ANNUAL REPORT 2021

STERLING | OFFICE AND INDUSTRIAL TRUST

OUR VISION

TO BE THE MOST RELIABLE, WELL-MANAGED AND TRANSPARENT REIT IN THE UNITED STATES.

OUR MISSION

TO PROVIDE LOW-RISK AND INCOME-PRODUCING REAL ESTATE INVESTMENT OPPORTUNITIES TO INVESTORS.

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BOARD OF TRUSTEES

WILBUR WRIGHT
CHAIR OF THE BOARD

KENNETH REGAN

TIMOTHY HAUGEN

RUP NAGALA

JAMES WIELAND

DANIEL WILSON

LANCE WOLF

EXECUTIVE OFFICERS

KENNETH REGAN
CHIEF EXECUTIVE OFFICER

JOEL THOMSEN
PRESIDENT AND CHIEF INVESTMENT OFFICER

DAMON GLEAVE
CHIEF FINANCIAL OFFICER AND TREASURER

WAYNE CARLSON
GENERAL COUNSEL AND SECRETARY

EXECUTIVE COMMITTEE

JAMES WIELAND
DANIEL WILSON
WILBUR WRIGHT*

AUDIT COMMITTEE

TIMOTHY HAUGEN*
DANIEL WILSON
WILBUR WRIGHT

NOMINATION AND GOVERNANCE COMMITTEE

RUP NAGALA
JAMES WIELAND
LANCE WOLF*

*INDICATES COMMITTEE CHAIR

FINANCIAL HIGHLIGHTS

YEAR-ENDED DECEMBER 31 (IN THOUSANDS)

	2021	2020	2019
INCOME STATEMENT			
RENTAL REVENUES	$20,784	$20,970	$19,332
TOTAL EXPENSES	$19,070	$19,785	$20,324
NET INCOME (LOSS)	$2,838	$1,249	($891)
FUNDS FROM OPERATIONS	$8,442	$8,498	$6,738
BALANCE SHEET			
TOTAL REAL ESTATE INVESTMENTS, GROSS	$160,175	$135,532	$133,969
TOTAL ASSETS	$176,892	$145,714	$149,970
TOTAL LIABILITIES	$108,704	$96,938	$98,046
SHAREHOLDER EQUITY	$68,188	$48,776	$51,924
SHAREHOLDER DATA			
COMMON SHARES/UPREIT UNITS OUTSTANDING	8,565	8,026	7,639
UPREIT UNITS OUTSTANDING	2,987	2,937	2,769
COMMON SHARES OUTSTANDING	5,578	5,089	4,870

(1) TOTAL REAL ESTATE INVESTMENTS INCLUDE REAL ESTATE AND RELATED ASSETS PURCHASED AT THE TIME OF ACQUISITION.

OUR VALUES

RESPECT

WE DEVELOP AND MAINTAIN RELATIONSHIPS BASED ON TRUST, COOPERATION, COLLABORATION AND OPEN COMMUNICATION WITH INVESTORS, STATE AND FEDERAL AGENCIES, BROKERS AND OUR MANY SERVICE PROVIDERS.

EXCELLENCE

WE ACHIEVE EXCELLENCE BY FOSTERING A WORK ENVIRONMENT THAT SUPPORTS LEARNING, INNOVATION AND CHANGE. WE STRIVE FOR CONTINUOUS IMPROVEMENT, RECOGNIZING THESE COMPONENTS AS ESSENTIAL TO ACHIEVING EXCELLENCE.

INTEGRITY

INTEGRITY IS THE FOUNDATION OF OUR CREDIBILITY. WE SET HIGH STANDARDS FOR OUR WORK AND FOLLOW THE HIGHEST ETHICAL AND PROFESSIONAL STANDARDS.

TRANSPARENCY

TO BEST SERVE OUR INVESTORS, WE PROVIDE ACCURATE, COMPLETE AND CONSERVATIVE INFORMATION. WE PRODUCE REPORTS THAT ARE OBJECTIVE, USEFUL, CLEAR AND CANDID. THE RESULTS OF OUR WORK ARE INTENDED TO ADD VALUE TO OUR INVESTORS.

STEWARDSHIP

WE DARE TO LEAD WITH A FOCUS BEYOND TODAY. WE ARE COMMITTED TO OUR INVESTORS LONG TERM, WORKING TO BUILD A STRONGER TRUST FOR FUTURE GENERATIONS AND ACTING AT ALL TIMES WITH AN OWNER'S MENTALITY.

DEAR VALUED INVESTORS,

Your Board of Trustees, Officers, and the entire Sterling team thank you for the opportunity to be stewards of your investment in Sterling Office and Industrial Trust ("SOIT"). We are grateful for your continued confidence and support as we diligently work to provide you a steady, reliable return each year.

2021 HIGHLIGHTS

2021 marked the Trust's sixth year of existence and proved another financially and strategically successful year. While the Covid-19 pandemic and subsequent effects on the economy continued to present challenges, we persisted in fulfilling our mission and commitment to our investors.

A major part of this success was navigating the market challenges by addressing issues on a building-by-building and tenant-by-tenant basis. This included deploying creative and proactive leasing renewal and new lease strategies. Additionally, we diversified our portfolio through new acquisitions and a more varied tenant profile. In total, we successfully negotiated $8 million worth of lease renewals and $4 million in new leases during the year.

Further, we captured and locked in longer term, fixed, lower rate interest rate financing wherever we had an opportunity. We renegotiated or refinanced over 21% of our existing debt loans. As a result, we reduced the Trust's weighted average interest rate by 22 basis points to 3.64%. These efforts will result in an annual interest savings of $220,000 on the debt portfolio based on the terms of the mortgages.

The Trust's strong 2021 performance allowed for the payment of $0.61 per share in dividends and distributions. These totaled $4.9 million for the year, an increase of 3.9% over the previous year. The Trust also maintained a solid dividend coverage ratio of 159%.

The Trust's Funds from Operations ("FFO") totaled $8.4 million for the year. This amount was consistent with 2020. 2021 FFO was slightly less than 2020 on a per share basis due to dilution attributed to the increase in outstanding shares as a result of our successful new share offering. The Trust's revenue also remained consistent with 2020 at $20.8 million due to occupancy remaining high at 95%. Since SOIT's inception in 2016, our return to investors has proven reliable, averaging 10.33% per year as compared to the Morgan Stanley Capital International US REIT Index (MSCI) at 7.76%.

One of SOIT's most notable achievements in 2021 was the successful launch, execution, and completion of the $15 million share offering. After three and a half years of pent-up demand for shares, we launched the offering on October 18, 2021. Receiving a strong and immediate response from both current and new investors, Management was able to execute the offering without a broker. This saved the Trust over $1 million versus having to contract with a broker-dealer firm to execute the offering. Within 30 days, commitments for the entire $15 million were received which prompted us to exercise the option to increase the offering by 10% to a total of $16.5 million. The offering officially closed on December 8, 2021, a record 51 days after its commencement.

During the year, the Trust's outstanding shares increased 1,656,735 from 5,172,539 to 6,829,274. This increase can be attributed to the continued loyalty and trust of our shareholders. In addition to the offering, which resulted in 1,400,000 new shares, dividends were reinvested in the Trust at a rate of 69.4% to account for the remainder of the increase in new shares.

Despite the unpredictable market of 2021, the Trust sold two properties and was able to put those proceeds immediately to work in quality replacement properties with long-term cash flow prospects and financially sound tenants. The 120,000 square foot Cliff Avenue Industrial Center in Sioux Falls, South Dakota, was purchased on August 31, 2021. Sioux Falls is a quality, desirable market in which the Trust already owns property. In addition to the Cliff Avenue Industrial Center, SOIT purchased the adjacent land to partner with a current tenant who is expanding their operations. Construction on the new building begins in 2022. The current property will add 3% to FFO and when construction is complete, the second property will add an additional 3% to FFO.

The Trust's strong 2020 and 2021 operating and financial performances resulted in your Board of Trustees electing to increase SOIT's share and unit prices from $11.00 to $11.50 effective October 18, 2021. This equates to a 4.54% increase in our share/unit price. Additionally, the Board voted to increase the quarterly dividend/distribution from $0.6050 to $0.6325 per share/unit. This increase maintained the 5.50% dividend/distribution rate on the new $11.50 share/unit price. In 2021, the market capitalization of the Trust grew from $202 million to $222 million, an increase of $20 million.

CHARGE ON!

As the Trust moves forward into 2022, we will continue to be diligent in focusing on our mission – *to provide lower-risk, income-producing real estate investment opportunities for our investors*. Capitalizing on the funds raised through the success of the $16.5 million offering, the savings stemming from loan renegotiations and refinances, SOIT's strong partnerships with tenants both longstanding and new, as well as Management's desire and drive to continuously outperform, SOIT is poised to continue its disciplined approach to providing steady and reliable returns to its investors.

The Trust will continue to focus on creating long-term value in several ways. First, we will regularly examine our existing portfolio to determine how we can grow our current relationships through value-add investing to existing properties or the development of new properties for existing tenants. Second, we will continue to look for off-market opportunities where we can expand our portfolio and tenant base, especially in the single-tenant space where lease terms tend to be longer in duration. Management expects to see the office segment continue to be a challenging space but anticipates 2022 may create buying opportunities in select markets as traditional buyers migrate away from this asset class.

Being creative and nimble will be of paramount importance during 2022 as inflationary pressures combined with geopolitical risks create challenges the real estate market has not seen in over a decade. We are confident this will ultimately create opportunities for SOIT due to our strong management team, our creditworthiness, and our available capital for future investment.

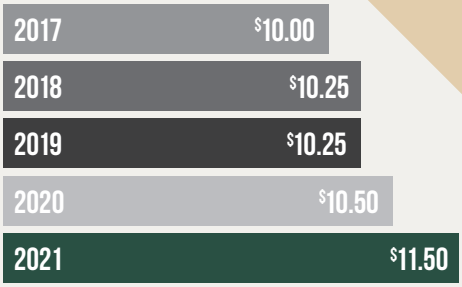
An earnest thank you to the Board of Trustees and the dedicated team at Sterling Management for their unwavering commitment to the success of Sterling Office and Industrial Trust. On behalf of the entire Sterling team, we extend our deepest gratitude to you, our loyal investor, for your continued support.

Sincerely,

Wilbur D. Wright
CHAIR OF THE BOARD

Kenneth P. Regan
CHIEF EXECUTIVE OFFICER

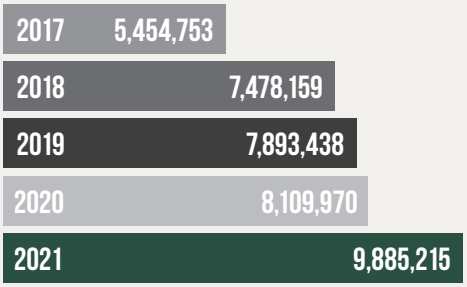
YEAR END SHARE PRICE



DIVIDEND YIELD

DIVIDENDS PER SHARE

SHARES AND UNITS OUTSTANDING



OUR BUSINESS

THE REIT STRUCTURE

A Real Estate Investment Trust ("REIT") is an investment vehicle created by the United States Congress through the Real Estate Investment Act, enacted in 1960. This Act authorized real estate ownership structures to be treated similar to mutual funds, providing for a tax-exempt pass-through entity with broad-based ownership distributing most of its earnings and capital gains to investors. Investment in a REIT offers diversification benefits since REITs often render differing investment strategies in terms of property type and geographic focus.

STERLING OFFICE AND INDUSTRIAL TRUST

Sterling Office and Industrial Trust is an unincorporated North Dakota trust formed on March 2, 2016, to invest primarily in a diversified portfolio of freestanding, single or multi-tenant office and industrial properties leased to creditworthy tenants. The Trust has elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856-860 of the Internal Revenue Code. The Trust's mission is to provide investors the opportunity of long-term ownership in lower risk and well-managed income-producing real estate.

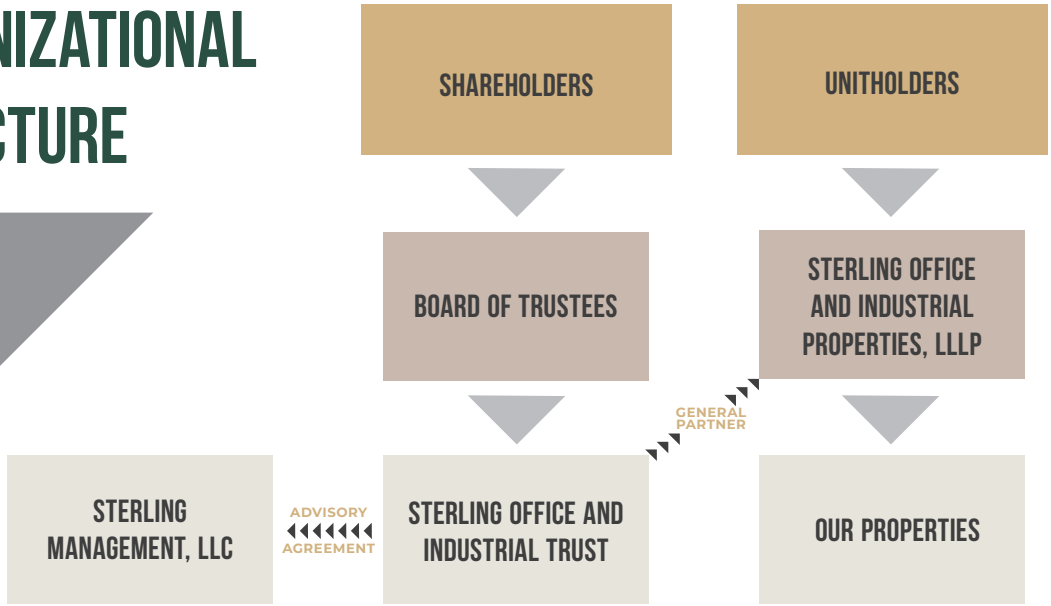
STERLING OFFICE AND INDUSTRIAL PROPERTIES, LLLP

Sterling Office and Industrial Trust is an Umbrella Partnership Real Estate Investment Trust ("UPREIT") that holds all of its properties in a separate partnership, Sterling Office and Industrial Properties, LLLP ("Sterling Office and Industrial Properties"). The Trust controls Sterling Office and Industrial Properties and acts as its general partner. The Trust uses Sterling Office and Industrial Properties to acquire properties, including through the exchange of limited partnership units for properties. These "UPREIT" exchanges can be advantageous as the seller may be able to defer taxation of gain until the seller later resells the limited partnership units received in the exchange. By offering sellers the ability to defer taxation, the Trust gains an advantage in acquiring quality properties.

STERLING MANAGEMENT, LLC

Sterling Office and Industrial Trust operates under the direction of its Board of Trustees. Sterling Office and Industrial Trust has no employees and therefore retains Sterling Management, LLC to manage its owned real estate and business operations. Sterling Management's Executive Chair, CEO, CFO, and General Counsel serve as executive officers of the Trust.

ORGANIZATIONAL STRUCTURE



2021 ACQUISITIONS

CLIFF AVENUE INDUSTRIAL CENTER

Close Date
8/31/2021

Lease Term
10 Years

Square Feet
120,000

Location
Sioux Falls, SD

Purchase Price
$17,592,000

CLIFF AVENUE INDUSTRIAL CENTER LAND

Close Date
10/1/2021

Lease Term
15 Years

Square Feet
108,301

Location
Sioux Falls, SD

Purchase Price
$436,000

THERMOTECH

Close Date
12/29/2021

Lease Term
9 Years

Square Feet
121,682

Location
Hopkins, MN

Purchase Price
$9,822,000

2021 DISPOSITIONS

MPP – TEXAS

Close Date
8/24/2021

Sale Price
$3,500,000

Square Feet
73,160

Location
Corsicana, TX

MPP – ILLINOIS

Close Date
8/24/2021

Sale Price
$2,195,000

Square Feet
49,090

Location
Du Quoin, IL

TOTAL REAL ESTATE PORTFOLIO

TOTAL VALUE: $184,366,000

TOTAL SQUARE FEET: 1,900,000

OUR PORTFOLIO

DIVERSIFIED ASSETS BY INDUSTRY

We consider many factors as we build our portfolio of diversified office and industrial investment real estate. These factors include tenant strength, lease duration, financing terms, geography and industry. Our properties are geographically diverse with locations in 11 states. We intend to maintain a long-term, buy-and-hold strategy while expanding our footprint throughout the Midwest corridor.

INVESTMENT OBJECTIVES

We provide our investors a high-quality, long-term real estate investment through acquisition of stabilized office and industrial properties in the Midwest region of the United States.

We offer an alternative investment where our common share value is correlated to real estate as an asset class rather than traditional asset classes such as stocks and bonds.

We provide a hedge against inflation through the use of short-term and long-term lease arrangements with our tenants.

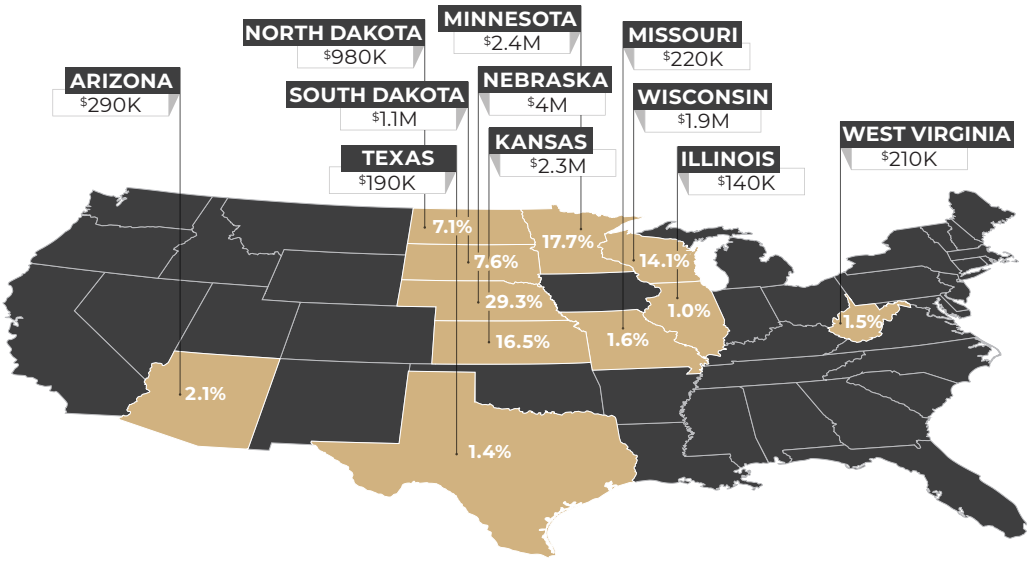
SHAREHOLDERS.....317
UNITHOLDERS..... 37
TOTAL..... 354

354 INVESTORS

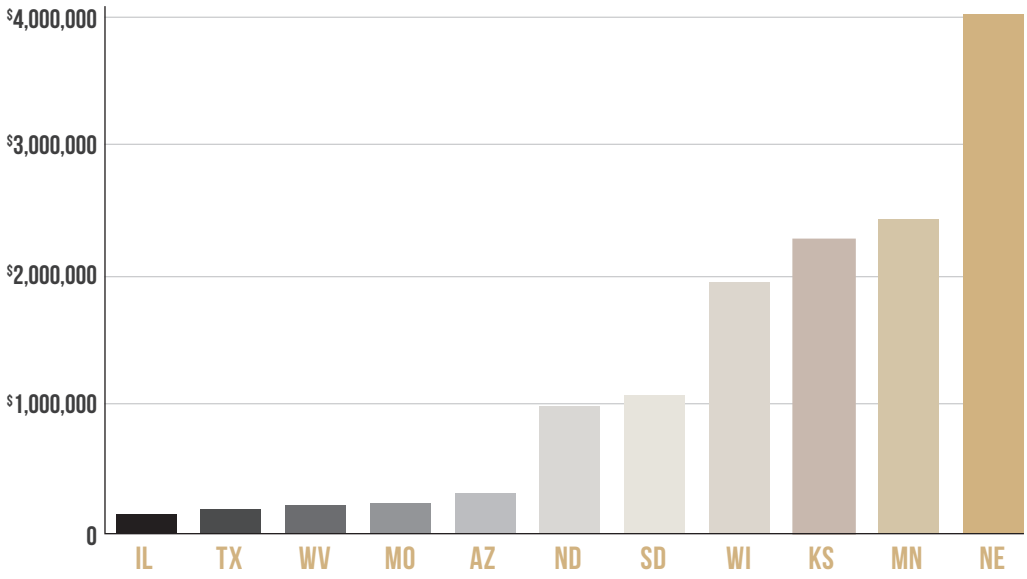
1.9M SQUARE FEET

11 STATES

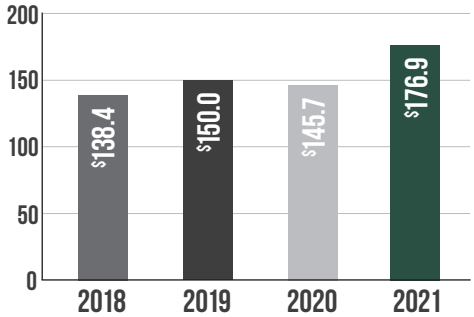
NET OPERATING INCOME BY STATE



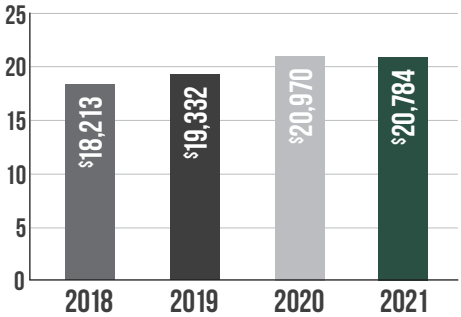
TOTAL NET OPERATING INCOME = $13.7M



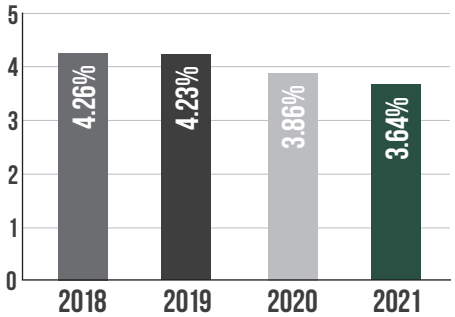
PORTFOLIO SUMMARY



TOTAL ASSETS
(Dollars in Millions)



TOTAL REVENUE

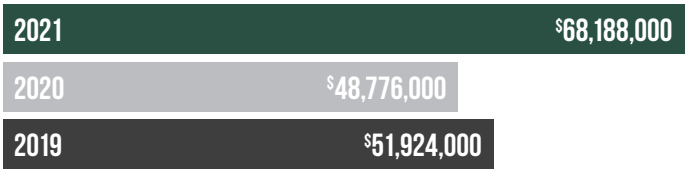


WEIGHTED AVERAGE INTEREST RATE

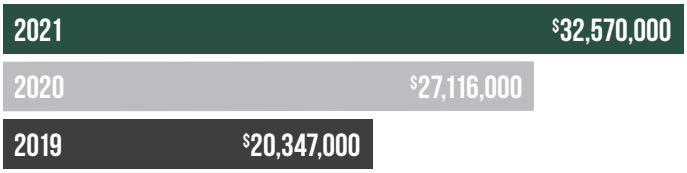
INVESTOR RETURN

TOTAL EQUITY

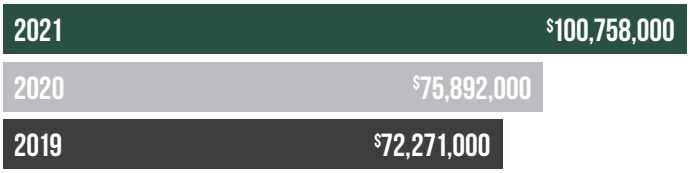
Total equity is the residual interest in the assets of an entity that remains after deducting its liabilities. Sterling Office and Industrial Trust's year-end 2021 total equity was $68,188,000, which includes accumulated depreciation and amortization of $32,570,000 from real estate property value. Adding back the accumulated depreciation and amortization for 2021 shows an adjusted equity position of $100,758,000.



ACCUMULATED DEPRECIATION AND AMORTIZATION



ADJUSTED EQUITY POSITION

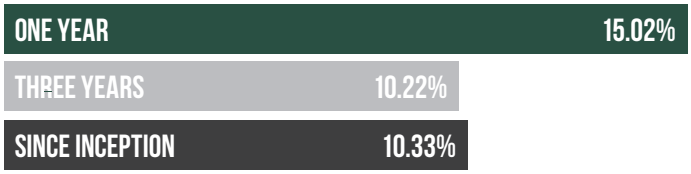


DIVIDENDS AND DISTRIBUTIONS DECLARED

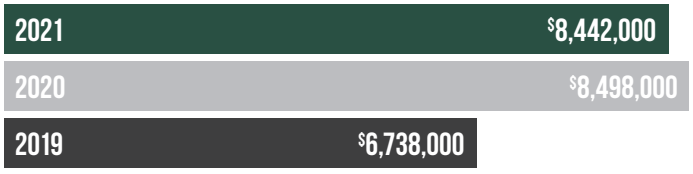
Sterling Office and Industrial Trust and Sterling Office and Industrial Properties, LLLP has a consistent history of dividend and distribution payments to share and unit holders. In 2021, the annual yield remained 5.50% ($0.612 per share) and the Trust declared its 23rd consecutive quarterly dividend/distribution payment.

TOTAL ANNUAL SHAREHOLDER RETURN

Annualized return is the amount earned by an investment each year over a given time period. The figures below show the compounded return throughout the given time frames. The total annualized return calculation includes dividend payments and share price appreciation.



FUNDS FROM OPERATIONS



SHARE OFFERING

OFFERING: $15M

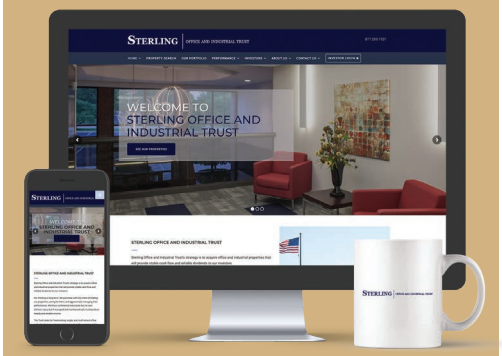
113 INVESTORS*

THE START DATE: OCTOBER 18 2021

OPEN ONLY 51 DAYS

- ISSUED 158 PRIVATE PLACEMENT MEMORANDUMS
- STERLING EXERCISED THE OPTION TO INCREASE THE OFFERING ON 11/2/2021 BY $1,500,000 TO $16,500,000

* OVER A THIRD OF INVESTORS PARTICIPATING IN THIS OFFERING WERE FIRST TIME INVESTORS IN OUR REIT



For more information about the Trust, visit us online at:
www.soitrust.com

INVESTOR RELATIONS

Sterling Office and Industrial Trust was formed to invest primarily in a diversified portfolio of freestanding, single and multi-tenant office and industrial properties leased to creditworthy tenants. Our work for investors starts with our Mission:

To provide investors the opportunity of long-term ownership in lower risk and well-managed income-producing real estate.

It declares our purpose and serves as the gold standard against which we weigh our decisions. It is enduring and drives us to consistently look forward.

Communications concerning shareholder address changes, stock transfers, changes of ownership, payment of dividends or other account services can be directed to:

INVESTOR RELATIONS
4340 18TH AVENUE SOUTH, SUITE 200
FARGO, ND 58103

701.353.2720
SOITIR@SRETRUST.COM

ANNUAL MEETING

We sincerely hope you can join us for this year's annual meeting on June 22, 2022, at 6:00 p.m. at the Holiday Inn, Fargo, North Dakota.

If you have any questions regarding the annual meeting, please contact our office by calling 701.353.2720.

We look forward to seeing you in June!

AUDITED FINANCIALS

DECEMBER 31, 2021

INDEPENDENT AUDITOR'S REPORT ii

CONSOLIDATED BALANCE SHEETS 1

CONSOLIDATED STATEMENTS OF OPERATIONS 2

CONSOLIDATED STATEMENTS OF SHAREHOLDER'S EQUITY 3

CONSOLIDATED STATEMENTS OF CASH FLOWS 4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 6

STERLING | OFFICE AND INDUSTRIAL TRUST

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF *DECEMBER 31, 2021* AND *2020,*
AND THE RELATED CONSOLIDATED STATEMENTS OF OPERATIONS,
SHAREHOLDERS' EQUITY AND CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2021 AND *2020*
INCLUDING NOTES

and

INDEPENDENT AUDITORS' REPORT

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES

INDEPENDENT AUDITORS' REPORT ii

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets 1

Consolidated Statements of Operations and Other Comprehensive Income (Loss) 2

Consolidated Statements of Changes in Shareholders' Equity 3

Consolidated Statements of Cash Flows 4

Notes to Consolidated Financial Statements 6

RSM

RSM US LLP

Independent Auditor's Report

Audit Committee
Sterling Office and Industrial Trust

Opinion
We have audited the consolidated financial statements of Sterling Office and Industrial Trust and its subsidiaries (the Company), which comprise the consolidated balance sheet as of December 31, 2021, the related consolidated statements of operations and other comprehensive income (loss), changes in shareholders' equity and cash flows for the year then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter
The financial statements of the Company as of and for the year ended December 31, 2020, were audited by other auditors, whose report dated April 23, 2021, expressed an unmodified opinion on those financial statements.

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable).

RSM US LLP is the U.S. member firm of RSM International, a global network of independent audit, tax, and consulting firms. Visit rsmus.com/aboutus for more information regarding RSM US LLP and RSM International.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

RSM US LLP

Minneapolis, Minnesota
March 29, 2022

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2021 AND 2020

	December 31, 2021	December 31, 2020
	(in thousands)	
ASSETS		
Real estate investments, net	$ 142,460	$ 121,520
Cash and cash equivalents	19,341	7,915
Restricted deposits	395	475
Receivables, net	3,373	3,144
Prepaid expenses	157	148
Financing and lease costs, net	880	729
Intangible assets, net	9,806	11,691
Fair value of interest rate swaps	230	-
Other assets	250	92
Total Assets	$ 176,892	$ 145,714
LIABILITIES		
Mortgage notes payable, net	$ 98,423	$ 86,483
Special assessments payable	449	440
Dividends and distributions payable	1,563	1,224
Due to related party	158	127
Tenant security deposits payable	478	384
Lease intangible liabilities, net	2,568	2,970
Accounts payable	650	215
Fair value of interest rate swaps	1,262	2,791
Retainage payable	9	-
Accrued expenses and other liabilities	3,144	2,304
Total Liabilities	108,704	96,938
SHAREHOLDERS' EQUITY		
Beneficial interest	51,523	34,330
Noncontrolling interest		
Special limited partner in the Operating Partnership	5	5
Common unitholders in the Operating Partnership	17,692	17,232
Total Noncontrolling Interest	17,697	17,237
Accumulated other comprehensive loss	(1,032)	(2,791)
Total Shareholders' Equity	68,188	48,776
Total Liabilities and Shareholders' Equity	$ 176,892	$ 145,714

See notes to consolidated financial statements

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME (LOSS)
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Year Ended December 31,	
	2021	2020
	(in thousands, except per share data)	
Income from rental operations		
Real estate rental income	$ 20,784	$ 20,970
Expenses		
Expenses from rental operations		
Interest	3,552	3,682
Depreciation and amortization	6,672	7,249
Real estate taxes	2,399	2,342
Property management fees	621	714
Utilities	1,203	1,273
Repairs and maintenance	2,714	2,721
Insurance	97	140
	17,258	18,121
Administration of REIT		
Administrative expenses	160	127
Advisory fees	1,466	1,375
Other	186	161
	1,812	1,663
Total expenses	19,070	19,784
Income from operations	1,714	1,186
Other income	55	63
Gain on sale of real estate invesments	1,069	-
	1,124	63
Net income	2,838	1,249
Net income attributable to noncontrolling interest	990	457
Net income attributable to Sterling Office and Industrial Trust	$ 1,848	$ 792
Net income attributable to Sterling Office and Industrial Trust per common share, basic and diluted	$ 0.33	$ 0.16
Comprehensive income		
Net income	$ 2,838	$ 1,249
Other comprehensive gain (loss) - change in fair value of interest rate swaps	1,759	(1,718)
Comprehensive income (loss)	4,597	(469)
Comprehensive income (loss) attributable to noncontrolling interest	1,603	(172)
Comprehensive income (loss) attributable to Sterling Office and Industrial Trust	$ 2,994	$ (297)
Weighted-average Common Shares outstanding	5,578,000	5,089,000

See notes to consolidated financial statements

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Common Shares	Paid-in Capital	Accumulated Distributions in Excess of Earnings	Total Beneficial Interest	Noncontrolling Interest	Accumulated Comprehensive Income (Loss)	Total
				(in thousands)			
BALANCE AT DECEMBER 31, 2019	4,951	$ 48,328	$ (13,927)	$ 34,401	$ 18,596	$ (1,073)	$ 51,924
Shares/units redeemed	(7)	(69)	-	(69)	(43)	-	(112)
Shares issued under trustee compensation plan	2	23	-	23	-	-	23
Dividends and distributions declared	-	-	(3,072)	(3,072)	(1,773)	-	(4,845)
Dividends reinvested - stock dividend	226	2,255	-	2,256	-	-	2,256
Syndication costs	-	-	(1)	(1)	-	-	(1)
Change in fair value of interest rate swaps	-	-	-	-	-	(1,718)	(1,718)
Net income	-	-	792	792	457	-	1,249
BALANCE AT DECEMBER 31, 2020	5,172	50,537	(16,208)	34,330	17,237	(2,791)	48,776
Issuance of common shares	1,435	16,500	-	16,500	-	-	16,500
Contribution of assets in exchange for the issuance of noncontrolling interest shares	-	-	-	-	1,304	-	1,304
Shares issued under trustee compensation plan	2	25	-	25	-	-	25
Shares/units redeemed	-	-	-	-	-	-	-
Dividends and distributions declared	-	-	(3,478)	(3,478)	(1,834)	-	(5,312)
Dividends reinvested - stock dividend	221	2,297	-	2,297	-	-	2,297
Change in fair value of interest rate swaps	-	-	-	-	-	1,759	1,759
Net income	-	-	1,848	1,849	990	-	2,839
BALANCE AT DECEMBER 31, 2021	6,830	$ 69,359	$ (17,838)	$ 51,523	$ 17,697	$ (1,032)	$ 68,188

See notes to consolidated financial statements

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	Year Ended December 31,	
	2021	2020
	(in thousands)	
OPERATING ACTIVITIES		
Net income	$ 2,838	$ 1,249
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of real estate investments	(1,069)	-
Depreciation	4,305	4,319
Amortization	1,926	2,426
Amortization of debt issuance costs	153	136
Effects on operating cash flows due to changes in		
Receivables	(596)	(638)
Prepaid expenses	(9)	28
Other assets	(158)	24
Due to related party	(181)	(86)
Tenant security deposits payable	41	18
Accounts payable - trade	79	62
Accrued expenses and other liabilities	5	655
NET CASH PROVIDED BY OPERATING ACTIVITIES	7,334	8,193
INVESTING ACTIVITIES		
Purchase of real estate investment properties	(25,176)	-
Proceeds from sale of real estate investments	5,646	-
Capital expenditures and tenant improvements	(1,860)	(1,963)
NET CASH USED IN INVESTING ACTIVITIES	(21,390)	(1,963)
FINANCING ACTIVITIES		
Payments for financing and lease costs	(460)	(297)
Principal payments on special assessments payable	(11)	(27)
Proceeds from issuance of mortgage notes payable	31,835	-
Principal payments on mortgage notes payable	(19,787)	(2,449)
Shares/units redeemed	-	(112)
Dividends/distributions paid	(2,675)	(2,528)
Proceeds from issuance of common shares	16,500	-
Payment of syndication costs	-	(1)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	25,402	(5,414)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS	11,346	816
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT BEGINNING OF PERIOD	8,390	7,574
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF YEAR	$ 19,736	$ 8,390
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF YEAR		
Cash and cash equivalents	$ 19,341	$ 7,915
Restricted deposits	395	475
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS, END OF YEAR	$ 19,736	$ 8,390

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020 (continued)

	Year Ended December 31,	
	2021	2020
SCHEDULE OF CASH FLOW INFORMATION	(in thousands)	
Cash paid during the period for interest, net of capitalized interest	$ 3,405	$ 3,568
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends reinvested	$ 2,297	$ 2,256
Dividends declared and not paid	1,080	781
Distributions declared and not paid	484	443
Shares issued pursuant to trustee compensation plan	25	23
Acquisitions of assets in exchange for the issuance of noncontrolling interest units in UPREIT	1,304	-
Increase in land improvements due to increase in special assessments payable	10	30
Acquisition of assets through assumption of debt and liabilities	956	-
Unrealized gain (loss) on interest rate swap	1,759	(1,718)

NOTE 1 - ORGANIZATION

Sterling Office and Industrial Trust ("Sterling", "the Trust" or "the Company") is a registered, but unincorporated business trust organized in North Dakota in March 2016. Sterling has elected to be taxed as a Real Estate Investment Trust ("REIT") under Sections 856-860 of the Internal Revenue Code.

Sterling previously established an Operating Partnership ("Sterling Office and Industrial Properties, LLLP"), and transferred all of its assets and liabilities to the Operating Partnership in exchange for general partnership units. As the general partner, Sterling has management responsibility for all activities of the Operating Partnership. As of December 31, 2021 and 2020, Sterling owned approximately 69.1% and 63.8% respectively, of the Operating Partnership.

NOTE 2 – PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements include the accounts of Sterling and all subsidiaries for which we maintain a controlling interest.

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements include the accounts of Sterling, Sterling Office and Industrial Properties, LLLP and wholly owned limited liability companies. All significant intercompany transactions and balances have been eliminated in consolidation.

The Trust operates as an Umbrella Partnership Real Estate Investment Trust ("UPREIT"), which is a REIT that holds all or substantially all of its assets through a partnership which the REIT controls as general partner. Therefore, the Trust conducts substantially all investment activities and holds substantially all of the Trust's assets through the operating partnership Sterling Office and Industrial Properties, LLLP. As of December 31, 2021, the Trust owned approximately 69.1% of the partnership interests ("OP Units") of the Operating Partnership. The remaining OP Units, consisting exclusively of limited partner interests, are held by persons who contributed their interests in properties to the Operating Partnership in exchange for OP Units. Under the partnership agreement, these persons have the right to tender their OP Units for redemption to the Operating Partnership at any time following a specified restricted period for cash equal to the fair value of an equivalent number of common shares of the Trust. In lieu of delivering cash, however, the Trust, as the Operating Partnership's general partner, may, at its option, choose to acquire any OP Units so tendered by issuing common shares in exchange for the tendered OP Units. If the Trust so chooses, its common shares will be exchanged for OP Units on a one-for-one basis. This one-for-one exchange ratio is subject to adjustment to prevent dilution. With each such exchange or redemption, the Trust's percentage ownership in the Operating Partnership will increase. In addition, whenever the Trust issues common or other classes of its shares, it contributes the net proceeds it receives from the issuance to the Operating Partnership and the Operating Partnership issues to the Trust an equal number of OP Units or other partnership interests having preferences and rights that mirror the preferences and rights of the shares issued.

Additionally, we evaluate the need to consolidate affiliates based on standards set forth in the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 810, Consolidation. In determining whether we have a requirement to consolidate the accounts of an entity, management considers factors such as our ownership interest, our authority to make decisions and contractual and substantive participating rights of the limited partners and shareholders, as well as whether the entity is a variable interest entity ("VIE") for which we have both: a) the power to direct the activities of the VIE that most significantly impact the entity's economic performance, and b) the

obligation to absorb losses or the right to receive benefits from the VIE that could be potentially significant to the VIE.

The Operating Partnership meets the criteria as a "VIE". The Trust's sole significant asset is its investment in the Operating Partnership. As a result, substantially all of the Trust's assets and liabilities represent those assets and liabilities of the Operating Partnership. All of the Trust's debt is an obligation of the Operating Partnership, and the Trust guarantees the unsecured debt obligations of the Operating Partnership.

Principal Business Activity

Sterling expects to acquire primarily freestanding, single or multi-tenant office and industrial properties leased to creditworthy tenants.

Concentration of Credit Risk

Our cash balances are maintained in various bank deposit accounts. The bank deposit amounts in these accounts may exceed federally insured limits at various times throughout the year.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Real Estate Investments

Real estate investments are recorded at cost less accumulated depreciation. Ordinary repairs and maintenance are expensed as incurred.

The Company allocates the purchase price of each acquired investment property accounted for as an asset acquisition based upon the relative fair value of the individual assets acquired and liabilities assumed, which generally include (i) land, (ii) building and other improvements, (iii) in-place lease value intangibles, (iv) acquired above and below market lease intangibles, (v) any assumed financing that is determined to be above or below market and (vi) the value of customer relationships. Transaction costs related to asset acquisitions are capitalized as incurred and included as a cost of building in the accompanying consolidated balance sheets.

Furniture and fixtures are stated at cost less accumulated depreciation. All costs associated with the development and construction of real estate investments, including acquisition fees and 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.

Depreciation is provided for over the estimated useful lives of the individual assets using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Furniture, fixtures and equipment	5-10 years
Tenant improvements	Lesser of life of lease or 20 years

Impairment of Real Estate Investments

The Trust will review each property within its portfolio for potential impairment through various screening mechanisms (identifiers) to determine if there are indicators of impairment on a property. If so, the property is further analyzed through an undiscounted cash flow test. An identifier is not an indicator or triggering event for impairment; however, it is a mechanism to highlight an item on a property, that warrants further consideration and analysis to determine if an indicator is present. The following are examples of activities that are reviewed quarterly:

- An individual property's weighted-average cost of capital is not meeting its required rate as calculated by management.
- Significant decrease of net operating income ("NOI") in relation to individual commercial properties. NOI is defined as total income from rental operations less total expenses from rental operations (which consist of real estate taxes, property management fees, utilities, repairs and maintenance, insurance, and direct administrative costs).
- Significant quarter over quarter decrease in occupancy.

If the presence of one or more impairment identifier is noted through a screening mechanism at the end of the reporting period or throughout the year with respect to an investment property, the asset is further analyzed to determine if an indicator of impairment exists. If further analysis does not explain the property's performance, the Trust considers this to provide evidence that an indicator of impairment does exist, and the property is then subject to additional impairment analysis, and an undiscounted cash flow analysis is performed on the individual property. Indicators of impairment include:

- Sustained reduction in cash flows/NOI that was not due to a planned action taken by the Company to improve long term operations and where discussion and review with the portfolio management team cannot support a significant decline or insufficient NOI coverage.

Additionally, Sterling considers certain occurrences at a property to be a triggering event, causing an analysis of impairment to occur, and an undiscounted cash flow analysis is performed. Triggering events of impairment include:

- Continued difficulty in leasing property or renewing existing leases. Factors considered include:
  - Competitors building significantly newer properties.
  - Competitors are relocating out of the area.
  - Tenant downsizing and needing less square footage.
  - Significant decrease in market prices not in line with general market trends.
  - Demographics of property.
- A significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used or in its physical condition.
- A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset (asset group), including an adverse action or assessment by a regulator.
- A current expectation that, more likely than not, a long-lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. The term more likely than not refers to a level of likelihood that is more than 50 percent. As such, any property approved by the Board of Trustees to be sold, will be tested for impairment.

To the extent impairment has occurred, the Company will record an impairment charge calculated as the excess of the carrying value of the asset over its fair value for impairment of investment properties. There were no impairment losses on real estate properties during the years ended December 31, 2021 and 2020.

Construction in Progress

The Trust capitalizes direct and certain indirect project costs incurred during the development period such as construction, insurance, architectural, legal, interest and other financing costs, and real estate taxes. At such time as

the development is considered substantially complete, the capitalization of certain indirect costs such as real estate taxes and interest and financing costs cease, and all project-related costs included in construction in process are reclassified to land and building and other improvements.

Cash and Cash Equivalents and Restricted Deposits

We classify highly liquid investments with a maturity of three months or less when purchased as cash equivalents. Restricted cash includes funds escrowed for tenant security deposits, real estate tax, insurance and mortgage escrows and escrow deposits required by lenders on certain properties to be used for future building renovations or tenant improvements. At December 31, 2021 and 2020, total restricted deposits were $395 and $475, respectively.

Intangible Assets

Lease intangibles are a result of the purchase price allocation recorded on property acquisitions. The lease intangibles represent the estimated value of in-place leases, tenant relationships and the value of leases with above or below market lease terms. Lease intangibles are amortized over the term of the related lease.

The carrying amount of intangible assets is regularly reviewed for indicators of impairments in value. Impairment is recognized only if the carrying amount of the intangible asset is considered to be unrecoverable from its undiscounted cash flows and is measured as the difference between the carrying amount and the estimated fair value of the asset. Based on the review, management determined no impairment charges were necessary at December 31, 2021 and 2020.

Financing and Lease Costs

Financing costs related to lines of credit have been capitalized and are being amortized over the life of the financing using the effective interest method. Unamortized financing costs are written off when debt is retired before the maturity date and included in interest expense at that time.

Lease costs incurred in connection with new leases have been capitalized and are being amortized over the life of the lease using the straight-line method. We record the amortization of leasing costs in depreciation and amortization on the consolidated statements of operations. If an applicable lease terminates prior to the expiration of its initial lease term, we write off the carrying amount of the costs to amortization expense.

Debt Issuance Costs

We amortize external debt issuance costs related to notes and mortgage notes using the effective interest rate method, over the estimated life of the related debt. We record debt issuance costs related to notes and mortgage notes, net of amortization, on our consolidated balance sheets as an offset to their related debt. We record debt issuance costs related to revolving lines of credit on our consolidated balance sheets as financing fees, regardless of whether a balance on the line of credit is outstanding. We record the amortization of all debt issuance costs as interest expense.

Noncontrolling Interest

A noncontrolling interest in a subsidiary (minority interest) is in most cases an ownership interest in the consolidated entity that should be reported as equity in the consolidated financial statements and separate from the parent company's equity. In addition, consolidated net income is required to be reported at amounts that include the amounts attributable to both the parent and the noncontrolling interest, and the amount of consolidated net income attributable to the parent and the noncontrolling interest are required to be disclosed on the face of the consolidated statements of operations and other comprehensive income (loss).

Interests in the Operating Partnership held by limited partners are represented by Operating Partnership units. The Operating Partnership's 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.

Federal Income Taxes

We have elected to be taxed as a REIT under the Internal Revenue Code, as amended. A REIT calculates taxable income similar to other domestic corporations, with the major difference being a REIT is entitled to a deduction for dividends paid. A REIT is generally required to distribute each year at least 90% of its taxable income. If it chooses to retain the remaining 10% of taxable income, it may do so, but it will be subject to a corporate tax on such income.

A summary of the tax characterization of the dividends paid to shareholders of the Company's common stock for the years ended December 31, 2021 and 2020, as follows:

	Tax Year Ended December 31,			
	Dividend 2021	**% 2021**	**Dividend 2020**	**% 2020**
Tax status				
Ordinary income	$ 0.6119	100.00 %	$ 0.6038	100.00 %
	$ 0.6119	100.00 %	$ 0.6038	100.00 %

We intend to continue to qualify as a REIT and, provided we maintain such status, will not be taxed on the portion of the income that is distributed to shareholders. In addition, we intend to distribute all of our taxable income; therefore, no provisions or liabilities for income taxes have been recorded in the consolidated financial statements.

We follow ASC Topic 740, Income Taxes, to recognize, measure, present and disclose in our consolidated financial statements uncertain tax positions we have taken or expect to take on a tax return. As of December 31, 2021 and 2020, we did not have any liabilities for uncertain tax positions we believe should be recognized in our consolidated financial statements.

Revenue Recognition

We are the lessor for our commercial leases. Leases are analyzed on an individual basis to determine lease classification. As of December 31, 2021, all leases analyzed under the lease classification process were determined to be operating leases.

Earnings per Common Share

Basic earnings per common share is computed by dividing net income available to common shareholders (the "numerator") by the weighted average number of common shares outstanding (the "denominator") during the period. Sterling had no dilutive potential common shares as of December 31, 2021 and 2020, and therefore, basic earnings per common share was equal to diluted earnings per common share for the period. As the calculation does not include net income attributable to the Operating Partnership, Operating Partnership Units are not included in the calculation, and does not have any impact on earnings per share.

For the years ended December 31, 2021 and 2020, Sterling's denominators for the basic and diluted earnings per common share were approximately 5,578,000 and 5,089,000, respectively.

Reclassifications

Certain reclassifications considered necessary for a fair presentation have been made to the prior period consolidated financial statements in order to conform to the current year presentation. These reclassifications have not changed the results of operations or equity.

Recent Accounting Pronouncements

In March 2020, the FASB issued ("ASU") No. 2020-04, *Reference Rate Reform (Topic 848).* The standard provides for optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform. On July 27, 2017, the Financial Conduct Authority ("FCA"), tasked with overseeing the London Interbank Offered Rate ("LIBOR") announced the benchmark interest rate will be phased out by the end of 2023. As a result, existing and future contracts indexed to LIBOR will need to be renegotiated to reference another rate.

We adopted the standard effective as of January 1, 2020, using the optional transition method to apply the standard as of the effective date. The Trust elected to apply the optional expedients for all of the Trust's hedging relationships. The Trust will disregard the potential change in the designated hedged risk that may occur due to reference rate reform when the Trust assesses whether the hedged forecasted transaction is probable in accordance with the requirements of Topic 815. The Trust will continue current hedge accounting for our existing cash flow hedges when the hedged risk changes by assuming the reference rate will not be replaced for the remainder of the hedging relationships for our assessment of hedge effectiveness and all subsequent hedge effectiveness assessments.

Management does not believe any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

NOTE 3 – REAL ESTATE INVESTMENTS

As of December 31, 2021

		(in thousands)
Land and land improvements	$	34,990
Building and improvements		123,772
Furniture, fixtures and equipment		214
Construction in progress		1,199
		160,175
Less accumulated depreciation		(17,715)
	$	142,460

As of December 31, 2020

		(in thousands)
Land and land improvements	$	31,617
Building and improvements		103,131
Furniture, fixtures and equipment		214
Construction in progress		569
		135,531
Less accumulated depreciation		(14,011)
	$	121,520

NOTE 4 – LEASE INTANGIBLES

The following table summarizes the net value of other intangible assets and liabilities and the accumulated amortization for each class of intangible:

As of December 31, 2021	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
Intangible Assets		(in thousands)	
In-place leases	$ 22,477	$ (13,191)	$ 9,286
Above-market leases	1,714	(1,194)	520
	$ 24,191	$ (14,385)	$ 9,806
Intangible Liabilities			
Below-market leases	$ (5,599)	$ 3,031	$ (2,568)

As of December 31, 2020	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
Intangible Assets		(in thousands)	
In-place leases	$ 23,109	$ (11,824)	$ 11,285
Above-market leases	1,390	(984)	406
	$ 24,499	$ (12,808)	$ 11,691
Intangible Liabilities			
Below-market leases	$ (5,465)	$ 2,495	$ (2,970)

The estimated aggregate amortization expense for each of the five succeeding fiscal years and thereafter is as follows:

Years ending December 31,	Intangible Assets	Intangible Liabilities
	(in thousands)	
2022	$ 1,702	$ 455
2023	1,132	330
2024	997	265
2025	875	243
2026	799	241
Thereafter	4,301	1,034
	$ 9,806	$ 2,568

The portion of the purchase price allocated to acquired, above and below market lease intangibles is amortized on a straight-line basis over the life of the related lease as an adjustment to rental income. Amortization pertaining to above market lease intangibles of $216 and $242 for the years ended December 31, 2021 and 2020, respectively, was recorded as a reduction to income from rental operations. Amortization pertaining to below market lease intangibles of $657 and $706 for the years ended December 31, 2021 and 2020, respectively, was recorded as an increase to income from rental operations.

The portion of the purchase price allocated to acquired, in-place lease value intangibles is amortized on a straight-line basis over the life of the related lease as amortization expense. The Company incurred amortization expense pertaining

to acquired, in-place lease value intangibles of $2,162 and $2,645 for the years ended December 31, 2021 and 2020, respectively.

NOTE 5 – LINE OF CREDIT

We have a $3,000 variable rate (WSJ prime minus 1.00% not to be less than 2.90%) line of credit agreement with Bell Bank, which expires in July 2022. The line of credit is secured by specific properties. The operating line is designed to enhance treasury management activities and more effectively manage cash balances. The Trust anticipates renewing the line of credit expiring in the next 12 months to continue to hold it as a cash resource to the Trust. At December 31, 2021 and 2020, there was no balance outstanding on the line of credit, leaving $3,000 available and unused under the agreement.

The line of credit agreement includes covenants that, in part, impose maintenance of certain debt service coverage ratios. As of December 31, 2021, the Trust was in compliance with all covenants.

NOTE 6 – MORTGAGE NOTES PAYABLE

The following table summarizes the Company's mortgage notes payable:

	Principal Balance At	
	December 31, 2021	December 31, 2020
	(in thousands)	
Fixed rate mortgage notes payable (a)	$ 98,975	$ 86,927
Less unamortized debt issuance costs	(552)	(444)
	$ 98,423	$ 86,483

(a) Includes $43,022 and $32,763 of variable rate mortgage debt that was swapped to a fixed rate as of December 31, 2021 and 2020, respectively.

The majority of the Company's mortgages payable require monthly payments of principal and interest. Mortgages are secured by the respective properties, assignment of rents, business assets, deeds to secure debt, deeds of trust and/or cash deposits with the lender.

Certain mortgage note agreements include covenants that, in part, impose maintenance of certain debt service coverage and debt to worth ratios. As of December 31, 2021 and 2020, no loans were out of compliance with their covenants.

We are required to make the following principal payments on our outstanding mortgage notes payable for each of the five succeeding fiscal years and thereafter as follows:

Years ending December 31,	Amount
	(in thousands)
2022	$ 3,090
2023	4,534
2024	3,235
2025	14,517
2026	2,965
Thereafter	70,634
Total payments	$ 98,975

NOTE 7 – DERIVATIVES AND HEDGING ACTIVITIES

As part of our interest rate risk management strategy, we have used interest rate derivatives to manage our exposure to interest rate movements and add stability to interest expense. Interest rate swaps designated as cash flow hedges involve the receipt of variable rate amounts from a counterparty in exchange for the Trust making fixed rate payments over the life of the agreement without exchange of the underlying notional amount.

As of December 31, 2021, the Trust used four interest rate swaps to hedge the variable cash flows associated with variable rate debt. Changes in fair value of the derivatives that are designated and that qualify as cash flow hedges are recorded in accumulated other comprehensive loss and are reclassified into interest expense as interest payments are made on the Company's variable rate debt. Over the next 12 months, the Company estimates that an additional $544 will be reclassified as an increase to interest expense.

The following table summarizes the Trust's interest rate swaps designated as cash flow hedges as of December 31, 2021:

Effective Date	Notional	Fixed Interest Rate	Maturity Date
March 15, 2019	$ 11,663	4.24 %	March 15, 2029
December 12, 2019	$ 3,562	3.66 %	December 12, 2029
March 31, 2020	$ 9,183	3.29 %	May 15, 2030
April 14, 2020	$ 7,314	3.50 %	May 20, 2028

The following table summarizes the Company's interest rate swaps that were designated as cash flow hedges of interest rate risk:

	Number of Instruments		Notional	
Interest Rate Derivatives	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
Interest rate swaps	4	4	$ 31,722	$ 32,763

The table below presents the estimated fair value of the Company's derivative financial instruments as well as their classification in the accompanying consolidated balance sheets.

Derivatives designated as cash flow hedges:	Derivatives December 31, 2021 Balance Sheet Location	Fair Value	Derivatives December 31, 2020 Balance Sheet Location	Fair Value
Interest rate swaps	Other assets, net	$ 230	Other assets, net	$ -
Interest rate swaps	Accrued expenses and other liabilities	1,262	Accrued expenses and other liabilities	2,791

The following table presents the effect of the Company's derivative financial instruments on the accompanying consolidated statements of operations and other comprehensive income (loss) for the years ended December 31, 2021 and 2020:

Derivatives in Relationship	Amount of (Gain) Loss Recognized in Other on Derivatives	Location of Gain Reclassified from Accumulated other (AOCI) into Income	Amount of (Gain) Loss AOCI into income
	2021		2021
Interest rate swaps	$ (1,759)	Interest expense	$ 544
	2020		2020
Interest rate swaps	$ 1,718	Interest expense	$ 408

Credit-risk-related Contingent Features

The Trust has agreements with each of its derivative counterparties that contain a provision whereby if the Trust defaults on the related indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Trust could also be declared in default on its corresponding derivative obligation. As of December 31, 2021, the termination value of derivatives in a liability position was $1,262 and the termination value of derivatives in an asset position was $230. As of December 31, 2021, the Trust has pledged the properties related to the loans which are hedged as collateral.

NOTE 8 – FAIR VALUE MEASUREMENT

The following table presents the carrying value and estimated fair value of the Company's financial instruments:

	December 31, 2021		December 31, 2020	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)		(in thousands)	
Financial assets:				
Derivative assets	$ 230	$ 230	$ -	$ -
Financial liabilities:				
Mortgages notes payable, net	$ 98,975	$ 100,825	$ 86,927	$ 89,379
Derivative liabilities	$ 1,262	$ 1,262	$ 2,791	$ 2,791

The carrying values shown in the table are included in the consolidated balance sheets under the indicated captions. ASC 820-10 established a three-level valuation hierarchy for fair value measurement. Management uses these valuation techniques to establish the fair value of the assets at the measurement date. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect management's assumptions. These two types of inputs create the following fair value hierarchy:

- Level 1 – Quoted prices for identical instruments in active markets.
- Level 2 – Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose significant inputs are observable.
- Level 3 – Instruments whose significant inputs are unobservable.

The guidance requires the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurement.

Derivatives: The fair value of interest rate swaps is determined using a discounted cash flow analysis on the expected future cash flows of the derivative.

The Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered any applicable credit enhancements.

Mortgage notes payable: The Company estimates the fair value of its mortgage notes payable by discounting the future cash flows of each instrument at rates currently offered to the Company for similar debt instruments of comparable maturities by the Company's lenders. The rate used was 3.4% for December 31, 2021 and 2020.

NOTE 9 – NONCONTROLLING INTEREST OF UNITHOLDERS IN OPERATING PARTNERSHIP

Non-controlling Interests

As of December 31, 2021 and 2020, outstanding common limited partnership units totaled 3,056,000 and 2,937,000, respectively. The Operating Partnership declared fourth quarter distributions of $483 and $443, to limited partners paid in January 2022 and 2021, respectively. Distributions per unit were $0.6119 and $0.6038 during the years ended December 31, 2021 and 2020, respectively.

During the year ended December 31, 2021 and 2020, there were no limited partnership units of the Operating Partnership exchanged for common shares of the trust.

At the sole and absolute discretion of the limited partnership, and so long as our redemption plans exist, and applicable holding periods are met, Limited Partners may request the Operating Partnership to redeem their limited partnership units. The Operating Partnership may choose to offer the Limited Partner: (i) cash for the redemption or, at the request of the Limited Partner, (ii) offer shares in lieu of cash for the redemption on a basis of one limited partnership unit for one Sterling common share (the "Exchange Request"). The Exchange Request shall be exercised pursuant to a Notice of Exchange. If the issuance of Sterling common shares pursuant to an Exchange Request will cause the shareholder to exceed the ownership limitations, among other reasons, payment will be made to the Limited Partner in cash. No Limited Partner may exercise an Exchange Request more than twice during any calendar year, and Exchange Requests may not be made for less than 1,000 limited partnership units. If a Limited Partner owns fewer than 1,000 limited partnership units, all of the limited partnership units held by the Limited Partner must be exchanged pursuant to the Exchange Request.

Special Limited Partner

As of December 31, 2021 and 2020, outstanding special limited partnership units totaled one.

Pursuant to the LLLP Agreement, the Founders (as defined in the Trust's Private Placement Memorandum dated April 1, 2016) own, jointly, one (1) special limited partnership interest in the Operating Partnership. As a special limited partner, the Founders have no voting rights but have rights to certain redemption payments in exchange for the special limited partnership interest, as described below:

In connection with a merger or sale of assets or other transaction, or our shares of beneficial interest become listed on a national securities exchange, the Operating Partnership will redeem the Founders' special limited partnership interest for $5,000 plus an amount equal to 15% of the net proceeds remaining, as if all assets of the Trust and the Operating Partnership had been sold for such value and all liabilities had been satisfied in full according to their terms. The

proceeds shall be determined utilizing the then current established share/unit price, or if greater, the value of the partners or shareholders original contribution.

Redemption of the Founders' special limited partnership interest for the amounts stated above shall be in cash or, at the option of the Founders, units of limited partner interests in our Operating Partnership or common shares of beneficial interest in the Trust.

NOTE 10 – REDEMPTION PLANS

Our Board of Trustees has approved redemption plans that enable our shareholders to sell their common shares and the partners of our Operating Partnership to sell their limited partnership units to us, after they have held the securities for at least one year and subject to other conditions and limitations described in the plans.
Our redemption plans currently provide that the maximum amount that can be redeemed under the plan is $5,000 worth of securities. As of December 31, 2021, there were $4,888 worth of securities left to be redeemed under the redemption plan. Currently, the fixed redemption price is $10.50 per share or unit under the plans which price became effective October 18, 2021. Prior to October 18, 2021, the redemption price was $10.00 per share or unit under the plan. Prior to January 1, 2021, the redemption price was $9.50 per share or unit under the plan.

We may redeem securities under the plans provided the aggregate total has not been exceeded if we have sufficient funds to do so. The plans will terminate in the event the shares become listed on any national securities exchange, the subject of bona fide quotes on any inter-dealer quotation system or electronic communications network or are the subject of bona fide quotes in the pink sheets. Additionally, the Board, in its sole discretion, may terminate, amend or suspend the redemption plans, either or both of them, if it determines to do so in its sole discretion.

During the year ended December 31, 2021, the Company redeemed no common shares or units. During the year ended December 31, 2020, the Company redeemed 7,000 common shares valued at $69 and 5,000 units valued at $43.

NOTE 11 – BENEFICIAL INTEREST

We are authorized to issue 100,000,000 voting common shares of beneficial interest with $0.01 par value and 50,000,000 voting preferred shares with $0.01 par value, which collectively represent the beneficial interest of Sterling. As of December 31, 2021 and 2020, there were 6,829,000 and 5,172,000, respecitively, common shares outstanding. We had no preferred shares outstanding as of either date.

The Trust declared fourth quarter dividends of $1,080 and $781 to shareholders paid in January 2022 and 2021, respectively. Dividends paid to holders of common shares were $0.6119 and $0.6038 per share for the years ended December 31, 2021 and 2020, respectively.

NOTE 12 – DIVIDEND REINVESTMENT PLAN

Our Board of Trustees approved a dividend reinvestment plan to provide existing holders of our common shares with a convenient method to purchase additional common shares without payment of brokerage commissions, fees or service charges.

Under this plan, eligible shareholders may elect to have all or a portion (but not less than 25%) of the cash dividends they receive automatically reinvested in our common shares. The purchase price per common share under the plan equals 95% of the estimated value per common share for dividend reinvestments, as determined by our Board of Trustees.

The purchase price per common share for dividend reinvestments was $10.93 and $9.98 at December 31, 2021 and 2020, respectively. The Board, in its sole discretion, may amend, suspend or terminate the plan at any time, without the consent of shareholders, upon a 10 day notice to participants.

During the year ended December 31, 2021, 220,000 shares were issued pursuant to dividend reinvestments under the plan. During the year ended December 31, 2020, 226,000 shares were issued pursuant to dividend reinvestments under the plan.

NOTE 13 – RELATED PARTY TRANSACTIONS

Effective January 1, 2021, Alloy Enterprises, Inc. was formed to act as the holding company for Sterling Management, LLC and GOLDMARK Property Management, Inc. In connection with this restructuring transaction, the owners of Alloy Enterprises, Inc. indirectly own Sterling Management, LLC and GOLDMARK Property Management, Inc. Alloy Enterprises, Inc. is owned in part by the Trust's Chief Executive Officer and Trustee Mr. Kenneth P. Regan, by Trustee Mr. James S. Wieland, by President and CIO Joel S. Thomsen, and by our former Chief Financial Officer and Treasurer Erica J. Chaffee. In addition, Mr. Regan serves as the Executive Chairman of the Advisor, and Messrs. Wieland, and Thomsen serve on the Board of Governors of both the Advisor and GOLDMARK Property Management, Inc.

Sterling Management, LLC, is a North Dakota limited liability company formed in November 2002. The Advisor is responsible for managing day-to-day affairs, overseeing capital projects and identifying, acquiring and disposing investments on behalf of the Trust.

GOLDMARK Property Management, Inc., is a North Dakota corporation formed in 1981. GOLDMARK Property Management, Inc. performs property management services for the Trust.

Property Management Fee

For the years ended December 31, 2021 and 2020, we paid management fees of $7 and $14, respectively to GOLDMARK Property Management. In addition, during the years ended December 31, 2021 and 2020, we paid repair and maintenance related payroll and payroll related expenses to GOLDMARK Property Management of $4.

During the year ended December 31, 2021, the Trust paid commercial property management fees to our advisor of $7. There were no commercial property management fees paid during the year ended December 31, 2020, to our advisor. Commercial property management fees are determined on a property-by-property basis.

Advisory Agreement

We are an externally managed trust and as such, although we have a Board of Trustees and executive officers responsible for our management, we have no paid employees. The following is a brief description of the current fees and compensation that may be received by the Advisor under the Advisory Agreement, which must be renewed on an annual basis and approved by a majority of the independent trustees. The Advisory Agreement was approved by the Board of Trustees (including all the independent Trustees) on March 25, 2021, effective until March 31, 2022.

Management Fee: For its services during the year, our Advisor receives 0.8% of our total assets (before depreciation and amortization), annually. Total assets are our gross assets (before depreciation and amortization) as reflected on our consolidated financial statements. The management fee will be payable monthly in cash or our common shares, at the option of the Advisor, not to exceed one-twelfth of 0.8% of the total assets as of the last day of the immediately preceding month. The management fee calculation is subject to quarterly and annual reconciliations. The management fee may be deferred at the option of the Advisor, without interest.

Acquisition Fee: For its services in investigating and negotiating acquisitions of investments for us, the Advisor receives an acquisition fee of 2.5% of the purchase price of each property acquired, capped at $375 per acquisition. The total of all acquisition fees and acquisition expenses cannot exceed 6% of the purchase price of the investment, unless approved by a majority of the trustees, including a majority of the independent trustees, if they determine the transaction to be commercially competitive, fair and reasonable to us.

Disposition Fee: For its services in the effort to sell any investment for us, the Advisor receives a disposition fee of 2.5% of the sales price of each property disposition, capped at $375 per disposition.

Financing Fee: For its services in the effort to place financing for us, the Advisor receives a financing fee of 0.25% of all amounts made available to us pursuant to any loan, refinance (excluding rate and/or term modifications of an existing loan with the same lender), line of credit or other credit facility. The financing fee shall be capped at $38 per loan, refinance, line of credit or other credit facility.

Development Fee: Based on regressive sliding scale (starting at 5% and declining to 3%) of total project costs, excluding cost of land, for development services requested by us.

Total Cost	Fee	Range of Fee	Formula
0 - 10M	5.0 %	0 - .5M	0M - 5.0% x (TC - 0M)
10M - 20M	4.5 %	.5 M - .95M	.50M - 4.5% x (TC - 10M)
20M - 30M	4.0 %	.95 M - 1.35M	.95M - 4.0% x (TC - 20M)
30M - 40M	3.5 %	1.35 M - 1.70M	1.35M - 3.5% x (TC - 30M)
40M - 50M	3.0 %	1.70 M - 2.00M	1.70M - 3.0% x (TC - 40M)

TC = Total Project Cost

The below table summarizes the fees incurred by the Trust for services rendered by the Advisor and payable to our Advisor:

	Year Ended December 31,	
	2021	2020
	(in thousands)	
Fee:		
Advisory	$ 1,466	$ 1,375
Acquisition	$ 611	$ -
Disposition	$ 142	$ -
Financing	$ 80	$ -

The below table summarizes the fees owed to the Advisor:

	Payable at December 31,	
	2021	2020
	(in thousands)	
Fee:		
Advisory	$ 140	$ 115
Acquisition	$ 225	$ -

Operating Partnership Units Issued in Connection with Acquisitions

During the years ended December 31, 2021 and 2020, we did not issue any Operating Partnership units to entities affiliated with any related parties.

Commissions

During the year ended December 31, 2021, we incurred real estate commissions of $312 owed to GOLDMARK Commercial Real Estate, Inc., in which Messrs. Regan and Wieland jointly own a controlling interest. During the year ended December 31, 2020, we did not incur any real estate commissions. Outstanding commissions owed as of December 31, 2021 was $90.

NOTE 14 – RENTALS UNDER OPERATING LEASES / RENTAL INCOME

Commercial properties are leased to tenants under terms expiring at various dates through 2036. Lease terms often include renewal options. For the years ended December 31, 2021 and 2020, gross revenues from commercial property rentals, including CAM income (common area maintenance) of $3,308 and $3,532 respectively, totaled $20,784 and $20,970, respectively.

As of December 31, 2021, we derived substantially all of our revenues from commercial leases primarily under long-term lease agreements. 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 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 operating expenses, excluding real estate taxes, and reimbursements are included within real estate rental income along with the associated base rent in the accompanying consolidated financial statements.

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 $426 and $615 for the years ended December 31, 2021 and 2020, respectively. The straight-line receivable balance included in receivables on the consolidated balance sheets as of December 31, 2021 and 2020 was $2,999 and $2,937, respectively. We receive payments for expense reimbursements from substantially all our multi-tenant commercial tenants throughout the year based on estimates.

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

	Year ended December 31, 2021
	(in thousands)
Lease income related to fixed lease payments	$ 17,003
Lease income related to variable lease payments	3,308
Other (a)	199
Lease Income (b)	$ 20,510

(a) For the year ended December 31, 2021, "Other" is comprised of revenue adjustments related to changes in collectability and amortization of above and below market lease intangibles and lease inducements.

(b) Excludes other rental income for the year ended December 31, 2021, of $274, which is accounted for under the revenue recognition standard.

	Year ended December 31, 2020
	(in thousands)
Lease income related to fixed lease payments	$ 16,506
Lease income related to variable lease payments	3,532
Other (c)	677
Lease Income (d)	$ 20,715

(c) For the year ended December 31, 2020, "Other" is comprised of revenue adjustments related to changes in collectability and amortization of above and below market lease intangibles and lease inducements.
(d) Excludes other rental income for the year ended December 31, 2020, of $255, which is accounted for under the revenue recognition standard.

Commercial space is rented under long-term agreements. Minimum future rentals on non-cancelable operating leases as of December 31, 2021 are as follows:

Years ending December 31,	Amount
	(in thousands)
2022	$ 17,604
2023	14,601
2024	12,266
2025	10,876
2026	10,106
Thereafter	51,380
	$ 116,833

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Environmental Matters

Federal law (and the laws of some states in which we own or 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 us, we could incur liability for the removal of the substances and the cleanup of the property.

There can be no assurance that we would have effective remedies against prior owners of the property. In addition, we may be liable to tenants and may find it difficult or impossible to sell the property either prior to or following such a cleanup.

Risk of Uninsured Property Losses

We maintain 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) we might suffer a loss of capital invested, (ii) tenants may suffer losses and may be unable to pay rent for the spaces, and (iii) we may suffer a loss of profits which might be anticipated from one or more properties.

Litigation

The Company is subject, from time to time, to various legal proceedings and claims that arise in the ordinary course of business. While the resolution of such matters cannot be predicted with certainty, management believes, based on currently available information, that the final outcome of such matters will not have a material effect on the financial statements of the Company.

Significant Risks and Uncertainties

The Trust continues to closely monitor the impact of the COVID-19 pandemic on all aspects of its business and geographies, including how it will impact its tenants and business partners. A number of uncertainties continue to exist at this time, including but not limited to the uncertainty of additional state and/or federal stimulus and the effect of the recent impacts of the COVID-19, and its variants. While the Trust did not incur significant disruptions during the year ended December 31, 2021 from the COVID-19 pandemic, the effects of the ongoing COVID-19 pandemic could have material adverse effects on our business and results of operations, so long as COVID-19 continues to impact the U.S. economy in general. The extent to which the economic disruption associated with the COVID-19 pandemic impacts our business and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity, and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, among others.

During the year ended December 31, 2021, the Trust received certain rent relief requests because of COVID-19. These requests were received most often in the form of rent deferral requests. Few rental defaults have occurred to date and the Trust is pursuing legal remedies as to these amounts which are not material in the aggregate. The Trust will continue to evaluate any further tenant rent relief requests on an individual basis, considering several factors. Not all tenant requests will ultimately result in modification agreements, nor will the Trust forgo its contractual rights under its lease agreements.

NOTE 16 –DISPOSITIONS

During the year ended December 31, 2021, the Operating Partnership sold two industrial properties located in Du Quoin, Illinois and Corsicana, Texas for $5,695 and recognized a gain of $1,069 in August 2021.

There were no dispositions of real estate investments during the year ended December 31, 2020.

NOTE 17 –ACQUISITIONS

The Company closed on the following property acquisitions during the year ended December 31, 2021:

Date	Property Name	Location	Property Type	Purchase Price
				(in thousands)
August 31, 2021	Cliff Avenue Industrial Center	Sioux Falls, SD	Industrial	$ 17,592
October 1, 2021	Cliff Avenue Industrial Center Land	Sioux Falls, SD	Land	436
December 29, 2021	Thermotech	Hopkins, MN	Industrial	9,822
				$ 27,850

The Company did not acquire any properties during the year ended December 31, 2020.

Total consideration given for acquisitions for the year ended December 31, 2021, was completed through issuing approximately 119,000 limited partnership units of the Operating Partnership valued at $11.00 per unit, for an aggregate consideration of approximately $1,304, new loans of $11,400, net of debt issuance costs of $89, incurring leasehold liabilities of $503, commissions payable and other assumed liabilities of $956 and cash of $13,776. The value of units issued in exchange for property is determined through a value established annually by our Board of Trustees and reflects the estimated fair value at the time of issuance.

The following table summarizes the acquisition date fair values, before prorations, the Company recorded in conjunction with the acquisitions discussed above:

	2021
	(in thousands)
Land, building, tenant improvements and FF&E	$ 26,481
Acquired lease intangible assets	1,369
Total assets acquired	27,850
Acquired lease intangible liabilities	(503)
Debt issuance costs	89
Other liabilities assumed	(956)
Net assets acquired	26,480
Equity/limited partnership unit consideration	(1,304)
New loans	(11,400)
Net cash consideration paid	$ 13,776

NOTE 18 - SUBSEQUENT EVENTS

On January 15, 2022, we paid a dividend or distribution of $0.15812 per share on our common shares of beneficial interest or limited partnership units, to common shareholders and limited unit holders of record on December 31, 2021.

On February 7, 2022, the Trust acquired two industrial properties located in Cannon Falls and Becker, Minnesota for a total purchase price of $17,400.

On February 7, 2022, the Trust entered into a $5,850, 10-year, 3.35% fixed rate lending agreement.

On February 7, 2022, the Trust entered into a $5,460, 10-year, 3.35% fixed rate lending agreement.

On February 16, 2022, the Trust entered into a $6,650, 10-year, 3.30% fixed rate lending agreement.

Pending acquisitions and dispositions are subject to numerous conditions and contingencies and there are no assurances that the transactions will be completed.

We have evaluated subsequent events through the date of this report. We are not aware of any other subsequent events which would require recognition or disclosure in the consolidated financial statements.

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