



August 23, 2024

Dear Shareholder:

The Executive Committee of the Board of Directors of Silver Star Properties REIT, Inc., the management team and I would like to apologize to you and your fellow shareholders for Mr. Hartman's actions and his continued efforts to harm you through false statements and outright lies. His continued interloping does nothing but disrupt the efforts Company and its management team are intending to benefit you and not him. We are making large strides in completing the objectives we have outlined to accomplish our goals.

In Mr. Hartman's August 15, 2024, letter to you, he makes several false statements and outright lies. I will address some of these in this letter so you can be accurately informed as to the state of affairs of the Company.

**1. Directors and management ignored shareholder requests and market expertise to pay down the debt facility with asset sales, and instead entered into loan agreements to replace the maturing debt with egregiously high interest rates.**

Unfortunately, as is usually the case, Mr. Hartman fails to tell the complete story. Period. There was absolutely nothing submitted or determined by directors, management and stockholders that was ignored. Instead, the Board determined, using its business judgment, that stockholders could realize much greater returns by following a pivot into a more robust asset class of real estate, rather than remain in a decrepit condition, class B- at best, group of assets (which we are calling our "Legacy Portfolio"). After deep dive investigations and evaluations of the Legacy Portfolio, the Board and management of Silver Star are examining whether any of the assets in the Legacy Portfolio could be retained if we were successful in raising capital through the sale of some of the portfolio. The question is whether the Company should retain them and operate them alongside with self-storage properties.

The financing was absolutely necessary to satisfy Company debt of over \$300 million (including a mortgage over \$250 million, together with other debt and trade payables). Total liquidation would have obligated the Company and its investors for tax liabilities. Instead, a pivot allowed for 1031 treatment, as well as a methodical process by placing assets in the market in a limited fashion, rather than in a fire sale fashion. And so far, it has worked out quite successfully. We have been able to provide for an orderly sale platform facing maturity in October of 2023, which could have forced a fire sale, foreclosure, or other disaster. In fact, we have paid down debt, almost every dollar of asset sales has been used to pay down the existing debt in this orderly sale platform.

Finally, with respect to this answer, the Board, judiciously obtained senior and junior financing in a market environment at the most favorable rates available. Considering that no lender, other than the lenders that stepped up here, was willing to finance a company facing a disastrous maturity, facing declining rental rates, facing a turbulent upside-down market and commercial office generally, and facing a maturity of over 3T treasuries in 2025 most being secured by commercial office property assets.

**2. Directors have continued to award themselves outsized compensation plans, at shareholder expense.**

Once again, Mr. Hartman's statement here is incomplete; thereby false and misleading. Of course, I, Gerald Haddock, did not appoint myself as CEO, and of course, I did not adopt a compensation plan by myself. My salary is currently \$300,000 annually (as reflected in my employment agreement that is on file with the relevant 8-k filing). Mr. Jim Still, an independent director of the Board, and head of the compensation committee of the Board, has gone

on record to testify that he “did research and confirmed that it was, in fact, not only at market, but maybe possibly slightly below market, in terms of the structure of the agreement.” Further, Mr. Still stated, on the record “if we had gone to the market [to] a third-party search firm basis, we would never have been able to find someone of Mr. Haddock’s caliber to run [the] Company. Would not have happened. Zero probability.” As CEO, my negotiated compensation included the immediate vesting of shares. That is true. But the number of shares is relative to the total number of shares outstanding. The shares will only gain value if the Company gains value. That is my motivation; to increase the value of the shares for the entire Company.

This is totally different from the way Mr. Hartman compensated himself and continued to pay himself. Mr. Hartman continued to give himself distributions even after the Executive Committee of the Board stopped distributions in order to preserve capital, to make needed capital expenditures to retain tenants by renewals and other expenditures associated with those renewal requirements.

Regarding Mr. Hartman’s claims regarding Mr. David Wheeler’s compensation, Mr. Wheeler, who is our acting Chief Operating Officer, not as Co-CEO, has earned his compensation. Through Mr. Wheeler’s efforts, we are micro-focused to increase the value of the shares so everyone is satisfied.

### **3. Silver Star purchases are dilutive to the operations.**

Here is another example of Mr. Hartman only providing the shareholders with a portion of the story. It is important to note that any high interest payment was caused by his violation of fiduciary obligations to the Company. As a reminder, the Company had to file for bankruptcy because Mr. Hartman placed illegal Lis Pendens on the Company’s real estate. This crippled the Company in its efforts to sell assets to pay the debt that was maturing. In order to stay a loan default and remove the Lis Pendens, we had to file. Once we filed, no lender, in today’s market, would loan a distressed company the capital needed to rescue itself and its shareholders. However, through heavy negotiations, we were able to forge a relationship with a well-known capital provider whom we anticipate paying off before March 2025. Every percentage point of the interest rate that Mr. Hartman claims is excessive, is because we had to invest in the properties because of their conditions to prepare them for sale and we had to pay high interest. Furthermore, we have paid off \$91,333,114.16 of the loan to date and anticipate, following the end of 2024, to fully pay off the loan.

### **4. There have been few successful commercial real estate IPOs at comparable market capitalization.**

Mr. Hartman’s assertion that the Executive Committee insisted that an IPO for Silver Star is the “only” solution for liquidity - is not true. Following Mr. Hartman’s removal as CEO and Chairman of the Board, the Executive Committee of Silver Star undertook to thoughtfully consider, evaluate and determine a course of action to maximize shareholder value and to ultimately provide liquidity for Silver Star shareholders. Under Mr. Hartman’s administration of Silver Star, the notion of shareholder liquidity was perpetually promised and never delivered. Silver Star is not the first REIT led by Mr. Hartman where shareholder liquidity was perpetually promised and not delivered.

Mr. Hartman’s further assertion that “when a company does an IPO, and the stock drops, the company cannot do a secondary offering and as a result cannot grow and is considered to be “stuck in a box”, which is not accurate. Companies which have suffered post-IPO reduction in share price have in fact successfully completed secondary or follow-on offerings and raised additional capital. Mr. Hartman does not have any such experience. Under Mr. Hartman’s leadership, two REITs in the past twenty years failed to deliver Mr. Hartman’s frequently repeated and perpetually promised execution of an IPO.

As the current CEO and Chairman of the Executive Committee of Silver Star on the other hand, I have distinguished experience and an exemplary track record in the execution of IPOs. I look forward to showing Mr. Hartman wrong yet again.

Past performance is not a guarantee of future success. Common sense strongly supports that distinguished experience and an exemplary track record in the execution of IPOs provides a solid basis to believe that our current leadership is capable of fulfilling its strategic plan. Our IPO could possibly reap benefits from declining market interest rates.

#### 5. **Occupancy in the current portfolio continues to decline.**

It's not about occupancy right now. Rather, it is about what the occupancy could have been if the properties were appropriately managed and if there wasn't a significant history under Mr. Hartman's leadership of deferred maintenance. For years Mr. Hartman elected not to expend routine maintenance dollars to the detriment of the properties and their tenants. HVACs were not serviced, structural issues ignored, and upgrades non-existent. In fact, we are completing the repair and maintenance of a stairwell that was structurally unsound. These issues caused tenants to leave, left buildings unattractive to new tenants, and increased our liability as landlord and operator.

As you can see from the above, management and I have seen several hurdles as we rescue the Company from Mr. Hartman's poor leadership and mismanagement. But we have hope, and we see a bright future for the Company and its shareholders. With the help of excellent outside counsel, in the Maryland litigation we just completed a very strong, almost full day, deposition of Mr. Hartman in which he continually made false statements that are on the record. We invite you to become fully informed since he continues to mislead you and suggest he is the answer to the Company's problems. Since, in fact, as the above truth and his deposition reflects, he created the problems. These problems are clearly surmountable.

The Silver Star management team and the Executive Committee are working diligently to solve these problems and complete the objectives of the Company to benefit you. These objectives include positioning this Company to return distributions and fight through Mr. Hartman's impediments (which include efforts to restrict the sale of assets to the detriment of shareholders). We are well along the way to accomplishing our objectives and are now a self-storage company.

Mr. Hartman does not like what we are doing because he does not like the shareholders being in a position to realize future value. What Mr. Hartman wants is a preferred liquidation of the Company, that is a selective exchange of his stock for prime assets of the Company to the detriment of you and other shareholders. All of Mr. Hartman's negotiations have been directed toward a selective greenmail type of transaction and have been rejected by the Executive Committee all along the way. He continues this objective by claiming the value of the NAV was in excess of 12 per share, pre dilution for rights offering. That is false. Mr. Hartman's valuations are in his mind and only for the purpose of exchanging his stock preemptively at a higher price than what he wanted and still wants other shareholders to receive. Without Mr. Hartman's impediments, including improper Lis Pendens, nefarious litigation (e.g. having a lawsuit on file we did not know about which he intentionally hid from us while the Company negotiated in good faith a global settlement, which we now know he never intended to settle).

For the benefit of our shareholders, we intend to take further action and intend to stay the course. We are laser focused on accomplishing our objectives because the Board is 100% convinced we are pursuing the proper business judgment and best course of action for this Company. If Mr. Hartman would get out of the way and stop bringing these interruptions, actions and letters, we would get this done.

As I mentioned earlier, in a deposition of Mr. Hartman, he is on the record making numerous false statements. Be on the lookout for an invitation from me to view this deposition in full on our website if our attorneys will permit. It is important you know the truth.

Further, we are in the process of preparing a more detailed video communication or podcast to distribute. This will perhaps be an easier way to deliver, and explain more completely, the "state of the union", which will include the current outlook, the timing to complete the pivot, and will provide a stronger foundation to accomplish our objectives. We are working diligently on an IPO model, sizing of offerings, and what NOI can be generated to satisfy market requirements for funds from operations for storage companies, all of which require a more in-depth

study of market conditions. As we projected in an earlier podcast, interest rates and the feds seem to be moving in the direction of lower rates which we thought would occur in summer of 2024. That is in fact happening. The movement to lower interest rates will improve the value of our investments. This will be a robust work in process, but I will be able to share that with you in this podcast/video communication. We are on the right track and expect to get this additional material to you as soon as we possibly can. Again, we are disappointed with Mr. Hartman's actions, but after the deposition we feel extremely confident about the outcome of the litigation in Maryland even though, as we all know, no litigation can be predicted with accuracy.

***Forward-Looking Statements:** This letter contains certain forward-looking statements. Because such statements include risks, uncertainties, and contingencies, actual results may differ materially from those expressed or implied by such forward-looking statements, and you should not place undue reliance on any such statements. Several important factors could cause actual results to differ materially from the forward-looking statements contained in this material. Forward-looking statements in this letter speak only as of the date on which such statements were made, and the company undertakes no obligation to update any such statements that may become untrue because of subsequent events. Such forward-looking statements are subject to the safe harbor protection for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.*

Respectfully,

Gerald Haddock  
Chairman of the Board and CEO