

UPDATES TO MESSAGE FROM CEO GERALD HADDOCK
NOVEMBER 15, 2024 – Podcast Transcript

This board decided in 2023 to embark upon a pivot to self-storage properties that involved selling the company's commercial office properties. Those properties being sold were priced very methodically in order to ensure as high a price as possible in a broker negotiated transaction. Where appropriate, the company exercised 1031 favorable tax treatment transactions as it acquired the storage properties.

Self-storage properties, importantly, are generally more resistant to market moves, as we have seen in the last few years. That is, downward pressure on prices from market volatility does not impact the self-storage properties nearly as much as we saw in the commercial office sector. Facing our current environment with interest rates perhaps moving down even further than they've already moved as markets, interest rates and inflation stabilize, these opportunities in this sector will be enhanced even more. Regulatory efficiencies will be achieved just around the corner by Elon Musk's wasteful spending cuts.

Hartman left us the threat of an immediate liquidation, thereby requiring us to pay down a maturing \$260 million dollar debt with the proceeds from the sale of assets, if we have had a liquidation. We had little cash or reserves or any free cash. As it developed, for a period of time, few wanted to do business with this company. It was difficult. At the end of the day, we could not receive financing other than the one we received in order to have ample time to sell and acquire self-storage properties.

Only because of the pivot to self-storage were we able to achieve a financial position that was sufficient to enable us to pay down the debt and acquire new debt. Financing a liquidating company without a planned business is not the most ideal way to really get good financing. The \$260 million dollars of debt really created the problem that had to be solved.

Following a liquidation plan rather than a pivot to self-storage, would have resulted in little to no distributions to stockholders. NAV of 12.31.2023 was about \$2.70 per share in accordance with management estimates. Shortly thereafter, it began decreasing. Hartman erroneously claimed in his letters to stockholders and in other filings, it had been about \$6 dollars per share.

G&A expenses had to be incurred with respect to a liquidation. Debt service had to be made. Proceeds of asset sales had to be collected and placed in a cash trap and were not generally available. Taxes would be paid the year in which sales were made and deferred maintenance had to be paid. Deferrals from 1031s could not be achieved with an outright liquidation but they could have been achieved with the pivot and that would have saved taxes.

Selling was sharply delayed as a result of impediments as assets were liquidated. Those assets were impaired because of the delay and required, in many cases, buyer adjustments to the purchase price, causing even more losses. Sales stopped by buyers because they

were getting discounts and requiring us to adjust prices. Our \$2 NAV per share and an opportunity for a capital raise in the future to grow self-storage provides benefits that would not be available in a liquidation.

More importantly is that the crown jewel recovery, which is the bundled damage claim, we talked about before against Hartman and his family, is available, keep in mind, if there's a pivot strategy because we have a going concern. In a liquidation, that process would be engineered by Mr. Hartman through a change of the board and if he took control, what do you think the odds are of his or his family suing himself and his family? Not going to happen. We will prosecute that lawsuit and make the benefits available to all the stockholders, not just the Hartman family.

On another front, we will be pursuing an effort to achieve a listing on the National Securities Exchange that will provide the stockholders liquidity. We intend to continue with our financing efforts for achieving our national listing and to satisfy our charter requirements. We hope to achieve this listing no later than 2026. There's some liquidity on a smaller exchange referred to as the Lodas Exchange.

Commercial office properties of the type held by Silver Star have totally collapsed in the market. I'll give you an anecdotal comparison. Two Forest, a property connected with the property we own, Three Forest, right next to each other in Dallas. In 2020, Two Forest sold for \$30 million dollars with about 80% occupancy and in 2024, October of 2024, with 40% occupancy, it sold for about \$8 million dollars. They're connected.

Three Forest is one of the assets that, because of this substantial drop in value, we intend to retain as part of the go-forward strategy. It's one of about six or seven, as we've discussed before. We'll spend TI money; we'll spend CAPEX money in order to get a sufficient and quite frankly large ROI if we can return to those older values. With a liquidation, you will not have the option to do this. The asset sales will take place at low depressed prices. There will be no opportunities, as I said, to achieve 1031 savings or other savings with respect to taxes. You will not have a flat period in which orderly sales could take place. It would be a race to the finish line.

Our plans are to report to you about every two weeks. As I said before, we'll introduce you to some of our management members and let them talk, and we'll also discuss in more detail some of our properties. One of those properties in self-storage is Delray Beach that we said was our crown jewel. Showing the growth that's taking place in self-storage, we've had that property a little over two months. In that period, NOI has already increased by an absolute plus or minus 10%. It's located just north of Miami. It's going to be a haven for first-time home buyers. Immigrants will be rushing to seek storage properties as they move north of Miami and settle in first-time home buyer developments with a smaller footprint they will need storage. The first session that I intend to shoot will be right after our trial in Maryland which begins next week. We're ready.

If there are any particular subjects you would like for us to cover on the next podcast, please call me directly or call our IR Department and say specifically, "these are the points you would like for me to discuss in the next podcast."

Thank you for your attention and thank you for your loyalty as a stockholder.

Bye for now.