010
Mobile	48
Xbox 360	22
PLAYSTATION 3	21
Wii	19
PC	16
Nintendo DS	16
PSP	10
PlayStation 2	6

Our products for videogame consoles, PCs and handhelds are delivered on physical media (disks and cartridges) that are sold at retailers (we call these packaged goods products). We also deliver game content and services online, directly to consumers, for the platforms listed above. Some online delivered content and services are add-ons or are related to our packaged goods products (*e.g.*, add-on content or matchmaking services); while other games, content and services that we offer, such as games for mobile devices, and Internet-only games, are available only through online delivery. We believe that online delivery of game content and services will become an increasingly important part of our business over time.

Our games span a diverse range of categories, including action-adventure, casual, sports, family, fantasy, racing, music, massively-multiplayer online role-playing, simulation and strategy. We have created, licensed and acquired a strong portfolio of intellectual property, which we market and sell to a variety of consumers. Our portfolio of wholly-owned properties includes established brands such as Need for Speed , The Sims , Spore , Dead Space , Mass Effect and Battlefield *,* and newly launched properties in fiscal year 2010 such as *EA SPORTS Active , Dragon Age : Origins,* and *Dante s Inferno* . Our portfolio of games based on licensed intellectual property includes sports-based titles such as Madden NFL Football, FIFA Soccer and Tiger Woods PGA Tour®, and titles based on popular brands such as Harry Potter and Hasbro. Through our EA Partners business, we also co-develop, co-publish and/or distribute video games that are developed and published by other companies, including the MTV Games/Harmonix series Rock Band and the Crytek series Crysis®.

Another cornerstone of our strategy is to publish products that can be iterated, or sequeled. For example, a new edition for most of our sports products, such as Madden NFL Football, is released each year. Other products, such as The Sims and Battlefield are sequeled on a less-frequent basis. We refer to these successful, iterated product families as franchises. We also make add-on content available for purchase online or through expansion packs sold at retail for many of our products.

We develop our games using both internal and external resources. For the fiscal years ended March 31, 2010, 2009 and 2008, research and development expenses were $1,229 million, $1,359 million and $1,145 million, respectively. We operate development studios (which develop products and perform other related functions) worldwide: BioWare (Canada and United States), Bright Light (United Kingdom), Criterion (United Kingdom), DICE (Sweden), EA Canada, EA Los Angeles (United States), EA Montreal (Canada), EA Romania, Maxis (United States), Playfish (United States, United Kingdom, China and Norway), EA Salt Lake City (United States), EA Seoul Studio (Korea), EA Singapore, EA Mythic (United States), Pogo (United States and China), The Sims Studio (United States), EA Tiburon (United States), and Visceral (United States). We have quality assurance functions located in the United States, Canada, the United Kingdom, Sweden, Germany, Romania, China, India, Korea, and Singapore and localization functions located in Germany, Spain and Japan. We also engage third parties to assist with the development of our games at their own development and production studios.

Our global sales network allows us to market, publish and distribute games in over 35 countries throughout the world. We generate a significant portion of our net revenue from direct sales of packaged goods products to retailers and in some of our smaller international territories, we work with third parties to distribute our packaged goods products. Many of our games, and other online content, are also available to consumers via proprietary networks, such as the Xbox LIVE® Marketplace on the Xbox 360 console and the PlayStation Network on the PLAYSTATION 3 and PSP consoles, or via the Internet, including our own online stores. We also market and distribute games and other content for mobile devices through mobile carriers and proprietary online stores that provide applications for specific devices (*i.e.*, mobile application storefronts such as the Apple App Store, which provides applications for the Apple iPhone and iPod Touch, or Google s Android Market for Android compatible phones).

Our North America net revenue, which was primarily generated in the United States, decreased by 16 percent to $2,025 million, or 55 percent of total net revenue in fiscal year 2010, as compared to $2,412 million, or 57 percent of total net revenue in fiscal year 2009 and as compared to $1,942 million, or 53 percent of total net revenue in fiscal year 2008. Internationally, we conduct business through our international headquarters in Switzerland and have wholly-owned subsidiaries throughout the world, including offices in Europe, Australia, Asia and Latin America. International net revenue (*i.e.*, net revenue derived from countries other than Canada and the United States) decreased by 10 percent to $1,629 million, or 45 percent of total net revenue in fiscal year 2010, as compared to $1,800 million, or 43 percent of total net revenue in fiscal year 2009 and as compared to $1,723 million, or 47 percent of total net revenue in fiscal year 2008.

The amounts of net revenue and long-lived assets attributable to each of our geographic regions for each of the last three fiscal years are set forth in Note 17 of the Notes to Consolidated Financial Statements, included in Item 8 of this report.

In fiscal years 2010 and 2009, no titles accounted for 10 percent or more of our total net revenue. In fiscal year 2008, sales of *Rock Band*, distributed for three platforms, represented approximately 10 percent of our total net revenue.

We were initially incorporated in California in 1982. In September 1991, we reincorporated under the laws of Delaware. Our principal executive offices are located at 209 Redwood Shores Parkway, Redwood City, California 94065 and our telephone number is (650) 628-1500.

Significant Business Developments in Fiscal 2010

Acquisition of Playfish Limited

On November 9, 2009, we acquired all of the outstanding shares of Playfish Limited (Playfish) for an aggregate purchase price of approximately $308 million in cash and equity. In addition, we may be required to pay additional variable cash consideration that is contingent upon the achievement of certain performance milestones through December 31, 2011. This additional consideration is limited to a maximum of $100 million. Playfish is a developer of free-to-play social games that can be played on social networking platforms and generates revenue through sales of digital content and Internet-based advertising.

Fiscal 2010 Restructuring Plan

In fiscal year 2010, we announced details of a restructuring plan to narrow our product portfolio to provide greater focus on titles with higher margin opportunities. Under this plan, we reduced our workforce by approximately 1,200 employees and have been (1) consolidating or closing various facilities, (2) eliminating certain titles, and (3) incurring IT and other costs to assist in reorganizing certain activities. The majority of these actions were completed by March 31, 2010.

Employee Stock Option Exchange Program

On October 21, 2009, we launched a voluntary Employee Stock Option Exchange Program (Exchange Program) to permit our eligible employees to exchange outstanding eligible options for a lesser number of restricted stock units, shares of restricted stock (in Canada only), or new options (in China only) to be granted under our 2000 Equity Incentive Plan (the Equity Plan). The Exchange Program offer period began on October 21, 2009 and ended on November 18, 2009.

Options eligible for the Exchange Program were those options granted prior to October 21, 2008, that had an exercise price per share greater than $28.18, which was the 52-week high trading price of our common stock measured as of the start date of the Exchange Program, as reported on the NASDAQ Global Select Market.

The Exchange Program resulted in options to purchase approximately 16,561,000 shares of our common stock being exchanged for restricted stock units to acquire approximately 4,996,000 shares, approximately 923,000 shares of restricted stock awards and new options to purchase approximately 18,000 shares.

Redwood Shores Headquarters Facilities Purchase

On July 13, 2009, we purchased our Redwood Shores headquarters facilities concurrent with the expiration and extinguishment of the lessor s financing agreements. These facilities were subject to lease obligations to non-affiliated parties, which expired in July 2009, and had previously been accounted for as operating leases. The total amount paid under the terms of the leases was $247 million, of which $233 million related to the purchase price of the facilities and $14 million was for the loss on our lease obligation. Subsequent to our purchase, we classified the facilities on our Consolidated Balance Sheet as property and equipment, net and depreciate the facilities acquired, excluding the land, on a straight-line basis over the estimated useful lives.

Our Operating Structure

We are organized into three Labels (EA Games, EA SPORTS and EA Play), our EA Interactive organization (EA Mobile, Pogo and Playfish) and our Global Publishing Organization. Each Label and EA Interactive operates globally with dedicated game development and marketing teams. Global Publishing operates in three regions North America, Europe and Asia and is responsible for a number of business functions such as: strategic planning, field marketing, sales, distribution, operations, product certification, quality assurance, motion capture, art outsourcing and localization within the local markets in which we operate.

EA Games Label

The EA Games Label is home to the largest number of our studios and development teams, which together create an expansive and diverse portfolio of games marketed under the EA brand in categories such as action-adventure, role playing, racing and first-person shooter games. The EA Games portfolio is comprised primarily of wholly-owned properties and includes several established franchises such as Need for Speed, Battlefield, Mass Effect and Dead Space. In addition, EA Games has recently launched new franchises including Dante s Inferno and Dragon Age, and has additional titles in development. In addition to traditional packaged goods games, EA Games also develops massively-multiplayer online role-playing games which are persistent state virtual worlds where thousands of other players can interact with one another (MMOs). Examples of MMOs include *Warhammer® Online: Age of Reckoning®* and *Star Wars : The Old Republic* , which is in development at our BioWare Austin Studio, in collaboration with LucasArts. EA Games titles are developed primarily at the following EA studios: BioWare (Edmonton, Canada, Austin, Texas, and Montreal, Canada), Criterion (Guildford, England), DICE (Stockholm, Sweden), EA Los Angeles, EA Montreal, Visceral (Redwood City, California), EA Mythic (Fairfax, Virginia), and EA Canada (Burnaby, Canada).

EA Games also includes the EA Partners group, which contracts with external game developers and third party companies, to provide these partners with a variety of services including development assistance, publishing, and distribution of their games.

EA SPORTS Label

The EA SPORTS Label brings together a collection of sports-based video games marketed under the EA SPORTS brand. EA SPORTS games range from simulated sports titles with realistic graphics based on real-world sports leagues, players, events and venues to more casual games with arcade-style gameplay and graphics. We seek to release new iterations of many of our EA SPORTS titles annually in connection with the commencement of a sports league s season or a major sporting event when appropriate. Our EA SPORTS franchises include FIFA Soccer, Madden NFL Football, Fight Night, NBA Live, NCAA Football, Tiger Woods PGA Tour, and NHL Hockey. EA SPORTS games are developed primarily at our EA Canada and our EA Tiburon studio located in Orlando, Florida.

EA Play Label

The EA Play Label is focused on creating compelling games for a mass audience of core and non-core gamers alike. EA Play games are intended to be easily accessible for people of all ages, and to inspire fun and creativity. Many EA Play games only require a minimal time commitment to learn, play and enjoy. EA Play Label products include (1) wholly-owned franchises such as The Sims, MySims, and Spore and (2) games published under licenses such as Harry Potter under license from Warner Bros., and video games based on Hasbro board games and toys. We have a long-term strategic agreement with Hasbro, which provides us with the exclusive worldwide rights to create digital games for all major platforms based on most of Hasbro s toy and game intellectual properties, including LITTLEST PET SHOP , MONOPOLY , SCRABBLE (United States and Canada only), TRIVIAL PURSUIT , NERF , and RISK (excluding Italy). A number of products under this agreement have been released in fiscal years 2009 and 2010 and we plan to release additional products based on Hasbro toy and game brands in fiscal year 2011. Our EA Play Label oversees internal studios and development teams located in California, United States, Utah, United States, Montreal, Canada and Guildford, England, and works with third party developers.

EA Interactive

EA Interactive reports into our Global Publishing Organization and is focused wholly on interactive games for play on the Internet and mobile devices. EA Interactive is comprised of EA Mobile, Pogo and Playfish.

EA Mobile. Through EA Mobile, we are a leading global publisher of games for mobile devices. Our customers purchase and download our games through a mobile carrier s branded e-commerce service and mobile application storefronts accessed directly from their mobile devices. EA Mobile develops games for mobile devices internally at studios located in Canada, Romania, Australia, India, and Korea. We also contract with third parties located in the United States, United Kingdom, Singapore, and China to develop games that will be produced by EA Mobile. Our focus is on producing high-quality, branded titles ranging from core to casual with variations of the same game for compatibility across the multitude of geographies, carriers, and mobile devices, including the Apple iPhone and iPad.

Pogo. Through our Pogo online service, we offer casual games such as card, puzzle and word games. We had approximately 1.6 million paying Club Pogo subscribers as of March 31, 2010. In addition to paid subscriptions, Pogo also generates revenue through Internet-based advertising and sales of digital content.

Playfish. Through Playfish we offer free-to-play social games including *Restaurant City*, *Pet Society*, *Country Story,* and *Gangster City,* that can be played on social networking platforms such as Facebook, MySpace, Google, Bebo, iPhone, and Android. As of March 31, 2010, we had approximately 46 million monthly active players across Playfish s 11 titles. Playfish generates revenue through sales of digital content and Internet-based advertising.

Global Publishing Organization

Global Publishing is responsible for the distribution, sales and marketing of our products (including strategic planning, operations, and manufacturing functions), and for centralized development and global online services in support of our Labels (such as product certification, quality assurance, motion capture, art outsourcing and localization within the local markets in which we operate).

Distribution, Sales and Marketing. Our global sales network allows us to market, publish and distribute games for all Labels throughout the world. Our North America publishing organization is headquartered in Redwood City, California. We have local offices in several states including Arkansas, Minnesota and Texas, among others. We also have a distribution center in Kentucky. Our international publishing operations are headquartered in Geneva, Switzerland, with offices throughout Europe, Australia, Asia and Latin America. We also use third party providers in Europe including Germany, Switzerland, and the United Kingdom, for our warehousing needs. Marketing activities primarily focus on television and online advertising, print advertising, retail merchandising, website development, event sponsorship, and trade shows.

Central Development and Global Online Services. Our Central Development Services group provides development services to our Labels, such as product localization, quality assurance and certification, motion capture, art outsourcing and media mastering. By grouping these services together within a single, centralized organization, we expect to continue to achieve efficiencies, while improving the overall quality of our games by providing more sophisticated and robust services than any of our Labels could sustain on its own. Key components of Central Development Services strategy are outsourcing to third parties and moving work offshore to lower-cost markets. Our Global Online Services group builds online development that enables our Labels to sell games and services directly to our customers.

Competition

We compete with other video game companies for the leisure time and discretionary spending of consumers, as well as with other providers of different forms of entertainment, such as motion pictures, television, social networking, online casual entertainment and music. Our competitors vary in size from very small companies with limited resources to very large, diversified corporations with global operations and greater financial resources than ours.

We also face competition from other video game companies and large media companies to obtain license agreements for the right to use some of the intellectual property included in our products. Some of these content licenses are controlled by the diversified media companies, which, in some cases, have decided to publish their own games based on popular entertainment properties that they control, rather than licensing the content to a video game company such as us.

Competition in Sales of Packaged Goods

The packaged goods video game business is characterized by the frequent launch of new games, which may be sequels of popular game franchises, or newly introduced game concepts. There is also rapid technological innovation in the packaged goods game business as competing companies continually improve their use of the powerful platforms on which games are designed to run, and extend the game experience through additional content and online services (such as matchmaking and multiplayer functionality). Competition is also based on product quality and features, timing of product releases, brand-name recognition, availability and quality of in-game content, access to distribution channels, effectiveness of marketing and price.

For sales of packaged goods, we compete directly with Sony, Microsoft and Nintendo, each of which develop and publish software for their respective console platforms. We also compete with numerous companies which, like us, develop and publish video games that operate on these consoles and on PCs and handheld game players. These competitors include Activision Blizzard, Atari, Capcom, Koei, Konami, LucasArts, Namco, Sega, Take-Two Interactive, THQ and Ubisoft. Diversified media companies such as Fox, Disney, Time Warner and Viacom are also expanding their software game publishing efforts.

We also see a change in retail sales patterns which decreases our ability to derive revenue from catalog sales (sales of games in the periods following the launch quarter). Currently, many console games experience sales cycles that are shorter than in the past. To mitigate this trend, we offer our consumers new direct-to-consumer services such as additional content to further enhance the gaming experience and extend the time that consumers play our games after their initial purchase.

Competition in Games for Mobile Devices

The mobile entertainment applications market segment, for which we develop and publish games for mobile devices, is characterized by frequent product introductions, rapidly emerging new mobile platforms, new technologies, and new mobile application storefronts. As the penetration of mobile devices that feature fully-functional browsers and additional gaming capabilities continues to deepen, the demand for applications continues to increase and as there are more mobile application storefronts through which developers can offer products, we expect new competitors to enter the market and existing competitors to allocate more resources to develop and market competing applications. As a result, we expect competition in the mobile entertainment market to intensify.

Current and potential competitors in the mobile entertainment applications market include major media companies, traditional video game publishing companies, mobile carriers, mobile software providers and other companies that specialize in mobile entertainment applications. We also compete with mobile content aggregators, who pool applications from multiple developers (and sometimes publishers) and offer them to carriers or through other sales channels. In addition, new and existing competitors are offering mobile entertainment applications on a free download, ad-supported basis. Currently, we consider our primary competitors in the mobile entertainment applications market to be Capcom Mobile, Gameloft, Glu Mobile, Namco, and PopCap.

Table of Contents

Competition in Online Gaming Services

The online (*i.e.*, Internet-based) games market is characterized by frequent product introductions, new and evolving business models and new platforms. As the proportion of households with a broadband connection continues to grow, we expect new competitors to enter the market and existing competitors to allocate more resources toward developing online games services. As a result, we expect competition in the online game services market to intensify.

Our current and potential competitors in the online games market include major media companies, traditional video game publishing companies, and companies that specialize in online games including social networking game companies. In the massively multiplayer online game business, our competitors include Activision Blizzard, Atari, NC Soft, and Sony. Competing providers of other kinds of online games include AOL, Big Fish, MSN, Nexon, Popcap, Real, Yahoo!, and Zynga and other providers of games on social networking platforms such as Facebook.

Intellectual Property

Like other entertainment companies, our business is significantly based on the creation, acquisition, exploitation and protection of intellectual property. Some of this intellectual property is in the form of software code, patented technology, and other technology and trade secrets that we use to develop our games and to make them run properly. Other intellectual property is in the form of audio-visual elements that consumers can see, hear and interact with when they are playing our games we call this form of intellectual property content.

We develop products from wholly-owned intellectual properties we create within our own studios. We also acquire the rights to include proprietary intellectual property in our products through acquisitions. In addition, we obtain content and intellectual property through licenses and service agreements such as those with sports leagues and players associations, movie studios and performing talent, authors and literary publishers, music labels, music publishers and musicians. These agreements typically limit our use of the licensed rights in products for specific time periods. In addition, our products that play on game consoles, handhelds and mobile devices include technology that is owned by the console or mobile device manufacturer and licensed non-exclusively to us for use. We also license technology from providers other than console and mobile device manufacturers. While we may have renewal rights for some licenses, our business and the justification for the development of many of our products is dependent on our ability to continue to obtain the intellectual property rights from the owners of these rights on reasonable terms and at reasonable rates.

We actively engage in enforcement and other activities to protect our intellectual property. We typically own the copyright to the software code, as well as the brand or title name trademark under which our products are marketed. We register copyrights and trademarks in the United States and other countries as appropriate.

As with other forms of entertainment, our products are susceptible to unauthorized copying and piracy. We typically distribute our PC products using copy protection technology, digital rights management technology or other technological protection measures to prevent piracy and the use of unauthorized copies of our products. In addition, console manufacturers typically incorporate technological protections and other security measures in their consoles in an effort to prevent the use of unlicensed product. We are actively engaged in enforcement and other activities to protect against unauthorized copying and piracy, including monitoring online channels for distribution of pirated copies, and participating in various industry-wide enforcement initiatives, education programs and legislative activity around the world.

Significant Relationships

Console Manufacturers

Sony. Under the terms of agreements we have entered into with Sony Computer Entertainment Inc. and its affiliates, we are authorized to develop and distribute disk-based software products and online content compatible with the PlayStation 2, PLAYSTATION 3 and PSP. Pursuant to these agreements, we engage Sony to supply PlayStation 2, PLAYSTATION 3 and PSP disks for our products.

Table of Contents

Microsoft. Under the terms of agreements we have entered into with Microsoft Corporation and its affiliates, we are authorized to develop and distribute DVD-based software products and online content compatible with the Xbox 360.

Nintendo. Under the terms of agreements we have entered into with Nintendo Co., Ltd. and its affiliates, we are authorized to develop and distribute proprietary optical format disk products and cartridges compatible with the Wii and the Nintendo DS. Pursuant to these agreements, we engage Nintendo to supply Wii proprietary optical format disk products and Nintendo DS cartridges for our products.

Under the agreements with each of Sony, Microsoft and Nintendo, we are provided with the non-exclusive right to use, for a fixed term and in a designated territory, technology that is owned by the console manufacturer in order to publish our games on such platform. Our transactions are made pursuant to individual purchase orders, which are accepted on a case-by case basis by Sony, Microsoft or Nintendo, as the case may be, and there are no minimum purchase requirements under the agreements. Many key commercial terms of our relationships with Sony, Microsoft and Nintendo such as manufacturing terms, delivery times and approval conditions are determined unilaterally, and, are subject to change, by the console manufacturers. We pay the console manufacturers a per unit royalty for each unit manufactured or for revenue from downloaded content.

As each platform license expires, if we intend to continue publishing games on such platform, we must enter into a new agreement or an amendment with the licensor to extend the term of the agreement. Certain agreements, such as the licenses with Sony for the PLAYSTATION 3 and with Microsoft for the Xbox 360, automatically renew for a specified period unless either party gives notice by the applicable date that it intends to terminate the agreement.

The platform license agreements also require us to indemnify the manufacturers with respect to all loss, liability and expense resulting from any claim against the manufacturer involving the development, marketing, sale, or use of our games, including any claims for copyright or trademark infringement brought against the manufacturer. Each platform license may be terminated by the manufacturer if a breach or default by us is not cured after we receive written notice from the manufacturer, or if we become insolvent.

Retailers

The console, handheld and PC games that we publish are made available to consumers as packaged goods (usually in Blu-ray Disc, CD, DVD, cartridge or Universal Media Disc format) that are typically sold at retailers (including online retailers, such as Amazon). In North America and Europe, our largest markets, we sell these packaged goods products primarily to retailers, including mass market retailers (such as Wal-Mart), electronics specialty stores (such as Best Buy) or game software specialty stores (such as GameStop). Many of our products and related content (such as booster packs, expansion packs and smaller pieces of game content) can also be purchased over the Internet through digital download or through mobile application storefronts accessed directly from videogame consoles or mobile devices.

We generated approximately 75 percent of our North America net revenue from direct sales to retailers in fiscal year 2010, with the remaining net revenue being generated through a limited number of specialized and regional distributors in markets where we believe direct sales would not be economical. We had direct sales to GameStop Corp. which represented approximately 16 percent, 14 percent and 13 percent of total net revenue in fiscal years 2010, 2009 and 2008, respectively. We also had direct sales to Wal-Mart Stores, Inc. which represented approximately 12 percent, 14 percent and 12 percent of total net revenue in fiscal years 2010, 2009 and 2008, respectively. We sell our products to GameStop and Wal-Mart pursuant to numerous and frequent individual purchase orders, which contain delivery and pricing terms. There is no commitment by either GameStop or Wal-Mart to purchase or for us to sell to either GameStop or Wal-Mart, any minimum level of product.

Mobile Carriers

We have agreements to distribute our mobile applications through more than 320 carriers in over 55 countries. Our customers download our applications to their mobile devices and their mobile carrier invoices them either a one-time or monthly subscription fee. Our carrier distribution agreements establish the fees to be retained by the carrier for distributing our applications. These arrangements are typically terminable on short notice. The agreements generally do not obligate the carriers to market or distribute any of our applications.

Content Licensors

Many of our products are based on or incorporate content and trademarks owned by others. For example, our products include rights licensed from third parties, including major movie studios, publishers, artists, authors, celebrities, traditional game and toy companies, athletes and the major sports leagues and players associations.

EA Partners

Through our EA Partners group, we team with external game developers and third party companies, to provide these partners with a variety of services including development assistance, publishing, and distribution. For example, through agreements with Crytek and Harmonix, a subsidiary of Viacom, we plan to release *Crysis 2,* and have released *The Beatles: Rock Band,* respectively. Additionally, we have a development agreement with Epic Games for our upcoming release of *Bulletstorm*.

Inventory, Working Capital, Backlog, Manufacturing and Suppliers

We manage inventory by communicating with our customers prior to the release of our products, and then using our industry experience to forecast demand on a product-by-product and territory-by-territory basis. Historically, we have experienced high turnover of our products, and the lead times on re-orders of our products are generally two to three weeks. Further, as discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations, we have practices in place with our customers (such as stock balancing and price protection) that reduce product returns.

We typically ship orders immediately upon receipt. To the extent that any backlog may or may not exist at the end of a reporting period, it would be an unreliable indicator of future results of any period.

In many instances, we are able to acquire materials on a volume-discount basis. We have multiple potential sources of supply for most materials, except for the disk or cartridge component of our PLAYSTATION 3, PlayStation 2, PSP, Wii and Nintendo DS products.

Seasonality

Our business is highly seasonal. We have historically experienced our highest sales volume in the holiday season quarter ending in December and a seasonal low in sales volume in the quarter ending in June. While our sales generally follow this seasonal trend, there can be no assurance that this trend will continue. In addition, we defer the recognition of a significant amount of net revenue related to our online-enabled packaged goods and digital content over an extended period of time (generally six months). As a result, the quarter in which we generate the highest sales volume may be different than the quarter in which we recognize the highest amount of net revenue. Our results can also vary based on a number of factors, including title release dates, consumer demand for our products, shipment schedules and our revenue recognition policies.

Employees

As of March 31, 2010, we had approximately 7,800 regular, full-time employees, over 4,600 of whom were outside the United States. We believe that our ability to attract and retain qualified employees is a critical factor in the successful development of our products and that our future success will depend, in large measure, on our ability to continue to attract and retain qualified employees. Approximately 3 percent of our employees, all of whom work for DICE, our Swedish development studio, are represented by a union.

Table of Contents

Executive Officers

The following table sets forth information regarding our executive officers as of May 28, 2010:

Name	Age	Position
John S. Riccitiello	50	Chief Executive Officer
John Schappert	39	Chief Operating Officer
Eric F. Brown	44	Executive Vice President, Chief Financial Officer
Frank D. Gibeau	41	President, EA Games Label
Peter R. Moore	55	President, EA SPORTS Label
Rodney Humble	44	Executive Vice President, EA Play Label
Nancy Smith	57	Executive Vice President, Global Publishing
Joel Linzner	58	Executive Vice President, Business and Legal Affairs
Gabrielle Toledano	43	Executive Vice President, Human Resources and Facilities
Kenneth A. Barker	43	Senior Vice President, Chief Accounting Officer
Stephen G. Bené	46	Senior Vice President, General Counsel and Corporate Secretary

Mr. Riccitiello has served as Chief Executive Officer and a Director of Electronic Arts since April 2007. Prior to re-joining Electronic Arts, he was a co-founder and Managing Partner at Elevation Partners, a private equity fund. From October 1997 to April 2004, he served as President and Chief Operating Officer of Electronic Arts. Prior to joining Electronic Arts, Mr. Riccitiello served as President and Chief Executive Officer of the worldwide bakery division at Sara Lee Corporation. Before joining Sara Lee, he served as President and Chief Executive Officer of Wilson Sporting Goods Co. and has also held executive management positions at Haagen-Dazs, PepsiCo, Inc. and The Clorox Company. Mr. Riccitiello holds a B.S. degree from the University of California, Berkeley. Mr. Riccitiello served as a director of Hyperion Solutions Corporation from July 2002 to April 2007. He serves on the Board of Directors of the UC Berkeley Haas School of Business and on the Board of Councilors of the USC School of Cinematic Arts.

Mr. Schappert has served as Chief Operating Officer of Electronic Arts since July 2009. Prior to re-joining Electronic Arts, he served as Corporate Vice President of Microsoft Interactive Entertainment Business, responsible for their Xbox LIVE and Microsoft Game Studios businesses. From November 2006 to July 2007, Mr. Schappert served as Senior Vice President, Chief Operating Officer, Worldwide Studios of Electronic Arts. Prior to this, Mr. Schappert served as Senior Vice President, Group General Manager, Worldwide Studios of EA from January 2003 to October 2006, Vice President, General Manager of EA Canada from July 2002 to January 2003, and Vice President, General Manager of EA Tiburon from April 1998 to July 2002. Mr. Schappert founded Tiburon Entertainment in 1994, which was acquired by Electronic Arts in 1998.

Mr. Brown has served as Executive Vice President, Chief Financial Officer since April 2008. Prior to joining Electronic Arts, he served as Chief Operating Officer and Chief Financial Officer of McAfee, Inc., a security technology company from March 2006 until March 2008. From January 2005 until March 2006, Mr. Brown was McAfee s Executive Vice President and Chief Financial Officer. Mr. Brown served as President and Chief Financial Officer of MicroStrategy Incorporated, a business intelligence software provider, from 2000 until 2004. Mr. Brown received an M.B.A. from the Sloan School of Management of the Massachusetts Institute of Technology and a B.S. in Chemistry from the Massachusetts Institute of Technology.

Mr. Gibeau was named President, EA Games Label in June 2007. Prior to that time, he had served as Executive Vice President, General Manager, North America Publishing beginning in September 2005. From 2002 until September 2005, he was Senior Vice President of North American Marketing. Mr. Gibeau has held various publishing positions since joining the company in 1991. Mr. Gibeau holds a B.S. degree from the University of Southern California and an M.B.A. from Santa Clara University.

Table of Contents

Mr. Moore was named President, EA SPORTS, in September 2007. From January 2003 until he joined Electronic Arts, Mr. Moore was with Microsoft where he served as head of Xbox marketing and was later named as Corporate Vice President, Interactive Entertainment Business, Entertainment and Devices Division, a position in which he led both the Xbox and Games for Windows businesses. Prior to joining Microsoft, Mr. Moore was President and Chief Operating Officer of SEGA of America, where he was responsible for overseeing SEGA s video game business in North America. Before joining SEGA, Mr. Moore was Senior Vice President of Marketing at Reebok International Ltd. Mr. Moore holds a bachelor s degree from Keele University, United Kingdom, and a Master s degree from California State University, Long Beach.

Mr. Humble was named Executive Vice President, EA Play Label in November 2008. Mr. Humble joined Electronic Arts in October 2004, where he served as Executive Producer of The Sims studio before becoming Vice President in February 2006. Mr. Humble was promoted to Senior Vice President of The Sims studio in August 2007 and Executive Vice President of The Sims studio in September 2008. Prior to joining Electronic Arts, Mr. Humble was the Vice President of Product Development at Sony Online Entertainment from 2000 to 2004. From 1997 to 2000, he served as Chief Executive Officer of Harmless Games, an independent games company that he co-owned. From 1995 to 1997, Mr. Humble served as Executive Producer at Virgin Interactive and from 1990 to 1995 he served as Executive Producer at Gametek.

Ms. Smith was named Executive Vice President, Global Publishing in February 2010. From November 2008 until February 2010, Ms. Smith served Electronic Arts in a variety of capacities. From September 2005 until November 2008, she led The Sims Label, first as Executive Vice President and General Manager of The Sims Franchise, and then as President of The Sims Label. From March 1998 until September 2005, she served as Executive Vice President and General Manager, North American Publishing. From October 1996 to March 1998, Ms. Smith served as Executive Vice President, North American Sales. She held the position of Senior Vice President, North American Sales and Distribution from July 1993 to October 1996 and Vice President Sales from 1988 to 1993. From 1984 to 1988, Ms. Smith served as Western Regional Sales Manager and National Sales Manager. Ms. Smith holds a B.S. degree in management and organizational behavior from the University of San Francisco.

Mr. Linzner has served as Executive Vice President, Business and Legal Affairs since March 2005. From April 2004 to March 2005, he served as Senior Vice President, Business and Legal Affairs. From October 2002 to April 2004, Mr. Linzner held the position of Senior Vice President of Worldwide Business Affairs and from July 1999 to October 2002, he held the position of Vice President of Worldwide Business Affairs. Prior to joining Electronic Arts in July 1999, Mr. Linzner served as outside litigation counsel to Electronic Arts and several other companies in the video game industry. Mr. Linzner earned his J.D. from Boalt Hall at the University of California, Berkeley, after graduating from Brandeis University. He is a member of the Bar of the State of California and is admitted to practice in the United States Supreme Court, the Ninth Circuit Court of Appeals and several United States District Courts.

Ms. Toledano has served as Executive Vice President, Human Resources and Facilities since April 2007. From February 2006 to April 2007, Ms. Toledano held the position of Senior Vice President, Human Resources and Facilities. Prior to joining Electronic Arts, Ms. Toledano worked at Siebel Systems, Inc. from July 2002 to February 2006 where she held a number of positions, including Senior Vice President of Human Resources. From September 2000 to June 2002, she served as Senior Director of Human Resources for Microsoft Corporation, and from September 1998 until September 2000, she served as Director of Human Resources and Recruiting for Microsoft. Ms. Toledano earned both her undergraduate degree in Humanities and her graduate degree in Education from Stanford University. Ms Toledano also serves on the Board of Directors of the Society of HR Management.

Mr. Barker has served as Senior Vice President, Chief Accounting Officer since April 2006. From June 2003 to April 2006, Mr. Barker held the position of Vice President, Chief Accounting Officer. Prior to joining Electronic Arts, Mr. Barker was employed at Sun Microsystems, Inc., as Vice President and Corporate Controller from October 2002 to June 2003 and Assistant Corporate Controller from April 2000 to September 2002. Prior to that, he was an audit partner at Deloitte. Mr. Barker graduated from the University of Notre Dame with a B.A. degree in Accounting.

Table of Contents

Mr. Bené has served as Senior Vice President, General Counsel and Corporate Secretary since October 2004. From April 2004 to October 2004, Mr. Bené held the position of Vice President, Acting General Counsel and Corporate Secretary, and from June 2003 to April 2004, he held the position of Vice President and Associate General Counsel. Prior to June 2003, Mr. Bené had served as internal legal counsel since joining EA in March 1995. Mr. Bené earned his J.D. from Stanford Law School, and received his B.S. in Mechanical Engineering from Rice University. Mr. Bené is a member of the Bar of the State of California.

Investor Information

Our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and any amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act, as amended, are available free of charge on the Investor Relations section of our website at http://investor.ea.com as soon as reasonably practicable after they are electronically filed with or furnished to the SEC. Except as expressly set forth in this Form 10-K annual report, the contents of our website are not incorporated into, or otherwise to be regarded as part of this report.

Item 1A: ***Risk Factors***

Our business is subject to many risks and uncertainties, which may affect our future financial performance. If any of the events or circumstances described below occurs, our business and financial performance could be harmed, our actual results could differ materially from our expectations and the market value of our stock could decline. The risks and uncertainties discussed below are not the only ones we face. There may be additional risks and uncertainties not currently known to us or that we currently do not believe are material that may harm our business and financial performance.

Our business is highly dependent on the success and availability of video game hardware systems manufactured by third parties, as well as our ability to develop commercially successful products for these systems.

We derive most of our revenue from the sale of products for play on video game hardware systems (which we also refer to as platforms) manufactured by third parties, such as Sony s PLAYSTATION 3, Microsoft s Xbox 360 and Nintendo s Wii. The success of our business is driven in large part by the commercial success and adequate supply of these video game hardware systems, our ability to accurately predict which systems will be successful in the marketplace, and our ability to develop commercially successful products for these systems. We must make product development decisions and commit significant resources well in advance of anticipated product ship dates. A platform for which we are developing products may not succeed or may have a shorter life cycle than anticipated. If consumer demand for the systems for which we are developing products is lower than our expectations, our revenue will suffer, we may be unable to fully recover the investments we have made in developing our products, and our financial performance will be harmed. Alternatively, a system for which we have not devoted significant resources could be more successful than we had initially anticipated, causing us to miss out on meaningful revenue opportunities.

If we do not consistently meet our product development schedules, our operating results will be adversely affected.

Our business is highly seasonal, with the highest levels of consumer demand and a significant percentage of our sales occurring in the December quarter. In addition, we seek to release many of our products in conjunction with specific events, such as the release of a related movie or the beginning of a sports season or major sporting event. If we miss these key selling periods for any reason, including product delays or delayed introduction of a new platform for which we have developed products, our sales will suffer disproportionately. Likewise, if a key event to which our product release schedule is tied were to be delayed or cancelled, our sales would also suffer disproportionately. Our ability to meet product development schedules is affected by a number of factors, including the creative processes involved, the coordination of large and sometimes geographically dispersed development teams required by the increasing complexity of our products and the platforms for which they are developed, and the need to fine-tune our products prior to their release. We have experienced development delays for our products in the past, which caused us to push back release dates. In the future, any failure to meet anticipated production or release schedules would likely result in a delay of revenue and/or possibly a significant shortfall in our revenue, increase our development expense, harm our profitability, and cause our operating results to be materially different than anticipated.

Our business is intensely competitive and hit driven. If we do not deliver hit products and services or if consumers prefer our competitors products or services over our own, our operating results could suffer.

Competition in our industry is intense and we expect new competitors to continue to emerge in the United States and abroad. While many new products and services are regularly introduced, only a relatively small number of hit titles accounts for a significant portion of total revenue in our industry. We find that driving hit titles often requires large marketing budgets and media spend. We may not recover the investments that we make in marketing and advertising on certain products and that could harm our profitability. Hit products or services offered by our competitors may take a larger share of consumer spending than we anticipate, which could cause revenue generated from our products and services to fall below expectations. If our competitors develop and market more successful products or services, offer competitive products or services at lower price points or based on payment models perceived as offering a better value proposition (such as pay-for-play or subscription-based models), or if we do not continue to develop consistently high-quality and well-received products and services, our revenue, margins, and profitability will decline.

Our adoption of new business models could fail to produce our desired financial returns

We are actively seeking to monetize the game properties that we publish through a variety of new platforms and business models, including online distribution, micro-transactions, and subscription services. Forecasting our revenues and profitability for these new business models is inherently uncertain and volatile. Our actual revenues and profits for these businesses may be significantly greater or less than our forecasts. Additionally, these new business models could fail for one or more of our titles, resulting in the loss of our investment in the development and infrastructure needed to support these new business models, and the opportunity cost of diverting management and financial resources away from more successful businesses.

If our marketing and advertising efforts fail to resonate with our customers, our business and operating results could be adversely affected.

Our products are marketed worldwide through a diverse spectrum of advertising and promotional programs such as television and online advertising, print advertising, retail merchandising, website development and event sponsorship. Our ability to sell our products and services is dependent in part upon the success of these programs. If the marketing for our products and services fail to resonate with our customers, particularly during the critical holiday season or during other key selling periods, or if advertising rates or other media placement costs increase, these factors could have a material adverse impact on our business and operating results.

Uncertainty and adverse changes in the economy could have a material adverse impact on our business and operating results.

As a result of the national and global economic downturn, overall consumer spending has declined and retailers globally have taken a more conservative stance in ordering game inventory. The decrease in discretionary consumer spending contributed to the decline in the demand for our products during the 2009 holiday selling season. Continued economic distress, which may result in a further decrease in demand for our products, particularly during key product launch windows, could have a material adverse impact on our operating results and financial condition. Uncertainty and adverse changes in the economy could also increase the risk of material losses on our investments, increase costs associated with developing and publishing our products, increase the cost and decrease the availability of sources of financing, and increase our exposure to material losses from bad debts, any of which could have a material adverse impact on our financial condition and operating results. If we experience further deterioration in our market capitalization or our financial performance, we could be required to recognize significant impairment charges in future periods.

Our business is subject to currency fluctuations.

International sales are a fundamental part of our business. For the fiscal year ended March 31, 2010, international net revenue comprised 45 percent of our total net revenue. We expect international sales to continue to account for a significant portion of our total net revenue. Such sales may be subject to unexpected regulatory requirements, tariffs and other barriers. Additionally, foreign sales are primarily made in local currencies, which may fluctuate against the U.S. dollar. In addition, our foreign investments and our cash and cash equivalents denominated in foreign currencies are subject to currency fluctuations. We use foreign currency forward contracts to mitigate some foreign currency risk associated with foreign currency denominated monetary assets and liabilities (primarily certain intercompany receivables and payables) to a limited extent and foreign currency option contracts to hedge foreign currency forecasted transactions (primarily related to a portion of the revenue and expenses denominated in foreign currency generated by our operational subsidiaries). However, these activities are limited in the protection they provide us from foreign currency fluctuations and can themselves result in losses. The disruption in the global financial markets has also impacted many of the financial institutions with which we do business. A sustained decline in the financial stability of financial institutions as a result of the disruption in the financial markets could negatively impact our treasury operations, including our ability to secure credit-worthy counterparties for our foreign currency hedging programs. Accordingly, our results of operations, including our reported net revenue, operating expenses and net income, and financial condition can be adversely affected by unfavorable foreign currency fluctuations, especially the Euro, British pound sterling and Canadian dollar.

Volatility in the capital markets may adversely impact the value of our investments and could cause us to recognize significant impairment charges in our operating results.

Our portfolio of short-term investments and marketable equity securities is subject to volatility in the capital markets and to national and international economic conditions. In particular, our international investments can be subject to fluctuations in foreign currency and our short-term investments are susceptible to changes in short-term interest rates. These investments are also impacted by declines in value attributable to the credit-worthiness of the issuer. From time to time, we may liquidate some or all of our short-term investments or marketable equity securities to fund operational needs or other activities, such as capital expenditures, strategic investments or business acquisitions, or for other purposes. If we were to liquidate these short-term investments at a time when they were worth less than what we had originally purchased them for, or if the obligor were unable to pay the full amount at maturity, we could incur a significant loss. Similarly, we hold marketable equity securities, which have been and may continue to be adversely impacted by price and trading volume volatility in the public stock markets. We could be required to recognize impairment charges on the securities held by us and/or we may realize losses on the sale of these securities, all of which could have an adverse effect on our financial condition and results of operations. For the fiscal year ended March 31, 2010, we recognized impairment charges of $26 million on our investment in The9.

The majority of our sales are made to a relatively small number of key customers. If these customers reduce their purchases of our products or become unable to pay for them, our business could be harmed.

During the fiscal year ended March 31, 2010, approximately 75 percent of our North American sales were made to our top ten customers. In Europe, our top ten customers accounted for approximately 48 percent of our sales in that territory during the fiscal year ended March 31, 2010. Worldwide, we had direct sales to two customers, GameStop Corp. and Wal-Mart Stores Inc., which represented approximately 16 percent and 12 percent, respectively, of total net revenue for the fiscal year ended March 31, 2010. As a result of the economic downturn, retailers globally continue to take a more conservative stance in ordering game inventory. Though our products are available to consumers through a variety of retailers, the concentration of our sales in one, or a few, large customers could lead to a short-term disruption in our sales if one or more of these customers significantly reduced their purchases or ceased to carry our products, and could make us more vulnerable to collection risk if one or more of these large customers became unable to pay for our products or declared bankruptcy. Additionally, our receivables from these large customers increase significantly in the December quarter as they make purchases in anticipation of the holiday selling season. Also, having such a large portion of our total net revenue concentrated in a few customers could reduce our negotiating leverage with these customers. If one or more of our key customers experience deterioration in their business, or become unable to obtain sufficient financing to maintain their operations, our business could be harmed.

Sales of used video game products could lower our sales of new video games.

Certain of our retail customers sell used video games. Used video game sales have been growing in North America, and are emerging in Europe. Used video games are generally priced lower than new video games and the margins on used games sales are generally greater for retailers than the margins on new game sales. We do not receive revenue from used video game sales. Sales of used video games may negatively impact our sales and profitability, and may continue to do so, to a greater or lesser extent, in the future.

Our industry is cyclical, driven by the periodic introduction of new video game hardware systems. As we continue to move through the current cycle, our industry growth may slow down and as a result, our operating results may be difficult to predict.

Video game hardware systems have historically had a life cycle of four to six years, which causes the video game software market to be cyclical as well. The current cycle began with Microsoft s launch of the Xbox 360 in 2005, and continued in 2006 when Sony and Nintendo launched their next-generation systems, the PLAYSTATION 3 and the Wii, respectively. Sales of software designed for these hardware systems represent the majority of our revenue, so our growth and success is highly correlated to sales of video game hardware systems. While there are indications that this current cycle may be extended longer than prior cycles in part, due to the growth of online services and content, the greater graphic and processing power of the current generation hardware, and the introduction of new peripherals growth in the installed base of the current generation of video game systems is likely to slow down in the coming years. This slow-down in sales of video game players may cause a corresponding slow-down in the growth of sales of video game software, which could significantly affect our operating results.

Technology changes rapidly in oorth the number and percentage owned as of March 14, 2014 by each of our present directors, each of our present named executives, as defined in Executive Officer Compensation below, and all of our present executive officers (whether or not deemed to be named executives) and directors as a group of our shares of common stock.:

This information is reported in accordance with the beneficial ownership rules of the SEC under which a person is deemed to be the beneficial owner of a security if that person has or shares voting power or investment power with respect to such security or has the right to acquire such ownership within 60 days. Shares of common stock issuable pursuant to vested options, warrants or share appreciation rights, or SARs, are deemed to be outstanding for purposes of computing the percentage ownership of the person or group holding such options or warrants but are not deemed to be outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated in footnotes to the table, each person listed has sole voting and dispositive power with respect to the securities owned by such person.

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
Common Stock	**Directors:**		
	Scott F. Schaeffer	16,000	*
	William C. Dunkelberg	3,000	*
	Robert F. McCadden	8,000	*
	DeForest B. Soaries, Jr	4,000	*
	Non-Director Executive Officer:		
	James J. Sebra	4,000	*
	Other Named Executive:		
	Jack E. Salmon(1)		
	All directors and executive officers as a group:		
	(6 persons)	35,000	*

* Does not exceed 1%

(1) Mr. Salmon resigned as chief executive officer, president and a director of IRT effective February 8, 2013.

NON-DIRECTOR EXECUTIVE OFFICER

Information is set forth below regarding the background of our executive officer who is not also a director. For our officer who is also a director, Scott F. Schaeffer, this information can be found above under Proposal 1. Election of Directors Names of Directors, Principal Occupations and Other Information.

James J. Sebra, age 38, has served as our chief financial officer since May 2012 and our treasurer since January 2011. Mr. Sebra has also served as the chief financial officer and treasurer of RAIT since May 2012 and as the senior vice president-finance and chief accounting officer of RAIT from May 2007 to May 2012. Mr. Sebra joined RAIT in connection with its acquisition of Taberna Realty Finance trust, or Taberna, and served as Taberna s vice president and chief accounting officer from June 2005 until its acquisition on December 11, 2006. Prior to joining Taberna, Mr. Sebra served as the controller of Brandywine Realty Trust, a publicly held REIT, from 2004 to 2005. From 1998 to 2004, Mr. Sebra worked with Arthur Andersen LLP and KPMG LLP, public accounting firms, serving a variety of publicly held and privately held real estate companies and professional service firms. Mr. Sebra holds a Bachelor of Science in Accounting from Saint Joseph s University in Philadelphia and a Master of Business Administration from Villanova University in Philadelphia.

OUR ADVISOR, OUR PROPERTY MANAGER AND RELATED AGREEMENTS

Our Advisor

We are externally managed and advised by Independence Realty Advisors, or IRA, our advisor pursuant to an advisory agreement. See Our Advisory Agreement. Our advisor is indirectly wholly owned by RAIT and our advisor s operations are managed by a board of managers selected by RAIT.

The following table sets forth information regarding our advisor s managers and executive officers.

Name	Age	Position and Office
Scott F. Schaeffer	51	Chief Executive Officer and Manager
Farrell M. Ender	38	President
James J. Sebra	38	Treasurer
Raphael Licht	46	Manager

The biographical summaries of Mr. Schaeffer and Sebra are described above. Below is a brief description of the other executive officers of our advisor.

Farrell M. Ender has served as the President of IRA since April 2013, as Senior Vice President of RAIT since October 2007 and as Vice President of RAIT from October 2002 through October 2007. His experience includes acquisition, property management, construction management and disposition of apartment properties. In his capacity as Senior Vice President of RAIT, Mr. Ender is responsible for investing and structuring both debt and equity financing in commercial real estate properties for RAIT. During that time period, Mr. Ender invested over $1.2 billion on behalf of RAIT of which $833 million was directed into 65 apartment properties containing over 14,000 units. Previously, as a Vice President in RAIT s underwriting department, Mr. Ender was responsible for performing due diligence and underwriting for approximately $300 million of investments. Before joining RAIT, from 1999 to 2002 Mr. Ender held various real estate positions at Wachovia/Maher Partners, The Staubach Company and Toll Brothers. Mr. Ender received a BBA with a major in finance from James Madison University.

Raphael Licht has served as a manager since February 2011. He has also served as the chief operating officer of RAIT since February 2009, its secretary since December 2006, and its chief legal officer and chief administrative officer from December 2006 to February 2009. Mr. Licht joined RAIT in connection with the

Taberna acquisition and was Taberna s chief legal officer and secretary from March 2005 and Taberna s executive vice president and chief administrative officer from April 2006 until its acquisition on December 11, 2006. Mr. Licht also served as the chief legal officer of Cohen & Company, an investment banking firm, from 2001 to April 2006. From 2000 until 2001, Mr. Licht served as general counsel at iATM global.net Corporation, a joint venture between TRM Corporation and NCR Corporation to develop software for automated teller machines. From 1997 until 2000, Mr. Licht was an associate with Morgan Lewis & Bockius LLP, a law firm, specializing in structured finance and securitizations. From 1996 to 1997, Mr. Licht was an associate at Ledgewood, P.C., a law firm, specializing in real estate and securities law. Mr. Licht holds a Bachelor of Arts in Political Science from the University of Chicago and a Juris Doctor from Boston College Law School.

Our Advisory Agreement

Duties of Our Advisor. Our advisory agreement provides that our advisor must manage our business and affairs in accordance with the policies and guidelines established by our board, and that the advisor is under the supervision of our board. The agreement requires our advisor to provide us with all services necessary or appropriate to conduct our business, including the following:

- locating, presenting and recommending to us real estate investment opportunities consistent with our investment policies, acquisition strategy and objectives, including our conflicts of interest policies;
- structuring the terms and conditions of transactions pursuant to which acquisitions and dispositions of properties will be made;
- acquiring properties on our behalf in compliance with our investment objectives and strategies;
- arranging for the financing and refinancing of properties;
- administering our bookkeeping and accounting functions;
- serving as our consultant in connection with policy decisions to be made by our board, managing our properties or causing our properties to be managed by another party;
- monitoring our compliance with regulatory requirements, including those imposed under securities laws, NYSE MKT standards and requirements to maintain our status as a REIT; and
- rendering other services as our board deems appropriate.

Our advisor must obtain the prior approval of our board, in connection with:

- any investment for which the portion of the consideration paid out of our equity equals or exceeds $25,000,000, or
- any investment that is inconsistent with the publicly disclosed investment guidelines as in effect from time to time, or, if none are then publicly disclosed, as otherwise adopted by the board from time to time.

For these purposes, equity means our cash on hand, exclusive of the proceeds of any debt financing incurred or to be incurred in connection with the relevant investment.

Our advisor is required to refrain from any action that, in its sole judgment, or in the sole judgment of our board, made in good faith:

would adversely affect our qualification as a REIT, unless the board has determined that REIT qualification is not in the best interests of us and our stockholders;

would subject us to regulation under the Investment Company Act of 1940, as amended;

is contrary to or inconsistent with our investment guidelines; or would violate any law, rule, regulation or statement of policy of any governmental body or agency having jurisdiction over us or our shares of common stock, or otherwise not be permitted by our charter or bylaws.

Term of the Advisory Agreement. The advisory agreement has a term of four years, which commenced May 7, 2013, and will be automatically renewed for additional one-year terms on each anniversary of the advisory agreement unless terminated by our advisor or by us. We may terminate the advisory agreement only for (i) cause (as defined in the advisory agreement) or (ii) for a change of control of our advisor or RAIT (as defined in the advisory agreement), if our independent directors determine that the change of control is materially detrimental to us, and, for either (i) or (ii), upon the affirmative vote of our independent directors or the affirmative vote of the holders of not less than a majority of the outstanding shares of our common stock. Our advisor may terminate the advisory agreement for good reason or for a company change of control (each as defined in the advisory agreement). Any such termination must be upon not less than 180 days prior notice. If we terminate the agreement without cause, or if the advisor terminates the agreement because of a material breach of the agreement by us or as a result of a change of control of our company, we must pay our advisor a termination fee. The termination fee is payable in cash unless our advisor elects, in its sole discretion, to receive all or a portion of the termination fee in shares of our common stock, subject to the limitations set forth below under Limitations on Receiving Shares. The number of shares issued to our advisor as payment for the termination fee will be equal to the dollar amount of the portion of such fee that is payable in shares divided by the fee VWAP for the ten trading days prior to the termination date.

Limitations On Receiving Shares. The ability of our advisor to receive shares of our common stock as payment for of all or a portion of the base management fee, incentive fee or termination fee due under the terms of our advisory agreement is subject to the following limitations: (i) the ownership of such shares of common stock by our advisor not violating the ownership limitations set forth in our charter, after giving effect to any exception from such ownership limitations that our board may grant to our advisor or its affiliates; and (ii) our compliance with all applicable restrictions under the U.S. federal securities laws and the rules of the NYSE MKT. To the extent that payment of any fee in shares of our common stock would result in a violation of the ownership limits set forth in our charter (taking into account any applicable waiver or any restrictions imposed under the U.S. federal securities laws or the rules of the NYSE MKT), all or a portion of such fee payable to our advisor will be payable in cash to the extent necessary to avoid such violation.

Liability and Indemnification of Advisor. Under the advisory agreement, we are also required to indemnify the advisor and to pay or reimburse reasonable expenses in advance of final disposition of a proceeding with respect to the advisor s acts or omissions.

Other Activities of Advisor and its Affiliates. The advisor and its affiliates expect to engage in other business ventures, and as a result, their resources will not be dedicated exclusively to our business. However, pursuant to the advisory agreement, the advisor must devote sufficient resources to our administration to discharge its obligations. The advisor may assign the advisory agreement to an affiliate upon approval of a majority of the independent directors. We may assign or transfer the advisory agreement to a successor entity.

For a description of the compensation paid to our advisor pursuant to the advisory agreement, see Certain Relationships and Related Party Transactions Fees and Expenses Paid to Our Advisor.

Our Property Manager

RAIT Residential, our property manager, is a Delaware limited liability company formed on April 9, 2009 as an indirect subsidiary of Jupiter Realty Company, a Chicago-based residential and commercial real estate firm established in 1985. In May 2009, RAIT acquired 75% controlling equity interest in our property manager. Our property manager is a full-service apartment property management company that, as of December 31, 2013, employs approximately 300 staff and professionals and manages approximately 10,600 apartment units for RAIT and third parties. RAIT Residential provides property management services to us under the terms of management agreements entered into on a property-by-property basis. Our property manager provides services to us in connection with the rental, leasing, operation and management of our properties.

The management agreements can be amended by written instrument executed by the party against whom the amendment is asserted. Such management agreements can be terminated at any time for negligence or misconduct in the performance of the property manager s duties and will terminate upon written notice from our operating partnership to the property manager. The management agreements will also terminate upon our property manager s bankruptcy, receivership, reorganization or similar financial difficulties relating to its insolvency.

For a description of the property management fees paid to our property manager, see Certain Relationships and Related Party Transactions-Property Management Fees Paid to Our Property Manager below.

EXECUTIVE OFFICER AND DIRECTOR COMPENSATION

Compensation Discussion and Analysis

Our Compensation Discussion and Analysis describes our compensation program, objectives and policies for our named executives as of December 31, 2013. Our named executives and their principal offices during 2013 were:

- Mr. Schaeffer, our chairman and chief executive officer;
- Mr. Sebra, our chief financial officer; and
- Jack E. Salmon, who served as chief executive officer and president of IRT and as one of the directors of IRT in 2013 until his resignation on February 8, 2013.

There were no other executive officers of IRT other than our CEO and CFO serving at the end of the fiscal year ended December 31, 2013. Mr. Salmon resigned his positions as chief executive officer and president of IRT and as one of the directors of IRT effective February 8, 2013, or the effective date. On February 1, 2013, the Board appointed Mr. Schaeffer to serve as chief executive officer and president of IRT effective as of the effective date. Mr. Schaeffer continued to serve as a director of IRT and has served as IRT s chairman of the board since January 2011. Mr. Salmon did not receive any compensation from IRT during 2013.

Overview of Compensation Program and Philosophy

Because our advisory agreement provides that our advisor is responsible for managing our affairs, our named executives and other officers have not received, nor do we expect they will in the future receive, any cash compensation, pension benefits, perquisites or other personal benefits from us for their services as our officers. We have no arrangements to make cash payments to our named executives upon their termination from service as our officers. Instead, we pay our advisor the fees described under Certain Relationships and Related Party Transactions-Fees and Expenses Paid to Our Advisor below. We may, however, compensate our named executives, other officers and individuals affiliated with our advisor with equity and equity-based awards or other types of awards in accordance with our long-term incentive plan, or the LTIP, intended to align their interests with the interests of our stockholders. Awards that may be granted under our LTIP include unrestricted stock, restricted stock, restricted stock units, deferred stock units, options, stock appreciation rights, or SARs, performance awards, dividend equivalents, other stock based awards and any other right or interest relating to stock or cash (collectively referred to herein as awards). Our compensation committee will determine if and when any of our named executives, other officers or individuals affiliated with our advisor will receive such awards. As discussed below, our compensation committee made restricted stock awards to the named executives for the first time in January 2014 which related to IRT s 2013 performance. Additionally, our named executives are executive officers of RAIT and are compensated by RAIT, in part, for their services rendered to us. In establishing award levels, the compensation committee currently does not plan to engage in any benchmarking of award levels, believing that there is insufficient information regarding incentive awards in the case of externally-advised REITS.

2013 Company Performance

In applying our compensation program and philosophy to the named executives in 2013, the compensation committee sought to recognize the executive management team s financial and strategic accomplishments during 2013. During 2013, we acquired two apartment properties adding 786 units to its portfolio. In addition, we entered into purchase agreements for six additional apartment properties with 2,028 total units. As of December 31, 2013, we owned ten apartment properties containing an aggregate of 2,790 apartment units. As of December 31, 2013, our existing portfolio had an average occupancy of 94.5% and an average monthly effective rent per occupied apartment unit of $775. We have continued to acquire additional apartment properties in 2014. In addition, in August 2013, we completed an underwritten public offering of 4,000,000 shares of common stock for total gross proceeds of approximately $34.0 million and the common stock commenced trading on the NYSE

MKT. In January 2014, we completed another underwritten public offering of 8,050,000 shares of common stock for total gross proceeds of approximately $66.8 million. The compensation committee believed that we continue to successfully execute our business objectives and investment strategies. We provide an analysis of our financial and operational performance in the Management s Discussion and Analysis of Financial Condition and Results of Operations section of our annual report on Form 10-K for the fiscal year ended December 31, 2013.

Stockholder Advisory Vote

We have not yet held a stockholder advisory vote on executive compensation, and accordingly, the compensation committee has not yet had the opportunity to consider the results of any such vote in determining specific award amounts granted to an individual. The compensation committee will carefully consider stockholder votes on this matter, along with other expressions of stockholder views it receives on specific policies and desirable actions.

Cash and Other Compensation

As discussed above, we do not pay or accrue any salaries or bonuses to our named executives.

Equity-Based Compensation

As discussed above, the compensation committee may, from time to time pursuant to the LTIP, grant our named executives certain equity-based awards. These awards are designed to align the interests of our named executives with those of our stockholders, by allowing our named executives to share in the creation of value for our stockholders through capital appreciation and dividends. These equity awards are generally subject to vesting requirements, and are designed to promote the retention of management and to achieve strong performance for our company. These awards provide a further benefit to us by enabling our advisor and its affiliates to attract, motivate and retain talented individuals. We currently do not have any equity ownership requirements or guidelines for our named executives.

The compensation committee also intends to design long-term incentive awards to ensure that our named executives have a continuing stake in our long-term success, that the total compensation realized by our named executives reflects our multi-year performance as measured by the efficient use of capital and changes in stockholder value, and that a large portion of their total compensation opportunity is earned over a multi-year period and could be forfeitable in the event of termination of their service to us or our affiliates.

We believe our compensation policies are particularly appropriate since we are an externally advised real estate investment trust, or REIT. REIT regulations require us to pay at least 90% of our earnings to stockholders as dividends. As a result, we believe that our common stockholders are principally interested in receiving attractive risk-adjusted dividends and in the growth of dividends and market capitalization. Accordingly, we want to provide incentives to our named executives that rewards success in achieving these goals. Since we generally do not have the ability to retain earnings, we believe that equity-based awards serve to align the interests of our named executives with the interests of our stockholders since the value our named executives receive from these awards is largely dependent on the value of our common stock, the potential for appreciation of that value and our capability to pay dividends. Additionally, we believe that equity-based awards are consistent with our stockholders interest in market capitalization growth as these individuals will be incentivized to grow our market capitalization for stockholders over time. We believe that this alignment of interests provides an incentive to our named executives to implement strategies that will enhance our overall performance and promote growth in dividends and growth in our market capitalization.

The compensation committee does not use a specific formula to calculate the number of equity awards and other rights awarded to our named executives under our LTIP. The compensation committee does not explicitly set future award levels/opportunities on the basis of what the named executives earned from prior awards. While the compensation committee will take past awards into account, if any, it will not solely base future awards in view of those past awards. Generally, in determining the specific amounts to be granted to an individual, the compensation committee will take into account factors such as our performance, the individual s position, his or her contribution to our performance, and general market practices of our peers and similarly sized companies, as well as the recommendations of our advisor. The compensation committee made restricted stock awards and SARs awards to Mr. Schaeffer and Mr. Sebra relating to IRT s 2013 performance in January 2014, or the January 2014 awards. These were the first equity awards made to these named executives. The January 2014 awards were allocated approximately one quarter to SARs and three quarters to restricted common stock awards based on grant date fair value. The compensation committee continues to review the allocation among the types of equity compensation based on its analysis of the best way to design awards that meet our compensation goals within the parameters of the LTIP as in effect and based on the number of shares of common stock issuable thereunder at the relevant time.

All of the SARs awarded to date to these named executives vest in three equal annual installments and have a five year term (subject to earlier termination if their employment ends) and can be settled in shares of common stock or cash, at the discretion of the compensation committee but subject to the availability of shares of common stock under the plan. The compensation committee plans to periodically evaluate how to settle any vested SARs and currently expects to settle all vested SARs with shares of common stock. SARs are valued based on a Black-Scholes option pricing model at the date of grant. All of the restricted stock awards awarded to date to these named executives vest in three equal annual installments. Restricted stock awards are valued based on the closing price of a common share on the NYSE MKT on the grant date. In accordance with SEC rules, equity compensation awards are reflected in the Summary Compensation Table based on their grant date fair value and not the year of our financial performance that the compensation committee based the award on, and so the January 2014 awards which relate to our 2013 financial performance would not be reflected in the Summary Compensation Table for 2013.

Risk Management and IRT s Compensation Policies and Procedures.

As part of the board s role in risk oversight, the compensation committee considers the impact of our compensation plans, policies and practices, and the incentives created by the same, on our risk profile. Based on this consideration, the compensation committee concluded that our compensation policies and procedures are not reasonably likely to have a material adverse effect on IRT. Some of the factors the compensation committee considered as mitigating the risks of our compensation plans include:

- The compensation committee retains discretion to determine incentive awards based on its consideration of multiple performance factors and does not rely on a purely formulaic approach; and

- IRT would respond to any executive misconduct in the manner described below under *Potential Impact on Compensation from Executive Misconduct.*

The Effect of Regulatory Requirements on Our Executive Compensation

IRC Section 162(m). Our policy with respect to the deductibility limit of Section 162(m) of the Internal Revenue Code of 1986, as amended, or the IRC, generally is to preserve the federal income tax deductibility of compensation paid when it is appropriate and is in our best interest. We reserve the right to authorize the payment of non-deductible compensation if we deem that it is appropriate to do so under the circumstances, however, we do not currently expect to provide compensation that would exceed such deductibility limit.

IRC Section 409A. Section 409A of the IRC applies to all forms of nonqualified deferred compensation. The compensation committee will take Section 409A into account in determining the form and timing of compensation paid to our executives in the event IRT provides any nonqualified deferred compensation.

IRC Sections 280G and 4999. IRC Section 280G limits our ability to take a tax deduction for certain excess parachute payments (as defined in Section 280G) and IRC Section 4999 imposes excise taxes on each executive that receives excess parachute payments paid by IRT in connection with a change in control. The compensation committee does not expect to provide any compensation that would be considered an excess parachute payment.

Accounting Rules. Various rules under generally accepted accounting principles determine the manner in which IRT accounts for grants of equity-based compensation to our employees in our financial statements. The compensation committee takes into consideration the accounting treatment of alternative grant proposals under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718, Stock Compensation (formerly, FASB Statement 123R), or FASB ASC Topic 718, when determining the form and timing of equity compensation grants to employees, including our named executives. The accounting treatment of such grants, however, is not determinative of the type, timing, or amount of any particular grant of equity-based compensation to our employees.

Potential Impact on Compensation from Executive Misconduct. If the board determines that an executive officer has engaged in fraudulent or intentional misconduct, the board would take action to remedy the misconduct, prevent its recurrence, and impose such discipline on the officer as would be appropriate. Discipline would vary depending on the facts and circumstances, and may include, without limit, termination of employment, initiating an action for breach of fiduciary duty and, if the misconduct resulted in a significant restatement of our financial results, seeking reimbursement of any portion of performance-based or incentive compensation paid or awarded to the executive that is greater than would have been paid or awarded if calculated based on the restated financial results, including cancellation or forfeiture of equity-based incentive compensation. These remedies would be in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities. Under the Dodd-Frank Act, additional guidance will be forthcoming regarding mandatory recoupment of compensation. When such guidance is available, IRT intends to adopt additional policies to implement the new requirements.

2013 Compensation Decisions

As stated above, the compensation committee made the January 2014 awards to Mr. Schaeffer and Mr. Sebra relating to our 2013 performance which were the first awards these named executives had received since commencing service as our executive officers in January 2011. The January 2014 awards to these named executives consisted of 12,000 restricted common stock awards, valued at $98,400, in the aggregate, and 24,000 SARs, in the aggregate, valued at $31,680, in the aggregate, which are referred to as the January 2014 awards. Of the January 2014 awards, Mr. Schaeffer received 8,000 restricted common stock awards valued at $65,600 and 16,000 SARs valued at $21,120 and Mr. Sebra received 4,000 restricted common stock awards valued at $32,800 and 8,000 SARs valued at $10,560. As our chairman and chief executive officer and holding similar roles at RAIT and our advisor, Mr. Schaeffer was primarily responsible for developing and successfully implementing our business objectives, investment strategies and capital raising efforts in 2013 described above. As our chief financial officer and holding a similar role at RAIT and our advisor, Mr. Sebra was responsible for our financial reporting and planning and regulatory filings and the primary liaison with our independent public accounting firm.

Compensation Committee Report

The compensation committee has reviewed and discussed the Compensation Discussion and Analysis and discussed that analysis with management. Based on its review and discussions with management, the compensation committee recommended to Independence Realty Trust, Inc. s (IRT) board of directors that the Compensation Discussion and Analysis be included in IRT s annual report on Form 10-K for 2013 and IRT s 2014 proxy statement. This report is provided by the following independent directors who comprise the committee:

DeForest B. Soaries, Jr., D.Min, Chairman
William C. Dunkelberg, Ph.D
Robert F. McCadden

26

Executive Officer Compensation

We provide below summary information about compensation expensed or accrued by IRT during the fiscal year ended December 31, 2013, for the following persons, who we refer to as the named executives:

The persons who served as our chief executive officer during 2013: Scott F. Schaeffer and, until his resignation, Jack E. Salmon.

The person who served as our chief financial officer during 2013: James J. Sebra.

There were no other executive officers of IRT other than our CEO and CFO serving at the end of the fiscal year ended December 31, 2013. As discussed above, Mr. Salmon resigned his positions as chief executive officer and president of IRT and as one of the directors of IRT effective February 8, 2013.

We do not provide any of our named executives with any cash compensation or bonus. Nor do we provide any named executives with pension benefits or nonqualified deferred compensation plans. We have not entered into any employment agreements with any person, and are not obligated to make any cash payments upon termination of employment or a change in control of us.

Summary Compensation Table

We did not provide any of our named executives with any cash compensation or bonus from 2011 to 2013. No equity awards were granted to the named executives from 2011 to 2013. Because there was no compensation provided to our named executives from 2011 to 2013 to report, we have omitted the Summary Compensation Table as permitted by applicable SEC rules. We have not entered into employment agreements with any of the named executives. The named executives did not have any outstanding equity awards at December 31, 2013. The named executives did not exercise any option awards and no stock awards held by a named executive vested in 2013. We do not provide any named executives with pension benefits or nonqualified deferred compensation plans. We have not entered into any employment agreements with any person, and are not obligated to make any cash payments upon termination of employment or a change in control of us. For a more thorough discussion of our executive compensation program, see the Compensation Discussion and Analysis.

Director Compensation

Our director compensation is designed with the goals of attracting and retaining highly qualified individuals to serve as independent directors and to fairly compensate them for their time and efforts. Our independent directors receive an annual fee of $30,000, payable quarterly, and are reimbursed for their out-of-pocket expenses in attending board and committee meetings. Our audit committee chairperson receives an additional annual fee of $10,000, payable quarterly. In October 2013, we issued 3,000 vested shares of our common stock to each of our directors pursuant to our independent directors compensation plan, which operates as a sub-plan of our LTIP. We also intend to issue to each of our independent directors 3,000 vested shares of our common stock annually pursuant to our independent directors compensation plan. An independent director is also entitled to receive his or her annual fee in the form of our common stock or a combination of common stock and cash, at his or her election.

The following table sets forth information regarding the compensation paid or accrued by IRT during 2013 to each of our independent directors:

Director Compensation in 2013

Name	Fees Earned or Paid in Cash($)	Stock Awards ($)(1)	Total($)
William C. Dunkelberg, Ph.D	30,000	25,800	55,800
Robert F. McCadden	40,000	25,800	65,800
DeForest B. Soaries, Jr., D.Min	30,000	25,800	55,800
	100,000	77,400	177,400

(1) On October 29, 2013, our compensation committee made the initial stock grant under the director plan so that our independent directors received 9,000 shares of common stock, valued at $8.60 per share, as computed in accordance with FASB ASC Topic 718 based upon the grant date closing price of a share on the NYSE MKT. These awards vested immediately.

EQUITY COMPENSATION PLAN INFORMATION

The following table sets forth certain information regarding the LTIP, our only equity compensation plan, as of December 31, 2013.

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants, and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
Equity compensation plans approved by security holders		n/a	791,000
Equity compensation plans not approved by security holders		n/a	
Total			791,000

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

Our board has delegated oversight of compliance with our code of ethics to our audit committee, including the review of related party transactions, potential and actual conflicts of interest and the granting of waivers to the code of business conduct and ethics. The audit committee is responsible, and has the sole authority and full power of the board, to approve or reject all related party transactions on our behalf. All related party transactions and any identified potential and actual conflicts of interest are to be reviewed and approved or rejected by the audit committee. If the audit committee finds a conflict of interest to exist with respect to a particular matter, including a related party transaction, that matter is prohibited unless a waiver of this policy is approved under the waiver process described in the code. In determining whether a conflict of interest exists, our bylaws provide that a director or officer has no responsibility to devote his or her full time to the our affairs and that any director or officer, in his or her personal capacity or in a capacity as an affiliate, employee or agent of any other person, or otherwise, may have business interests and engage in business activities similar to, in addition to or in competition with ours. Any waiver of the code may be made only by the audit committee. Any such waiver for executive officers, those persons described in Item 5.05 of Form 8-K or directors will be promptly publicly disclosed to the extent required by law or stock exchange regulation.

The audit committee may, in its discretion, engage independent advisors and legal counsel to assist it in its review when it deems it advisable. Our advisor s staff are primarily responsible for the development and implementation of processes and controls to obtain information from the directors and executive officers with respect to related person transactions and for then determining, based on the facts and circumstances, whether the transaction needs to be reviewed under the processes described above.

In the ordinary course of our business operations, we have ongoing relationships and have engaged in transactions with the related entities described below. We describe in this section relationships or transactions in which the amount involved exceeds $120,000 since January 1, 2013. All of these relationships and transactions were approved or ratified by the audit committee as being on terms comparable to those available on an arm s-length basis from an unaffiliated third party or otherwise not creating a conflict of interest.

Fees and Expenses Paid to Our Advisor

Effective as of May 7, 2013, we entered into the Second Amended and Restated Advisory Agreement, or the amended and restated advisory agreement. The amended and restated advisory agreement was adopted primarily to adjust the advisor s compensation and modify its duties to us.

Pursuant to the terms of the amended advisory agreement, our advisor is compensated as follows:

Annual base management fee of 0.75% of average gross real estate assets. Average gross real estate assets means the average of the aggregate book value of our real estate assets before reserves for depreciation or other similar noncash reserves. We will compute average gross real estate assets by taking the average of these book values at the end of each month during the quarter for which we are calculating the fee. The fee is payable quarterly in an amount equal to 0.1875% of average gross real estate assets as of the last day of such quarter. In July 2013, our advisor agreed to an amendment to our advisory agreement, which provides that the gross assets attributable to the initial eight properties in our portfolio are excluded from the computation of the base management fee payable to the advisor, which amendment is retroactive to April 1, 2013. For the year ended December 31, 2013, our advisor waived $494,000 of asset management fees.

Beginning with the second quarter of 2013, we pay our advisor an incentive fee based on our pre-incentive fee core funds from operations, or Core FFO, a non-GAAP measure as defined in the advisory agreement. The incentive fee is computed at the end of each fiscal quarter as follows:

no incentive fee in any fiscal quarter in which our pre-incentive fee Core FFO does not exceed the hurdle rate of 1.75% (7% annualized) of the cumulative gross amount of equity capital we have obtained; and

30

20% of the amount of our pre-incentive fee Core FFO that exceeds 1.75% (7% annualized) of the cumulative gross amount of equity capital we have obtained.

For the year ended December 31, 2013, we incurred $144,000 of incentive fees to our advisor. As of December 31, 2013, we had liabilities payable to our advisor for incentive fees of $65,000.

Prior to the May 7, 2013 amendment to the advisory agreement, we paid our advisor the fees described below.

A quarterly asset management fee of 0.1875% of the average invested assets as of the last day of the quarter, which equated to an annualized rate of 0.75% per annum. Average invested assets meant the average of the aggregate book value of our assets invested in interests in, and loans secured by, real estate before reserves for depreciation or bad debt or other similar non-cash reserves. For the year ended December 31, 2013, we paid $166,000 of asset management fees to our advisor. As of December 31, 2013, we had liabilities payable to our advisor for asset management fees of $42,000.

If our advisor provided services in connection with the financing of any third party debt that we obtained, we would pay the advisor a financing coordination fee equal to 1.0% of the amount available and/or outstanding under such financing, subject to certain limitations. We did not pay financing coordination fees in connection with debt provided by RAIT. For the year ended December 31, 2013, we paid $102,000 of financing coordination fees to our advisor. As of December 31, 2013, we had no liabilities payable to our advisor for financing coordination fees.

Our advisor was entitled to a disposition fee upon the sale of one or more of our properties in an amount equal to the lesser of (a) one-half of the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset or (b) 1% of the sale price of the asset. Payment of such fee could be made only if the advisor provided a substantial amount of services in connection with the sale of the asset. In addition, the amount paid when added to all other commissions paid to unaffiliated parties in connection with such sale could not exceed the lesser of the commission that would be reasonable, customary and competitive in light of the size, type and location of the asset or an amount equal to 6% of the sale price of such asset. For the year ended December 31, 2013, we did not pay any disposition fees to our advisor.

In addition to the fees we paid to our advisor pursuant to the advisory agreement prior to May 7, 2013, we also reimbursed our advisor and its affiliates for the following costs and expenses, subject to the limitations described below under the heading 2%/25% Guidelines. We did not reimburse the advisor or its affiliates for services for which the advisor or its affiliates were entitled to compensation in the form of a separate fee. If the advisor or its affiliates performed services that were outside of the scope of the advisory agreement, we compensated them at rates and in amounts agreed upon by the advisor and the independent directors. We could reimburse our advisor for acquisition expenses up to a maximum amount which, collectively with all acquisition fees and expenses, did not exceed, in the aggregate, 6% of the gross offering proceeds from our continuous offering which terminated in April 2013.

We reimbursed our advisor for certain costs it incurred in connection with the services it provided to us including, but not limited to: (i) organization and offering costs in an amount up to 1% of gross offering proceeds, which include actual legal, accounting, printing and expenses attributable to preparing the SEC registration statement, qualification of the shares for sale in the states and filing fees incurred by the advisor, as well as reimbursements for salaries and direct expenses of its employees, including, without limitation, employee benefits, while engaged in registering the shares and other organization costs, other than selling commissions and the dealer manager fee; (ii) advertising expenses, expense reimbursements, and legal and accounting fees; (iii) the actual cost of goods and materials used by us and obtained from entities not affiliated with the advisor; (iv) administrative services (including personnel costs; provided, however, that no reimbursement was made for costs of personnel to the extent that such personnel performed services in transactions for which the advisor receives a separate fee); and (v) rent, leasehold improvement costs, utilities or other administrative items generally constituting our advisor s overhead. For the year ended December 31, 2013, our advisor incurred $0 of organization and offering costs. During the year ended December 31, 2013, we reimbursed our advisor for $3,000 of organization and offering costs.

We reimbursed our advisor for expenses it incurred in connection with our purchase of an asset. The acquisition fees and expenses for any particular asset, including amounts payable to affiliates, could not exceed, in the aggregate, 6% of the contract purchase price (including any mortgage assumed) of the asset. We reimbursed our advisor for acquisition expenses only to the extent that acquisition fees and acquisition expenses collectively did not exceed 6% of the contract price of our assets. For the year ended December 31, 2013, we did not reimburse our advisor for any acquisition expenses.

During the year ended December 31, 2013, our advisor reimbursed us for $134,000 of transfer agent costs we incurred from January 2013 through May 2013 in connection with the continuous offering.

2%/25% Guidelines

Our charter was amended on May 7, 2013. The amendments included removing the 2%/25% Guidelines.

Commencing on the fourth fiscal quarter following the quarter ended June 30, 2011 through May 7, 2013 our advisor was required to reimburse us for the amounts, if any, by which our total REIT operating expenses paid during the previous fiscal year exceed the greater of:

2% of our average invested assets for that fiscal year; or

25% of our net income for that fiscal year;

provided, however, that only so much of the excess specified above was required to be reimbursed as the board, including a majority of the independent directors, determined should justifiably be reimbursed in light of any unanticipated, unusual or non-recurring factors. Operating expenses were defined for this purpose as all expenses paid or incurred by us, as determined under U.S. generally accepted accounting principles, that were in any way related to our operation, including advisory fees, but excluding (i) the expenses of raising capital such as organization and offering expenses, legal, audit, accounting, underwriting, brokerage, listing, registration and other fees, printing and other such expenses and taxes incurred in connection with the issuance, distribution, transfer, registration and stock exchange listing of our stock; (ii) interest payments; (iii) taxes; (iv) non-cash expenditures such as depreciation, amortization and bad debt reserves; (v) reasonable incentive fees based on the gain from the sale of our assets; and (vi) acquisition fees and expenses (including expenses relating to potential investments that we did not close), disposition fees on the resale of property and other expenses connected with the acquisition, disposition and ownership of real estate interests, loans or other property (including the costs of foreclosure, insurance premiums, legal services, maintenance, repair and improvement of property).

Selling Commissions and Fees Paid to our Dealer Manager

The dealer manager for our continuous offering of common stock, which was terminated in April 2013, was Independence Realty Securities LLC, or IR Securities, an indirect wholly owned subsidiary of RAIT. IR Securities is a licensed broker-dealer registered with FINRA. IR Securities did not participate in our underwritten offerings in August 2013 and January 2014 and our agreement with IR Securities was terminated when we terminated our continuous offering. IR Securities was entitled to certain selling commissions, dealer manager fees and reimbursements relating to raising capital in connection with the continuous offering. Our agreement with IR Securities provided for the following compensation relating to the continuous offering:

We paid IR Securities selling commissions of up to 7.0% of the gross proceeds from our continuous offering. IR Securities reallowed all or a portion of commissions earned for those transactions that involved participating broker-dealers. For the year ended December 31, 2013, we did not pay any selling commissions to IR Securities.

We paid IR Securities a dealer manager fee of 3.0% of the gross proceeds from our continuous offering. IR Securities, in its sole discretion, could reallow a portion of its dealer manager fee of up to 1.5% of the gross offering proceeds to be paid to such participating broker-dealers. For the year ended December 31, 2013, we did not pay dealer manager fees to IR Securities.

We reimbursed IR Securities for its reasonable *bona fide* due diligence expenses and reimbursed it for reimbursements it could make to broker-dealers for reasonable *bona fide* due diligence expenses which are included in a detailed and itemized invoice. Reimbursement of these amounts, combined with the reimbursement of all other organizational and offering costs, was not to exceed 15% of the gross proceeds raised in our continuous offering. For the year ended December 31, 2013, IR Securities did not incur any reimbursable due diligence expenses.

Property Management Fees Paid to Our Property Manager

We have entered into property management agreements with Jupiter Communities, LLC, or RAIT Residential, or our property manager, which is majority owned by RAIT, with respect to each of our properties. Pursuant to the property management agreements, we pay our property manager property management and leasing fees on a monthly basis of an amount up to 4.0% of the gross revenues from the property for each month. Additionally, we may pay our property manager a separate fee for the one-time initial rent-up or leasing-up of newly constructed properties in an amount not to exceed the fee customarily charged in arm s length transactions by others rendering similar services in the same geographic area for similar properties as determined by a survey of brokers and agents in such area. Each management agreement has an initial one year term, subject to automatic one-year renewals unless either party gives prior notice of its desire to terminate the management agreement. For the year ended December 31, 2013, we paid $762,000 of property management and leasing fees to our property manager. As of December 31, 2013, we had liabilities payable to our property manager for property management and leasing fees of $83,000.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Exchange Act requires our officers, directors and persons who own more than ten percent of a registered class of our equity securities to file reports of ownership and changes in ownership with the SEC and to furnish IRT with copies of all such reports.

Based solely on our review of the reports received by us, or representations from certain reporting persons that no Form 5 filings were required for those persons, we believe that during fiscal 2013, no officers, directors or beneficial owners failed to file reports of ownership and changes of ownership on a timely basis. As of the date of this proxy statement, we believe that all reports of ownership and changes in ownership required to be filed with the SEC relating to transactions in fiscal 2013 have been filed.

STOCKHOLDER PROPOSALS AND NOMINATIONS

Under rules promulgated by the SEC and in accordance with our bylaws, holders of shares of common stock who desire to submit proposals for inclusion in our proxy statement for its 2015 annual meeting of stockholders, subject to compliance with the eligibility standards specified in such rules, must submit such proposals to the Secretary of IRT by December 5, 2014. The proxy for the 2015 annual meeting of stockholders may confer discretionary authority to vote on any matters brought before that meeting where:

IRT receives notice of the proposal by February 18, 2015 and advises stockholders in the 2015 proxy statement about the nature of the proposal and how management intends to vote on the proposal, subject to exceptions, or

IRT has not received notice of the matter by February 18, 2015.

Our bylaws provide that nominations of individuals for election to the board and the proposal of other business to be considered by the stockholders may be made at our 2015 annual meeting of stockholders by any stockholder of IRT who was a stockholder of record both at the time of giving of notice by the stockholder and at the time of the annual meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on any such other business and who has complied with our bylaw requirements. For any nomination or other business to be properly brought before an annual meeting by a stockholder, the stockholder must have given timely notice thereof in writing to our secretary and any such other business must otherwise be a proper matter for action by the stockholders. To be timely for our 2015 annual meeting of stockholders, a stockholder s notice must set forth all information required under our bylaws and must be delivered to the secretary at our principal executive office not earlier than November 5, 2014 nor later than December 5, 2014; provided, however, that in the event that the date of the annual meeting is advanced or delayed by more than 30 days from the first anniversary of the date of the preceding year s annual meeting, in order for notice by the stockholder to be timely, such notice must be so delivered not earlier than the 150th day prior to the date of such annual meeting and not later than 5:00 p.m., Eastern Time, on the later of the 120th day prior to the date of such annual meeting, as originally convened, or the tenth day following the day on which public announcement of the date of such meeting is first made. The public announcement of a postponement or adjournment of an annual meeting shall not commence a new time period for the giving of a stockholder s notice as described above. In the event that the number of directors to be elected to the board is increased, and there is no public announcement of such action at least 130 days prior to the first anniversary of the date of our proxy statement for the preceding year s annual meeting, a stockholder s notice will also be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered to the secretary at our principal executive office not later than 5:00 p.m., Eastern Time, on the tenth day following the day on which we first make such public announcement.

In addition to our bylaws, a stockholder shall also comply with all applicable requirements of state law and of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and the rules and regulations thereunder. Our bylaw provisions do not affect any right of a stockholder to request inclusion of a proposal in, or our right to omit a proposal from, our proxy statement pursuant to Rule 14a-8 (or any successor provision) under the Exchange Act.

A stockholder who wishes to submit recommendations for director candidates to the nominating committee should send a written recommendation to our executive offices, attention: nominating and governance committee chairman. The stockholder must represent that the stockholder is a stockholder of IRT and the stockholder will remain so through the date of the relevant annual meeting of stockholders of IRT and, if the stockholder is not a record owner of common shares, provide such information about the record owner as IRT may request. The recommendation must also include the written consent of the person so recommended, or the recommended person, to serve as a director if nominated and elected. The stockholder and the recommended person must also provide such additional information as the nominating committee may request, including any information requested concerning their respective backgrounds and relationships with one another and IRT and concerning the qualifications of the recommended person. All stockholder recommendations received by the nominating committee will begin to be reviewed at the first meeting of the nominating committee held after receipt of the recommendation and any additional information requested by the nominating committee. The nominating committee expects to consider nominees recommended by security holders for the 2015 annual meeting if submitted as described above by November 1, 2014 in order that the submission may be considered by the nominating committee in its deliberations to determine its recommendations to the board regarding persons to be nominated by the board for election to the board at such annual meeting.

ANNUAL REPORT AND REPORT ON FORM 10-K

Our 2013 Annual Report to Stockholders, including the financial statements and management s discussion and analysis of financial condition and results of operations for the year ended December 31, 2013, was sent to stockholders of record as of March 14, 2014. Stockholders of record as of March 14, 2014, and beneficial owners of our common stock on that date, may obtain from us, without charge, a copy of our most recent Annual Report on Form 10-K filed with the SEC, exclusive of the exhibits thereto, by a request in writing. We will also furnish any exhibit to the Annual Report upon the payment of reasonable fees relating to our expenses in furnishing the exhibit. Such requests should be directed to IRT, at our Philadelphia address stated herein, and to the attention of the Secretary. Beneficial owners must include in their written requests a good faith representation that they were beneficial owners of our common stock on March 14, 2014.

Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting To Be Held on May 14, 2014. The notice of annual meeting, proxy statement and our annual report on Form 10-K for the fiscal year ended December 31, 2013 are available on our website at http://investors.irtreit.com/FinancialDocs.aspx?iid=4235858.

By order of the Board of Directors

/s/ Anders F. Laren
Anders F. Laren,
Secretary

March 31, 2014

APPENDIX A

GUIDELINES OF INDEPENDENCE REALTY TRUST, INC. AUDIT COMMITTEE

FOR PRE-APPROVAL OF INDEPENDENT AUDITOR SERVICES

The Audit Committee (the Committee) of Independence Realty Trust, Inc. (IRT) has adopted the following guidelines regarding the engagement of IRT s independent auditor to perform services for IRT:

For audit services, the independent auditor will provide the Committee with an engagement letter with respect to any fiscal year sufficiently in advance of the October quarterly meeting of the Committee immediately preceding that fiscal year, if practicable, and otherwise by the January quarterly meeting of the Committee in that fiscal year outlining the scope of the audit services proposed to be performed during that fiscal year, together with a fee proposal which may include a range of fees. If agreed to by the Committee, this engagement letter and associated fee(s) will be formally accepted by the Committee at either its October or January quarterly Committee meeting.

For non-audit services, IRT management will submit to the Committee for approval any non-audit services that it recommends the Committee engage the independent auditor to provide for any fiscal year. IRT management and the independent auditor will each confirm to the Committee that any non-audit service so submitted is permissible under all applicable legal requirements, including the listing requirements of the NYSE MKT. In addition to these planned non-audit services, a budget estimating the expense of any such non-audit service for that fiscal year will be provided. The Committee will approve both the permissible non-audit services and the budget for such services. The Committee will be informed routinely as to the non-audit services actually provided by the independent auditor pursuant to this pre-approval process.

To ensure prompt handling of unexpected matters, the Committee delegates to its Chairman or, if the Chairman is not reasonably available, any other member of the Committee, the authority to amend or modify the list of approved permissible non-audit services and fees. The Chairman or such other member, as the case may be, will report action taken to the Committee at the next Committee meeting.

The independent auditor must ensure that all audit and non-audit services provided to IRT have been approved by the Committee. The Chief Financial Officer will be responsible for tracking all independent auditor fees against the budget for such services and report at least quarterly to the Audit Committee.

APPENDIX B

ANNUAL MEETING OF STOCKHOLDERS OF

INDEPENDENCE REALTY TRUST, INC.

May 14, 2014

PROXY VOTING INSTRUCTIONS

INTERNET - Access **www.voteproxy.com** and follow the on-screen instructions or scan the QR code with your smartphone. Have your proxy card available when you access the web page.

Vote online until 11:59 PM EST the day before the meeting.

MAIL - Sign, date and mail your proxy card in the envelope provided as soon as possible.

COMPANY NUMBER

IN PERSON - You may vote your shares in person by attending the Annual Meeting.

ACCOUNT NUMBER

GO GREEN - e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.amstock.com to enjoy online access.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS

FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 14, 2014:

The notice of annual meeting, proxy statement and annual report to stockholders

are available at http://investors.irtreit.com/FinancialDocs.aspx?iid=4235858

i Please detach along perforated line and mail in the envelope provided IF you are not voting via the Internet. i

¢ 00033333030004000000 2 051414

PLEASE MARK, SIGN, DATE AND MAIL YOUR PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.

PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER SPECIFIED HEREIN BY THE UNDERSIGNED. IF NO CHOICE IS SPECIFIED, THIS PROXY WILL BE VOTED FOR ALL NOMINEES LISTED, FOR APPROVAL OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR INDEPENDENCE REALTY TRUST, INC. FOR FISCAL 2014, FOR THE APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVES AND FOR HAVING THE ADVISORY AND NON-BINDING VOTE TO APPROVE THE COMPENSATION OF OUR NAMED EXECUTIVES EVERY THREE YEARS. THIS PROXY ALSO DELEGATES DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT, POSTPONEMENT OR CONTINUATION THEREOF. BY EXECUTING THIS PROXY, THE UNDERSIGNED HEREBY REVOKES ALL PRIOR PROXIES.

	FOR	AGAINST	ABSTAIN
1. ELECTION OF DIRECTORS			
Scott F. Schaeffer	¨	¨	¨
William C. Dunkelberg	¨	¨	¨
Robert F. McCadden	¨	¨	¨
DeForest B. Soaries, Jr.	¨	¨	¨
2. PROPOSAL TO APPROVE THE SELECTION OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014 FISCAL YEAR.	¨	¨	¨
3. RESOLVED, THAT IRT S STOCKHOLDERS APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF THE NAMED EXECUTIVES, AS DISCLOSED IN IRT S PROXY STATEMENT FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS AND THE OTHER RELATED DISCLOSURE.	¨	¨	¨

	1 year	2 years	3 years	ABSTAIN
4. RESOLVED, THAT THE STOCKHOLDERS DETERMINE, ON AN ADVISORY BASIS, WHETHER THE PREFERRED FREQUENCY OF AN ADVISORY VOTE ON THE EXECUTIVE COMPENSATION OF IRT S NAMED EXECUTIVES AS SET FORTH IN IRT S PROXY STATEMENT SHOULD BE EVERY YEAR, EVERY TWO YEARS, OR EVERY THREE YEARS.	¨	¨	¨	¨

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ¨

5. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

Signature of Stockholder Date: Signature of Stockholder Date:

¢ **Note:** ¢

Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

ANNUAL MEETING OF STOCKHOLDERS OF

INDEPENDENCE REALTY TRUST, INC.

May 14, 2014

GO GREEN

e-Consent makes it easy to go paperless. With e-Consent, you can quickly access your proxy material, statements and other eligible documents online, while reducing costs, clutter and paper waste. Enroll today via www.amstock.com to enjoy online access.

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE STOCKHOLDER MEETING TO BE HELD ON MAY 14, 2014:

The notice of annual meeting, proxy statement and annual report to stockholders are available at http://investors.irtreit.com/FinancialDocs.aspx?iid=4235858

Please mark, sign, date and mail your proxy card promptly in the enclosed envelope.

i Please detach along perforated line and mail in the envelope provided. i

¢ 00033333030004000000 2 051414

PLEASE MARK, SIGN, DATE AND MAIL YOUR PROXY CARD PROMPTLY IN THE ENCLOSED ENVELOPE.

PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE x

THIS PROXY, WHEN PROPERLY EXECUTED, WILL BE VOTED IN THE MANNER SPECIFIED HEREIN BY THE UNDERSIGNED. IF NO CHOICE IS SPECIFIED, THIS PROXY WILL BE VOTED FOR ALL NOMINEES LISTED, FOR APPROVAL OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR INDEPENDENCE REALTY TRUST, INC. FOR FISCAL 2014, FOR THE APPROVAL OF THE COMPENSATION OF THE NAMED EXECUTIVES AND FOR HAVING THE ADVISORY AND NON-BINDING VOTE TO APPROVE THE COMPENSATION OF OUR

1. ELECTION OF DIRECTORS	FOR	AGAINST	ABSTAIN
Scott F. Schaeffer	..	..	..
William C. Dunkelberg	..	..	..
Robert F. McCadden	..	..	..

NAMED EXECUTIVES EVERY THREE YEARS. THIS PROXY ALSO DELEGATES DISCRETIONARY AUTHORITY TO VOTE WITH RESPECT TO ANY OTHER MATTER THAT MAY PROPERLY COME BEFORE THE MEETING OR ANY ADJOURNMENT, POSTPONEMENT OR CONTINUATION THEREOF. BY EXECUTING THIS PROXY, THE UNDERSIGNED HEREBY REVOKES ALL PRIOR PROXIES.

DeForest B. Soaries, Jr.		¨	¨	¨
2. PROPOSAL TO APPROVE THE SELECTION OF KPMG LLP AS INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2014 FISCAL YEAR.		¨	¨	¨
3. RESOLVED, THAT IRT S STOCKHOLDERS APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF THE NAMED EXECUTIVES, AS DISCLOSED IN IRT S PROXY STATEMENT FOR THE 2014 ANNUAL MEETING OF STOCKHOLDERS PURSUANT TO THE COMPENSATION DISCLOSURE RULES OF THE SECURITIES AND EXCHANGE COMMISSION, INCLUDING THE COMPENSATION DISCUSSION AND ANALYSIS AND THE OTHER RELATED DISCLOSURE.		¨	¨	¨
	1 year	2 years	3 years	ABSTAIN
4. RESOLVED, THAT THE STOCKHOLDERS DETERMINE, ON AN ADVISORY BASIS, WHETHER THE PREFERRED FREQUENCY OF AN ADVISORY VOTE ON THE EXECUTIVE COMPENSATION OF IRT S NAMED EXECUTIVES AS SET FORTH IN IRT S PROXY STATEMENT SHOULD BE EVERY YEAR, EVERY TWO YEARS, OR EVERY THREE YEARS.	¨	¨	¨	¨

To change the address on your account, please check the box at right and indicate your new address in the address space above. Please note that changes to the registered name(s) on the account may not be submitted via this method. ¨

5. To transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

Signature of Stockholder Date: Signature of Stockholder Date:

¢ **Note:** Please sign exactly as your name or names appear on this Proxy. When shares are held jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person. ¢

0 ¢

INDEPENDENCE REALTY TRUST, INC.

PROXY

THIS PROXY IS SOLICITED ON BEHALF OF THE

BOARD OF DIRECTORS OF INDEPENDENCE REALTY TRUST, INC.

The undersigned hereby appoints Scott F. Schaeffer and James J. Sebra, and each of them, as and for the proxies of the undersigned, each with the power to appoint such proxy s substitute, and hereby authorizes them, or any of them, to vote all of the shares of Common Stock of Independence Realty Trust, Inc. (IRT) held of record by the undersigned on March 14, 2014 at the Annual Meeting of Stockholders of IRT, to be held at 9:00 A.M. on Wednesday, May 14, 2014 in IRT s offices located at the Cira Centre, 2929 Arch Street, Philadelphia, Pennsylvania, 17th floor, and at any and all adjournments, postponements or continuations thereof as set forth on the reverse side hereof. If you wish to attend the annual meeting and vote in person, you may contact IRT s Investor Relations at (215) 243-9000 for directions. Each of the Proposals in this proxy is proposed by IRT. These Proposals are not related to or conditioned on the approval of other matters.

(Continued and to be signed on the reverse side)

¢ 14475 ¢