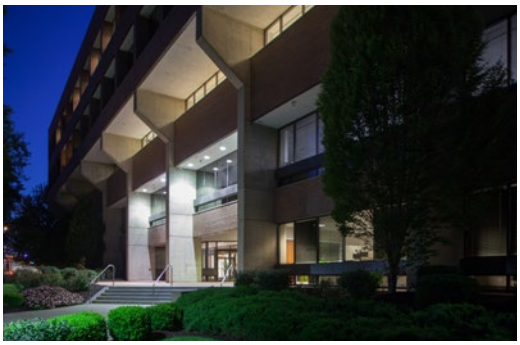
STERLING

OFFICE AND INDUSTRIAL TRUST



ANNUAL REPORT 2024

OUR VISION

TO BE A SUPERIOR, INDUSTRY LEADING REIT BY ENRICHING OUR INVESTORS THROUGH HIGH QUALITY REAL ESTATE OWNERSHIP BY PROVIDING GREAT VALUE AND SERVICE TO EACH OF OUR TENANTS.

OUR MISSION

TO DELIVER OUR INVESTORS STRONG, SAFE, AND RELIABLE CASH FLOW AND SHARE PRICE APPRECIATION BY PROVIDING QUALITY REAL ESTATE TO EACH TENANT WE SERVE.

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OUR TEAM

Sterling Office and Industrial Trust operates under the direction of our Board of Trustees. The Board is responsible for the overall management and control of our affairs. Our Trustees have decades of experience in business, real estate, property management, banking and finance. Each Trustee is also a shareholder. The Board is deeply involved in the Trust's risk management. The Board receives regular reports from Management that include consideration of operational, financial, legal, regulatory and strategic risks facing the Trust and Operating Partnership.

BOARD OF TRUSTEES

WILBUR WRIGHT
CHAIR OF THE BOARD

KENNETH REGAN

ERICA CHAFFEE

TIMOTHY HAUGEN

RUP NAGALA

JOEL THOMSEN

JAMES WIELAND

DANIEL WILSON

LANCE WOLF

EXECUTIVE OFFICERS

KENNETH REGAN
CHIEF EXECUTIVE OFFICER

MEGAN SCHREINER
PRESIDENT

LISA REICH
CHIEF FINANCIAL OFFICER AND TREASURER

MICHAEL CARLSON
GENERAL COUNSEL AND SECRETARY

LUKE SWENSON
CHIEF INVESTMENT OFFICER

DAVID PERKINS
VICE PRESIDENT

EXECUTIVE COMMITTEE

JOEL THOMSEN
DANIEL WILSON
WILBUR WRIGHT*

AUDIT COMMITTEE

TIMOTHY HAUGEN*
DANIEL WILSON
WILBUR WRIGHT

NOMINATION AND GOVERNANCE COMMITTEE

ERICA CHAFFEE
TIMOTHY HAUGEN
RUP NAGALA
JAMES WIELAND
LANCE WOLF*

*INDICATES COMMITTEE CHAIR

FINANCIAL HIGHLIGHTS

YEAR-ENDED DECEMBER 31 (IN THOUSANDS)

	2024	2023	2022
INCOME STATEMENT			
RENTAL REVENUES	$28,847	$26,783	$25,874
TOTAL EXPENSES	$26,966	$23,266	$20,756
NET INCOME (LOSS)	$6,489	$12,527	$5,201
FUNDS FROM OPERATIONS	$12,239	$20,384	$12,349
ADJUSTED FUNDS FROM OPERATIONS	$12,225	$11,439	$9,861
BALANCE SHEET			
TOTAL REAL ESTATE INVESTMENTS, GROSS[1]	$259,331	$249,779	$204,102
TOTAL ASSETS	$278,197	$266,983	$213,176
TOTAL LIABILITIES	$158,064	$155,648	$136,073
SHAREHOLDER EQUITY	$120,133	$111,335	$77,103
WEIGHTED AVERAGE SHAREHOLDER DATA			
COMMON SHARES/UPREIT UNITS OUTSTANDING	13,584	11,073	10,308
UPREIT UNITS OUTSTANDING	4,787	3,639	3,303
COMMON SHARES OUTSTANDING	8,797	7,434	7,005
SHARE PRICE	$12.00	$12.00	$11.50

[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,

On behalf of your Board of Trustees, Officers, and the entire Sterling Management team, we extend our sincerest gratitude for your trust and confidence. Since Sterling Office and Industrial Trust ("SOIT") was founded in 2016, we have sought to instill our values of respect, excellence, integrity, transparency, and stewardship in all aspects of our operations, and we hope to continue earning your support for years to come. Thank you.

OUR 2024 STRATEGY

Our nimble and thoughtful approach to investing allowed us to maneuver effectively in 2024. As we grow our portfolio, our team is focused on locating opportunities that align with our mission: providing consistent, strong results to our investors through lower-risk investments. As a result, the Sterling Management team focuses on acquiring high-quality buildings, in ideal locations, occupied by dependable tenants. Under these guiding principles, we acquired two properties in 2024: Advanced Converting Works (Green Bay, WI) and Polywood Industrial (Wausau, WI), with the aim of deriving long-term value from these investments for our shareholders.

Our strategy also includes evaluating and pruning our existing portfolio to best serve our investors. To this end, we made the decision to sell our Barry Pointe, TRIAD, and Thermotech properties, at a gain of $3.3 million. Meanwhile, we continued to diligently manage our properties by seeking favorable lease renewals, lowering vacancy rates, and building strong relationships with existing tenants to promote our portfolio's success.

We remain confident in the quality of our portfolio and our robust financial position, and we are excited to add to the SOIT portfolio when the right opportunities arise.

LOOKING AHEAD

Despite economic volatility in the market during early 2025, we are confident that our steadfast principles and financial strength will enable us to withstand any economic headwinds. As we navigate this period, we are fully committed to delivering value to our investors through the Board of Trustees' stewardship and the Sterling Management team's creativity and talent. Thank you, our valued investors, for your continued trust and support.

Sincerely,

Wilbur D. Wright
CHAIR OF THE BOARD

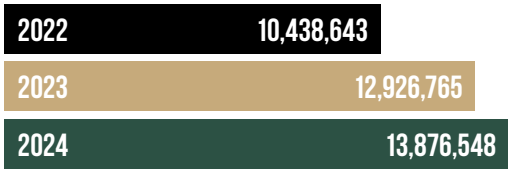
Kenneth P. Regan
CHIEF EXECUTIVE OFFICER

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 low-risk and income-producing real estate investment opportunities to investors.

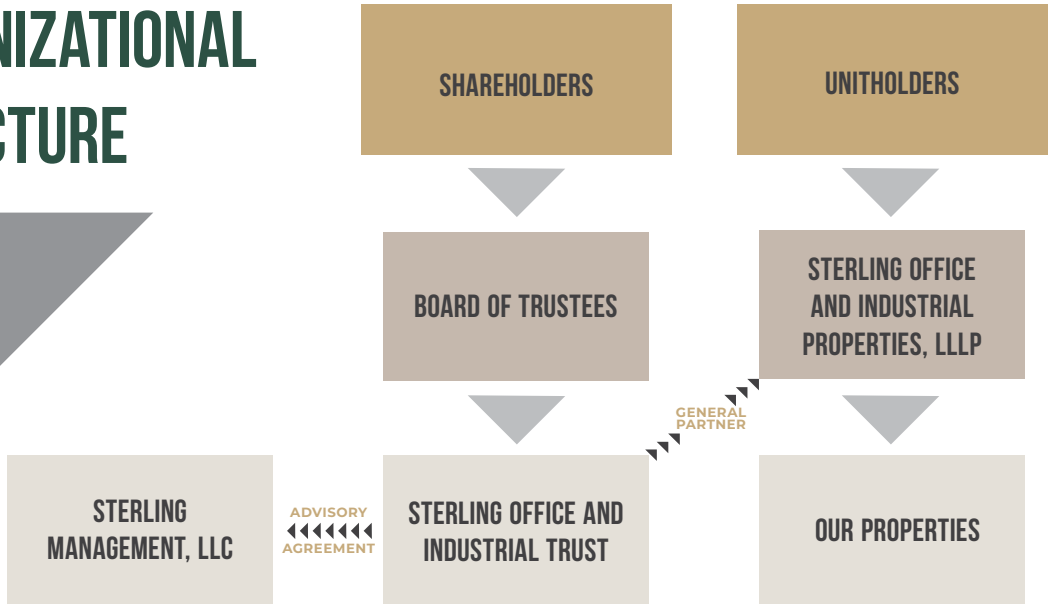
STERLING OFFICE AND INDUSTRIAL PROPERTIES, LLLP

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.

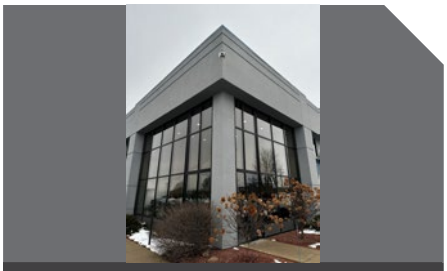
STERLING MANAGEMENT, LLC

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 Chairman, EVP & COO, CIO, CFO, General Counsel, and SVP – Commercial Portfolio serve as executive officers of the Trust.

ORGANIZATIONAL STRUCTURE



2024 ACQUISITIONS



ACW (ADVANCED CONVERTING WORKS)

Close Date	Cap Rate
4/25/24	7.31%
Square Feet	**Location**
189,400	Green Bay, WI
Purchase Price	
$11,750,000	

POLYWOOD INDUSTRIAL

Close Date	Cap Rate
12/13/24	7.22%
Square Feet	**Location**
100,755	Wausau, WI
Purchase Price	
$7,825,000	

TOTAL ACQUIRED IN 2024:

TOTAL VALUE: $19,575,000

TOTAL SQUARE FEET: 290,155

2024 DISPOSITIONS

TRIAD

Close Date	Gain on Sale
8/16/24	$564,781
Square Feet	**Location**
18,815	Scotts Depot, WV
Sale Price	
$2,100,000	

BARRY POINTE

Close Date	Gain on Sale
8/30/24	$1,985,086
Square Feet	**Location**
18,502	Liberty, MO
Sale Price	
$3,900,000	

THERMOTECH

Close Date	Gain on Sale
12/20/24	$699,913
Square Feet	**Location**
102,237	Hopkins, MN
Sale Price	
$9,900,000	

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 nine 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.

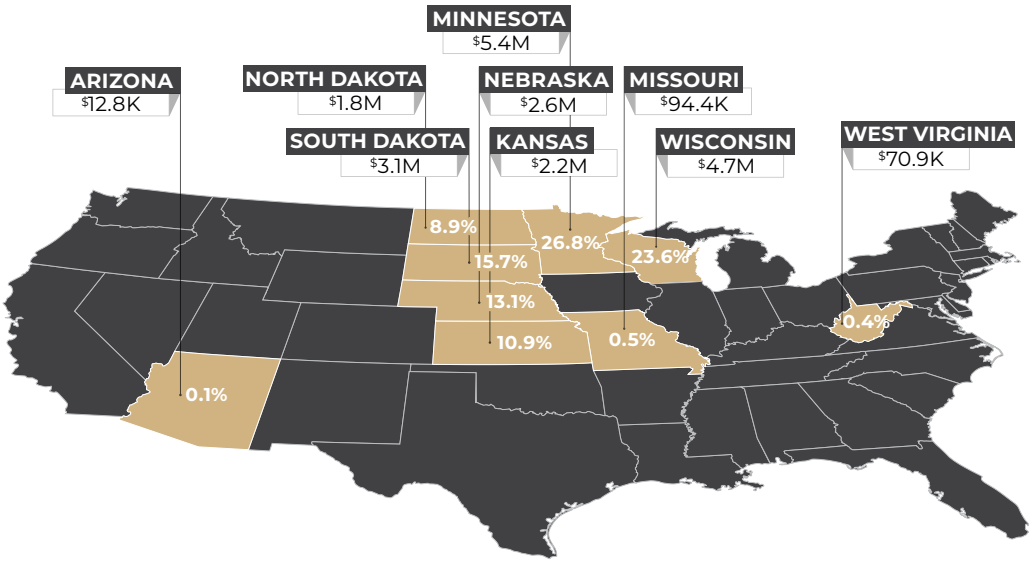
SHAREHOLDERS.....367
UNITHOLDERS.....69
TOTAL.....436

436 INVESTORS

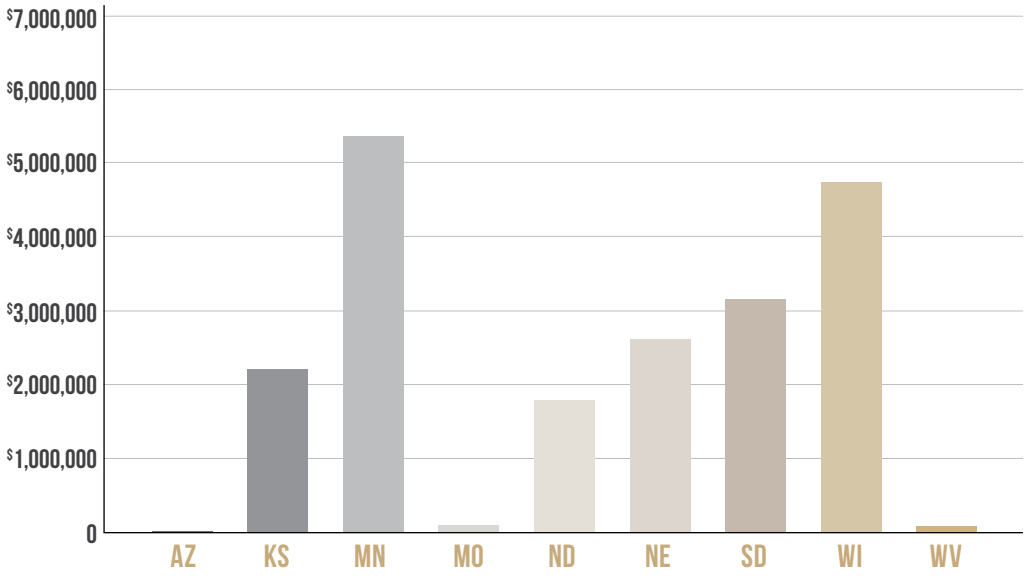
3.1M SQUARE FEET

9 STATES

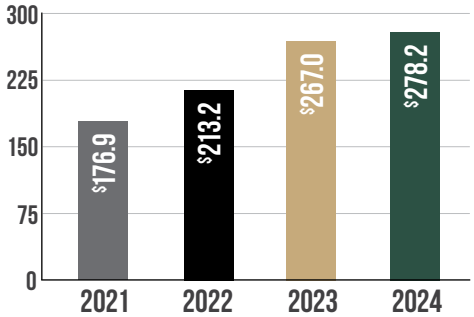
NET OPERATING INCOME BY STATE



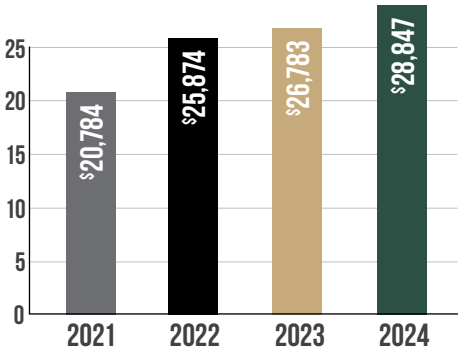
TOTAL NET OPERATING INCOME = $19.9M



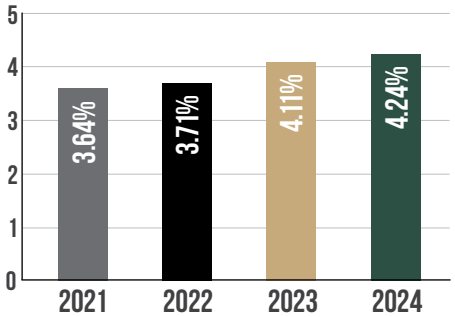
PORTFOLIO SUMMARY



TOTAL ASSETS
(Dollars in Millions)



TOTAL REVENUE
(Dollars in Thousands)

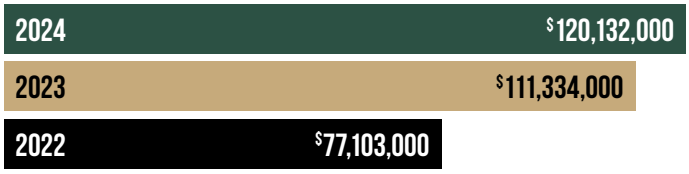


WEIGHTED AVERAGE INTEREST RATE

INVESTOR RETURN

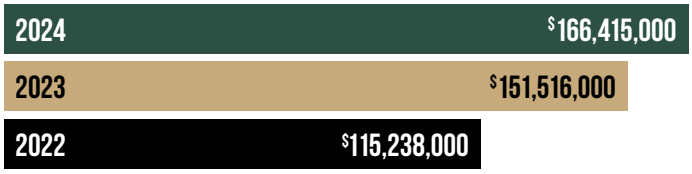
TOTAL EQUITY

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 2024 total equity was $120,132,000, which includes accumulated depreciation and amortization of $46,282,000 from real estate property value. Adding back the accumulated depreciation and amortization for 2024 shows an adjusted equity position of $166,415,000.



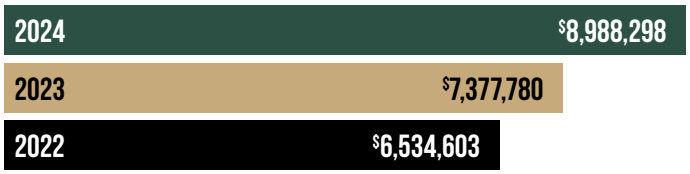
ACCUMULATED DEPRECIATION AND AMORTIZATION

ADJUSTED EQUITY POSITION



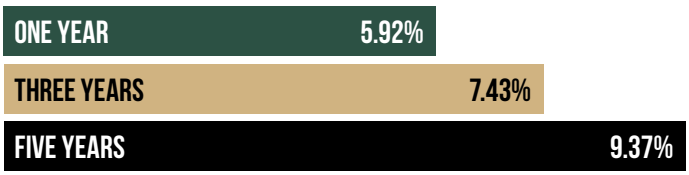
DIVIDENDS AND DISTRIBUTIONS DECLARED

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 2024, the annual yield remained 5.50% ($0.66 per share) and the Trust declared its 35th 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

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 deliver our investors strong, safe, and reliable cash flow and share price appreciation by providing quality real estate to each tenant we serve.

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

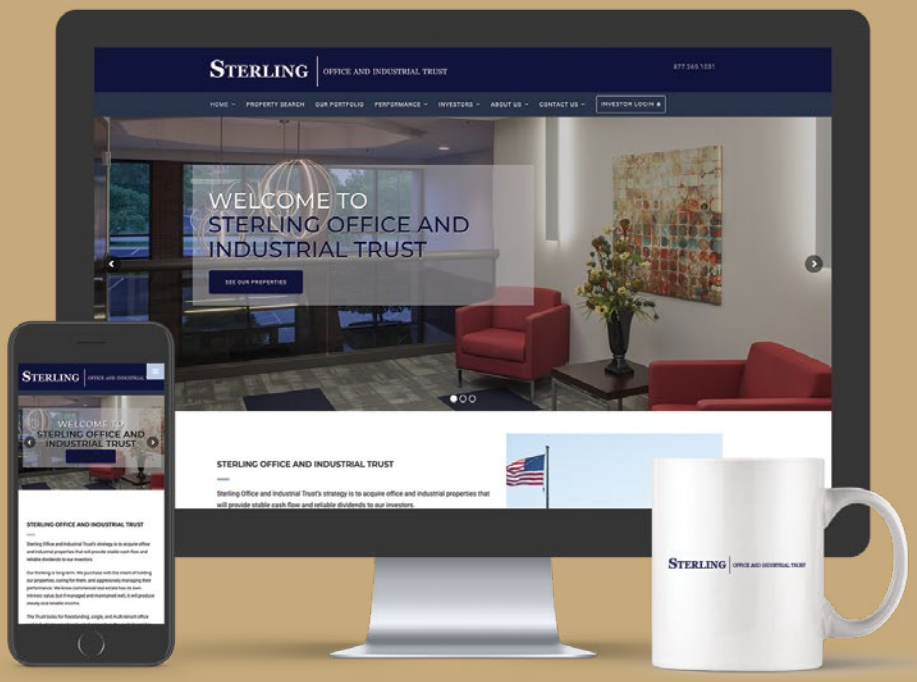
701.353.2720
SOITIR@SRETRUST.COM

ANNUAL MEETING

We sincerely hope you can join us for this year's Annual Meeting on June 17, 2025 at 6:00 p.m. at the Avalon Events Center, 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!



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

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AUDITED FINANCIALS

DECEMBER 31, 2024

INDEPENDENT AUDITOR'S REPORT ii

CONSOLIDATED BALANCE SHEETS 1

CONSOLIDATED STATEMENTS OF OPERATIONS 2

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY 3

CONSOLIDATED STATEMENTS OF CASH FLOWS 4

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS 6

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STERLING | OFFICE AND INDUSTRIAL TRUST

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF *December 31, 2024* AND *2023,*
AND THE RELATED CONSOLIDATED STATEMENTS OF OPERATIONS,
SHAREHOLDERS' EQUITY AND CASH FLOWS FOR THE YEARS ENDED
December 31, 2024 AND 2023
INCLUDING NOTES

and

INDEPENDENT AUDITOR'S REPORT

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES

INDEPENDENT AUDITOR'S REPORT ii

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets 1

Consolidated Statements of Operations and Other Comprehensive Income 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 Trust), which comprise the consolidated balance sheets as of December 31, 2024 and 2023, the related consolidated statements of operations and other comprehensive income, changes in shareholders' equity and cash flows for the years 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 Trust as of December 31, 2024 and 2023, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion
We conducted our audits 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 Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 Trust's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

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.

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

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

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 Trust'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 Trust'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.

Other Information Included in the Annual Report
Management is responsible for the other information included in the Annual Report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

RSM US LLP

Minneapolis, Minnesota
April 8, 2025

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2024 AND 2023

	December 31, 2024	December 31, 2023
	(in thousands)	
ASSETS		
Real estate investments, net	$ 227,851	$ 223,613
Cash and cash equivalents	21,660	14,924
Restricted deposits	10,422	248
Investment in securities	-	9,040
Receivables, net	5,063	4,815
Prepaid expenses	481	339
Financing and lease costs, net	1,307	1,200
Intangible assets, net	8,997	10,417
Fair value of interest rate swaps	2,416	2,387
Total Assets	$ 278,197	$ 266,983
LIABILITIES		
Mortgage notes payable, net	$ 147,081	$ 145,093
Special assessments payable	163	400
Dividends and distributions payable	2,290	2,133
Due to related party	23	390
Tenant security deposits payable	573	570
Lease intangible liabilities, net	2,334	3,214
Accounts payable	2,357	984
Accrued expenses and other liabilities	3,243	2,864
Total Liabilities	158,064	155,648
SHAREHOLDERS' EQUITY		
Beneficial interest	76,599	71,565
Noncontrolling interest		
Special limited partner in the Operating Partnership	5	5
Common unitholders in the Operating Partnership	41,113	37,378
Total Noncontrolling Interest	41,118	37,383
Accumulated other comprehensive income	2,416	2,387
Total Shareholders' Equity	120,133	111,335
Total Liabilities and Shareholders' Equity	$ 278,197	$ 266,983

See notes to consolidated financial statements

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Year Ended December 31,	
	2024	2023
	(in thousands, except per share data)	
Income from rental operations		
Real estate rental income	$ 28,847	$ 26,783
Expenses		
Expenses from rental operations		
Interest	6,581	5,089
Depreciation and amortization	8,930	7,855
Real estate taxes	3,170	2,689
Property management fees	854	756
Utilities	1,349	1,314
Repairs and maintenance	3,193	3,247
Insurance	322	182
Total Expenses from rental operations	24,399	21,132
Administrative Expenses		
Administration of REIT	2,567	2,134
Total expenses	26,966	23,266
Income from operations	1,881	3,517
Other income	4,608	9,010
Gain on sale of real estate investments	3,242	-
	7,850	9,010
Net income	6,489	12,527
Net income attributable to noncontrolling interest	2,310	4,116
Net income attributable to Sterling Office and Industrial Trust	$ 4,179	$ 8,411
Net income attributable to Sterling Office and Industrial Trust per common share, basic and diluted	$ 0.48	$ 1.13
Comprehensive income		
Net income	$ 6,489	$ 12,527
Other comprehensive gain (loss) - change in fair value of interest rate swaps	29	(627)
Comprehensive income	6,518	11,900
Comprehensive income attributable to noncontrolling interest	2,320	3,915
Comprehensive income attributable to Sterling Office and Industrial Trust	$ 4,198	$ 7,985
Weighted-average Common Shares outstanding	8,797,000	7,434,000

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, 2024 AND 2023

	Common Shares	Paid-in Capital	Accumulated Distributions in Excess of Earnings	Total Beneficial Interest	Noncontrolling Interest	Accumulated Comprehensive Income (Loss)	Total
				(in thousands, except share data)			
BALANCE AT DECEMBER 31, 2022	7,113	$ 72,448	$ (18,734)	$ 53,715	$ 20,374	$ 3,014	$ 77,103
Issuance of common shares	944	11,330	-	11,330	-		11,330
Contribution of assets in exchange for the issuance of noncontrolling interest shares	-	-	-	-	15,352	-	15,352
Shares/units redeemed	(17)	(189)	-	(189)	(44)	-	(233)
Shares issued under trustee compensation plan	3	33	-	33	-	-	33
Dividends and distributions declared	-	-	(4,962)	(4,962)	(2,415)	-	(7,377)
Dividends reinvested - stock dividend	283	3,227	-	3,227	-	-	3,227
Change in fair value of interest rate swaps	-	-	-	-	-	(627)	(627)
Net income	-	-	8,411	8,411	4,116	-	12,527
BALANCE AT DECEMBER 31, 2023	8,326	86,849	(15,285)	71,565	37,383	2,387	111,335
Issuance of common shares	297	3,565	-	3,565	-	-	3,565
Contribution of assets in exchange for the issuance of noncontrolling interest shares	-	-	-	-	4,701	-	4,701
Shares/units redeemed	(52)	(571)	-	(571)	(98)	-	(669)
Shares issued under trustee compensation plan	3	38	-	38	-	-	38
Dividends and distributions declared	-	-	(5,808)	(5,808)	(3,178)	-	(8,986)
Dividends reinvested - stock dividend	319	3,631	-	3,631	-	-	3,631
Change in fair value of interest rate swaps	-	-	-	-	-	29	29
Net income	-	-	4,179	4,179	2,310	-	6,489
BALANCE AT DECEMBER 31, 2024	8,893	$ 93,512	$ (16,914)	$ 76,599	$ 41,118	$ 2,416	$ 120,133

See notes to consolidated financial statements

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (continued)

	Year Ended December 31,	
	2024	2023
	(in thousands)	
OPERATING ACTIVITIES		
Net income	$ 6,489	$ 12,527
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of real estate investments	(3,242)	-
Gain on involuntary conversion	-	(8,600)
Depreciation	6,890	5,974
Amortization	1,601	1,387
Amortization of debt issuance costs	202	200
Effects on operating cash flows due to changes in		
Receivables	(248)	(929)
Prepaid expenses	(142)	(161)
Due to related party	(329)	90
Tenant security deposits payable	3	51
Accounts payable - trade	1,372	275
Accrued expenses and other liabilities	364	352
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,960	11,166
INVESTING ACTIVITIES		
Purchase of securities	(11,000)	(10,500)
Proceeds from securities	20,040	6,529
Purchase of real estate investment properties	(15,667)	(25,896)
1031 exchange funds from real estate investment property dispositions	15,467	-
Proceeds from involuntary conversion	-	8,600
Capital expenditures and tenant improvements	(3,931)	(5,330)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	4,909	(26,597)
FINANCING ACTIVITIES		
Payments for financing and lease costs	(482)	(2,396)
Proceeds from issuance of mortgage notes payable	7,050	23,173
Principal payments on mortgage notes payable	(5,225)	(5,459)
Shares/units redeemed	(669)	(233)
Dividends/distributions paid	(5,198)	(3,668)
Proceeds from issuance of common shares	3,565	11,330
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(959)	22,747
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS	16,910	7,316
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT BEGINNING OF PERIOD	15,172	7,856
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF PERIOD	$ 32,082	$ 15,172
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF PERIOD		
Cash and cash equivalents	$ 21,660	$ 14,724
Restricted deposits	10,422	448
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS, END OF PERIOD	$ 32,082	$ 15,172

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023 (continued)

	December 31,	
	2024	2023
SCHEDULE OF CASH FLOW INFORMATION	(in thousands)	
Cash paid during the period for interest, net of capitalized interest	$ 6,311	$ 4,770
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends reinvested	$ 3,630	$ 3,227
Dividends declared and not paid	$ 1,467	$ 1,374
Distributions declared and not paid	$ 823	$ 759
Shares issued pursuant to trustee compensation plan	38	33
Acquisitions of assets in exchange for the issuance of noncontrolling interest units in UPREIT	$ 4,701	$ 15,352
Unrealized gain (loss) on interest rate swap	$ 29	$ (627)

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, 2024 and 2023, Sterling owned approximately 64.08% and 64.4% 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, 2024, the Trust owned approximately 64.08% 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 LLLP Agreement and the redemptions plans, these persons have the right to request the Operating Partnership redeem their OP Units following a specified restricted period. All redemptions are at the sole discretion of the Trust, acting for itself or in its capacity as General Partner of the Operating Partnership, and further subject to the conditions and limitations of the LLLP Agreement and redemption plans, as the same may be amended or modified from time to time. If the Trust accepts a redemption request, the redemption of OP Units shall be made in cash in an amount 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 and in its sole and absolute discretion, 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. 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's investment properties are reviewed for potential impairment at the end of each reporting period or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. To assess potential impairment of the real estate portfolio, the Trust initially performs a screen test and reviews the net book value (NBV) of each property, compares the trailing twelve months (T12) net operating income (NOI) against the prior year's T12 NOI, and evaluates key assumptions, including the anticipated hold period and applicable capitalization rates, to determine whether any indicators of impairment exist.

Examples of situations considered to be impairment indicators include, but are not limited to:

- a substantial decline or negative cash flows;
- continued low occupancy rates;
- continued difficulty in leasing space;
- significant financially troubled tenants;
- a change in plan to sell a property prior to the end of its useful life or holding period;
- a significant decrease in market price not in line with general market trends; and
- any other quantitative or qualitative events or factors deemed significant by the Trust's management or Board of Trustees.

If the presence of one or more impairment indicators as described above is identified with respect to an investment property, the asset is tested for recoverability by comparing its carrying value to the estimated future undiscounted cash flows. An investment property is considered to be impaired when the estimated future undiscounted cash flows are less than its current carrying value. When performing a test for recoverability or estimating the fair value of an impaired investment property, the Trust makes complex or subjective assumptions which include, but are not limited to:

- projected operating cash flows considering factors such as vacancy rates, rental rates, lease terms, tenant financial strength, demographics, holding period and property location;
- projected capital expenditures;
- projected cash flows from the eventual disposition of an operating property using a property specific capitalization rate;
- comparable selling prices; and
- property specific discount rates for fair value estimates as necessary.

To the extent impairment has occurred, the Trust 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, 2024 and 2023.

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, 2024 and 2023, total restricted deposits were $10,422 and $448, respectively.

Investments in U.S. Treasury Bills

Treasury Bills are short-term debt obligations with maturities of one year or less issued by the U.S. Treasury Department and backed by the U.S. Government. Treasury Bills yield no interest, but are issued at a discount to the redemption price. We classify our investments in U.S. Treasury Bills as investments in securities. We use quoted market prices to determine the fair value of our investments in U.S. Treasury Bills.

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, 2024 and 2023.

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.

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, 2024 and 2023, as follows:

	Tax Year Ended December 31,			
	Dividend 2024	**% 2024**	**Dividend 2023**	**% 2023**
Tax status				
Ordinary income	$ 0.3876	58.73 %	$ 0.4473	67.78 %
Return of capital	0.2724	41.27 %	0.2127	32.22 %
	$ 0.6600	100.00 %	$ 0.6600	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, 2024 and 2023, 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 and industrial leases. Leases are analyzed on an individual basis to determine lease classification. As of December 31, 2024 and 2023, 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, 2024 and 2023, 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, 2024 and 2023, Sterling's denominators for the basic and diluted earnings per common share were approximately 8,797,000 and 7,434,000, 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

Management does not believe that any 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, 2024		(in thousands)
Land and land improvements	$	48,684
Building and improvements		209,079
Furniture, fixtures and equipment		739
Construction in progress		829
		259,331
Less accumulated depreciation		(31,480)
	$	227,851

As of December 31, 2023		(in thousands)
Land and land improvements	$	49,261
Building and improvements		198,039
Furniture, fixtures and equipment		335
Construction in progress		2,144
		249,779
Less accumulated depreciation		(26,166)
	$	223,613

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, 2024		Lease Intangibles		Accumulated Amortization		Lease Intangibles, net
Intangible Assets				(in thousands)		
In-place leases	$	22,820	$	(14,416)	$	8,404
Above-market leases		2,029		(1,436)		593
	$	24,849	$	(15,852)	$	8,997
Intangible Liabilities						
Below-market leases	$	(5,572)	$	3,238	$	(2,334)

As of December 31, 2023	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
Intangible Assets		(in thousands)	
In-place leases	$ 23,738	$ (13,999)	$ 9,739
Above-market leases	2,046	(1,368)	678
	$ 25,784	$ (15,367)	$ 10,417
Intangible Liabilities			
Below-market leases	$ (6,294)	$ 3,080	$ (3,214)

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)	
2025	$ 1,378	$ 442
2026	1,279	434
2027	1,105	331
2028	902	256
2029	764	234
Thereafter	3,569	637
	$ 8,997	$ 2,334

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 $84 and $56 for the years ended December 31, 2024 and 2023, respectively, was recorded as a reduction to income from rental operations. Amortization pertaining to below market lease intangibles of $524 and $550 for the years ended December 31, 2024 and 2023, 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 $1,720 and $1,582 for the years ended December 31, 2024 and 2023, respectively.

NOTE 5 – LINE OF CREDIT

We have a $3,000 variable rate (WSJ prime minus 1.00% not to be less than 5.50%) line of credit agreement with Bell Bank, which expires in July 2025. 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, 2024 and 2023, 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, 2024, the Trust was in compliance with all covenants.

NOTE 6 – MORTGAGE NOTES PAYABLE

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

	December 31, 2024	December 31, 2023
	(in thousands)	
Fixed rate mortgage notes payable (a)	$ 147,600	$ 145,775
Less unamortized debt issuance costs	(519)	(682)
	$ 147,081	$ 145,093

(a) Includes $28,369 and $29,468 of variable rate mortgage debt that was swapped to a fixed rate as of December 31, 2024 and 2023, 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, 2024 and 2023, 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)
2025	$ 15,628
2026	4,238
2027	17,690
2028	38,990
2029	26,774
Thereafter	44,280
Total payments	$ 147,600

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, 2024, 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 $830 will be reclassified as a decrease to interest expense.

The following table summarizes the Trust's interest rate swaps designated as cash flow hedges as of December 31, 2024

Effective Date	Notional	Fixed Interest Rate	Maturity Date
March 15, 2019	$ 10,662	4.24 %	March 15, 2029
March 31, 2020	$ 8,154	3.29 %	May 15, 2030
April 14, 2020	$ 6,302	3.50 %	May 20, 2028
August 15, 2022	$ 3,251	3.66 %	December 12, 2029

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, 2024	December 31, 2023	December 31, 2024	December 31, 2023
Interest rate swaps	4	4	$ 28,369	$ 29,467

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, 2024		December 31, 2023	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Other assets, net	$ 2,416	Other assets, net	$ 2,387

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, 2024 and 2023:

Derivatives in Relationship	Amount of Gain Recognized in Other on Derivatives	Location of Gain Reclassified from Accumulated other (AOCI) into Income	Amount of Loss AOCI into income
	2024		2024
Interest rate swaps	$ (29)	Interest expense	$ (1,030)
	2023		2023
Interest rate swaps	$ 627	Interest expense	$ (975)

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, 2024 and 2023, the termination value of derivatives in a liability position was $0 for both years and the termination value of derivatives in an asset position was $2,416 and $2,387, respectively. As of December 31, 2024 and 2023, 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, 2024		December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)		(in thousands)	
Financial assets:				
Derivative assets	$ 2,416	$ 2,416	$ 2,387	$ 2,387
Investments in securities	$ —	$ —	9,040	9,040
Financial liabilities:				
Mortgages notes payable, net	$ 147,600	$ 153,162	$ 145,775	$ 130,230

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.

Investment in securities: The fair value of U.S. Treasury Bills is determined by using the current market value the security could be sold for on the open market resulting in a Level 1 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 5.9% for December 31, 2024 and 2023.

NOTE 9 – NONCONTROLLING INTEREST OF UNITHOLDERS IN OPERATING PARTNERSHIP

Non-controlling Interests

As of December 31, 2024 and 2023, outstanding common limited partnership units totaled 4,985,000 and 4,602,000, respectively. The Operating Partnership declared fourth quarter distributions of $823 and $759, to limited partners paid in January 2025 and 2024, respectively. Distributions per unit were $0.6600 during the years ended December 31, 2024 and 2023.

During the year ended December 31, 2024 and 2023, there were no limited partnership units of the Operating Partnership exchanged for common shares of the trust.

Provided the Trust's redemption plan exists, and subject to the conditions and limitations contained in such redemption plan (including, without limitation, applicable holding periods and ownership limitations), and further subject to the conditions and limitations set forth in the LLLP Agreement of the Operating Partnership, a Limited Partner may request the redemption of its limited partnership units for cash (a "Redemption Request") or the exchange of its limited partnership units for Sterling common shares (an "Exchange Request"). Such request must be made in accordance with the redemption plan. Upon receipt of any Redemption or Exchange Request, as the case may be, the Trust may, at its sole and absolute discretion, acting for itself or as General Partner of the Operating Partnership, elect to redeem or exchange such limited partnership units. The Trust may, in its sole discretion, terminate, amend or suspend the redemption plan if such action is determined to be in the best interest of the Operating Partnership.

Special Limited Partner

As of December 31, 2024 and 2023, 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, 2024 and 2023, there were $3,978 and $4,647, respectively, worth of securities left to be redeemed under the redemption plan. The fixed redemption price per share or unit under the plan was $11.00 as of December 31, 2024 and 2023.

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, 2024, the Company redeemed 52,000 common shares valued at $11.00 and redeemed no units. During the year ended December 31, 2023, the Company redeemed 17,000 common shares valued at $11.00 and redeemed no units.

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, 2024 and 2023, there were 8,893,000 and 8,326,000, respectively, common shares outstanding. We had no preferred shares outstanding as of either date.

The Trust declared fourth quarter dividends of $1,467 and $1,374 to shareholders paid in January 2024 and 2023, respectively. Dividends paid to holders of common shares were $0.6600 per share for the years ended December 31, 2024 and 2023.

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 $11.40 at December 31, 2024 and 2023. The Board, in its sole discretion, may amend, suspend or terminate the plan at any time, without the consent of shareholders, upon a ten day notice to participants.

During the year ended December 31, 2024, 319,000 shares were issued pursuant to dividend reinvestments under the plan. During the year ended December 31, 2023, 283,000 shares were issued pursuant to dividend reinvestments under the plan.

NOTE 13 – RELATED PARTY TRANSACTIONS

Effective January 1, 2021, Trustmark 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 Trustmark Enterprises, Inc. indirectly own Sterling Management, LLC and GOLDMARK Property Management, Inc. Trustmark Enterprises, Inc. is owned in part by the Trust's Chief Executive Officer and Trustee Kenneth P. Regan, by Trustee James S. Wieland, by the Trust's President Megan E. Schreiner, by the Trust's Chief Financial Officer and Treasurer Elizabeth A. Reich, by the Trust's General Counsel and Secretary Michael P. Carlson, by the Trust's Chief Investment Officer Luke B. Swenson, and by the Trust's Vice President David F. Perkins. Messrs. Regan, Carlson, Swenson, and Perkins and Mmes. Schreiner and Reich all serve as officers of the Advisor. Messrs. Regan, Wieland, Carlson, Swenson, and Perkins and Mmes. Schreiner and Reich also all serve on the Advisor's Board of Governors and the Board of Directors of 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, 2024 and 2023, we paid repair and maintenance related payroll and payroll related expenses to GOLDMARK Property Management of $11 and $8, respectively.

During the years ended December 31, 2024 and 2023, the Trust paid commercial property management fees to our advisor of $143 and $92, respectively. Commercial property management fees are determined on a property-by-property basis. As of December 31, 2024 and 2023, the Trust owed $0 to Sterling Management.

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 Advisor may receive fees related to management of the Trust, acquiring, disposing, or developing real estate property, project management fees, and financing fees related to lending relationships, 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 21, 2024, effective until December 31, 2024.

Management Fee: For its services during the year, our Advisor receives 0.7% 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 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,	
	2024	2023
	(in thousands)	
Fee:		
Advisory	$ 2,250	$ 1,846
Acquisition	$ 489	$ 812
Disposition	$ 398	$ 0
Financing	$ 30	$ 60

The below table summarizes the fees owed to the Advisor:

	Payable at December 31,	
	2024	2023
	(in thousands)	
Fee:		
Advisory	$ 5	$ 354
Financing	$ 0	$ 18

Operating Partnership Units Issued in Connection with Acquisitions

During the year ended December 31, 2024, 16,000 Operating Partnership units were issued to an entity affiliated with Messrs. Regan and Wieland, two of our trustees, in connection with the acquisition of Advanced Converting Works.

During the year ended December 31, 2023, 62,000 Operating Partnership units were issued to entities affiliated with Messrs. Regan and Wieland, two of our trustees, and Messrs. Thomsen, President, in connection with the acquisition of various properties.

Commissions

During the year ended December 31, 2024, we incurred real estate commissions of $181 owed to GOLDMARK Commercial Real Estate, Inc., in which Messrs. Regan and Wieland own a controlling interest. We incurred real estate commissions of $169 owed to GOLDMARK Property Management, Inc., in which Messrs. Regan, Wieland, and Thomsen own a controlling interest. During the year ended December 31, 2023, we incurred real estate commissions of $469 owed to GOLDMARK Commercial Real Estate Inc., in which Messrs. Regan and Wieland own a controlling interest. We incurred real estate commissions of $155 owed to GOLDMARK Property Management, Inc., in which Messrs. Regan, Wieland and Thomsen own a controlling interest. There were no outstanding commissions owed as of December 31, 2024 and 2023.

Related Party Promissory Note

The Trust entered a short-term Promissory Note with the Trust's Chief Executive Officer and Trustee Mr. Kenneth P. Regan for $6,500,000 on October 16, 2023, with an interest rate of 6.15%. The Trust paid an origination fee of $3,000 and repaid the outstanding promissory note balance, including interest of $4,442, on October 19, 2023. As of December 31, 2024 and December 31, 2023, there was no outstanding balance on the promissory note.

NOTE 14 – RENTALS UNDER OPERATING LEASES / RENTAL INCOME

Commercial properties are leased to tenants under terms expiring at various dates through 2042. Lease terms often include renewal options. For the years ended December 31, 2024 and 2023, gross revenues from commercial property rentals, including CAM income (common area maintenance) of $3,724 and $3,864 respectively, totaled $28,847 and $26,783, respectively.

As of December 31, 2024, 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 $339 and $843 for the years ended December 31, 2024 and 2023, respectively. The straight-line receivable balance included in receivables on the consolidated balance sheets as of December 31, 2024 and 2023 was $4,696 and $4,357, 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, 2024
	(in thousands)
Lease income related to fixed lease payments	$ 23,999
Lease income related to variable lease payments	3,724
Other (a)	768
Lease Income (b)	$ 28,491

(a) For the year ended December 31, 2024, "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, 2024, of $355, which is accounted for under the revenue recognition standard.

	Year ended December 31, 2023
	(in thousands)
Lease income related to fixed lease payments	$ 21,170
Lease income related to variable lease payments	3,864
Other (c)	1,278
Lease Income (d)	$ 26,312

(c) For the year ended December 31, 2023, "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, 2023, of $472, 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, 2024 are as follows:

Years ending December 31,	Amount
	(in thousands)
2025	$ 23,365
2026	21,453
2027	18,790
2028	15,161
2029	12,733
Thereafter	62,968
	$ 154,470

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.

NOTE 16 –DISPOSITIONS

During the year ended December 31, 2024 there were three disposals. Triad was located in Hurricane, WV for a sale price of $2,100 and recognized gain of $565 in August 2024. Barry Pointe was located in Kansas City, MO for a sale price of $3,900 and recognized gain of $1,985 in August 2024. Thermotech was located in Hopkins, MN for a sale price of $9,900 and recognized a gain of $700 in December 2024. There were no disposals for the year ended December 31, 2023.

NOTE 17 –ACQUISITIONS

The Company closed on the following property acquisitions during the year ended December 31, 2024:

Date	Property Name	Location	Property Type	Total Acquisition Cost (in thousands)
April 25, 2024	Advanced Converting Works	Green Bay, WI	Industrial	$ 12,284
December 13, 2024	Polywood	Wausau, WI	Industrial	8,106
				$ 20,390

The Company closed on the following property acquisitions during the year ended December 31, 2023:

Date	Property Name	Location	Property Type	Total Acquisition Cost (in thousands)
April 7, 2023	Pointe West Industrial Building	Fargo, ND	Industrial	$ 4,821
August 1, 2023	Pacific Hills 2	Omaha, NE	Industrial	1,811
October 16, 2023	94 West Logisitcs Center	Pewaukee, WI	Industrial	25,484
November 21, 2023	Madison Business Center	Sioux Falls, SD	Industrial	11,581
				$ 43,697

Total consideration given for acquisitions for the year ended December 31, 2024, was completed through issuing approximately 392,000 limited partnership units of the Operating Partnership valued at $12.00 per unit, for an aggregate consideration of approximately $4,701. 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.

Total consideration given for acquisitions for the year ended December 31, 2023, was completed through issuing approximately 1,279,000 limited partnership units of the Operating Partnership valued at $12.00 per unit, for an aggregate consideration of approximately $15,352. 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 allocation of the purchase price, before prorations, the Company recorded in conjunction with the acquisitions discussed above:

	2024	2023
	(in thousands)	
Real estate investment acquired	$ 19,401	$ 41,646
Acquired lease intangible assets	989	2,051
Total Assets Acquired	20,390	43,697
Other liabilities	(22)	(2,449)
Net assets acquired	20,368	41,248
Equity/limited partnership unit consideration	(4,701)	(15,352)
Net cash consideration paid	$ 15,667	$ 25,896

NOTE 18 - SUBSEQUENT EVENTS

On December 11, 2024 the Board of Trustees approved an increase in the common share price from $12.00 per share to $12.50 per share and an increase in redemption price from $11.00 to $11.50 effective January 1, 2025.

On January 15, 2025, we paid a dividend or distribution of $0.1650 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, 2024.

On February 26, 2025, we entered into a $10,000,000 revolving promissory note bearing an interest rate of 5.25% as the lender with an affiliate, Sterling Properties, LLLP.

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.

STERLING

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