

ANNUAL REPORT

2025





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OUR ANNUAL REPORT

Each spring, Sterling Office and Industrial Trust prepares an Annual Report for our investors. In this Report, we highlight the Trust's property acquisitions and financial performance over the previous year to provide a holistic overview of the Trust's standing to our valued shareholders and unitholders.

As always, Sterling Office and Industrial Trust remains committed to delivering safe, reliable dividends to our investors and achieving share price growth over time. During our Annual Shareholders Meeting on June 24, 2026, our Advisor, Sterling Management, looks forward to discussing the Trust's 2025 performance. We remain ever grateful for your continued support and confidence in Sterling Office and Industrial Trust.

LETTER TO OUR

INVESTORS

It's hard to believe 2025 has come and gone, and 2026 is well underway! As we reflect on all that was accomplished in the prior year, we are filled with humble gratitude and a sense of pride. On behalf of your Board of Trustees, our Officers, and the entire Sterling Management team, thank you for your continued investment in Sterling Office and Industrial Trust. We do not take lightly the trust and confidence you have placed in us – we know it is earned year after year through consistency, discipline, and a shared commitment to long-term value creation. We are eager to report to you the financial highlights of 2025, and hope these positive results demonstrate our unwavering commitment to you and your best interests.

Sterling Office and Industrial Trust's mission is to deliver strong, safe, and reliable cash flow and share price appreciation to our stakeholders by providing quality real estate to each tenant we serve. That mission, coupled with our values of respect, excellence, integrity, transparency, and stewardship, continues to shape how we execute upon our objectives.

VALUE, NOT VANITY

Acquiring high-quality commercial real estate at a good value and in a good location is a challenge. Each year our Advisor, Sterling Management, analyzes hundreds of investment opportunities across the country. In doing so, our team engages with dozens of brokers, managers, and owners, each pursuing their own priorities, objectives, and outcomes. It's true, commercial real estate can move quickly, and strong results require selectivity and experience. At Sterling, we pride ourselves on being firmly and unapologetically rooted in our longstanding conservative investment principles. Rather than clamoring to be the highest bidder, our team focuses on the fundamentals by scrutinizing the economics of each opportunity, monitoring the market conditions, leveraging our industry relationships, practicing patience, and executing upon suitable investments when they arise.

In 2025, Sterling Office and Industrial Trust successfully acquired three industrial properties, growing the overall portfolio by approximately \$40 million. The Trust also successfully divested of its industrial property in Phoenix, AZ, yielding an excellent return on investment for the REIT. These transactions, along with our continued operational improvements and disciplined capital deployment, drove strong financial results for our investors in 2025. Congratulations!

DISCIPLINE DRIVES US, PEOPLE POWER US

Behind the positive financial results of 2025 is a team of dedicated professionals. The skill, creativity, and thoughtful leadership of the Sterling Management team continues to set us apart in a competitive landscape. Through this team's careful oversight, Sterling Office and Industrial Trust has established itself in the marketplace as a strong, credible, and highly-regarded REIT.

Equally vital to our success is the trust and engagement of our investor community. Whether you've been with us since our inception in 2016 or have invested in more recent years, we're grateful for the opportunity to serve as stewards of your investment. We strive to provide enduring results and ensure that our Trust continues to be a sound long-term investment for you and your families.

GEARED FOR GROWTH

As we enter 2026, we continue positioning Sterling Office and Industrial Trust for growth and expansion. After strong results in the first quarter of 2026, we're looking forward to sharing more with you as the year unfolds.

LET'S STAY CONNECTED

We hope you can join us for this year's Annual Meeting on June 24, 2026, at 6:00 p.m. at the Avalon Events Center in Fargo, North Dakota. It is always a highlight for us to connect in person, share updates, and thank you directly for your partnership!

With sincere appreciation,



JOEL S. THOMSEN
CHAIRMAN OF THE BOARD



KENNETH P. REGAN
CHIEF EXECUTIVE OFFICER



 **North Park 2**

2301 NORTH 117TH AVENUE
OMAHA, NE 68164

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

Our Mission





 Dock 99

2521 3RD AVENUE NORTHWEST
WEST FARGO, ND 58078

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 Vision





15

3181



3181 COMMODITY LANE
GREEN BAY, WI 54304

Board of Trustees



JOEL THOMSEN
CHAIRMAN OF
THE BOARD



LANCE WOLF



ERICA CHAFFEE



JAMES WIELAND



KENNETH REGAN



RUP NAGALA, MD



TIMOTHY HAUGEN



WILBUR WRIGHT

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 receives regular reports from the Advisor about the Trust's performance, acquisition and disposition pipelines, and financing activity. Our Trustees and Executive Officers are committed to the Trust's mission and vision, and look forward to continuing to serve the Trust's shareholders and unitholders.

Executive Officers



KENNETH REGAN
CHIEF EXECUTIVE OFFICER



MEGAN SCHREINER
PRESIDENT & CHIEF FINANCIAL OFFICER



MICHAEL CARLSON
GENERAL COUNSEL & SECRETARY



LUKE SWENSON
CHIEF INVESTMENT OFFICER



DAVID PERKINS
VICE PRESIDENT

AUDIT COMMITTEE

Timothy Haugen*
Wilbur Wright
Erica Chaffee

EXECUTIVE COMMITTEE

Joel Thomsen*
Wilbur Wright
Rup Nagala, MD

NOMINATION & GOVERNANCE COMMITTEE

Lance Wolf*
Timothy Haugen
Rup Nagala, MD
James Wieland
Erica Chaffee

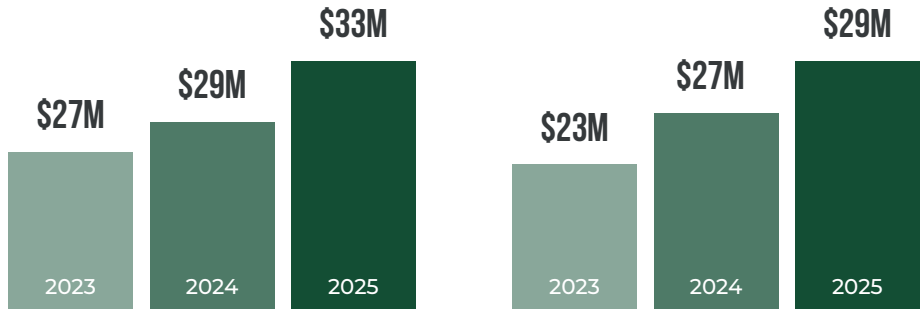
*Indicates Committee Chair



FINANCIAL

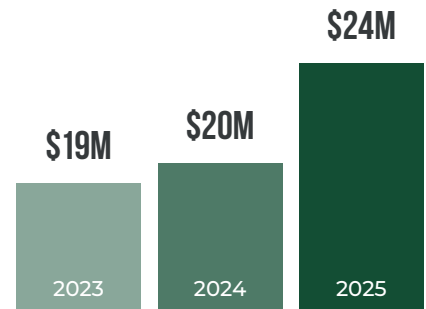
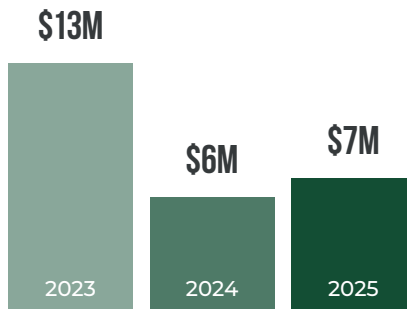
HIGHLIGHTS¹

INCOME STATEMENT



RENTAL REVENUE

TOTAL EXPENSES



NET INCOME

TOTAL NET OPERATING INCOME

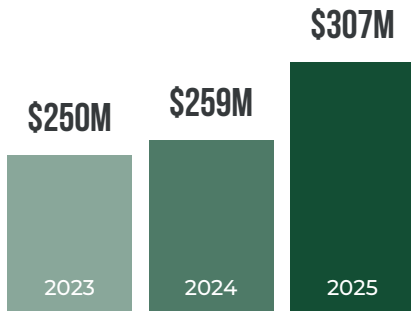
REAL ESTATE INVESTMENT TRUST METRICS

Real Estate Investment Trusts (REITs) use a variety of financial data to display performance to their investors. Among these are rental revenues, total expenses, and net operating income. Net Operating Income measures the cash earnings generated by the Trust's real estate properties while excluding depreciation, amortization, interest expenses, and other such costs. We also provide updates on shareholder and unitholder data and the

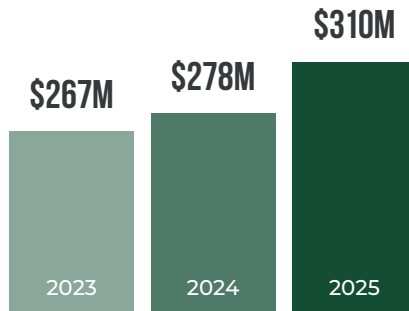
balance sheet. Together, these metrics help provide a well-informed snapshot of the Trust's performance. Sterling Office and Industrial Trust aims for consistent, steady growth across all business operations. By tracking and reporting on these key financial metrics, we can effectively communicate our Trust's performance to our investors.

† Numbers denoted with MM are represented in millions (\$34M = \$34,000,000).

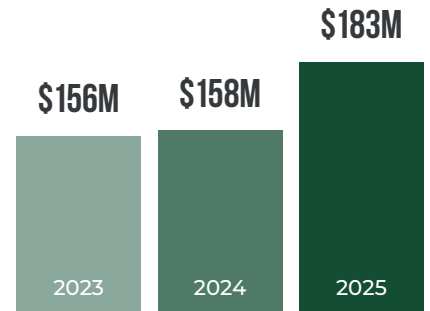
BALANCE SHEET



TOTAL REAL ESTATE INVESTMENTS

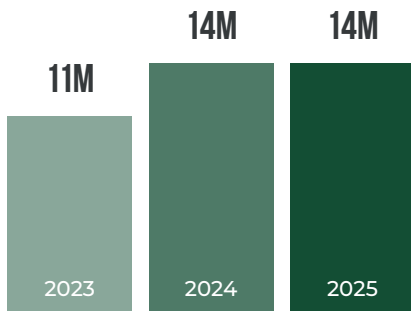


TOTAL ASSETS

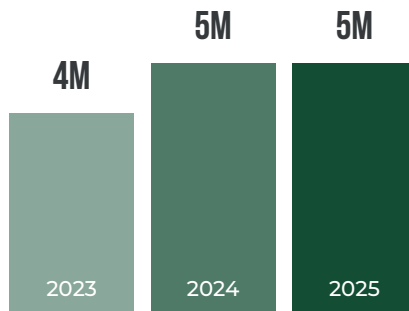


TOTAL LIABILITIES

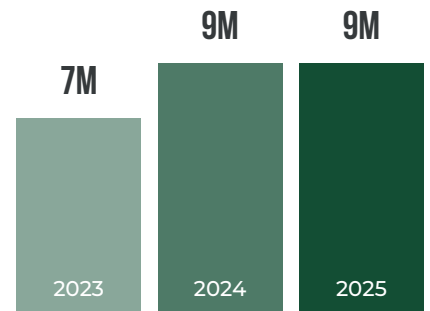
SHAREHOLDER DATA *(weighted average balances)*



COMMON SHARES/LP UNITS OUTSTANDING



LP UNITS OUTSTANDING



COMMON SHARES OUTSTANDING

ABOUT OUR FINANCIALS

Our financial statements are audited by RSM, our external auditor. We remain committed to integrity, transparency, and stewardship in all our financial statements. A copy of the 2025 Financial Statement is included at the end of this Annual Report.



A modern office interior with a large screen, tables, and chairs. The room features a light-colored wall, a large window with a view of greenery outside, and a wooden floor. In the foreground, there is a long, light-colored counter with a basket of fruit on it. The ceiling has exposed metal beams and modern lighting fixtures.

Our Values

OUR VALUES GUIDE HOW WE BUILD TRUST — BY WORKING RESPECTFULLY, ETHICALLY, AND TRANSPARENTLY TO DELIVER MEANINGFUL VALUE TO OUR INVESTORS.

North Park 1

11808 GRANT STREET
OMAHA, NE 68164



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 INVESTOR LONG TERM, WORKING TO BUILD A STRONGER TRUST FOR FUTURE GENERATIONS AND ACTING AT ALL TIMES WITH AN OWNER'S MENTALITY.

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, President, CIO, CFO, General Counsel, and SVP – Commercial Portfolio serve as executive officers of the Trust.



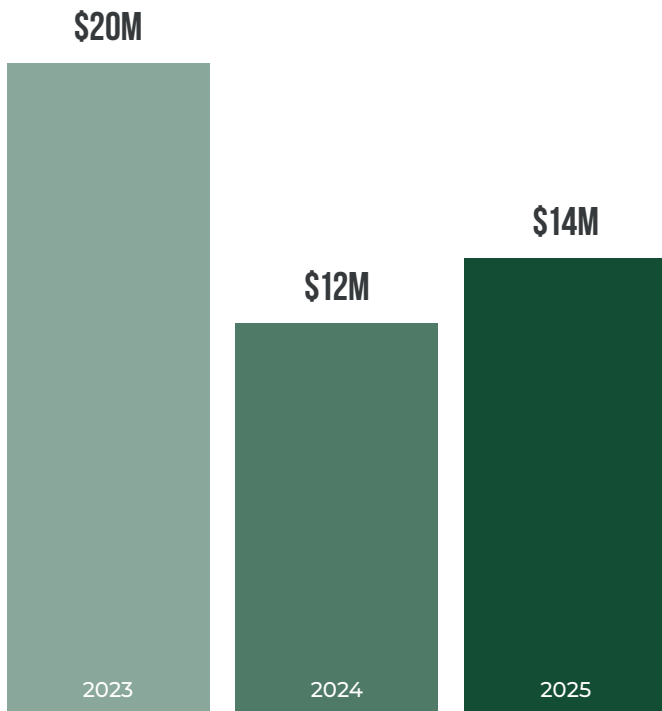
Dividend Coverage Ratio

DIVIDEND COVERAGE RATIO IS FFO DIVIDED BY
DIVIDENDS PAID TO SHARE AND UNIT HOLDERS.

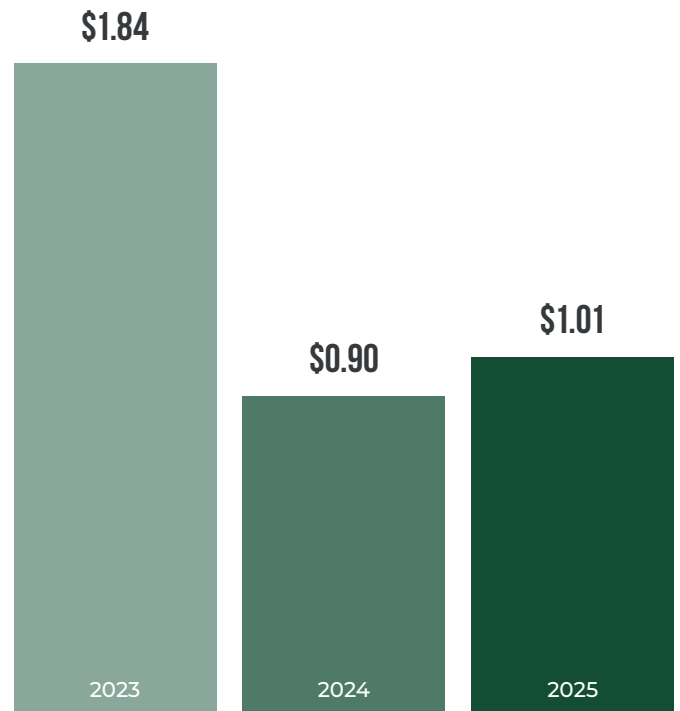
146.17%

KEY PERFORMANCE

INDICATORS



FUNDS FROM OPERATIONS (FFO)



FFO PER WEIGHTED AVERAGE SHARES & UNITS

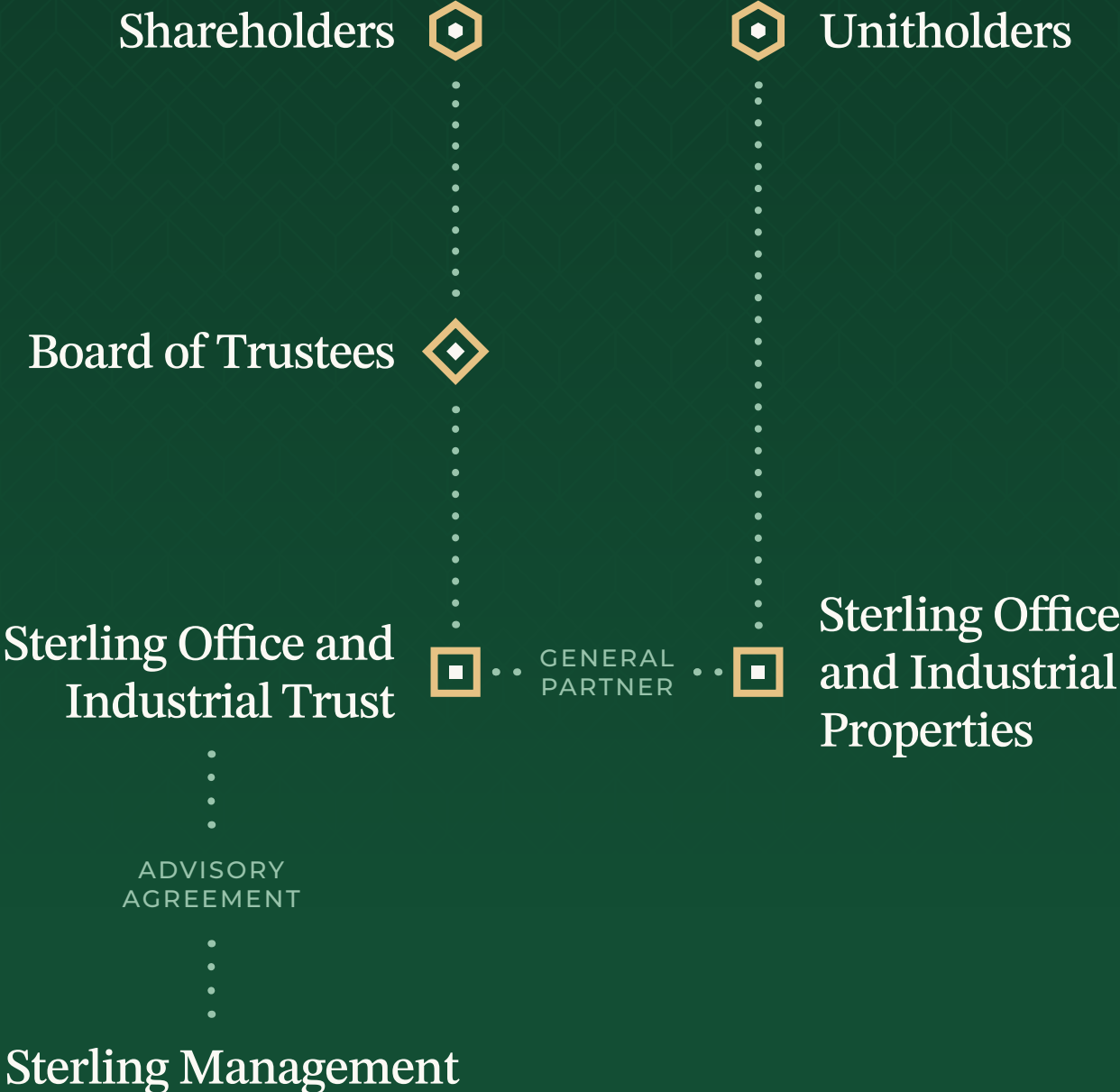
The Advisor tracks multiple key performance indicators to help demonstrate the Trust's progress, including Funds From Operations (FFO). FFO is the most commonly accepted and reported measure of REIT operating performance. FFO is the Trust's net income excluding gains or losses from the sale of property, with real estate depreciation added back. FFO per Weighted Average Shares and Units measures operating performance at the investor level, on a per ownership-interest basis.

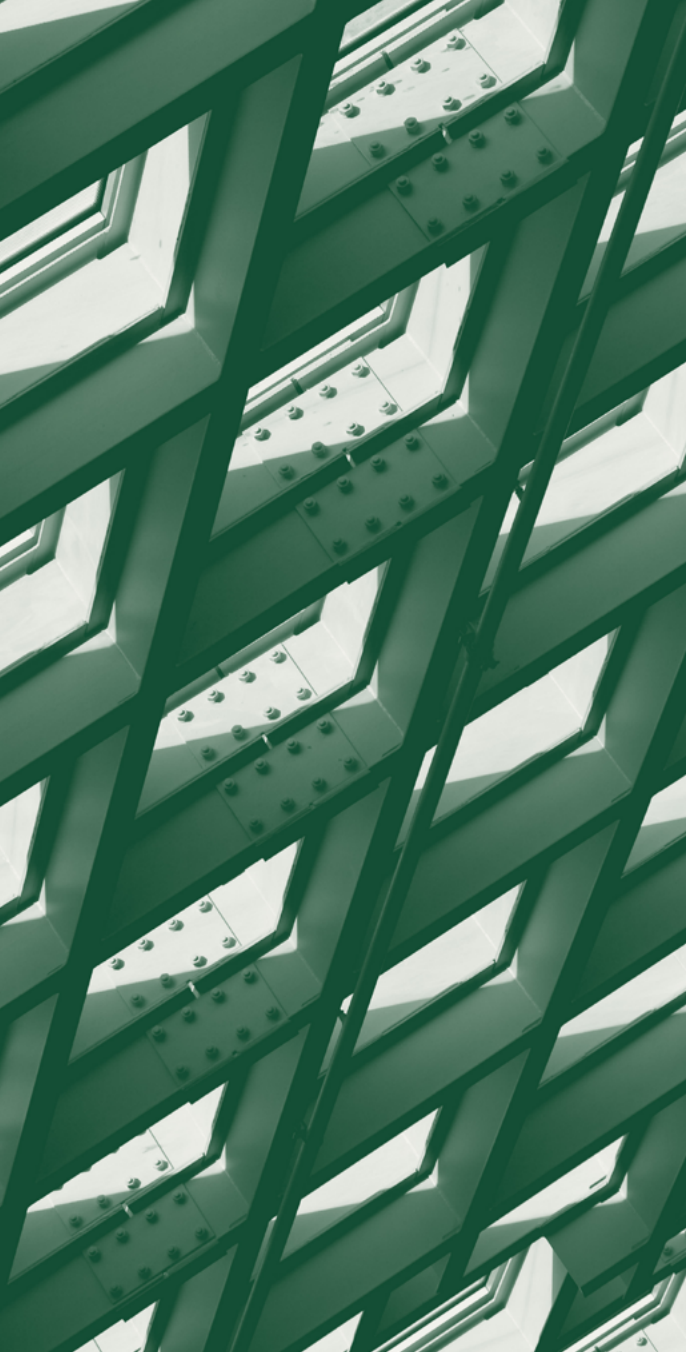
Our Advisor is committed to delivering transparent, accurate, and ever-improving results to our investors. Led by the Executive Officers, the Trust's metrics are tracked at a micro-level to ensure that we have a comprehensive view of each property's performance to identify gaps and opportunities for improvement.

Organizational Structure

Below is a visual representation of Sterling Office and Industrial Trust's ownership, governance, and entity levels, as well as the Trust's relationship to its Advisor.

- OWNERSHIP
- ◆ GOVERNANCE
- ENTITY
- ADVISOR TO THE TRUST





NET OPERATING INCOME BY STATE

In 2025, Sterling Office and Industrial Trust's operating partnership, Sterling Office and Industrial Properties, LLLP, directly owned 48 properties in 8 states. The Trust also began construction on a joint-venture development, Matlock 20 Industrial, located in Texas. Of the 48 properties directly owned, 36 are industrial properties, 11 are office properties, and one property is raw land.

A breakdown of Sterling Office and Industrial Trust's net operating income by state is below.

WISCONSIN
\$6,071,000

NORTH DAKOTA
\$2,379,000

MINNESOTA
\$5,102,000

INDIANA
\$750,000

SOUTH DAKOTA
\$3,524,000

ARIZONA
\$193,000

NEBRASKA
\$3,076,000

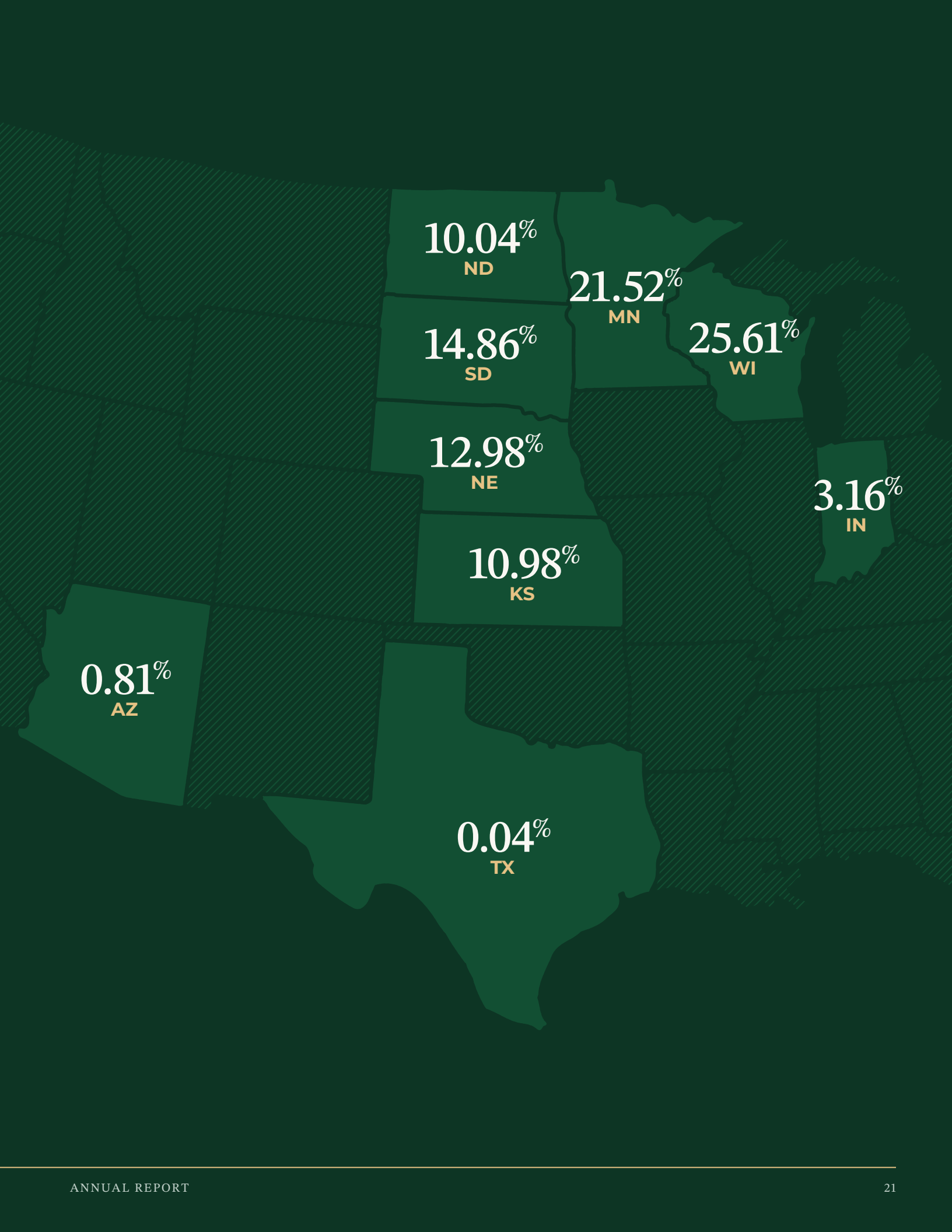
TEXAS
\$10,000

KANSAS
\$2,603,000

TOTAL
\$23,707,000

OUR MARKETS

Sterling Office and Industrial Trust's properties are primarily located within the Midwest corridor. The Trust remains confident in the longevity and solid growth prospects for our assets within this region. Characterized by consistent performance and reliable economies, our Midwest assets have allowed us to provide steady returns and growth for our investors.



\$13.50

SHARE AND UNIT PRICE
AS OF JANUARY 1ST, 2026

\$12.50

Share Price

AS OF 2025, THE SHARE AND UNIT PRICE FOR STERLING OFFICE AND INDUSTRIAL TRUST WAS \$12.50, AN INCREASE OF 4.1% OVER 2024.

\$12.00

\$12.00

2023

2024

2025

2026

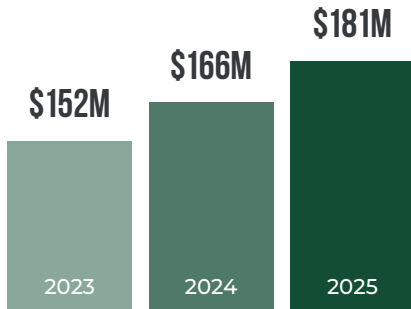
INVESTOR

RETURN

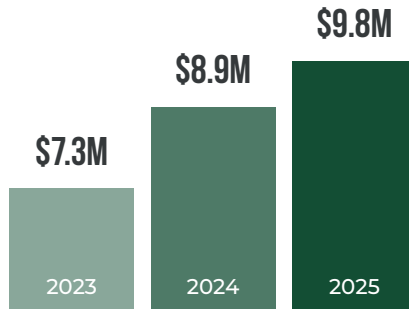
¹ Total adjusted equity for 2025 is \$181,208,470, which adds back accumulated depreciation and amortization for each respective period of time. From 2023 to 2025, Sterling Office and Industrial Trust experienced a 16.4% increase.

² Assumes full dividend reinvestment.

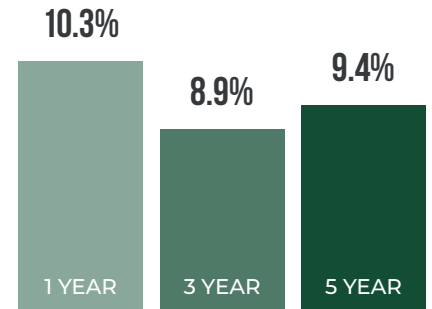
³ On January 1, 2026, the dividend yield became 5.25%.



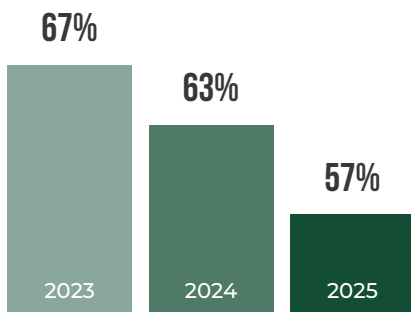
TOTAL ADJUSTED EQUITY¹



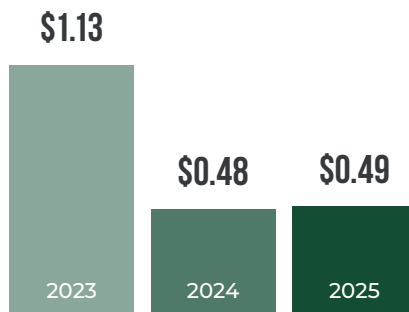
TOTAL ANNUAL DIVIDENDS & DISTRIBUTIONS DECLARED



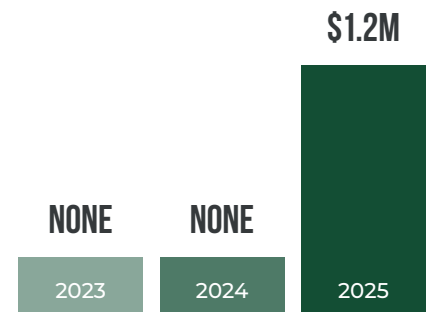
TOTAL ANNUAL SHAREHOLDER RETURN²



DIVIDEND REINVESTMENT



NET INCOME PER SHARE



OPTIONAL CASH INVESTMENT AMOUNT



57%

DIVIDENDS REINVESTED



451

TOTAL INVESTORS



5.5%³

DIVIDEND YIELD

2025 Acquisition Highlight

Transport Lane Industrial

BISMARCK, ND

Sterling Office and Industrial Trust acquired the Transport Lane Industrial property, a single-tenant industrial warehouse facility in Bismarck, North Dakota, for an acquisition price of \$12,500,000.

Constructed in 2024, the property includes a 102,000 square foot industrial warehouse as well as 3.5 acres of land. The property is 100% leased to United Parcel Service (UPS). The property was acquired through a 721 UPREIT, cash, and traditional bank financing. The acquisition closed on April 30, 2025.

SQUARE FEET

102,000

CLOSE DATE

4.30.2025

PURCHASE PRICE

\$12,500,000

CAP RATE

6.48%

PRESS RELEASES

After completing a transaction, Sterling Management, the Trust's Advisor, publishes a press release announcing the transaction to the Sterling Office and Industrial Trust website, located at www.soitrust.com. Want to sign up to receive email alerts for new press releases? Send us an email at soitir@sretrust.com and we'll add you to our mailing list.





2025 Acquisition Highlight

Vanderburgh Industrial

EVANSVILLE, IN

Sterling Office and Industrial Trust acquired the Vanderburgh Industrial property, a single-tenant industrial warehouse facility in Evansville, Indiana, for an acquisition price of \$16,425,000.

Constructed in 2022, the property consists of a 150,000 square foot industrial warehouse on 22.1 acres of land. The property is 100% leased to Windstream Communications. The property was acquired through a 721 UPREIT, 1031 Exchange, and cash. The acquisition closed on May 30, 2025.

SQUARE FEET

150,000

CLOSE DATE

5.30.2025

PURCHASE PRICE

\$16,425,000

CAP RATE

7.23%

CAPITALIZATION RATE

Capitalization Rate ("Cap Rate") is a metric used to determine a property's return on investment. The cap rate of a property is calculated by dividing the Net Operating Income of the property by its Current Market Value. Sterling Management's Acquisitions team and the Board of Trustees use a property's cap rate in their evaluations of potential investment opportunities.





2025 Acquisition Highlight

Weston Industrial

WESTON, WI

Sterling Office and Industrial Trust acquired the Weston Industrial property, a single-user industrial warehouse facility in Weston, Wisconsin, for an acquisition price of \$10,393,000.

Originally constructed in 2007, with expansions completed in 2021 and 2022, the property consists of a 162,388 square foot facility on approximately nine acres of land and is 100% leased. The transaction was funded using cash. The acquisition closed on June 30, 2025.

SQUARE FEET

162,388

CLOSE DATE

6.30.2025

PURCHASE PRICE

\$10,393,000

CAP RATE

8.58%

INVESTMENT STRATEGY

Each year, Sterling Management presents a summary of the Trust's investment strategy for the upcoming year to your Board of Trustees. In this summary, the Advisor discusses the ideal portfolio composition (industrial or office and single- or multi-tenant) and investment tactics based on the expected market conditions for the next year. While fluctuating market conditions mean that the Trust's investment strategy may change each year, our commitment to securing and growing a quality portfolio of properties to provide the Trust's investors with safe, steady, and reliable dividends will always remain our mission.





2025

DISPOSITIONS



MPP Phoenix Industrial

Sterling Office and Industrial Trust announced its operating partnership, Sterling Office and Industrial Properties, LLLP, successfully closed on the sale of the MPP Phoenix, a 63,618 square foot industrial warehouse property in Phoenix, Arizona for a total sales price of \$4,650,000 on August 29, 2025.

SQUARE FEET

63,618

CLOSE DATE

8.29.2025

SALE PRICE

\$4,650,000

GAIN ON SALE

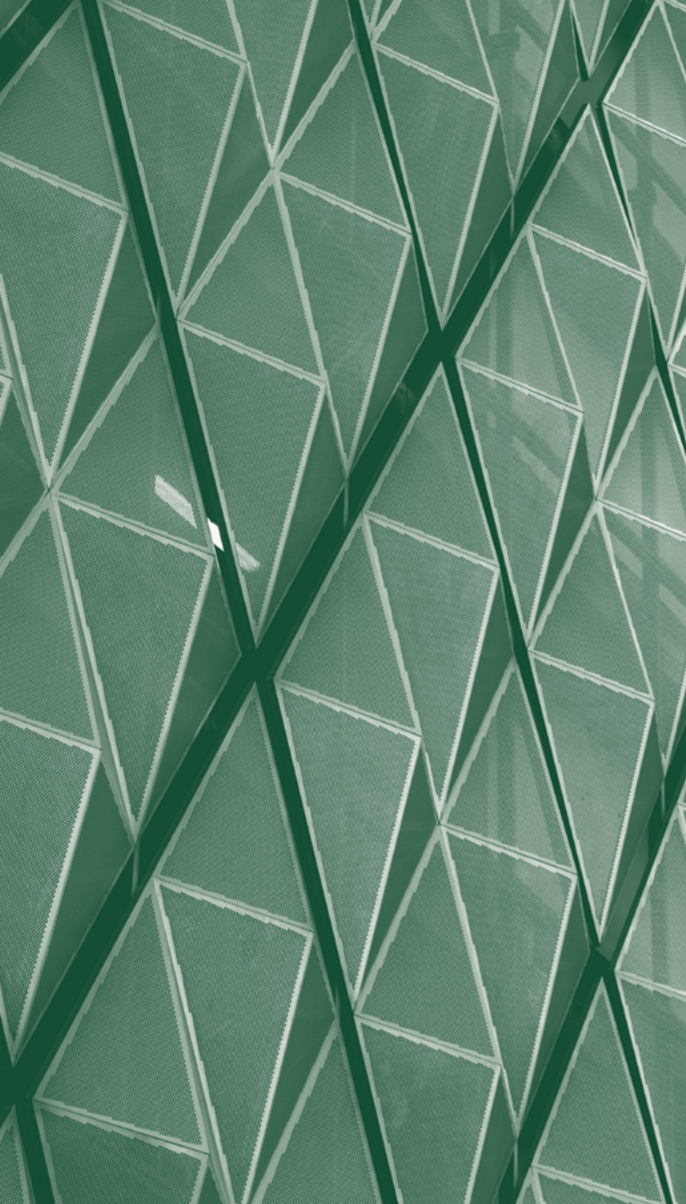
\$2,151,000



Total Disposition Gain on Sale

GAIN ON SALE HELPS SHOW
THE SUCCESS OF AN INVESTMENT.

\$2.15M



INVESTOR

RELATIONS

Thank you for your investment in Sterling Office and Industrial Trust. As part of our commitment to serving our shareholders and unitholders with respect, transparency, integrity, and stewardship, our Investor Relations team is happy to assist with any questions you may have about your account.

VIEW YOUR ACCOUNT ONLINE

To view your account balance, recent statements, and more, please login to Computershare's Investor Center portal by visiting our website (soitrust.com) and selecting "Investor Login."

MANAGE YOUR ACCOUNT

To change your address, learn more about estate planning designations for your account, make a transfer, enroll in our dividend reinvestment plan, or if you have any other questions about your account, please contact our Investor Relations Specialist, Emma Douvier, using the contact information below.

We sincerely hope you will join us for the Annual Shareholders Meeting on June 24, 2026 at the Avalon Events Center in Fargo, North Dakota. A social reception will begin at 5:00 p.m., followed by the Annual Meeting at 6:00 p.m.

To RSVP, please contact Emma Douvier, our Investor Relations Specialist, by phone at **701.353.2720** or by email at soitir@sretrust.com.



EMMA DOUVIER
INVESTOR RELATIONS
SPECIALIST

INVESTOR RELATIONS
4340 18th Avenue South
Suite 200
Fargo, ND 58103

701.353.2720
soitir@sretrust.com

2025 AUDITED FINANCIAL STATEMENTS

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ABOUT OUR FINANCIAL STATEMENTS

Sterling Office and Industrial Trust creates consolidated financial statements to share the Trust's financial position and performance. Our independent auditor, RSM US LLP, reviews these statements and provides their opinion on whether the "financial statements present fairly, in all material respects, the Trust's financial position and the results of the Trust's operations and cash flows."

RSM's report is contained within our Financial Statements. To contact the Audit Committee Chairman with questions about our Financial Statements, please visit our **website** under "**Contact Us.**"

HISTORICAL ANNUAL REPORTS

To view previous Financial Statements and Annual Reports, please visit our **website** and click on "Performance," then select "**Annual Reports.**" If you have

any questions about our Annual Reports or Financial Statements, please contact our Investor Relations team.

STERLING | OFFICE AND INDUSTRIAL TRUST

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS AS OF *December 31, 2025* AND *2024*,
AND THE RELATED CONSOLIDATED STATEMENTS OF OPERATIONS,
SHAREHOLDERS' EQUITY AND CASH FLOWS FOR THE YEARS ENDED
December 31, 2025 AND *2024*
INCLUDING NOTES

and

INDEPENDENT AUDITOR'S REPORT

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES

INDEPENDENT AUDITOR’S REPORT ii

CONSOLIDATED FINANCIAL STATEMENTS

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 Notes to Consolidated Financial Statements 6

Independent Auditor's Report

RSM US LLP

Audit Committee
Sterling Office and Industrial Trust

Opinion

We have audited the consolidated financial statements of Sterling Office and Industrial Trust and Subsidiaries (the Trust), which comprise the consolidated balance sheets as of December 31, 2025 and 2024, 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, 2025 and 2024, 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.

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 3, 2026

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2025 AND 2024

	December 31, 2025	December 31, 2024
	(in thousands)	
ASSETS		
Real estate investments, net	\$ 268,726	\$ 227,851
Cash and cash equivalents	5,597	21,660
Restricted deposits	6,492	10,422
Receivables, net	6,571	5,063
Notes receivable, related party	10,000	-
Prepaid expenses	235	481
Financing and lease costs, net	1,220	1,307
Intangible assets, net	9,354	8,997
Fair value of interest rate swaps	1,309	2,416
Other assets	400	-
	<u>309,904</u>	<u>278,197</u>
Total Assets	<u>\$ 309,904</u>	<u>\$ 278,197</u>
LIABILITIES		
Mortgage notes payable, net	\$ 171,393	\$ 147,081
Special assessments payable	591	163
Dividends and distributions payable	2,496	2,290
Due to related party	167	23
Tenant security deposits payable	1,609	573
Lease intangible liabilities, net	1,891	2,334
Accounts payable	1,629	2,357
Accrued expenses and other liabilities	3,545	3,243
Total Liabilities	<u>183,321</u>	<u>158,064</u>
SHAREHOLDERS' EQUITY		
Beneficial interest	78,931	76,599
Noncontrolling interest		
Special limited partner in the Operating Partnership	5	5
Common unitholders in the Operating Partnership	43,744	41,113
Partially owned properties in the Operating Partnership	2,594	-
Total Noncontrolling Interest	<u>46,343</u>	<u>41,118</u>
Accumulated other comprehensive income	1,309	2,416
Total Shareholders' Equity	<u>126,583</u>	<u>120,133</u>
Total Liabilities and Shareholders' Equity	<u>\$ 309,904</u>	<u>\$ 278,197</u>

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE
INCOME
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Year Ended	
	December 31,	
	2025	2024
	(in thousands, except per share data)	
Income from rental operations		
Real estate rental income	\$ 32,878	\$ 28,847
Expenses		
Expenses from rental operations		
Interest	7,458	6,581
Depreciation and amortization	9,520	8,930
Real estate taxes	3,454	3,170
Property management fees	891	854
Utilities	1,297	1,349
Repairs and maintenance	3,194	3,193
Insurance	335	322
Total Expenses from rental operations	26,149	24,399
Administrative Expenses		
Administration of REIT	2,738	2,567
Total expenses	28,887	26,966
Income from operations	3,991	1,881
Other income	862	1,366
Gain on sale of real estate investments	2,151	3,242
Net income	7,004	6,489
Net income attributable to noncontrolling interest		
Net income attributable to Operating Partnership	2,551	2,310
Net income attributable to partially owned properties	4	-
Net income attributable to Sterling Office and Industrial Trust	\$ 4,449	\$ 4,179
Net income attributable to Sterling Office and Industrial Trust per common share, basic and diluted	\$ 0.49	\$ 0.48
Comprehensive income		
Net income	\$ 7,004	\$ 6,489
Other comprehensive (loss) gain - change in fair value of interest rate swaps	(1,107)	29
Comprehensive income	5,897	6,518
Comprehensive income attributable to noncontrolling interest	2,331	2,320
Comprehensive income attributable to Sterling Office and Industrial Trust	\$ 3,566	\$ 4,198
Weighted-average Common Shares outstanding	9,083,000	8,797,000

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024

	Common Shares	Paid-in Capital	Accumulated Distributions in Excess of Earnings	Total Beneficial Interest	Noncontrolling Interest		Accumulated Comprehensive Income (Loss)	Total
					Operating Partnership	Partially Owned Properties		
(in thousands, except share data)								
BALANCE AT DECEMBER 31, 2023	8,326	\$ 86,849	\$ (15,285)	\$ 71,564	\$ 37,383	\$ -	\$ 2,387	\$ 111,334
Issuance of common shares	297	3,565	-	3,565	-	-	-	3,565
Contribution of assets in exchange for UPREIT partnership units	-	-	-	-	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)	76,598	41,118	-	2,416	120,132
Contribution of assets in exchange for UPREIT partnership units	-	-	-	-	3,825	-	-	3,825
Shares/units redeemed	(63)	(722)	-	(722)	(161)	-	-	(883)
Shares issued under trustee compensation plan	3	38	-	38	-	-	-	38
Dividends and distributions declared	-	-	(6,246)	(6,246)	(3,584)	-	-	(9,830)
Dividends reinvested - stock dividend	301	3,573	-	3,573	-	-	-	3,573
Issuance of shares under optional purchase plan	99	1,241	-	1,241	-	-	-	1,241
Contributions from consolidated real estate entity noncontrolling interest	-	-	-	-	-	2,590	-	2,590
Change in fair value of interest rate swaps	-	-	-	-	-	-	(1,107)	(1,107)
Net income	-	-	4,449	4,449	2,551	4	-	7,004
BALANCE AT DECEMBER 31, 2025	9,233	\$ 97,642	\$ (18,711)	\$ 78,931	\$ 43,749	\$ 2,594	\$ 1,309	\$ 126,583

See notes to consolidated financial statements

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (continued)

	Year Ended December 31,	
	2025	2024
	(in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 7,004	\$ 6,489
Adjustments to reconcile net income to net cash provided by operating activities		
Gain on sale of real estate investments	(2,151)	(3,242)
Depreciation	7,744	6,890
Amortization	1,433	1,601
Amortization of debt issuance costs	231	202
Amortization of discount on assumed mortgage	94	-
Effects on operating cash flows due to changes in		
Receivables	(1,481)	(248)
Prepaid expenses	246	(142)
Other assets	(400)	-
Due to related party	66	(329)
Tenant security deposits payable	1,036	3
Accounts payable - trade	(1,430)	1,372
Accrued expenses and other liabilities	211	364
NET CASH PROVIDED BY OPERATING ACTIVITIES	12,603	12,960
INVESTING ACTIVITIES		
Purchase of securities	-	(11,000)
Proceeds from securities	-	20,040
Purchase of real estate investment properties	(19,319)	(15,667)
1031 exchange funds used for real estate investment property acquisitions	(9,854)	15,467
1031 exchange funds received from real estate investment property dispositions	4,279	-
Proceeds used in development of consolidated JV	(10,467)	-
Proceeds provided for notes receivable, related party	(10,000)	-
Capital expenditures and tenant improvements	(790)	(3,931)
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(46,151)	4,909
FINANCING ACTIVITIES		
Payments for financing and lease costs	(523)	(482)
Proceeds from issuance of mortgage notes payable	24,111	7,050
Principal payments on mortgage notes payable	(6,928)	(5,225)
Proceeds from issuance of notes payable, related party	2,305	-
Payments on notes payable, related party	(2,305)	-
Advances on lines of credit	10,342	-
Payments on lines of credit	(10,342)	-
Payments for shares/units redeemed	(883)	(669)
Dividends/distributions paid	(6,053)	(5,198)
Proceeds from issuance of common shares	-	3,565
Proceeds from issuance of shares under optional purchase plan	1,241	-
Contributions received from noncontrolling interest - partially owned properties	2,590	-
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	13,555	(959)
NET CHANGE IN CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS	(19,993)	16,910
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT BEGINNING OF PERIOD	32,082	15,172
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF PERIOD	\$ 12,089	\$ 32,082
CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS AT END OF PERIOD		
Cash and cash equivalents	\$ 5,597	\$ 21,660
Restricted deposits	6,492	10,422
TOTAL CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS, END OF PERIOD	\$ 12,089	\$ 32,082

See notes to consolidated financial statements

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2025 AND 2024 (continued)

	Year Ended December 31,	
	2025	2024
(in thousands)		
SCHEDULE OF CASH FLOW INFORMATION		
Cash paid during the period for interest, net of capitalized interest	\$ 7,129	\$ 6,311
SUPPLEMENTARY SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Dividends reinvested	\$ 3,573	\$ 3,630
Dividends declared and not paid	\$ 1,588	\$ 1,467
Distributions declared and not paid	\$ 908	\$ 823
Shares issued pursuant to trustee compensation plan	38	38
Acquisitions of assets in exchange for the issuance of noncontrolling interest units in UPREIT	\$ 3,825	\$ 4,701
Acquisition of assets through assumption of debt and liabilities	\$ 527	\$ -
Unrealized (loss) gain on interest rate swap	\$ (1,107)	\$ 29

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

(Dollar amounts in thousands, except share and per share data)

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, 2025 and 2024, Sterling owned approximately 63.52% and 64.44% 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 and partially 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, 2025, the Trust owned approximately 63.52% 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

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

(Dollar amounts in thousands, except share and per share data)

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 allocated to the identifiable assets acquired and liabilities assumed based on their relative fair values as part of the purchase price allocation.

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.

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

(Dollar amounts in thousands, except share and per share data)

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
Land improvements	20 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, 2025 and 2024.

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

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

(Dollar amounts in thousands, except share and per share data)

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 progress 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, 2025 and 2024, total restricted deposits were \$6,492 and \$10,422, 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, 2025 and 2024.

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.

Debt Discounts and Premiums

When mortgage notes payable are assumed in connection with property acquisitions, the assumed debt is recorded at its estimated fair value as of the acquisition date. Any resulting discount or premium is amortized over the remaining contractual term of the related debt using the effective interest method. The amortization of a discount is recorded as an increase to interest expense, while the amortization of a premium is recorded as a reduction to interest expense. The unamortized balance of any discount or premium is presented as an adjustment to the carrying amount of the corresponding mortgage notes payable on the consolidated balance sheets. If an assumed mortgage is repaid prior to its stated maturity, the remaining unamortized discount or premium is written off and recognized in interest expense at that time.

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

(Dollar amounts in thousands, except share and per share data)

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.

Operating Partnership: 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.

Partially Owned Properties: The Trust reflects noncontrolling interests in partially owned properties on the balance sheet for the portion of properties consolidated by the Trust that are not wholly owned by the Trust. The earnings or losses from those properties attributable to the noncontrolling interests are reflected as noncontrolling interest in partially owned properties in the consolidated statements of operations and other comprehensive income.

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 at least 90% of its taxable income each year. 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, 2025 and 2024, as follows:

	Tax Year Ended December 31,			
	Dividend 2025	% 2025	Dividend 2024	% 2024
Tax status				
Ordinary income	\$ 0.4244	61.68 %	\$ 0.3876	58.73 %
Return of capital	0.2636	38.32 %	0.2724	41.27 %
	<u>\$ 0.6880</u>	<u>100.00 %</u>	<u>\$ 0.6600</u>	<u>100.00 %</u>

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, 2025 and 2024, we did not have any liabilities for uncertain tax positions we believe should be recognized in our consolidated financial statements.

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2025 AND 2024

(Dollar amounts in thousands, except share and per share data)

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, 2025 and 2024, 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, 2025 and 2024, 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, 2025 and 2024, Sterling’s denominators for the basic and diluted earnings per common share were approximately 9,083,000 and 8,797,000, respectively.

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.

STERLING OFFICE AND INDUSTRIAL TRUST AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 3 – REAL ESTATE INVESTMENTS

	As of December 31, 2025
	(in thousands)
Land and land improvements	\$ 55,237
Building and improvements	242,620
Furniture, fixtures and equipment	793
Construction in progress	8,837
	<u>307,487</u>
Less accumulated depreciation	<u>(38,761)</u>
	<u>\$ 268,726</u>

	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
	<u>259,331</u>
Less accumulated depreciation	<u>(31,480)</u>
	<u>\$ 227,851</u>

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, 2025	Lease Intangibles	Accumulated Amortization	Lease Intangibles, net
Intangible Assets		(in thousands)	
In-place leases	\$ 23,729	\$ (15,334)	\$ 8,395
Above-market leases	2,459	(1,500)	959
	<u>\$ 26,188</u>	<u>\$ (16,834)</u>	<u>\$ 9,354</u>
Intangible Liabilities			
Below-market leases	\$ (5,552)	\$ 3,661	\$ (1,891)

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
	<u>\$ 24,849</u>	<u>\$ (15,852)</u>	<u>\$ 8,997</u>
Intangible Liabilities			
Below-market leases	\$ (5,572)	\$ 3,238	\$ (2,334)

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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)	
2026	\$ 1,495	\$ 434
2027	1,326	331
2028	1,123	257
2029	984	233
2030	907	211
Thereafter	3,519	425
Total Amortization	\$ 9,354	\$ 1,891

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 \$101 and \$84 for the years ended December 31, 2025 and 2024, respectively, was recorded as a reduction to income from rental operations. Amortization pertaining to below market lease intangibles of \$442 and \$524 for the years ended December 31, 2025 and 2024, 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 \$1,436 and \$1,720 for the years ended December 31, 2025 and 2024, respectively.

NOTE 5 – CONSOLIDATED VARIABLE INTEREST ENTITIES

Consolidated Affiliates	Date Acquired	Trust Ownership Interest	Total Assets in Consolidated Affiliates at		Total Liabilities of Consolidated Affiliates at	
			December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
ST Stephens Arlington, LLC	2025	60%	\$ 10,501	\$ -	\$ 4,016	\$ -

ST Stephens Arlington, LLC – the Operating Partnership owns a 60% interest as limited liability company in an industrial development in Arlington, Texas. The property is encumbered by a construction loan, with the Trust acting as a guarantor on the outstanding indebtedness.

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The following is a summary of the financial position of the consolidated variable interest entity at December 31, 2025 and 2024.

	December 31, 2025	December 31, 2024
(in thousands)		
ASSETS		
Real estate investments, net	\$ 10,467	\$ -
Cash and cash equivalents	34	-
Total Assets	\$ 10,501	\$ -
LIABILITIES		
Mortgage notes payable, net	\$ 3,997	\$ -
Accrued expenses and other liabilities	19	-
Total Liabilities	\$ 4,016	\$ -
SHAREHOLDERS' EQUITY		
Total Shareholders' Equity	\$ 6,485	\$ -
Total liabilities and shareholders' equity	\$ 10,501	\$ -

	Year Ended December 31,	
	2025	2024
(in thousands)		
Other (loss) income	\$ 10	\$ -
Net income	\$ 10	\$ -

NOTE 6 – LINE OF CREDIT

We previously maintained a \$3,000 variable rate (WSJ prime less 1.00% not to be less than 5.50%) line of credit agreement with Bell Bank, which was scheduled to mature in July 2025. On July 2025, the Trust renewed and expanded this facility to a \$15,000 variable rate (WSJ prime less 1.00% not to be less than 5.50%) line of credit with a new maturity date of July 2026. The line of credit is not secured by any specific property. 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, 2025 and 2024, there was no balance outstanding on the line of credit, leaving \$15,000 and \$3,000 available and unused under the agreement, respectively.

The line of credit agreement includes covenants that, in part, impose maintenance of certain debt service coverage ratios. As of December 31, 2025, the Trust was in compliance with all covenants.

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NOTE 7 – MORTGAGE NOTES PAYABLE

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

	Principal Balance At	
	December 31,	December 31,
	2025	2024
	(in thousands)	
Fixed rate mortgage notes payable (a)	\$ 172,187	\$ 147,600
Less unamortized discount on assumed mortgages	(235)	-
Less unamortized debt issuance costs	(559)	(519)
	<u>\$ 171,393</u>	<u>\$ 147,081</u>

(a) Includes \$27,164 and \$28,369 of variable rate mortgage debt that was swapped to a fixed rate as of December 31, 2025 and 2024, 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, 2025 and 2024, 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)
2026	\$ 4,984
2027	25,306
2028	39,645
2029	27,411
2030	27,464
Thereafter	47,377
Total payments	<u>\$ 172,187</u>

NOTE 8 – 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, 2025, 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 \$438 will be reclassified as a decrease to interest expense.

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The following table summarizes the Trust's interest rate swaps designated as cash flow hedges as of December 31, 2025

Effective Date	Notional	Fixed	
		Interest Rate	Maturity Date
March 11, 2019	\$ 10,298	4.24 %	March 15, 2029
May 15, 2023	\$ 7,787	3.29 %	May 15, 2030
July 20, 2023	\$ 5,940	3.50 %	May 20, 2028
August 15, 2022	\$ 3,139	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:

Interest Rate Derivatives	Number of Instruments		Notional	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
Interest rate swaps	4	4	\$ 27,164	\$ 28,369

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, 2025		December 31, 2024	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swaps	Fair value of interest rate swaps	\$ 1,309	Fair value of interest rate swaps	\$ 2,416

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, 2025 and 2024:

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	
	2025			2025	
Interest rate swaps	\$	1,107	Interest expense	\$	(725)
	2024		2024		
Interest rate swaps	\$	(29)	Interest expense	\$	(1,030)

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, 2025 and 2024, 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 \$1,309 and \$2,416, respectively. As of December 31, 2025 and 2024, the Trust has pledged the properties related to the loans which are hedged as collateral.

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NOTE 9 – FAIR VALUE MEASUREMENT

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

	December 31, 2025		December 31, 2024	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)		(in thousands)	
Financial assets:				
Derivative assets	\$ 1,309	\$ 1,309	\$ 2,416	\$ 2,416
Financial liabilities:				
Mortgages notes payable, net	\$ 172,187	\$ 169,258	\$ 147,600	\$ 153,162

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.

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 6.0% and 5.9% for December 31, 2025 and 2024, respectively.

NOTE 10 – NONCONTROLLING INTEREST OF UNITHOLDERS IN OPERATING PARTNERSHIP

Non-controlling Interests

As of December 31, 2025 and 2024, outstanding common limited partnership units totaled 5,277,114 and 4,985,000, respectively. The Operating Partnership declared fourth quarter distributions of \$908 and \$823, to limited partners paid in January 2026 and 2025, respectively. Distributions per unit were \$0.6880 and \$0.6600 during the years ended December 31, 2025 and 2024, respectively.

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During the year ended December 31, 2025 and 2024, 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, 2025 and 2024, 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 11 – 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, 2025 and 2024, there were \$3,095 and \$3,978, respectively, worth of securities left to be redeemed under the redemption plan. The fixed redemption price per share or unit under the plan was \$11.50 and \$11.00 as of December 31, 2025 and 2024, respectively.

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, 2025, the Company redeemed 63,000 common shares and 14,000 units both valued at \$11.50. During the year ended December 31, 2024, the Company redeemed 52,000 common shares and 9,000 units both valued at \$11.00.

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NOTE 12 – 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, 2025 and 2024, there were 9,232,000 and 8,891,000, respectively, common shares outstanding. We had no preferred shares outstanding as of either date.

The Trust declared fourth quarter dividends of \$1,588 and \$1,467 to shareholders paid in January 2026 and 2025, respectively. Dividends paid to holders of common shares were \$0.6880 and \$0.6600 per share for the years ended December 31, 2025 and 2024, respectively.

NOTE 13 – 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 \$11.875 and \$11.40 at December 31, 2025 and 2024, respectively. 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, 2025, 301,000 shares were issued pursuant to dividend reinvestments under the plan. During the year ended December 31, 2024, 319,000 shares were issued pursuant to dividend reinvestments under the plan.

NOTE 14 – 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 and Chief Financial Officer, Megan E. Schreiner, 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 all serve as officers of the Advisor. Messrs. Regan, Wieland, Carlson, Swenson, and Perkins and Mmes. Schreiner 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.

The Trust has a historical and ongoing relationship with Trumont Group and Trumont Construction. Trumont Group provides development services for current joint venture projects in which the Operating Partnership is an investor. Trumont Construction has been engaged to construct the properties associated with these joint ventures. Mr. Regan,

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Chief Executive Officer and trustee, is a partner in both Trumont Group and Trumont Construction and has a direct material interest in any engagement or related transaction, the Trust enters into, with these entities.

Property Management Fee

For the years ended December 31, 2025 and 2024, we paid repair and maintenance related payroll and payroll related expenses to GOLDMARK Property Management of \$10 and \$11, respectively.

During the years ended December 31, 2025 and 2024, the Trust paid commercial property management fees to our advisor of \$150 and \$143, respectively. Commercial property management fees are determined on a property-by-property basis. As of December 31, 2025 and 2024, 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) effective on April 1, 2025, effective until March 31, 2026.

Management Fee: For its services during the year, our Advisor receives 0.7% of Assets Under Management annually. Assets Under Management represents the gross GAAP book value of Advisor-managed real estate, investments, and cash, inclusive of the Company's proportionate share at historical cost before depreciation. 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

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

	Year Ended December 31,	
	2025	2024
	(in thousands)	
Fee:		
Advisory	\$ 2,300	\$ 2,250
Acquisition	\$ 947	\$ 489
Disposition	\$ 116	\$ 398
Financing	\$ 106	\$ 30
Development	\$ 153	\$ -
Project Management	\$ 7	\$ -

The table below summarizes the fees owed to the Advisor:

	Payable at December 31,	
	2025	2024
	(in thousands)	
Fee:		
Advisory	\$ 23	\$ 5
Development	\$ 153	\$ -
Project Management	\$ 7	\$ -

Operating Partnership Units Issued in Connection with Acquisitions

During the year ended December 31, 2025, the Trust did not issue any Operating Partnership units to related parties 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.

Commissions

During the year ended December 31, 2025, we incurred real estate commissions of \$238 owed to GOLDMARK Commercial Real Estate, Inc., in which Messrs. Regan and Wieland own a controlling interest. We incurred real estate commissions of \$0 owed to GOLDMARK Property Management, Inc., in which Messrs. Regan, Wieland, and Thomsen own a controlling interest. We incurred real estate commissions of \$132 owed to Black Arbor Real Estate in which Messer Thomsen owns a controlling interest. 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. We incurred real estate commissions of \$0 owed to Black Arbor Real Estate in which Messer Thomsen owns a controlling interest. There were no outstanding commissions owed as of December 31, 2025 and 2024.

Related Party Promissory Note

As of December 31, 2025 and 2024, the Trust had outstanding note receivable balances of \$10,000 and \$0, respectively, due from Sterling Real Estate Trust. During the years ended December 31, 2025 and 2024, the Trust recognized interest income on this note receivable of \$320 and \$0, respectively. Accrued interest receivable related to this note was \$39 and \$0 as of December 31, 2025 and 2024, respectively.

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NOTE 15 – 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, 2025 and 2024, gross revenues from commercial property rentals, including CAM income (common area maintenance) of \$5,068 and \$3,724 respectively, totaled \$32,877 and \$28,847, respectively.

As of December 31, 2025, 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 \$1,046 and \$339 for the years ended December 31, 2025 and 2024, respectively. The straight-line receivable balance included in receivables on the consolidated balance sheets as of December 31, 2025 and 2024 was \$5,742 and \$4,696, respectively. We receive payments for expense reimbursements from substantially all our multi-tenant commercial tenants throughout the year based on estimates.

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

	Year ended December 31, 2025
	(in thousands)
Lease income related to fixed lease payments	\$ 25,824
Lease income related to variable lease payments	5,068
Other (a)	1,402
Lease Income (b)	<u>\$ 32,294</u>

- (a) For the year ended December 31, 2025, "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, 2025, of \$583, which is accounted for under the revenue recognition standard.

	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 (c)	768
Lease Income (d)	<u>\$ 28,491</u>

- (c) 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.
(d) Excludes other rental income for the year ended December 31, 2024, of \$355, 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, 2025 are as follows:

Years ending December 31,	Amount
	(in thousands)
2026	\$ 27,972
2027	25,560
2028	21,937
2029	19,495
2030	18,425
Thereafter	74,859
	<u>\$ 188,248</u>

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NOTE 16 - 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 17 –DISPOSITIONS

During the year ended December 31, 2025 there was one disposal. MPP Phoenix was located in Phoenix, AZ for a sale price of \$4,650 and recognized gain of \$2,151 in August 2025.

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.

NOTE 18 –ACQUISITIONS

The Company closed on the following property acquisitions during the year ended December 31, 2025:

Date	Property Name	Location	Property Type	Total
				Acquisition Cost
				(in thousands)
April 30, 2025	Transport Lane	Bismarck, ND	Industrial	\$ 12,821
May 31, 2025	Vanderburgh Industrial	Evansville, IN	Industrial	17,010
June 30, 2025	Weston Industrial	Weston, WI	Industrial	10,769
				<u>\$ 40,600</u>

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

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

Total consideration given for acquisitions for the year ended December 31, 2025, was completed through issuing approximately 306,000 limited partnership units of the Operating Partnership valued at \$12.50 per unit, for an aggregate consideration of approximately \$3,825. 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, 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.

The following table summarizes the allocation of the purchase price, before proration, the Company recorded in conjunction with the acquisitions discussed above:

	<u>2025</u>	<u>2024</u>
	<u>(in thousands)</u>	
Real estate investment acquired	\$ 38,397	\$ 19,401
Acquired lease intangible assets	2,203	989
Total Assets Acquired	<u>40,600</u>	<u>20,390</u>
Other liabilities	<u>(7,602)</u>	<u>(22)</u>
Net assets acquired	32,998	20,368
Equity/limited partnership unit consideration	<u>(13,679)</u>	<u>(4,701)</u>
Net cash consideration paid	<u>\$ 19,319</u>	<u>\$ 15,667</u>

NOTE 19 - SUBSEQUENT EVENTS

On December 17, 2025 the Board of Trustees approved an increase in the common share price from \$12.50 per share to \$13.50 per share and an increase in redemption price from \$11.50 to \$12.50 effective January 1, 2026.

On January 15, 2026, we paid a dividend or distribution of \$0.1720 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, 2025.

On January 15, 2026, the Trust acquired a 202,500 square foot industrial property located in West Fargo, ND for \$19,700.

On February 2, 2026, the Trust acquired a 95,559 square foot industrial property located in Golden Valley, MN for \$10,275.

On February 10, 2026, the trust entered into a \$6,500 mortgage loan secured by the industrial property acquired on February 2, 2026. The loan bears interest at a variable rate equal to Term SOFR plus an applicable margin of 1.75% and matures on February 10, 2031.

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On February 11, 2026, the Trust also entered into an interest rate swap with a notional amount of \$6,500 that converts the loan's variable interest payments to a fixed rate of 3.66% plus an applicable margin of 1.75% through the loan's maturity.

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.

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



**STERLING OFFICE
AND INDUSTRIAL TRUST**

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