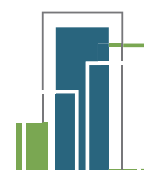


2020

REPORT TO OUR
SHAREHOLDERS



DAKOTA
REIT

2020

Report To Our Shareholders
For the year ended December 31, 2020



DakotaREIT.COM

We call the Upper Midwest home and we are proud of the fact that it is the foundation for our stable and consistent growth.

TABLE OF CONTENTS

BOARD OF TRUSTEES 4

OFFICERS & MANAGEMENT 5

REPORT TO THE SHAREHOLDERS. 6

WHY INVEST WITH DAKOTA REIT 8

FINANCIAL HIGHLIGHTS. 10

COVID-19 11

INVESTOR HIGHLIGHTS 12

DAKOTA UPREIT ADVANTAGE 14

TIMBER CREEK ACQUISITION 16

FEES AND COMPENSATION. 19

FEES AND COMPENSATION. 17

INDEPENDENT AUDITOR’S REPORT 20

BOARD OF TRUSTEES

Per the Dakota REIT Declaration of Trust, the Trustees are to serve in a fiduciary relationship and are entrusted with the care of your money and property. Our Trustees have pledged to serve with a “Shareholders’ First” mentality and are prudent stewards of your funds and act with transparency and utmost integrity.

When you look at Dakota REIT’s growth through the years, you will note it has been steady and measured. It is important to note the strong, diversified and dedicated Board of Trustees that establish our strategies, direct our operation, determine distributions, set policy and approve acquisitions and dispositions. Our Board of Trustees consists of individuals with backgrounds in banking, private equity, real estate, entrepreneurship, technology, law and accounting.



Brion Henderson, ND



Jerry Slusky, NE



Matt Pedersen, ND



Jim Hauer, AZ



Craig Lloyd, SD



Jim Knutson, ND



Ray Braun, ND



Gene Smestad, ND



Jon Otterstatter, MN



Roy Sheppard, ND



Kevin Christianson, ND



Brad Fay, ND



George Gaukler, ND



Ken Heen, ND



Stan Johnson, ND

EXECUTIVE OFFICERS

Brion HendersonChairman
Gene SmestadVice Chairman
George GauklerPresident
Matt PedersenExecutive Vice President
Brad Fay.Secretary
Ray Braun.Treasurer

DAKOTA REIT MANAGEMENT, LLC

George Gaukler President, Chief Executive Officer
Matt Pedersen Executive Vice President, Chief Investment Officer
Danel Jung Vice President, Chief Operating Officer
Jim HaleyVice President, Chief Financial Officer
Jim Knutson Business Consultant
Mark RichmanBusiness Development
Lisa BontjeInvestor Relations

FINANCE COMMITTEE

Kevin Christianson	Matt Pedersen
George Gaukler	Jerry Slusky
Brion Henderson	Gene Smestad

Report To Our Shareholders



George Gaukler
President



Brion Henderson
Chairman

To Our Shareholders,

We hope that you and your family are safe and healthy as we continue to experience the COVID-19 pandemic. This global health crisis has given each of us a deeper understanding of what is important in our lives. Stability within investment portfolios has risen to the top of importance for our shareholders.

Dakota REIT has provided stability and safeguarded shareholders in the face of unprecedented volatility. In 2020, we continued our 23-year track record of providing attractive and consistent distribution yields and share value appreciation. The distribution yield for 2020 was 5.16%; we maintained our share price at \$15.50. Our trustees believe firmly in continuing the stability and reliability of our distributions.

We took steps early in the pandemic to maintain our financial stability and ensure the portfolio was in a position of strength to preserve value for the entire shareholder community. Since inception, we have achieved an 11.74% Compounded Return with distributions reinvested compared to 8.62% and 8.07% for the FTSE NAREIT Index and S&P 500, respectively. A \$100,000 investment at inception is now worth \$1,284,000, equating to a 1,284% Total Return.

Dakota REIT’s steadiness and favorable relative return can be accounted for by several factors:

- Our diversified mix of assets and tenant industries limits risk and provides investment flexibility.
- Strong and diverse economies in the growth cities of the stable upper Midwest.

In 2020, Dakota REIT provided stability and safeguarded shareholders in the face of unprecedented volatility by continuing our 23-year track record of providing attractive and consistent distribution yields and share value appreciation.

- The economics of our leases enabling us to pay above average distribution yields.
- Maintaining a disciplined investment approach based on real estate fundamentals.
- Conservative valuations to ensure a steady share price in times of volatility.

Shareholders and investment advisors are looking at Dakota REIT as an alternative for fixed-income due to the quality of our portfolio, history of paying consistent distributions across different economic cycles and the strength of our balance sheet. Dakota REIT serves well as a proxy to the low bond yields.

Dakota REIT is a foundational component to your portfolio providing traditional fixed-income characteristics of:

- Predictable and consistent yields – this stable and growing source of income can play an important role for investors who rely on it for monthly living expenses.
- Capital preservation and reduced volatility – Private REITs don’t have daily fluctuations, creating a smoothing effect on investment returns.
- Modest liquidity through a repurchase program – Dakota REIT feels liquidity for our shareholders is important and has established a repurchase program to provide an orderly process and associated funding.

5.16%	61.61%	1067	\$590M
Annual Dividend Yield	Debt to Market Cap	Existing Investors	Invested Assets at Cost

- Diversification and low correlation relative to equity holdings – most investment portfolios consist of stocks to generate returns and bonds for stabilization. Historically, private REITs have had similar returns to stocks but without the same up-and-down pattern of an equity.
- Inflation safeguard – The prospect of a post-pandemic bounce-back in the economy and huge government stimulus has heightened expectations of rising inflation. Income generated by real estate may serve as an inflation hedge due to the ability to increase rents when inflation increases.

Real estate is a long-term investment that should be measured in years. We are encouraged by the strength and stability of the overall portfolio, particularly in comparison to what can only be described as extreme volatility in nearly every asset class. 64% of our portfolio as of December 31, 2020 was invested in multifamily, industrial/flex and grocery-anchored shopping which are all asset classes that outperform during economic downturns. We continue to believe in the long-term value of our diversified real estate portfolio.

While we have a resilient portfolio that has maintained strong operations, we have not been unaffected by the COVID-19 crisis:

- Across our 300+ commercial tenants, we entered into 40 rent deferral agreements where we provided rent relief representing 2% of our commercial revenues to be collected over future periods and added 281 months of additional lease term in exchange.

- National retailer bankruptcies represented less than 1% of total revenue for Dakota REIT’s portfolio.
- Dakota REIT is monitoring trends of office tenants requesting shorter, more flexible leases.
- 2020 Funds from Operations (FFO) will be down 1.5% compared to 2019 which is noticeably better than how national REITs performed in 2020.
- 2020 FFO per Share will be down 5.4% to \$1.22 compared to \$1.29 in 2019.

Dakota REIT exists to direct the collective resources of 1,067 shareholders into one cohesive investor, providing our shareholders with the opportunity to own institutional-grade private real estate in growth markets. Our investors have proven in fact to have been a disciplined group through this crisis while enjoying the dependable quarterly distributions and solid share value.

We enter 2021 with optimism and profound gratitude to our team members, trustees and tenants. The launch of the Institutional share class is generating fresh momentum to fuel our growth strategy. Dakota REIT will successfully navigate this period while respecting the gravity of the situation but also looking beyond it to execute our long-term strategies. One of our greatest strengths is being patient investors and keeping a long-term perspective.

Thank you for your ongoing support. ◀

Why Invest With Dakota REIT

We remain committed to Dakota REIT's long-term strategy and core principles, which has driven superior investment returns for our shareholders throughout our history. The key tenets of our core principles and business strategies are:

Patient investors for over 23 years, with intent for long-term hold of our properties.

Diversified portfolio by asset type across growth markets in the upper Midwest.

Data & value-driven investors Our objective is to underwrite the capitalization (CAP) rates of our acquisitions against expected cash flow.

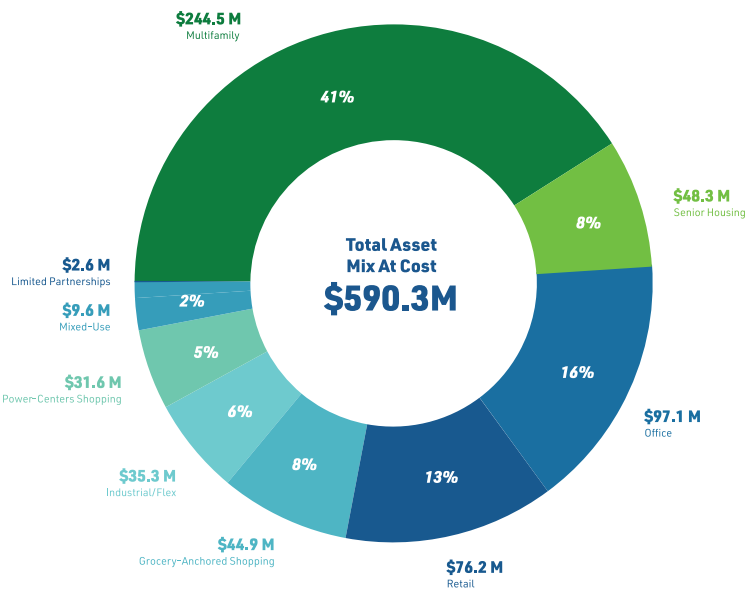
Remain a private REIT where we avoid the volatility inherent in publicly traded stocks through stable valuation.

"I made a substantial investment in Dakota REIT in 2014. Ever since then the dividends have only increased and that has stayed true during our pandemic. This is unbelievable. The 5%+ dividend is much, much better than any other safe investment I can think of and to think I can depend on it like clockwork every quarter is very comforting." –Dakota REIT Investor

Financial Highlights

	2016	2017	2018	2019	2020
Multifamily Investments (Includes Senior Housing)	\$261,173,620	\$262,258,910	\$264,019,540	\$290,856,721	\$292,873,568
Commercial Investments	\$209,179,153	\$259,653,681	\$271,588,001	\$285,108,454	\$294,881,832
Mortgages Payable	\$332,106,085	\$361,345,892	\$363,180,196	\$387,324,648	\$398,201,073
Total Revenue	\$50,620,468	\$57,560,824	\$59,940,329	\$63,029,673	\$64,805,897
Funds From Operations (FFO)	\$16,820,369	\$18,245,790	\$18,464,373	\$19,729,122	\$19,440,304
Funds From Operations Per Share	\$1.26	\$1.29	\$1.25	\$1.29	\$1.22
Weighted Average Shares	13,346,269	14,102,407	14,783,125	15,300,836	15,903,736

TOTAL ASSETS UNDER MANAGEMENT

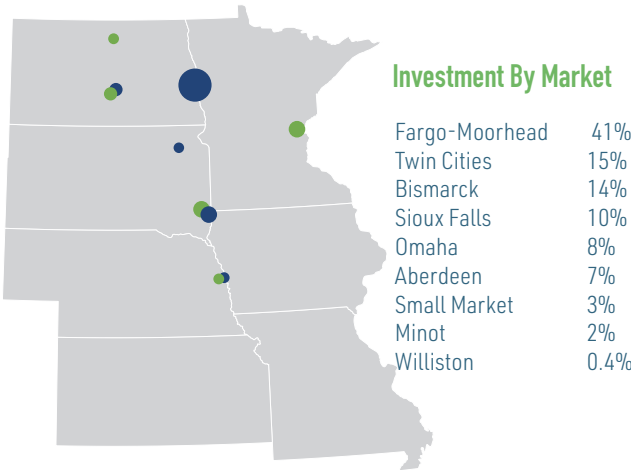
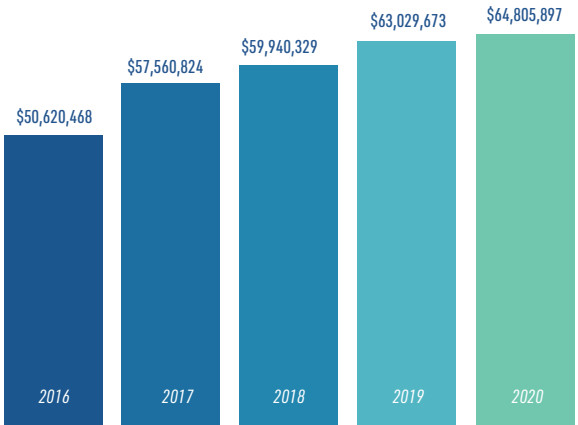


Average Mortgage
Weighted Interest Rate
4.18%

Average
Term Remaining
6 YRS

Funds from Operations "FFO" is defined as net income determined in accordance with Generally Accepted Accounting Principles (GAAP), excluding gains (or losses) from debt restructuring and sales of property, plus depreciation of real estate assets. While FFO applicable to common shares and limited partnership units are widely used by REITs as performance metrics, all REITs do not use the same definition of FFO or calculate FFO in the same way.

TOTAL REVENUE (5YR)



COVID-19

The COVID-19 pandemic disrupted lives and economies worldwide throughout most of 2020. Dakota REIT's insular upper Midwest market remained stable and our diversified portfolio continued to perform consistently, our 2020 FFO is down 1.5% from 2019 however, our total return to shareholders is a positive 5.16% in the most challenging year for real estate since 2008.

\$15.50

Steady Share Price

5.16%

Maintained Consistent
Dividend Yield

↓4.18

Reduced Weighted
Average Interest Rate

<2%

Commercial
Revenue

Impact from COVID-19 Deferral Agreements

+281

Months
of Term

<1%

Commercial Revenue
Impact From National
Bankruptcies

↑92%

Multifamily
Occupancy

2%

Multifamily
Delinquency

Investor Highlights

DISTRIBUTIONS DECLARED

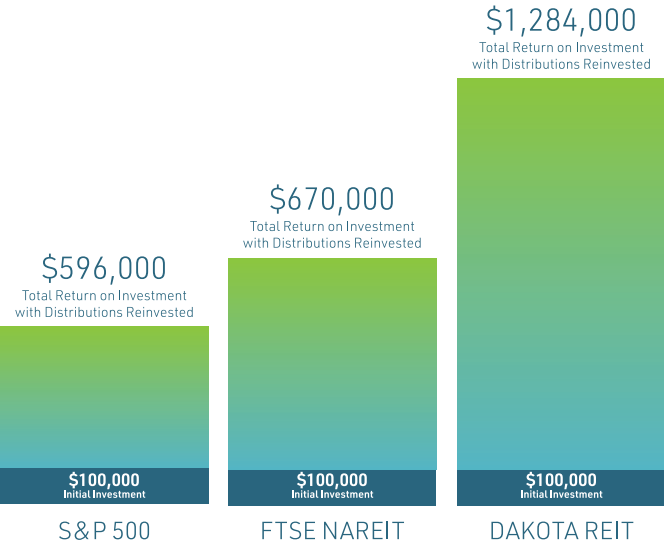
Year	Price Per Share	Distribution Per Share	% of Distributions as Taxable as Ordinary Income
2011	\$8.78	\$0.4725	15%
2012	\$9.75	\$0.5000	55%
2013	\$10.50	\$0.5400	78%
2014	\$11.50	\$0.5875	92%
2015	\$14.00	\$0.6950	90%
2016	\$14.90	\$0.7300	65%
2017	\$14.90	\$0.7600	58%
2018	\$15.50	\$0.7600	47%
2019	\$15.50	\$0.7900	55%
2020	\$15.50	\$0.8000	49%

Distributions are paid to shareholders of The Dakota REIT and limited partners of Dakota UPREIT.

The 2020 percentage of distributions paid to shareholders was taxable as ordinary income at 49%. This is not applicable to Dakota UPREIT Limited Partners, as each Partner’s income is separately determined based on all the property contributed. Due to real estate depreciation, a portion of the distributions paid is not taxable to the shareholder in the year received. The “non-taxable” portion is treated as a return of capital or decrease in cost [basis]. Future taxable gains will be recognized if an Investor sells shares for more than the carry cost [basis] or if the Investor’s distributions received exceed original stock purchase.

SUPERIOR RETURNS OVER TIME SINCE INCEPTION

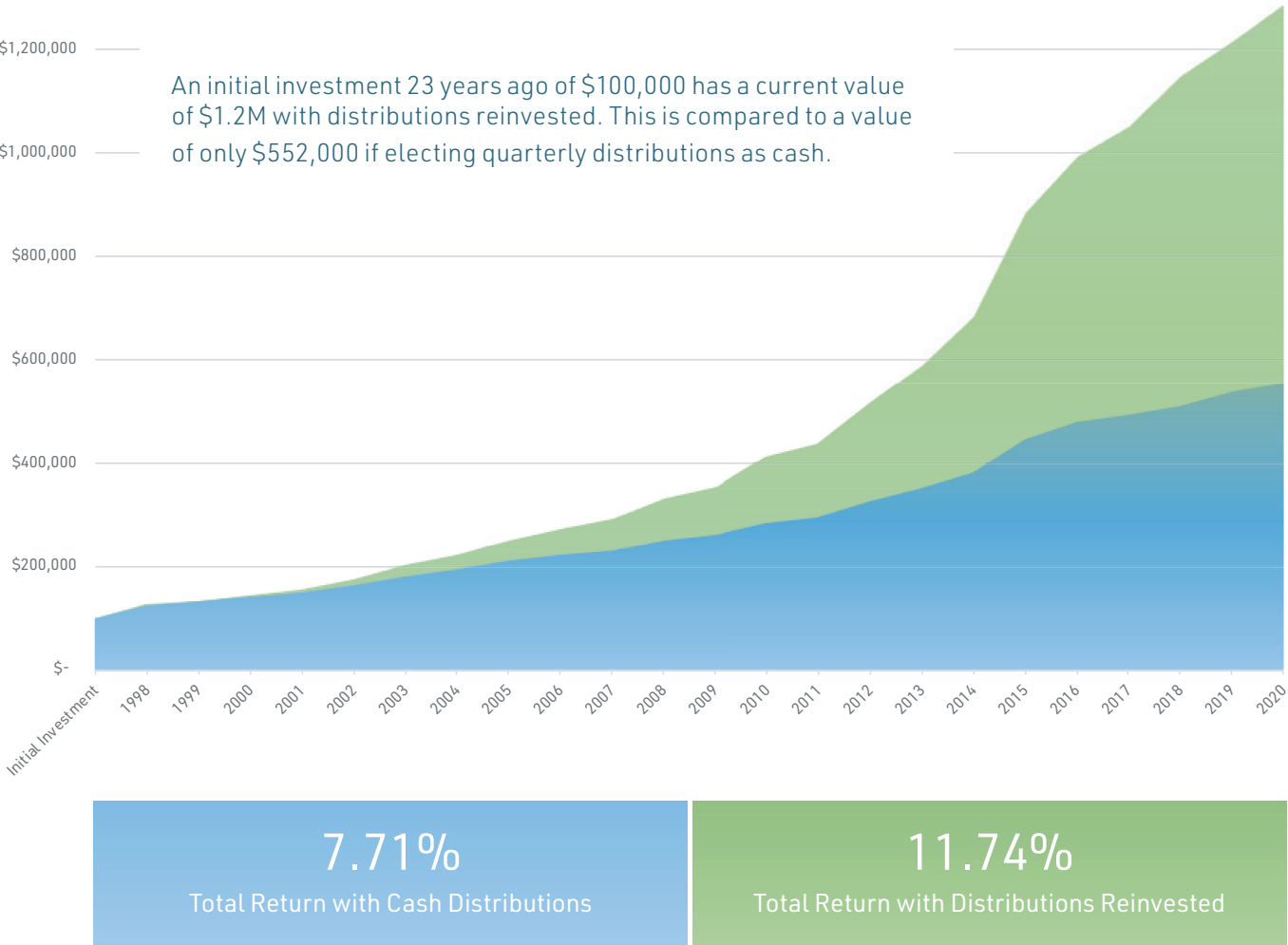
	Total Return	Return Multiple	
Dakota REIT	11.74%	12.84	\$1,284,000
FTSE NAREIT	8.62%	6.70	\$670,000
S&P 500	8.07%	5.96	\$596,000



Since inception Dakota REIT has a acheived a total return of almost 2X that of the FTSE NAREIT* index

*The Financial Times Stock Exchange National Association of Real Estate Investment Trusts (FTSE NAREIT) index measures the performance of publicly traded REITs that are listed on the New York Stock Exchange

THE POWER OF REINVESTMENT



DISTRIBUTION REINVESTMENT PLAN

Dakota REIT’s amended and restated Distribution Reinvestment Plan (DRIP) became effective January 1, 2020. The DRIP allows for the reinvestment of distributions for additional shares at a price equal to 95% of the current asking price.

A shareholder may elect to participate at any time. The initial Subscription Agreement provides the shareholder the option to 1) select the distribution paid in cash or 2) reinvest in shares at a discount of 5%. After the initial election, if a shareholder wants to change their DRIP status, the change is completed by signing a Shareholder Change Form. The Shareholder Change Form may be obtained by writing to Dakota REIT Management, LLC, 3003 32nd Avenue South, Fargo, ND 58103 or by calling Investor Relations at (701) 239-6879. Disclosure: The DRIP is offered to residents in the states Dakota REIT has registered with the SEC.

States currently registered are Arizona, Colorado, Florida, Iowa, Kansas, Massachussets, Michigan, Minnesota, Montana, Nebraska, North Dakota, South Dakota, and Texas.

Dakota UPREIT Advantage

An UPREIT (Umbrella Partnership Real Estate Investment Trust) is a structure that permits real estate owners to exchange their property holdings for limited partnership (LP) units in a REIT as a tax deferred exchange. UPREITs are often an attractive option for real estate owners looking to dispose of real estate while deferring capital gains.

Dakota REIT is the general partner of the Dakota UPREIT Limited Partnership allowing investors an opportunity to exchange equity in real estate for units of the LP. An Internal Revenue Code (IRC) 721 transaction or in combination with an IRC 1031 exchange enables this to be a tax deferred transaction. As a Limited Partner in an UPREIT transaction, unitholders receive the same per unit distribution as shareholders.



TAX ADVANTAGES

Deferral of capital gains taxes so long as individuals hold their LP units in the UPREIT.



STEADY INCOME

Income from rental property can vary significantly. REITs can provide more predictable income through distributions.



INCREASED BUYING POWER

As a result of tax deferral, individuals can use 100% of the tax savings on sale to acquire more LP units.



DIVERSIFICATION

LP unitholders own an interest in a geographically diverse portfolio comprised of multiple asset classes.



ESTATE AND TAX STRATEGY

LP units that receive a stepped up tax basis can be distributed among heirs.



REDUCE RISK

Elimination of recourse debt associated with directly owning real estate.



PASSIVE MANAGEMENT

LP unitholders benefit from professional REIT management providing freedom to enjoy life's activities.



LIQUIDITY

Real estate is illiquid. However, LP units are eligible for Dakota UPREIT's repurchase plan. Additionally, some banks will accept LP units as collateral for bank loan purposes as another source of cash.

Property to Sell - Tax Deferred Opportunity

Dakota UPREIT continues to be in the market to acquire quality property that can be added to its portfolio. An UPREIT transaction provides sellers of their properties an opportunity to defer capital gains tax, gain liquidity, and eliminate the day-to-day management responsibilities of owning real estate. A seller can contribute property or equity from a property sale as part of the transaction.

The example below shows what could occur for an owner of a property valued at \$1 million with a \$500,000 mortgage against it and a tax cost basis of \$250,000 should they choose to contribute it to Dakota UPREIT rather than selling it.

	Cash Sale	vs.	UPREIT Contribution
Capital gain tax calculation:			
\$1,000,000 property value	\$1,000,000 property value		\$1,000,000 property value
- \$250,000 tax basis	- \$500,000 loan		- \$500,000 loan
\$750,000 taxable gain	\$500,000 equity		\$500,000 equity to invest
x 23.8% federal and 1.74% state taxes ⁽¹⁾	- \$191,550 tax due on gain		
\$191,550 tax due on gain	\$308,450 cash available to invest		
	x 5% return on cash invested		x 5% return on cash invested
	\$15,423 annual cash return ⁽²⁾		\$25,000 annual cash return ⁽²⁾

Tax Savings: Estimated \$190,000 of additional investment provided by tax savings (Uncle SAM's tax dollars). Invested at Dakota REIT's historical return of 12% for 6 years has the potential to more than double to \$375,000.

Total Investment: \$500,000 of total investment invested at Dakota REIT's historical return of 12% for 6 years has the potential to more than double to \$1,023,500.

(1) Federal capital gains tax under current tax law will usually be either 20 or 25% depending on the type of property. (Note that there is still a 15% capital gains rate for individuals in the lower tax brackets but for this example, we will presume the investor is in the highest tax bracket.) In addition, it is likely that the 3.8% net investment income surtax will also apply. For our example, we have presumed a combined rate of 23.8%. It is possible that the alternative minimum tax could increase this tax rate as well, but we have not allowed for it in our example. Beginning in 2015, the maximum State tax rate for North Dakota is 2.9%. After allowing a capital gain deduction of 40%, the resulting effective state tax rate is 1.74%.

(2) The after tax cash return on an investment in an UPREIT will be affected by the investor's tax basis in their original property. The after tax cash return on the proceeds available from a cash sale will also be affected by taxes, depending on the type of investment (i.e. stocks, CD REIT, etc.).

The information herein constitutes neither an offer to sell nor solicitation of an offer to buy the securities described. IRC Section 1031 & 721 are complex tax concepts, therefore you should consult your legal or tax professional regarding the specifics of your situation. This material is for educational purposes, it does not constitute an offer for purchase or sale of real estate securities.

Acquisitions

"Grocery-anchored assets perform well in both strong and weak economic cycles. This acquisition also aligns with our focus on growth cities in the upper Midwest."

- Matthew Pederson, Executive Vice President, Dakota REIT

Timber Creek Cash Wise

Fargo, North Dakota

In September of 2020, Dakota REIT acquired **Timber Creek Cash Wise** located in Fargo, ND. The 59,000 SF retail center consists of a grocery store, liquor store, gas pumps and car wash on seven acres. This acquisition is closely aligned with Dakota REIT's investment philosophy which has a specific focus on grocery-anchored, multi-family and industrial asset classes.

Dakota REIT Grocery-Anchored Assets

\$44.9M

Total Grocery-Anchored
Shopping Assets

8%

Grocery-Anchored
Shopping Of Asset Mix

Investment Philosophy

Dakota REIT's investment objective is to generate attractive current income and growth of capital by investing in diversified real estate assets in the upper Midwest through the following strategies:

- Actively grow multi-family and industrial / flex investments
- Strategic exposure to grocery-anchored and necessity-based neighborhood shopping centers
- Expand development alliances to increase our allocation in multi-family assets
- Focus on select growth markets in the upper Midwest that exhibit strong job and population growth, low unemployment and diverse economies

Email invest@dakotareit.com to learn about latest acquisitions highlighted in our quarterly fact sheets.



Fees & Compensation

Paid To Trustees And Affiliates

The following fees and/or compensations were paid to Board of Trustees and affiliated parties during 2020.

Advisor's Management Fee

Dakota Real Estate Investment Trust paid an advisory management fee of \$1,914,450 in 2020 to Dakota REIT Management, LLC, an entity in which George Gaukler has a controlling interest. These fees are compensation for the daily operations of the Trust, which includes providing office space, staff to maintain trust records, prepare annual reports, shareholder statements and tax forms, prepare Board of Trustee reports, and advise the Board of Trustees on investment decisions. The fees are based on 1% of net invested assets of the Trust [total assets at cost, less cash and less total liabilities].

Property Acquisition Fees

Dakota Real Estate Investment Trust paid in 2020 Dakota REIT Management, LLC, an entity in which George Gaukler has a controlling interest, property acquisition fees in the amount of \$50,000, financing fees in the amount of \$178,326, UPREIT fees in the amount of \$4,000 and disposition fees in the amount of \$27,375. Fees are compensation for performing due diligence on properties acquired by the REIT, obtaining financing for the property and processing UPREIT transactions. The fees are based upon 1.5% of the purchase price of the property acquired, .25% of the mortgage obtained (limited to \$2,000 per UPREIT transaction), and are capitalized into the basis of the property.

Property Management Fees

Dakota Real Estate Investment Trust paid Valley Rental Service, Inc., an entity controlled by George Gaukler, property management fees of \$1,064,881 in 2020. Property Resource Group, controlled by Kevin Christianson, a Trustee, was paid \$163,742 for property management fees. Dakota REIT Management, LLC an entity in which George Gaukler has a controlling interest, was paid \$304,307 for commercial property management fees. Lloyd Companies, an entity in which Craig Lloyd, a Trustee, holds an ownership interest was paid \$172,389 for property management fees. Fees paid are compensation for property management, which includes collecting rent, paying bills, providing quarterly financial statements, overseeing advertising, maintenance, cleaning, and general operations of the buildings. Fees are based on 3% to 5% of rental revenue.

Trustee Compensation

The Trust pays the members of the Board of Trustees, both independent and non-independent members, certain remuneration for their services to attend meetings, plus travel and other approved expenses. In 2020, the Trust paid \$37,900 in total compensation (Directors' Fees as stated on the Consolidated Statements of Operations for Dakota Real Estate Investment Trust). George Gaukler, Jim Knutson, and Matt Pedersen did not receive any compensation because of their affiliation with Dakota REIT Management, LLC.

"With people losing their jobs and businesses closing all over the country, 2020 was an especially challenging year for commercial real estate rentals. I commend, from the top down, the leadership team, all the staff and the Board of Trustees of Dakota REIT for tirelessly working, to not only maintain quarterly dividends for all shareholders, but also increasing the value of the REIT with great new purchases. Dakota REIT is by far the safest and best investment I own."

–Dakota REIT Investor

The Declaration of Trust provides that, subject to certain conditions, the Total Operating Expenses of the Trust shall not exceed in any fiscal year the greater of 2% of the Average Invested Assets during the fiscal year or 25% of the Trust's Net Income during such fiscal year. For the year ended December 31, 2020, the Trust's Total Operating Expenses were \$2,377,531, or .41% which is less than one percent of the Average Invested Assets and 13.15% of the Net Income, before depreciation and amortization, therefore meeting the limitations.

Consolidated Financial Statements
December 31, 2020 and 2019
Dakota Real Estate Investment Trust

[Independent Auditor’s Report](#)..... 1

[Consolidated Financial Statements](#)

[Consolidated Balance Sheets](#)..... 3

[Consolidated Statements of Operations and Other Comprehensive Income](#)..... 4

[Consolidated Statements of Shareholders’ Equity](#) 5

[Consolidated Statements of Cash Flows](#) 7

[Notes to Consolidated Financial Statements](#) 9

[Supplementary Information](#)

[Consolidated Schedules of Funds from Operations](#) 35



Independent Auditor's Report

To the Board of Trustee
Dakota Real Estate Investment Trust
Fargo, North Dakota

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Dakota Real Estate Investment Trust, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations and other comprehensive income, shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dakota Real Estate Investment Trust as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidated Schedules of Funds from Operations is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Fargo, North Dakota
March 17, 2021

Dakota Real Estate Investment Trust
Consolidated Balance Sheets
December 31, 2020 and 2019

	2020	2019
Assets		
Real Estate Investments		
Property and Equipment held for rent - Note 6	\$ 496,254,417	\$ 496,284,544
Investments in Partnerships	2,815,942	3,311,168
	<u>499,070,359</u>	<u>499,595,712</u>
Cash	4,358,932	3,615,859
Restricted Deposits	12,764,442	12,300,436
Accounts Receivable		
Tenant, less Allowance for Doubtful Accounts of \$1,270,418 in 2020 and \$518,960 in 2019	1,537,087	1,312,606
Straight-Line Rent Receivable	2,683,887	2,019,696
Other	20,878	334,591
Due from Related Party	610,147	850,715
Related Party Notes Receivable	1,000,000	-
Prepaid Expenses	2,240,036	2,104,243
Fair Value of Interest Rate Swaps	-	103,138
	<u>\$ 524,285,768</u>	<u>\$ 522,236,996</u>
Liabilities		
Mortgage Note Payable, less unamortized debt issuance costs of \$1,954,642 in 2020 and \$2,208,669 in 2019	\$ 396,246,431	\$ 385,115,979
Lines of Credit	-	4,900,000
Special Assessments Payable	3,985,541	3,617,745
Tenant Security Deposits Payable	2,624,953	2,665,769
Accounts Payable	1,654,098	1,885,274
Fair Value of Interest Rate Swaps	4,488,094	2,058,974
Accrued Expenses		
Real Estate Taxes	5,556,285	5,369,814
Interest	900,084	962,037
Other	447,913	1,086,593
Total Liabilities	<u>415,903,399</u>	<u>407,662,185</u>
Shareholders' Equity		
Noncontrolling Interest in Operating Partnership	54,410,243	58,139,132
Beneficial Interest	58,460,220	58,391,515
Accumulated comprehensive income (loss)	(4,488,094)	(1,955,836)
	<u>108,382,369</u>	<u>114,574,811</u>
	<u>\$ 524,285,768</u>	<u>\$ 522,236,996</u>

See Notes to Consolidated Financial Statements

3

Dakota Real Estate Investment Trust
Consolidated Statements of Operations and Other Comprehensive Income
Years Ended December 31, 2020 and 2019

	2020	2019
Income From Rental Operations	\$ 67,679,399	\$ 65,915,533
Expenses		
Expenses from Rental Operations		
Interest Expense	18,060,629	17,623,020
Depreciation	13,420,278	12,632,408
Real Estate Taxes	8,705,076	8,203,219
Utilities	5,231,557	5,068,017
Maintenance and Payroll	8,961,083	8,784,729
Property Management Fees	2,283,836	2,269,609
Advertising and Marketing	651,790	550,999
Insurance	1,472,889	1,270,684
Other Administrative	931,019	1,115,588
Bad Debts	1,149,172	402,969
	<u>60,867,329</u>	<u>57,921,242</u>
Administration of REIT		
Advisory Management Fees	1,914,450	1,800,383
Directors' Fees	37,900	75,024
Administration and Professional Fees	387,774	207,558
Insurance	37,407	35,558
	<u>2,377,531</u>	<u>2,118,523</u>
Total Expenses	<u>63,244,860</u>	<u>60,039,765</u>
Income From Operations	<u>4,434,539</u>	<u>5,875,768</u>
Other Income (Expense)		
Gain (Loss) on Sale of Property	(677,437)	(984,867)
Gain on Involuntary Conversion of Property	350,721	146,677
Costs on Sale of Property	(187,623)	(270,183)
Loss from Investments in Partnerships	(495,226)	(462,725)
Interest Income	56,858	41,650
Other Income	611,463	550,074
	<u>(341,244)</u>	<u>(979,374)</u>
Net Income	4,093,295	4,896,394
Net Income Attributable to the Noncontrolling Interest	<u>1,801,050</u>	<u>2,154,414</u>
Net Income Attributable to Dakota Real Estate Investment Trust	<u>\$ 2,292,245</u>	<u>\$ 2,741,980</u>
Net Income	\$ 4,093,295	\$ 4,896,394
Other comprehensive income (loss) - change in fair value of interest rate swaps	(2,532,258)	(1,906,485)
Comprehensive income	<u>1,561,037</u>	<u>2,989,909</u>
Comprehensive Income Attributable to the Noncontrolling Interest	<u>686,856</u>	<u>1,315,560</u>
Comprehensive Income Attributable to Dakota Real Estate Investment Trust	<u>\$ 874,181</u>	<u>\$ 1,674,349</u>

See Notes to Consolidated Financial Statements

4

Dakota Real Estate Investment Trust
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2020 and 2019

	Common Shares		Common Shares Amount		Accumulated Deficit	Syndication Costs	Total Beneficial Interest	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)	Total
	Class A	Class B	Class A	Class B						
Balance, December 31, 2018	6,420,652	1,896,335	\$ 56,915,954	\$ 20,355,044	\$ (16,147,557)	\$ (3,769,044)	\$ 57,354,397	\$ 57,157,735	\$ (49,351)	\$ 114,462,781
Shares of Beneficial Interest issued	102,629	54,841	1,590,743	850,040			2,440,783			2,440,783
Contribution of Assets in exchange for the issuance of Noncontrolling Interest Units										
UPREIT units converted to REIT common shares	13,580	-	210,490	-			210,490	(210,490)		-
Repurchase of Shares/Units	(90,177)	(23,672)	(1,275,364)	(333,314)			(1,608,678)	(2,460,561)		(4,069,239)
Dividends and Distributions					(6,652,801)		(6,652,801)	(5,337,791)		(11,990,592)
Reinvested	213,223	79,486	2,974,465	1,110,078			4,084,543	1,213,593		5,298,136
Syndication Costs						(179,199)	(179,199)			(179,199)
Net Income					2,741,980		2,741,980	2,154,414		4,896,394
Change in Fair Value of Interest Rate SWAP									(1,906,485)	(1,906,485)
Balance, December 31, 2019	6,659,907	2,006,990	\$ 60,416,288	\$ 21,981,848	\$ (20,058,378)	\$ (3,948,243)	\$ 58,391,515	\$ 58,139,132	\$ (1,955,836)	\$ 114,574,811

See Notes to Consolidated Financial Statements

Dakota Real Estate Investment Trust
Consolidated Statements of Shareholders' Equity
Years Ended December 31, 2020 and 2019

	Common Shares		Common Shares Amount		Accumulated Deficit	Syndication Costs	Total Beneficial Interest	Noncontrolling Interest	Accumulated Other Comprehensive Income (Loss)	Total
	Class A	Class B	Class A	Class B						
Balance, December 31, 2019	6,659,907	2,006,990	\$ 60,416,288	\$ 21,981,848	\$ (20,058,378)	\$ (3,948,243)	\$ 58,391,515	\$ 58,139,132	\$ (1,955,836)	\$ 114,574,811
Shares of Beneficial Interest issued	96,365	51,376	1,493,656	796,328			2,289,984			2,289,984
Contribution of Assets in exchange for the issuance of Noncontrolling Interest Units										
UPREIT units converted to REIT common shares	13,582	-	210,521	-			210,521	650,000		650,000
Repurchase of Shares/Units	(59,735)	(31,631)	(833,297)	(445,451)			(1,278,748)	(210,521)		-
Dividends and Distributions					(7,056,622)		(7,056,622)	(5,575,232)		(2,820,264)
Dividends and Distributions Reinvested	196,512	80,033	2,852,765	1,162,742			4,015,507	1,147,330		(12,631,854)
Syndication Costs						(404,182)	(404,182)			5,162,837
Net Income					2,292,245		2,292,245	1,801,050		(404,182)
Change in Fair Value of Interest Rate SWAP									(2,532,258)	4,093,295
Balance, December 31, 2020	6,906,631	2,106,768	\$ 64,139,933	\$ 23,495,467	\$ (24,822,755)	\$ (4,352,425)	\$ 58,460,220	\$ 54,410,243	\$ (4,488,094)	\$ 108,382,369

Dakota Real Estate Investment Trust
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Operating Activities		
Net Income	\$ 4,093,295	\$ 4,896,394
Charges and Credits to Net Income Not Affecting Cash		
Depreciation	13,420,278	12,632,408
Straight-Line Rent	(664,191)	(705,897)
Interest Expense Attributable to		
Amortization of Debt Issuance Costs	566,445	482,545
Loss on Sale of Property and Equipment	677,437	984,867
Gain on Involuntary Conversion	(350,721)	-
Noncash Portion of Loss from Investments in Partnerships	495,226	462,725
Changes in Assets and Liabilities		
Accounts Receivable	89,232	(828,187)
Due from Related Party	240,568	9,119
Prepaid Expenses	(135,793)	(609,472)
Accounts Payable	(231,176)	268,097
Accrued Expenses	(514,163)	1,308,633
Tenant Security Deposits Payable	(40,816)	311,407
Net Cash from Operating Activities	<u>17,645,621</u>	<u>19,212,639</u>
Investing Activities		
Proceeds from Sale of Property	3,110,000	4,101,746
Advances on Related Party Notes Receivable	(1,000,000)	-
Insurance Proceeds Received	1,185,755	-
Purchase of Property and Equipment	<u>(9,285,619)</u>	<u>(8,110,309)</u>
Net Cash used for Investing Activities	<u>(5,989,864)</u>	<u>(4,008,563)</u>
Financing Activities		
Payments for Debt Issuance Costs	(312,418)	(554,916)
Principal Payments on Special Assessments Payable	(257,606)	(217,867)
Proceeds from Mortgage Notes Payable	14,454,443	5,080,546
Net Change in Lines of Credit	(4,900,000)	4,900,000
Principal Payments on Mortgage Notes Payable	(11,029,618)	(13,031,094)
Proceeds from Issuance of Shares of Beneficial Interest	2,289,984	2,440,783
Dividends/Distributions Paid	(7,469,017)	(6,692,456)
Repurchase of Shares of Beneficial Interest	(1,278,748)	(1,608,678)
Repurchase of Noncontrolling Interest Units	(1,541,516)	(2,460,561)
Payment of Syndication Costs	<u>(404,182)</u>	<u>(179,199)</u>
Net Cash used for Financing Activities	<u>(10,448,678)</u>	<u>(12,323,442)</u>
Net Change in Cash and Restricted Cash	1,207,079	2,880,634
Cash and Restricted Cash at Beginning of Period	<u>15,916,295</u>	<u>13,035,661</u>
Cash and Restricted Cash at End of Period	<u>\$ 17,123,374</u>	<u>\$ 15,916,295</u>
Cash	4,358,932	\$ 3,615,859
Restricted Cash	12,764,442	12,300,436
	<u>\$ 17,123,374</u>	<u>\$ 15,916,295</u>

Dakota Real Estate Investment Trust
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Supplemental Disclosure of Cash Flow Information		
Cash payments for Interest	<u>\$ 17,553,581</u>	<u>\$ 17,083,163</u>
Supplemental Schedule of Noncash Financing and Investing Activities		
Acquisition of Assets in exchange for the issuance of Noncontrolling Interest Shares in UPREIT	<u>\$ 650,000</u>	<u>\$ 5,622,232</u>
Acquisition of Assets in exchange for assumption/issuance of mortgage notes payable	<u>\$ 7,451,600</u>	<u>\$ 32,095,000</u>
Proceeds of mortgage notes payable in exchange for refinancing existing outstanding debt	<u>\$ 50,131,557</u>	<u>\$ 40,656,396</u>
Increase in Land Improvements due to increase in Special Assessments Payable	<u>\$ 625,401</u>	<u>\$ 221,991</u>
Dividends Declared	7,056,622	6,652,801
Dividends Reinvested	<u>(4,015,507)</u>	<u>(4,084,543)</u>
Total Dividends	<u>3,041,115</u>	<u>2,568,258</u>
Distributions Declared	5,575,232	5,337,791
Distributions Reinvested for Noncontrolling Interest in UPREIT	<u>(1,147,330)</u>	<u>(1,213,593)</u>
Distributions paid to Noncontrolling Interest in UPREIT	<u>4,427,902</u>	<u>4,124,198</u>
Total Dividends/Distributions Paid	<u>\$ 7,469,017</u>	<u>\$ 6,692,456</u>

Note 1 - Organization

Dakota Real Estate Investment Trust (the Trust) is organized as a real estate investment trust (REIT) incorporated under the laws of North Dakota. Internal Revenue Code Section 856 requires that 75 percent of the assets of a real estate investment trust must consist of real estate assets and that 75 percent of its gross income must be derived from real estate. The net income of the REIT is allocated in accordance with the stock ownership in the same fashion as a regular corporation.

Dakota Real Estate Investment Trust is the general partner in Dakota UPREIT, a North Dakota limited partnership, with ownership of approximately 56% as of December 31, 2020 and 2019. Dakota UPREIT is the 100% owner of DPC Apartments, LLC, CalAm 2, LLC, WPA 2, LLC, Central Park, LLC, Apartments at Eagle Lake, LLC, Amber Valley, LLC, Prairie Springs Aberdeen, LLC, Britain, LLC, 1709 25th Avenue South, LLC, 7700 68th Avenue North, LLC and Copper Creek Condominiums.

Note 2 - Principal Activity and Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Dakota REIT, and its operating partnership, Dakota UPREIT. The consolidated financial statements also include the accounts of DPC Apartments, LLC, CalAm 2, LLC, WPA 2, LLC, Central Park, LLC, Apartments at Eagle Lake, LLC, Amber Valley, LLC, Prairie Springs Aberdeen, LLC, Britain, LLC, 1709 25th Avenue South, LLC, 7700 68th Avenue North, LLC, and Copper Creek Condominiums, wholly-owned subsidiaries of Dakota UPREIT. All significant intercompany transactions and balances have been eliminated in consolidation.

Principal Business Activity

Dakota REIT has a general partner interest in Dakota UPREIT, which owns and operates 1,953 apartment units, 104 townhome units, and 2,167,035 of commercial square feet in Fargo, West Fargo, Bismarck, Minot, Oakes, and Valley City, North Dakota; in Moorhead, Lake Elmo, Baxter, Hastings, Plymouth, Mendota Heights, Vadnais Heights, Eden Prairie, Apple Valley, Bloomington, Brooklyn Park and Dilworth, Minnesota; Council Bluffs, Iowa; Omaha and Bellevue, Nebraska; and in Aberdeen, Watertown, and Sioux Falls, South Dakota.

Dakota UPREIT is also the 100% owner of DPC Apartments, LLC, which owns and operates 191 apartment units and 17,354 of commercial square feet, CalAm 2, LLC, which owns and operates 192 apartment units, WPA 2, LLC, which owns 18 townhome units and 96 apartment units, Central Park, LLC, which owns a 265 unit apartment complex, Apartments at Eagle Lake, LLC, which owns a 162 unit apartment complex, Amber Valley, LLC, which owns a 56,572 square foot retail strip center, Copper Creek Condominiums, which owns and operates 96 apartment units, Prairie Springs Aberdeen, LLC which owns a 130 unit apartment complex, Britain, LLC which owns a 168 unit apartment complex, 7700 68th Avenue North, LLC which owns a 91,730 square foot industrial warehouse and 1709 25th Avenue South, LLC which owns a 274 unit apartment complex.

In total, the Trust owns 3,527 apartment units, 122 townhome units, and 2,332,691 of commercial square feet.

In addition Dakota UPREIT owns the following limited partnership interests:

34% limited partner interest in the Bakken Heights V Limited Liability Limited Partnership. The Limited Liability Limited Partnership owns a 36-unit apartment building in Williston, North Dakota. Under the terms of the partnership agreement, the Trust is allocated approximately 34% of the net gains and losses.

40% total limited partner interest in the Bakken Heights VIII & X Limited Liability Limited Partnership. The Limited Liability Limited Partnership owns two, 36-unit apartment buildings in Williston, North Dakota. Under the terms of the partnership agreement, the Trust is allocated approximately 40% of the net gains and losses.

49% total partnership interest in Williston Real Estate Partners Limited Liability Limited Partnership. The Limited Liability Company owns two, 36-unit apartment buildings in Williston, North Dakota. Under the terms of the partnership agreement, the Trust is allocated approximately 49% of the net gains and losses.

50% total partnership interest in Dakota Roseland Apartments I, Limited Liability Limited Partnership. The Limited Liability Limited Partnership owns one, 36-unit apartment building in Williston, North Dakota. Under the terms of the Partnership agreement, the Trust is allocated approximately 50% of the net gains and losses.

39% total partnership interest in Dakota Roseland Apartments IX – XII, Limited Liability Limited Partnership. The Limited Liability Limited Partnership owns four 36-unit apartment buildings in Williston, North Dakota. Under the terms of the Partnership agreement, the Trust is allocated approximately 39% of the net gains and losses.

As general partner of Dakota UPREIT, Dakota REIT has full and exclusive management responsibility for the properties held by the UPREIT.

Concentration of Credit Risk

The Trust's cash balances are maintained in various bank deposit accounts. The deposit accounts may exceed federally insured limits at various times throughout the year.

Estimates

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

Receivables and Credit Policy

Accounts receivable are rents and charges currently due from residential and commercial tenants. Payments on accounts receivable are applied to specific months. Management estimates an allowance for doubtful accounts based upon an evaluation of the current status of receivables, historical experience, and other factors as necessary. It is reasonably possible that the Trust's estimate of the allowance for doubtful accounts will change

Related Party Notes Receivable

Notes receivable are carried at amounts advanced, net of a reserve for uncollectible accounts, if any. Notes receivable had a balance of \$1,000,000 and \$0 as of December 31, 2020 and 2019, respectively.

Property and Equipment Held for Rent

Acquisitions of property and equipment held for rent purchased prior to January 1, 2009, and after January 1, 2017, are stated at cost less accumulated depreciation as ASU 2017-01 Business Combinations (Topic 805): Clarifying the Definition of a Business was adopted. Effective January 1, 2009, and ending on December 31, 2016, the Trust adopted guidance that required property acquisitions to be recognized at their fair value as of the acquisition date and as such, property acquired by the Trust after January 1, 2009, and before December 31, 2016, is stated at the fair value as of the acquisition date less accumulated depreciation. The Trust accounts for its property acquisitions by allocating the purchase price of a property to the property's assets based on management's estimates of their fair value.

Equipment, furniture, and fixtures purchased by the Trust are stated at cost less accumulated depreciation. Costs associated with the development and construction of real estate investments, including interest, are capitalized as a cost of the property. Expenditures for renewals and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized. Expenditures for routine maintenance and repairs, which do not add to the value or extend useful lives, are charged to expense as incurred.

The Trust reviews the carrying value of property and equipment for impairment whenever events and circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends and prospects, the manner in which the property is used, and the effects of obsolescence, demand, competition, and other economic factors. Based on this assessment there was no impairment at December 31, 2020 and 2019.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Land improvements	15-20 years
Buildings and improvements	20-40 years
Furniture and fixtures	5-12 years

Investments in Partnerships

Investments consist of limited partnership interests in entities owning real estate. Investments in limited partnership interests of more than 20 percent are accounted for under the equity method. Investments are stated at cost, plus the company's equity in net earnings since acquisition, less any distributions received.

Noncontrolling Interest

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

Debt Issuance Costs

Loan costs incurred in connection with financing have been capitalized and are being amortized over the life of the loan using the effective interest method. Unamortized debt issuance costs are reported on the balance sheet as a reduction of mortgage notes payable. Amortization of debt issuance costs is included in interest expense in the financial statements.

Syndication Costs

Syndication costs consist of costs paid to attorneys, accountants, and selling agents, related to the raising of capital. Syndication costs are recorded as a reduction to equity.

Income Taxes

Dakota REIT is organized as a real estate investment trust (REIT), which calculates taxable income similar to other domestic corporations, with the major difference being that a REIT is entitled to a deduction for dividends paid. A REIT is generally required to distribute each year at least 90 percent of its taxable income. If it chooses to retain the remaining 10 percent of taxable income, it may do so, but it will be subject to a corporate tax on such income. REIT shareholders are taxed on REIT distributions of ordinary income in the same manner as they are taxed on other corporate distributions.

For the years ended December 31, 2020 and 2019, distributions have been determined to be treated as the following for income taxes:

Tax Status of Distributions	2020	2019
Ordinary Income	49.00%	55.00%
Return of Capital	51.00%	45.00%
	<u>100.00%</u>	<u>100.00%</u>

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The Trust intends to continue to qualify as a real estate investment trust as defined by the Internal Revenue Code and, as such, will not be taxed on the portion of the income that is distributed to the shareholders. In addition, the Trust intends to distribute all its taxable income, therefore, no provision or liability for income taxes have been recorded in the financial statements.

Dakota UPREIT is organized as a limited partnership. Income or loss of the UPREIT is allocated to the partners in accordance with the provisions of the Internal Revenue Code 704(c). UPREIT status allows non-recognition of gain by an owner of appreciated real estate if that owner contributes the real estate to a partnership in exchange for partnership interest. The conversion of partnership interest to shares of beneficial interest in the REIT will be a taxable event to the limited partner.

Dakota REIT has adopted the provisions of FASB Accounting Standards Codification Topic ASC 740-10. As of December 31, 2020 and 2019, the unrecognized tax benefit accrual was zero. The Trust will recognize future accrued interest and penalties related to unrecognized tax benefits in income tax expense if incurred.

Revenue Recognition

The Trust is the lessor for our residential and commercial leases and these leases are accounted for as operating leases under the Accounting Standards Codification Topic 842 *Leases* (ASC 842).

The residential leases may include lease income related to such items as parking, storage and non-refundable deposits that are treated as a single lease component because amenities cannot be leased on their own and the timing and pattern of revenue recognition are the same. The collection of lease payments at lease commencement is probable and therefore we subsequently recognize lease income over the lease term on a straight-line basis. Residential leases are renewable upon consent of both parties on an annual or monthly basis.

Substantially all commercial leases contain fixed escalations or, in some instances, changes based on the Consumer Price Index, which occur at specified times during the term of the lease. In certain commercial leases, variable lease income, such as percentage rent, is recognized when rents are earned. We recognize rental income and rental abatements from our commercial leases when earned on a straight-line basis over the lease term. Recognition of rental income commences when control of the leased space has been transferred to the tenant.

We recognize variable income from pass-through expenses on an accrual basis over the periods in which the expenses were incurred. Pass-through expenses are comprised of real estate taxes, operating expenses and common area maintenance costs which are reimbursed by tenants in accordance with specific allowable costs per tenant lease agreements. When we pay pass-through expenses, subject to reimbursement by the tenant, they are included within expenses from rental operations.

We record base rents on a straight-line basis. The monthly base rent income according to the terms of our leases is adjusted so that an average monthly rent is recorded for each tenant over the term of its lease. The straight-line rent adjustment increased revenue by \$664,191 and \$705,897 for the years ended December 31, 2020 and 2019, respectively. The straight-line receivable balance included in accounts receivable on

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

the consolidated balance sheets as of December 31, 2020 and 2019 was \$2,683,887 and \$2,019,696, respectively. We receive payments for expense reimbursements from substantially all our multi-tenant commercial tenants throughout the year based on estimates. Differences between estimated recoveries and the final billed amounts, which are immaterial, are recognized in the subsequent year.

Under ASC 842, we elected not to separate lease contracts into lease and non-lease components, since the timing and pattern of revenue is not materially different, and the non-lease component is not the primary component of the lease. Accordingly, both lease and non-lease components are presented in income from rental operations in our consolidated financial statements.

Lease income related to the Trust's operating leases is comprised of the following:

	Year ended December 31, 2020		
	Residential	Commercial	Total
Lease income related to fixed lease payments	\$ 37,394,456	\$ 22,138,226	\$ 59,532,682
Lease income related to variable lease payments	340,273	7,806,444	8,146,717
Lease Income	<u>\$ 37,734,729</u>	<u>\$ 29,944,670</u>	<u>\$ 67,679,399</u>

	Year ended December 31, 2019		
	Residential	Commercial	Total
Lease income related to fixed lease payments	\$ 33,371,497	\$ 24,346,111	\$ 57,717,608
Lease income related to variable lease payments	258,994	7,938,931	8,197,925
Lease Income	<u>\$ 33,630,491</u>	<u>\$ 32,285,042</u>	<u>\$ 65,915,533</u>

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842), which superseded FASB ASC Topic 840. The standard for operating leases as lessor is largely unchanged under ASC 842. However, the standard requires lessees to recognize lease assets and lease liabilities for leases classified as operating and finance leases on the balance sheet. Lessees will recognize in the statement of financial position a liability to make lease payments and a right-of-use asset representing its right to use the underlying asset for the lease term. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of underlying asset not to recognize lease assets and lease liabilities. If a lessee makes this election, it will recognize lease expense for such leases generally on a straight-line basis over the lease term. We adopted this standard effective as of January 1, 2019, using the optional transition method to apply the standard as of the effective date. The Trust elected to apply the package of practical expedients for the leases as lessor for its residential and commercial leases and these leases will continue to be accounted for as operating leases as of the effective date. Further, the Trust elected the practical expedient to combine lease and non-lease components for leases as lessor.

Finally, the Trust evaluated taxes collected from lessees, lessor costs paid directly by lessees, and initial direct costs and determined that the guidance was consistent with existing practice. Based on these evaluations, the Trust determined that for leases as lessor, as of January 1, 2019, there was no impact on lease revenue or related expenses.

Advertising and Marketing

Costs incurred for advertising and marketing are expensed as incurred. Advertising and marketing expense totaled \$651,790 and \$550,999 for the years ended December 31, 2020 and 2019, respectively.

Financial Instruments and Fair Value Measurements

The Trust has determined the fair value of certain assets and liabilities in accordance with the provisions of FASB ASC Topic 820-10, which provides a framework for measuring fair value under generally accepted accounting principles.

ASC Topic 820-10 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC Topic 820-10 requires that valuation techniques maximize the use of observable inputs and minimize the use of unobservable inputs. ASC Topic 820-10 also establishes a fair value hierarchy, which prioritizes the valuation inputs into three broad levels.

Level 1 inputs consist of quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the related asset or liability. Level 3 inputs are unobservable inputs related to the asset or liability.

Interest Rate Contracts and Hedging Activities

For asset/liability management purposes, the Trust uses interest rate swap agreements to hedge various exposures or to modify interest rate characteristics of various balance sheet accounts. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. These swap agreements are derivative instruments and generally convert a portion of the Trust's variable-rate debt to a fixed rate (cash flow hedge).

Interest rate derivative financial instruments receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Trust to risk. Those derivative financial instruments that do not meet specified hedging criteria would be recorded at fair value with changes in fair value recorded in income.

The gain or loss on a derivative designated and qualifying as a fair value hedging instrument, as well as the offsetting gain or loss on the hedged item attributable to the risk being hedged, is recognized currently in earnings in the same accounting period. The effective portion of the gain or loss on a derivative designated and qualifying as a cash flow hedging instrument is initially reported as a component of other comprehensive income and subsequently reclassified into earnings in the same period or periods during which the hedged transaction affects

earnings. The reclassification adjustment for losses included in net income was \$819,895 and \$46,056 for the years ended December 31, 2020 and 2019, respectively. The ineffective portion of the gain or loss on the derivative instrument, if any, is recognized currently in earnings.

Note 3 - Interest Rate Contracts

Interest rate swap contracts are entered into primarily as an asset/liability management strategy of the Trust to modify interest rate risk. The primary risk associated with all swaps is the exposure to movements in interest rates and the ability of the counterparties to meet the terms of the contract. The Trust is exposed to losses if the counterparty fails to make its payments under a contract in which the Trust is in a receiving status. The Trust minimizes its risk by monitoring the credit standing of the counterparties. The Trust anticipates the counterparties will be able to fully satisfy their obligations under the remaining agreements. These contracts are typically designated as cash flow hedges.

The following table summarizes the derivative financial instruments utilized at December 31, 2020 and 2019:

	Balance Sheet Location	Notional Amount	Estimated Fair Value	
			Gain	Loss
December 31, 2020				
Cash flow hedge	Liabilities	\$ 11,401,574	\$ -	\$ (563,301)
Cash flow hedge	Liabilities	5,753,660	-	(1,135,340)
Cash flow hedge	Liabilities	5,358,090	-	(1,057,281)
Cash flow hedge	Liabilities	8,299,280	-	(1,233,108)
Cash flow hedge	Liabilities	3,426,181	-	(317,918)
Cash flow hedge	Liabilities	7,401,047	-	(93,721)
Cash flow hedge	Liabilities	34,417,647	-	(32,871)
Cash flow hedge	Liabilities	6,574,340	-	(54,554)
		<u>\$ 82,631,819</u>	<u>\$ -</u>	<u>\$ (4,488,094)</u>
December 31, 2019				
Cash flow hedge	Assets	\$ 11,762,516	\$ 103,138	\$ -
Cash flow hedge	Liabilities	5,875,310	-	(737,789)
Cash flow hedge	Liabilities	5,471,420	-	(687,063)
Cash flow hedge	Liabilities	8,479,800	-	(601,166)
Cash flow hedge	Liabilities	3,519,115	-	(32,956)
		<u>\$ 35,108,161</u>	<u>\$ 103,138</u>	<u>\$ (2,058,974)</u>

The following table details the derivative financial instruments, the average remaining maturities and the weighted-average interest rates being paid and received at December 31, 2020 and 2019:

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

	Notional Value	Average Maturity (Years)	Fair Value Gain (Loss)	Receive	Pay
December 31, 2020					
Loan interest rate swap	\$ 11,401,574	5.5	\$ (563,301)	2.2586%	3.5400%
Loan interest rate swap	5,753,660	7.9	(1,135,340)	2.1488%	5.3800%
Loan interest rate swap	5,358,090	7.9	(1,057,281)	2.1488%	5.3800%
Loan interest rate swap	8,299,280	8.33	(1,233,108)	2.3988%	4.8800%
Loan interest rate swap	3,426,181	8.9	(317,918)	2.1586%	3.8700%
Loan interest rate swap	7,401,047	6.7	(93,721)	2.4530%	3.0000%
Loan interest rate swap	34,417,647	9.75	(32,871)	2.4586%	3.0500%
Loan interest rate swap	6,574,340	9.66	(54,554)	2.6488%	3.3100%
	<u>\$ 82,631,819</u>		<u>\$ (4,488,094)</u>		
	Notional Value	Average Maturity (Years)	Fair Value Gain (Loss)	Receive	Pay
December 31, 2019					
Loan interest rate swap	\$ 11,762,516	6.5	\$ 103,138	3.8398%	3.5400%
Loan interest rate swap	5,875,310	8.9	(737,789)	3.7151%	5.3800%
Loan interest rate swap	5,471,420	8.9	(687,063)	3.7151%	5.3800%
Loan interest rate swap	8,479,800	9.33	(601,166)	3.9651%	4.8800%
Loan interest rate swap	3,519,115	9.9	(32,956)	3.7398%	3.8700%
	<u>\$ 35,108,161</u>		<u>\$ (1,955,836)</u>		

The following table summarizes the amount of gains (losses) included in the consolidated statements of operations and other comprehensive income for the years ended December 31, 2020 and 2019:

	Location	2020	2019
Cash flow hedge	Comprehensive (Loss)	\$ (666,438)	\$ (594,023)
Cash flow hedge	Comprehensive (Loss)	(397,552)	(351,245)
Cash flow hedge	Comprehensive (Loss)	(370,218)	(327,095)
Cash flow hedge	Comprehensive (Loss)	(631,942)	(601,166)
Cash flow hedge	Comprehensive (Loss)	(284,961)	(32,956)
Cash flow hedge	Comprehensive (Loss)	(93,721)	-
Cash flow hedge	Comprehensive (Loss)	(32,872)	-
Cash flow hedge	Comprehensive (Loss)	(54,554)	-
		<u>\$ (2,532,258)</u>	<u>\$ (1,906,485)</u>

Note 4 - Fair Value Measurements

Fair Value Measurements on a Recurring Basis

There are three general valuation techniques that may be used to measure fair value on a recurring basis, as described below:

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

1. Market approach – Uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. Prices may be indicated by pricing guides, sale transactions, market trades, or other sources;
2. Cost approach – Based on the amount that currently would be required to replace the service capacity of an asset (replacement cost); and
3. Income approach – Uses valuation techniques to convert future amounts to a single present amount based on current market expectations about the future amounts (includes present value techniques and option-pricing models). Net present value is an income approach where a stream of expected cash flows is discounted at an appropriate market interest rate.

Interest rate swaps are generally classified as Level 2 inputs. The fair values of interest rate swap contracts relate to specific borrower interest rate swap contracts. The fair value is estimated by a third party using inputs that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy. These fair value estimations include primarily market observable inputs, such as yield curves, and include the value associated with counterparty credit risk. Management reviews this third party analysis and has approved the values estimated for the fair values.

Fair Value Measurements on a Nonrecurring Basis

The Trust had no assets or liabilities recorded at fair value on a nonrecurring basis as of December 31, 2020 and 2019.

	Total	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
December 31, 2020				
Interest rate swap	\$ 563,301	\$ -	\$ 563,301	\$ -
Interest rate swap	1,135,340	-	1,135,340	-
Interest rate swap	1,057,281	-	1,057,281	-
Interest rate swap	1,233,108	-	1,233,108	-
Interest rate swap	317,918	-	317,918	-
Interest rate swap	93,721	-	93,721	-
Interest rate swap	32,871	-	32,871	-
Interest rate swap	54,554	-	54,554	-
Total liabilities	<u>\$ 4,488,094</u>	<u>\$ -</u>	<u>\$ 4,488,094</u>	<u>\$ -</u>
	Total	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Unobservable Inputs Level 3
December 31, 2019				
Interest rate swap	\$ 103,138	\$ -	\$ 103,138	\$ -
Total assets	<u>\$ 103,138</u>	<u>\$ -</u>	<u>\$ 103,138</u>	<u>\$ -</u>
Interest rate swap	\$ 737,789	\$ -	737,789	\$ -
Interest rate swap	687,063	-	687,063	-
Interest rate swap	601,166	-	601,166	-
Interest rate swap	32,956	-	32,956	-
Total liabilities	<u>\$ 2,058,974</u>	<u>\$ -</u>	<u>\$ 2,058,974</u>	<u>\$ -</u>

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 5 - Restricted Deposits

	2020	2019
Tenant Security Deposits	\$ 2,781,391	\$ 2,729,585
Real Estate Tax and Insurance Escrows	2,283,223	2,095,800
Replacement Reserves	6,276,595	5,421,118
Trust Reserves	1,423,233	2,053,933
	<u>\$ 12,764,442</u>	<u>\$ 12,300,436</u>

Tenant Security Deposits

Pursuant to management policy, the Trust has set aside funds to repay tenant security deposits after lease termination, in accordance with requirements established by the state where the property is located.

Real Estate Tax and Insurance Escrows

Pursuant to the terms of certain mortgages and management policy, the Trust established and maintains a real estate tax escrow and insurance escrow to pay real estate taxes and insurance. The Trust is to contribute to the account monthly an amount equal to 1/12 of the estimated real estate taxes and insurance premiums.

Replacement Reserves

Pursuant to the terms of certain mortgages and Board policy, the Trust established and maintains several replacement reserve accounts. The Trust makes monthly deposits into the replacement reserve accounts to be used for repairs and replacements on the property. Certain replacement reserve accounts require authorization from the mortgage company for withdrawals.

Trust Reserves

Pursuant to the terms of the mortgage on the Azool Retail Center, a trust reserve in the amount of \$410,635 was established to be used for the initial tenant leasehold improvements. The funds are held in a non-interest bearing account by the mortgage holder. The balance of the trust reserve was \$87,133 as of December 31, 2020 and 2019.

Pursuant to the terms of the mortgage on the Minot Metro Center, a trust reserve in the amount of \$750,000 was established to be used for tenant leasehold improvements. The funds are held in a non-interest bearing account by the mortgage holder. The balance of the trust reserve was \$750,000 as of December 31, 2020 and 2019.

Pursuant to the terms of the mortgage on the Hampshire Tech Building, a trust reserve in the amount of \$1,170,000 was established to be used for the initial tenant leasehold improvements. The funds are held in an interest bearing account by the mortgage holder. The balance of the trust reserve was \$520,000 and \$1,170,000 as of December 31, 2020 and 2019, respectively.

The Trust had estimated tax deposits with the State of Minnesota in the amount of \$66,100 and \$46,800 as of December 31, 2020 and 2019.

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The Trust had no earnest money and closing expense deposits for the future purchase of property as of December 31, 2020 and 2019.

Note 6 - Property and Equipment Held for Rent

Property and Equipment held for rent as of December 31, 2020 is as follows:

	Residential	Commercial	Total
Land and Land Improvements	\$ 33,621,613	\$ 76,257,140	\$ 109,878,753
Building and Improvements	250,929,538	218,139,387	469,068,925
Furniture and Fixtures	7,822,417	485,305	8,307,722
Construction in Process - See Note 11	500,000	-	500,000
	<u>292,873,568</u>	<u>294,881,832</u>	<u>587,755,400</u>
Less Accumulated Depreciation	<u>(56,264,735)</u>	<u>(35,236,248)</u>	<u>(91,500,983)</u>
	<u>\$ 236,608,833</u>	<u>\$ 259,645,584</u>	<u>\$ 496,254,417</u>

Property and Equipment held for rent as of December 31, 2019 is as follows:

	Residential	Commercial	Total
Land and Land Improvements	\$ 33,394,613	\$ 71,699,752	\$ 105,094,365
Building and Improvements	250,219,726	212,950,434	463,170,160
Furniture and Fixtures	6,742,382	458,268	7,200,650
Construction in Process - See Note 11	500,000	-	500,000
	<u>290,856,721</u>	<u>285,108,454</u>	<u>575,965,175</u>
Less Accumulated Depreciation	<u>(49,609,331)</u>	<u>(30,071,300)</u>	<u>(79,680,631)</u>
	<u>\$ 241,247,390</u>	<u>\$ 255,037,154</u>	<u>\$ 496,284,544</u>

Note 7 - Investments in Partnerships

The Trust's investments in partnerships as of December 31, 2020 and 2019 consist of the following:

	2020	2019
Bakken Heights V Limited Liability Limited Partnership	\$ 34,007	\$ 86,221
Bakken Heights VIII and X Limited Liability Limited Partnership	365,442	465,905
Williston Real Estate Partners Limited Liability Limited Partnership	244,022	395,683
Dakota Roseland Apartments I, Limited Liability Limited Partnership	576,930	601,833
Dakota Roseland Apartments IX - XII, Limited Liability Limited Partnership	<u>1,595,541</u>	<u>1,761,526</u>
Total Investments	<u>\$ 2,815,942</u>	<u>\$ 3,311,168</u>

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Condensed unaudited financial information for the Trust's investments in partnerships accounted for under the equity method as of December 31, 2020 is as follows:

	Dakota Roseland Apartments IX-XII	Bakken Heights V LLLP	Bakken Heights VIII & X LLLP	Williston Real Estate Partners	Dakota Roseland Apartments I	Total
Total Assets	\$ 19,488,561	\$ 2,780,841	\$ 6,563,235	\$ 7,886,844	\$ 4,216,509	\$ 40,935,990
Total Liabilities	<u>15,288,283</u>	<u>2,672,370</u>	<u>5,606,448</u>	<u>5,953,778</u>	<u>3,035,341</u>	<u>32,556,220</u>
Partnership Equity	<u>\$ 4,200,278</u>	<u>\$ 108,471</u>	<u>\$ 956,787</u>	<u>\$ 1,933,066</u>	<u>\$ 1,181,168</u>	<u>\$ 8,379,770</u>
Income	\$ 1,805,547	\$ 299,901	\$ 781,081	\$ 626,031	\$ 453,081	\$ 3,965,641
Expenses	<u>2,231,144</u>	<u>453,471</u>	<u>1,032,244</u>	<u>935,543</u>	<u>502,888</u>	<u>5,155,290</u>
Net Income (Loss)	<u>\$ (425,597)</u>	<u>\$ (153,570)</u>	<u>\$ (251,163)</u>	<u>\$ (309,512)</u>	<u>\$ (49,807)</u>	<u>\$ (1,189,649)</u>

Condensed unaudited financial information for the Trust's investments in partnerships accounted for under the equity method as of December 31, 2019 is as follows:

	Dakota Roseland Apartments IX-XII	Bakken Heights V LLLP	Bakken Heights VIII & X LLLP	Williston Real Estate Partners	Dakota Roseland Apartments I	Total
Total Assets	\$ 20,023,288	\$ 2,862,896	\$ 6,782,660	\$ 8,148,970	\$ 4,295,952	\$ 42,113,766
Total Liabilities	<u>15,397,412</u>	<u>2,600,855</u>	<u>5,574,710</u>	<u>5,906,392</u>	<u>3,064,977</u>	<u>32,544,346</u>
Partnership Equity	<u>\$ 4,625,876</u>	<u>\$ 262,041</u>	<u>\$ 1,207,950</u>	<u>\$ 2,242,578</u>	<u>\$ 1,230,975</u>	<u>\$ 9,569,420</u>
Income	\$ 1,932,678	\$ 389,246	\$ 873,084	\$ 788,949	\$ 491,772	\$ 4,475,729
Expenses	<u>2,170,386</u>	<u>428,119</u>	<u>1,034,269</u>	<u>1,040,570</u>	<u>529,649</u>	<u>5,202,993</u>
Net Income (Loss)	<u>\$ (237,708)</u>	<u>\$ (38,873)</u>	<u>\$ (161,185)</u>	<u>\$ (251,621)</u>	<u>\$ (37,877)</u>	<u>\$ (727,264)</u>

Note 8 – Lines of Credit

The Trust has an \$850,000 variable line of credit through First International Bank & Trust at December 31, 2020. The line has a variable interest rate (5.00% at December 31, 2020), interest payments are due monthly, unpaid principal and interest is due March 2021, and the line is secured by a mortgage on property. The Trust had an outstanding balance due on the line of credit of \$0 and \$600,000 at December 31, 2020 and 2019, respectively.

The Trust has a \$650,000 variable line of credit through First International Bank & Trust at December 31, 2020. The line has a variable interest rate (5.25% at December 31, 2020), interest payments are due monthly, unpaid principal and interest is due March 2021, and the line is secured by a mortgage on property. The Trust had an outstanding balance due on the line of credit of \$0 and \$200,000 at December 31, 2020 and 2019, respectively.

The Trust has a \$1,000,000 variable line of credit through American Bank Center at December 31, 2020. The line has a variable interest rate (4.75% at December 31, 2020), interest payments are due monthly, unpaid principal and interest is due December 2021, and the line is unsecured. The Trust had an outstanding balance due on the line of credit of \$0 and \$500,000 at December 31, 2020 and 2019, respectively.

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The Trust has a \$1,000,000 variable line of credit through Choice Financial Group. The line has a variable interest rate (5.00% as of December 31, 2020), interest payments are due monthly, unpaid principal and interest is due May 2021, and the line is secured by a mortgage on property. The Trust had an outstanding balance due on the line of credit of \$0 and \$500,000 at December 31, 2020 and 2019, respectively.

The Trust has a \$3,000,000 variable line of credit through Western State Bank. The line has a variable interest rate (4.75% at December 31, 2020), interest payments are due monthly, unpaid principal and interest is due February 2021, and the line is secured by a mortgage on property and personal guaranty by George Gaukler. The Trust had an outstanding balance due on the line of credit of \$0 and \$1,000,000 at December 31, 2020 and 2019, respectively.

The Trust has a \$2,000,000 variable line of credit through Starion Financial. The line has a variable interest rate (5.25% at December 31, 2020), interest payments are due monthly, unpaid principal and interest is due August 2021 and the line is unsecured. The Trust had an outstanding balance due on the line of credit of \$0 and \$1,000,000 at December 31, 2020 and 2019, respectively.

The Trust has a \$2,000,000 variable line of credit through First Western Bank & Trust. The line has a variable interest rate (3.50% at December 31, 2020), interest payments are due monthly, unpaid principal and interest is due October 2021 and the line is unsecured. The Trust had an outstanding balance due on the line of credit of \$0 and \$1,100,000 at December 31, 2020 and 2019, respectively.

Note 9 - Special Assessments Payable

At December 31, 2020 and 2019, special assessments payable totaled \$3,985,541 and \$3,617,745, respectively. Future principal payments related to special assessments payable over the next five years are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2021	\$ 190,699
2022	189,533
2023	161,786
2024	158,325
2025	155,626
Thereafter	<u>3,129,572</u>
	<u>\$ 3,985,541</u>

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Note 10 - Mortgage Notes Payable

Terms on mortgage notes payable outstanding at December 31, 2020 are as follows:

	Stated Interest Rate	Maturity Date	Monthly Payment	Effective Interest Rate
Residential Properties:				
Wheatland Place 1- 4, Wheatland TH 1, Westlake TH 1 (d)	7.10%	April 2024	\$ 30,845	7.10%
Central Park Apartments	3.78%	July 2026	72,860	3.92%
Eagle Lake Apartments	3.81%	August 2026	46,653	3.96%
Summers @ Osgood (i)	4.40%	March 2024	73,461	4.62%
Cooperative Living Center (e)	4.63%	May 2034	6,464	4.63%
Cooperative Living Center (e)	(v) 2.75%	May 2034	600	3.75%
WPA 2, LLC (d)	5.60%	June 2021	32,723	5.90%
CAL AM 2, LLC (d) (g)	5.76%	April 2021	52,593	6.02%
Country Meadows	4.16%	June 2022	22,592	4.25%
Donegal Apartments	4.84%	October 2032	90,870	4.94%
Washington Heights I	4.56%	October 2022	4,729	4.56%
Urban Meadows 1 & 2 (d)	4.27%	June 2022	29,998	4.27%
Westlake II Townhomes	(v) 5.24%	April 2032	13,324	5.27%
Wheatland Townhomes IV (e)	4.37%	June 2022	14,699	4.52%
Hillview Complex	4.13%	August 2023	8,619	4.21%
Century East II and III (g)	5.00%	October 2023	13,120	5.00%
Calgary 1-2-3 Century East IV and V (g)	5.39%	October 2023	31,592	5.39%
Century East I (g)	5.21%	April 2023	5,820	5.21%
Urban Meadows 3 (a)	2.78%	August 2040	11,105	2.78%
Urban Meadows 4	5.51%	January 2039	13,765	5.51%
Urban Meadows 5	(v) 5.25%	October 2023	13,425	5.25%
Copper Creek (a)	(v) 3.99%	January 2030	34,464	4.06%
Hidden Point I	4.78%	July 2023	13,555	4.78%
Hidden Point IV	4.78%	July 2023	13,600	4.78%
Pacific West Apartments (a)	(v) 3.99%	January 2030	56,263	4.04%
Paramount Apartments (b)	4.00%	November 2024	56,050	4.08%
Maple Point I, II, and IV	(v) 4.88%	March 2039	13,583	4.88%
Wheatland Townhomes III (a)	3.75%	August 2025	8,349	4.00%
Britain Towne (c)	3.80%	June 2047	26,541	3.86%
One Oak Place (a) (f)	3.05%	September 2030	165,220	3.10%
Prairie Springs	3.96%	December 2022	32,308	4.25%
Prairie Village I	4.05%	September 2025	25,589	4.25%
Prairie Village II	4.06%	September 2025	24,774	4.25%
Maple Point III (g)	4.01%	February 2021	2,959	4.32%
Hidden Pointe II (e)	4.17%	October 2024	12,767	4.20%
Hidden Pointe III (e)	4.17%	October 2024	12,436	4.20%
Bismarck 5 Apts	4.10%	November 2029	96,717	4.20%

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

	Stated Interest Rate	Maturity Date	Monthly Payment	Effective Interest Rate
Commercial Properties:				
Amber Valley Retail (d)	4.50%	May 2022	\$ 41,068	4.67%
Minot Metro Center	5.10%	February 2029	41,030	5.18%
1228 Airport Road (a)	4.10%	January 2025	14,700	4.16%
Leevers Building (e)	4.35%	November 2021	4,780	4.35%
Shopko Building - ND (e) (h)	(v) 4.40%	March 2035	8,393	4.58%
Lindquist Square (a)	4.25%	December 2025	6,069	4.25%
Logans on Third (a)	3.50%	December 2025	7,444	3.50%
Tuscany Square (a)	3.50%	December 2025	13,538	3.50%
Century Plaza (a)	3.50%	December 2025	9,612	3.64%
Pioneer Center (b)	3.80%	April 2021	42,880	3.93%
South Broadway Plaza	4.25%	July 2021	5,068	4.25%
AAA Storage (g)	5.25%	December 2021	7,494	5.25%
Pizza Ranch Building	4.81%	December 2021	4,323	4.81%
Wanzek Building (a) (f)	3.31%	April 2030	32,647	3.37%
Willow Creek	4.50%	March 2023	24,185	4.64%
D&M Building (f)	(v) 3.87%	November 2029	18,274	3.98%
Harmony Plaza (f)	(v) 5.38%	October 2028	33,913	5.45%
North Pointe Plaza	3.87%	December 2024	17,815	4.00%
Riverwood Plaza (f)	(v) 5.38%	October 2028	36,416	5.45%
Cummins Building - ND	4.61%	April 2024	14,305	4.79%
First Center South (f)	(v) 4.88%	May 2029	49,522	4.94%
Eagle Pointe III	3.92%	January 2025	23,397	4.13%
Hastings Warehouse (h) (g)	3.64%	February 2025	3,721	4.32%
Plymouth 6-61	(v) 4.00%	October 2025	17,650	4.18%
Eagle Pointe II	(v) 4.00%	October 2025	21,316	4.26%
Mendota Heights Office Park	(v) 4.00%	May 2026	29,867	4.22%
ATD - USPO Warehouse (f)	(v) 3.54%	July 2025	65,705	3.67%
Vadnais Square	(v) 3.99%	August 2026	81,965	4.13%
Pinehurst West	4.40%	November 2021	46,916	4.59%
Tower Plaza (e)	(v) 4.00%	December 2026	65,226	4.06%
City West 55 West	(v) 3.80%	January 2032	49,807	3.97%
Pinehurst East	3.85%	January 2022	75,256	4.03%
Azool Retail Center	(v) 4.56%	January 2027	39,862	4.72%
MIDCO Building	4.63%	December 2027	82,681	4.73%
Apple Valley Business Center	4.99%	June 2028	43,246	5.13%
Brooklyn Park Warehouse	5.05%	April 2029	23,500	5.23%
Hampshire Tech	4.69%	May 2026	57,603	4.80%
CashWise - Timber Creek (f)	(v) 3.00%	September 2027	35,400	3.12%

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2019 and 2018

Mortgage notes payable consist of:

	2020		2019	
	Mortgage Balance	Mortgage Balance Less Unamortized Loan Costs	Mortgage Balance	Mortgage Balance Less Unamortized Loan Costs
Residential Properties:				
Wheatland Place 1- 4, Wheatland TH 1, Westlake TH 1 (d)	\$ 1,095,783	\$ 1,095,783	\$ 1,377,179	\$ 1,377,179
Central Park Apartments	14,706,082	14,602,183	15,008,904	14,884,880
Eagle Lake Apartments	9,200,508	9,131,083	9,399,749	9,317,003
Summers @ Osgood (i)	9,228,210	9,178,157	9,299,977	9,232,836
Cooperative Living Center (e)	778,399	778,399	808,188	808,188
Cooperative Living Center(e)	76,022	76,022	79,452	79,452
WPA 2, LLC (d)	4,837,251	4,831,447	4,950,978	4,930,996
CAL AM 2, LLC (d) (g)	7,643,284	7,638,569	7,820,920	7,797,051
Country Meadows	3,166,393	3,162,693	3,278,520	3,272,210
Donegal Apartments	14,824,070	14,688,290	15,175,611	15,025,606
Washington Heights I	675,704	675,704	688,161	688,161
Urban Meadows 1 & 2 (d)	3,141,533	3,141,533	3,307,176	3,307,176
Westlake II Townhomes	1,381,089	1,379,190	1,444,525	1,442,339
Wheatland Townhomes IV (e)	2,473,948	2,469,838	2,506,463	2,499,513
Hillview Complex	1,302,291	1,299,708	1,338,283	1,334,656
Century East II and III (g)	1,527,374	1,527,374	1,585,867	1,585,867
Calgary 1-2-3 Century East IV and V (g)	4,383,848	4,383,848	4,452,179	4,452,179
Century East I (g)	799,379	799,379	815,197	815,197
Urban Meadows 3 (a)	2,010,227	2,010,227	2,054,881	2,054,607
Urban Meadows 4	1,897,259	1,897,259	1,946,871	1,946,871
Urban Meadows 5	1,871,761	1,871,761	1,918,972	1,918,972
Copper Creek (a)	6,408,374	6,375,470	-	-
Hidden Point I	1,949,409	1,949,409	1,999,686	1,999,686
Hidden Point IV	1,977,085	1,977,085	2,026,776	2,026,776
Pacific West Apartments (a)	10,461,667	10,425,168	-	-
Paramount Apartments (b)	10,300,000	10,270,906	10,550,000	10,512,920
Maple Point I, II, and IV	1,966,940	1,966,940	2,015,228	2,015,228
Wheatland Townhomes III (a)	1,386,233	1,371,852	1,038,983	1,038,983
Britain Towne (c)	5,314,647	5,271,921	5,428,817	5,383,299
One Oak Place (a) (f)	34,417,647	34,307,791	30,993,400	30,870,338
Prairie Springs	5,721,713	5,690,244	5,875,667	5,827,766
Prairie Village I	4,166,715	4,132,321	4,253,462	4,211,022
Prairie Village II	4,089,671	4,055,285	4,145,043	4,102,611
Maple Point III (g)	495,149	494,897	506,499	504,703
Hidden Pointe II (e)	2,310,042	2,307,665	2,352,497	2,349,460
Hidden Pointe III (e)	2,250,241	2,247,880	2,291,597	2,288,580
Bismarck 5 Apts	17,576,077	17,453,504	17,995,420	17,855,543

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

	2020		2019	
	Mortgage Balance	Mortgage Balance Less Unamortized Loan Costs	Mortgage Balance	Mortgage Balance Less Unamortized Loan Costs
Commercial Properties:				
Amber Valley Retail (d)	\$ 6,821,893	\$ 6,806,170	\$ 6,912,748	\$ 6,885,535
Minot Metro Center	7,294,069	7,239,509	6,783,643	6,723,067
1228 Airport Road (a)	2,356,915	2,346,015	-	-
Leevers Building (e)	662,113	662,113	682,823	682,823
Shopko Building - ND (e) (h)	1,059,885	1,045,976	1,098,656	1,082,932
Lindquist Square (a)	494,182	494,182	533,613	533,613
Logans on Third (a)	1,037,631	1,037,631	1,065,398	1,063,611
Tuscany Square (a)	1,887,240	1,887,240	1,937,058	1,934,258
Century Plaza (a)	1,650,000	1,640,650	-	-
Pioneer Center (b)	7,306,920	7,303,825	7,445,454	7,432,869
South Broadway Plaza	433,377	433,377	473,350	473,350
AAA Storage (g)	738,067	738,067	787,631	787,631
Pizza Ranch Building	441,068	441,068	470,484	470,484
Wanzek Building (a) (f)	6,574,340	6,545,882	5,149,477	5,135,896
Willow Creek	4,075,028	4,066,668	4,149,604	4,137,361
D&M Building (f)	3,426,181	3,409,480	3,509,115	3,490,233
Harmony Plaza (a) (f)	5,358,090	5,329,200	5,471,420	5,439,242
North Pointe Plaza	2,874,961	2,862,507	2,952,878	2,936,712
Riverwood Plaza (f)	5,753,660	5,722,471	5,875,310	5,840,571
Cummins Building - ND	2,144,202	2,132,687	2,202,253	2,186,998
First Center South (f)	8,299,280	8,252,727	8,479,800	8,428,138
Eagle Pointe III	3,821,883	3,792,919	3,879,203	3,842,418
Hastings Warehouse (h) (g)	541,910	535,853	559,711	552,014
Plymouth 6-61	2,937,641	2,905,330	2,982,441	2,942,694
Eagle Pointe II	3,547,716	3,512,261	3,601,819	3,558,205
Mendota Heights Office Park	5,049,891	4,996,969	5,122,737	5,058,863
ATD - USPO Warehouse (f)	11,401,573	11,358,985	11,762,516	11,709,628
Vadnais Square	13,861,614	13,766,762	14,169,976	14,056,300
Pinehurst West	7,748,265	7,735,803	7,861,615	7,835,169
Tower Plaza (e)	11,117,284	11,084,040	11,370,370	11,330,810
City West 55 West	8,680,254	8,606,077	8,873,407	8,785,231
Pinehurst East	13,154,128	13,129,625	13,347,440	13,299,570
Azool Retail Center	6,140,346	6,083,248	6,281,659	6,214,130
MIDCO Building	13,592,774	13,509,094	13,936,257	13,839,055
Apple Valley Business Center	7,016,452	6,957,187	7,058,311	6,989,995
Brooklyn Park Warehouse	3,879,130	3,829,757	3,941,698	3,885,604
Hampshire Tech	9,808,038	9,757,860	9,971,770	9,911,505
Cash Wise - Timber Creek (f)	7,401,047	7,350,431	-	-
Notes paid in full	-	-	15,891,875	15,881,609
	<u>\$ 398,201,073</u>	<u>\$ 396,246,431</u>	<u>\$ 387,324,648</u>	<u>\$ 385,115,979</u>

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

- (a) The Trust refinanced the terms of these loans in 2020.
- (b) Step down revolving mortgage loan that allows for principal to be advanced and paid down multiple times during the term of the loan.
- (c) The Trust has entered into an agreement with the U.S. Department of Housing and Urban Development (HUD) that contains the following provisions:
- During the term of the regulatory agreement, the Trust is obligated to make monthly deposits in the amount of \$7,000 to a replacement reserve. Disbursements from the reserve are to be used for the replacement of property and other necessary project expenditures and are to be made only with HUD approval. The funds may also be used as payment on the mortgage in the event of default.
 - All distributions to the Trust can be made only after the end of the semiannual or annual fiscal period. Distributions may be made only to the extent sufficient surplus cash is available after payment of all operating expenses, escrow deposits required by HUD, and principal and interest on the HUD-insured mortgage.
 - In the event of a default on the mortgage, all rents, profits, and income of the project are to be assigned to HUD.
 - Under the terms of the regulatory agreement, the Company is required to maintain an account to hold security deposits collected from tenants. This account is required to be separate and apart from all other funds of the project in a trust account and the amount shall be at all times equal to or exceed the aggregate of all outstanding obligations under said account.
- (d) Mortgage loan secured by a limited personal guarantee of George Gaukler.
- (e) Mortgage loan secured by a full personal guarantee of George Gaukler.
- (f) Mortgage loan interest rate tied to a cash flow hedge interest rate swap.
- (g) Mortgage loan extension or modification completed subsequent to year-end. See Note 17 for additional information.
- (h) Interest rate repriced in 2020 according to terms in original loan agreement.
- (i) In 2019, the Summers @ Osgood 1-2-3 and Summers @ Osgood 4-5-6 loans were combined into one mortgage loan of \$12,231,023 which can be advanced on for the remodel of Summers @ Osgood Apartments in Fargo, North Dakota. There was \$2,931,046 available to advance as of December 31, 2020.
- (v) Variable rate mortgage note payable. Stated interest rate is rate charged as of December 31, 2020.

All mortgage notes payable above are secured by a mortgage on property and equipment and an assignment of rents and leases on commercial properties where appropriate in addition to the items (a) through (i) listed above.

Long-term debt maturities are as follows:

<u>Years ending December 31,</u>	
2021	\$ 41,713,459
2022	44,552,281
2023	27,002,699
2024	35,205,717
2025	41,341,193
Thereafter	208,385,724
Unamortized Debt Issuance Costs	(1,954,642)
	<u>\$ 396,246,431</u>

Dakota Real Estate Investment Trust
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Trust has loan agreements containing certain covenants related to, among other matters, the maintenance of debt coverage ratios. As of December 31, 2020, the Trust was in violation of sixteen of these covenants; however, the lenders waived the covenant violation for the year ended December 31, 2020.

During 2020, certain financial institutions that the Trust has mortgage loans through offered to suspend principal payments on certain mortgage loans for a period of 3 to 6 months. The Trust took advantage of the suspended principal payments where the benefit did not change the original terms of the loan or require unreasonable additional fees.

Note 11 - Related Party Transactions

Due from Related Party and Related Party Note Receivable

Due from Related Party as of December 31, 2020 and 2019 is as follows:

	<u>2020</u>	<u>2019</u>
Valley Rental Service, Inc.	\$ 610,147	\$ 850,715
The Rowe at 57th, LLC	<u>1,000,000</u>	<u>-</u>
	<u>\$ 1,610,147</u>	<u>\$ 850,715</u>

Valley Rental Service, Inc., an entity controlled by George Gaukler, President and Trustee of the Trust, is a management company hired by the Trust. Rental payments collected from tenants are deposited in bank accounts in Valley Rental Service, Inc.'s name and are subsequently transferred to the Trust throughout the year. Valley Rental Service, Inc. held funds totaling \$610,147 and \$850,715 that were due to the Trust as of December 31, 2020 and 2019, respectively.

George Gaukler, President and Trustee of the Trust, entered into a cash flow guarantee for Hidden Pointe Apartments 1 – 4 for the lease-up period until the property reaches a 7% cash flow from operations for one quarter. Guarantee fees of \$250,513 and \$318,144 were paid by George Gaukler in 2020 and 2019, respectively.

Advisory Management Fee

During 2020 and 2019, the Trust incurred advisory management fees of \$1,914,450 and \$1,800,383, respectively, to Dakota REIT Management, LLC. Dakota REIT Management, LLC is partially owned by George Gaukler, President and Trustee of the Trust, Jim Knutson, Executive Vice President and Trustee of the Trust, and Matt Pedersen, Executive Vice President and Trustee of the Trust.

Acquisition Fees

During 2020 and 2019, the Trust incurred \$50,000 and \$620,250, respectively, to Dakota REIT Management, LLC for acquisition fees relating to the purchase of new properties.

Financing Fees

During 2020 and 2019, the Trust incurred \$178,326 and \$192,015, respectively, to Dakota REIT Management, LLC for financing fees related to the financing of mortgage notes payable.

UPREIT Fees

During 2020 and 2019, the Trust incurred \$4,000 and \$11,620, respectively, to Dakota REIT Management, LLC for UPREIT fees related to the UPREIT transactions on property acquisitions.

Disposition Fees

During 2020, the Trust incurred \$27,375 to Dakota REIT Management, LLC for Disposition fees related the sale of properties.

Investments

During 2020, the Trust acquired the Timber Creek Cash Wise complex for a purchase price of \$11,464,000 from 5229 Properties, LLC, an entity partially owned by Kevin Christianson, Trustee of the Trust. The property was appraised at \$11,500,00 by a certified independent appraiser.

The Trust holds a 39% Limited Partner interest in Dakota Roseland Apartments IX – XII, Limited Liability Limited Partnership with an original purchase price of \$2,500,000 from Hi-Line Owners Group, LLC, of which George Gaukler holds a majority ownership. Dakota Roseland Apartments IX – XII, LLLP, did not make any distributions to limited partners in 2020 or 2019.

The Trust holds a 49% limited partner interest in Williston Real Estate Partners, LLLP, an entity partially owned by George Gaukler, with an original investment of \$1,700,000. No distributions were paid in 2020 or 2019 by Williston Real Estate Partners.

The Trust holds a 50% limited partner interest in Dakota Roseland Apartments I, LLLP, an entity partially owned by George Gaukler, with an original investment of \$750,000. No distributions were paid in 2020 or 2019 by Dakota Roseland Apartments.

The Trust holds a 40% limited partner interest in Bakken Heights VIII and X Limited Liability Limited Partnerships, an entity partially owned by George Gaukler, with an original investment of \$1,000,000. No distributions were paid in 2020 or 2019 by Bakken Heights VIII and X Limited Liability Limited Partnerships.

The Trust holds a 34% limited partner interest in Bakken Heights V Limited Liability Limited Partnership, an entity partially owned by George Gaukler, with an original investment of \$325,000. No distributions were paid in 2020 or 2019 by Bakken Heights V Limited Liability Limited Partnership.

Property Management Fees, Leasing Fees and Commissions

During 2020 and 2019, the Trust incurred property management fees of 1 to 5 percent of rents, depending on the property, to Valley Rental Service, an entity controlled by George Gaukler. For the years ended December 31, 2020 and 2019, the Trust paid management fees of \$1,064,881 and \$891,576, respectively, to Valley Rental Service.

During 2020 and 2019, the Trust incurred property management fees of 1 to 5 percent of rents, depending on the property, and commercial leasing fees of 3 to 5 percent to Property Resources Group, an entity in which Kevin Christianson is a principal. The Trust paid management fees of \$163,742 and \$157,900, respectively, and leasing fees of \$78,004 and \$23,287, respectively, to Property Resources Group for the years ended December 31, 2020 and 2019.

During 2020 and 2019, the Trust incurred property management fees of 5 percent of rents and commercial leasing fees of 3 to 5 percent to Horizon Real Estate. George Gaukler is a partial owner of Horizon Real Estate. The Trust paid management fees of \$0 and \$77,313, respectively, and leasing fees of \$3,000 and \$45,105, respectively, to Horizon Real Estate for the years ended December 31, 2020 and 2019.

During 2020 and 2019, the Trust incurred property management fees of 2 to 5 percent of rents, depending on the property, to Dakota REIT Management, LLC, an entity in which George Gaukler, Jim Knutson and Matt Pedersen hold an ownership interest. The Trust paid management fees of \$304,307 and \$263,607, respectively, to Dakota REIT Management, LLC, for the years ended December 31, 2020 and 2019.

During 2020 and 2019, the Trust incurred property management fees of 3 to 5 percent of rents and real estate commissions, depending on the property, to Lloyd Companies, an entity in which Craig Lloyd, Trustee of the Trust, holds and ownership interest. The Trust paid management fees of \$172,389 and \$187,715, respectively, to Lloyd Companies for the years ended December 31, 2020 and 2019, and real estate commissions of \$0 and \$246,000 as of December 31, 2020 and 2019, respectively.

Related Party Notes Receivable

During 2020, the Trust loaned \$1,000,000 to The Rowe at 57th, LLC, an entity that is constructing a 144 unit apartment complex in Sioux Falls, South Dakota. The Rowe at 57th, LLC, is owned by Lloyd Companies, of which Craig Lloyd holds and ownership interest. The note receivable has an interest rate of 6.00% and comes due on February 23, 2023. The Trust earned interest on the note receivable in the amount of \$23,178 in 2020.

Construction Contracts

During 2019, the Trust entered into an agreement with Valley Realty, an entity in which George Gaukler holds an ownership interest, to complete building improvements not to exceed \$3,431,023 at the Summers @ Osgood Apartments in Fargo, North Dakota. As of December 31, 2020 and 2019, \$500,000 of construction fees had been paid to Valley Realty, and are included in construction in process.

During 2019, the Trust entered into an agreement with Valley Realty, an entity in which George Gaukler holds an ownership interest, to complete building improvements at Central Park Apartments. The Trust paid construction fees of \$160,633 during 2019 to Valley Realty, and they have been capitalized.

Note 12 - Noncontrolling Interest of Unitholders in Operating Partnerships

As of December 31, 2020 and 2019, noncontrolling limited partnership units totaled 6,992,036 and 6,995,115, respectively. During 2020 and 2019, the Trust paid distributions of \$5,575,232 and \$5,337,791, respectively, to noncontrolling interest limited partners, which were \$0.80 per unit.

Note 13 - Beneficial Interest

During 2020, the Trust received authorization to issue Class I common shares of beneficial interest with \$1 par value. The primary distinction between Class I shares and Class A and Class B shares is that Class I shares can only be sold through Registered Investment Advisors, family offices and other institutional and fiduciary accounts or directly by representatives of the Trust and payment of commissions on the sale of Class I shares by the Trust is prohibited. Class A and B shares can only be sold through Broker/Dealers or directly by a representative of the Trust and a sales commission of up to 6% can be paid on share purchase transactions. As of December 31, 2020, there were no Class I shares issued.

The Trust is authorized to issue Class A common shares and Class B common shares with \$1 par values, which collectively represent the beneficial interest of the Trust. Holders of Class A shares have the right to vote regarding amendments to the Declaration of Trust, changes to the Bylaws, election of Trustees, liquidation, roll-up transactions, sale of the Trust, and the term of the Trust. Class A shareholders also have the right to demand a special meeting of shareholders. The primary distinction between Class A and Class B shares is that Class B shares do not have the voting rights which Class A shares have.

As of December 31, 2020 and 2019, there were 6,906,631 and 6,659,907, respectively, shares of Class A common shares outstanding. As of December 31, 2020 and 2019, there were 2,106,768 and 2,006,990, respectively, shares of Class B common shares outstanding.

Distributions paid to holders of beneficial interest were \$ 0.80 and \$.79, per unit for the years ending December 31, 2020 and 2019, respectively.

Note 14 - Commercial Rental Income

Commercial space is rented under long-term operating lease agreements. Minimum future rentals on non-cancelable operating leases as of December 31 are as follows:

<u>Years ending December 31,</u>	<u>Amount</u>
2021	\$ 21,840,262
2022	18,724,434
2023	15,766,958
2024	12,261,589
2025	9,083,031
Thereafter	<u>16,994,463</u>
	<u><u>\$ 94,670,737</u></u>

During 2020, management of the Trust directed the property management companies to work with their commercial tenants in an attempt to assist the commercial tenants during the difficult operating environment caused by COVID-19. The Trust did modify the terms of certain commercial leases by delaying rent for a period of time or reducing rent for a period of time and in turn it requested additional term at the end of the lease.

Note 15 – Acquisitions and Dispositions

The Trust continued to implement its strategy of acquiring properties in desired markets. It is impractical for the Trust to obtain historical financial information on acquired properties and accordingly, proforma statements have not been presented. In addition, The Trust continued to implement its strategy of disposing of properties that the Board of Trustees deems do not fit the long-term goals for the real estate portfolio.

Purchases

During 2020, the Trust purchased a 53,323 square foot retail building in Fargo, North Dakota. The approximate purchase price for the complex was \$11,464,000.

During 2019, the Trust purchased a 91,730 square foot industrial warehouse in Brooklyn Park, Minnesota. The approximate purchase price for the complex was \$5,500,000.

During 2019, the Trust purchased a 144,441 square foot mixed use commercial building in Bloomington, Minnesota. The approximate purchase price for the complex was \$11,850,000.

During 2019, the Trust purchased 5 apartment complexes under one purchase agreement consisting of 414 apartments units in Bismarck, North Dakota. The approximate purchase price for 5 apartment complexes was \$24,000,000.

Dispositions

During 2020, the Trust sold a 23,206 square foot industrial complex in DePere, Wisconsin. The approximate sale price of the industrial complex was \$1,825,000. The Trust originally purchased the building in 2013 for \$1,595,000.

During 2020, the Trust sold a 25,614 square foot retail complex in New Prague, Minnesota. The approximate sale price of the retail complex was \$1,285,000. The Trust originally purchased the building in 2011 for \$2,720,000.

During 2019, the Trust sold a 38,713 square foot retail complex in Sioux Falls, South Dakota. The approximate sale price of the retail complex was \$4,100,000. The Trust originally purchased the building in 2015 for \$4,500,000.

Note 16 - Commitments and Contingencies

Environmental Matters

Federal law (and the laws of some states in which the Trust may acquire properties) imposes liability on a landowner for the presence on the premises of hazardous substances or wastes (as defined by present and future federal and state laws and regulations). This liability is without regard to fault or knowledge of the presence of such substances and may be imposed jointly and severally upon all succeeding landowners. If such hazardous substance is discovered on a property acquired by the Trust, the Trust could incur liability for the removal of the substances and the cleanup of the property. There can be no assurance that the Trust would have effective remedies against prior owners of the property. In addition, the Trust may be liable to tenants and may find it difficult or impossible to sell the property either prior to or following such a clean up.

Risk of Uninsured Property Losses

The Trust maintains property damage, fire loss, and liability insurance. However, there are certain types of losses (generally of a catastrophic nature), which may be either uninsurable or not economically insurable. Such excluded risks may include war, earthquakes, tornados, certain environmental hazards, and floods. Should such events occur, (i) the Trust might suffer a loss of capital invested, (ii) tenants may suffer losses and may be unable to pay rent for the spaces, and (iii) the Trust may suffer a loss of profits which might be anticipated from one or more properties.

Note 17 - Subsequent Events

Subsequent to year-end, the Trust declared a dividend to be paid at \$.20 per share for shareholders of record on December 31, 2020.

Subsequent to year-end, the Trust purchased two 36-unit multi-family apartment buildings in Fargo, North Dakota for \$7,400,000. The Trust assumed \$5,435,445 of debt, issued 117,113 limited partnership units, and paid \$149,303 in cash for the balance of the purchase.

Subsequent to year-end, the Trust refinanced the Century East I, Century East II and III, and the Calgary 1-2-3 Century East IV and V loans into two loans. The first loan for Century East I, II, III, IV and V is at 3.50% for five years with a maturity date of February 2026. The second loan for Calgary 1-2-3 is at 3.5% for five years with a maturity date of February 2026.

Subsequent to year-end, the Trust sold a 17,600 square foot industrial warehouse in Hastings, Minnesota. The approximate sale price of the industrial warehouse was \$800,000. The Trust originally purchased the building in 2014 for \$875,000.

Subsequent to year-end, the Trust sold a 34,800 square foot storage garage facility in Minot, North Dakota. The approximate sale price of the storage garage facility was \$1,075,000. The Trust originally purchased the facility in 2011 for \$1,510,000.

Subsequent to year-end, the Trust entered into an agreement to sell the Logans on Third office building. The property is scheduled to close in 2021.

Subsequent to year-end, the Trust entered into an agreement to purchase a 79,200 square foot industrial building in Bismarck, North Dakota. The property is scheduled to close in 2021.

Subsequent to year-end the Trust extended the maturity date of the Maple Point III loan to May 2021.

Subsequent to year-end the Trust extended the maturity date of the \$3,000,000 variable rate line of credit with Western State Bank to February 2022.

Subsequent to year-end the Trust extended the maturity date of the \$850,000 variable rate line of credit with First International Bank to June 2021.

Subsequent to year-end the Trust extended the maturity date of the \$650,000 variable rate line of credit with First International Bank to June 2021.

Subsequent to year-end the Trust refinanced the CAL AM 2, LLC loan into two loans. The Calico Apartments was refinanced for \$4,250,000 at a fixed rate of 3.60% for 5 years with a maturity date of March 1, 2026. The Amber Fields Apartments was refinanced for \$5,250,000 at a fixed rate of 3.50% for 5 years with a maturity date of March 11, 2026.

Management has evaluated subsequent events through March 17, 2021, the date which the financial statements were available to be issued.

Supplementary Information
December 31, 2020 and 2019
Dakota Real Estate Investment Trust

Dakota Real Estate Investment Trust Consolidated Schedules of Funds from Operations Years Ended December 31, 2020 and 2019		
	2020	2019
Funds from Operations *		
Net Income before Noncontrolling Interest	\$ 4,093,295	\$ 4,896,394
Plus Depreciation	13,420,278	12,632,408
Plus Amortization of Debt Issuance Costs	566,445	482,545
Less: Combined Loss on Sale of Property	865,060	1,255,050
Less noncash portion of Loss (Income) from Equity Investments	495,226	462,725
Funds from Operations (FFO)	<u>\$ 19,440,304</u>	<u>\$ 19,729,122</u>
FFO per REIT Share/UPREIT Unit (on annual basis)	\$ 1.22	\$ 1.29
Share Price (\$15.50 for 2020 and 2019)		
FFO Ratio (on annual basis)	12.68	12.02
Weighted Average Shares	<u>15,903,736</u>	<u>15,300,836</u>
* Funds from operations (FFO) are a supplemental non-GAAP financial measurement used as a standard in the real estate industry to measure and compare the operating performance of real estate companies. The Price/FFO Ratio is similar to the Price-Earnings (P-E) ratio.		

Dakota REIT
3003 32nd Avenue South Suite 250
Fargo, ND 58103
(701) 239-6879

Published April 2021
Fargo, North Dakota



DakotaREIT.COM