Preliminary Offering Circular
November 6, 2018
Subject to Completion

HC GOVERNMENT REALTY TRUST, INC.
1819 Main Street, Suite 212
Sarasota, Florida 34236
(941) 955-7900

Maximum Offering: $32,000,000 in Shares of Common Stock

Explanatory Note

This offering circular is part of the post-qualification amendment we filed in order to increase the offering, make revisions related the implementation of our distribution reinvestment plan, or the DRIP, extend the offering until November 7, 2019, and revise certain other information. All material terms of this offering otherwise remain the same.

HC Government Realty Trust, Inc., a Maryland corporation referred to herein as our company, was formed to primarily source, acquire, own and manage built-to-suit and improved-to-suit, single-tenant properties leased by the United States of America through the U.S General Services Administration, or GSA Properties. We focus on acquiring GSA Properties that fulfill mission critical or direct citizen service functions primarily located across secondary or smaller markets, within size ranges of 5,000-50,000 rentable square feet, and in their first term after construction or retrofitted to post-9/11 standards. We are externally managed and advised by Holmwood Capital Advisors, LLC, a Delaware limited liability company, or our Manager. Our management team has significant commercial real estate experience and long-established relationships with real estate owners, developers and operators focused on GSA Properties, which we believe provides a competitive advantage in sourcing acquisition opportunities that provide attractive risk-adjusted returns.

We, through subsidiaries, own a portfolio of 16 GSA Properties, comprised of 13 GSA Properties we own in fee simple and three additional GSA Properties for which we have the rights to all of the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership for federal income tax purposes.

We elected to be treated as a real estate investment trust, or REIT, for U.S. federal income tax purposes under the Internal Revenue Code of 1986, as amended, or the Code, beginning with our taxable year ending December 31, 2017. Shares of our common stock are subject to restrictions on ownership and transfer that are intended, among other purposes, to assist us in qualifying and maintaining our qualification as a REIT. Our charter, subject to certain exceptions, limits ownership to no more than 9.8% in value or number of shares, whichever is more restrictive, of any class or series of our outstanding capital stock.

In our primary offering, which we refer to as the offering, we are offering maximum of 3,000,000 shares of our common stock at an offering price of $10.00 per share, for a maximum offering amount of $30,000,000, which we refer to as our maximum offering amount. The minimum purchase requirement is 150 shares, or $1,500; however, we can waive the minimum purchase requirement in our sole discretion. We are also offering up to 200,000 shares of our common stock at $10.00 per share, or $2,000,000, pursuant to our distribution reinvestment plan, or the DRIP. We reserve the right to reallocate the shares we are offering between our primary offering and the DRIP. As of the date of this offering circular, we have issued 891,041 shares of common stock in this offering in exchange for gross proceeds totaling $8,910,410. We have not yet issued any shares of common stock in the DRIP. For more information on the DRIP, see "Summary of Distribution Reinvestment Plan."

We intend to hold closings in the offering on at least a monthly basis. The final closing will occur whenever we have reached the maximum offering amount. Prior to each closing, the proceeds for that closing will be kept in an escrow account or, for subscribers purchasing through the Folio Investments, Inc. platform, deposited in such subscriber's account with Folio Investments, Inc., or Folio, or deposited with such other clearing firm for the benefit of such subscriber if and when such clearing firm is engaged in this offering. See "Plan of Distribution - Minimum Purchase."

We have engaged Boustead Securities, LLC, or our Dealer-Manager, a member of the Financial Industry Regulatory Authority, or FINRA, as our Dealer-Manager to offer our shares to prospective investors on a best efforts basis, and our Dealer-Manager will have the right to engage such other FINRA member firms as it determines to assist in the offering. Cambria Capital, LLC will act as our principal selling group member. We intend to apply for quotation of our common stock on the OTCQX Marketplace by the OTC Markets Group, Inc., or OTCQX.

The offering began on November 7, 2016 and is expected to continue until the earlier of (i) the date on which the maximum offering amount has been sold, or (ii) November 7, 2019. We may, however, terminate this offering at any time and for any reason. At this time, there is no public trading market for shares of our common stock.

	Price to Public	Commissions and Expense Reimbursements (1) (2)	Proceeds to Company (1)(2)	Proceeds to Other Persons
The Offering				
Per Share	$ 10.00	$ 0.875	$ 9.125	$ 0
Maximum Offering Amount	$ 30,000,000	$ 2,625,000	$ 27,375,000	$ 0
Distribution Reinvestment Plan				
Per Share	$ 10.00	$ 0	$ 10.00	$ 0
Total Distribution Reinvestment Plan	$ 2,000,000	$ 0	$ 2,000,000	$ 0

(1) This table depicts underwriting discounts, commissions and expense reimbursements of 8.75% of the gross offering proceeds in the offering, which we refer to as the gross offering proceeds. We will pay our Dealer-Manager selling commissions of 6.0% of the gross offering proceeds, a managing broker-dealer fee of 1.25%, a non-accountable expense reimbursement of 1.0% of the gross offering proceeds, and an accountable expense reimbursement of up to 0.50% of the gross proceeds from this offering for fees to Folio for its clearing and facilitation services. This table does not include an accountable expense reimbursement of up to $30,000 for filing and legal fees incurred by our Dealer-Manager because we are not able to accurately estimate those fees. The $30,000 fee is only payable if we sell the maximum offering amount. We will not pay any underwriting discounts, commissions or expenses reimbursements in connection with the DRIP. See "Plan of Distribution" for more information.

(2) We will be responsible for paying organizational and offering expenses. To date, our Manager or its affiliates have advanced approximately $1,459,479 as organizational and offering costs. We anticipate no further organizational and offering expenses to be incurred. To the extent that organizational and offering expenses, when combined with underwriting discounts, commissions and expense reimbursements in connection with this offering, exceed 15.0% of the gross proceeds from the offering, or the O&O Cap, the Manager has agreed to repay an amount of organizational and offering expenses which would bring such fees and commissions paid in connection with this offering below the O&O Cap.

Generally, no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and investors who are not natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A. For general information on investing, we encourage you to refer to www.investor.gov.

An investment in our common stock involves a number of risks. See "Risk Factors," beginning on page 18 of this offering circular. Some of the more significant risks include those set forth below.

- We were recently organized and do not have a significant operating history or financial resources. There is no assurance that we will be able to successfully achieve our investment objectives.
- Investors will not have the opportunity to evaluate or approve any investments prior to our financing or acquisition thereof.
- We may not be able to invest the net proceeds of this offering on terms acceptable to investors, or at all.
- Investors will rely solely on our Manager to manage our company and our investments. Our Manager will have broad discretion to invest our capital and make decisions regarding investments. Investors will have limited control over changes in our policies and day-to-day operations, which increases the uncertainty and risks you face as an investor. In addition, our board of directors may approve changes to our policies without your approval.

- There are substantial risks associated with owning, financing, operating and leasing real estate.

- Our ability to pay our intended initial annual dividend, which represents approximately 295% of our estimated cash available for distribution for the twelve months ending June 30, 2019, assuming we sell the maximum offering amount, depends on our future operating cash flow, and we expect to be required to fund a portion of our intended initial annual dividend through borrowings or equity issuances, and we cannot assure you that we will be able to obtain such funding on attractive terms or at all, in which case we plan to use a portion of the remaining net proceeds from this offering for such funding, which would make such amounts unavailable for our acquisition of properties, or to fund such dividend in the form of shares of common stock or to eliminate or otherwise reduce such dividend.

- The purchase price of the shares of our common stock has been determined primarily by our capital needs and bears no relationship to any established criteria of value such as book value or earnings per share, or any combination thereof. Further, the price of the shares is not based on our past earnings. There has been no prior public market for our shares; therefore, the offering price is not based on any market value.

- Real estate-related investments, including joint ventures, and co-investments, involve substantial risks.

- Shares of our common stock will have limited transferability and liquidity. Prior to this offering, there was no active market for our common stock. Although we intend to apply for quotation of our common stock on the OTCQX, even if we obtain that quotation, we do not know the extent to which investor interest will lead to the development and maintenance of a liquid trading market. Further, our common stock will not be quoted on the OTCQX until after the termination of this offering, if at all. Therefore, purchasers in the initial closing will be required to wait until at least after the final termination date of this offering for such quotation.

- Some of our leases permit the occupying agency to vacate the property and for our tenant to discontinue paying rent prior to the lease expiration date.

- Our company will pay substantial fees and expenses to our Manager and its affiliates. These fees will increase investors' risk of loss and will reduce the amounts available for investments. Some of those fees will be payable regardless of our profitability or any return to investors.

- The tax protection agreement with Holmwood could limit our ability to sell, refinance or otherwise dispose of our Contribution Properties (as defined herein) or make any such sale or other disposition costlier.

- Substantial actual and potential conflicts of interest exist between our investors and our interests or the interests of our Manager, and our respective affiliates, including conflicts arising out of (a) allocation of personnel to our activities, (b) allocation of investment opportunities between us.

- An investor could lose all or a substantial portion of its investment.

- There is no public trading market for our common stock, and we are not obligated to effectuate a liquidity event by a certain date or at all. It will thus be difficult for an investor to sell its shares of our common stock. Although we intend to apply for quotation of our common stock on the OTCQX, even if we obtain that quotation, we do not know the extent to which investor interest will lead to the development and maintenance of a liquid trading market. Further, our common stock will not be quoted on the OTCQX until after the termination of this offering, if at all.

- We may fail to qualify or maintain our qualification as a REIT for federal income tax purposes. We would then be subject to corporate level taxation and we would not be required to pay any distributions to our stockholders.

An investment in the offered shares is subject to certain risks and should be made only by persons or entities able to bear the risk of and to withstand the total loss of their investment. Prospective investors should carefully consider and review the RISK FACTORS beginning on page [18].

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF OR GIVE ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SOLICITATION MATERIALS. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION; HOWEVER, THE COMMISION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED ARE EXEMPT FROM REGISTRATION.

This Offering Circular Uses the Form 1-A Disclosure Format.

Preliminary Offering Circular Dated November 6, 2018.

TABLE OF CONTENTS

SUMMARY

This summary highlights the information contained elsewhere in this offering circular. Because it is a summary, it may not contain all the information that you should consider before investing in our shares. To fully understand this offering, you should carefully read this entire offering circular, including the more detailed information set forth under the caption "Risk Factors." Unless the context otherwise requires or indicates, references in this offering circular to "us," "we," "our" or "our company" refer to HC Government Realty Trust, Inc., a Maryland corporation, together with its consolidated subsidiaries, including HC Government Realty Holdings, L.P., a Delaware limited partnership, which we refer to as our operating partnership. We refer to Holmwood Capital, LLC, a Delaware limited liability company, as Holmwood, and Holmwood Capital Advisors, LLC, a Delaware limited liability company, as our Manager. As used in this offering circular, an affiliate of, or person affiliated with, a specified person, is a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified.

We have entered into (a) the Management Agreement between us and our Manager, or the Management Agreement, (b) the Limited Partnership Agreement of HC Government Realty Holdings, L.P., or the Limited Partnership Agreement and (c) the Contribution Agreement between HC Government Realty Holdings, L.P. and Holmwood Capital, LLC, or the Contribution Agreement. Unless the context otherwise requires or indicates, the information set forth in this offering circular assumes that the value of each unit of limited partnership interest in our operating partnership, or OP Unit, issued to persons contributing interests in our Contribution Properties (as defined below) is equivalent to the public offering price per share of our common stock in this offering.

Our Company

We were formed in 2016 as a Maryland corporation, and we have elected to be taxed as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 2017. We were formed primarily to source, acquire, own and manage built-to-suit or improved-to-suit, single-tenant properties leased by the United States of America and administered by the U.S General Services Administration or directly by the occupying agency, both of which are referred to as GSA Properties. We invest primarily in GSA Properties across secondary and smaller markets with sizes ranging from 5,000-50,000 rentable square feet, and in their listed lease term after construction or improvement to post-9/11 standards. We further emphasize GSA Properties that fulfill mission critical or citizen service functions. Leases associated with the GSA Properties in which our company invests are full faith and credit obligations of the United States of America.

Our principal objective is the creation of value for stockholders by utilizing our relationships and knowledge of GSA Properties, specifically, the acquisition, management and disposition of GSA Properties. As of the date of this offering circular, our portfolio of assets consists of 16 GSA Properties, which we refer to as our portfolio, and we have one additional property under contract to acquire, which we refer to as our pipeline.

Our Portfolio

Our portfolio consists of (i) three GSA Properties acquired by our company on June 10, 2016 for a purchase price of $11,050,596, financed with proceeds from the issuance of our 7.00% Series A Cumulative Convertible Redeemable Preferred Stock, or Series A Preferred Stock, secured mortgage financing in the original principal amount of $7,225,00, unsecured seller financing in the original principal amount of $2,019,789 and $1,000,000 in original principal amount of our unsecured loan from Holmwood; (ii) our GSA Property acquired by our company on March 31, 2017, for a purchase price of $14,717,937, financed with proceeds from senior mortgage debt in the original principal amount of $10,875,000 and $3,842,937 in original aggregate principal amount of unsecured debt from two of our directors; (iii) seven properties contributed to us as of the initial closing by Holmwood, including three properties for which we received all of the rights to the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership for federal income tax purposes rather than a fee simple interest, each pursuant to the Contribution Agreement; (iv) our GSA Property acquired by our company on July 25, 2017, for a purchase price of $4,797,072, financed with secured mortgage financing in the original principal amount of $3,530,00, and proceeds from this offering of $1,179,458; (v) our GSA Property acquired by our company on November 21, 2017, for a purchase price of $8,273,349, financed by secured mortgage debt in original principal amount of $6,991,250 and proceeds from our offering of $1,282,099; (vi) our GSA Property acquired by our company on July 27, 2018, for a purchase price of $7,150,000, financed by secured mortgage debt in original principal amount of $5,360,000 and financed with mezzanine debt of $1,790,000; (vii) our GSA Property acquired by our company on August 30, 2018, for a purchase price of $3,445,000, financed by secured mortgage debt in original principal amount of $2,580,000 and financed in part with mezzanine debt of $800,000; and (viii) our GSA Property acquired by our company on October 15, 2018, for a purchase price of $11,000,000, financed by secured mortgage debt in original principal amount of $8,250,000 and financed in part with mezzanine debt of $2,470,000. See "Description of Our Properties" for more information on our portfolio of GSA Properties.

Our Pipeline

Our pipeline consists of a GSA Property located in Monroe, Louisiana under contract for a purchase price of $5,150,000 and expected to close in December 2018.

The GSA-leased, real estate asset class has a number of attributes that we believe will offer our stockholders significant benefits, including a highly creditworthy and very stable tenant base, long-term lease structures and low risk of tenant turnover. GSA leases are backed by the full faith and credit of the United States, and the GSA has never experienced a financial default. Payment of rents under GSA leases are funded through the Federal Buildings Fund and are not subject to direct federal appropriations, which can fluctuate with federal budget and political priorities. In addition to presenting reduced risk of default, GSA leases typically have long initial terms of ten to 20 years with renewal leases having terms of five to ten years, which limit operational risk. Upon renewal of a GSA lease, base rent typically is reset based on a number of factors at the time of renewal, including inflation and the replacement cost of the building, that generally we expect will increase over the life of the lease.

GSA-leased properties generally provide attractive investment opportunities but require specialized knowledge and expertise. Each U.S. Government agency has its own customs, procedures, culture, needs and mission, which results in different requirements for its leased space. Furthermore, the GSA-leased sector is highly fragmented with a significant amount of non-institutional owners, who lack our infrastructure and experience with GSA-leased properties. Moreover, while there are a number of national real estate brokers that hold themselves out as having GSA-leased property expertise, there are no national or regional clearing houses for GSA-leased properties. We believe this fragmentation can be ascribed particularly to the U.S. Government's – including GSA's – procurement policies, including policies of preference for small, female and minority owned businesses. As of August 2016, the largest owner of GSA-leased properties owned approximately 3.5% of the GSA-leased properties based on leased square footage, and the ten largest owners of GSA-leased properties collectively owned approximately 18.7% of the GSA-leased properties by leased square footage.[1] Long-term relationships and specialized institutional knowledge regarding the agencies, their space needs and the hierarchy and importance of a property to its tenant agency are crucial to understanding which agencies and properties present the greatest likelihood of long-term agency occupancy, and, therefore, to identifying and acquiring attractive GSA-leased properties. Our portfolio is diversified among occupancy agencies, including a number of the largest and most essential agencies, such as the Drug Enforcement Administration, the Federal Bureau of Investigation, the Social Security Administration and the Department of Transportation.

We operate as an "UPREIT", which means we own our GSA-leased properties through single-purpose entities that are wholly owned by our Operating Partnership. While we focus on investments in GSA Properties, in the future we also may invest in state and local government, mission critical single tenant properties or properties previously (but not exclusively) leased to the United States, the GSA or one or more occupying agencies. We are externally managed and advised by Holmwood Capital Advisors, LLC, a Delaware limited liability company, or our Manager. Our Manager will make all investment decisions for us. Our Manager is owned equally by Robert R. Kaplan and Robert R. Kaplan, Jr., individually, Stanton Holdings, LLC, which is controlled by Edwin M. Stanton, and by Baker Hill Holding LLC, which is controlled by Philip and Vickie Kurlander. The officers of our Manager are Messrs. Edwin M. Stanton, President, Robert R. Kaplan, Jr., Vice President, Philip Kurlander, Treasurer, and Robert R. Kaplan, Secretary. Dr. Kurlander is the controlling manager of our Manager. Our Manager will be overseen by our board of directors. For more information on our executive officers and directors please see "Directors, Executive Officers and Significant Employees."

We believe the extensive knowledge of U.S. Government properties and lease structures of each of our Manager, its principals and executive officers, allows us to execute transactions efficiently. Additionally, we believe that our ability to identify and implement building improvements increases the likelihood of lease renewal and enhances the value of our portfolio. Our Manager's experienced team brings specialized insight into the mission and hierarchy of occupying agencies, so that we are able to gain a deep understanding of the U.S. Government's long-term strategy for a particular agency and its resulting space needs. This allows us to target properties used by agencies that will have enduring criticality and the highest likelihood of lease renewal. Lease duration and the likelihood of renewal are further increased as properties are tailored to meet the specific needs of individual agencies, such as specialized environmental and security upgrades.

Our Manager and its principals and executive officers have a network of relationships with real estate owners, investors, operators and developers of all sizes and investment formats, across the United States and especially in relation to GSA Properties. We believe these relationships provide us with a competitive advantage, greater access to off-market transactions and flexibility in our investment choices to source and acquire GSA Properties.

In addition to the dedication and experience of our Manager's management team, we rely on the network of professional and advisory relationships our Manager and its principals and executive officers has cultivated, including BB&T Capital Markets, a division of BB&T Securities, LLC, or BB&T Capital Markets. Our Manager has engaged BB&T Capital Markets to provide investment banking advisory services, including REIT financial and market analysis and offering structure analysis.

We believe in the long-term there will be a consistent flow of GSA Properties in our target markets for purposes of acquisition, leasing and managing, which we expect will enable us to continue our platform into the foreseeable future. We acquire GSA Properties located across secondary and smaller markets throughout the United States. We do not anticipate making acquisitions outside of the United States or its territories.

[1] "Top Federal Property Owners (2016)" by Kurt Stout January 17, 2017, Colliers International Government Solutions

We primarily make direct acquisitions of GSA Properties, but we may also invest in GSA Properties through indirect investments, such as joint ventures which may or may not be managed or affiliated with our Manager or its affiliates, and whereby we may own less than a 100% of the beneficial interest therein; provided, that in such event, we will acquire at least 50 percent of the outstanding voting securities in the investment, or otherwise comply with SEC staff guidance regarding majority-owned subsidiaries so that the investment meets the definition of “majority-owned subsidiary” under the 40 Act. While our Manager does not intend for these types of investments to be a primary focus, we may make such investments in our Manager’s sole discretion.

Management

We are externally managed by Holmwood Capital Advisors, LLC, our Manager. Our Manager makes all investment decisions for us. Our Manager and its affiliated companies specialize in sourcing, acquiring, owning and managing built-to-suit and improved-to-suit, single-tenant GSA Properties. Our Manager and its principals and executive officers have a significant track record of sourcing, acquiring, owning and managing GSA Properties, having aggregated close to $3 billion in acquisitions of GSA Properties and other government leased assets. Our Manager’s senior management team has significant relationships with institutional and regional developers and owners, brokers, lenders, attorneys and developers of GSA Properties and other professionals, all of which our company expects to be a source of future investment opportunities. This offering represents an opportunity for outside investors to take advantage of this principals’ expertise through a pooled investment vehicle. For more information on the experience of Mr. Stanton, our Chief Executive Officer, please see "Directors, Executive Officers, and Significant Employees - Material Prior Business Developments of Mr. Stanton."

Our Manager oversees our overall business and affairs and will have broad discretion to make operating decisions on behalf of us and to make investments. Our stockholders will not be involved in our day-to-day affairs. Summary background information regarding the management of our Manager appears in the section entitled “Our Manager and Related Agreements.”

Our Manager is overseen by our board of directors, or our board. Our board is currently comprised of Dr. Kurlander, Mr. Stanton, Mr. Kaplan, Mr. William Robert Fields, Mr. Scott A. Musil, and Mr. Leo Kiely , the latter three of which are our independent directors. Our fourth independent director, Mr. John F. O’Reilly, resigned his position in September 2018, and our remaining board members have not yet selected a replacement independent director to fill the vacancy created by his resignation.

Our Competitive Strengths and Strategic Opportunities

We believe the experience of our Manager, its affiliates, principals and executive officers, as well as our investment strategies, distinguish us from other real estate companies. We believe that we will be benefitted by the alignment of the following competitive strengths and strategic opportunities:

High Quality Portfolio Leased to Mission-Critical U.S. Government Agencies

- We own a portfolio of 16 GSA Properties, comprised of 13 GSA Properties we own in fee simple and three additional GSA Properties for which we have all of the rights to the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership included for federal income tax purposes, each of which is leased to the United States. As of the date of this annual report, based upon net operating income, the weighted average age of our portfolio was approximately 8.8 years, and the weighted average remaining lease term is approximately 10 years if none of the early termination rights are exercised and 6.4 years, if all of the early termination rights are exercised.

- All of our GSA Properties are occupied by agencies that serve mission-critical or citizen service functions.

- Our GSA Properties generally meet our investment criteria, which target GSA Properties across secondary or smaller markets with sizes ranging between 5,000-50,000 rentable square feet and in their first term after construction or improvement to post-9/11 standards.

Aligned Management Team

- Upon completion of our this offering, assuming we sell the maximum amount, our senior management team will own beneficially approximately 31.40% of our common stock on a fully diluted basis, which will help to align their interests with those of our stockholders. This amount does not include equity issuable to our Manager in payment of acquisition fees, which will equal 1% of acquisition costs for each property we acquire.

- A significant portion of our Manager’s fees will be accrued and eventually paid in stock, which will be issued upon the earlier of listing on a national securities exchange or March 31, 2020, which will also align the interests of our Manager with those of our stockholders.

Asset Management

- Considerable experience in developing, financing, owning, managing, and leasing real properties, including GSA Properties across the U.S. (transactions involving approximately $3 billion of GSA Properties and other government leased assets).

- Relationships with real estate owners, developers, brokers and lenders should allow our company to source off-market or limited-competitive acquisition opportunities at attractive cap rates.

- In-depth knowledge of the GSA procurement process, GSA requirements, and GSA organizational dynamics. The GSA build-to-suit lease process is detailed and requires significant process-specific expertise as well as extensive knowledge of GSA building requirements and leases.

- Strong network of professional and advisory relationships, including BB&T Capital Markets, financial advisor to our Manager.

Property Management

- Significant experience in property management and oversight of third party property managers, focusing on the day-to-day management of our portfolio, including cleaning, repairs, landscaping, collecting rents, handling compliance with zoning and regulations.

Credit Quality of Tenant

- Leases are full faith and credit obligations of the United States and, as such, are not subject to the risk of annual appropriations.

- High lease retention rates for GSA Properties in first term (average of 93% for single-tenant properties, 95% for single-tenant, built-to-suit properties).[2]

- According to Justin Hawes, Division Director, PBS National Office of Leasing, "GSA customers remain in the same location for a weighted average of 21.6 years."(2) From 2012 through 2016, the GSA exercised the right to terminate prior to the end of the full lease term at a rate of 2.82% on leases 15,000 RSF and larger, according to Colliers International research.[3]

- Leases typically include inflation-linked rent increases associated with certain property operating costs, which the Company believes will mitigate expense variability.

Fragmented Market for Assets Within Company Acquisition Strategy

- Our Manager has observed that the market of owners and developers of targeted assets appears highly fragmented with the majority of ownership distributed among small regional owners and developers.

- Based on our research, newly constructed, first-generation, GSA Properties currently trade at a cap rate range of 6.50% to 7.00% compared to 4.5% - 5.5% for all investment grade-rated, single tenant, triple net lease properties[4] and approximately 3.00% for 10-year U.S. Treasury bonds.[5]

Large Inventory of Targeted Assets

- Over 1,270 GSA Properties in our targeted size are spread throughout U.S.[6]

- Company strategy of mitigating lease renewal risk by owning specialized, mission critical and customer service GSA Properties, plus portfolio diversification by agency and location and through careful acquisition of staggered lease expirations.

---

[2] "The Benefits of Longer Firm-Term Leases" presentation PBS Customer Forum June 25, 2018
[3] "GSA Lease Terminations: How Often Do They Occur?" by Kurt Stout, Colliers International Government Solutions, November 20, 2017
[4] RCAnalytics
[5] As of the date of this offering circular amendment
[6] GSA July 2018 External Inventory Report

Investment Strategy

We believe there is a significant opportunity to acquire and build a portfolio consisting of high-quality GSA Properties at attractive risk-adjusted returns. We seek primarily to acquire "citizen service" GSA Properties, or GSA Properties that are "mission critical" to an agency's function. Further, we primarily target GSA Properties located in secondary or smaller markets, with sizes ranging from 5,000 to 50,000 rentable square feet, and in their first term after construction or to post-9/11 standards.

We believe the subset of GSA Properties on which we focus is highly fragmented and often overlooked by larger investors, which can provide opportunities for us to buy at more attractive pricing compared to other properties within the asset class. We also believe selection based on agency function, building use and location in these smaller markets will help to mitigate risk of non-renewal. While we intend to focus on this subset of GSA Properties, we are not limited in the properties in which we may invest. We have the flexibility to expand our investment focus as market conditions may dictate and, as determined in the sole discretion of our Manager, subject to broad investment guidelines or our Investment Guidelines, and investment policies or our Investment Policies, adopted by our board of directors, as either may be amended by the board of directors from time to time.

Our Investment Policies are more specifically described in "Policies with Respect to Certain Activities - Investment Policies." Our Investment Policies provide our Manager with substantial discretion with respect to the selection, acquisition and management of specific investments, subject to the limitations in the Management Agreement. Our Manager may revise our Investment Policies without the approval of our board of directors or stockholders; provided, however, that our Manager may not acquire properties falling outside our Investment Guidelines without the approval of our board of directors. Our board also may adjust our Investment Policies and will review them at least annually to determine whether the policies are in the best interests of our stockholders.

Growth Strategy

Value-Enhancing Asset Management

- Our management team focuses on the efficient management of our GSA Properties and on improvements to our GSA Properties that enhance their value for our occupancy agency and improve the likelihood of lease renewal.
- We also seek to reduce operating costs at all of our GSA Properties, often by implementing energy efficiency programs that help the U.S. Government achieve its conservation and efficiency goals.
- Our asset management team also conducts frequent audits of each of our GSA Properties in concert with the GSA and the occupying agency in order to keep each facility in optimal condition, allowing the agency to better perform its stated mission and helping to position us as a "GSA partner of choice."

Renew Existing Leases at Positive Spreads

- We intend to renew leases of GSA Properties at positive spreads.
- Upon lease renewal, GSA rental rates typically are reset based on a number of factors, including inflation, the replacement cost of the building at the time of renewal and enhancements to the property since the date of the prior lease.
- During the term of a GSA lease, we work in close partnership with the GSA to implement improvements at our GSA Properties to enhance the occupying agency's ability to perform its stated mission, thereby increasing the importance of the building to the occupying agency and the probability of an increase in rent at lease renewal.

Reduce Property-Level Operating Expenses

- We manage our GSA Properties to increase our income by continuing to reduce property-level operating costs.
- We manage our GSA Properties in a cost-efficient manner so as to eliminate any excess spending and streamline our operating costs.
- When we acquire a GSA Property, we review all property-level operating expenditures to determine whether and how the GSA Property can be managed more efficiently.

Our Portfolio and Pipeline

We currently own, through wholly-owned subsidiaries of our operating partnership, a portfolio of 16 GSA Properties, including three GSA Properties for which we own all of the rights to the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership for federal income tax purposes rather than a fee simple interest. We refer to these 16 properties as our portfolio. The Company has entered into a separate purchase and sale agreements to acquire one additional property, which is expected to close before December 31, 2018. We refer to this property as our pipeline. The following table presents an overview of our portfolio.

Our Portfolio and Pipeline	Current Occupant	Rentable Sq. Ft	% of Portfolio [1]	% Leased	Early Termination and Expiration Date [2]	Effective Annual Rent	Effective Annual Rent per Leased Square Foot	Effective Annual Rent % of Portfolio
Our Portfolio								
"Port Saint Lucie Property" 650 NE Peacock Boulevard, Port Saint Lucie, Florida 34986	U.S Drug Enforcement Administration, or DEA	24,858	7.16%	100%	5/31/2022 5/31/2027	$ 566,514	$ 22.79	6.68%
"Jonesboro Property" 1809 LaTourette Drive, Jonesboro, Arkansas 72404	U.S Social Security Administration, or SSA	16,439	4.73%	100%	1/11/2022 1/11/2027	$ 618,734	$ 37.64	7.29%
"Lorain Property" 221 West 5th Street, Lorain, Ohio 44052	SSA	11,607	3.34%	100%	3/31/2021 3/31/2024	$ 440,763	$ 37.97	5.19%
"Port Canaveral Property" 200 George King Boulevard, Cape Canaveral, Florida 32920	U.S Customs and Border Protection, or CBP	14,704	4.23%	100%	7/15/2022 7/15/2027	$ 649,476	$ 44.17	7.65%
"Johnson City Property" 2620 Knob Creek Road, Johnson City, Tennessee 37604	U.S Federal Bureau of Investigation, or FBI	10,115	2.91%	100%	8/20/2022 8/20/2027	$ 393,454	$ 38.90	4.64%
"Fort Smith Property" 4624 Kelley Highway, Ft. Smith, Arkansas 72904	U.S. Citizenship and Immigration Services, or CIS	13,816	3.98%	100%	No Early Termination 10/30/2029	$ 423,184	$ 30.63	4.99%
"Silt Property" 2300 River Frontage Road, Silt, Colorado 81652	U.S. Bureau of Land Management, or BLM	18,813	5.42%	100%	9/30/2024 9/30/2029	$ 386,605	$ 20.55	4.56%

"Lakewood Property" 12305 West Dakota Avenue, Lakewood, Colorado 80228	U.S. Department of Transportation, or DOT	19,241	5.54%	100%	No Early Termination 6/20/2024	$ 461,996	$ 24.01	5.44%
"Moore Property" 200 NE 27th Street, Moore, OK 73160	SSA	17,058	4.91%	100%	4/9/2022 4/9/2027	$ 526,517	$ 30.87	6.20%
"Lawton Property" 1610 SW Lee Boulevard, Lawton, OK 73501	SSA	9,298	2.68%	100%	8/17/2020 8/16/2025	$ 282,285	$ 30.36	3.33%
"Norfolk Property" 5850 Lake Herbert Drive, Norfolk, VA 23502	SSA	53,917	15.53%	100%	No Early Termination 6/26/2027	$1,297,153	$ 24.06	15.29%
"Montgomery Property" 3391 Atlanta Highway, Montgomery, AL 36109	CIS	21,420	6.17%	74.86%	12/8/2026 12/8/2031	$ 446,793	$ 20.86	5.27%
"San Antonio Property" 1015 Jackson Keller Road, San Antonio, TX 78213	U.S. Immigration and Customs Enforcements, or ICE	38,756	11.16%	100%	4/30/2022 4/30/2027	$1,085,323	$ 28.00	12.79%
"Knoxville Property" 1607 North Lincoln Street, Knoxville, Iowa 50138	U.S. Department of Veterans Affairs, or VA	16,731	4.82%	100%	No Early Termination 1/11/2032	$ 646,830	$ 38.66	6.31%

"Champaign Property" 2117 West Park Court, Champaign, IL 61821	U.S. Federal Bureau of Investigation, or FBI	11,180	3.22%	100%	4/12/2028 4/12/2033	$ 370,240	$ 33.12	3.61%
"Sarasota Property" 7525 Commerce Court, Sarasota, FL 34243	U.S. Department of Agriculture, or USDA	28,210	8.12%	100%	7/19/2028 7/19/2038	$ 906,952	$ 32.15	8.85%
Total - Our Portfolio		**326,163**	**94%**	**98.35%**		**$9,502,819**	**$ 29.14**	**92.72%**
Our Pipeline								
"Monroe Property" 1691 Bienville Drive, Monroe, LA 71201	U.S. Department of Veterans Affairs, or VA	21,124	6.08%	100%	9/30/2023 9/30/2033	$ 745,592	$ 35.30	7.28%
Total - Our Pipeline		**21,124**	**6.08%**	**100%**		**$ 745,592**	**$ 35.30**	**7.28%**
Total - Our Portfolio and Pipeline		**347,287**	**100%**	**98.45%**		**$10,248,411**	**$ 29.51**	**100%**

[1] By rentable square footage.

[2] The early termination date for each lease represents the effective date, if any, upon which our tenant may exercise a one-time right to terminate the applicable lease. If our tenant exercises its early termination rights with respect to any lease, we cannot guarantee that we will be able to re-lease the premises on comparable terms, if at all. The lease expiration date is the date the applicable lease will terminate if the early termination is not exercise or if no early termination right exists. As of the date of this offering circular, the weighted average remaining lease term of our portfolio and pipeline is 10.4 years if none of the early termination rights are exercised and 6.6 years if all of the early termination rights are exercised.

Our Portfolio

Through our operating partnership, we acquired the Lakewood Property, Moore Property and Lawton Property, on June 10, 2016. The total contract purchase price for these properties was $10,226,786, comprised of: (a) $1,925,000 in cash pursuant to a deposit made to the seller on April 1, 2016; (b) the defeasance of the seller's senior secured debt on the properties at closing; and (c) issuance of a note to the seller in an amount equal to $2,019,789, or the Standridge Note. On December 8, 2017, the Standridge Note was amended. In conjunction with the amendment, we, through our operating partnership, made a prepayment on the Standridge Note in the amount of $1,502,091.82. We paid off the balance of the Standridge Note on December 29, 2017 with a payment of $442,092. The prepayment of the Standridge Note was financed in large part by four promissory notes in the aggregate principal amount of $1,500,000, including $500,000 payable to BH, or the Promissory Notes. The remainder of the Standridge Note was paid off with proceeds from this Offering. See "Interest of Management and Others in Certain Transactions" for more information.

In addition to the Standridge Note, we acquired the Lakewood Property, Moore Property and Lawton Property using proceeds from our Series A Preferred Stock offering, secured financing in the aggregate amount of $7,225,000 from CorAmerica, and the $1,000,000 Holmwood Loan. We paid off the Holmwood Loan with proceeds from the initial closing of this offering.

On March 31, 2017, our operating partnership acquired the Norfolk Property. The purchase price for the building was $14,500,000, excluding acquisition costs. The acquisition was financed by first mortgage debt of $10,875,000 and the proceeds from unsecured loans to our operating partnership from two principals of our predecessor and a third-party aggregating $3,400,000. The Company incurred an acquisition fee of $145,000 payable to the Manager in connection with the acquisition of the Norfolk Property.

We acquired, through the contribution to us by Holmwood, (i) all of the membership interests in the four single-member limited liability companies that own the Silt Property, Fort Smith Property, Johnson City Property and Port Canaveral Property, or the LLC Interests, and (ii) all of the rights the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership for federal income taxes of the three single member limited liability companies that own the Port Saint Lucie Property, Jonesboro Property and Lorain Property, or the Affected Properties, and together with the other properties contributed by Holmwood, the Contribution Properties. A condition of the closing of the transactions contemplated by the Contribution Agreement was the receipt of the consent to the transfer of the LLC Interests from each of the lenders secured by the Contribution Properties. As of May 26, 2017, the date of the contribution, we had received the consent of the lenders secured by the properties underlying the LLC Interests; however, we had not yet received, and do not expect to receive the consent from LNR Partners, LLC, or LNR, special servicer on the loan secured by the Affected Properties.

Our management determined it to be in our best interests to use an alternate method in the interim that is intended to allow our company to enjoy the financial benefits of the Affected Properties intended by the Contribution Agreement, while remaining in compliance with the Starwood Loan (as defined in "Description of Our Properties – Description of Indebtedness") covenants. On May 26, 2017, our Operating Partnership and Holmwood entered into the Second Amendment to revise certain terms of the Contribution Agreement. Pursuant to the Second Amendment, at the closing of the Contribution, Holmwood retained the limited liability company interests owning the Affected Properties as its sole and exclusive property; however, Holmwood assigned all of its right, title and interest in and to any and all profits, losses and distributed cash flows, if any, from each wholly-owned subsidiary owning the Affected Properties, as well as all of the other benefits and burdens of ownership solely for federal income tax purposes, or the Profits Interests, to our Operating Partnership. Upon (i) the receipt of consent to the contribution from LNR, (ii) the sale of the Affected Properties, subject to certain consents, or (iii) the payment of defeasance of all loans, secured by existing mortgage liens on the Affected Properties, the LLC Interests associated with such Affected Properties shall be deemed to have been contributed and transferred to our operating partnership on such date.

In exchange for the Contribution Properties, our operating partnership (i) issued 1,078,416 OP Units to Holmwood equal to the agreed value of Holmwood's equity in the Contribution Properties as of the closing of the contribution, divided by $10.00; and (ii) assumed all of the indebtedness secured by the Contribution Properties and assumed Holmwood's corporate credit line. The purchase price for these properties was determined by our Manager and Holmwood. By agreement, the value of the Silt Property was agreed to be Holmwood's purchase price, and the values of the remaining Contribution Properties were determined by using prevailing market capitalization rates, as determined by our Manager, and the 2016 pro forma net operating income of each remaining Contribution Property.

Our Contribution Agreement required us to enter into an agreement as of the closing of the contribution granting Holmwood registration and qualification rights covering the resale of the shares of common stock into which its OP Units will be convertible, subject to conditions set forth in our operating partner's limited partnership agreement. In addition, as of the closing of the contribution, we entered into a tax protection agreement with Holmwood under which we will agreed to (i) indemnify Holmwood for any taxes incurred as a result of a taxable sale of the Contribution Properties for a period of ten years after the closing; and (ii) indemnify Holmwood if a reduction in our nonrecourse liabilities secured by the Contribution Properties results in an incurrence of taxes, provided that we may offer Holmwood the opportunity to guaranty a portion of our operating partnership's other nonrecourse indebtedness in order to avoid the incurrence of tax on Holmwood.

On July 25, 2017, the Company acquired the Montgomery Property for a purchase price of $4,709,458 excluding acquisition costs. The acquisition was financed by senior debt financing and equity. The Company incurred an acquisition fee of $47,095 payable to the Manager in connection with the acquisition of the Montgomery Property.

In November 2017, the Company acquired the San Antonio Property for a purchase price of $8,225,000 excluding acquisition costs. The acquisition was financed by senior debt financing and equity. The Company incurred an acquisition fee of $82,250 payable to the Manager in connection with the acquisition of the San Antonio Property.

On July 27, 2018, the Company acquired the Knoxville Property, a property leased to United States of America and occupied by the United States Department of Veterans Affairs, or USDVA. The contract purchase price was $7,150,000 and was financed by secured mortgage debt in original principal amount of $5,360,000 and with mezzanine debt of $1,790,000.

On August 30, 2018, the Company acquired the Champaign Property, a property leased to United States of America and occupied by the United States Federal Bureau of Investigation. The contract purchase price was $3,445,000 and was financed by secured mortgage debt in original principal amount of $2,580,000 and with mezzanine debt of $800,000.

On October 15, 2018, the Company acquired the Sarasota Property, a property leased to United States of America and occupied by the United States Department of Agriculture. The contract purchase price was $11,000,000 and was financed by secured mortgage debt in original principal amount of $8,250,000, mezzanine debt of $2,470,000 and the issuance of 40,000 OP Units to an affiliate of the seller in partial payment of the purchase price.

Our Pipeline

The Company has entered into a separate purchase and sale agreement to acquire the Monroe Property, a property leased to the United States of America and occupied by the USDVA. The contract purchase price is $5,150,000 and is expected to close in December 2018. The acquisition is intended to be financed by senior debt financing and equity from the proceeds of this offering.

Summary Risk Factors

An investment in our common stock involves a number of risks. See “Risk Factors,” beginning on page 18 of this offering circular. Some of the more significant risks include those set forth below.

- We were recently organized and do not have a significant operating history or financial resources. There is no assurance that we will be able to successfully achieve our investment objectives.
- Investors will not have the opportunity to evaluate or approve any investments prior to our financing or acquisition thereof.
- We may not be able to invest the net proceeds of this offering on terms acceptable to investors, or at all.
- Investors will rely solely on our Manager to manage our company and our investments. Our Manager will have broad discretion to invest our capital and make decisions regarding investments. Investors will have limited control over changes in our policies and day-to-day operations, which increases the uncertainty and risks you face as an investor. In addition, our board of directors may approve changes to our policies without your approval.
- There are substantial risks associated with owning, financing, operating and leasing real estate.
- Our ability to pay our intended initial annual dividend, which represents approximately 295% of our estimated cash available for distribution for the twelve months ending June 30, 2019, assuming we sell the maximum offering amount, depends on our future operating cash flow, and we expect to be required to fund a portion of our intended initial annual dividend through borrowings or equity issuances, and we cannot assure you that we will be able to obtain such funding on attractive terms or at all, in which case we plan to use a portion of the remaining net proceeds from this offering for such funding, which would make such amounts unavailable for our acquisition of properties, or to fund such dividend in the form of shares of common stock or to eliminate or otherwise reduce such dividend.
- The purchase price of the shares of our common stock has been determined primarily by our capital needs and bears no relationship to any established criteria of value such as book value or earnings per share, or any combination thereof. Further, the price of the shares is not based on our past earnings. There has been no prior public market for our shares; therefore, the offering price is not based on any market value.
- Real estate-related investments, including joint ventures, and co-investments, involve substantial risks.

- Shares of our common stock will have limited transferability and liquidity. Prior to this offering, there was no active market for our common stock. Although we intend to apply for quotation of our common stock on the OTCQX, even if we obtain that quotation, we do not know the extent to which investor interest will lead to the development and maintenance of a liquid trading market. Further, our common stock will not be quoted on the OTCQX until after the termination of this offering, if at all. Therefore, purchasers in the initial closing will be required to wait until at least after the final termination date of this offering for such quotation.

- Some of our leases permit the occupying agency to vacate the property and for our tenant to discontinue paying rent prior to the lease expiration date.

- Our company will pay substantial fees and expenses to our Manager and its affiliates. These fees will increase investors' risk of loss and will reduce the amounts available for investments. Some of those fees will be payable regardless of our profitability or any return to investors.

- The tax protection agreement with Holmwood could limit our ability to sell, refinance or otherwise dispose of our Contribution Properties or make any such sale or other disposition costlier.

- Substantial actual and potential conflicts of interest exist between our investors and our interests or the interests of our Manager, and our respective affiliates, including conflicts arising out of (a) allocation of personnel to our activities, (b) allocation of investment opportunities between us.

- An investor could lose all or a substantial portion of its investment.

- There is no public trading market for our common stock, and we are not obligated to effectuate a liquidity event by a certain date or at all. It will thus be difficult for an investor to sell its shares of our common stock. Although we intend to apply for quotation of our common stock on the OTCQX, even if we obtain that quotation, we do not know the extent to which investor interest will lead to the development and maintenance of a liquid trading market. Further, our common stock will not be quoted on the OTCQX until after the termination of this offering, if at all.

- We may fail to maintain our qualification as a REIT for federal income tax purposes. We would then be subject to corporate level taxation and we would not be required to pay any distributions to our stockholders.

Compensation to Our Manager[1]

Type	Description
	Offering Stage
Organizational and Offering Costs	Our Manager or its affiliates may advance organizational and offering costs incurred on our behalf, and we will reimburse such advances, but only to the extent that such reimbursements do not exceed actual expenses incurred by our Manager or its affiliates. To date, our Manager or its affiliates have advanced approximately $1,459,479 as organizational and offering costs. We anticipate no further organizational and offering expenses. To the extent that organizational and offering expenses, when combined with underwriting discounts, commissions and expense reimbursements in connection with this offering, exceed 15.0% of the gross proceeds from the offering, or the O&O Cap, the Manager has agreed to repay an amount of organizational and offering expenses which would bring such fees and commissions paid in connection with this offering below the O&O Cap.
	Operational Stage
Asset Management Fee	We will pay our Manager an annual asset management fee equal to 1.5% of our stockholders' equity payable quarterly in arrears in cash. For purposes of calculating the asset management fee, our stockholders' equity means: (a) the sum of (1) the net proceeds from (or equity value assigned to) all issuances of our company's equity and equity equivalent securities (including common stock, common stock equivalents, preferred stock and OP Units issued by our operating partnership) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus (2) our company's retained earnings at the end of the most recently completed calendar quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less (b) any amount that our company has paid to repurchase our common stock issued in this or any subsequent offering. Stockholders' equity also excludes (1) any unrealized gains and losses and other non-cash items (including depreciation and amortization) that have impacted stockholders' equity as reported in our company's financial statements prepared in accordance with GAAP, and (2) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above, in each case after discussions between our Manager and our independent director(s) and approval by a majority of our independent directors. Assuming that we raise the maximum offering amount, we anticipate we will receive $25,915,521 in net proceeds from this offering. We have previously received $3,612,500 in net proceeds from our Series A Preferred Stock offering. In addition, we issued 1,078,416 OP Units at the initial closing of this offering as compensation for the Contribution Properties, valued at $10,784,160, based on the price per share in this offering. We also issued 40,000 OP Units valued at $400,000 in connection with the purchase of the Sarasota Property. Accordingly, we estimate that our Manager would receive an annual asset management fee of approximately $727,923 if we were to raise no additional equity and no additional adjustments were made.

Property Management Fee	We anticipate that our Manager's wholly-owned subsidiary, Holmwood Capital Management, LLC, a Delaware limited liability company, or the Property Manager, will manage some or all of our company's portfolio earning market-standard property management fees based on a percentage of rent pursuant to a property management agreement executed between the Property Manager and our subsidiary owning the applicable property. We cannot estimate the property management fees that will be payable to the Property Manager at this time.
Acquisition Fee	We will pay an acquisition fee, payable in vested equity in our company, equal to 1% of the gross purchase price, as adjusted pursuant to any closing adjustments, of each investment made on our behalf by our Manager following the initial closing of this offering; *provided, however* that all acquisition fees for investments prior to the earlier of (a) the initial listing of our common stock on the New York Stock Exchange, NYSE American, NASDAQ Stock Exchange, or any other national securities exchange, or a Listing Event, or (b) March 31, 2020, shall be accrued and paid simultaneously with the Listing Event, or on March 31, 2020, as applicable. Assuming that we raise the maximum offering amount, resulting in $25,915,521 in net proceeds, and that we buy properties using our target leverage of up to 80%, and given that we have paid off the Holmwood Loan, the Citizens Loan, interim loans from an affiliate of our CEO, and the Standridge Note, and anticipate paying off the interim loans incurred in connection with the acquisition of the Norfolk Property, the Promissory Notes, the BH Notes, and certain additional related party loans and payables with proceeds from this offering (See "INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS"), ,we anticipate that acquisition fees of approximately $879,070 in vested equity of our company will be paid to our Manager as a result of this offering. To date, we owe our Manager acquisition fees of $490,295 from our acquisition of the Norfolk Property, the Montgomery Property, the San Antonio Property, the Knoxville Property, the Champaign Property and the Sarasota Property.
Leasing Fee	Our Manager will be entitled to a leasing fee equal to 2.0% of all gross rent due during the term of any new lease or lease renewal, excluding reimbursements by the tenant for operating expenses and taxes and similar pass-through obligations paid by the tenant for any new lease or lease renewal entered into or exercised during the term of the Management Agreement. The Leasing Fee is due to our Manager within thirty (30) days of the commencement of rent payment under the applicable new lease or lease renewal. The Leasing Fee is payable in addition to any third-party leasing commissions or fees incurred by us. We cannot estimate the leasing fees that will be payable to our Manager at this time.
Equity Grants	Commencing with the initial closing of this offering, our Manager shall receive a grant of our company's equity securities, or a Grant, which may be in the form of restricted shares of common stock, restricted stock units underlain by common stock, long-term incentive units of our operating partnership, or LTIPs, or such other equity security as may be determined by the mutual consent of the board of directors (including a majority of the independent directors) and our Manager, at each closing of an issuance of our company's common stock or any shares of common stock issuable pursuant to outstanding rights, options or warrants to subscribe for, purchase or otherwise acquire shares of common stock that are "in-the-money" on such date in a public offering, such that following such Grant our Manager shall own equity securities equivalent to 3.0% of the then issued and outstanding common stock of our company, on a fully diluted basis, solely as a result of such Grants. For the avoidance of doubt, only equity securities owned pursuant to a Grant shall be included in our Manager's 3.0% ownership described in the preceding sentence, and no other equity securities owned by our Manager or any member of our Manager shall be included in such calculation. Any Grant shall be subject to vesting over a five-year period with vesting occurring on a quarterly basis, provided, that, the only vesting requirement shall be that the Management Agreement (or any amendment, restatement or replacement hereof with our Manager continuing to provide the same general services as provided hereunder to our company) remains in effect, and, further provided, that, if the Management Agreement is terminated for any reason other than a termination for cause as described in the Management Agreement, then the vesting of any Grant shall accelerate such that the Grant shall be fully vested as of such termination date. We anticipate making Grants to our Manager of equity securities equivalent to 146,224 shares of our common stock, on a fully diluted basis, pursuant to this requirement, if we sell the maximum offering amount; however, any Grant may be issued in such other form of our company's equity securities as determined by the Management Agreement. To date, we have made Grants of 81,029 LTIPs to our Manager as a result of this offering.
Accountable Expense Reimbursement	Our Manager will be entitled to receive an accountable expense reimbursement for documented expenses of our Manager and its affiliates incurred on behalf of either our company or our operating partnership that are reasonably necessary for the performance by our Manager of its duties and functions hereunder; provided, that such expenses are in amounts no greater than those that which would be payable to third party professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis, and excepting only those expenses that are specifically the responsibility of our Manager. The accountable expense reimbursement will be reimbursed monthly to our Manager. The accountable expense reimbursement in any given year will not exceed the greater of 2.0% of the average book value of our assets and 25.0% of our net income. We cannot estimate the total accountable expense reimbursement that will be payable to our Manager or its affiliates at this time. To date, we have paid $287,963 to our Manager as accountable expense reimbursements.

Termination and Liquidation Stage

Termination Fee[2]	Subject to certain limitations contained in the Management Agreement, as amended, we will pay our Manager a termination fee equal to three times the sum of the asset management fees, acquisition fees and leasing fees earned, in each case, by our Manager during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination; provided, however, that if the Listing Event has not occurred and no accrued acquisition fees have been paid, then all accrued acquisition fees will be included in the above calculation of the termination fee. The termination fee will be payable upon termination of the Management Agreement (i) by us without cause or (ii) by our Manager if we materially breach the Management Agreement. The termination fee is payable in cash, vested equity of our company, or a combination thereof, in the discretion of our board. We cannot estimate the termination fee that would be payable to our Manager at this time.
Property Management Termination Fee1	Each property management agreement provides or is expected to provide for a termination fee to be paid to the Property Manager if the Property Manager is terminated without cause or in the event of a sale of the subject property. Each property management agreement will or is expected to expire in 2050, and no termination fee will be due to the Property Manager if a property management agreement is not renewed prior to its expiration. The termination fee under each property management agreement equals or is expected to equal the aggregate property management fee paid to the Property Manager for the three full calendar months immediately prior to termination multiplied by four. We cannot estimate the property management termination fee that would be payable to our Property Manager at this time.

[1] All calculations assume that we raise the maximum offering amount and issue no shares through the DRIP.
[2] The termination of the Management Agreement or a property management agreement may be, but will not necessarily be, a part of the termination and liquidation of our company. For example, if a Listing Event occurs, we will be required to pay the Termination Fee, but our company would not be in its termination and liquidation stage.

Conflicts of Interest

Our officers and directors, and the owners and officers of our Manager and its affiliates are currently not involved in the ownership and advising of other real estate entities and programs. However, there are no restrictions on the ability of our officers and directors, and the owners and officers of our Manager and its affiliates to be involved in the ownership and advising of other real estate entities and programs, including those sponsored by the affiliates of Holmwood or in which one or more affiliates or Holmwood is a manager or participant. These possible interests may arise in the future and may give rise to conflicts of interest with respect to our business, our investments and our investment opportunities. In particular, but without limitation:

- Our Manager, its officers and their respective affiliates may face conflicts of interest relating to the purchase and leasing of real estate investments, and such conflicts may not be resolved in our favor. This could limit our investment opportunities, impair our ability to make distributions and reduce the value of your investment in us. Our Management Agreement provides that if our Manager or any of its affiliates sponsors or manages any new real estate entity or program with similar investment objectives to our company and has investment funds available at the same time as our company, our Manager must inform the board of directors of the method to be applied by our Manager in allocating investment opportunities among our company and competing investment entities and shall provide regular updates to the board of directors of the investment opportunities provided by our Manager to competing programs in order for the board of directors to evaluate that our Manager is allocating such opportunities in accordance with such method.

- The purchase price for the Contribution Properties and any additional properties we acquire from entities owned or sponsored by affiliates of our Manager, may be higher than we would pay if the transaction was the result of arm's-length negotiations with a third party.

- Our Manager will have considerable discretion with respect to the terms and timing of our acquisition, disposition and leasing transactions.

- Our Manager and its affiliates, including our officers, some of whom are also our directors, may face conflicts of interest caused by their ownership of our Manager and their roles with other programs, which could result in actions that are not in the long-term best interests of our stockholders.

- If the competing demands for the time of our Manager, its affiliates and our officers result in them spending insufficient time on our business, we may miss investment opportunities or have less efficient operations, which could reduce our profitability and result in lower distributions to you.

We do not have a policy that expressly restricts any of our directors, officers, stockholders or affiliates, including our Manager and its officers and employees, from having a pecuniary interest in an investment in or from conducting, for their own account, business activities of the type we conduct. We have not adopted any specific conflicts of interest policies, and, therefore, other than in respect of the restrictions placed on our Manager in the Management Agreement, we will be reliant upon the good faith of our Manager, officers and directors in the resolution of any conflict.

We are party to the Contribution Agreement with Holmwood pursuant to which it contributed the Contribution Properties. In exchange, our operating partnership: (i) issued 1,078,416 OP Units to Holmwood equal to the agreed value of Holmwood's equity in the Contribution Properties as of the closing of the contribution, divided by $10.00; and (ii) assumed all of the indebtedness secured by the Contribution Properties and assumed Holmwood's corporate credit line. We will be entitled to indemnification and damages in the event of the breach of any representation, warranty, covenant or agreement made by Holmwood pursuant to the Contribution Agreement. We entered into the tax protection agreement with Holmwood and an agreement regarding registration and qualification rights for Holmwood's OP Units.

We have entered into property management agreements with the Property Manager for the management of our portfolio. We expect to enter into property management agreements with the Property Manager for management of any additional properties we acquire. We pay or expect to pay the Property Manager property management fees at market-standard rates and will be required to pay the Property Manager a termination fee if we terminate the Property Manager for any reason other than for cause.

Baker Hill Holding, LLC, or BH, which is controlled by the spouse of Philip Kurlander, one of our directors and an owner and the controlling manager of our Manager, is the lender of $4,970,000 in the aggregate of unsecured promissory notes, collectively referred to as the BH Notes, used to acquire our Champaign, Knoxville and Sarasota Properties. BH also loaned $2,770,000 to us to finance, in part, our acquisition of the Norfolk Property, $500,000 to us to finance, in part the payoff of the Standridge Note, and an additional $288,000 in the aggregate to fund working capital and distribution payments. See "INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS."

Mr. Robert R. Kaplan, one of our directors, our Secretary and a manager of our Manager, loaned us $300,000 to finance, in part, our acquisition of the Norfolk Property. Mr. Kaplan has also loaned us $60,000 to fund working capital and distribution payments. "INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS."

Messrs. Edwin M. Stanton and Robert R. Kaplan Jr., each an executive officer and, in Mr. Stanton's case, a director, each have loaned us $60,000 to fund working capital and distribution payments. "INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS."

These agreements, including any consideration payable by us under each such agreement, were not negotiated at arm's length, and the terms of these agreements may not be as favorable to us as if they were so negotiated. To the extent that any breach, dispute or ambiguity arises with respect to any of these agreements, we may choose not to enforce, or to enforce less vigorously, our rights under these agreements due to our ongoing relationships with Holmwood, members of our senior management team, and the Property Manager.

Financing Policy

We anticipate that with respect to investments either acquired with debt financing or refinanced, the debt financing amount generally would be up to approximately 80% of the acquisition price of a particular investment, provided, however, we are not restricted in the amount of leverage we may use to finance an investment. Particular investments may be more highly leveraged. Further, our Manager expects that any debt financing for an investment will be secured by that investment or the interests in an entity that owns that investment.

Distribution Policy

In order to qualify as a REIT, we must distribute to our stockholders at least 90% of our annual taxable income (excluding net capital gains and income from operations or sales through a taxable REIT subsidiary, or TRS). We intend to make regular cash distributions to our stockholders out of our cash available for distribution, typically on a quarterly basis. Our board of directors will determine the amount of distributions to be distributed to our stockholders on a quarterly basis. The board of directors' determination will be based on a number of factors, including funds available from operations, our capital expenditure requirements and the annual distribution requirements necessary to maintain our REIT qualification under the Code. As a result, our distribution rate and payment frequency may vary from time to time. Generally, our policy will be to pay distributions from cash flow from operations. However, our distributions may be paid from sources other than cash flow from operations, such as from the proceeds of this offering, borrowings, advances from our Manager or from our Manager's deferral of its fees and expense reimbursements, as necessary. We intend to target an initial annual dividend on our common stock of $0.55 per share, or an annual dividend rate of 5.5% based on the price set forth on the cover page of this offering circular. Our estimated initial annual dividend per share represents approximately of our estimated cash available for distribution if we raise the maximum offering amount. These estimates do not take into account any increased rental or other revenues, or increased costs, resulting from the acquisition of properties using our unallocated net proceeds. As a result, we will need to increase our operating cash flow in the future, or find another source of cash, which may include remaining net proceeds from this offering, to pay our estimated initial annual distribution. There can be no assurances that we will find another source of cash or financing for the payment of distributions. If this occurs, we estimate that $1,628,833 of the offering proceeds will be used to fund the dividend for the twelve months ended June 30, 2019 if the maximum offering amount is raised. To date, we have paid $2,190,321 in distributions, resulting in a quarterly distribution of $0.55 per share. These distributions have been paid from a combination of operating cash flow, loans and offering proceeds.

REIT Status

We elected to be treated as a REIT for federal income tax purposes beginning with our taxable year ending December 31, 2017. As long as we maintain our qualification as a REIT, we generally will not be subject to federal income or excise tax on income that we currently distribute to our stockholders. Under the Code, a REIT is subject to numerous organizational and operational requirements, including a requirement that it annually distribute at least 90% of its REIT taxable income (determined without regard to the deduction for dividends paid and excluding net capital gain) to its stockholders. If we fail to maintain our qualification as a REIT in any year, our income will be subject to federal income tax at regular corporate rates, regardless of our distributions to stockholders, and we may be precluded from qualifying for treatment as a REIT for the four-year period immediately following the taxable year in which such failure occurs. Even if we qualify for treatment as a REIT, we may still be subject to state and local taxes on our income and property and to federal income and excise taxes on our undistributed income. Moreover, if we establish TRSs, such TRSs generally will be subject to federal income taxation and to various other taxes.

Restriction on Ownership and Transfer of Our Common Stock

Our charter contains a restriction on ownership of our shares that generally prevents any one person from owning more than 9.8% in value of the outstanding shares of our capital stock or more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, unless otherwise excepted (prospectively or retroactively) by our board of directors. Our charter also contains other restrictions designed to help us maintain our qualification as a REIT. See "Securities Being Offered — Restrictions on Ownership and Transfer."

Background and Corporate Information

We were incorporated on March 11, 2016 under the laws of the State of Maryland for the purpose of raising capital and acquiring a portfolio of real estate assets, primarily GSA Properties. Our principal executive offices are located at 1819 Main Street, Suite 212, Sarasota, Florida 34236. Our telephone number is (941) 955-7900.

Reporting Requirements under Tier 2 of Regulation A

Following this Tier 2 Regulation A offering, we will be required to comply with certain ongoing disclosure requirements under Rule 257 of Regulation A. We will be required to file (i) an annual report with the SEC on Form 1-K, (ii) a semi-annual report with the SEC on Form 1-SA, (iii) current reports with the SEC on Form 1-U, and (iv) a notice under cover of Form 1-Z. The necessity to file current reports will be triggered by certain corporate events. Parts I & II of Form 1-Z will be filed by us if and when we decide to and are no longer obligated to file and provide annual reports pursuant to the requirements of Regulation A.

Capitalization

The table that follows demonstrates our capitalization structure immediately after this offering, assuming we sell the maximum amount under this offering.

Class of Stock	Total No. of Shares Issued and Outstanding
Common Stock	3,362,224 shares[1]
Series A Preferred Stock	144,500 shares[2]
OP Units	1,118,416 OP Units[3]
Fully Diluted Common Stock	4,914,140 shares[4]

1 This number includes 200,000 shares issued and outstanding prior to this offering, 3,000,000 shares issued in connection with this offering, and 16,000 restricted shares issued to our independent directors, and it assumes that we make grants to our Manager of equity securities equivalent to 146,224 shares of common stock, on a fully diluted basis, in connection with this offering and issue no shares of common stock through the DRIP.

2 Series A Preferred Stock will automatically be converted into common stock upon the initial listing of our common stock on the New York Stock Exchange, NYSE American, NASDAQ Stock Exchange, or any other national securities exchange, or a Listing Event, at a ratio of three shares of common stock for every one share of Series A Preferred Stock held, assuming there are no accrued but unpaid preferred dividends on such holder's shares of Series A Preferred Stock.

3 Holders of OP Units have the right to require our operating partnership to redeem their OP Units. Our operating partnership has the discretion to redeem such OP Units for either cash or common stock of our company.

4 This number includes (i) all issued and outstanding shares of common stock, (ii) all common stock converted from Series A Preferred Stock and OP Units, assuming a Listing Event has occurred, there are no accrued but outstanding preferred returns and our operating partnership chooses to redeem all OP Units in exchange of common stock of our company.

The Offering

Common stock offered in this offering:	3,000,000 shares ($30,000,000)
Common stock issued in this offering:	891,041 shares
Common stock remaining to be sold in this offering:	2,108,959 shares
Common stock offered in the DRIP:	200,000 shares ($2,000,000)
Common stock issued in the DRIP:	0 shares
Common stock currently outstanding:	1,107,041 shares
Common stock to be outstanding after this offering (assuming the maximum offering amount is sold and no shares are issued in the DRIP):	3,362,224 shares
Offering Termination Date	This offering will remain open until the earlier of sale of the maximum offering amount or November 7, 2018.
Dividend rights	Our common stock ranks, with respect to dividend rights and rights upon our liquidation, winding-up or dissolution: ● on parity with our common stock previously issued and currently outstanding or any other common stock issued and outstanding in the future; and ● junior to any other class or series of our capital stock, the terms of which expressly provide that it will rank senior to the common stock, including the 7.00% Series A Cumulative Convertible Preferred Stock, or the Series A Preferred Stock, and subject to payment of or provision for our debts and other liabilities.
Voting rights	Each share of our common stock entitles its holder to one vote per share. Holders of common stock will vote together, as a group, with holders of Series A Preferred Stock, on matters to which the holders of common stock are entitled to vote.
Use of Proceeds	We estimate that the net proceeds of this offering will be approximately $25,915,521, after deducting sales commissions of 6.0% of the offering proceeds payable to the Dealer-Manager, which it may re-allow and pay to participating broker-dealers, who sell shares pursuant to this offering, or the offered shares, after deducting a managing broker-dealer fee of 1.25% which it may re-allow, in part, to participating broker-dealers, after deducting a non-accountable due diligence, marketing and expense reimbursement fee of 1.0% of the offering proceeds payable to the Dealer-Manager, which it may also re-allow and pay to the participating broker-dealers, and after deducting an estimated expense reimbursement payable to us, and after deducting an accountable expense reimbursement of up to 0.50% of the gross proceeds from this offering for fees to Folio for its clearing and facilitation services. If we raise the maximum offering amount, we will also pay to our Dealer-Manager an accountable expense reimbursement of up to $30,000 for filing and legal fees incurred by our Dealer-Manager. Specified sales may be made net of selling commissions, accountable expense allowance and non-accountable expense allowance. To date, we have issued 891,041 shares of common stock in connection with this offering and received gross proceeds from this offering totaling $8,910,410. See "Plan of Distribution." We intend to use the proceeds of this offering primarily for acquisitions of GSA Properties, the repayment of outstanding debt, and general working capital and corporate purposes.

Distribution Reinvestment Plan

We are offering up to up to 200,000 shares of our common stock at $10.00 per share, or $2,000,000, pursuant to the DRIP. We reserve the right to reallocate the shares we are offering between the offering and the DRIP.

You may participate in the DRIP pursuant to which you may have the distributions payable to you reinvested in shares of our common stock at $10.00 per share. Regardless of whether you participate in the DRIP, you will be taxed on your distributions to the extent they constitute taxable income. If you elect to participate in the distribution reinvestment plan and are subject to federal income taxation, you will incur a tax liability for distributions allocated to you even though you have elected not to receive the distributions in cash but rather to have the distributions withheld and reinvested pursuant to the distribution reinvestment plan. Specifically, you will be treated as if you have received the distribution from us in cash and then applied such distribution to the purchase of additional shares. You will be taxed on the amount of such distribution as a dividend to the extent such distribution is from current or accumulated earnings and profits, unless we have designated all or a portion of the distribution as a capital gain dividend. For more information on the DRIP, see "Summary of Distribution Reinvestment Plan."

Tier 2, Regulation A Offering

This is a Tier 2, Regulation A offering where the offered securities will not be listed on a registered national securities exchange upon qualification. This offering is being conducted pursuant to an exemption from registration under Regulation A of the Securities Act of 1933, as amended. After qualification, we intend to apply for these qualified securities to be eligible for quotation on the OTCQX. There is no guarantee that we will be able to list or that a market will develop.

Generally, if you are not an "accredited investor" as defined in Rule 501 (a) of Regulation D (17 CFR §230.501 (a)) no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and investors who are not natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A. For general information on investing, we encourage you to refer to www.investor.gov. See "Plan of Distribution – Investment Limitations."

RISK FACTORS

Prospective investors should be aware that an investment in our common stock involves a high, and sometimes speculative, degree of risk, and is suitable only for persons or entities who are able to evaluate the risks of the investment. An investment in our shares should be made only by persons or entities able to bear the risk of and to withstand the total loss of their investment. Prospective investors should carefully read this offering circular prior to making a decision to purchase shares.

It is impossible to accurately predict the results to an investor from an investment in our common stock because of general risks associated with the ownership and operation of real estate, the risks associated with the types of properties our company intends to acquire, and certain tax risks, among other risks. These risks may be exacerbated by the additional risks associated with the specific properties that our company acquires and the ownership structure of the investment. Such specific risks include, but are not limited to, risks related to the early termination or non-renewal of the leases or our GSA Properties that need substantial capital improvements and/or repositioning in their local markets, properties that are not generating income, risks related to our tax status as a REIT and risks relating related party transactions. In addition, prospective investors must rely solely upon our Manager to identify investment opportunities and to negotiate any debt financing. Prospective investors who are unwilling to rely solely on our Manager should not invest in our shares.

Each prospective investor should consider carefully, among other risks, the following risks, and should consult with his own legal, tax, and financial advisors with respect thereto prior to investing in shares of our company's common stock.

Risks Related to Our Business and Investments

Investors will not have the opportunity to evaluate our investments beyond our portfolio and our pipeline. Our portfolio consists only of 16 properties, and we have another property in our pipeline. We cannot provide prospective investors with any specific information as to the identification, location, operating histories, lease terms or other relevant economic and financial data regarding additional investments we will make with the net proceeds of this offering, and there is no guarantee that we will acquire the property in our pipeline. Our success is totally dependent on our ability to make investments consistent with our investment goals, and a failure to do so is likely to materially and adversely affect returns to our stockholders.

You will not have the opportunity to evaluate our investments before we make them. Because we have not identified all of the specific assets that we will acquire with the proceeds raised in this offering, we are not able to provide you with information that you may want to evaluate before deciding to invest in our shares. Our board of directors has approved our Investment Policies as described herein and our Investment Guidelines which require our Manager to not engage in any activity that will, or reasonably could be expected to cause our company (or our operating partnership) to: (i) fail to qualify as a REIT under the Code and the applicable Treasury Regulations promulgated thereunder, as amended, or (ii) be regulated as an investment company under the Investment Company Act of 1940. Any change to such Investment Guidelines will require the approval of a majority of the independent directors of our company. Otherwise, our Manager has very broad authority to amend the Investment Policies described herein without the approval of the board of directors or shareholders. Our Manager and board of directors have absolute discretion in implementing the Investment Policies and Investment Guidelines, subject to the restrictions on investment objectives and policies set forth in our articles of incorporation. Because you cannot evaluate our investment of the net proceeds of this offering in advance of purchasing shares of our common stock, this offering may entail more risk than other types of offerings. This additional risk may hinder your ability to achieve your own personal investment objectives related to portfolio diversification, risk-adjusted investment returns and other objectives.

Our primary business currently is limited to the ownership and operation of GSA Properties. Our current strategy is to acquire, own, operate and manage GSA Properties. Consequently, we are subject to risks inherent in investments in one sector of the real estate industry. This strategy limits asset diversification of our investment portfolio. Furthermore, because investments in real estate are inherently illiquid, it is difficult to limit our risk in response to economic, market and other conditions. See "Risks Related to the Real Estate Industry and Investments in Real Estate – Real estate investments are not as liquid as other types of assets, which may reduce economic returns to our stockholders."

Our growth depends on successfully identifying and consummating acquisitions of additional GSA Properties and any delay or failure on our part to identify, finance and consummate acquisitions on favorable terms could materially and adversely affect us. Our ability to expand by acquiring additional GSA Properties is integral to our growth strategy and requires us first to identify suitable acquisition candidates. Our growth strategy is to focus primarily on acquiring additional GSA Properties. There are a limited number of GSA Properties that fit this strategy, and we will have fewer opportunities to grow our portfolio than other entities that purchase properties that are primarily leased to the GSA and also to state government or non-government tenants. Also, because of the strong credit quality of our federal government tenant base, we face significant competition for acquisitions of GSA Properties from many investors, including publicly traded REITs, high net worth individuals, commercial developers, real estate companies and institutional investors with more substantial resources and access to capital than we have. This competition may require us to accept less favorable terms (including higher purchase prices) in order to consummate a particular GSA Property. In addition, we may identify a portfolio of GSA Properties that are owned by one potential seller. It is not uncommon for a seller of a portfolio of GSA Properties to be unwilling to allow the carve-out of one or more such GSA Properties from the portfolio if for due diligence or other reasons, we do not wish to pursue or complete the purchase of one or more of such GSA Properties in the portfolio. As a result, we may be required to purchase an under-performing or otherwise deficient GSA Property in order to obtain the valuable properties in a GSA portfolio or forego the entire opportunity. Accordingly, and for all of these reasons and others, we cannot assure you that we will be able to identify GSA Properties or portfolios of GSA Properties available for sale or negotiate and consummate their acquisition on favorable terms, or at all, obtain the most efficient form of financing, or any financing at all, for such acquisitions or have sufficient resources internally to fund such acquisition, without external financing. If we are unable to identify and consummate sufficient acquisitions of GSA Properties, we may be forced to alter our primary strategy of investing in GSA Properties. See "Risks Related to Our Debt Financing – Our ability to obtain financing on reasonable terms would be impacted by negative capital market conditions". Any delay or failure on our part to identify, negotiate, finance and consummate such additional acquisitions on favorable terms could materially and adversely affect us.

We may not be able to successfully integrate additional investments into our business, which could materially and adversely affect our investment returns. We will not have operational experience with any additional investments, and many of our additional acquisitions may be in geographic markets in which we do not currently operate. Accordingly, to the extent we acquire any such properties, we will not possess the same level of familiarity with them, and they may fail to perform in accordance with our expectations as a result of our inability to operate them successfully, our failure to integrate them successfully into our business or our inability to assess their true value in calculating their purchase prices or otherwise, which could have a material adverse effect on us.

We must obtain the consent of the GSA in order to assume the rights and obligations of the landlord under the leases of GSA Properties we acquire, and we will need to collect the rent from the former owners of those GSA Properties until that consent is obtained. The leases associated with GSA Properties we acquire will require that we obtain the consent of the GSA in order to transfer the rights and obligations of the landlord from the respective sellers to us. The consent process is time-consuming and not obligatory on the part of the GSA. The GSA will continue to pay rent to the former owners of those properties until the applicable consent is obtained. By virtue of our purchase agreements and the documents to be executed by sellers when we acquire GSA Properties, we will require the sellers to assign us the rights to any rent that they receive from the GSA from the time we acquire a GSA Property until the GSA's consent is obtained. If one or more former owners of our GSA Properties improperly retain rent payments or become subject to bankruptcy, receivership or other insolvency proceedings, we may be unable to recover the rent payable under the applicable GSA Property lease in a timely manner, or at all, which could materially and adversely affect us.

An increase in the amount of federal government-owned real estate relative to federal government-leased real estate may materially and adversely affect us. If the federal government were to increase its owned real estate relative to its leased real estate, there would be fewer opportunities to acquire and own GSA Properties. In addition, agencies that occupy one or more of our GSA Properties may relocate to federal government-owned real estate which would likely materially and adversely affect our ability to renew the lease or leases affected. Furthermore, it may become more difficult for us to locate GSA Properties in order to grow our business. Any of these matters could materially and adversely affect us.

The federal government's "green lease" policies may materially and adversely affect us. In recent years, the federal government has instituted "green lease" policies which allow a government occupant to require LEED® certification in selecting new premises or renewing leases at existing premises. Obtaining such certifications and labels may be costly and time consuming, and our failure to do so may result in our competitive disadvantage in purchasing additional GSA Properties, or retaining existing, federal government occupants. Of the properties in our portfolio, eight out of the 16 are LEED® certified. Obtaining such certification for the remaining properties in our portfolio and GSA Properties that we may acquire in the future could result in increased costs not projected by us. The failure to obtain any such certification or satisfy any other "green lease" policies could materially and adversely affect us.

Generally, we will be required to pay for all maintenance, repairs, base property taxes, utilities and insurance; amounts recoverable under the leases of our GSA Properties for increased operating costs may be less than the actual costs we incur. Federal government leases generally require the landlord to pay for maintenance, repairs, base property taxes, utilities and insurance. Although the GSA is typically obligated to pay the landlord adjusted rent for changes in certain operating costs (e.g., the costs of cleaning services, supplies, materials, maintenance, trash removal, landscaping, water, sewer charges, heating, electricity, repairs and certain administrative expenses but not including insurance), the amount of any adjustment is based on a cost of living index rather than the actual amount of our costs. As a result, to the extent the amount payable to us based upon the cost of living adjustments does not cover our actual operating costs, our operating results could be adversely affected. Furthermore, the federal government typically is obligated to reimburse us for increases in real property taxes above a base amount but only if we provide the proper documentation in a timely manner. Notwithstanding federal government reimbursement obligations, we remain primarily responsible for the payment of all such costs and taxes. See "Our Business and Properties – Description of GSA Leases."

GSA Properties may have a higher risk of terrorist attack. Because our primary tenant will be the federal government, our GSA Properties may have a higher risk of terrorist attack than similar properties that are leased to non-government tenants. Terrorist attacks may negatively affect our GSA Properties in a manner that materially and adversely affects us. We cannot assure you that there will not be further terrorist attacks against or in the United States or against the federal government. These attacks may directly impact the value of our GSA Properties through damage, destruction, loss or increased security costs. Certain losses resulting from these types of events are uninsurable and others may not be covered by our current terrorism insurance. Additional terrorism insurance may not be available at a reasonable price or at all.

There are some risks which are unique to specific properties. Because our GSA Properties are built-to-suit for various federal government agencies and are dispersed across the United States, individual GSA Properties may have unique risks which are not characteristic of the portfolio as a whole.

Our Manager may not be successful in identifying and consummating suitable investment opportunities. Our investment strategy requires us, through our Manager, to identify suitable investment opportunities compatible with our investment criteria. Our Manager may not be successful in identifying suitable opportunities that meet our criteria or in consummating investments, including those identified as part of our investment pipeline, on satisfactory terms or at all. Our ability to make investments on favorable terms may be constrained by several factors including, but not limited to, competition from other investors with significant capital, including publicly-traded REITs and institutional investment funds, which may significantly increase investment costs; and/or the inability to finance an investment on favorable terms or at all. The failure to identify or consummate investments on satisfactory terms, or at all, may impede our growth and negatively affect our cash available for distribution to our stockholders.

If we cannot obtain additional capital, our ability to make acquisitions will be limited. We are subject to risks associated with debt and capital stock issuances, and such issuances may have consequences to holders of shares of our common stock. Our ability to make acquisitions will depend, in large part, upon our ability to raise additional capital. If we were to raise additional capital through the issuance of equity securities, we could dilute the interests of holders of shares of our common stock. Our board of directors may authorize the issuance of classes or series of preferred stock which may have rights that could dilute, or otherwise adversely affect, the interest of holders of shares our common stock.

Further, we expect to incur additional indebtedness in the future, which may include a corporate credit facility. Such indebtedness could also have other important consequences to holders of the notes and holders of our common and preferred stock, including subjecting us to covenants restricting our operating flexibility, increasing our vulnerability to general adverse economic and industry conditions, limiting our ability to obtain additional financing to fund future working capital, capital expenditures and other general corporate requirements, requiring the use of a portion of our cash flow from operations for the payment of principal and interest on our indebtedness, thereby reducing our ability to use our cash flow to fund working capital, acquisitions, capital expenditures and general corporate requirements, and limiting our flexibility in planning for, or reacting to, changes in our business and our industry.

Lack of diversification in number of investments increases our dependence on individual investments. If we acquire other property interests that are similarly large in relation to our overall size, our portfolio could become even more concentrated, increasing the risk of loss to stockholders if a default or other problem arises. Alternatively, property sales may reduce the aggregate amount of our property investment portfolio in value or number. As a result, our portfolio could become concentrated in larger assets, thereby reducing the benefits of diversification by geography, property type, tenancy or other measures.

We may never reach sufficient size to achieve diversity in our portfolio. We are presently a comparatively a small company primarily focusing on sourcing, acquiring, leasing and managing GSA Properties, resulting in a portfolio that lacks tenant diversity and has limited geographic diversity. While we intend to endeavor to grow and geographically diversify our portfolio through additional property acquisitions, we may never reach a significant size to achieve true geographic diversity.

We have limited operating history and capitalization. We were organized in March 2016 for the purpose of engaging in the activities set forth in this offering circular. We have limited history of operations and, accordingly, limited performance history to which a potential investor may refer in determining whether to invest in us. While are engaged in this offering to raise capital, we will nonetheless have limited capitalization. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by new ventures, including our reliance on our Manager and its key personnel and affiliates and other factors. We are confident that our Manager will select profitable, relatively risk averse investments. However, there is no assurance that any attempts by our Manager to reduce the potential risks for our company to incur losses will be successful. A significant financial reversal for our Manager or its affiliates could adversely affect the ability of our Manager to satisfy its obligation to manage our company.

Additionally, because we are a recently formed company with no previous operating history, it may be more difficult for us to raise reasonably priced capital than more established companies, many of which have established financing programs and, in some cases, have investment grade credit ratings. Accordingly, we will not be able to retain sufficient cash flow from operations to meet our debt service requirements and repay our debt, satisfy our operational requirements, pay dividends to our stockholders (including those necessary for our qualification as a REIT) and successfully execute our growth strategy. We will need to raise additional capital for these purposes, and we cannot assure you that a sufficient amount of capital will be available to us on favorable terms, or at all, when needed, which would materially and adversely affect us. A significant portion of net proceeds from this offering may be used to repay debt secured by our portfolio of properties and to fund the aggregate purchase price later acquired properties and, as a result, will not be available for these purposes.

The market for real estate investments, and particularly GSA Properties, is highly competitive. Identifying attractive real estate investment opportunities, particularly with GSA Properties, is difficult and involves a high degree of uncertainty. Furthermore, the historical performance of a particular property or market is not a guarantee or prediction of the property's or market's future performance. There can be no assurance that we will be able to locate suitable acquisition opportunities, achieve its investment goal and objectives, or fully deploy for investment the net proceeds of this offering.

Because of the recent growth in demand for real estate investments, there may be increased competition among investors to invest in the same asset classes as our company. This competition may lead to an increase in the investment prices or otherwise less favorable investment terms. If this situation occurs with a particular investment, our return on that investment is likely to be less than the return it could have achieved if it had invested at a time of less investor competition for the investment. For this and other reasons, our Manager is under no restrictions concerning the timing of investments.

Investments that are not single-tenant, GSA Properties, as permitted under our Investment Policies, may increase risk. If we make investments that are not single-tenant, GSA Properties, as permitted under our Investment Policies, some or all of the leases from those investments will not be backed by the full faith and credit of the United States of America. This may increase the risk of default and non-payment under those leases, and consequently, may negatively affect your investment in us.

We are required to make a number of judgments in applying accounting policies, and different estimates and assumptions in the application of these policies could result in changes to our reporting of financial condition and results of operations. Various estimates are used in the preparation of our financial statements, including estimates related to asset and liability valuations (or potential impairments) and various receivables. Often these estimates require the use of market data values that may be difficult to assess, as well as estimates of future performance or receivables collectability that may be difficult to accurately predict. While we have identified those accounting policies that are considered critical and have procedures in place to facilitate the associated judgments, different assumptions in the application of these policies could result in material changes to our financial condition and results of operations.

We utilize, and intend to continue to utilize, leverage, which may limit our financial flexibility in the future. We make acquisitions and operate our business in part through the utilization of leverage pursuant to loan agreements with various financial institutions. These loan agreements contain financial covenants that restrict our operations. These financial covenants, as well as any future financial covenants we may enter into through further loan agreements, could inhibit our financial flexibility in the future and prevent distributions to stockholders.

We may incur losses as a result of ineffective risk management processes and strategies. We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance and legal reporting systems, internal controls, management review processes and other mechanisms. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. Thus, we may, in the course of our activities, incur losses due to these risks.

We are dependent on information systems and third parties, and systems failures could significantly disrupt our business, which may, in turn, negatively affect the market price of our common stock and our ability to make distributions to our stockholders. Our business is dependent on communications and information systems, some of which are provided by third parties. Any failure or interruption of our systems could cause delays or other problems, which could have a material adverse effect on our operating results and negatively affect the market price of our common stock and our ability to make distributions to our stockholders.

Inflation may adversely affect our financial condition and results of operations. Inflation might have both positive and negative impacts upon us. Inflation might cause the value of our real estate to increase. Inflation might also cause our costs of equity and debt capital and operating costs to increase. An increase in our capital costs or in our operating costs will result in decreased earnings unless it is offset by increased revenues. Our federal government-leases generally provide for annual rent increases based on a cost of living index for the locality in which the particular property is located, which should offset any increased costs as a result of inflation, but it may not offset all increased costs.

To mitigate the adverse impact of any increased cost of debt capital in the event of material inflation, we may enter into interest rate hedge arrangements in the future, but we have no present intention to do so. The decision to enter into these agreements will be based on the amount of our floating rate debt outstanding, our belief that material interest rate increases are likely to occur and requirements of our borrowing arrangements.

The acquisition of our Contribution Properties did not include a fee interest in each of the Contribution Properties. A condition of the closing of the transactions contemplated by the Contribution Agreement, or the Contribution, was the receipt of the consent to the transfer of the LLC Interests from each of the lenders secured by the Contribution Properties. As of May 26, 2017, the date of the Contribution, we had received the consent of the lenders secured by the Silt Property, the Fort Smith Property, the Johnson City Property and the Port Canaveral Property; however, we had not yet received, and do not expect to receive, the consent from LNR special servicer on the loan, which is secured by the Port Saint Lucie Property, the Jonesboro Property and the Lorain Property, or the Starwood Loan, and those properties being the Affected Properties.

Our management determined it to be in our best interests to use an alternate method in the interim that is intended to allow our company to enjoy the financial benefits of the Affected Properties intended by the Contribution Agreement, while remaining in compliance with the Starwood Loan (as defined in "Description of Our Properties – Description of Indebtedness") covenants. On May 26, 2017, our Operating Partnership and Holmwood entered into the Second Amendment to revise certain terms of the Contribution Agreement. Pursuant to the Second Amendment, at the closing of the Contribution, Holmwood retained the limited liability company interests owning the Affected Properties as its sole and exclusive property; however, Holmwood assigned all of its right, title and interest in and to any and all profits, losses and distributed cash flows, if any, from each wholly-owned subsidiary owning the Affected Properties, as well as all of the other benefits and burdens of ownership solely for federal income tax purposes, or the Profits Interests, to our Operating Partnership. Upon (i) the receipt of consent to the Contribution from LNR, (ii) the sale of the Affected Properties, subject to certain consents, or (iii) the payment of defeasance of all loans, secured by existing mortgage liens on the Affected Properties, the LLC Interests associated with such Affected Properties shall be deemed to have been contributed and transferred to our operating partnership on such date.

While we believe this arrangement provides our investors with the same benefit had the limited liability company interests owning the Affected Properties been transferred to us, there can be no assurances that this will be the case. It is possible that LNR could take the position that the assignment of the Profits Interests did not comply with the Starwood Loan covenants, which could lead to LNR declaring a default on the Starwood Loan, resulting in litigation costs and, if LNR prevailed in the litigation, the potential voidance of the assignment of Profits Interests or a foreclosure of the Affected Properties.

Risks Related to our Management and Relationships with our Manager

We are managed by an external manager, Holmwood Capital Advisors, LLC. Our Manager of our company is external to our company, and you will own no rights in our Manager by purchasing the offered shares. Our Manager has the right under our Management Agreement, subject to the Investment Guidelines, to cause us to acquire and finance investments without further approval of our board of directors and is only required to meet the standards of care and other requirements set forth in our Management Agreement.

We are dependent on our Manager and its key personnel for our success. Currently, we are advised by our Manager and, pursuant to the Management Agreement, our Manager is not obligated to dedicate any specific personnel exclusively to us, nor is its personnel obligated to dedicate any specific portion of their time to the management of our business. As a result, we cannot provide any assurances regarding the amount of time our Manager will dedicate to the management of our business. Moreover, each of our officers and non-independent directors is also an officer and member of our Manager or one of its affiliates and may not always be able to devote sufficient time to the management of our business. Of our officers and directors, only Messrs. Stanton and Post are full-time employees of our Manager. Consequently, we may not receive the level of support and assistance that we otherwise might receive if we were internally managed.

In addition, we offer no assurance that our Manager will remain our manager or that we will continue to have access to our Manager's principals and professionals. The initial term of our Management Agreement with our Manager only extends until March 31, 2018, with automatic one-year renewals thereafter, and may be terminated earlier under certain circumstances. If the Management Agreement is terminated or not renewed and no suitable replacement is found to manage us, we may not be able to execute our business plan, which could have a material adverse effect on our results of operations and our ability to make distributions to our stockholders.

The inability of our Manager to retain or obtain key personnel could delay or hinder implementation of our investment strategies, which could impair our ability to make distributions and could reduce the value of your investment. Our Manager is obligated to supply us with substantially all of our senior management team, including our chief executive officer, president, vice president, treasurer and secretary. Subject to investment, leverage and other guidelines or policies adopted by our board of directors, our Manager has significant discretion regarding the implementation of our investment and operating policies and strategies. Accordingly, we believe that our success will depend significantly upon the experience, skill, resources, relationships and contacts of the senior officers and key personnel of our Manager and its affiliates. In particular, our success depends to a significant degree upon the contributions of Messrs. Robert R. Kaplan, Robert R. Kaplan, Jr., Philip Kurlander, Edwin M. Stanton and Jason D. Post, who are senior officers of our Manager. We do not have employment agreements with any of these key personnel and do not have key man life insurance on any of them. Further, only Messrs. Stanton and Post are full-time employees of our Manager, while Messrs. Kaplan and Kaplan Jr. are practicing attorneys and Dr. Kurlander is a healthcare professional and active investor. If any of Messrs. Kaplan, Kaplan, Jr., Kurlander, Stanton or Post were to cease their affiliation with us or our Manager, our Manager may be unable to find suitable replacements, and our operating results could suffer. We believe that our future success depends, in large part, upon our Manager's ability to hire and retain highly skilled managerial, operational and marketing personnel. Competition for highly skilled personnel is intense, and our Manager may be unsuccessful in attracting and retaining such skilled personnel. If we lose or are unable to obtain the services of highly skilled personnel, our ability to implement our investment strategies could be delayed or hindered, and the value of your investment may decline. For more information on the experience of Mr. Stanton, our Chief Executive Officer, please see "Directors, Executive Officers, and Significant Employees - Material Prior Business Developments of Mr. Stanton."

Our Manager's limited operating history makes it difficult for you to evaluate this investment. Our Manager has less than four years of operating history and may not be able to successfully operate our business or achieve our investment objectives. We may not be able to conduct our business as described in our plan of operation.

Our Manager and its affiliates may receive compensation regardless of profitability. Our Manager will be entitled to receive an annual asset management fee of 1.5% of our stockholders' equity per annum. In addition, our Manager will receive a 1.0% acquisition fee of the gross purchase price, as adjusted pursuant to any closing adjustments, on acquisitions. These fees are capitalized expenses of our company and are payable regardless of the profitability of our company or whether any distributions are made to you; provided that the acquisition fee is payable solely in equity and will be accrued until a Listing Event, as defined herein, or on March 31, 2020, whichever occurs first. For further detail, see "Compensation to Our Manager".

Termination of our Management Agreement, even for poor performance, could be difficult and costly, including as a result of termination fees, and may cause us to be unable to execute our business plan. Termination of our Management Agreement without cause, even for poor performance, could be difficult and costly. We may generally terminate our Manager for cause, without payment of any termination fee, if (i) our Manager, its agents or assignees breaches any material provision of the Management Agreement and such breach shall continue for a period of 30 days after written notice thereof specifying such breach and requesting that the same be remedied in such 30-day period (or 45 days after written notice of such breach if our Manager takes steps to cure such breach within 30 days of the written notice), (ii) there is a commencement of any proceeding relating to our Manager's bankruptcy or insolvency, including an order for relief in an involuntary bankruptcy case or our Manager authorizing or filing a voluntary bankruptcy petition, (iii) any "Manager Change of Control," as defined in the Management Agreement, which a majority of the independent directors determines is materially detrimental to us and our subsidiaries, taken as a whole, (iv) the dissolution of our Manager, or (v) our Manager commits fraud against us, misappropriates or embezzles our funds, or acts, or fails to act, in a manner constituting gross negligence, or acts in a manner constituting bad faith or willful misconduct, in the performance of its duties under the Management Agreement; *provided, however*, that if any of the actions or omissions described in clause (v) above are caused by an employee and/or officer of our Manager or one of its affiliates and our Manager takes all necessary and appropriate action against such person and cures the damage caused by such actions or omissions within 30 days of our Manager actual knowledge of its commission or omission, we will not have the right to terminate the Management Agreement for cause and any termination notice previously given will be deemed to have been rescinded and nugatory.

Our Property Manager is a wholly-owned subsidiary of our Manager, and as a result it is likely that if we terminate our Management Agreement that we will terminate each property management agreement entered into by the Property Manager and our title holding subsidiaries. Under each property management agreement, it is anticipated that our Property Manager will be paid a termination fee equal to four times its property management fees received for the three complete calendar months immediately prior to termination.

The Management Agreement will continue in operation, unless terminated in accordance with its terms, renewing annually for successive one-year terms beginning the first such annual renewal which occurred, after the expiration of its initial term on March 31, 2018, or the Initial Term. After the Initial Term, the Management Agreement will be deemed renewed automatically each year for an additional one-year period, or an Automatic Renewal Term, unless our company or our Manager elects not to renew. Upon the expiration of the Initial Term or any Automatic Renewal Term and upon 180 days' prior written notice to our Manager, our company may, without cause, but solely in connection with the expiration of the Initial Term or the then current Automatic Renewal Term, and upon the affirmative vote of at least two-thirds of the independent directors, decline to renew the Management Agreement, any such nonrenewal, a Termination Without Cause. In the event of a Termination Without Cause, we will be required to pay our Manager a termination fee before or on the last day of the Initial Term or such Automatic Renewal Term. Such termination fee will be equal to three times the sum of asset management fees, acquisition fees and leasing fees earned, in each case, by our Manager during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter; provided however, that if the Listing Event has not occurred and no acquisition fees have been paid, then all accrued acquisition fees will be included in the calculation of the termination fee. The termination fee is payable in vested equity of our company, cash, or a combination thereof in the discretion of our board. These provisions may substantially restrict our ability to terminate the Management Agreement without cause and would cause us to incur substantial costs in connection with such a termination. Furthermore, in the event that our Management Agreement is terminated, with or without cause, and we are unable to identify a suitable replacement to manage us, our ability to execute our business plan could be adversely affected.

Because we are dependent upon our Manager and its affiliates to conduct our operations, any adverse changes in the financial health of our Manager or its affiliates or our relationship with them could hinder our operating performance and the return on your investment. We are dependent on our Manager and its affiliates to manage our operations and acquire and manage our portfolio of real estate assets. Under the direction of our board of directors, and subject to our Investment Guidelines, our Manager makes all decisions with respect to the management of our company. Our Manager depends upon the fees and other compensation that it receives from us in connection with managing our company to conduct its operations. Any adverse changes in the financial condition of our Manager or its affiliates, or our relationship with our Manager, could hinder its ability to successfully manage our operations and our portfolio of investments, which would adversely affect us and our stockholders.

Our board of directors has approved very broad Investment Guidelines for our Manager and will not approve each investment and financing decision made by our Manager unless required by our Investment Guidelines. Our Manager is authorized to follow broad Investment Guidelines established by our board of directors relative to implementing our investment strategy. Our board of directors will periodically review our Investment Guidelines and our portfolio of assets but will not, and will not be required to, review all of our proposed investments, except if our Manager proposes an investment outside of the parameters of our Investment Guidelines. In addition, in conducting periodic reviews, our board of directors may rely primarily on information provided to them by our Manager. Furthermore, transactions entered into by our Manager may be costly, difficult or impossible to unwind by the time they are reviewed by our board of directors. Our Manager has great latitude within the parameters of our Investment Guidelines in determining the types, amounts and geographic locations of assets in which to invest on our behalf, which may result in making investments that may result in returns that are substantially below expectations or result in losses, which would materially and adversely affect our business and results of operations, or may otherwise not be in the best interests of our stockholders.

Our Manager and its principals and executive officers have limited experience managing a REIT. Our Manager and its principals and executive officers have limited experience managing a REIT. We cannot assure you that the past experience of our Manager and its principals and executive officers will be sufficient to successfully operate our company as a REIT, including the requirements to timely meet disclosure requirements of the SEC, state requirements, and requirements relative to maintaining our qualification as a REIT.

Our Manager may fail to identify acceptable investments. There can be no assurances that our Manager will be able to identify, make or acquire suitable investments meeting our investment criteria. There is no guarantee that any investment selected by our Manager will generate operating income or gains. While affiliates of our Manager have been successful in the past in identifying and structuring favorable real estate investments, there is no guarantee that our Manager will be able to identify and structure favorable investments in the future.

Risks Related to the Real Estate Industry and Investments in Real Estate

Our real estate investments are subject to risks particular to real property. Real property investments are subject to varying risks and market fluctuations. These events include, but are not limited to:

- adverse changes in national, regional and local economic and demographic conditions;
- the availability of financing, including financing necessary to extend or refinance debt maturities;
- the ability to control operating costs (particularly at our properties where we are not allowed to pass all or even a portion of those costs through to our tenants);
- increases in tenant vacancies, difficulty in re-letting space and the need to offer tenants below-market rents or concessions;
- decreases in rental rates;
- increases in interest rates, which could negatively impact the ability of any non-government tenants to make rental payments;
- an increase in competition for, or a decrease in demand by, tenants, especially the federal government and its agencies and departments;
- the financial strength of tenants and the risk of any non-government tenant bankruptcies and lease defaults;
- an increase in supply or decrease in demand of our property types;
- introduction of a competitor’s property in or in close proximity to one of our properties;
- the adoption on the national, state or local level of more restrictive laws and governmental regulations, including more restrictive zoning, land use or environmental regulations and increased real estate taxes;
- opposition from local community or political groups with respect to the construction or operations at a property;
- adverse changes in the perceptions of prospective tenants or purchasers of the attractiveness, convenience or safety of a property;
- our inability to provide effective and efficient management and maintenance at our properties;
- the investigation, removal or remediation of hazardous materials or toxic substances at a property;
- our inability to collect rent or other receivables;
- the effects of any terrorist activity;
- underinsured or uninsured natural disasters, such as earthquakes, floods or hurricanes; and
- our inability to obtain adequate insurance on favorable terms.

The value of our properties and our performance may decline due to the realization of risks associated with the real estate industry, which could materially and adversely affect us.

Real estate investments are not as liquid as other types of assets, which may reduce economic returns to our stockholders. Real estate investments are not as liquid as other types of investments. In addition, the instruments that we purchase in connection with privately negotiated transactions are not registered under the relevant securities laws, resulting in a prohibition against their transfer, sale, pledge or other disposition except in a transaction that is exempt from the registration requirements of, or is otherwise in accordance with, those laws. As a result, our ability to sell under-performing assets in our portfolio or respond to changes in economic and other conditions may be relatively limited.

Investments in real estate-related assets can be speculative. Investments in real estate-related assets can involve speculative risks and always involve substantial risks. No assurance can be given that our Manager will be able to execute the investment strategy or that stockholders in our company will realize their investment objectives. No assurance can be given that our stockholders will realize a substantial return (if any) on their investment or that they will not lose their entire investment in our company. For this reason, each prospective purchaser of shares of our common stock should carefully read this offering circular and all exhibits to this offering circular. **All such persons or entities should consult with their attorney or business advisor prior to making an investment.**

Our investments are anticipated to be concentrated in GSA Properties. We expect to concentrate on investing in GSA Properties. If GSA Properties experience a material adverse event, our company and our stockholders would likely be significantly and adversely affected.

Liability relating to environmental matters may impact the value of the properties that we may acquire or underlying our investments. Under various U.S. federal, state and local laws, an owner or operator of real property may become liable for the costs of removal of certain hazardous substances released on its property. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release of such hazardous substances. If we fail to disclose environmental issues, we could also be liable to a buyer or lessee of a property.

There may be environmental problems associated with our properties which we were unaware of at the time of acquisition. The presence of hazardous substances may adversely affect our ability to sell real estate, including the affected property, or borrow using real estate as collateral. The presence of hazardous substances, if any, on our properties may cause us to incur substantial remediation costs, thus harming our financial condition. In addition, although our leases will generally require our tenants to operate in compliance with all applicable laws and to indemnify us against any environmental liabilities arising from a tenant's activities on the property, we nonetheless would be subject to strict liability by virtue of our ownership interest for environmental liabilities created by such tenants, and we cannot ensure the stockholders that any tenants we might have would satisfy their indemnification obligations under the applicable sales agreement or lease. The discovery of material environmental liabilities attached to such properties could have a material adverse effect on our results of operations and financial condition and our ability to make distributions to our stockholders.

Discovery of previously undetected environmentally hazardous conditions, including mold or asbestos, may lead to liability for adverse health effects and costs of remediating the problem could adversely affect our operating results. Under various U.S. federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the cost of removal or remediation of hazardous or toxic substances on, under or in such property. The costs of removal or remediation could be substantial. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of such hazardous or toxic substances. Environmental laws also may impose restrictions on the manner in which property may be used or businesses may be operated, and these restrictions may require substantial expenditures. Environmental laws provide for sanctions in the event of noncompliance and may be enforced by governmental agencies or, in certain circumstances, by private parties. Certain environmental laws and common law principles could be used to impose liability for release of and exposure to hazardous substances, including asbestos-containing materials into the air, and third parties may seek recovery from owners or operators of real properties for personal injury or property damage associated with exposure to released hazardous substances. The cost of defending against claims of liability, of compliance with environmental regulatory requirements, of remediating any contaminated property, or of paying personal injury claims related to any contaminated property could materially adversely affect our business, assets or results of operations and, consequently, amounts available for distribution to our security holders.

An environmental site assessment performed on the Port Canaveral Property revealed chlorinated solvent contamination in the soil, groundwater, and in the surrounding area. An environmental site assessment performed on the Port Canaveral Property revealed chlorinated solvent contamination in the soil, groundwater, and in the surrounding area, including the subject property, in 1995, which is related to a former sump. The responsible party was identified as the Canaveral Port Authority. Several site assessments, groundwater monitoring events, remedial action plans and risk assessments have been performed at the site since the contamination was first identified.

A Site Wide Groundwater Monitoring Event Report, or the Groundwater Report, was conducted on the property in September 2014. While the Groundwater Report provides information that the risk associated with the event is decreasing, we cannot be certain that will be the case. As a result, we may be exposed to increased risk of financial loss and our investment may underperform as a result.

We may invest in real-estate related investments, including joint ventures and co-investment arrangements. We primarily invest in properties as sole owner. However, we may, in our Manager's sole discretion subject to our Investment Guidelines, invest as a joint venture partner or co-investor in an investment. In such event, we generally anticipate owning a controlling interest in the joint venture or co-investment vehicle. However, our joint venture partner or co-investor may have a consent or similar right with respect to certain major decisions with respect to an investment, including a refinancing, sale or other disposition. Additionally, we may rely on our joint venture partner or co-investor to act as the property manager or developer, and, thus, our returns will be subject to the performance of our joint venture partner or co-investor. While our Manager does not intend for these types of investments to be a primary focus of our company, our Manager may make such investments in its sole discretion.

Adverse economic conditions may negatively affect our results of operations and, as a result, our ability to make distributions to our stockholders or to realize appreciation in the value of our investments. Our operating results may be adversely affected by market and economic challenges, which may negatively affect our returns and profitability and, as a result, our ability to make distributions to our stockholders or to realize appreciation in the value of our investments. These market and economic challenges include, but are not limited to, the failure of the real estate market to attract the same level of capital investment in the future that it attracts at the time of our purchases or a reduction in the number of companies seeking to acquire properties may result in the value of our investments not appreciating or decreasing significantly below the amount we pay for these investments.

The length and severity of any economic slow-down or downturn cannot be predicted. Our operations and, as a result, our ability to make distributions to our stockholders and/or our ability to realize appreciation in the value of our properties could be materially and adversely affected to the extent that an economic slow-down or downturn is prolonged or becomes severe.

We may be adversely affected by unfavorable economic changes in the specific geographic areas where our investments are concentrated. Adverse conditions (including business layoffs or downsizing, industry slowdowns, changing demographics and other factors) in the areas where our investments are located and/or concentrated, and local real estate conditions (such as oversupply of, or reduced demand for, office, industrial, retail or multifamily properties) may have an adverse effect on the value of our investments. A material decline in the demand or the ability of tenants to pay rent for office, industrial or retail space in these geographic areas may result in a material decline in our cash available for distribution to our stockholders.

We depend on the U.S. Government and its agencies for substantially all of our revenues and any failure by the U.S. Government and its agencies to perform their obligations under their leases or renew their leases upon expiration could have a material adverse effect on our business, financial condition and results of operations. Following the completion of this offering, our tenants will account for all of our annualized lease income. We expect that leases to agencies of the U.S. Government will continue to be the primary source of our revenues for the foreseeable future. Due to such concentration, any failure by the U.S. Government to perform its obligations under its leases or a failure to renew its leases upon expiration, could cause interruptions in the receipt of lease revenue or result in vacancies, or both, which would reduce our revenue until the affected properties are leased, and could decrease the ultimate value of the affected property upon sale and have a material adverse effect on our business, financial condition and results of operations. Further, because our portfolio of properties is, and future investments are expected to be, built-to-suit properties, the non-renewal of those leases may have a detrimental effect on our ability to find a new tenant, repurpose such property, or sell such property on beneficial terms.

We may not be able to re-lease or renew leases at the investments held by us on terms favorable to us or at all. We are subject to risks that upon expiration or earlier termination of the leases for space located at our investments the space may not be re-leased or, if re-leased, the terms of the renewal or re-leasing (including the costs of required renovations or concessions to tenants) may be less favorable than current lease terms. Any of these situations may result in extended periods where there is a significant decline in revenues or no revenues generated by an investment. If we are unable to re-lease or renew leases for all or substantially all of the spaces at these investments, if the rental rates upon such renewal or re-leasing are significantly lower than expected, if our reserves for these purposes prove inadequate, or if we are required to make significant renovations or concessions to tenants as part of the renewal or re-leasing process, we will experience a reduction in net income and may be required to reduce or eliminate distributions to our stockholders.

Most of our federal government leases include early termination provisions that permit the federal government to terminate its lease with us prior to the lease expiration date. For the foreseeable future, we expect that all, or substantially all, of our rents will come from the federal government. We anticipate that most of our federal government leases, including the leases for 12 of our 16 properties in our portfolio, will include early termination provisions that permit the federal government to terminate its lease with us after a specified date but before the lease expiration date and with little or no liability as a result of any such termination. As of the date of this offering circular, the leases of our properties in our portfolio have a weighted average remaining lease term of 10 years, assuming no early termination rights are exercised, and 6.4 years if all of the early termination rights are exercised. Beginning August 17, 2020, early termination rights will become exercisable with respect to federal government leases of our properties in our portfolio that generate approximately 3.33% of our effective annual rent from our portfolio, and by December 31, 2026, early termination rights with respect to federal government leases for our properties in our portfolio that generate approximately 61.65% of our effective annual rent from our portfolio will become exercisable. For fiscal policy reasons, security concerns or other reasons, some or all of these federal government occupants may decide to vacate our properties at or prior to the expiration of their lease term. Furthermore, these properties are often built or modified to specialized needs of particular agencies or departments of the federal government, including law enforcement and defense/intelligence, at considerable cost of development or modification. Typically, these additional costs are recovered through enhanced rent rates designed to recapture the cost over the full lease term. When we purchase constructed properties, we will likely pay a price that reflects these enhanced rent rates. Should the federal government occupant of one of our facilities elect to vacate the property it occupies at or prior to the expiration of the full lease term, it is unlikely that we would be able to fully recover our costs by finding a tenant or tenants outside of the federal government itself that would be willing to pay these enhanced rates. It also would be unlikely to market the property at a price that would be likely to reflect the enhanced rent rates. Accordingly, if a significant number of such vacancies occur, we could be materially and adversely affected.

The bankruptcy, insolvency or diminished creditworthiness of our tenants under their leases or delays by our tenants in making rental payments could seriously harm our operating results and financial condition. We lease our properties to tenants, and we receive rents from our tenants during the terms of their respective leases. A tenant's ability to pay rent is often initially determined by the creditworthiness of the tenant. However, if a tenant's credit deteriorates, the tenant may default on its obligations under its lease and the tenant may also become bankrupt. The bankruptcy or insolvency of our tenants or other failure to pay is likely to adversely affect the income produced by our real estate investments. Any bankruptcy filings by or relating to one of our tenants could bar us from collecting pre-bankruptcy debts from that tenant or its property, unless we receive an order permitting us to do so from the bankruptcy court. A tenant bankruptcy could delay our efforts to collect past due balances under the relevant leases, and could ultimately preclude full collection of these sums. If a tenant files for bankruptcy, we may not be able to evict the tenant solely because of such bankruptcy or failure to pay. A court, however, may authorize a tenant to reject and terminate its lease with us. In such a case, our claim against the tenant for unpaid, future rent would be subject to a statutory cap that might be substantially less than the remaining rent owed under the lease. In addition, certain amounts paid to us within 90 days prior to the tenant's bankruptcy filing could be required to be returned to the tenant's bankruptcy estate. In any event, it is highly unlikely that a bankrupt or insolvent tenant would pay in full amounts it owes us under its lease. In other circumstances, where a tenant's financial condition has become impaired, we may agree to partially or wholly terminate the lease in advance of the termination date in consideration for a lease termination fee that is likely less than the agreed rental amount. If a lease is rejected by a tenant in bankruptcy, we would have only a general unsecured claim for damages. Any unsecured claim we hold against a bankrupt entity may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. We may recover substantially less than the full value of any unsecured claims, which would harm our financial condition. While the leases for our GSA Properties will be full faith and credit obligations of the United States government, there can be no certainty that we will not be adversely affected by the bankruptcy, insolvency or diminished creditworthiness of one of our tenants in a GSA Property.

Lease defaults or terminations or landlord-tenant disputes may adversely reduce our income from our leased property portfolio. Lease defaults or terminations by one or more of our significant tenants may reduce our revenues unless a default is cured or a suitable replacement tenant is found promptly. In addition, disputes may arise between the landlord and tenant that result in the tenant withholding rent payments, possibly for an extended period. These disputes may lead to litigation or other legal procedures to secure payment of the rent withheld or to evict the tenant. In other circumstances, a tenant may have a contractual right to abate or suspend rent payments. Even without such right, a tenant might determine to do so. Any of these situations may result in extended periods during which there is a significant decline in revenues or no revenues generated by the property. If this were to occur, it could adversely affect our results of operations.

Net leases may require us to pay property-related expenses that are not the obligations of our tenants. Under the terms of net leases, in addition to satisfying their rent obligations, tenants are responsible for the payment of real estate taxes, insurance and ordinary maintenance and repairs. However, pursuant to leases we may assume or enter into in the future, we may be required to pay certain expenses, such as the costs of environmental liabilities, roof and structural repairs, insurance, certain non-structural repairs and maintenance and other costs and expenses for which insurance proceeds or other means of recovery are not available. If one or more of our properties incur significant expenses under the terms of the leases, such property, our business, financial condition and results of operations will be adversely affected and the amount of cash available to meet expenses and to make distributions to our stockholders may be reduced.

Net leases may not result in fair market lease rates over time, which could negatively impact our income and reduce the amount of funds available to make distributions to our stockholders. A significant portion of our rental income is expected to come from net leases, which generally provide the tenant greater discretion in using the leased property than ordinary property leases, such as the right to freely sublease the property, to make alterations in the leased premises and to terminate the lease prior to its expiration under specified circumstances. Furthermore, net leases typically have longer lease terms and, thus, there is an increased risk that contractual rental increases in future years will fail to result in fair market rental rates during those years. As a result, our income and distributions to our stockholders could be lower than they would otherwise be if we did not engage in net leases.

We could be adversely affected by various facts and events related to our investments over which we have limited or no control. We could be adversely affected by various facts and events over which we have limited or no control, such as (i) oversupply of space and changes in market rental rates; (ii) economic or physical decline of the areas where the investments are located; and (iii) deterioration of the physical condition of our investments. Negative market conditions or adverse events affecting our existing or potential tenants, or the industries in which they operate, could have an adverse impact on our ability to attract new tenants, re-lease space, collect rent or renew leases, any of which could adversely affect our financial condition. These will particularly affect any investments made outside of GSA Properties.

We may be required to reimburse tenants for overpayments of estimated operating expenses. Under certain of our leases, tenants pay us as additional rent their proportionate share of the costs we incur to manage, operate and maintain the buildings and properties where they rent space. These leases often limit the types and amounts of expenses we can pass through to our tenants and allow the tenants to audit and contest our determination of the operating expenses they are required to pay. Given the complexity of certain additional rent calculations, tenant audit rights under large portfolio leases can remain unresolved for several years. If as a result of a tenant audit it is determined that we have collected more additional rent than we are permitted to collect under a lease, we must refund the excess amount back to the tenant and, sometimes, also reimburse the tenant for its audit costs. Such unexpected reimbursement payments could materially adversely affect our financial condition and results of operations.

An uninsured loss or a loss that exceeds the policies on our investments could subject us to lost capital or revenue on those properties. Under the terms and conditions of the leases expected to be in force on our investments, tenants are generally expected to be required to indemnify and hold us harmless from liabilities resulting from injury to persons, air, water, land or property, on or off the premises, due to activities conducted on the investments, except for claims arising from the negligence or intentional misconduct of us or our agents. Additionally, tenants are generally expected to be required, at the tenants' expense, to obtain and keep in full force during the term of the lease, liability and property damage insurance policies. Insurance policies for property damage are generally expected to be in amounts not less than the full replacement cost of the improvements less slab, foundations, supports and other customarily excluded improvements and insure against all perils of fire, extended coverage, vandalism, malicious mischief and special extended perils ("all risk," as that term is used in the insurance industry). Insurance policies are generally expected to be obtained by the tenant providing general liability coverage in varying amounts depending on the facts and circumstances surrounding the tenant and the industry in which it operates. These policies may include liability coverage for bodily injury and property damage arising out of the ownership, use, occupancy or maintenance of the properties and all of their appurtenant areas. To the extent that losses are uninsured or underinsured, we could be subject to lost capital and revenue on those investments.

Acquired investments may not meet projected occupancy. If the tenants in an investment do not renew or extend their leases or if tenants terminate their leases, the operating results of the investment could be substantially and adversely affected by the loss of revenue and possible increase in operating expenses not reimbursed by the tenants. There can be no assurance that the investments will be substantially occupied at projected rents. We will anticipate a minimum occupancy rate for each investment, but there can be no assurance that the investments will maintain the minimum occupancy rate or meet our anticipated lease-up schedule. In addition, lease-up of the unoccupied space may be achievable only at rental rates less than those we anticipate.

Distributions may represent a return of capital. A portion of the distributed cash may constitute a return of each stockholder's capital investment in our company. Any such distributions would constitute a return of capital. Accordingly, such distributed cash will not constitute profit or earnings but merely a return of capital.

We could be exposed to environmental liabilities with respect to investments to which we take title. In the course of our business, and taking title to properties, we could be subject to environmental liabilities with respect to such properties. In such a circumstance, we may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or we may be required to investigate or clean up hazardous or toxic substances or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. If we become subject to significant environmental liabilities, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

Properties may contain toxic and hazardous materials. Federal, state and local laws impose liability on a landowner for releases or the otherwise improper presence on the premises of hazardous substances. This liability is without regard to fault for, or knowledge of, the presence of such substances. A landowner may be held liable for hazardous materials brought onto the property before it acquired title and for hazardous materials that are not discovered until after it sells the property. Similar liability may occur under applicable state law. If any hazardous materials are found within a property that is in violation of law at any time, we may be liable for all cleanup costs, fines, penalties and other costs. This potential liability will continue after we sell the property and may apply to hazardous materials present within the property before we acquired such property. If losses arise from hazardous substance contamination which cannot be recovered from a responsible party, the financial viability of that property may be substantially affected. It is possible that we will acquire a property with known or unknown environmental problems which may adversely affect us.

Properties may contain mold. Mold contamination has been linked to a number of health problems, resulting in recent litigation by tenants seeking various remedies, including damages and ability to terminate their leases. Originally occurring in residential property, mold claims have recently begun to appear in commercial properties as well. Several insurance companies have reported a substantial increase in mold-related claims, causing a growing concern that real estate owners might be subject to increasing lawsuits regarding mold contamination. No assurance can be given that a mold condition will not exist at one or more of our investments, with the risk of substantial damages, legal fees and possibly loss of tenants. It is unclear whether such mold claims would be covered by the customary insurance policies to be obtained for us.

Significant restrictions on transfer and encumbrance of properties are expected. The terms of any debt financing for a property are expected to prohibit the transfer or further encumbrance of that property or any interest in that property except with the lender's prior consent, which consent each lender is expected to be able to withhold. The relative illiquidity of the investments may prevent or substantially impair our ability to dispose of an investment at times when it may be otherwise advantageous for us to do so. If we were forced to immediately liquidate some or all of our investments, the proceeds are likely to result in a significant loss, if such a liquidation is possible at all.

We will likely receive limited representations and warranties from sellers. Properties will likely be acquired with limited representations and warranties from the seller regarding the condition of the property, the status of leases, the presence of hazardous substances, the status of governmental approvals and entitlements and other significant matters affecting the use, ownership and enjoyment of the property. As a result, if defects in a property or other matters adversely affecting a property are discovered, we may not be able to pursue a claim for damages against the seller of the property. The extent of damages that we may incur as a result of such matters cannot be predicted, but potentially could result in a significant adverse effect on the value of our investments.

We may experience delays in the sale of a property. If a trading market does not develop for our shares and we are not able to list on a registered national securities exchange, we anticipate pursuing a merger, portfolio sale or liquidate our properties within seven years of the termination of this offering. However, it may not be possible to sell any or all of our properties at a favorable price, or at all, in such a time frame. If we are unable to sell our properties in the time frames or for the prices anticipated, our ability to make distributions to you may be materially delayed or reduced, you may not be able to get a return of capital as expected or you may not have any liquidity.

We may be subject to the risk of liability and casualty loss as the owner of a property . It is expected that our Manager will maintain or cause to be maintained insurance against certain liabilities and other losses for a property, but the insurance obtained will not cover all amounts or types of loss. There is no assurance that any liability that may occur will be insured or that, if insured, the insurance proceeds will be sufficient to cover the loss. There are certain categories of loss that may be or may become uninsurable or not economically insurable, such as earthquakes, floods and hazardous waste.

Further, if losses arise from hazardous substance contamination that cannot be recovered from a responsible party, the financial viability of the affected property may be substantially impaired. It is expected that lenders will require a Phase I environmental site assessment to determine the existence of hazardous materials and other environmental problems prior to making a Loan secured by a property. However, a Phase I environmental site assessment generally does not involve invasive testing, but instead is limited to a physical walk through or inspection of a property and a review of governmental records. It is possible that we will acquire a property with known or unknown environmental problems that may adversely affect our properties.

Risks Related to Our Taxation as a REIT

Our failure to qualify as a REIT would result in higher taxes and reduced cash available for stockholders. We intend to continue to operate in a manner so as to qualify as a REIT for U.S. federal income tax purposes. Our continued qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution and stockholder ownership requirements on a continuing basis. Our ability to satisfy some of the asset tests depends upon the fair market values of our assets, some of which are not able to be precisely determined and for which we will not obtain independent appraisals. If we were to fail to qualify as a REIT in any taxable year, and certain statutory relief provisions were not available, we would be subject to U.S. federal income tax, on our taxable income at regular corporate rates, and distributions to stockholders would not be deductible by us in computing our taxable income. Any such corporate tax liability could be substantial and would reduce the amount of cash available for distribution. Unless entitled to relief under certain Internal Revenue Code provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our common stock.

REIT distribution requirements could adversely affect our liquidity. In order to maintain our REIT status and to meet the REIT distribution requirements, we may need to borrow funds on a short-term basis or sell assets, even if the then-prevailing market conditions are not favorable for these borrowings or sales. To qualify as a REIT, we generally must distribute to our stockholders at least 90% of our net taxable income each year, excluding capital gains. In addition, we will be subject to corporate income tax to the extent we distribute less than 100% of our net taxable income including any net capital gain. We intend to make distributions to our stockholders to comply with the requirements of the Internal Revenue Code for REITs and to minimize or eliminate our corporate income tax obligation to the extent consistent with our business objectives. Our cash flows from operations may be insufficient to fund required distributions as a result of differences in timing between the actual receipt of income and the recognition of income for federal income tax purposes, or the effect of non-deductible capital expenditures, the creation of reserves or required debt service or amortization payments. The insufficiency of our cash flows to cover our distribution requirements could have an adverse impact on our ability to raise short- and long-term debt or sell equity securities in order to fund distributions required to maintain our REIT status. In addition, we will be subject to a 4% nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85% of our ordinary income, 95% of our capital gain net income and 100% of our undistributed income from prior years.

Further, amounts distributed will not be available to fund investment activities. We expect to fund our investments by raising equity capital and through borrowings from financial institutions and the debt capital markets. If we fail to obtain debt or equity capital in the future, it could limit our ability to grow, which could have a material adverse effect on the value of our common stock.

The stock ownership limit imposed by the Internal Revenue Code for REITs and our charter may inhibit market activity in our stock and may restrict our business combination opportunities. In order for us to maintain our qualification as a REIT under the Internal Revenue Code, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by five or fewer individuals (as defined in the Internal Revenue Code to include certain entities) at any time during the last half of each taxable year. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year for each taxable year. Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by the board of directors, no person may own more than 9.8% of the aggregate value of the outstanding shares of our stock or more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock. The board of directors may not grant such an exemption to any proposed transferee whose ownership in excess of 9.8% of the value of our outstanding shares or more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock, would result in the termination of our status as a REIT. These ownership limits could delay or prevent a transaction or a change in our control that might be in the best interest of our stockholders.

Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends. The maximum tax rate applicable to "qualified dividend income" payable to U.S. stockholders that are taxed at individual rates is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates on qualified dividend income. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

The prohibited transactions tax may subject us to tax on our gain from sales of property and limit our ability to dispose of our properties. A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we intend to acquire and hold all of our assets as investments and not for sale to customers in the ordinary course of business, the IRS may assert that we are subject to the prohibited transaction tax equal to 100% of net gain upon a disposition of real property. Although a safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction is available, not all of our prior property dispositions qualified for the safe harbor and we cannot assure you that we can comply with the safe harbor in the future or that we have avoided, or will avoid, owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or may conduct such sales through a TRS, which would be subject to federal and state income taxation. Additionally, in the event that we engage in sales of our properties, any gains from the sales of properties classified as prohibited transactions would be taxed at the 100% prohibited transaction tax rate.

We may be unable to generate sufficient revenue from operations, operating cash flow or portfolio income to pay our operating expenses, and our operating expenses could rise, diminishing our ability and to pay distributions to our stockholders. As a REIT, we are generally required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and not including net capital gains, each year to our stockholders. To qualify for the tax benefits accorded to REITs, we have and intend to continue to make distributions to our stockholders in amounts such that we distribute all or substantially all our net taxable income each year, subject to certain adjustments. However, our ability to make distributions may be adversely affected by the risk factors described herein. Our ability to make and sustain cash distributions is based on many factors, including the return on our investments, the size of our investment portfolio, operating expense levels, and certain restrictions imposed by Maryland law. Some of the factors are beyond our control and a change in any such factor could affect our ability to pay future dividends. No assurance can be given as to our ability to pay distributions to our stockholders. In the event of a downturn in our operating results and financial performance or unanticipated declines in the value of our asset portfolio, we may be unable to declare or pay quarterly distributions or make distributions to our stockholders. The timing and amount of distributions are in the sole discretion of our board of directors, which considers, among other factors, our earnings, financial condition, debt service obligations and applicable debt covenants, REIT qualification requirements and other tax considerations and capital expenditure requirements as our board of directors may deem relevant from time to time.

Although our use of TRSs may partially mitigate the impact of meeting the requirements necessary to maintain our qualification as a REIT, our ownership of and relationship with our TRSs will be limited, and a failure to comply with the limits would jeopardize our REIT qualification and may result in the application of a 100% excise tax. A REIT may own up to 100% of the stock of one or more TRSs. A TRS generally may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Any TRSs that we own will pay U.S. federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution to us but will not be required to be distributed to us. We will monitor the value of our investments in TRSs for the purpose of ensuring compliance with the rule that no more than 20% of the value of a REIT's assets may consist of TRS securities (which is applied at the end of each calendar quarter). In addition, we will scrutinize all of our transactions with any TRSs for the purpose of ensuring that they are entered into on arm's-length terms in order to avoid incurring the 100% excise tax described above. The value of the securities that we hold in TRSs may not be subject to precise valuation. Accordingly, there can be no assurance that we will be able to comply with the 20% REIT subsidiaries limitation or to avoid application of the 100% excise tax.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock. At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in the U.S. federal income tax laws, regulations or administrative interpretations.

If our operating partnership failed to qualify as a partnership for federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences. We believe that our operating partnership will be treated as a partnership for federal income tax purposes. As a partnership, our operating partnership will not be subject to federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our operating partnership's income. We cannot assure you, however, that the IRS will not challenge the status of our operating partnership or any other subsidiary partnership in which we own an interest as a partnership for federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our operating partnership or any subsidiary partnerships to qualify as a partnership could cause it to become subject to federal and state corporate income tax, which would reduce significantly the amount of cash available for debt service and for distribution to its partners, including us.

Risks Related to Conflicts of Interest

The tax protection agreement with Holmwood could limit our ability to sell or otherwise dispose of our Contribution Properties or make any such sale or other disposition costlier. In connection with our acquisition of the Contribution Properties, we entered into a tax protection agreement that will provide that we will indemnify Holmwood for any taxes incurred as a result of a taxable sale of the Contribution Properties for a period of ten years after the closing of the contribution. Therefore, although it may be in our stockholders' best interest that we sell or otherwise dispose of one or more of our Contribution Properties these it may be economically prohibitive, or at least costlier, for us to do so because of these obligations.

Any sale by Holmwood or members of our senior management team of ownership interests in us and speculation about such possible sales may materially and adversely affect the market price of our common stock. Upon completion of this offering, assuming we sell the maximum amount pursuant to this offering, Holmwood and members of our senior management team will own an aggregate of 200,000 shares of common stock, an aggregate of 1,078,416 OP Units, an aggregate of 40,000 shares of Series A Preferred Stock, and our Manager will have been granted 146,224 LTIPs, or such other form of our company's equity securities, as determined by the Management Agreement, which collectively represents 31.4% of the outstanding shares of our common stock on a fully diluted basis. This amount does not include equity issuable to our Manager in payment of acquisition fees, which will equal 1% of acquisition costs for each property we acquire. Neither Holmwood nor members of our senior management team are prohibited from selling any shares of our common stock or securities convertible into, or exchangeable for, shares of our common stock. Any sale by Holmwood or members of our senior management team of ownership interests in us, or speculation by the press, securities analysts, stockholders or others as to their intentions, may materially and adversely affect the market price of our common stock.

We may be assuming unknown or unquantifiable liabilities, including environmental liabilities, associated with our initial properties, and such liabilities could materially and adversely affect us. We have assumed from Holmwood existing liabilities in connection with our contribution and, by extension, the Contribution Properties, some of which may be unknown or unquantifiable. These liabilities may include liabilities for undisclosed environmental conditions, tax liabilities, claims of tenants or vendors and accrued but unpaid liabilities. Holmwood is making limited representations and warranties with respect to the Contribution Properties and our acquisition properties, respectively. Any unknown or unquantifiable liabilities that we assume from Holmwood for which we have no or limited recourse could materially and adversely affect us.

The Management Agreement with our Manager was not negotiated on an arm's-length basis and may not be as favorable to us as if it had been negotiated with an unaffiliated third party. Our executive officers, including a majority of our directors, are executives of our Manager. Our Management Agreement was negotiated between related parties and its terms, including fees payable to our Manager, may not be as favorable to us as if it had been negotiated with an unaffiliated third party. In addition, we may choose not to enforce, or to enforce less vigorously, our rights under the Management Agreement because of our desire to maintain our ongoing relationship with Holmwood and its affiliates.

We have made significant borrowings from BH, an affiliate of one of our directors.

Baker Hill Holding, LLC, or BH, which is controlled by the spouse of Philip Kurlander, one of our directors and an owner and the controlling manager of our Manager, is the lender of $4,970,000 in the aggregate of unsecured promissory notes used to acquire our Champaign, Knoxville and Sarasota Properties. BH also loaned $2,770,000 to us to finance, in part, our acquisition of the Norfolk Property, $500,000 to us to finance, in part the payoff of the Standridge Note, and an aggregate of $288,000 to fund working capital and distributions. These loans could result in conflicts of interest for Dr. Kurlander related to the repayment thereof.

We may have conflicts of interest with our Manager and other affiliates, which could result in investment decisions that are not in the best interests of our stockholders. There are numerous conflicts of interest between our interests and the interests of our Manager, Holmwood, and their respective affiliates, including conflicts arising out of allocation of personnel to our activities, purchase or sale of properties, including from or to Holmwood or its affiliates and fee arrangements with our Manager that might induce our Manager to make investment decisions that are not in our best interests. In addition to the aforementioned, while our Manager is not currently affiliated with any other investment vehicles, there is nothing restricting our Manager from pursuing other investment vehicles. As a result, our Manager may face conflicts of interest in the future regarding the allocation of investment opportunities between us and other investment vehicles with which it is affiliated. Examples of these potential conflicts of interest include:

- Competition for the time and services of personnel that work for us and our affiliates;
- Compensation payable by us to our Manager and its affiliates for their various services, which may not be on market terms and is payable, in some cases, whether or not our stockholders receive distributions;
- Our Manager's position as manager of Holmwood;
- The possibility that our Manager, its officers and their respective affiliates will face conflicts of interest relating to the purchase and leasing of properties, and that such conflicts may not be resolved in our favor, thus potentially limiting our investment opportunities, impairing our ability to make distributions and adversely affecting the trading price of our stock;
- The possibility that if we acquire properties from Holmwood or its affiliates, the price may be higher than we would pay if the transaction were the result of arm's-length negotiations with a third party;
- The possibility that our Manager will face conflicts of interest caused by its indirect ownership by Holmwood, some of whose officers are also our officers and two of whom are directors of ours, resulting in actions that may not be in the long-term best interests of our stockholders;
- Our Manager has considerable discretion with respect to the terms and timing of our acquisition, disposition and leasing transactions;
- The possibility that we may acquire or merge with our Manager, resulting in an internalization of our management functions; and
- The possibility that the competing demands for the time of our Manager, its affiliates and our officers may result in them spending insufficient time on our business, which may result in our missing investment opportunities or having less efficient operations, which could reduce our profitability and result in lower distributions to you.

Any of these and other conflicts of interest between us and our Manager could have a material adverse effect on the returns on our investments, our ability to make distributions to stockholders and the trading price of our stock.

Legal Counsel for our company, our Manager and Holmwood is the same law firm. Kaplan, Voekler, Cunningham & Frank, PLC, or KVCF, acts as legal counsel to our Manager, Holmwood and some of their affiliates and also is expected to represent us. Additionally, Messrs. Kaplan and Kaplan, Jr., who will respectively be our Secretary and director, and our President, upon the initial closing of this offering, are each a member of KVCF. In connection with the offering, Messrs. Kaplan and Kaplan, Jr. will not serve as attorneys on behalf of KVCF or render any legal advice but will serve solely in their capacities with our company and our Manager. KVCF is not acting as counsel for the stockholders or any potential investor. There is a possibility in the future that the interests of the various parties may become adverse and, under the Code of Professional Responsibility of the legal profession, KVCF may be precluded from representing any one or all of such parties. If any situation arises in which our interests appear to be in conflict with those of our advisor, our Dealer-Manager or their affiliates, additional counsel may be retained by one or more of the parties to assure that their interests are adequately protected. Moreover, should such a conflict not be readily apparent, KVCF may inadvertently act in derogation of the interest of parties which could adversely affect us, and our ability to meet our investment objectives and, therefore, our stockholders.

Risks Associated with Debt Financing

Some of our properties are secured with cross-collateralized debt. (i) The Port Saint Lucie Property, Jonesboro Property and Lorain Property secure a loan made by Starwood Mortgage Capital, LLC, or the Starwood Loan; (ii) the Johnson City Property and Port Canaveral Property secure a loan made by Park Sterling Bank, or the Park Sterling Loan; and (iii) the Fort Smith Property, Lawton Property, Moore Property and Lakewood Property, secure a loan made by CorAmerica Loan Company, LLC, or the CorAmerica Loan. If we default on one of the loans listed above, the lender will have the ability to foreclose upon each of the properties securing such loan. As a result, a default on one of the above loans may have a much stronger, negative effect on our operations than if the loans were secured by a single asset.

We have used and may continue to use mortgage and other debt financing to acquire properties or interests in properties and otherwise incur other indebtedness, which increases our expenses and could subject us to the risk of losing properties in foreclosure if our cash flow is insufficient to make loan payments. We are permitted to acquire real properties and other real estate-related investments, including entity acquisitions, by assuming either existing financing secured by the asset or by borrowing new funds. In addition, we may incur or increase our mortgage debt by obtaining loans secured by some or all of our assets to obtain funds to acquire additional investments or to pay distributions to our stockholders. We also may borrow funds if necessary to satisfy the requirement that we distribute at least 90% of our annual "REIT taxable income," or otherwise as is necessary or advisable to assure that we maintain our qualification as a REIT for federal income tax purposes.

There is no limit on the amount we may invest in any single property or other asset or on the amount we can borrow to purchase any individual property or other investment. If we mortgage a property and have insufficient cash flow to service the debt, we risk an event of default which may result in our lenders foreclosing on the properties securing the mortgage.

If we cannot repay or refinance loans incurred to purchase our properties, or interests therein, then we may lose our interests in the properties secured by the loans we are unable to repay or refinance.

High levels of debt or increases in interest rates could increase the amount of our loan payments, which could reduce the cash available for distribution to stockholders. Our policies do not limit us from incurring debt. For purposes of calculating our leverage, we assume full consolidation of all of our real estate investments, whether or not they would be consolidated under GAAP, include assets we have classified as held for sale, and include any joint venture level indebtedness in our total indebtedness.

High debt levels will cause us to incur higher interest charges, resulting in higher debt service payments, and may be accompanied by restrictive covenants. Interest we pay reduces cash available for distribution to stockholders. Additionally, with respect to our variable rate debt, increases in interest rates increase our interest costs, which reduces our cash flow and our ability to make distributions to you. In addition, if we need to repay existing debt during periods of rising interest rates, we could be required to liquidate one or more of our investments in properties at times which may not permit realization of the maximum return on such investments and could result in a loss. In addition, if we are unable to service our debt payments, our lenders may foreclose on our interests in the real property that secures the loans we have entered into.

High mortgage rates may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our cash flow from operations and the amount of cash distributions we can make. To qualify as a REIT, we will be required to distribute at least 90% of our annual taxable income (excluding net capital gains) to our stockholders in each taxable year, and thus our ability to retain internally generated cash is limited. Accordingly, our ability to acquire properties or to make capital improvements to or remodel properties will depend on our ability to obtain debt or equity financing from third parties or the sellers of properties. If mortgage debt is unavailable at reasonable rates, we may not be able to finance the purchase of properties. If we place mortgage debt on properties, we run the risk of being unable to refinance the properties when the debt becomes due or of being unable to refinance on favorable terms. If interest rates are higher when we refinance the properties, our income could be reduced. We may be unable to refinance properties. If any of these events occurs, our cash flow would be reduced. This, in turn, would reduce cash available for distribution to you and may hinder our ability to raise capital by issuing more stock or borrowing more money.

Lenders may require us to enter into restrictive covenants relating to our operations, which could limit our ability to make distributions to you. When providing financing, a lender may impose restrictions on us that affect our distribution and operating policies and our ability to incur additional debt. Loan documents we enter into may contain covenants that limit our ability to further mortgage the property, discontinue insurance coverage, or replace our Manager. These or other limitations may limit our flexibility and prevent us from achieving our operating plans.

Our ability to obtain financing on reasonable terms would be impacted by negative capital market conditions. Recently, domestic and international financial markets have experienced unusual volatility and uncertainty. Although this condition occurred initially within the "subprime" single-family mortgage lending sector of the credit market, liquidity has tightened in overall financial markets, including the investment grade debt and equity capital markets. Consequently, there is greater uncertainty regarding our ability to access the credit market in order to attract financing on reasonable terms. Investment returns on our assets and our ability to make acquisitions could be adversely affected by our inability to secure financing on reasonable terms, if at all.

Some of our mortgage loans may have "due on sale" provisions, which may impact the manner in which we acquire, sell and/or finance our properties. In purchasing properties subject to financing, we may obtain financing with "due-on-sale" and/or "due-on-encumbrance" clauses. Due-on-sale clauses in mortgages allow a mortgage lender to demand full repayment of the mortgage loan if the borrower sells the mortgaged property. Similarly, due-on-encumbrance clauses allow a mortgage lender to demand full repayment if the borrower uses the real estate securing the mortgage loan as security for another loan. In such event, we may be required to sell our properties on an all-cash basis, which may make it more difficult to sell the property or reduce the selling price.

Lenders may be able to recover against our other properties under our mortgage loans. In financing our acquisitions, we will seek to obtain secured nonrecourse loans. However, only recourse financing may be available, in which event, in addition to the property securing the loan, the lender would have the ability to look to our other assets for satisfaction of the debt if the proceeds from the sale or other disposition of the property securing the loan are insufficient to fully repay it. Also, in order to facilitate the sale of a property, we may allow the buyer to purchase the property subject to an existing loan whereby we remain responsible for the debt.

If we are required to make payments under any "bad boy" carve-out guaranties that we may provide in connection with certain mortgages and related loans, our business and financial results could be materially adversely affected. In obtaining certain nonrecourse loans, we may provide standard carve-out guaranties. These guaranties are only applicable if and when the borrower directly, or indirectly through agreement with an affiliate, joint venture partner or other third party, voluntarily files a bankruptcy or similar liquidation or reorganization action or takes other actions that are fraudulent or improper (commonly referred to as "bad boy" guaranties). Although we believe that "bad boy" carve-out guaranties are not guaranties of payment in the event of foreclosure or other actions of the foreclosing lender that are beyond the borrower's control, some lenders in the real estate industry have recently sought to make claims for payment under such guaranties. In the event such a claim was made against us under a "bad boy" carve-out guaranty following foreclosure on mortgages or related loan, and such claim were successful, our business and financial results could be materially adversely affected.

Interest-only indebtedness may increase our risk of default and ultimately may reduce our funds available for distribution to our stockholders. We may finance our property acquisitions using interest-only mortgage indebtedness. During the interest-only period, the amount of each scheduled payment will be less than that of a traditional amortizing mortgage loan. The principal balance of the mortgage loan will not be reduced (except in the case of prepayments) because there are no scheduled monthly payments of principal during this period. After the interest-only period, we will be required either to make scheduled payments of amortized principal and interest or to make a lump-sum or "balloon" payment at maturity. These required principal or balloon payments will increase the amount of our scheduled payments and may increase our risk of default under the related mortgage loan. If the mortgage loan has an adjustable interest rate, the amount of our scheduled payments also may increase at a time of rising interest rates. Increased payments and substantial principal or balloon maturity payments will reduce the funds available for distribution to our stockholders because cash otherwise available for distribution will be required to pay principal and interest associated with these mortgage loans.

We may enter into derivative or hedging contracts that could expose us to contingent liabilities and certain risks and costs in the future. Part of our investment strategy may involve entering into derivative or hedging contracts that could require us to fund cash payments in the future under certain circumstances, such as the early termination of the derivative agreement caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the derivative contract. The amount due would be equal to the unrealized loss of the open swap positions with the respective counterparty and could also include other fees and charges. These economic losses would be reflected in our financial results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely impact our financial condition and results of operations.

Further, the cost of using derivative or hedging instruments increases as the period covered by the instrument increases and during periods of rising and volatile interest rates. We may increase our derivative or hedging activity and thus increase our related costs during periods when interest rates are volatile or rising and hedging costs have increased.

In addition, hedging instruments involve risk since they often are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities. Consequently, in many cases, there are no requirements with respect to record keeping, financial responsibility or segregation of customer funds and positions. Furthermore, the enforceability of agreements underlying derivative transactions may depend on compliance with applicable statutory and commodity and other regulatory requirements and, depending on the identity of the counterparty, applicable international requirements. The business failure of a hedging counterparty with whom we enter into a hedging transaction will most likely result in a default. Default by a party with whom we enter into a hedging transaction may result in the loss of unrealized profits and force us to cover our resale commitments, if any, at the then current market price. Although generally we will seek to reserve the right to terminate our hedging positions, it may not always be possible to dispose of or close out a hedging position without the consent of the hedging counterparty, and we may not be able to enter into an offsetting contract in order to cover our risk. We cannot be assured that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in losses.

Complying with REIT requirements may limit our ability to hedge risk effectively. The REIT provisions of the Code may limit our ability to hedge the risks inherent to our operations. From time to time, we may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging transactions may include entering into interest rate swaps, caps and floors, options to purchase these items, and futures and forward contracts. Any income or gain derived by us from transactions that hedge certain risks, such as the risk of changes in interest rates, will not be treated as gross income for purposes of either the 75% or the 95% income test, as defined below in "Material Federal Income Tax Considerations — Gross Income Tests," unless specific requirements are met. Such requirements include that the hedging transaction be properly identified within prescribed time periods and that the transaction either (1) hedges risks associated with indebtedness issued by us that is incurred to acquire or carry real estate assets or (2) manages the risks of currency fluctuations with respect to income or gain that qualifies under the 75% or 95% income test (or assets that generate such income). To the extent that we do not properly identify such transactions as hedges, hedge with other types of financial instruments, or hedge other types of indebtedness, the income from those transactions is not likely to be treated as qualifying income for purposes of the 75% and 95% income tests. As a result of these rules, we may have to limit the use of hedging techniques that might otherwise be advantageous, which could result in greater risks associated with interest rate or other changes than we would otherwise incur.

Interest rates might increase. Based on historical interest rates, current interest rates are low and, as a result, it is likely that the interest rates available for future real estate loans and refinances will be higher than the current interest rates for such loans, which may have a material and adverse impact on our company and our investments. If there is an increase in interest rates, any debt servicing on properties could be significantly higher than currently anticipated, which would reduce the amount of cash available for distribution to the stockholders. Also, rising interest rates may affect the ability of our Manager to refinance a property. Investments may be less desirable to prospective purchasers in a rising interest rate environment and their values may be adversely impacted by the reduction in cash flow due to increased interest payments.

We may use floating rate, interest-only or short-term loans to acquire properties**.** Our Manager has the right, in its sole discretion, to negotiate any debt financing, including obtaining (i) interest-only, (ii) floating rate and/or (iii) short-term loans to acquire properties. If our Manager obtains floating rate loans, the interest rate would not be fixed but would float with an established index (probably at higher interest rates in the future). No principal would be repaid on interest-only loans. Finally, we would be required to refinance short term loans at the end of a relatively short period. The credit markets have recently been in flux and are experiencing a malaise. No assurance can be given that our Manager would be able to refinance with fixed-rate permanent loans in the future, on favorable terms or at all, to refinance the short-term loans. In addition, no assurance can be given that the terms of such future loans to refinance the short-term loans would be favorable to our company.

We may use leverage to make investments. Our Manager, in its sole discretion, may leverage the properties. As a result of the use of leverage, a decrease in revenues of a leveraged property may materially and adversely affect that property's cash flow and, in turn, our ability to make distributions. No assurance can be given that future cash flow of a particular investment will be sufficient to make the debt service payments on any borrowed funds for that Investment and also cover operating expenses. If the property's revenues are insufficient to pay debt service and operating expenses, we would be required to use net income from other investments, working capital or reserves, or seek additional funds. There can be no assurance that additional funds will be available, if needed, or, if such funds are available, that they will be available on terms acceptable to us.

Leveraging a property allows a lender to foreclose on that property. Lenders on a property, even non-recourse lenders, are expected in all instances to retain the right to foreclose on that property if there is a default in the loan terms. If this were to occur, we would likely lose our entire investment in that property.

Lenders may have approval rights with respect to an encumbered property. A lender on a property will likely have numerous other rights, which may include the right to approve any change in the property manager for a particular property.

Availability of financing and market conditions will affect the success of our company. Market fluctuations in real estate financing may affect the availability and cost of funds needed in the future for our investments. In addition, credit availability has been restricted in the past and may become restricted again in the future. Restrictions upon the availability of real estate financing or high interest rates for real estate loans could adversely affect our investments and our ability to execute its investment goals.

We do not have guaranteed cash flow. There can be no assurance that cash flow or profits will be generated by our investments. If our investments do not generate the anticipated amount of cash flow, we may not be able to pay the anticipated distributions to the stockholders without making such distributions from the net proceeds of this offering, from reserves, or from borrowings. We have funded distributions from borrowings in the past, including borrowings from related parties, and may do so again in the future.

Risks Related to Our Organization and Structure

A limit on the percentage of our securities a person may own may discourage a takeover or business combination, which could prevent our stockholders from realizing a premium price for their stock. Our charter restricts direct or indirect ownership by one person or entity to no more than 9.8% in value of the outstanding shares of our capital stock or 9.8% in number of shares or value, whichever is more restrictive, of the outstanding shares of our common stock unless exempted (prospectively or retroactively) by our board of directors. This restriction may have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to our stockholders.

Our charter permits our board of directors to issue stock with terms that may subordinate the rights of our common stockholders or discourage a third party from acquiring us in a manner that could result in a premium price to our stockholders. Our board of directors may amend our charter from time to time to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we have authority to issue and may classify or reclassify any unissued common stock or preferred stock into other classes or series of stock and establish the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption of any such stock. In addition to our 400,000 shares of Series A Preferred Stock, our board of directors could also authorize the issuance of up to 249,600,000 more shares of preferred stock with terms and conditions that could have priority as to distributions and amounts payable upon liquidation over the rights of the holders of our common stock. Such preferred stock could also have the effect of delaying, deferring or preventing a change in control of us, including an extraordinary transaction (such as a merger, tender offer or sale of all or substantially all of our assets) that might provide a premium price to holders of our common stock.

Your investment return may be reduced if we are required to register as an investment company under the Investment Company Act; if we are subject to registration under the Investment Company Act, we will not be able to continue our business. Neither we, nor our operating partnership, nor any of our subsidiaries intend to register as an investment company under the Investment Company Act. We expect that our operating partnership's and subsidiaries' investments in real estate will represent the substantial majority of our total asset mix, which would not subject us to the Investment Company Act. In order to maintain an exemption from regulation under the Investment Company Act, we intend to engage, through our operating partnership and our wholly and majority owned subsidiaries, primarily in the business of buying real estate, and these investments must be made within a year after an offering ends. If we are unable to invest a significant portion of the proceeds of an offering in properties within one year of the termination of such offering, we may avoid being required to register as an investment company by temporarily investing any unused proceeds in government securities with low returns, which would reduce the cash available for distribution to stockholders and possibly lower your returns.

We expect that most of our assets will be held through wholly owned or majority owned subsidiaries of our operating partnership. We expect that most of these subsidiaries will be outside the definition of investment company under Section 3(a)(1) of the Investment Company Act as they are generally expected to hold at least 60% of their assets in real property or in entities that they manage or co-manage that own real property. Section 3(a)(1)(A) of the Investment Company Act defines an investment company as any issuer that is or holds itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Section 3(a)(1)(C) of the Investment Company Act defines an investment company as any issuer that is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and owns or proposes to acquire investment securities having a value exceeding 40% of the value of the issuer's total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis, which we refer to as the 40% test. Excluded from the term "investment securities," among other things, are U.S. government securities and securities issued by majority owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company set forth in Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act. We believe that we, our operating partnership and most of the subsidiaries of our operating partnership will not fall within either definition of investment company as we invest primarily in real property, through our wholly or majority owned subsidiaries, the majority of which we expect to have at least 60% of their assets in real property or in entities that they manage or co-manage that own real property. As these subsidiaries would be investing either solely or primarily in real property, they would be outside of the definition of "investment company" under Section 3(a)(1) of the Investment Company Act. We are organized as a holding company that conducts its businesses primarily through the operating partnership, which in turn is a holding company conducting its business through its subsidiaries. Both we and our operating partnership intend to conduct our operations so that they comply with the 40% test. We will monitor our holdings to ensure continuing and ongoing compliance with this test. In addition, we believe that neither we nor the operating partnership will be considered an investment company under Section 3(a)(1)(A) of the Investment Company Act because neither we nor the operating partnership will engage primarily or hold itself out as being engaged primarily in the business of investing, reinvesting or trading in securities. Rather, through the operating partnership's wholly-owned or majority owned subsidiaries, we and the operating partnership will be primarily engaged in the non-investment company businesses of these subsidiaries.

In the event that the value of investment securities held by the subsidiaries of our operating partnership were to exceed 40%, we expect our subsidiaries to be able to rely on the exclusion from the definition of “investment company” provided by Section 3(c)(5)(C) of the Investment Company Act. Section 3(c)(5)(C), as interpreted by the staff of the SEC, requires each of our subsidiaries relying on this exception to invest at least 55% of its portfolio in “mortgage and other liens on and interests in real estate,” which we refer to as “qualifying real estate assets” and maintain at least 70% to 90% of its assets in qualifying real estate assets or other real estate-related assets. The remaining 20% of the portfolio can consist of miscellaneous assets. What we buy and sell is therefore limited to these criteria. How we determine to classify our assets for purposes of the Investment Company Act will be based in large measure upon no-action letters issued by the SEC staff in the past and other SEC interpretive guidance. These no-action positions were issued in accordance with factual situations that may be substantially different from the factual situations we may face, and a number of these no-action positions were issued more than ten years ago. Pursuant to this guidance, and depending on the characteristics of the specific investments, certain joint venture investments may not constitute qualifying real estate assets and therefore investments in these types of assets may be limited. No assurance can be given that the SEC will concur with our classification of our assets. Future revisions to the Investment Company Act or further guidance from the SEC may cause us to lose our exclusion from registration or force us to re-evaluate our portfolio and our investment strategy. Such changes may prevent us from operating our business successfully.

In the event that we, or our operating partnership, were to acquire assets that could make either entity fall within the definition of investment company under Section 3(a)(1) of the Investment Company Act, we believe that we would still qualify for an exclusion from registration pursuant to Section 3(c)(6). Section 3(c)(6) excludes from the definition of investment company any company primarily engaged, directly or through majority owned subsidiaries, in one or more of certain specified businesses. These specified businesses include the real estate business described in Section 3(c)(5)(C) of the Investment Company Act. It also excludes from the definition of investment company any company primarily engaged, directly or through majority owned subsidiaries, in one or more of such specified businesses from which at least 25% of such company’s gross income during its last fiscal year is derived, together with any additional business or businesses other than investing, reinvesting, owning, holding, or trading in securities. Although the SEC staff has issued little interpretive guidance with respect to Section 3(c)(6), we believe that we and our operating partnership may rely on Section 3(c)(6) if 55% of the assets of our operating partnership consist of, and at least 55% of the income of our operating partnership is derived from, qualifying real estate assets owned by wholly owned or majority owned subsidiaries of our operating partnership.

To ensure that neither we, nor our operating partnership nor subsidiaries are required to register as an investment company, each entity may be unable to sell assets they would otherwise want to sell and may need to sell assets they would otherwise wish to retain. In addition, we, our operating partnership or our subsidiaries may be required to acquire additional income or loss-generating assets that we might not otherwise acquire or forego opportunities to acquire interests in companies that we would otherwise want to acquire. Although we, our operating partnership and our subsidiaries intend to monitor our respective portfolios periodically and prior to each acquisition or disposition, any of these entities may not be able to maintain an exclusion from registration as an investment company. If we, our operating partnership or our subsidiaries are required to register as an investment company but fail to do so, the unregistered entity would be prohibited from engaging in our business, and criminal and civil actions could be brought against such entity. In addition, the contracts of such entity would be unenforceable unless a court required enforcement, and a court could appoint a receiver to take control of the entity and liquidate its business. Finally, if we were to become an investment company then we would not be permitted to rely upon Regulation A for future offerings of our securities, which may adversely impact our ability to raise additional capital.

We may change our investment and operational policies without stockholder consent. We may change our investment and operational policies, including our policies with respect to investments, acquisitions, growth, operations, indebtedness, capitalization and distributions, at any time without the consent of our stockholders, which could result in our making investments that are different from, and possibly riskier than, the types of investments described in this filing. A change in our investment strategy may increase our exposure to interest rate risk, default risk and real estate market fluctuations, all of which could adversely affect our ability to make distributions.

We may in the future choose to pay dividends in our own stock, in which case you may be required to pay income taxes in excess of the cash dividends you receive. We may in the future distribute taxable dividends that are payable in cash and shares of our common stock at the election of each stockholder. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as ordinary income to the extent of our current and accumulated earnings and profits for United States federal income tax purposes. As a result, a U.S. stockholder may be required to pay income taxes with respect to such dividends in excess of the cash dividends received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, if a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock.

Our board of directors may amend our bylaws without the consent of stockholders. Our board of directors may amend our bylaws at any time without stockholder consent, including without limitation to eliminate the majority independent director requirement. In such an event, your ability to control the terms of our bylaws may be limited to voting on the appointment of directors.

Risks Related to Ownership of Our Common Stock

Our ability to pay our estimated initial annual dividend, which represents approximately 292% of our estimated cash available for distribution for the twelve months ending June 30, 2019, assuming we sell the maximum offering amount, depends on our future operating cash flow, and we expect to be required to fund a portion of our estimated initial annual dividend through borrowings or equity issuances, and we cannot assure you that we will be able to obtain such funding on attractive terms or at all, in which case we plan to use a portion of the remaining net proceeds from this offering for such funding, which would make such amounts unavailable for our future acquisition of properties, or to fund such dividend in the form of shares of common stock or to eliminate or otherwise reduce such dividend.

We generally must distribute at least 90% of our REIT taxable income each year (subject to certain adjustments) to our stockholders in order to qualify as a REIT under the Code. We intend to pay cash dividends to our stockholders on a quarterly basis. On an annualized basis, we intend to pay a dividend equaling $0.55 per share, or an annual dividend rate of 5.5% based on the offering price set forth on the cover of this offering circular. Our intended dividend for the twelve months ended June 30, 2018 represents approximately 295% of our estimated cash available for distribution for the twelve months ending June 30, 2019, assuming we sell the maximum offering amount, calculated as described more fully under "Distribution Policy." Accordingly, we expect that we will be unable to pay our estimated dividend out of our estimated cash available for distribution for the twelve months ending June 30, 2019. Unless our operating cash flow increases in the future, including as a result of acquisitions using our unallocated net proceeds, we will be required to fund $1,628,833 of our intended annual dividend, assuming we sell the maximum offering amount, through borrowings or equity issuances, and we cannot assure you that we will be able to obtain such funding on attractive terms or at all, in which case we plan to use a portion of the remaining net proceeds from this offering for such funding, which would make such amounts unavailable for our future acquisition of properties, or to fund such dividend in the form of shares of common stock or to eliminate or otherwise reduce such dividend.

If we sell the maximum offering amount, our pro forma estimated distribution for the twelve months ending June 30, 2019 will be $2,464,352, which represents 295% of our estimated cash available for distribution for the same period. In the event that we sell the maximum offering amount and use offering proceeds to cover the dividend payments in excess of the estimated cash available for distribution, you will experience a dilution in your investment of $0.54 per share. The dilution to investors calculated in this paragraph does not include dilution that will occur from issuances to management or will occur from Equity Grants. The calculation also assumes a fair valuation of the Contribution Properties. For more information on dilution to investors, see "Dilution."

Although we anticipate initially making quarterly dividends at our intended annual dividend rate to our common stockholders, the timing, form and amount of any dividends will be at the sole discretion of our board of directors and will depend upon a number of factors, as to which, no assurance can be given.

As a result, no assurance can be given that we will pay dividends to our common stockholders at any time or in any particular form at any time or that the level of any dividends we do pay to our common stockholders will be consistent with our anticipated annual dividend rate or will increase or even be maintained over time, or achieve a market yield. Any of the foregoing could materially and adversely affect us and the market price of our common stock.

Future sales of shares of our common stock in the public market or the issuance of other equity may adversely affect the market price of our common stock. Sales of a substantial number of shares of common stock or other equity-related securities in the public market could depress the market price of our common stock, and impair our ability to raise capital through the sale of additional equity securities. We cannot predict the effect that future sales of common stock or other equity-related securities would have on the market price of our common stock.

The price of our common stock may fluctuate significantly. If a trading market develops, the trading price of our common stock may fluctuate significantly in response to many factors, including:

- actual or anticipated variations in our operating results, funds from operations, or FFO, cash flows, liquidity or distributions;
- changes in our earnings estimates or those of analysts;
- publication of research reports about us or the real estate industry or sector in which we operate;
- increases in market interest rates that lead purchasers of our shares to demand a higher dividend yield;

- changes in market valuations of companies similar to us;
- adverse market reaction to any securities we may issue or additional debt we incur in the future;
- additions or departures of key management personnel;
- actions by institutional stockholders;
- speculation in the press or investment community;
- continuing high levels of volatility in the credit markets;
- the realization of any of the other risk factors included herein; and
- general market and economic conditions.

The availability and timing of cash distributions is uncertain. We are generally required to distribute to our stockholders at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year in order for us to qualify as a REIT under the Code, which we intend to satisfy through quarterly cash distributions of all or substantially all of our REIT taxable income in such year, subject to certain adjustments. Our board of directors will determine the amount and timing of any distributions. In making such determinations, our directors will consider all relevant factors, including the amount of cash available for distribution, capital expenditures, general operational requirements and applicable law. We intend over time to make regular quarterly distributions to holders of shares of our common stock. However, we bear all expenses incurred by our operations, and the funds generated by operations, after deducting these expenses, may not be sufficient to cover desired levels of distributions to stockholders. In addition, our board of directors, in its discretion, may retain any portion of such cash in excess of our REIT taxable income for working capital. We cannot predict the amount of distributions we may make, maintain or increase over time.

There are many factors that can affect the availability and timing of cash distributions to stockholders. Because we may receive rents and income from our properties at various times during our fiscal year, distributions paid may not reflect our income earned in that particular distribution period. The amount of cash available for distribution will be affected by many factors, including without limitation, the amount of income we will earn from investments in target assets, the amount of its operating expenses and many other variables. Actual cash available for distribution may vary substantially from our expectations.

While we intend to fund the payment of quarterly distributions to holders of shares of our common stock entirely from distributable cash flows, we may fund quarterly distributions to our stockholders from a combination of available net cash flows, equity capital, proceeds from this offering and borrowings, and the sale of assets. There is no limit on the amount of offering proceeds we may use to fund distributions. Distributions paid from sources other than cash flow from operations may constitute a return of capital to our stockholders. In the event we are unable to consistently fund future quarterly distributions to stockholders entirely from distributable cash flows, the value of our common stock may be negatively impacted.

An increase in market interest rates may have an adverse effect on the market price of our common stock and our ability to make distributions to its stockholders. One of the factors that investors may consider in deciding whether to buy or sell shares of our common stock is our distribution rate as a percentage of our share price, relative to market interest rates. If market interest rates increase, prospective investors may demand a higher distribution rate on shares of common stock or seek alternative investments paying higher distributions or interest. As a result, interest rate fluctuations and capital market conditions can affect the market price of shares of our common stock. For instance, if interest rates rise without an increase in our distribution rate, the market price of shares of our common stock could decrease because potential investors may require a higher distribution yield on shares of our common stock as market rates on interest-bearing instruments such as bonds rise. In addition, to the extent we have variable rate debt, rising interest rates would result in increased interest expense on our variable rate debt, thereby adversely affecting our cash flow and our ability to service our indebtedness and make distributions to our stockholders.

Our common stock ranks junior to our Series A Preferred Stock with regard to dividend and liquidation preference. We have issued 144,500 shares of our Series A Preferred Stock. Pursuant to the terms of the Series A Preferred Stock, each share of Series A Preferred Stock is entitled to cumulative dividends equal to 7.0% per annum on the initial liquidation preference of $25.00 per share, or $1.75 per share, per annum, paid quarterly in arrears. This dividend will be paid before any distributions are made on shares of our common stock. Further, upon liquidation of our company, holders of shares of our Series A Preferred Stock will be entitled to receive $25.00 per share of Series A Preferred Stock, plus an amount equal to all accrued and unpaid dividends, before any distribution is made to holders of our common stock.

Your interest in our company may be diluted by additional offerings or the conversion of the Series A Preferred Stock. We are not restricted from offering additional common stock outside of this offering. As a result, such an offering may be dilutive to your ownership percentage in our company and, depending on market conditions and the terms of the offering, may be dilutive of your financial investment in our company.

The Series A Preferred Stock will convert to common stock upon the earlier of a Listing Event or April 4, 2020. At such time, the Series A Preferred Stock will convert into common stock on at least a one-to-three ratio, depending on the amount of cumulative accrued but unpaid dividends on each share of Series A Preferred Stock being converted. As a result, such a conversion will be dilutive to your ownership percentage in our company and your financial investment in our company.

Risks Related to the Offering and Lack of Liquidity

Shares of our common stock will have limited transferability and liquidity. Prior to this offering, there was no active market for our common stock. Although we intend to apply for quotation of our common stock on the OTCQX, even if we obtain that quotation, we do not know the extent to which investor interest will lead to the development and maintenance of a liquid trading market. Further, our common stock will not be quoted on the OTCQX until after the termination of this offering, if at all. Therefore, purchasers in the initial closing will be required to wait until at least after the final termination date of this offering for such quotation. The initial public offering price for shares of our common stock will be determined by us and was not determined based upon any appraisals of assets we own or may own and will not be adjusted based upon any such appraisals. Thus, the offering price may not accurately reflect the value of our assets at the time an investor's investment is made. You may not be able to sell your shares of common stock at or above the initial offering price.

The OTCQX, as with other public markets, has from time to time experienced significant price and volume fluctuations. As a result, the market price of shares of our common stock may be similarly volatile, and holders of shares of our common stock may from time to time experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. The price of shares of our common stock could be subject to wide fluctuations in response to a number of factors, including those listed in this "Risk Factors" section of this offering circular.

No assurance can be given that the market price of shares of our common stock will not fluctuate or decline significantly in the future or that common stockholders will be able to sell their shares when desired on favorable terms, or at all. Further, the sale of the shares may have adverse federal income tax consequences.

The price of the shares is arbitrary. The purchase price of the shares of our common stock has been determined primarily by our capital needs and bears no relationship to any established criteria of value such as book value or earnings per share, or any combination thereof. Further, the price of the shares is not based on our past earnings or our current net asset value per share. There has been no prior public market for our shares, and therefore, the offering price is not based on any market value.

Material Federal Income Tax Risks

Failure to qualify or remain qualified as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders. We elected to be taxed as a REIT under the federal income tax laws commencing with our taxable year ended December 31, 2017. We believe that we have operated in a manner qualifying us as a REIT commencing with our taxable year ended December 31, 2017 and intend to continue to so operate. However, we cannot assure you that we will remain qualified as a REIT. Moreover, our qualification and taxation as a REIT depend upon our ability to meet on a continuing basis, through actual annual operating results, certain qualification tests set forth in the federal tax laws. Accordingly, no assurance can be given that our actual results of operations for any particular taxable year will satisfy such requirements.

If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because:

- we would not be able to deduct dividends paid to stockholders in computing our taxable income and would be subject to U.S. federal income tax at regular corporate rates;

- unless we are entitled to relief under certain U.S. federal income tax laws, we could not re-elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT.

In addition, if we fail to qualify as a REIT, we will no longer be required to make distributions. As a result of all these factors, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and it would adversely affect the value of our common stock. See "Material Federal Income Tax Considerations" for a discussion of material federal income tax consequences relating to us and our common stock.

Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments. To maintain our qualification as a REIT for federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our capital stock. In order to meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance.

In particular, we must ensure that at the end of each calendar quarter, at least 75% of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of TRSs and qualified real estate assets) generally cannot include more than 10% of the outstanding voting securities of any one issuer or more than 10% of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5% of the value of our assets (other than government securities, securities of TRSs and qualified real estate assets) can consist of the securities of any one issuer, and no more than 20% of the value of our total assets can be represented by the securities of one or more TRSs. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders.

Even if we qualify and remain qualified as a REIT, we may face other tax liabilities that reduce our cash flows. Even if we remain qualified as a REIT, we may be subject to certain federal, state and local taxes on our income and assets, including taxes on any undistributed income, tax on income from some activities conducted as a result of a foreclosure, and state or local income, property and transfer taxes. In addition, any TRS in which we own an interest will be subject to regular corporate federal, state and local taxes. Any of these taxes would decrease cash available for distributions to stockholders.

Failure to make required distributions would subject us to U.S. federal corporate income tax. We intend to operate in a manner so as to qualify as a REIT for U.S. federal income tax purposes. In order to qualify and remain qualified as a REIT, we generally are required to distribute at least 90% of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year to our stockholders. To the extent that we satisfy this distribution requirement but distribute less than 100% of our REIT taxable income, we will be subject to U.S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4% nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the Code.

The prohibited transactions tax may subject us to tax on our gain from sales of property and limit our ability to dispose of our properties. A REIT's net income from prohibited transactions is subject to a 100% tax. In general, prohibited transactions are sales or other dispositions of property other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we intend to acquire and hold all of our assets as investments and not for sale to customers in the ordinary course of business, the IRS may assert that we are subject to the prohibited transaction tax equal to 100% of net gain upon a disposition of real property.

Although a safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction is available, not all of our prior property dispositions qualified for the safe harbor and we cannot assure you that we can comply with the safe harbor in the future or that we have avoided, or will avoid, owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our properties or may conduct such sales through a TRS, which would be subject to federal and state income taxation. Additionally, in the event that we engage in sales of our properties, any gains from the sales of properties classified as prohibited transactions would be taxed at the 100% prohibited transaction tax rate.

The ability of our Board to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders. Our charter provides that our Board may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U.S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which may have adverse consequences on our total return to our stockholders.

Our ownership of any TRSs will be subject to limitations and our transactions with any TRSs will cause us to be subject to a 100% penalty tax on certain income or deductions if those transactions are not conducted on arm's-length terms. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the Code limits the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The Code also imposes a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis. Furthermore, we will monitor the value of our respective investments in any TRSs for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with any TRSs on terms that we believe are arm's-length to avoid incurring the 100% excise tax described above. There can be no assurance, however, that we will be able to comply with the 20% REIT subsidiaries limitation or to avoid application of the 100% excise tax.

You may be restricted from acquiring or transferring certain amounts of our common stock. The stock ownership restrictions of the Code for REITs and the 9.8% stock ownership limits in our charter may inhibit market activity in our capital stock and restrict our business combination opportunities.

In order to qualify as a REIT, five or fewer individuals, as defined in the Code to include specified private foundations, employee benefit plans and trusts, and charitable trusts, may not own, beneficially or constructively, more than 50% in value of our issued and outstanding stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our capital stock under this requirement. Additionally, at least 100 persons must beneficially own our capital stock during at least 335 days of a taxable year. To help insure that we meet these tests, among other purposes, our charter restricts the acquisition and ownership of shares of our capital stock.

Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted, prospectively or retroactively, by our Board, our charter prohibits any person from beneficially or constructively owning more than 9.8% in value of the aggregate of our outstanding shares of capital stock or 9.8% in value or number of shares, whichever is more restrictive, of the outstanding shares of our common stock. Our Board may not grant an exemption from these restrictions to any proposed transferee whose ownership in excess of such thresholds does not satisfy certain conditions designed to ensure that we will not fail to qualify as a REIT. These restrictions on transferability and ownership will not apply, however, if our board of directors determines that it is no longer in our best interest to continue to qualify as a REIT or that compliance is no longer required for REIT qualification.

We may be subject to adverse legislative or regulatory tax changes that could reduce the market price of our common stock. At any time, the U.S. federal income tax laws governing REITs or the administrative interpretations of those laws may be amended. We cannot predict when or if any new U.S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U.S. federal income tax law, regulation or administrative interpretation, will be adopted, promulgated or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in the U.S. federal income tax laws, regulations or administrative interpretations.

Dividends payable by REITs generally do not qualify for the reduced tax rates available for certain dividends. The maximum tax rate applicable to "qualified dividend income" payable to U.S. stockholders taxed at individual rates is 20%. Dividends payable by REITs, however, generally are not eligible for the reduced rates. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to perceive investments in REITs to be relatively less attractive than investments in the stocks of non-REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock.

Distributions to tax-exempt investors may be classified as unrelated business taxable income and tax-exempt investors would be required to pay tax on the unrelated business taxable income and to file income tax returns. Neither ordinary nor capital gain distributions with respect to our common stock nor gain from the sale of stock should generally constitute unrelated business taxable income to a tax-exempt investor. However, there are certain exceptions to this rule. In particular:

- under certain circumstances, part of the income and gain recognized by certain qualified employee pension trusts with respect to our stock may be treated as unrelated business taxable income if our stock is predominately held by qualified employee pension trusts, such that we are a "pension-held" REIT (which we do not expect to be the case);

- part of the income and gain recognized by a tax-exempt investor with respect to our stock would constitute unrelated business taxable income if such investor incurs debt in order to acquire our common stock; and

- part or all of the income or gain recognized with respect to our stock held by social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans which are exempt from federal income taxation under Sections 501(c)(7), (9), (17) or (20) of the Code may be treated as unrelated business taxable income.

We encourage you to consult your own tax advisor to determine the tax consequences applicable to you if you are a tax-exempt investor. See "Material Federal Income Tax Considerations — Taxation of Tax-Exempt Stockholders."

You may have current tax liability on distributions, even if you elect to reinvest in shares of our common stock. If you participate in the DRIP, you will be deemed to have received a cash distribution equal to the fair market value of the stock received pursuant to the plan. For federal income tax purposes, you will be taxed on this amount in the same manner as if you have received cash; namely, to the extent that we have current or accumulated earnings and profits, you will have ordinary taxable income. To the extent that we make a distribution in excess of such earnings and profits, the distribution will be treated first as a tax-free return of capital, which will reduce the tax basis in your stock, and the amount of the distribution in excess of such basis will be taxable as a gain realized from the sale of your common stock. As a result, unless you are a tax-exempt entity, you may have to use funds from other sources to pay your tax liability on the value of the common stock received. See "Material Federal Income Tax Considerations — Distribution Requirements."

Benefit Plan Risks Under ERISA or the Code

If you fail to meet the fiduciary and other standards under the Employee Retirement Income Security Act of 1974, as amended or the Code as a result of an investment in our stock, you could be subject to criminal and civil penalties. Special considerations apply to the purchase of stock by employee benefit plans subject to the fiduciary rules of title I of the Employee Retirement Income Security Act of 1974, as amended, or ERISA, including pension or profit sharing plans and entities that hold assets of such plans, which we refer to as ERISA Plans, and plans and accounts that are not subject to ERISA, but are subject to the prohibited transaction rules of Section 4975 of the Code, including IRAs, Keogh Plans, and medical savings accounts. (Collectively, we refer to ERISA Plans and plans subject to Section 4975 of the Code as “Benefit Plans” or “Benefit Plan Investors”). If you are investing the assets of any Benefit Plan, you should consider whether:

- your investment will be consistent with your fiduciary obligations under ERISA and the Code;
- your investment will be made in accordance with the documents and instruments governing the Benefit Plan, including the Plan’s investment policy;
- your investment will satisfy the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA, if applicable, and other applicable provisions of ERISA and the Code;
- your investment will impair the liquidity of the Benefit Plan;
- your investment will produce “unrelated business taxable income” for the Benefit Plan;
- you will be able to satisfy plan liquidity requirements as there may be only a limited market to sell or otherwise dispose of our stock; and
- your investment will constitute a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code.

Failure to satisfy the fiduciary standards of conduct and other applicable requirements of ERISA and the Code may result in the imposition of civil and criminal penalties, and can subject the fiduciary to claims for damages or for equitable remedies. In addition, if an investment in our shares constitutes a prohibited transaction under ERISA or the Code, the fiduciary or IRA owner who authorized or directed the investment may be subject to the imposition of excise taxes with respect to the amount invested. In the case of a prohibited transaction involving an IRA owner, the IRA may be disqualified and all of the assets of the IRA may be deemed distributed and subjected to tax. Benefit Plan Investors should consult with counsel before making an investment in shares of our common stock.

Plans that are not subject to ERISA or the prohibited transactions of the Code, such as government plans or church plans, may be subject to similar requirements under state law. The fiduciaries of such plans should satisfy themselves that the investment satisfies applicable law.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make statements in this offering circular, that are forward-looking statements within the meaning of the federal securities laws. The words "believe," "estimate," "expect," "anticipate," "intend," "plan," "seek," "may," and similar expressions or statements regarding future periods are intended to identify forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause our actual results, performance or achievements, or industry results to differ materially from any predictions of future results, performance or achievements that we express or imply in this offering circular or in the information incorporated by reference in this offering circular.

The forward-looking statements included in this offering circular are based upon our current expectations, plans, estimates, assumptions and beliefs that involve numerous risks and uncertainties. Assumptions relating to the foregoing involve, among other things, judgments with respect to future economic, competitive and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond our control. Although we believe that the expectations reflected in such forward-looking statements are based on reasonable assumptions, our actual results and performance could differ materially from those set forth in the forward-looking statements. Factors that could have a material adverse effect on our operations and future prospects include, but are not limited to:

- our ability to effectively deploy the proceeds raised in this offering;
- changes in economic conditions generally and in the real estate and securities markets specifically;
- the ability of our Manager to source, originate and acquire suitable investment opportunities;
- our expectation that there will be opportunities to acquire additional properties leased to the United States of America;
- our expectations regarding demand by the federal government for leased space;
- the GSA (acting for the United States as tenant) renewing or extending one or more of the leases for one or more of our GSA Properties, whether pursuant to early termination options or at lease-end, and if not renewed or extended that we will be successful in re-leasing the space;
- the impact of changes in real estate needs and financial conditions of federal, state and local governments;
- acts of terrorism and other disasters that are beyond our control;
- legislative or regulatory changes impacting our business or our assets (including changes to the laws governing the taxation of real estate investment trust ("REITs") and SEC guidance related to Regulation A or the JOBS Act;
- our ability to raise equity or debt capital;
- our compliance with applicable local, state and federal laws, including the Investment Advisers Act of 1940, as amended (the "Advisers Act"), the Investment Company Act of 1940, as amended (the "40 Act") and other laws; or
- changes to generally accepted account principles, or GAAP;

Any of the assumptions underlying forward-looking statements could be inaccurate. You are cautioned not to place undue reliance on any forward-looking statements included in this offering circular. All forward-looking statements are made as of the date of this offering circular and the risk that actual results will differ materially from the expectations expressed in this offering circular will increase with the passage of time. Except as otherwise required by the federal securities laws, we undertake no obligation to publicly update or revise any forward-looking statements after the date of this offering circular, whether as a result of new information, future events, changed circumstances or any other reason. In light of the significant uncertainties inherent in the forward-looking statements included in this offering circular, the inclusion of such forward-looking statements should not be regarded as a representation by us or any other person that the objectives and plans set forth in this offering circular will be achieved.

DILUTION

On March 14, 2016, we issued 50,000 shares of common stock to each of Messrs. Kaplan, Kaplan, Jr., Stanton and Kurlander in exchange for $500.00 from each such person. The common stock was issued at a price per share of $0.01, representing a difference of $9.99 (99.9%) from the price to the public in this offering.

We have issued 144,500 shares of our Series A Preferred Stock for a purchase price of $25.00 per share, or $3,612,500 in the aggregate. Our independent director nominees purchased an aggregate of 12,000 shares of Series A Preferred Stock. Our Series A Preferred Stock has an annual preferred dividend equal to 7.00% multiplied by the per share liquidation preference of $25.00. Additionally, our Series A Preferred Stock will convert automatically into shares of our common stock upon a Listing Event and may be converted into shares of our common stock, at the option of the holder, from and after March 31, 2020 if no Listing Event has occurred prior to such date. Mr. Kurlander acquired 26,000 shares of our Series A Preferred Stock.

Upon either an automatic or optional conversion, each share of Series A Preferred Stock will convert automatically into a number of shares of common stock equal to the sum of (i) the quotient of $25.00 plus the aggregate accrued plus unpaid preferred dividend per share, divided by $10.00, plus (ii) one-half of a common share. Assuming there are no accrued but unpaid dividends as of the conversion date, each share of Series A Preferred Stock will convert into three shares common stock, resulting in an effective cash cost per share of common stock to the purchasers of our Series A Preferred Stock of approximately $8.33, representing a difference of $1.67 from the price to the public in this offering.

We acquired our Contribution Properties through the contribution to us by Holmwood of (i) all of the membership interests in the four single-member limited liability companies that own the Silt Property, the Fort Smith Property, the Johnson City Property and the Port Canaveral Property, or the LLC Interests, and (ii) all of its right, title and interest in and to any and all profits, losses and distributed cash flows, if any, from each wholly-owned subsidiary owning the Port Saint Lucie Property, the Jonesboro Property and the Lorain Property, or the Affected Properties, as well as all of the other benefits and burdens of ownership solely for federal income tax purposes, or the Profits Interests. In exchange for the LLC Interests and Profits Interests, our operating partnership: (i) issued 1,078,416 OP Units to Holmwood equal to the agreed value of Holmwood's equity in the Contribution Properties as of the closing of the contribution, divided by $10.00; and (ii) assumed all of the indebtedness secured by the Contribution Properties and Holmwood's corporate credit line. The Limited Partnership Agreement provides Holmwood with the right to require the operating partnership to redeem the OP Units on a certain future date. On such date, the operating partnership can redeem the OP Units in cash or with shares of our common stock.

As partial purchase consideration, we issued 40,000 OP Units in connection with the purchase of the Sarasota Property. The agreed value was $400,000 or $10 per OP Unit.

Pursuant to the Management Agreement, our Manager shall receive a grant of our company's equity, which may be in the form of restricted shares of common stock, restricted stock units underlied by common stock, LTIPs, or such other equity security as may be determined by the mutual consent of our board of directors and our Manager, at each closing in this offering, such that following such grant, our Manager shall own equity securities equivalent to 3% of the then issued and outstanding common stock of our company, on a fully diluted basis, solely as a result of such grants. If we sell the maximum offering amount and do not issue any shares of common stock through the DRIP, we will grant our Manager equity securities equivalent to 146,224 shares of our common stock, on a fully diluted basis, pursuant to this requirement.

Pursuant to the Management Agreement, our Manager will receive an acquisition fee of 1.0% of the acquisition cost for each investment, inclusive of closing costs, made on behalf of the Company. The acquisition fee will be paid in our common stock, or such other equity securities of our company or our operating partnership as may be determined by the mutual consent of our board (including a majority of the independent directors) and our Manager, or the Acquisition Fee Securities. The number of Acquisition Fee Securities payable as each applicable acquisition fee to the Manager will be equal to the dollar amount of such acquisition fee, divided by a value determined as follows: (i) if our common stock is traded on a NYSE, NYSE American, Nasdaq Stock Market or any other nationally securities exchange, as such term is defined under the Exchange Act, the value shall be deemed to be the average of the closing prices of our common stock on such exchange on the five (5) business days prior to the date on which the acquisition fee was earned; (2) if our common stock is not traded on an exchange listed in (i) but is actively traded over-the-counter, the value shall be deemed to be the average of the closing bids or sales prices, as applicable, on the over-the-counter market during the five (5) business days prior to the date on which the acquisition fee was earned; (iii) if our common stock is neither traded on an exchange listed in (i) nor actively traded over-the-counter, the value shall be the fair market value thereof, as reasonably determined in good faith by our board (including a majority of the independent directors). Until the earlier of (i) such time as our company's common stock is listed on the NYSE, NYSE American, NASDAQ Stock Exchange, or any other national securities exchange, or (ii) March 31, 2020, all acquisition fees payable to our Manager shall be accrued but not paid. Assuming that we raise the maximum offering amount, resulting in $25,915,521 in net proceeds, and that we buy properties using our target leverage of up to 80%, and given that we paid off the Holmwood Loan, the Citizens Loan, the Standridge Note, and intend to pay off the interim loans incurred in connection with the acquisition of the Norfolk Property, the Promissory Notes, the BH Notes and certain additional related party loans and payables with proceeds from this offering (See "INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS") in addition to the use a portion of proceeds from this offering for covering the Company's dividends and distributions for the twelve months ended June 30, 2019, we anticipate that acquisition fees of approximately $879,070 in vested equity of our company will be paid to our Manager as a result of this offering. To date, we owe our Manager acquisition fees of $490,295 from our acquisition of the Norfolk Property, the Montgomery Property, the San Antonio Property, the Knoxville Property, the Champaign Property, and the Sarasota Property.

DISTRIBUTION POLICY

To qualify as a REIT so that U.S. federal income tax generally does not apply to our earnings to the extent distributed to stockholders, we must, in addition to meeting other requirements, annually distribute to our stockholders an amount at least equal to (1) 90% of our REIT taxable income (determined before the deduction for dividends paid and excluding any net capital gain), plus (2) 90% of the excess of our net income from foreclosure property (as defined in the Code) over the tax imposed on such income by the Code, less (3) the sum of certain items of non-cash income (as determined under Section 857 of the Code). We are subject to income tax on income that is not distributed to our stockholders and to a nondeductible excise tax to the extent that certain percentages of our income are not distributed to our stockholders by specified dates.

To the extent that, in respect of any calendar year, cash available for distribution to our stockholders is less than our REIT taxable income, in order to qualify as a REIT under the Code we could be required to fund the required distributions by selling assets, incurring debt or issuing equity securities or to make a portion of the required distributions in the form of a taxable distribution of our equity securities. We currently do not intend to make taxable distributions of our equity securities. In addition, prior to the time we have fully invested the net proceeds of this offering, we may choose to fund our distributions out of such net proceeds. Funding distributions from such net proceeds may constitute a return of capital to our common stockholders, which would have the effect of reducing each stockholder's basis in its holdings of shares of our common stock. We will generally not be required to make distributions with respect to activities conducted through any domestic TRS that we form following completion of this offering. See "Material Federal Income Tax Considerations." The REIT distribution requirements will, however, generally apply to all taxable income allocated to us from our operating partnership. Income as computed for purposes of the foregoing tax rules will not necessarily correspond to our income as determined for financial reporting purposes.

We intend to pay dividends to our stockholders in cash to the extent that cash is available for such purpose. We may, however, in the sole discretion of our board of directors, make a distribution of assets or a taxable distribution of our shares (as part of a distribution in which stockholders may elect to receive shares or cash, subject to a limit measured as a percentage of the total distribution).

We anticipate that distributions generally will be taxable as ordinary income to our non-exempt stockholders, although a portion of such distributions may be designated by us as long-term capital gain or qualified dividend income or may constitute a return of capital. To the extent that we decide to make distributions in excess of our earnings and profits, such excess distributions generally will be considered a return of capital. The percentage of our stockholder distributions that exceeds our current and accumulated earnings and profits may vary substantially from year to year.

We intend to pay cash dividends to our stockholders on a quarterly basis. We paid a pro rata dividend with respect to the period commencing on the initial closing of this offering and ending June 30, 2017 based on $0.1375 per share for a full quarter. We have subsequently paid dividends for the quarters ending September 30, 2017, December 31, 2017, March 31, 2018, June 30, 2018 and September 30, 2018 of $0.1375 per share. On an annualized basis, our dividend represents $0.55 per share, or an annual dividend rate of approximately 5.5% based on the price set forth in this offering circular. Our estimated dividend for the twelve months ended June 30, 2019 represents approximately 295% of our estimated cash available for distribution if we raise the maximum offering amount and issue no shares of common stock through the DRIP. As a result, we will need to increase our operating cash flow in the future, or find another source of cash, which may include remaining net proceeds from this offering, to pay our estimated dividend for the twelve months ended June 30, 2019. There can be no assurances that we will find another source of cash or financing for the payment of dividends. If this occurs, we estimate that $1,628,833 of the offering proceeds will be used to fund the estimated dividend for the twelve months ended June 30, 2019, if the maximum offering amount is raised and no shares of common stock are issued through the DRIP. However, the table below, including the calculation of our estimated cash available for distribution and associated dividend coverage ratio, does not account for any increase in rental or related revenue on the one hand or operating costs on the other from properties acquired using our remaining net proceeds from this offering following our repayment of approximately up to $11,100,866 of debt.

We have estimated our annual cash available for distribution to our stockholders for the twelve months ending June 30, 2019 based on adjustments to our pro forma net income for the twelve months ended June 30, 2019. This estimate was based upon the historical operating results of our company and does not take into account any investments of associated cash flows, other than capital expenditures for routine maintenance on our portfolio, as they cannot be estimated at this time. The estimate also does not take account of other currently unanticipated expenditures we may have to make. In estimating our cash available for distribution to our stockholders, we have made certain assumptions as reflected in the table and notes below, and it does not take into account the investment of unallocated net proceeds from this offering and any revenues or costs arising therefrom.

We may undertake other investing or financing activities that may have a material effect on our estimate of cash available for distribution to our stockholders. Because we have made the assumptions set forth above in estimating cash available for distribution, we do not intend this estimate to be a projection or forecast of our actual results of operations or cash flows, and we have estimated cash available for distribution for the sole purpose of determining the expected amount of our initial annual dividend rate. Our estimate of cash available for distribution should not be considered as an alternative to cash flow from operating activities (computed in accordance with GAAP) or as an indicator of our liquidity or our ability to pay dividends. In addition, the calculations set forth below may not be the basis upon which our board of directors may determine future dividends. No assurance can be given that our estimates will prove accurate, and any actual dividends therefore may be significantly different from the estimated dividends.

The timing, form and amount of any dividends to our stockholders will be at the sole discretion of our board of directors and will depend upon a number of factors, including, but not limited to:

- our actual and projected, results of operations, liquidity, cash flows and financial condition;
- our business and prospects;
- our operating expenses;
- our capital expenditures and tenant improvements;
- our debt service requirements;
- restrictive covenants in our financing or other contractual arrangements;
- prohibitions or restrictions under Maryland law;
- the timing of the investment of our capital;
- our taxable income;
- the annual distribution requirements under the REIT provisions of the Code; and
- such other factors as our board of directors deems relevant.

Although, we have paid dividends to our common stockholders thus far, no assurance can be given that we will pay dividends, to our common stockholders at any time or in any particular form in the future or that the level of any dividends we do pay to our common stockholders will be consistent with our anticipated annual dividend rate or will increase or even be maintained over time, or achieve a market yield.

Any of the foregoing could materially and adversely affect us and the market price of our common stock.

The following table presents our Pro Forma Statement of Cash Flows for the twelve months ending June 30, 2019, and the adjustments we have made in order to estimate our cash available for distribution to the holders of our common stock, OP units and LTIPS for the twelve months ending June 30, 2019, assuming the maximum offering amount has been sold.

Pro Forma Statement of Cash Flows:

Pro forma net loss[1]	$ (1,241,282)
Depreciation and amortization	3,335,099
Equity based compensation	292,448
Amortization of debt issuance costs	244,181
Cash provided by operations	2,630,446
Cash flows from investing activities:	
Property capital expenditures[2]	(175,488)
Cash used in investing activities	(175,488)
Cash flows from financing activities	
Principal payments on mortgages[3]	(1,366,564)
Preferred stock dividends[4]	(252,875)
Cash used in financing activities	(1,619,439)
Pro forma cash available for distribution[5]	$ 835,519
Pro forma annual distributions to holders of common stock, OP Units, and LTIPS[6]	$ 2,464,352
Offering proceeds used to fund distributions to holders of common stock, OP Units, and LTIPS[7]	$ 1,628,833
Distribution coverage ratio[8]	34%

Our calculation of pro forma net loss and pro forma cash flows for the twelve months ended June 30, 2019 and estimated pro forma cash available for distribution and pro forma distributions for the twelve months ended June 30, 2019 included in the table above has been prepared by management. Our independent auditors have not examined, compiled or otherwise applied procedures to such calculations and, accordingly, do not express an opinion or any other form of assurance thereon.

(1) Pro forma net loss was derived from annualizing the Company's net loss as reported in the Company's Form 1-SA Semi-Annual Report for the six-month period ended June 30, 2018 and then adjusted for (1) the recently acquired Knoxville, Champaign and Sarasota Properties, (2) the Monroe Property currently under contract, (3) certain non-recurring expense items, and (4) the maximum offering amount which impacts the asset management fee, equity based compensation amortization and interest savings from payoff of notes payable and related party payables.

(2) Represents the Company's planned capital expenditures on its property portfolio.

(3) Represents the debt principal payments on existing mortgages and pro forma mortgage loan with respect to the purchase of our under contract property.

(4) Represents a 7% annual dividend payable on $3,612,500 preferred stock.

(5) Represents the cash available for distribution related to the pro forma operating results for the 16 owned properties and one property under contract as discussed above. The pro forma cash available for distribution does not include future cash flows from properties not yet identified and purchased.

(6) Represents annual dividends and distributions on 4,480,640 common shares and common operating partnership units of $0.55 per common share and common operating partnership unit. The composition of the common 3,000,000 common shares sold pursuant to this offering, 200,000 common shares owned by the founders, 16,000 common shares owned by outside board members, 1,078,416 operating partnership units owned by our predecessor, 146,224 LTIPs potentially issuable to our Manager, 40,000 operating partnership units issued in connection with the closing of the Sarasota Property, and no common shares issued through the DRIP.

(7) This assumes no issuance of equity in lieu of cash dividends nor any future cash flow from properties not yet identified and purchased.

(8) Calculated as pro forma cash available for distribution divided by pro forma annual distributions to holders of common stock, OP Units, and LTIPS.

PLAN OF DISTRIBUTION

The offers and sales of our shares are being made on a best efforts basis by broker-dealers who are members of FINRA. Boustead Securities, LLC is our Dealer-Manager. Our Dealer-Manager will receive selling commissions of six percent (6.0%) of the offering proceeds which it may re-allow and pay to participating broker-dealers who sell shares, a managing broker-dealer fee of one and one-quarter percent (1.25%), which it may re-allow and pay, in part, to participating broker-dealers who sell shares, and a non-accountable due diligence, marketing and expense reimbursement fee of one percent (1.0%) of the offering proceeds, which it may also re-allow and pay to the participating broker-dealers. If we raise the maximum offering amount, our Dealer-Manager will also be entitled to the reimbursement of accountable expense reimbursement of up to $30,000 for filing and legal fees incurred by it. Our Dealer-Manager will also be entitled to the reimbursement of accountable expenses in the amount of up to one-half percent (0.5%) of the offering proceeds in relation to facilitation or clearing fees payable to Folio. Our Dealer-Manager will not be required to account for the spending of amounts comprising the non-accountable due diligence, marketing and expense reimbursement fee. Our Dealer-Manager may also sell shares as part of the selling group, thereby becoming entitled to retain a greater portion of the six percent (6.0%) selling commissions. Any portion of the six percent (6.0%) selling commissions retained by the Dealer-Manager would be included within the amount of selling commissions payable by us and not in addition thereto. Cambria Capital, LLC will act as our principal selling group member and, therefore, will be a participating broker-dealer. In this role, Cambria Capital, LLC may assist the Dealer-Manager in connection with its due diligence review of our company, in coordinating due diligence review for other potential participating broker-dealers and with other services related to selling group formation. Cambria Capital, LLC also may assist us and the Dealer-Manager in obtaining clearing and facilitation services from Folio or other clearing firms that may be engaged in this offering. Cambria Capital, LLC will be compensated by our Dealer-Manager and its participation in this offering will not result in any additional underwriting compensation becoming payable by us. Cambria Capital, LLC will not enter into participating dealer agreements with other participating broker-dealers. We will not pay any underwriting discounts, commissions or expenses reimbursements in connection with the DRIP.

We may pay reduced or no selling commissions and/or expense reimbursements or fees in connection with the sale of shares in this offering to:

- our employees, officers and directors or those of our manager, our property manager or the affiliates of any of the foregoing entities (and the immediate family of any of the foregoing Persons), any Plan established exclusively for the benefit of such persons or entities, and, if approved by our board of directors, joint venture partners, consultants and other service providers;

- clients of an investment advisor registered under the Investment Advisers Act of 1940 or under applicable state securities laws (other than any registered investment advisor that is also registered as a broker-dealer, with the exception of clients who have “wrap” accounts which have asset-based fees with such dually registered investment advisor/broker-dealer); or

- persons investing in a bank trust account with respect to which the authority for investment decisions made has been delegated to the bank trust department.

For purposes of the foregoing, “immediate family members” means such Person’s spouse, parents, children, brothers, sisters, grandparents, grandchildren and any such Person who is so related by marriage such that this includes “step-” and “-in-law” relations as well as such Persons so related by adoption. In addition, participating brokers contractually obligated to their clients for the payment of fees on terms inconsistent with the terms of acceptance of all or a portion of the selling commissions and/or expense reimbursements or fees may elect not to accept all or a portion of such compensation. In that event, such shares will be sold to the investor at a per share purchase price, net of all or a portion of selling commissions and/or expense reimbursements or fees. All sales must be made through a registered broker-dealer participating in this offering, and investment advisors must arrange for the placement of sales accordingly. The net proceeds to us will not be affected by reducing or eliminating selling commissions and/or expense reimbursements or fees payable in connection with sales through registered investment advisors or bank trust departments.

Our company and our Dealer-Manager have entered into a Managing Broker-Dealer Agreement, which is incorporated by reference as an exhibit to the offering statement of which this offering circular is a part, for the sale of our shares. Broker-dealers desiring to become members of the selling group will be required to execute a participating dealer agreement with our Dealer-Manager either before or after the date of this offering circular.

Best Efforts Offering

The Dealer-Manager has agreed to use its best efforts to procure potential purchasers for the offered shares. This offering is being undertaken on a best efforts only basis. The Dealer-Manager is not required to take or pay for any specific number or dollar amount of our shares.

Minimum Purchase

We are offering a maximum of 3,000,000 shares of our common stock at an offering price of 10.00 per share, for a maximum offering amount of $30,000,000. The minimum purchase requirement is 150 shares, or $1,500; however, we can waive the minimum purchase requirement in our sole discretion. To date, we have issued 891,041 shares of common stock in this offering and received gross proceeds from the offering totaling $8,910,410.

We will hold closings on at least a monthly basis. The final closing will occur whenever we have reached the maximum offering amount or November 7, 2018, whichever occurs first. With the exclusion of the final closing resulting from achievement of the maximum offering amount, the timing of any closings will not be dependent on the amount sold. Closings will occur at least monthly or more often, at our sole discretion. As a result, an investor may have their investment in escrow or in such investor's account with its clearing firm for up to one month before receipt of their offered shares. Until each closing, the subscription proceeds for that closing will either remain in an investors brokerage account with its clearing firm or will be kept in the escrow account with the escrow agent. Upon each closing, the proceeds will be disbursed to us net of applicable expenses and the shares sold will be issued to the investors. At the request of an investor, we may, but will not be required to, return funds deposited in the escrow account or an investor's funds that are deposited in such investor's account with its clearing firm unless the offering is terminated for any reason prior to closing on such investment.

Investment Procedures

Clearing Firm Procedures

Our common shares are eligible to be held by the Depository Trust Company, or its nominee, on behalf of the owners of the common shares, or DTC-eligible. The Dealer-Manager and/or your broker-dealer may permit you to purchase shares through the Depository Trust Company, or DTC Settlement. If you purchase our common shares using DTC Settlement, you will be required to complete the subscription agreement as instructed by your broker-dealer; however, you will not send a check, wire or ACH transfer. Rather, a broker-dealer using DTC Settlement will have an account with DTC in which your funds will be placed to facilitate the applicable closing. Your broker-dealer will inform you of the next closing date for the purchase of shares and you must coordinate with your broker-dealer to pay the full purchase price for the shares prior to the closing date for your purchase. Subscription funds for shares purchased through DTC Settlement will not be held in escrow. Any common shares issued through DTC Settlement will be held in the name of DTC, or its nominee, Cede & Co., on the books of the transfer agent, Direct Transfer LLC. The transfer agent will record and maintain records of shares of common stock issued by us.

Folio Procedures

Prospective investors investing through Folio or a broker-dealer that clears through Folio will acquire our shares of common stock through book-entry order through our Dealer-Manager or a participating dealer by opening an account with Folio or a broker-dealer that clears through Folio, or utilizing an existing Folio account or existing account at a broker-dealer that clears through Folio, which will be an account owned by the investor and held by Folio for the exclusive benefit of such investor; provided, however that each investor will be required to complete and submit a subscription agreement.

Subscriptions for the shares of common stock acquired through the platform operated by Folio, which is a FINRA member and SEC-registered broker-dealer and clearing firm, are processed online. Folio will maintain the individual shareholder records in the shareholder's account opened by investors at Folio for the purpose of investing in this offering, and the transfer agent, on our behalf, will maintain records of the aggregate of all shares of common stock held by Folio for the benefit of Folio's customers who are investors in the offering, and elsewhere. Shares issued through DTC Settlement will be held in the name of DTC, or its nominee, Cede & Co., on the books of the transfer agent.

The process for investing through the platform operated by Folio will work in the following manner. Folio has entered into a custody agreement with us pursuant to which we will issue uncertificated securities to be held at Folio, and the shares of common stock held at Folio will show as an omnibus position on our records and the transfer agent's records in the name of "Folio Investments, Inc. for the exclusive benefit of customers." We opened a brokerage account with Folio and Folio holds the shares of common stock to be sold in the offering in book-entry form and included in the position of DTC or its nominee on the records of our transfer agent. When the shares of common stock are sold as described below, Folio maintains a record of each investor's ownership interest in those securities. Under an SEC no-action letter provided to Folio in January 2015, Folio is allowed to treat the issuer as a good control location pursuant to Exchange Act Rule 15c3-3(c)(7) under these circumstances. The customer's funds will not be transferred into a separate account awaiting the closing but will remain the customer's accounts at Folio pending instructions to release funds to us if and when we elect to close on such investment.

In order to subscribe to purchase the shares of common stock through the platform operated by Folio, a prospective investor must electronically complete and execute a subscription agreement and provide payment using the procedures indicated below. When submitting the subscription request through Folio, a prospective investor is required to agree to various terms and conditions by checking boxes and to review and electronically sign any necessary documents.

The funds that will be used by an investor purchasing through Folio to purchase the securities are deposited by the investor prior to the applicable closing date into a brokerage account at Folio, which will be owned by the investor. The funds for the investor's account at Folio can be provided by check, wire, Automated Clearing House ("ACH") push, ACH pull, direct deposit, Automated Customer Account Transfer Service ("ACATS") or non-ACATS transfer. Under an SEC no-action letter provided to Folio in July 2015, the funds will remain in the customer’s account after they are deposited and until such investment closes, the prospective investor’s offer is cancelled, or this offering is withdrawn or expired. The funds used by an investor to purchase shares through the platform operated by Folio will be promptly swept into or maintained in FDIC-insured bank accounts.

In our sole discretion, we will notify Folio when we wish to conduct a closing. Folio executes the closing by transferring each investor's funds from their Folio accounts to our Folio account and transferring the correct number of book-entry shares to each investor’s account from our Folio account. The shares are then reflected in the investor's online account and shown on the investor's Folio account statements. Folio will also send trade confirmations individually to the investors.

Direct Registration Procedures for Subscribing

Investors not purchasing through Folio’s platform must complete and execute a subscription agreement for a specific number of shares and pay for the shares at the time of the subscription. Subscription agreements may be submitted in paper form, or electronically, if electronic subscription agreements and signature are made available to you by your broker-dealer or registered investment advisor. Generally, when submitting a subscription agreement electronically, a prospective investor will be required to agree to various terms and conditions by checking boxes and to review and electronically sign any necessary documents. You may pay the purchase price for your shares by: (i) check; (ii) wire transfer in accordance with the instructions contained in your subscription agreement; or (iii) electronic funds transfer via ACH in accordance with the instructions contained in your subscription agreement. All checks should be made payable to “Branch Banking and Trust Company, as Escrow Agent for HC Government Realty Trust, Inc.” Completed subscription agreements will be sent by your broker-dealer or registered investment advisor, as applicable, to our Dealer-Manager at the address set forth in the subscription agreement. Subscription payments should be delivered directly to Branch Banking and Trust Company, as escrow agent. If you send your subscription payment to your broker or registered investment advisor, then your broker or registered investment advisor will immediately forward your subscription payment to Branch Banking and Trust Company, as escrow agent. Subscriptions will be effective only upon our acceptance, and we reserve the right to reject any subscription in whole or in part. For any subscription agreements received we shall have a period of 30 days after receipt of the subscription agreement to accept or reject the subscription agreement. If rejected, we will return all funds to the rejected subscribers within ten business days. If accepted, the funds will remain in the escrow account until we close on such subscription. We intend to hold closings at least monthly in the offering until the maximum offering amount is raised or the offering is terminated. You will receive a confirmation of your purchase promptly following the closing in which you participate. Shares issued through DTC Settlement will be held in the name of DTC, or its nominee, Cede & Co., on the books of the transfer agent.

Delivery of Offering Circular

Concurrently with the delivery of any written offer to purchase our shares, your soliciting dealer will provide you with a copy of the final offering circular by (i) electronic delivery of the final offering circular or the uniform resource locator to where the final offering circular may be accessed on the SEC’s Electronic Data Gathering, Analysis and Retrieval System (“EDGAR”), or (ii) mailing the final offering circular to you at your address in your soliciting dealer’s records.

DRIP Election

You may become a participant in the DRIP by indicating your election to participate on your signed enrollment form available from the DRIP Administrator enclosed with the offering statement, of which this offering circular is a part, and returning it to the DRIP Administrator. You may include your signed enrollment form with the subscription agreement for any new purchase in the offering. If you elect to participate in both the DRIP, distributions earned will automatically be reinvested pursuant to the DRIP. We will not pay any underwriting discounts, commissions or expenses reimbursements in connection with the DRIP. For a discussion of the distribution reinvestment plan, see “Summary of Distribution Reinvestment Plan.”

Investment Limitations

Generally, if you are not an "accredited investor" as defined in Rule 501 (a) of Regulation D (17 CFR §230.501 (a)) no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and investors who are not natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A. For general information on investing, we encourage you to refer to www.investor.gov.

As a Tier 2, Regulation A offering, investors must comply with the 10% limitation to investment in the offering. The only investor in this offering exempt from this limitation is an accredited investor, or an Accredited Investor, as defined under Rule 501 of Regulation D. If you meet one of the following tests you should qualify as an Accredited Investor:

(i) You are a natural person who has had individual income in excess of $200,000 in each of the two most recent years, or joint income with your spouse in excess of $300,000 in each of these years, and have a reasonable expectation of reaching the same income level in the current year;

(ii) You are a natural person and your individual net worth, or joint net worth with your spouse, exceeds $1,000,000 at the time you purchase Units (please see below on how to calculate your net worth);

(iii) You are an executive officer or general partner of the issuer or a manager or executive officer of the general partner of the issuer;

(iv) You are an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, or the Code, a corporation, a Massachusetts or similar business trust or a partnership, not formed for the specific purpose of acquiring the shares, with total assets in excess of $5,000,000;

(v) You are a bank or a savings and loan association or other institution as defined in the Securities Act, a broker or dealer registered pursuant to Section 15 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, an insurance company as defined by the Securities Act, an investment company registered under the Investment Company Act of 1940, as amended, or the Investment Company Act, or a business development company as defined in that act, any Small Business Investment Company licensed by the Small Business Investment Act of 1958 or a private business development company as defined in the Investment Advisers Act of 1940;

(vi) You are an entity (including an Individual Retirement Account trust) in which each equity owner is an accredited investor;

(vii) You are a trust with total assets in excess of $5,000,000, your purchase of Units is directed by a person who either alone or with his purchaser representative(s) (as defined in Regulation D promulgated under the Securities Act) has such knowledge and experience in financial and business matters that he is capable of evaluating the merits and risks of the prospective investment, and you were not formed for the specific purpose of investing in the shares; or

(viii) You are a plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions, for the benefit of its employees, if such plan has assets in excess of $5,000,000.

NOTE: For the purposes of calculating your net worth, or Net Worth, for purposes of determining compliance with the 10% limitation or the accredited investor standard, it is defined as the difference between total assets and total liabilities. This calculation must exclude the value of your primary residence and may exclude any indebtedness secured by your primary residence (up to an amount equal to the value of your primary residence). In the case of fiduciary accounts, net worth and/or income suitability requirements may be satisfied by the beneficiary of the account or by the fiduciary, if the fiduciary directly or indirectly provides funds for the purchase of the shares.

In order to purchase offered shares and prior to the acceptance of any funds from an investor, an investor will be required to represent, to our company's satisfaction, that he is either an accredited investor or is in compliance with the 10% of net worth or annual income limitation on investment in this offering.

USE OF PROCEEDS

We estimate that the net proceeds from the offering, after deducting selling commissions and fees and offering costs and expenses payable by us, will be approximately $25,915,521 if we raise the maximum offering amount and issue no shares of common stock through the DRIP and $27,915,521 if we raise the maximum offering amount and issue all shares of common stock available through the DRIP, each following the payment of selling commissions, Dealer-Manager fees and other offering costs. Set forth below is a table showing the estimated sources and uses of the proceeds from this offering, for the maximum offering amount and the maximum offering amount and the DRIP. The table below represents our estimated use of proceeds. The actual use of proceeds may be different from that which is disclosed below, and **we reserve the ability to alter the use of proceeds, in our sole discretion, if market conditions dictate as such**.

	Maximum Offering Amount	Percent of Maximum Offering Amount	Maximum Offering Amount and the DRIP	Percent of Maximum Offering Amount and the DRIP
Gross Proceeds	$ 30,000,000	100.00%	$ 32,000,000	100.00%
Estimated Offering Expenses[1]	$ 1,459,479	4.86%	$ 1,459,479	4.56%
Selling Commissions, Fees & Expense Reimbursements[2]	$ 2,625,000	8.75%	$ 2,625,000	8.20%
Net Proceeds Available for Investment[3]	$ 25,915,521	86.39%	$ 27,915,521	87.24%
Total Use of Proceeds	$ 30,000,000	100.00%	$ 32,000,000	100.00%

[1] Estimated offering expenses include legal, accounting, printing, advertising, travel, marketing, blue sky compliance and other expenses of this offering, and transfer agent and escrow fees. They also include approximately $225,000 of financial advisory fees paid by our Manager to BB&T Capital Markets at the initial closing of this offering and reimbursable by us relative to BB&T Capital Markets' investment banking advisory services, which includes their advising and assisting with the structuring this offering. Reimbursements to our Manager made prior to our initial closing will not be paid from proceeds of this offering. As of the date of this offering circular, we have incurred organizational and offering expenses of approximately $1,459,479.

[2] Our Dealer-Manager will receive selling commissions of 6.00% of the gross offering proceeds, which it may re-allow and pay to participating broker-dealers, a managing broker-dealer fee of 1.25%, which it may re-allow and pay, in part, to participating broker-dealers, and a non-accountable expense allowance of 1.0% of the gross offering proceeds, which it may re-allow and pay to participating broker-dealers. We will reimburse accountable expenses up to 0.50% of the gross proceeds from this offering to our Dealer-Manager for fees paid to Folio for its clearing and facilitation services. If we raise the maximum offering amount, we will also reimburse our Dealer-Manager for accountable expenses of up to $30,000 for filing and legal fees incurred by it. The above table does not deduct filing and legal fees because we are not able to accurately estimate those fees at this time. We will not pay any underwriting discounts, commissions or expenses reimbursements in connection with the DRIP.

[3] If the maximum offering amount is raised, we intend to use approximately 86.39% of the gross offering proceeds to acquire properties, manage our business, provide working capital for operations, including costs related to new contracts and deposits for the acquisition of properties, and potentially pay down existing debt secured by our investments. If the maximum offering amount is raised and we issue all shares available under the DRIP, we expect to use approximately 87.24% of the gross offering proceeds for such purposes. These amounts may be used to pay salaries and other compensation to our independent directors. With the proceeds of this offering, we anticipate paying off: (i) the interim loans incurred in connection with the acquisition of the Norfolk Property; (ii) an interim loan from an affiliate of our CEO; (iii) the BH Notes; (iv) the Promissory Notes; and (v) certain additional related party loans and payables. As of the date of this offering circular, the interim loans incurred in connection with the acquisition of the Norfolk Property consisted of three loans with an aggregate principal balance of $3,400,000, , the Promissory Notes had a collective balance of $1,500,000, the BH Notes had a collective balance of $4,970,000 and there were $893,014 in additional related party loans and payables outstanding. Please see "Interest of Management and Others in Certain Transactions" for a description of the Norfolk Property interim loans, theBH Notes, the Promissory Notes and the additional related party loans and payables. We paid off the Standridge Note with $442,092 of proceeds from this offering and interim loans from an affiliate of our CEO with $785,000 of proceeds from this offering . Please see " Interest of Management and Others in Certain Transactions " for a description of the Promissory Notes and the Standridge Note.

DESCRIPTION OF OUR BUSINESS

We were formed in 2016 as a Maryland corporation, and commencing with our fiscal year ended December 31, 2017, we have elected to be taxed as a REIT for federal income tax purposes. We were formed primarily to source, acquire, own and manage built-to-suit or improved-to-suit, single-tenant properties leased by the United States of America and administered by the U.S General Services Administration or directly by the occupying agency, both of which are referred to as GSA Properties. We invest primarily in GSA Properties across secondary and smaller markets with sizes ranging from 5,000-50,000 rentable square feet, and in their listed lease term after construction or improvement to post-9/11 standards. We further emphasize GSA Properties that fulfill mission critical or citizen service functions. Leases associated with the GSA Properties in which our company invests are full faith and credit obligations of the United States of America.

Our principal objective is the creation of value for stockholders by utilizing our relationships and knowledge of GSA Properties, specifically, the acquisition, management and disposition of GSA Properties. As of the date of this offering circular, our portfolio of assets consists of 16 GSA Properties, which we refer to as our portfolio, and we have one additional property under contract to acquire, which we refer to as our pipeline.

Our Portfolio

Our portfolio consists of (i) three GSA Properties acquired by our company on June 10, 2016 for a purchase price of $11,050,596, financed with proceeds from the issuance of our 7.00% Series A Cumulative Convertible Redeemable Preferred Stock, or Series A Preferred Stock, secured mortgage financing in the original principal amount of $7,225,00, unsecured seller financing in the original principal amount of $2,019,789 and $1,000,000 in original principal amount of our unsecured loan from Holmwood; (ii) our GSA Property acquired by our company on March 31, 2017, for a purchase price of $14,717,937, financed with proceeds from senior mortgage debt in the original principal amount of $10,875,000 and $3,842,937 in original aggregate principal amount of unsecured debt from two of our directors; (iii) seven properties contributed to us as of the initial closing by Holmwood, including three properties for which we received all of the rights to the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership for federal income tax purposes rather than a fee simple interest, each pursuant to the Contribution Agreement; (iv) our GSA Property acquired by our company on July 25, 2017, for a purchase price of $4,797,072, financed with secured mortgage financing in the original principal amount of $3,530,00, and proceeds from this offering of $1,179,458; and (v) our GSA Property acquired by our company on November 21, 2017, for a purchase price of $8,273,349, financed by secured mortgage debt in original principal amount of $6,991,250 and proceeds from our offering of $1,282,099; (vi) our GSA Property acquired by our company on July 27, 2018, for a purchase price of $7,150,000, financed by secured mortgage debt in original principal amount of $5,360,000 and financed with mezzanine debt of $1,790,000; (vii) our GSA Property acquired by our company on August 30, 2018, for a purchase price of $3,445,000, financed by secured mortgage debt in original principal amount of $2,580,000 and financed in part with mezzanine debt of $800,000; and (viii) our GSA Property acquired by our company on October 15, 2018, for a purchase price of $11,000,000, financed by secured mortgage debt in original principal amount of $8,250,000 and financed in part with mezzanine debt of $2,470,000. See "Description of Our Properties" for more information on our portfolio of GSA Properties.

Our Pipeline

Our pipeline consists of a GSA Property located in Monroe, Louisiana under contract for a purchase price of $5,150,000 and expected to close in December 2018.

The GSA-leased, real estate asset class has a number of attributes that we believe will offer our stockholders significant benefits, including a highly creditworthy and very stable tenant base, long-term lease structures and low risk of tenant turnover. GSA leases are backed by the full faith and credit of the United States, and the GSA has never experienced a financial default. Payment of rents under GSA leases are funded through the Federal Buildings Fund and are not subject to direct federal appropriations, which can fluctuate with federal budget and political priorities. In addition to presenting reduced risk of default, GSA leases typically have long initial terms of ten to 20 years with renewal leases having terms of five to ten years, which limit operational risk. Upon renewal of a GSA lease, base rent typically is reset based on a number of factors at the time of renewal, including inflation and the replacement cost of the building, that generally we expect will increase over the life of the lease.

GSA-leased properties generally provide attractive investment opportunities but require specialized knowledge and expertise. Each U.S. Government agency has its own customs, procedures, culture, needs and mission, which results in different requirements for its leased space. Furthermore, the GSA-leased sector is highly fragmented with a significant amount of non-institutional owners, who lack our infrastructure and experience with GSA-leased properties. Moreover, while there are a number of national real estate brokers that hold themselves out as having GSA-leased property expertise, there are no national or regional clearing houses for GSA-leased properties. We believe this fragmentation can be ascribed particularly to the U.S. Government's – including GSA's – procurement policies, including policies of preference for small, female and minority owned businesses. As of August 2016, the largest owner of GSA-leased properties based on leased square footage owned approximately 3.5% of the GSA-leased properties on a rent per square foot (RSF) basis, and the ten largest owners of GSA-leased properties collectively owned approximately 18.7% of the GSA-leased properties by leased square footage.[7] Long-term relationships and specialized institutional knowledge regarding the agencies, their space needs and the hierarchy and importance of a property to its tenant agency are crucial to understanding which agencies and properties present the greatest likelihood of long-term agency occupancy, and, therefore, to identifying and acquiring attractive GSA-leased properties. Our portfolio is diversified among occupancy agencies, including a number of the largest and most essential agencies, such as the Drug Enforcement Administration, the Federal Bureau of Investigation, the Social Security Administration and the Department of Transportation.

[7] "Top Federal Property Owners (2016)" by Kurt Stout, January 17, 2017, Colliers International Government Solutions.

We operate as an "UPREIT", which means we own our GSA-leased properties through single-purpose entities that are wholly owned by our Operating Partnership. While we focus on investments in GSA Properties, in the future we also may invest in state and local government, mission critical single tenant properties or properties previously (but not exclusively) leased to the United States, the GSA or one or more occupying agencies. We are externally managed and advised by Holmwood Capital Advisors, LLC, a Delaware limited liability company, or our Manager. Our Manager will make all investment decisions for us. Our Manager is owned equally by Robert R. Kaplan and Robert R. Kaplan, Jr., individually, Stanton Holdings, LLC, which is controlled by Edwin M. Stanton, and by Baker Hill Holding LLC, which is controlled by Philip and Vickie Kurlander. The officers of our Manager are Messrs. Edwin M. Stanton, President, Robert R. Kaplan, Jr., Vice President, Philip Kurlander, Treasurer, and Robert R. Kaplan, Secretary. Our Manager will be overseen by our board of directors. Dr. Kurlander is the controlling manager of our Manager. For more information on our executive officers and directors please see "Directors, Executive Officers and Significant Employees."

We believe the extensive knowledge of U.S. Government properties and lease structures of each of our Manager, its principals and executive officers, allows us to execute transactions efficiently. Additionally, we believe that our ability to identify and implement building improvements increases the likelihood of lease renewal and enhances the value of our portfolio. Our Manager's experienced team brings specialized insight into the mission and hierarchy of occupying agencies, so that we are able to gain a deep understanding of the U.S. Government's long-term strategy for a particular agency and its resulting space needs. This allows us to target properties used by agencies that will have enduring criticality and the highest likelihood of lease renewal. Lease duration and the likelihood of renewal are further increased as properties are tailored to meet the specific needs of individual agencies, such as specialized environmental and security upgrades.

Our Manager and its principals and executive officers have a network of relationships with real estate owners, investors, operators and developers of all sizes and investment formats, across the United States and especially in relation to GSA Properties. We believe these relationships provide us with a competitive advantage, greater access to off-market transactions and flexibility in our investment choices to source and acquire GSA Properties.

In addition to the dedication and experience of our Manager's management team, we rely on the network of professional and advisory relationships our Manager and its principals and executive officers has cultivated, including BB&T Capital Markets, a division of BB&T Securities, LLC, or BB&T Capital Markets. Our Manager has engaged BB&T Capital Markets to provide investment banking advisory services, including REIT financial and market analysis, and offering structure analysis.

We believe in the long-term there will be a consistent flow of GSA Properties in our target markets for purposes of acquisition, leasing and managing, which we expect will enable us to continue our platform into the foreseeable future. We acquire GSA Properties located across secondary and smaller markets throughout the United States. We do not anticipate making acquisitions outside of the United States or its territories.

We primarily make direct acquisitions of GSA Properties, but we may also invest in GSA Properties through indirect investments, such as joint ventures which may or may not be managed or affiliated with our Manager or its affiliates, and whereby we may own less than a 100% of the beneficial interest therein; provided, that in such event, we will acquire at least 50 percent of the outstanding voting securities in the investment, or otherwise comply with SEC staff guidance regarding majority-owned subsidiaries so that the investment meets the definition of "majority-owned subsidiary" under the 40 Act. While our Manager does not intend for these types of investments to be a primary focus, we may make such investments in our Manager's sole discretion.

Our Competitive Strengths and Strategic Opportunities

We believe the experience of our Manager, its affiliates, principals and executive officers, as well as our investment strategies, distinguish us from other real estate companies. We believe that we will be benefitted by the alignment of the following competitive strengths and strategic opportunities:

High Quality Portfolio Leased to Mission-Critical U.S. Government Agencies

- We own a portfolio of 16 GSA Properties, comprised of 13 GSA Properties we own in fee simple and three additional GSA Properties for which we have all of the rights to the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership included for federal income tax purposes, each of which is leased to the United States. As of the date of this annual report, based upon net operating income, the weighted average age of our portfolio was approximately 8.8 years, and the weighted average remaining lease term is approximately 8.8 years if none of the early termination rights are exercised and 6.4 years, if all of the early termination rights are exercised.

- All of our GSA Properties are occupied by agencies that serve mission-critical or citizen service functions.

- Our GSA Properties generally meet our investment criteria, which target GSA Properties across secondary or smaller markets with sizes ranging between 5,000-50,000 rentable square feet and in their first term after construction or improvement to post-9/11 standards.

Aligned Management Team

- Upon completion of this offering, assuming we sell the maximum amount, our senior management team will own beneficially approximately 31.40% of our common stock on a fully diluted basis, which will help to align their interests with those of our stockholders. This amount does not include equity issuable to our Manager in payment of acquisition fees, which will equal 1% of acquisition costs for each property we acquire.

- A significant portion of our Manager's fees will be accrued and eventually paid in stock, which will be issued upon the earlier of listing on a national securities exchange or March 31, 2020, which will also align the interests of our Manager with those of our stockholders.

Asset Management

- Considerable experience in developing, financing, owning, managing, and leasing real properties, including GSA Properties across the U.S. (transactions involving approximately $3 billion of GSA Properties and other government leased assets).

- Relationships with real estate owners, developers, brokers and lenders should allow our company to source off-market or limited-competitive acquisition opportunities at attractive cap rates.

- In-depth knowledge of the GSA procurement process, GSA requirements, and GSA organizational dynamics. The GSA build-to-suit lease process is detailed and requires significant process-specific expertise as well as extensive knowledge of GSA building requirements and leases.

- Strong network of professional and advisory relationships, including BB&T Capital Markets, financial advisor to our Manager.

Property Management

- Significant experience in property management and oversight of third party property managers, focusing on the day-to-day management of our portfolio, including cleaning, repairs, landscaping, collecting rents, handling compliance with zoning and regulations.

Credit Quality of Tenant

- Leases are full faith and credit obligations of the United States and, as such, are <u>not</u> subject to the risk of annual appropriations.

- High lease retention rates for GSA Properties in first term (average of 93% for single-tenant properties, 95% for single-tenant, built-to-suit properties).[8]

- According to Justin Hawes, Division Director, PBS National Office of Leasing, "GSA customers remain the same location for a weighted average of 21.6 years." From 2012 through 2016, the GSA exercised the right to terminate prior to the end of the full lease term at a rate of 2.82% on leases 15,000 RSF and larger, according to Colliers International research.[9]

- Leases typically include inflation-linked rent increases associated with certain property operating costs, which the Company believes will mitigate expense variability.

Fragmented Market for Assets Within Company Acquisition Strategy

- Our Manager has observed that the market of owners and developers of targeted assets appears highly fragmented with the majority of ownership distributed among small regional owners and developers.

---

[8] "The Benefits of Longer Firm-Term Leases" presentation, PBS Customer Forum June 25, 2018.
[9] "GSA Lease Terminations: How Often Do They Occur?" by Kurt Stout, Colliers International Government Solutions, November 20, 2017.

- Based on our research, newly constructed, first-generation, GSA Properties currently trade at an average cap rate of 6.75% compared to 4.5% - 5.5% for all investment grade-rated, single tenant, triple net lease properties[10] and less than 2.5% for 10-year U.S. Treasury bonds.[11]

Large Inventory of Targeted Assets

- Over 1,300 GSA Properties in our targeted size are spread throughout U.S.[12]
- Company strategy of mitigating lease renewal risk by owning specialized, mission critical and customer service GSA Properties, plus portfolio diversification by agency and location and through careful acquisition of staggered lease expirations.

Investment Strategy

We believe there is a significant opportunity to acquire and build a portfolio consisting of high-quality GSA Properties at attractive risk-adjusted returns. We seek primarily to acquire "citizen service" GSA Properties, or GSA Properties that are "mission critical" to an agency's function. Further, we primarily target GSA Properties located in secondary or smaller markets, with sizes ranging from 5,000 to 50,000 rentable square feet, and in their first term after construction or to post-9/11 standards. our portfolio of 13 GSA Properties, eight are LEED® certified.

We believe the subset of GSA Properties on which we focus is highly fragmented and often overlooked by larger investors, which can provide opportunities for us to buy at more attractive pricing compared to other properties within the asset class. We also believe selection based on agency function, building use and location in these smaller markets will help to mitigate risk of non-renewal. While we intend to focus on this subset of GSA Properties, we are not limited in the properties in which we may invest. We have the flexibility to expand our investment focus as market conditions may dictate and, as determined in the sole discretion of our Manager, subject to broad investment guidelines or our Investment Guidelines, and investment policies or our Investment Policies, adopted by our board of directors, as either may be amended by the board of directors from time to time.

Our Investment Policies are more specifically described in "Policies with Respect to Certain Activities - Investment Policies." Our Investment Policies provide our Manager with substantial discretion with respect to the selection, acquisition and management of specific investments, subject to the limitations in the Management Agreement. Our Manager may revise our Investment Policies without the approval of our board of directors or stockholders; provided, however, that our Manager may not acquire properties falling outside our Investment Guidelines without the approval of our board of directors. Our board also may adjust our Investment Policies and will review them at least annually to determine whether the policies are in the best interests of our stockholders.

Growth Strategy

Value-Enhancing Asset Management

- Our management team focuses on the efficient management of our GSA Properties and on improvements to our GSA Properties that enhance their value for our occupancy agency and improve the likelihood of lease renewal.
- We also seek to reduce operating costs at all of our GSA Properties, often by implementing energy efficiency programs that help the U.S. Government achieve its conservation and efficiency goals.
- Our asset management team also conducts frequent audits of each of our GSA Properties in concert with the GSA and the occupying agency in order to keep each facility in optimal condition, allowing the agency to better perform its stated mission and helping to position us as a "GSA partner of choice."

Renew Existing Leases at Positive Spreads

- We intend to renew leases of GSA Properties at positive spreads.
- Upon lease renewal, GSA rental rates typically are reset based on a number of factors, including inflation, the replacement cost of the building at the time of renewal and enhancements to the property since the date of the prior lease.

---

[10] RCAnalytics
[11] As of the date of this offering circular.
[12] GSA

- During the term of a GSA lease, we work in close partnership with the GSA to implement improvements at our GSA Properties to enhance the occupying agency's ability to perform its stated mission, thereby increasing the importance of the building to the occupying agency and the probability of an increase in rent at lease renewal.

Reduce Property-Level Operating Expenses

- We manage our GSA Properties to increase our income by continuing to reduce property-level operating costs.

- We manage our GSA Properties in a cost-efficient manner so as to eliminate any excess spending and streamline our operating costs.

- When we acquire a GSA Property, we review all property-level operating expenditures to determine whether and how the GSA Property can be managed more efficiently.

Industry and Market Data

General Services Administration

We focus primarily on the acquisition and management of Class A commercial properties that are leased to U.S. Government agencies that serve essential functions. The GSA acts as the real estate intermediary for a wide range of U.S. Government entities, including the Drug Enforcement Administration, Federal Bureau of Investigation, Immigration and Customs Enforcement, Internal Revenue Service, Administrative Office of the Courts, Department of Justice, Department of Homeland Security, Department of the Treasury, Department of State and Central Intelligence Agency.

The GSA is divided into two principal divisions, the Federal Acquisition Service, or FAS, and the Public Buildings Service, or PBS. The FAS provides comprehensive solutions for products and services across the U.S. Government. The PBS acquires and manages thousands of federal properties and provides management, leasing, acquisition and disposal services to suit the U.S. Government's real estate needs. The PBS provides more than 378 million square feet of workspace for more than 1.1 million federal workers in approximately 9,000 properties nationwide. Within the PBS portfolio, properties are either under the full custody and control of the GSA (i.e., U.S. Government-owned) or leased from the private sector and include assets such as office buildings, courthouses, land ports of entry, warehouses, laboratories and parking structures.

GSA Leasing Dynamics

Over the 46-year period from 1968 to 2014, the GSA's total portfolio of leased space grew at an average annual rate of 3.1%. From 1998 to 2014, the GSA's leased inventory experienced substantially faster growth than the GSA-owned inventory, growing by 29.1% in the aggregate as compared to 1.3% decline in the aggregate for GSA-owned inventory over the same period. The GSA's leased inventory now comprises over 50% of the GSA's total inventory in terms of rentable square feet. The overall growth of the GSA's leased inventory can be seen in the chart below:

GSA Portfolio

Source: GSA

A leasing model allows the GSA the flexibility to accommodate each federal agency's needs by accounting for both the scope and urgency of its respective space requirements. Although the GSA typically utilizes a uniform lease agreement, the build-out and building security requirements for each tenant vary according to that agency's specific mission and hierarchy of the property within the agency. See "Description of Our Properties– General Provisions in Federal Government Leases." In many cases, existing U.S. Government-owned properties cannot accommodate tenant needs, and the upfront cost and complexity of constructing a new U.S. Government-owned building can be prohibitive. The average age of the U.S. Government-owned properties is 48 years. As a result, the GSA's reliance on privately owned office space has escalated. We believe this is due in part to the fact that the full cost of each construction project must be recognized in a single fiscal year budget, whereas a newly leased building only requires recognition of annual payments in the applicable agency's annual budget. Thus, given recent federal budget constraints, we believe it is likely that the U.S. Government will continue to grow its leased portfolio of assets, strengthening its reliance on leasing over ownership.

Attributes of the GSA-Leased Asset Class

The GSA-leased asset class possesses several positive attributes:

- *U.S. Government Tenant Credit* : Leases are backed by the full faith and credit of the U.S. Government, and the GSA has never experienced a financial default. Even during the U.S. Government "shutdown" of 2013, the GSA continued to pay its rent to private landlords through the Federal Buildings Fund that is not subject to direct appropriations. As such, we believe that there is limited risk of tenant default.

- *Limited Renewal Risk* : The historical renewal rate for GSA-leased properties has been approximately 77% and, properties within our target market between 5,000 – 50,000 square feet that are 100% leased to the U.S. Government have historical renewal rates in the range of 93% to 95%. Our strategy seeks to increase the likelihood of renewal by acquiring or constructing projects based on the following:

  - Having specialized knowledge and insight into the mission and hierarchy of a tenant agency or property prior to purchasing the asset.

  - Focusing on the market segment that we believe is most likely to renew: buildings of Class A construction that are less than 20 years old or have been retrofitted to post 9/11 standards, are 100% leased to a single U.S. Government tenant, including through the GSA, are in their first lease term post-construction or retrofit and include build-to-suit features and are focused on environmental sustainability.

- *Long-Term Lease Structures* : A typical initial GSA lease has a term of ten to 20 years, limiting operational risk. A renewal lease typically has a term of five to ten years.

- *Strong Rent Growth Upon Renewal* : When a GSA lease expires, the new base rent is typically reset based on a number of factors, including inflation, the replacement cost of the building at the time of renewal, which we generally expect will increase over the life of the lease, and enhancements to the property since the date of the prior lease. Between 2005 and 2015, the average rental increase for GSA leases within our target market was approximately 29% upon renewal based on a study completed by Colliers International in March 2016.

- *Low Market Correlation* : We believe that the GSA-leased real estate asset class is less correlated to macro cycles than traditional commercial real estate. The U.S. Government remains the largest employer in the world, the largest office tenant in the United States and the primary catalyst of the U.S. economy. Finally, given our expectation for continuing budgetary constraints, the U.S. Government's increased reliance on leasing over ownership is expected to continue.

- *Fragmented Market:* As of August 2016, the largest owner of GSA-leased assets owned approximately 3.5% of the GSA-leased market by leased square footage, and the ten largest owners of GSA-leased assets collectively owned approximately 18.7% of GSA Properties by leased square footage. [13] Additionally, there is no national broker or clearinghouse for GSA-leased properties. We believe that all of these factors work in concert to create a fragmented market that requires owners and developers to have specialized knowledge and expertise to navigate the landscape.

All of these market dynamics combine to yield a strong climate for investment opportunities and to drive stable cash flows within the GSA-leased property market

[13] "Top Federal Property Owners (2016)" by Kurt Stout, January 17, 2017, Colliers International Government Solutions.

DESCRIPTION OF OUR PROPERTIES

Our Portfolio and Pipeline

We currently own, through wholly-owned subsidiaries of our operating partnership, a portfolio of 16 GSA Properties, including three GSA Properties for which we own all of the rights to the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership for federal income tax purposes rather than a fee simple interest. We refer to these 16 properties as our portfolio. The Company has entered into a separate purchase and sale agreement to acquire an additional property, which is expected to close in December 2018. We refer to this property as our pipeline. The following table presents an overview of our portfolio.

Our Portfolio and Pipeline	Current Occupant	Rentable Sq. Ft	% of Portfolio [1]	% Leased	Early Termination and Expiration Date [2]	Effective Annual Rent	Effective Annual Rent per Leased Square Foot	Effective Annual Rent % of Portfolio
Our Portfolio								
"Port Saint Lucie Property" 650 NE Peacock Boulevard, Port Saint Lucie, Florida 34986	U.S Drug Enforcement Administration, or DEA	24,858	7.16%	100%	5/31/2022 5/31/2027	$ 566,514	$ 22.79	6.68%
"Jonesboro Property" 1809 LaTourette Drive, Jonesboro, Arkansas 72404	U.S Social Security Administration, or SSA	16,439	4.73%	100%	1/11/2022 1/11/2027	$ 618,734	$ 37.64	7.29%
"Lorain Property" 221 West 5th Street, Lorain, Ohio 44052	SSA	11,607	3.34%	100%	3/31/2021 3/31/2024	$ 440,763	$ 37.97	5.19%
"Port Canaveral Property" 200 George King Boulevard, Cape Canaveral, Florida 32920	U.S. Customs and Border Protection, or CBP	14,704	4.23%	100%	7/15/2022 7/15/2027	$ 649,476	$ 44.17	7.65%
"Johnson City Property" 2620 Knob Creek Road, Johnson City, Tennessee 37604	U.S Federal Bureau of Investigation, or FBI	10,115	2.91%	100%	8/20/2022 8/20/2027	$ 393,454	$ 38.90	4.64%
"Fort Smith Property" 4624 Kelley Highway, Ft. Smith, Arkansas 72904	U.S. Citizenship and Immigration Services, or CIS	13,816	3.98%	100%	No Early Termination 10/30/2029	$ 423,184	$ 30.63	4.99%
"Silt Property" 2300 River Frontage Road, Silt, Colorado 81652	U.S. Bureau of Land Management, or BLM	18,813	5.42%	100%	9/30/2024 9/30/2029	$ 386,605	$ 20.55	4.56%

"Lakewood Property" 12305 West Dakota Avenue, Lakewood, Colorado 80228	U.S. Department of Transportation, or DOT	19,241	5.54 %	100 %	No Early Termination 6/20/2024	461,996	$ 24.01	$ 5.44 %
"Moore Property" 200 NE 27th Street, Moore, OK 73160	SSA	17,058	4.91 %	100 %	4/9/2022 4/9/2027	526,517	$ 30.87	$ 6.20 %
"Lawton Property" 1610 SW Lee Boulevard, Lawton, OK 73501	SSA	9,298	2.68 %	100 %	8/17/2020 8/16/2025	282,285	$ 30.36	$ 3.33 %
"Norfolk Property" 5850 Lake Herbert Drive, Norfolk, VA 23502	SSA	53,917	15.53 %	100 %	No Early Termination 6/26/2027	1,297,153	$ 24.06	$ 15.29 %
"Montgomery Property" 3391 Atlanta Highway, Montgomery, AL 36109	CIS	21,420	6.17 %	74.86 %	12/8/2026 12/8/2031	446,793	$ 20.86	$ 5.27 %
"San Antonio Property" 1015 Jackson Keller Road, San Antonio, TX 78213	U.S. Immigration and Customs Enforcements, or ICE	38,756	11.16 %	100 %	4/30/2022 4/30/2027	1,085,323	$ 28.00	$ 12.79 %
"Knoxville Property" 1607 North Lincoln Street, Knoxville, Iowa 50138	U.S. Department of Veterans Affairs, or VA	16,731	4.82 %	100 %	No Early Termination 1/11/2032	646,830	$ 38.66	$ 6.31 %

"Champaign Property" 2117 West Park Court, Champaign, IL 61821	U.S. Federal Bureau of Investigation, or FBI	11,180	3.22%	100%	4/12/2028 4/12/2033	$ 370,240	$ 33.12	3.61%
"Sarasota Property" 7525 Commerce Court, Sarasota, FL 34243	U.S. Department of Agriculture, or USDA	28,210	8.12%	100%	7/19/2028 7/19/2038	$ 906,952	$ 32.15	8.85%
Total - Our Portfolio		**326,163**	**94%**	**98.35%**		**$9,502,819**	**$ 29.14**	**92.72%**
Our Pipeline								
"Monroe Property" 1691 Bienville Drive, Monroe, LA 71201	U.S. Department of Veterans Affairs, or VA	21,124	6.08%	100%	9/30/2023 9/30/2033	$ 745,592	$ 35.30	7.28%
Total - Our Pipeline		**21,124**	**6.08%**	**100%**		**$ 745,592**	**$ 35.30**	**7.28%**
Total - Our Portfolio and Pipeline		**347,287**	**100%**	**98.45%**		**$10,248,411**	**$ 29.51**	**100%**

[1] By rentable square footage.

[2] The early termination date for each lease represents the effective date, if any, upon which our tenant may exercise a one-time right to terminate the applicable lease. If our tenant exercises its early termination rights with respect to any lease, we cannot guarantee that we will be able to re-lease the premises on comparable terms, if at all. The lease expiration date is the date the applicable lease will terminate if the early termination is not exercise or if no early termination right exists. As of the date of this offering circular, the weighted average remaining lease term of our portfolio and pipeline is 10.4 years if none of the early termination rights are exercised and 6.6 years if all of the early termination rights are exercised.

Our Portfolio

Through our operating partnership, we acquired the Lakewood Property, Moore Property and Lawton Property, on June 10, 2016. The total contract purchase price for these properties was $10,226,786, comprised of: (a) $1,925,000 in cash pursuant to a deposit made to the seller on April 1, 2016; (b) the defeasance of the seller's senior secured debt on the properties at closing; and (c) issuance of a note to the seller in an amount equal to $2,019,789, or the Standridge Note. On December 8, 2017, the Standridge Note was amended. In conjunction with the amendment, we, through our operating partnership, made a prepayment on the Standridge Note in the amount of $1,502,091.82. We paid off the balance of the Standridge Note on December 29, 2017 with a payment of $442,092. The prepayment of the Standridge Note was financed in large part by four promissory notes payable to an affiliate and three additional parties in the aggregate amount of $1,500,000, or the Promissory Notes. See "Interest of Management and Others in Certain Transactions" for more information.

In addition to the Standridge Note, we acquired the Lakewood Property, Moore Property and Lawton Property using proceeds from our Series A Preferred Stock offering, secured financing in the aggregate amount of $7,225,000 from CorAmerica, and the $1,000,000 Holmwood Loan. We paid off the Holmwood Loan with proceeds from the initial closing of this offering.

On March 31, 2017, our operating partnership acquired the Norfolk Property. The purchase price for the building was $14,500,000, excluding acquisition costs. The acquisition was financed by first mortgage debt of $10,875,000 and the proceeds from unsecured loans to our operating partnership from two principals of our predecessor and a third-party aggregating $3,400,000. The Company incurred an acquisition fee of $145,000 payable to the Manager in connection with the acquisition of the Norfolk Property.

We acquired, through the contribution to us by Holmwood, (i) all of the membership interests in the four single-member limited liability companies that own the Silt Property, Fort Smith Property, Johnson City Property and Port Canaveral Property, or the LLC Interests, and (ii) all of the rights the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership for federal income taxes of the three single member limited liability companies that own the Port Saint Lucie Property, Jonesboro Property and Lorain Property, or the Affected Properties, and together with the other properties contributed by Holmwood, the Contribution Properties. A condition of the closing of the transactions contemplated by the Contribution Agreement was the receipt of the consent to the transfer of the LLC Interests from each of the lenders secured by the Contribution Properties. As of May 26, 2017, the date of the contribution, we had received the consent of the lenders secured by the properties underlying the LLC Interests; however, we had not yet received, and do not expect to receive, the consent from LNR Partners, LLC, or LNR, special servicer on the loan secured by the Affected Properties.

Our management determined it to be in our best interests to use an alternate method in the interim that is intended to allow our company to enjoy the financial benefits of the Affected Properties intended by the Contribution Agreement, while remaining in compliance with the Starwood Loan (as defined in "Description of Our Properties – Description of Indebtedness") covenants. On May 26, 2017, our Operating Partnership and Holmwood entered into the Second Amendment to revise certain terms of the Contribution Agreement. Pursuant to the Second Amendment, at the closing of the Contribution, Holmwood retained the limited liability company interests owning the Affected Properties as its sole and exclusive property; however, Holmwood assigned all of its right, title and interest in and to any and all profits, losses and distributed cash flows, if any, from each wholly-owned subsidiary owning the Affected Properties, as well as all of the other benefits and burdens of ownership solely for federal income tax purposes, or the Profits Interests, to our Operating Partnership. Upon (i) the receipt of consent to the contribution from LNR, (ii) the sale of the Affected Properties, subject to certain consents, or (iii) the payment of defeasance of all loans, secured by existing mortgage liens on the Affected Properties, the LLC Interests associated with such Affected Properties shall be deemed to have been contributed and transferred to our operating partnership on such date.

In exchange for the Contribution Properties, our operating partnership (i) issued 1,078,416 OP Units to Holmwood equal to the agreed value of Holmwood's equity in the Contribution Properties as of the closing of the contribution, divided by $10.00; and (ii) assumed all of the indebtedness secured by the Contribution Properties and assumed Holmwood's corporate credit line. The purchase price for these properties was determined by our Manager and Holmwood. By agreement, the value of the Silt Property was agreed to be Holmwood's purchase price, and the values of the remaining Contribution Properties were determined by using prevailing market capitalization rates, as determined by our Manager, and the 2016 pro forma net operating income of each remaining Contribution Property.

Our Contribution Agreement required us to enter into an agreement as of the closing of the contribution granting Holmwood registration and qualification rights covering the resale of the shares of common stock into which its OP Units will be convertible, subject to conditions set forth in our operating partner's limited partnership agreement. In addition, as of the closing of the contribution, we entered into a tax protection agreement with Holmwood under which we will agreed to (i) indemnify Holmwood for any taxes incurred as a result of a taxable sale of the Contribution Properties for a period of ten years after the closing; and (ii) indemnify Holmwood if a reduction in our nonrecourse liabilities secured by the Contribution Properties results in an incurrence of taxes, provided that we may offer Holmwood the opportunity to guaranty a portion of our operating partnership's other nonrecourse indebtedness in order to avoid the incurrence of tax on Holmwood.

On July 25, 2017, the Company acquired the Montgomery Property for a purchase price of $4,709,458 excluding acquisition costs. The acquisition was financed by senior debt financing and equity. The Company incurred an acquisition fee of $47,095 payable to the Manager in connection with the acquisition of the Montgomery Property.

In November 2017, the Company acquired the San Antonio Property for a purchase price of $8,225,000 excluding acquisition costs. The acquisition was financed by senior debt financing and equity. The Company incurred an acquisition fee of $82,250 payable to the Manager in connection with the acquisition of the San Antonio Property.

On July 27, 2018, the Company acquired the Knoxville Property, a property leased to United States of America and occupied by the USDVA. The contract purchase price was $7,150,000 and was financed by secured mortgage debt in original principal amount of $5,360,000 and with mezzanine debt of $1,790,000.

On August 30, 2018, the Company acquired the Champaign Property, a property leased to United States of America and occupied by the United States Federal Bureau of Investigation. The contract purchase price was $3,445,000 and was financed by secured mortgage debt in original principal amount of $2,580,000 and with mezzanine debt of $800,000.

On October 15, 2018, the Company acquired the Sarasota Property, a property leased to United States of America and occupied by the United States Department of Agriculture. The contract purchase price was $11,000,000 and was financed by secured mortgage debt in original principal amount of $8,250,000 and with mezzanine debt of $2,470,000.

Our Pipeline

The Company has entered into a separate purchase and sale agreement to acquire the Monroe Property, a property leased to the United States of America and occupied by the USDVA. The contract purchase price is $5,150,000 and is expected to close in December 2018. The acquisition is intended to be financed by senior debt financing and equity from the proceeds of this offering.

Port Saint Lucie Property

The Drug Enforcement Administration, or DEA, is currently occupying 100% of this 24,858 square foot building at 650 NW Peacock Boulevard, Port Saint Lucie, FL 34986, or the Port Saint Lucie Property. The Port Saint Lucie Property's proximity to Interstate 95, with a 67-space asphalt-paved parking lot, allows for quick entry and exit for field operations, particularly suited to DEA activities. The building is a two-story, tilt-up concrete structure constructed on 3.5382 acres. The building's steel frame is set in a concrete foundation. The exterior is painted concrete, housed under a flat roof, which is a modified bitumen, built-up roofing system. The Port Saint Lucie Property is considered to be in fair to good overall condition.

The building was constructed in 2002 and acquired by Holmwood in January 2013. The Port Saint Lucie Property is leased to the United States, 100% occupied by the DEA as a regional field office and is administered for the tenant by the GSA. The Port Saint Lucie Property lease commenced in June 2012 with an expiration date of May 31, 2027, with the tenant having the right to terminate after May 31, 2022 (15-year lease; 10-year firm).

The annual rent for the Port Saint Lucie Property is $566,514. The Port Saint Lucie Property is encumbered by a $10,700,000 loan from Starwood Mortgage Capital, LLC, or Starwood, which is cross-collateralized with the Jonesboro and Lorain Properties. See "- Description of Indebtedness – Starwood Loan."

Jonesboro Property

The Social Security Administration, or SSA, is currently occupying 100% of this 16,439 square foot building at 1809 LaTourette Drive, Jonesboro, Arkansas 72404, or the Jonesboro Property. The building is a LEED, Silver, single-story, steel-framed structure constructed on 3.36 acres. The Jonesboro Property's 94-space parking lot provides customers and stakeholders easy access to the facility. Concrete sidewalks are located around the building's perimeters and at its entrances. The building is landscaped along its perimeter. The building's steel frame is set in a concrete foundation. The exterior is enveloped in a brick veneer, with CMU wainscot. The doors are double-glazed aluminum framed, and the windows are fixed. The building has a pitched, standing seam metal roof. The Jonesboro Property is located approximately 130 miles from Little Rock, Arkansas. The Jonesboro Property is considered to be in excellent condition. The Property was originally constructed in 2011 and acquired by Holmwood in May 2012.

The lease began on January 12, 2012 and has an expiration date of January 11, 2027, with the tenant having the right to terminate after January 11, 2022 (15-year lease, 10 years firm). The building is 100% occupied by the SSA and administered by the GSA. The annual rent for the Jonesboro Property is $618,734. The Jonesboro Property is encumbered by a $10,700,000 loan from Starwood Mortgage Capital, LLC, or Starwood, which is cross-collateralized with the Port Saint Lucie and Lorain Properties. See "- Description of Indebtedness – Starwood Loan."

Lorain Property

The SSA is currently occupying 100% of this 11,607 rentable square foot building, with a 45-space parking lot, located at 221 West 5th Street, Lorain, Ohio 44052, or the Lorain Property. The building is a single-story, of steel-framed construction on 0.688 acres. Concrete sidewalks and landscaping encircle the building's perimeter. The interior consists of painted drywall in certain of the public rooms and tenant areas, and vinyl wall coverings in the remainder of the public rooms. The flooring is primarily carpeting with tile in the bathrooms and vestibules. The doors are stained solid wood and metal frames. The building's steel frame is set in a concrete foundation. The structure is enveloped in a brick veneer, with stone cast accents. The doors are double-glazed aluminum framed doors and the windows are fixed in place. This one-story, steel-framed, LEED-Silver building sits on 0.688 acres of land. The flat roof is fully-adhered, single ply TPO membrane flashed under pre-finished metal coping. It was constructed in 2011 and acquired by Holmwood in September 2011.

The SSA lease commenced on April 1, 2011 and has an expiration date of March 31, 2024, with the tenant having the right to terminate after March 31, 2021 (13-year lease; 10-years firm). The Lorain Property is convenient to public transportation and is located in the Cleveland-Elyria-Mentor Metropolitan Statistical Area, approximately 30 miles from the Cleveland central business district. The Lorain Property is considered to be in excellent condition. The annual rent for the Lorain Property is $440,763. The Lorain Property is encumbered by a $10,700,000 loan from Starwood Mortgage Capital, LLC, or Starwood, which is cross-collateralized with the Jonesboro Property and Port Saint Lucie Property. See "- Description of Indebtedness – Starwood Loan."

Port Canaveral Property

U.S Customs and Border Protection, or CBP, is currently occupying 100% of this 14,704 square foot building with a 95-space parking lot, located at 200 George King Boulevard, Cape Canaveral, Florida 32920, or the Port Canaveral Property. The building is a single-story, steel-framed structure on 1.59 acres, which is ground leased from The Canaveral Port Authority until December 7, 2045; however, Holmwood has an option to extend the ground lease for another 10 years, until December 7, 2055. There are lawns, floral plantings, trees and shrubs along the perimeter of the building. The interior public areas consist of the front lobby and either solid wood or painted metal doors. The building's steel frame is set in concrete footings. The building is enveloped in a pre-finished, stay-in- place, concrete wall forming system, with rigid polymer forms that create durable pre-finished exterior walls. The pitched roof is constructed of metal paneling.

The Port Canaveral Property is encumbered by the $7,600,000 loan from Park Sterling Bank, or Park Sterling, which is cross-collateralized with the Johnson City Property. The CBP lease commenced on July 16, 2012 and has an expiration date of July 15, 2027, with the tenant having the right to terminate after July 15, 2022 (15-year lease; 10 years firm). The Port Canaveral Property is considered to be in good overall condition. The annual rent for the Port Canaveral Property is $649,476.

An environmental site assessment performed on the Port Canaveral Property revealed chlorinated solvent contamination in the soil, groundwater, and in the surrounding area, including the subject property, in 1995, which is related to a former sump. The responsible party was identified as the Canaveral Port Authority. Several site assessments, groundwater monitoring events, remedial action plans and risk assessments have been performed at the site since the contamination was first identified. For more information on this, see "Risk Factors." The Port Canaveral Property is encumbered by a $7,600,000 loan from Park Sterling, which is cross-collateralized with the Johnson City Property. We assumed the Park Sterling Loan at the closing of the contribution transactions. See "- Description of Indebtedness – Park Sterling Loan."

Johnson City Property

The Federal Bureau of Investigation, or FBI, is currently occupying 100% of this 10,115 square foot building, located at 2620 Knob Creek Road, Johnson City, Tennessee 37604, or the Johnson City Property. The building is a single-story, steel-framed building on 2.59 acres, with a 51-space asphalt-paved parking lot. The building flatwork and pedestrian walkways consist of poured-in-place concrete. Landscaped areas are located along the perimeters of the building. The public common area has a front lobby. The structure is steel framed with CONFORM, stay-in-place concrete walls, on a concrete footing foundation. The building is enveloped in painted concrete masonry. The building was originally constructed in 2012, and the Johnson City Property was acquired by Holmwood on March 26, 2015 for a total cost of $4,210,660. The Property is considered to be in good overall condition.

The Johnson City Property is used by the FBI as a regional field office. The Johnson City Property lease commenced on August 21, 2012, has an expiration date of August 20, 2027, with the tenant having the right to terminate after August 20, 2022 (15-year lease, 10 years firm). The annual rent for the Johnson City Property is $393,454. The Johnson City Property is encumbered by a $7,600,000 loan from Park Sterling, which is cross-collateralized with the Port Canaveral Property. We assumed the Park Sterling Loan at the closing of the contribution transactions. See "- Description of Indebtedness – Park Sterling Loan."

Fort Smith Property

The U.S. Citizenship and Immigration Services, or CIS, is the occupant of this 13,848 square foot building, with 51 parking spaces, located at 4624 Kelley Highway, Ft. Smith, Arkansas 72904, or the Fort Smith Property. This single-story structure is steel-framed, on 1.62 acres. Holmwood acquired the Fort Smith Property in December 2014. Building entrance flatwork and pedestrian walkways consist of poured concrete. Lawns, trees and shrubs are provided along the perimeter of the building. The interior walls are painted gypsum board. The interior doors are typically stained, solid-core wood set in painted metal frames. The building is steel-framed and enveloped in CMU masonry walls, set on a concrete slab-on-grade foundation. The façade is painted cement stucco. The original building was constructed in 1979, with an addition and renovation in 2014. Holmwood acquired the Fort Smith Property on December 30, 2014 for a total cost of $4,364,361. The Fort Smith Property is considered to be in good overall condition.

The lease with CIS began on October 31, 2014 and has an expiration date of October 30, 2029 (15-year). The annual rent for the Fort Smith Property is $423,184. The Fort Smith Property is encumbered by a $2,450,000 loan from CorAmerica Loan Company, LLC, or CorAmerica, and is cross-collateralized with the Lakewood Property, the Lawton Property and the Moore Property. We assumed the CorAmerica Loan related to the Fort Smith Property at the closing of the contribution transactions. See "- Description of Indebtedness – CorAmerica Loans."

Silt Property

The United States Department of Interior, Bureau of Land Management, or BLM, Colorado River Valley Field Office is located at 2300 River Frontage Road in Silt, Colorado. The single-story facility was constructed in 2009 and contains 18,813 square feet, of which 13,884 square feet is office space, 3,920 square feet are warehouse, and 1,009 square feet are common area. The structure is composed of concrete masonry unit load bearing walls, with structural steel interiors and wood-framing at the roofs. The roof is a flat, single-ply thermoplastic membrane roofing, and pitched roof with asphalt shingles. The façade is painted cement stucco and cultured stone veneer. The facility situated on a 3.508-acre lot. The Silt Property also includes 126 parking spaces and is the field office for BLM's management of approximately 566,000 acres of BLM-administered public lands. Holmwood acquired the Silt Property on December 9, 2015 for a total cost of $3,770,183. The Silt Property is considered to be in fair to good overall condition.

The lease for the Silt Property, the term of which commenced October 1, 2009, and expires on September 30, 2029, can be terminated any time after September 30, 2024 (20-year lease, 15 years firm). Tenant is responsible for utilities, taxes and operating costs over a base cost per sq. ft. of $2.14. The annual rent for the Silt Property is $386,605. The Silt property is encumbered by a $2,750,000 loan from Coastal Federal Credit Union, or Coastal Bank, which we incurred in connection with the refinance of the Silt Property in September 2017. See "- Description of Indebtedness – Silt Coastal Bank Loan."

Lakewood Property

The United States Department of Transportation occupies 100% of this 19,241 square foot property (two buildings totaling 21,022 gross square feet; 19,709 sq. ft. office/warehouse building and a 1,313 sq. ft. storage building) at 12305 West Dakota Avenue, Lakewood, Colorado 80228, or the Lakewood Property. The primary structure is a single-story, steel-framed structure with loft areas and includes a storage building, all located on 3.836 acres. The Lakewood Property's 38-space concrete parking lot has the capacity for 10 truck/trailers. Building entrance flatwork and pedestrian walkways consist of cast-in-place concrete construction. Lawns, floral plantings, trees and shrubs adorn the perimeter of the building and parcel. The office/warehouse building is constructed with an entryway, warehouse, service bay, shop, bathrooms, shower rooms and corridors. An office area is located within the southern-most portion of the building. Walls typically are gypsum board or exposed and painted structural elements. Interior doors include conventional, stained solid-core wood doors set in steel frames. The building's steel frame and concrete masonry unit superstructure is set in a concrete slab-on-grade foundation, enveloped in a brick exterior, and the roof is a pitched, standing-seam metal roofing system. The building was originally constructed in 2004. The property is considered to be in good condition.

The DOT lease commenced on June 21, 2004, for a 20-year firm term that expires June 20, 2024 (20-year lease). The annual rent for the Lakewood Property is $461,996. The Lakewood Property is encumbered by a $2,400,000 loan from CorAmerica and is cross-collateralized with the Lawton Property, the Moore Property and the Fort Smith Property. See "- Description of Indebtedness – CorAmerica Loans."

Lawton Property

SSA occupies 100% of the 9,298 square foot building at 1610 SW Lee Boulevard, Lawton, OK 73501, or the Lawton Property. Lawton is approximately 87 miles from Oklahoma City. The building is a steel-framed single-story structure on 1.2856 acres and includes a 48-space concrete-paved parking lot on-site. Building entrance flatwork and pedestrian walkways consist of poured-in-place concrete construction. The perimeter of the building is landscaped with lawns, floral plantings, trees and shrubs. The building's public lobby includes waiting areas for the public, a security desk and small desk areas mounted below service windows. The lobby includes men's and women's restrooms. The interior finishes of the lobby include ceramic tile flooring, suspended ceilings with acoustical 2x4 lay-in tiles in the lobby and gypsum wall board in the restrooms and vinyl wall coverings. The building is steel–framed and enveloped in both a brick masonry veneer and metal siding, on top of a concrete slab-on-grade foundation. The building was originally constructed in 2000. The Lawton Property is considered to be in good condition.

The lease for the Lawton Property was amended on May 1, 2014, to provide for another 10-year term, with five years being firm, on May 1, 2014, with the new term commencing upon completion and acceptance of certain improvements previously requested by SSA at the property, including reconfiguration to allow for SSA's Office of Disability Adjudication and Review, or ODAR, to use the property for hearings and staff. The new lease term commenced as of August 17, 2015, with the lease expiring on August 16, 2025 (10-year lease, 5 years firm). The annual rent for the Lawton Property is $282,285.

The Lawton Property is encumbered by a $1,485,000 loan from CorAmerica and is cross-collateralized with the Lakewood Property, the Moore Property and the Fort Smith Property. See "- Description of Indebtedness – CorAmerica Loans."

Moore Property

SSA occupies 100% of the 17,058 square foot building at 200 NE 27th Street, Moore, OK 73160 or the Moore Property. The building is steel-framed, single-story construction on 2.19 acres. The Moore Property is approximately 10 miles from downtown Oklahoma City, and has a 94-space both asphalt and concrete paved portions of its parking lot. The building entrance flatwork and pedestrian walkways consist of poured-in-place concrete. Lawns, floral plantings, trees and shrubs adorn the perimeter of the building and parcel. The building's public areas include a large public lobby that includes waiting areas, a security desk and small desk areas below service windows. Men's and women's restrooms service the lobby. The building's steel frame is set in a concrete slab-on-grade foundation, and wrapped in a brick masonry veneer, concrete tilt-up panels, and painted sheet metal. The Moore Property was originally built in 1999, with an addition in 2012. The flat roof is constructed of modified bitumen, built-up roofing system. The Moore Property is considered to be in good overall condition.

The lease began on April 10, 2012, with an expiration date of April 9, 2027, with the tenant having the right to terminate on April 9, 2022 (15-year lease, 10 years firm). The annual rent for the Moore Property is $526,517. The Moore Property is encumbered by a $3,300,000 loan from CorAmerica and is cross-collateralized with the Lawton Property, the Lakewood Property and the Fort Smith Property. See "- Description of Indebtedness – CorAmerica Loans."

Norfolk Property

SSA occupies 100% of the 53,917 square foot building at 5850 Lake Herbert Drive, Norfolk, VA 23502 or the Norfolk Property.

The building is a steel-framed, three-story construction on 4.53 acres. The Norfolk Property is approximately 6.5 miles from downtown Norfolk and has 236 asphalt spaces which includes eight ADA designated spaces, two are van-designated spaces. The building is serviced by two elevators, one freight and one passenger. The building is situated on a flat lot, and entrance flatwork and pedestrian walkways consist of poured-in-place concrete. Landscaped areas consist of grass-covered lawns, floral plantings, trees and shrubs are provided in areas not occupied by the building, walkways or pavement. An underground automatic irrigation system is on site. The building's public areas include waiting areas for the public, a security desk and small desk areas mounted below service windows. The public area also includes two, unisex restrooms. Interior finishes include ceramic tile flooring, suspended ceilings with acoustical tiles in the lobby and painted gypsum board and vinyl wallcovering in the restrooms. The building's steel frame is set in a concrete slab-on-grade foundation, with perimeter and interior footings under load bearing structures. The building facade is pre-cast, concrete panels with brick masonry. The Norfolk Property was originally built in 2007. The flat roof consists of mechanically-fastened, single-ply membrane roofing systems. The Norfolk Property is considered to be in good overall condition.

GSA renewed its original 10-year lease term for another 10 years that began on June 27, 2017, with an expiration date of June 26, 2027. The annual rent for the Norfolk Property is $1,297,153. Construction plans are currently underway to provide $1,315,366 of tenant improvements. The tenant will repay the cost of the work (estimated to be $131,536 annually). The Norfolk Property is encumbered by a loan from Coastal Bank in the original principal amount of $10,875,000. See "- Description of Indebtedness – Norfolk Coastal Bank Loan."

Montgomery Property

CIS occupies 16,036 square feet (or 75.9%) of the 21,116 square foot building at 3391 Atlanta Highway, Montgomery, AL 36109, or the Montgomery Property. The tenant has indicated it expects to lease-up the remaining square footage in the near future. The building is a steel-framed, single-story construction on 2.5 acres. The Montgomery Property is approximately 3.1 miles from downtown Montgomery, AL, and has 92 asphalt spaces and includes six ADA accessible spaces. The building entrance flatwork and pedestrian walkways consist of cast-in-place concrete construction. Landscaped areas consist of grass-covered lawn and shrubs are provided in areas not occupied by the building, walkways or pavement. An underground automatic irrigation system is on site. The building's public areas include a waiting area for the public, a security desk and provides small desk areas mounted below service windows. The public area also includes two, unisex restrooms. The building's steel frame is set in a concrete, slab-on-grade foundation with perimeter and interior footings and wrapped in a painted brick veneer. The Montgomery Property was originally built in 1999. The flat roof is constructed of a metal deck supported by the steel columns and consists of a mechanically-fastened, single-ply, thermoplastic membrane. The Montgomery Property is considered to be in good overall condition.

The lease began on December 9, 2016, with an expiration date of December 8, 2031 with an option to terminate on December 8, 2026 (15-year lease, 10 years firm). The annual rent for the Montgomery Property is $446,793. The Montgomery Property is encumbered by a loan from Coastal Bank in the original principal amount of $3,530,000. See "- Description of Indebtedness – Montgomery Coastal Bank Loan."

San Antonio Property

ICE occupies 100% of the 38,756 square foot building at 1015 Jackson Keller Road, San Antonio, TX 78213 or the San Antonio Property. The building is a steel-framed, two-story construction on 1.98 acres. The building has a two-stop passenger elevator that was installed in 2010.

The San Antonio Property is approximately 7.6 miles from downtown San Antonio, TX, and has 166 asphalt spaces on site and includes six designated ADA accessible spaces, of which two are van-designated. In addition, there are 40 leased spaces at adjacent sites. The building entrance flatwork and pedestrian walkways consist of cast-in-place, concrete construction and surface aggregate construction. Landscaped areas consist of typical xeriscaping-type landscaping; trees and shrubs in beds with gravel surfaces are provided in areas not occupied by building, walkways or pavement. An underground automatic irrigation system is on site. The building is a secure, single-tenant facility. Though the building is secured and not public, the processing area and interview rooms are publicly accessible. The building's steel frame is set in a concrete, slab-on-grade foundation with interior and perimeter steel tube and wide-flange, steel columns supporting wide-flange, steel beams and joists. The exterior is painted stucco and concrete. The San Antonio Property was originally built in 1972 and substantially renovated in 2016-2017. The flat roof consists of a single-ply, thermoplastic membrane. The roofing systems were installed as part of the 2016-2017 renovation. The San Antonio Property is considered to be in good overall condition.

The lease began on May 1, 2017, with an expiration date of April 30, 2027 with the tenant having the right to terminate on April 30, 2022 (10-year lease, 5 years firm). The annual rent for the San Antonio Property is $1,085,323. The San Antonio Property is encumbered by a loan in the original principal amount of $6,991,250 from NBC Oklahoma, an Oklahoma banking association, or NBC, representing 85% of the purchase price. The loan is an interest-only, 18-month loan guaranteed by the principals of our Manager. We closed on the San Antonio Property on November 1, 2017. See "Description of Indebtedness-NBC Loan".

Knoxville Property

The United States Department of Veterans Affairs occupies 100% of the 16,731 rentable square foot building located at 1607 North Lincoln Street, Knoxville, IA 50138, or the Knoxville Property. The building is steel-framed, constructed on 2.98 acres, built-to-suit in 2017, and designed to achieve a LEED Silver for Healthcare certification.

The Knoxville Property is located approximately two miles from downtown Knoxville. Parking at the facility consists of 107 total parking spaces, including 7 spaces designated as ADA accessible. The building is a steel-framed, single-story property with a brick and cement panel exterior façade, and a foundation of trench formed concrete grade beams. The building includes 10 total men's and women's bathrooms. The landscaped areas are non-irrigated grassy areas, enhanced with mature trees and flowering shrubs.

The Knoxville Property's lease began on January 11, 2017, with an expiration date of January 11, 2032 and no early termination right. The current annual rent for the Knoxville Property is $ 646,830. The Knoxville Property is encumbered by a loan in the original principal amount of $5,360,000 from Coastal Bank representing approximately 75% of the purchase price. The loan bears interest at a fixed rate of 5.0% per annum with payments of interest and principal, based on a 25-year amortization schedule, due monthly. See "Description of Indebtedness – Knoxville Coastal Bank Loan."

Champaign Property

The FBI occupies 100% of the building consisting of 11,180 rentable square feet and located at 2117 West Park Court, Champaign, Illinois, 61821, or the Champaign Property.

The property is located on the west side of Champaign in an office and industrial area near the intersection of Interstates 72, 74 and 52. The property consists of a single, two-story office building, constructed as a built-to-suit property for the FBI and DOJ in 2005, on 0.69 acres of land. The property includes 29 parking spaces.

The Champaign Property's lease began on August 14, 2017 and will expire on August 13, 2032, with the tenant having the right to terminate on August 13, 2027. The current annual rent for the Champaign Property is $370,240. The Champaign Property is encumbered by a loan in the original principal amount of 2,580,000 from Coastal Bank representing approximately 75% of the purchase price. The loan bears interest at a fixed rate of 4.75% per annum with payments of interest and principal, based on a 25-year amortization schedule, due monthly. See "Description of Indebtedness – Champaign Coastal Bank Loan."

Sarasota Property

The United States Department of Agriculture, or the USDA, occupies 100% of the building consisting of 28,210 rentable square feet and located at 7525 Commerce Court, Sarasota, FL 34243, or the Sarasota Property.

The property will be a single-tenant, industrial LEED Silver qualified property. The USDA took occupancy in July 20, 2018. The building is constructed as a steel-framed, single-story property situated on 3.54 acres. The Sarasota Property is approximately 6.8 miles from downtown Sarasota, FL. The property includes 54 parking spaces, which include both asphalt and concrete paved portions of the parking lot. Three parking spaces are designated ADA accessible. The building's entrance flatwork and pedestrian walkways will consist of cast-in-place, concrete construction. The landscaped areas consist of grass-covered lawn and shrubs in areas that are not occupied by the building, walkways or pavement. The building includes two, unisex bathrooms, lunch room, as well as a men's and women's locker room. The building's steel frame is set in a concrete, slab-on-grade foundation with interior and perimeter steel tube and wide-flange, steel columns supporting wide-flange, steel beams and joists. The pre-engineered metal building consists of a roof deck, rigid frames, metal wall panels on framing, canopy framing and gutters and downspouts and installed according to design loads. The flat roof consists of a sure-flex, single-ply system.

The lease began on July 20, 2018 and will expire on July 19, 2038 with the tenant having the right to terminate on July 19, 2028, after ten years (20-year lease, 10-year firm). The annual rent for the Sarasota Property is $906,952 in the first year of occupancy. The Sarasota Property is encumbered by a loan in the original principal amount of $8,250,000 from Coastal Bank representing 75% of the purchase price. The loan bears interest at a fixed rate of 4.80% per annum with payments of interest and principal, based on a 25-year amortization schedule, due monthly. See "Description of Indebtedness – Sarasota Coastal Bank Loan."

Description of Indebtedness

Starwood Loan

The Port Saint Lucie, Jonesboro, and Lorain Properties, or the Starwood Properties, all secure and cross collateralize the Starwood Loan, made by Starwood Mortgage Capital, LLC in connection with Holmwood's refinancing of debt incurred in connection with the acquisition of such properties, and which is now serviced by Wells Fargo. The Starwood Loan was originally made in the amount of $10,700,000 and is a generally nonrecourse loan, subject to standard recourse carve-outs and environmental indemnities. The Starwood Loan bears a fixed interest rate of 5.265%, requires monthly blended payments of principal and interest, and all outstanding principal and interest is due at maturity on August 6, 2023. The Starwood Loan contains customary events of default and restrictions upon the transfer of direct or indirect interests in the Port Saint Lucie, Jonesboro and Lorain Properties.

Defeasance of the Starwood Loan is generally permitted subject to compliance with certain conditions set forth in the Starwood Loan Documents. Any prepayment will require the borrowers to deposit with Wells Fargo an amount equal to that which is sufficient to purchase U.S. Treasury Obligations and other government securities (as defined in Treasury Regulations Section 1.860G-2(a)(8)(ii)) that provide for all future payments of monthly interest and outstanding principal, all costs and expenses incurred by Wells Fargo or its agents in connection with such release, including payment of all escrow, closing, recording, legal, appraisal, rating agency and other fees, costs and expenses paid or incurred by Wells Fargo resulting from the borrowers exercise of their rights to have the property released according to the defeasance provisions of the Starwood Loan Documents. Notwithstanding the foregoing defeasance requirement, it is anticipated that the borrowers of the Starwood Loan will be permitted to prepay the Starwood Loan within three months of its maturity date on sixty days written notice to Wells Fargo.

Messrs. Kaplan, Kaplan Jr., Stanton and Kurlander have executed a guaranty of the recourse carve-outs and an environmental indemnity in favor of Starwood and its successors.

Park Sterling Loan

The Park Sterling loan was funded on or about March 25, 2015, by Park Sterling Bank, or Park Sterling, as lender, and GOV FBI Johnson City, LLC and GOV CBP Cape Canaveral, LLC, collectively, are the borrowers. The loan from Park Sterling, or the Park Sterling Loan, was in the original principal amount of $7,600,000 and is a recourse loan. The debt service is the greater of either the current interest rate under the note or 5.0%. The promissory note is guaranteed by Holmwood Capital, LLC, Baker Hill Holding, LLC, and Messrs. Kaplan, Kaplan Jr. and Stanton. The Park Sterling Loan is secured by a first priority lien on the properties held by the borrowers. The maturity date for payment of all principal and interest is March 27, 2018, which has been extended for 90 days. The loan term may be extended an additional twelve months if certain conditions are met, including: all major tenants are in occupancy and paying rent without default on their lease, there has been no event of default by borrowers, the borrowers pay Park Sterling an extension fee of $19,000, the borrowers provide Park Sterling 120 days' notice, and there has been no material adverse change in the financial condition of the borrowers.

The borrowers under the Park Sterling Loan are obligated to maintain a loan-to-value ratio of no more than 80% and the minimum debt service coverage ratio for the underlying properties is 1.20x. The borrowers have the right to have one of the encumbered properties released from the security instruments if certain conditions are met, including: repayment of outstanding principal, there are no events of default under the financing documents, and the residual debt and collateral after the release would not generate a debt service coverage ratio less than 1.20x or a loan to value ratio greater than 75%. Park Sterling is permitted to sell participations in all or a portion of its rights under the financing documents.

In the event of default, Park Sterling has the right to foreclose on the properties encumbered by the Park Sterling Loan.

CorAmerica Loans

CorAmerica provided senior, secured financing, aggregating $9,675,000 for the purchase of the Moore Property ($3,300,000), the Lawton Property ($1,485,000), and the Lakewood Property ($2,400,000) and the refinancing of the Fort Smith Property ($2,450,000), which is currently owned by Holmwood and will be contributed to our operating partnership, when the first closing of the issuance of the shares of our stock occurs. The contribution of the Fort Smith Property to us by Holmwood will result in our assumption of the outstanding principal amount of the portion of the CorAmerica loans borrowed by the SPE-owner of the Fort Smith Property.

The CorAmerica loans are cross-collateralized, cross-defaulted and are secured by first mortgages on each of such facilities. The loans bear interest at 3.93% per annum, will mature on or about June 1, 2019 and will be payable as to both principal and interest monthly, pursuant to a 25-year amortization schedule with the remaining balance of principal and accrued but unpaid interest becoming due and payable at maturity. The loans are prepayable in whole or in part from time to time without premium or penalty. The loans are guaranteed jointly and severally by Messrs. Stanton, Kaplan Jr., Kaplan and Kurlander.

Silt Coastal Bank Loan

The Coastal Bank loan agreement was executed in September 2017 between Coastal Bank, as lender and GOV Silt, LLC as borrower. The original principal amount of the Coastal Bank Loan was $2,750,000 secured by a first priority lien on the property held by the borrower. The Coastal Bank Loan is a recourse obligation. The maturity date is September 30, 2022.

The Coastal Bank Loan bears interest at 4.00% and requires principal and interest payment during the term based on a 25-year amortization schedule. The loan is prepayable without penalty.

Norfolk Coastal Bank Loan

Coastal Bank provided senior, secured financing in the original principal amount of $10,875,000 for the acquisition of the Norfolk Property. The loan is collateralized by the Norfolk Property. The loan bears interest at 4.00% per annum, will mature on or about July 11, 2022 and is payable as to both principal and interest monthly, pursuant to a 25-year amortization schedule with the remaining balance of principal and accrued but unpaid interest becoming due and payable at maturity. The loan is prepayable in whole or in part from time to time without premium or penalty. The loan is guaranteed jointly and severally by our operating partnership, Holmwood, Baker Hill Holding LLC, Stanton Holdings, LLC, and Messrs. Stanton, Kaplan Jr., Kaplan and Kurlander.

Montgomery Coastal Bank Loan

Coastal Bank provided senior, secured financing in the original principal amount of $3,530,000 for the acquisition of the Montgomery Property. The loan is collateralized by the Montgomery Property. The loan bears interest at 4.00% per annum, will mature on or about July 25, 2022 and is payable as to both principal and interest monthly, pursuant to a 25-year amortization schedule with the remaining balance of principal and accrued but unpaid interest becoming due and payable at maturity. The loan is prepayable in whole or in part from time to time without premium or penalty. The loan is guaranteed by our operating partnership.

Knoxville Coastal Bank Loan

Coastal Bank provided senior, secured financing in the original principal amount of $5,360,000 for the acquisition of the Knoxville Property. The loan is collateralized by the Knoxville Property. The loan bears interest at 5.00% per annum, will mature on or about August 1, 2028 and is payable as to both principal and interest monthly, pursuant to a 25-year amortization schedule with the remaining balance of principal and accrued but unpaid interest becoming due and payable at maturity. The loan is prepayable in whole or in part from time to time without premium or penalty. The loan is guaranteed by our operating partnership.

Champaign Coastal Bank Loan

Coastal Bank provided senior, secured financing in the original principal amount of $2,580,000 for the acquisition of the Champaign Property. The loan is collateralized by the Champaign Property. The loan bears interest at 4.75% per annum, will mature on or about September 1, 2023 and is payable as to both principal and interest monthly, pursuant to a 25-year amortization schedule with the remaining balance of principal and accrued but unpaid interest becoming due and payable at maturity. The loan is prepayable in whole or in part from time to time without premium or penalty. The loan is guaranteed by our operating partnership.

Sarasota Coastal Bank Loan

Coastal Bank provided senior, secured financing in the original principal amount of $8,250,000 for the acquisition of the Sarasota Property. The loan is collateralized by the Sarasota Property. The loan bears interest at 4.80% per annum, will mature on or about July 1, 2028 and is payable as to both principal and interest monthly, pursuant to a 25-year amortization schedule with the remaining balance of principal and accrued but unpaid interest becoming due and payable at maturity. The loan is prepayable in whole or in part from time to time without premium or penalty. The loan is guaranteed by our operating partnership.

NBC Loan

NBC provided senior, secured financing in the original principal amount of $6,991,250 for the acquisition of the San Antonio Property. The NBC Loan bears interest at the higher of the rate established by the Wall Street Journal as the “Prime Rate” or 4.25%. The NBC Loan carries monthly, interest only payments until maturity. The NBC Loan will mature on June 5, 2019. At maturity, all principal and unpaid interest will be due. The NBC Loan is pre-payable in whole or in part without premium or penalty. The loan is collateralized by the San Antonio Property. The NBC Loan is guaranteed by Messrs. Kaplan, Kaplan, Jr., Kurlander and Stanton and Baker Hill Holding LLC, our operating partnership and Stanton Holdings, LLC.

General Provisions in Federal Government Leases

The following is a general description of the type of lease we typically enter into with the federal government negotiated through the GSA, or GSA Leases. The terms and conditions of any actual GSA Lease, or any lease entered into directly with an agency or department of the federal government, may vary from those described below. If we determine that the terms of a GSA Lease at a property, taken as a whole, are favorable to us, we may enter into leases with terms that are substantially different than the terms described below.

Rent

In general, GSA Leases are full service modified gross leases, which require us to pay for maintenance, repairs, base property taxes, utilities and insurance. Although the federal government is typically obligated to pay us adjusted rent for changes in certain operating costs (e.g., the costs of cleaning services, supplies, materials, maintenance, trash removal, landscaping, water, sewer charges, heating, electricity, repairs and certain administrative expenses but not including insurance), the amount of any adjustment is based on a cost of living index rather than the actual amount of our costs. As a result, to the extent the amount payable to us based upon the cost of living does not reflect actual changes in our operating costs, our operating results could be adversely affected. Furthermore, the federal government is typically obligated to reimburse us for increases in real property taxes above a base amount if we provide the proper documentation in a timely manner. Notwithstanding federal government reimbursement obligations, we remain primarily responsible for the payment of all such costs and taxes. Unlike most commercial leases which require monthly payments in advance, GSA Leases generally require that rent be paid monthly in arrears.

For any assignment of a GSA Lease to be effective, the consent of the federal government must be obtained. The consent process is time-consuming and will not be finalized until after we have acquired the subject property. However, during this interim period the seller will continue to be paid rent by the federal government. The GSA has not adopted a standard process by which it determines whether to grant its consent to an assignment of a GSA Lease. GSA requires that the sale of the property be consummated prior to the submission of a formal request for its consent. We expect that GSA will require the following items be submitted with a request for its consent to the assignment of a GSA Lease for any acquired properties to us: (1) a recorded copy of the deed as evidence of the transfer of title, (2) a letter from us to GSA acknowledging that we are prepared to assume the GSA Lease, (3) a letter from the seller to GSA waiving all its rights under the GSA Lease, (4) our organizational documents and the organizational documents of the special-purpose entity that will own the subject property, (5) evidence of our good standing, (6) a letter from us to GSA identifying the legal name and address of the payee, (7) a tax identification number for the new payee and (8) a central contractor registration number. After we submit these items, and such other items as GSA may request, we expect that the review process will take from one to three months. If GSA approves our assumption of the GSA Lease, we will enter into a supplemental lease agreement or a novation agreement with GSA and the seller that will formally acknowledge our assumption of the GSA Lease. Once such documentation is finalized, GSA will commence paying rent directly to us.

While management believes it unlikely not to receive such consent, there is no guarantee that GSA will consent to our assumption of a GSA Lease for an acquired property. During the interim period after we acquire a property and prior to the execution of a supplemental lease agreement or novation agreement (and in the event that the GSA does not grant its consent and the assignment of such lease), the seller will remain responsible to GSA to operate and manage the subject property in accordance with the terms of the GSA Lease and will continue to receive rent from GSA which it is contractually obligated to remit to us. Notwithstanding, a seller's obligation in this regard, we will be performing those management services.

Term of Lease

Our GSA Leases typically have an initial term of 10 to 20 years. Our GSA Leases generally do not contain provisions for the extension of the lease term.

Early Termination

Most of our GSA Leases include a provision which allows the federal government to terminate at will by providing written notice to us after an initial guaranteed term. This notice period generally varies from 60 to 180 days. Some GSA Leases provide that, following the initial guaranteed term, rent will be paid at a reduced rate.

Assignment and Sublease

Our GSA Leases generally require our written consent for assignment (which may not be unreasonably withheld) by the federal government, however, it may typically substitute a different federal agency or department as an occupant under our GSA Leases without seeking our consent. An assignment would relieve the federal government of any future obligations under the GSA Lease, but assignment would not relieve the federal government from any unpaid rent or other liability to us existing before the assignment. Our GSA Leases generally allow the federal government to sublet all or part of a property without our consent, but such sublet would not relieve the federal government from any obligations under the GSA Lease.

Maintenance and Alteration

We are generally responsible for all maintenance of properties under our GSA Leases, including maintenance of all equipment, fixtures and appurtenances to such properties. We are generally responsible for all utilities in order to make our properties suitable for use and capable of supplying heat, light, air conditioning, ventilation and access without interruption. Use of heat, ventilation and air conditioning beyond normal working hours is generally paid for by the federal government, except for certain GSA Leases that require that we provide certain portions of the building with heating, ventilation and air conditioning services 24 hours a day, seven days a week. Our failure to maintain our properties or provide adequate utilities, service or repair can result in the federal government deducting the costs of such maintenance, utility, service or repair from its rent payment to us. The federal government generally retains the right to make alterations to our properties at its own expense. The federal government also retains the right to add and remove fixtures to the premises without relinquishing ownership of such fixtures.

Damage, Destruction or Condemnation

Complete destruction of, or significant damage to, a property under a GSA Lease generally results in the immediate termination of the lease. Partial destruction or damage, such that the property is unable to be occupied by a tenant, generally grants the federal government the option to terminate the lease by giving notice to us within 15 days following the partial destruction or damage. If the lease is so terminated, no rent accrues after the date of such destruction or damage.

Certain Government Standards

Each GSA Lease requires that we maintain certain standards set by the federal government. For instance, our GSA Leases generally require that we certify that our procurement activities do not violate any prohibitions against improper third-party benefits resulting from our procurement of a federal government contract. In addition, the GSA Leases contain provisions which require that we maintain certain labor and equal opportunity standards in relation to our subcontractors. When selecting subcontractors, the GSA Leases require that we make a good faith effort to select subcontractors that are small businesses, small businesses owned by socially or economically disadvantaged individuals or small businesses owned by women. Failure to comply with these standards could result in termination of a GSA Lease, reduction in rent or liquidated damages outlined in the lease.

Events of Default

Failure by the federal government to pay rent or make other payments required under a GSA Lease on the date such payment is due results in an automatic interest penalty to be paid by the federal government. The interest penalty is calculated as a percentage of the payment due, based on a rate established by the U.S. Department of the Treasury pursuant to the Contracts Dispute Act of 1978. The interest payment accrues daily and is compounded in 30-day increments. There is typically no provision in our GSA Leases permitting us to terminate the lease as a result of non-payment or other actions by the federal government.

Our failure to maintain, repair, operate or service a property under a GSA Lease for 30 days after receipt of notice from the federal government generally results in our default under such lease. In addition, repeated and unexcused failure to maintain, repair, operate or service the property by us will generally result in default. Upon default, the federal government is entitled to terminate the lease and seek damages, which could consist of rent, taxes and operating costs of a substitute property, administrative expenses in procuring a replacement property and such other damages as the lease or applicable law allows.

Unlike most commercial leases, GSA Leases do not include provisions that permit the landlord to evict a federal government that is in default under the lease, including as a result of a holdover. In the event that we seek to evict a federal government occupant that is in default, the federal government occupant could institute condemnation proceedings against us and seek to take our property, or a leasehold interest therein, through its power of eminent domain.

Remedies

If we have a dispute with the federal government occupant, the dispute is required to be resolved pursuant to the Contract Disputes Act of 1978. A dispute concerning payment must be submitted to the contracting officer authorized to bind the federal government, who will make a determination as to the merits of the dispute and the determination can be appealed to an administrative agency or to a court.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

We are an externally-managed real estate company, formed to grow our business of acquiring, developing, financing, owning and managing properties leased primarily to the United States of America, acting either through the GSA or directly through the federal government agencies or departments occupying such properties, including such properties owned by special purpose entities contributed to our operating partnership by Holmwood, our accounting predecessor. We invest primarily in GSA Properties across secondary and smaller markets, in sizes that range from 5,000-50,000 rentable square feet that are in their first term after construction or improvement to post-9/11 standards. We further emphasize GSA Properties that fulfill mission critical or direct citizen service functions. We intend to grow our portfolio primarily through acquisitions of single-tenanted, federal government-leased properties in such markets; although, at some point in the future we may elect to develop, or joint venture with others in the development of, competitively bid, built-to-suit, single-tenant, federal government-leased properties, or buy facilities that are leased to credit-worthy state or municipal tenants.

As of the date of this offering circular, the Company owns 16 GSA Properties, comprised of 13 GSA Properties that we own in fee simple and three additional GSA Properties for which we have all of the rights to the profits, losses, any distributed cash flow and all of the other benefits and burdens of ownership including for federal income tax purposes, each of which is leased to the United States. Our portfolio of GSA Properties, or our portfolio properties, which includes three properties acquired on July 27, August 30, 2018 and October 15, 2018, respectively, contains approximately 319,166 rentable square feet located in 11 states with one additional GSA Properties, or our pipeline property, under contract for an additional 21,124 rentable square feet. Our portfolio and pipeline properties are 100% leased to the United States of America and occupied, or to be occupied on completion, by federal government agencies. Based on net operating income of our portfolio properties, our portfolio has a weighted average remaining lease term of 10 years if none of the early termination rights are exercised and 6.4 years if all of the early termination rights are exercised.

Our operating partnership, through wholly-owned special purpose entities or SPEs, holds substantially all of our assets and conducts substantially all of our business. As of the filing date of this offering circular we owned approximately 45% of the aggregate common limited partnership interests in our operating partnership, or common units, on a fully diluted basis. We were formed in 2016 as a Maryland corporation, and have elected to be taxed as a REIT for federal income tax purposes, beginning with our taxable year ending December 31, 2017.

Our Predecessor

The term, "our predecessor", refers to Holmwood and its three, remaining, consolidated, single purpose, wholly owned subsidiaries. Each such remaining subsidiary holds the fee interest in a GSA Property, the rights to the profits from, the leases for, any distributed cash flow from, and all of the benefits and burdens of ownership, including for federal income tax purposes, of which were contributed to our Operating Partnership by Holmwood on May 26, 2017.

Operating Results

For the six-months ended June 30, 2018

At June 30, 2018, our portfolio contained 13 properties consisting of 268,429 rentable square feet located in nine states and was 98% occupied. We also had four properties under contract for an aggregate purchase price of $26,745,000 consisting of 77,245 in rentable square feet. Subsequently, we have closed on two of the four properties under contract, increasing our portfolio by 27,911 rentable square feet. Within Part F/S to this Preliminary Offering Circular, see Note 14 to the unaudited, consolidated financial statements as of June 30, 2018 and December 31, 2017 and for the six month period ending June 30, 2018 and 2017 for further discussion on these property acquisitions.

During the six months ended June 30, 2018, we earned revenues of $3,775,761 and incurred operating costs, excluding asset management fees and depreciation and amortization, of $1,729,156. Our net operating income for the period was $2,046,605; and, after deducting asset management fees of $157,067, depreciation and amortization of $1,423,466, interest expense of $1,444,494 and after the recognition of a gain on an asset disposition of $57,530, the Company's net loss was $920,892 for the six months ended June 30, 2018. Our net loss attributed to our common shareholders was $858,616 after allocating $188,714 of the Company's net loss to the non-controlling interest in our operating partnership and after the deduction of Series A Preferred Stock dividends of $126,438.

For the six-months ended June 30, 2017

At June 30, 2017, our portfolio contained 11 properties consisting of 208,253 rentable square feet located in seven states, which includes seven properties consisting of 110,352 rentable square feet that were contributed by our predecessor on May 26, 2017. On March 31, 2017, we acquired a 53,917 rentable square foot, built-to-suit, single-tenant, three-story office building in Norfolk, Virginia for $14,500,000. The building was purchased subject to a lease agreement administered by the General Services Administration and on June 30, 2017, was 100% occupied by the Social Security Administration with one floor sublet to a Virginia State contractor to the SSA.

We earned revenues of $1,341,061 and incurred operating costs of $725,852, excluding asset management fees and depreciation and amortization, for the six months ended June 30, 2017. Our net operating income was $615,209; and, after deducting asset management fees of 39,959, depreciation and amortization of $481,790 and interest expense of $423,260, the Company's net loss was $329,800 for the six months ended June 30, 2017. Our net loss attributed to our common shareholders was $461,752 after allocating $5,514 of our Operating Partnership's net income to the non-controlling interest in our operating partnership and after the deduction of Series A Preferred Stock dividends of $126,438.

Calculating Net Operating Income

We believe that our net operating income, or NOI, a non-GAAP measure, is a useful measure of our operating performance. We define NOI as total property revenues less total property operating expenses, excluding depreciation and amortization, interest expense and asset management fees. Other REITs may use different methodologies for calculating NOI, and accordingly, our NOI may not be comparable to the NOI of other REITs. We believe that NOI, as we calculate it, provides an operating perspective not immediately apparent from GAAP operating income or net income. We use NOI to evaluate our performance on a property-by-property basis, because NOI more meaningfully reflects the core operations of our properties as well as their performance by excluding items not related to property operating performance and by capturing trends in property operating expenses. However, NOI should only be used as an alternative measure of our financial performance.

The following table reflects property contributions to combined NOI together with a reconciliation of NOI to net income (loss) as computed in accordance with GAAP for the six-month periods ended June 30, 2018 and 2017, respectively.

	For the Six Months Ended June 30,	
	2018	2017
Revenues	$ 3,775,761	$ 1,341,061
Less:		
Operating expenses	1,626,719	692,465
Management fee	102,437	33,387
Total expenses	1,729,156	725,852
Net operating income	2,046,605	615,209
Less:		
Asset management fee	157,067	39,959
Depreciation and amortization	1,423,466	481,790
Interest expense	1,444,494	423,260
Gain on asset disposition	(57,530)	-
Net loss	(920,892)	(329,800)
Less: Net (loss) income attributable to noncontrolling interest	(188,714)	5,514
Net loss loss attributed to HC Gov Realty Trust, Inc.	(732,178)	(335,314)
Less: Preferred stock dividends	(126,438)	(126,438)
Net (loss) income attributed to HC Gov Realty Trust, Inc. available to common shareholders	$ (858,616)	$ (461,752)

Liquidity and Capital Resources

Our business model is intended to drive growth through acquisitions. Access to the capital markets is an important factor for our continued success. Since November, 2016, we have been engaged in a public offering of our common stock pursuant to Tier II of Regulation A, or our Offering, seeking up to $30,000,000 gross proceeds (approximately $25,915,521 net) in equity to finance in part our business model. As of the date of this offering circular, we had issued 891,041 shares in our Offering for $8,153,838 in net proceeds. While we expect to continue to issue equity in our Company through our Offering with proceeds being used to acquire other single-tenant properties, leased to the United States of America or facilities that are leased to credit-worthy state or municipal tenants, there can be no assurance as to when, if ever, amounts raised will be sufficient to support growth through acquisition in accordance with our business model

As a result, we have actively explored additional capital opportunities. First, our Manager has invested additional resources, including hiring a Senior Director of National Accounts, to solicit FINRA member broker-dealers to become members of the selling group for the offering in order to ultimately increase the number of registered representatives actively seeking subscribers for our common shares. Secondly, in concert with our financial advisor, BB&T Capital, we are actively seeking institutional investors to fund our business model and acquisition plan. As of the filing of this report, these efforts are ongoing.

Liquidity General

Our need for liquidity will be primarily to fund (i) operating expenses and cash dividends; (ii) property acquisitions; (iii) deposits and fees associated with long-term debt financing for our GSA Properties; (iv) capital expenditures; (v) payment of principal of, and interest on, outstanding indebtedness; and (vi) other investments, consonant with our Investment Guidelines and Investment Policies.

At June 30, 2018, we had four GSA Properties under contract for $26,745,000 in the aggregate. Three of the properties have been acquired, since the end of the second quarter, the acquisitions having been substantially financed with secured, first mortgage debt on each of the properties and unsecured borrowings by our operating partnership from our affiliate BH, which is controlled by the spouse of Philip Kurlander, one of our directors and an owner and the controlling manager of our Manager. See " – Capital Resources—Notes Payable."

Our operating partnership is contractually bound to buy one additional GSA property, scheduled to close before the end of 2018. Under the contract for this GSA property, we have posted non-refundable deposits, aggregating $100,000, that will be forfeited to the sellers as liquidated damages if we are unable to close. This acquisition will require approximately $1,084,500 in equity be contributed to the capital of the SPE, organized for the purpose of making this acquisition in order for us to access the mortgage loan that have been arranged to finance the balance of the purchase price for the GSA Property. While our goal would be to use equity raised in the Offering for the equity required to close, at our current rate of capital raising in the Offering this is unlikely. Therefore, we anticipate that the required funds will need to come from additional borrowings from BH, presumably structured similarly to the Knoxville, Champaign and Sarasota BH Notes or from investment made by private or institutional investors, if any. There can be no assurance that our company will raise sufficient capital to complete these acquisitions.

Capital Resources

Equity

On November 7, 2016, the Securities and Exchange Commission (SEC) qualified our Offering. Our Offering required that a minimum of 300,000 shares of our common stock at $10 per share be subscribed for and the subscription price paid into escrow before we were permitted to close any part of the offering. This minimum was achieved and on May 18, 2017, when we issued 317,120 shares and received initial proceeds, net of issuance costs, totaling $2,894,580. The Offering also contemplates that up to a total of 3,000,000 shares can be issued in the offering at $10 per share. The Offering continues and unless earlier terminated, which we reserve the right to do, will terminate on the first to occur of the issuance of a total of 3,000,000 shares for gross proceeds of $30,000,000, or November 7, 2019.

As of September 13, 2018, the Company has sold 889,541 cumulative shares for net proceeds of $8,129,206 in the Offering. We have used, and will continue to use, net proceeds from the Offering to pay down debt, fund acquisitions, provide working capital, fund a portion of our targeted dividend and otherwise improve our capital structure, enabling us to further implement our acquisition strategy, and increase cash flows. There can be no assurance that the Offering will result in net proceeds from the sale of our common stock sufficient to provide the equity component for any of these uses.

Mortgages

On or about March 25, 2018, the Company secured a 90-day extension to June 25, 2018 while negotiations were in process to procure a long-term refinance agreement with respect to two mortgages, one on its property located in Johnson City, Tennessee and the other located in Cape Canaveral, Florida, both of which loans were cross-collateralized. As a result of those negotiations, we entered into a loan modification agreement on April 27, 2018 which, among other things, extended the maturity date to April 27, 2020, changed the principal amortization from 20 years to 17 and added $52,907 of principal to cover debt issuance costs. The interest rate calculation mechanism was unchanged.

On July 27, 2018, the Company entered into a mortgage loan in the amount of $5,360,000 with a maturity date of August 1, 2028 in connection with the financing of a GSA property located in Knoxville, Iowa. The loan's interest rate is fixed at 5% and requires principal and interest payments of $31,227 based upon a 25-year amortization schedule.

On August 30, 2018, the Company entered into a mortgage loan in the amount of $2,580,000 with a maturity date of September 1, 2028 in connection with the financing of a GSA property located in Champaign, Illinois. The loan's interest rate is fixed at 4.75% and requires principal and interest payments of $14,709 based upon a 25-year amortization schedule.

On October 15, 2018, the Company entered into a mortgage loan in the amount of $8,250,000 with a maturity date of July 1, 2028 in connection with the financing of a GSA property located in Sarasota, Florida. The loan's interest rate is fixed at 4.8% and requires principal and interest payments of $47,272 based upon a 30-year amortization schedule.

Notes Payable

On April 11, 2018, for working capital purposes we caused our Operating Partnership to borrow $500,000, pursuant to a promissory note payable to a member of our predecessor. The note is unsecured and requires monthly interest-only payments payable in arrears at an interest rate of 8% per annum. The note is pre-payable without penalty prior to its maturity date, May 1, 2019.

On July 24, 2018, we caused our Operating Partnership to borrow $100,000 from an unaffiliated third party pursuant to a promissory note. The note is unsecured, bears interest at 8% per annum, requires quarterly interest payments, commencing October 1, 2018 and quarterly thereafter and matures on July 24, 2021. The Note is pre-payable; provided that until July 24, 2019, prepayment must be accompanied by all accrued interest, plus a premium equal to the original principal amount of the Note multiplied by the remaining number of whole calendar months remaining until July 24, 2019, divided by twelve, and then multiplied by the 14% interest rate. After July 24, 2019, the note is pre-payable without premium or penalty of any kind.

On July 25, 2018, we caused our Operating Partnership to borrow $1,700,000 from BH, pursuant to an unsecured promissory note. The note bears interest at 14% per annum, or the note rate, payable monthly in arrears and matures on July 31, 2020. In the note, in lieu of paying an interest payment at the note rate in immediately available funds, we reserved the right to (1) pay interest on the outstanding principal balance of the note on any interest payment date in immediately available funds at the per annum rate of 6.0% per annum, or the current pay portion, and (2) add an amount equal to interest on the outstanding principal balance of the note on any interest payment date, calculated at the per annum rate of 8.0% to the principal balance of the note, which we call "paid in kind" interest or "PIK" interest. From and after the addition of any PIK interest to the principal balance of the note, the increased principal amount of the note will bear interest at the per annum rate of 14%, payable in like manner to the prior payment of interest. The proceeds of the loan were contributed as equity to the capital of the SPE that purchased the GSA property located in Knoxville, Iowa. The Note is pre-payable; provided that until July 31, 2019, prepayment must be accompanied by all accrued interest, plus a premium equal to the original principal amount of the Note multiplied by the number of whole calendar months remaining until July 31, 2019, divided by twelve, and then multiplied by the note rate. After July 31, 2019, the note is pre-payable without premium or penalty of any kind.

On August 30, 2018, we caused our Operating Partnership to borrow $800,000 from BH, pursuant to an unsecured promissory note. The note bears interest at the note rate, payable monthly in arrears and matures on August 30, 2020. In the note, in lieu of paying an interest payment at the note rate in immediately available funds, we reserved the right to (1) pay the current pay portion on any interest payment date in immediately available funds, and (2) add an amount equal to the PIK interest to the principal balance of the note. From and after the addition of any PIK interest to the principal balance of the note, the increased principal amount of the note will bear interest at the note rate, payable in like manner to the prior payment of interest. The proceeds of the loan were contributed as equity to the capital of the SPE that purchased the GSA property located in Champaign, Illinois.

On October 12, 2018, we caused our Operating Partnership to borrow $2,470,000 from BH, pursuant to an unsecured promissory note. The note bears interest at the note rate, payable monthly in arrears and matures on October 31, 2020. In the note, in lieu of paying an interest payment at the note rate in immediately available funds, we reserved the right to (1) pay the current pay portion on any interest payment date in immediately available funds, and (2) add an amount equal to the PIK interest to the principal balance of the note. From and after the addition of any PIK interest to the principal balance of the note, the increased principal amount of the note will bear interest at the note rate, payable in like manner to the prior payment of interest. The proceeds of the loan were contributed as equity to the capital of the SPE that purchased the GSA property located in Sarasota, Florida.

Thus far we have not exercised our right to PIK any of the interest on the BH Notes, and we intend to continue to pay the interest in cash, subject to the availability of cash flow to do so.

Additional Related Party Loans

As of the filing date of this report, the Company has outstanding, loans from certain of its officers, directors or entities affiliated with its officers and directors. $330,000 in aggregate principal amount of payable on demand as to both principal and interest. These related party loans bar interest at variable rates in excess of 10% per annum.

Trend Information

Our company, through our operating partnership is engaged primarily in the acquisition, leasing and disposition of single-tenanted, mission critical or customer facing properties, leased to the United States of America and that are situated in secondary and tertiary markets throughout the country. As full faith and credit obligations of the United States these leases offer risk-adjusted returns that are attractive, inasmuch as there continues to be no appreciable yield of comparable credit quality in the marketplace. Conversely, these market dynamics have caused upward pressure on sales prices, offset by management's deep knowledge and contacts in the sector and the paucity of buyers which will consider smaller properties in smaller markets, frequently enabling our company to lock-up transactions directly with sellers. Short-term interest rates are rising, but while any increase in interest rates will tend to result in some downward pressure on sales prices, if they become sustained, conversely, if long-term interest rates rise, our cost of capital to fund acquisitions can be expected to rise as well, increasing our operating costs and decreasing net income, if any.

To date our company has been capital constrained, which has affected liquidity adversely from an operating perspective and the ability of our company to manage several viable acquisition opportunities at the same time. This trend has been exacerbated by the recent slowdown in closings from our Offering. Without the substantial completion of our Offering or a viable capital solution from one or more private or institutional sources, we will not be able to continue to grow our portfolio of GSA properties. If we are not able to continue to grow our portfolio, our ability to continue to pay dividends at our historical rates will likely be materially and adversely affected as dividends at such historical rates are not covered by our current funds from operations. There can be no assurance, that we will be able to complete our offering or complete private or institutional investment that will enable management to resume and accelerate acquisition plans, provide liquidity to recruit and retain qualified personnel to support growth and enhance purchasing power for goods and services in connection with the operation of our properties.

DIRECTORS, EXECUTIVE OFFICERS, AND SIGNIFICANT EMPLOYEES

Our Board of Directors

We operate under the direction of our board of directors. Our board of directors is responsible for the management and control of our affairs. Our board of directors has retained our Manager to manage our day-to-day operations and our portfolio of GSA Properties and any other investments, subject to the supervision of our board of directors.

Our directors must perform their duties in good faith and in a manner each director reasonably believes to be in our best interests. Further, our directors must act with such care as an ordinarily prudent person in a like position would use under similar circumstances. However, our directors and executive officers are not required to devote all of their time to our business and must only devote such time to our affairs as their duties may require. We do not expect that our directors will be required to devote a substantial portion of their time to us in discharging their duties.

We currently have six directors, following the resignation of our seventh director in September 2018. Our board of directors currently consists of three independent directors and three management directors. Messrs. William Robert Fields, Leo Kiely, and Scott A. Musil, or our independent directors, were appointed directors as of our initial closing, on May 18, 2017. Mr. John F. O'Reilly, our former independent director, resigned in September 2018 and our remaining board members have yet to select his replacement. Our directors will serve until they resign or upon death or removal by a plurality of votes cast at a meeting of stockholders duly called and at which a quorum is present. At any stockholder meeting, the presence in person or by proxy of stockholders entitled to cast a majority of all the votes entitled to be cast at such meeting on any matter constitutes a quorum.

Although our board of directors may increase or decrease the number of directors, a decrease may not have the effect of shortening the term of any incumbent director; provided further, that any increase or decrease may not occur if it would result in our board of directors not being comprised of at least a majority of independent directors. Our board is required to have a majority of independent directors; provided, that such requirement is subject to the board's filling of a vacancy caused by the death, removal or resignation of an independent director. Any director may resign at any time or may be removed, and then only by the stockholders upon the affirmative vote of a plurality of all the votes cast at a meeting of stockholders duly called and at which a quorum is present. The notice of any special meeting called to remove a director will indicate that the purpose, or one of the purposes, of the meeting is to determine if the director shall be removed.

A vacancy created by an increase in the number of directors or the death, resignation, or removal of a director may be filled only by a vote of a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred.

In addition to meetings of the various committees of our board of directors, if any, we expect our directors to hold at least four regular board meetings each year.

Our Executive Officers and Directors

The individuals listed below are our executive officers and directors. The following table and biographical descriptions set forth certain information with respect to the individuals who currently serve as our directors and the executive officers:

Name	Position	Age	Term of Office	Hours/Year (for Part-Time Employees)
Edwin M. Stanton	Director and Chief Executive Officer	44	March 2016	N/A
Robert R. Kaplan, Jr.[1]	President	47	March 2016	N/A
Philip Kurlander	Director and Treasurer	54	March 2016	N/A
Robert R. Kaplan[1]	Director and Secretary	71	March 2016	N/A
Jason D. Post	Vice President of Finance and Corporate Controller	43	January 2018	N/A
Scott Musil	Independent Director	50	May 2017	N/A
William Robert Fields	Independent Director	69	May 2017	N/A
Leo Kiely	Independent Director	71	May 2017	N/A

[1] Robert R. Kaplan is the father of Robert R. Kaplan, Jr.

Edwin M. Stanton, Director, Chief Executive Officer. Prior to founding our company, Mr. Stanton was a founding Principal of Holmwood Capital, LLC, our predecessor. He has remained a Principal of Holmwood since its inception, in 2010. In such role and as executive officer of our company, he is directly responsible for the development and implementation of our company's corporate, investment and capitalization strategies. Mr. Stanton focuses on building relationships with GSA developers and owners as well as financial institutions to create acquisition and joint venture opportunities. Prior to Holmwood Capital's formation, Mr. Stanton was a founding Principal of U.S. Federal Properties Trust, where he was responsible for all property acquisitions. He directly sourced and negotiated over $250,000,000 of federal government-leased assets. Prior to forming US Federal Properties Trust, Mr. Stanton co-founded SRS Investments, a private equity real estate investment firm where he was involved in all aspects of our company and was responsible for the acquisition, financing, and management of investment properties. Mr. Stanton maintains an ownership interest in SRS Investments. Over the course of his career, Mr. Stanton has participated in the acquisition and/or financing of over $800,000,000 of commercial real estate. Mr. Stanton holds a BA degree from Rollins College and an MBA degree from Georgetown University.

Robert R. Kaplan, Jr., President. Prior to founding our company, Mr. Kaplan, Jr. was a founding Principal of Holmwood Capital, LLC, our predecessor. He has remained a Principal of Holmwood since its inception, in 2010. In such role and as executive officer of our company, he is directly responsible for structuring our company's investment offerings and property and corporate legal matters. For almost 20 years, Mr. Kaplan Jr.'s legal expertise has focused on real estate securities and finance, real estate transactions, mergers and acquisitions, general corporate law, securities compliance, private offerings, tax, and strategic partnerships/joint-ventures. Mr. Kaplan, Jr. is founder and Managing Partner, Practices, of Kaplan Voekler Cunningham & Frank, PLC, a Richmond, VA, headquartered law firm that practices in the areas of development and real estate investment, capital markets, litigation, and business representation. Mr. Kaplan, Jr. has been the primary counsel in over $2 billion in securities offerings and real estate financings. Mr. Kaplan, Jr. holds AB and JD degrees from the College of William & Mary.

Philip Kurlander, MD, Director and Treasurer. Prior to founding our company, Dr. Kurlander was a Principal of Holmwood Capital, LLC, our predecessor. He joined Holmwood in 2012, and he remains a Principal of Holmwood today. In such role and as executive officer of our company, he is responsible for the oversight of financial and accounting matters. Prior to joining Holmwood and in addition to being a healthcare professional, Dr. Kurlander has been a serial entrepreneur for the past 20 years having served critical roles in numerous start-up ventures and early-growth companies across a spectrum of industries from real estate to manufacturing. In addition to Dr. Kurlander's involvement in HC Government Realty Trust, Inc., he currently has investments in, and sits on the boards of: Addison McKee, ShelterLogic, and North American Propane, Inc. ShelterLogic and North American Propane were sold in 2012, resulting in substantial gains for their respective investors. Dr. Kurlander also is a director and founder of a food service industry start-up. He sits on the advisory boards of a mezzanine lender and a private equity firm. Dr. Kurlander holds a BS degree from SUNY Albany and an MD degree from Albany Medical College.

Robert R. Kaplan, Director and Secretary. Prior to founding our company, Mr. Kaplan was a founding Principal of Holmwood Capital, LLC, our predecessor. He has remained a Principal of Holmwood since its inception, in 2010. In such role and as executive officer of our company, he is directly responsible for capital formation and structuring and corporate legal matters. Mr. Kaplan has over 40 years of experience as an attorney, investment banker, and entrepreneur and is a member of Kaplan Voekler Cunningham & Frank, PLC. Prior to joining Kaplan Voekler Cunningham & Frank, PLC, he was a co-founder of Carter Kaplan, an investment bank now part of RBC Wealth Management. He also co-founded Columbia Naples Capital, a leveraged buy-out sponsor that made over $25,000,000 in equity investments, and North American Propane, Inc., an operating business in the New England and Mid-Atlantic energy markets that was sold in 2012 to a large industry participant. Mr. Kaplan holds AB and JD degrees from the College of William & Mary.

Jason D. Post, CPA, CFE, Vice President of Finance and Corporate Controller. Mr. Post is responsible for HCGRT's financial management, including corporate accounting, regulatory and financial reporting, budgeting, as well as internal control policies, particularly as they relate to financial risk management. Prior to joining the Company, Mr. Post was the Principal Financial Officer of As Seen On TV, Inc. (OTCBB: ASTV), a direct marketing company. Before that he operated Jason D. Post CPA, PA, a consulting firm offering financial and controller services for pre-IPO and listed companies. Previously he was CFO of Amacore Group (OTCCQB: ACGI), a marketer of health, life and dental insurance plans, and Zurvita (OTCQB: ZRVT), a distributor of health and wellness products. Mr. Post began his career practicing at accounting firms Deloitte & Touche, Cherry, Bekaert & Holland, Cavanaugh & Company and Arthur Andersen. He is a Certified Public Accountant as well as a Certified Fraud Examiner and holds a Bachelor of Science degree, cum laude, from the University of South Florida.

Scott A. Musil, Independent Director. Mr. Musil has been Chief Financial Officer of First Industrial Realty Trust, Inc., a NYSE-traded REIT (FR) since March 2011. He served as acting Chief Financial Officer of First Industrial from December 2008 to March 2011. Mr. Musil has also served as Senior Vice President of the First Industrial since March 2001, Treasurer of First Industrial since May 2002 and Assistant Secretary of First Industrial since August 2014. Mr. Musil previously served as Controller of First Industrial from December 1995 to March 2012, Assistant Secretary of First Industrial from May 1996 to March 2012 and July 2012 to May 2014, Vice President of First Industrial from May 1998 to March 2001, Chief Accounting Officer of First Industrial from March 2006 to May 2013 and Secretary from March 2012 to July 2012 and May 2014 to August 2014. Prior to joining First Industrial, he served in various capacities with Arthur Andersen & Company, culminating as an audit manager specializing in the real estate and finance industries. Mr. Musil is a non-practicing certified public accountant. His professional affiliations include the American Institute of Certified Public Accountants and NAREIT.

William Robert Fields, *Independent Director*. Mr. Fields served as the Chairman and Chief Executive Officer of Factory 2-U Stores Inc., from November 2002 to 2003. Mr. Fields has over 30 years of retail and consumer goods industry experience with Graphic Packaging, with approximately 20 of those years at the executive level. He has also provided planning and oversight for various operational support divisions, including marketing and human relations. Mr. Fields served as Chairman and Chief Executive Officer of APEC (China) Asset Management Ltd. from 1999 to October 2002. He served as President and Chief Executive Officer of Hudson's Bay Company from 1997 to 1999 and as Chairman and Chief Executive Officer of Blockbuster Entertainment Group, a division of Viacom Inc., from 1996 to 1997. Mr. Fields held numerous positions with Wal-Mart Stores Inc., which he joined in 1971. He left Wal-Mart in March 1996 as President and Chief Executive Officer of Wal-Mart Stores Division, and Executive Vice President of Wal-Mart Stores Inc. Mr. Fields held various senior executive positions within the organization, including Assistant to Wal-Mart Founder, Sam Walton; Senior Vice President of Distribution and Transportation; and Executive Vice President of Wal-Mart, Inc. Mr. Fields currently serves as Chairman of Intersource Co. Ltd. He also currently serves as a director of Lexmark International Inc., Graphic Packaging Corp, The ADX Company CreditMinders.com, Aegis Capital Advisors LLC, Hot-Can plc, Bonus Stores Inc., The University of Texas Pan-American Foundation, The Joint Corp., Cortiva Group, Inc., and SupplyScience, Inc. He also serves as a member of the advisory board of Celeritas Management Inc. and EON Reality, Inc. Mr. Fields has bachelor's degree in Economics and Business from the University of Arkansas.

Leo Kiely, Independent Director. Mr. Kiely retired as Chief Executive Officer of MillerCoors LLC, a joint venture combining the U.S. and Puerto Rico operations of SABMiller plc and Molson Coors Brewing Company, in July 2011, a position he had held since July 2009. From February 2005 through July 2009, Mr. Kiely served as President and Chief Executive Officer of Molson Coors Brewing Company. From March 1993 to March 2005 he held a variety of executive positions at Coors Brewing Company, including Chief Executive Officer. Before joining Coors Brewing Company, he held executive positions with Frito-Lay, Inc., a subsidiary of PepsiCo Inc., and Ventura Coastal Corporation, a division of Seven Up Inc. He serves as a director of The Denver Center for the Performing Arts and the Helen G. Bonfils Foundation. He previously served as a director of Medpro Safety Products, Inc. from 2009 to March 2014. He graduated from Harvard University and has a MBA from the Wharton School.

Our general investment and borrowing policies are set forth in this offering circular. Our directors may establish further written policies on investments and borrowings and will monitor our administrative procedures, investment operations and performance to ensure that our executive officers and Manager follow these policies and that these policies continue to be in the best interests of our stockholders. Unless modified by our directors, we will follow the policies on investments and borrowings set forth in this offering circular.

Material Prior Business Developments of Mr. Stanton

Mr. Stanton is our Chief Executive Officer and has primary responsibility for our acquisition and investment strategies and day-to-day decisions. Mr. Stanton’s biographical information set forth above describes Mr. Stanton’s material experience in such matters both with our predecessor and prior thereto. Mr. Stanton has been the Chief Executive Officer of Holmwood, our predecessor, since its inception in 2011, and our predecessor has not had any material adverse business developments in such period, and each of the GSA Properties acquired by our predecessor is being contributed to us as a Contribution Property. As a principal of US Federal Properties Trust, Mr. Stanton aggregated an acquisition portfolio of over $200 million of GSA Properties under contract and an additional over $50 million of GSA Properties to be contributed by other principals. These contracts were ultimately assigned for value, at a significant profit, to a private equity buyer when the registered initial public offering of USFPT did not go forward.

Prior to his involvement with USFPT, Mr. Stanton was an active principal with SRS Investments, LLC, or SRS, from 2005-2010. SRS acquired, or arranged for the acquisition of, eight total properties. None of these properties were GSA Properties and all were acquired between 2005 and 2008.

Of the eight properties, SRS negotiated acquisition contracts and financing for six of them that were ultimately acquired by assignment of the acquisition contracts to third-party, tenants-in-common, or TICs, for value in offerings of TIC securities sponsored by SRS. SRS retained a 1% TIC interest in each such property, and, as such, remained in receipt of property information, but did not have any control over management of the TIC’s or these properties. The TICs also typically engaged third party property managers. Four of these properties experienced material adverse business developments resulting in foreclosure. In three out of the four foreclosures, Mr. Stanton believes that vacancies resulting from the financial crisis of 2007-2008 were primary causes for the declining fortunes of the properties. In the fourth case, a medical office, a competitive building was built by the property’s primary tenant several years after acquisition, resulting in significant vacancy. Further, when faced with vacancies related to the financial crisis and competition, the TIC owners of these properties were unwilling, or unable, to financially support the properties with capital necessary to cure the vacancy problems.

Two of the eight properties were owned through controlled entities of SRS. These two properties were sold in 2013 for a profit.

Mr. Stanton has had no active involvement with SRS since 2010.

Committees of the Board of Directors

Our board of directors may establish committees it deems appropriate to address specific areas in more depth than may be possible at a full board meeting. We currently do not anticipate having any committees since the board of directors has appointed our Manager to manage our day-to-day affairs.

Limited Liability and Indemnification of Directors, Officers, Employees and Other Agents

Our charter limits the personal liability of our directors and officers to us and our stockholders for monetary damages and our charter authorizes us to obligate ourselves to indemnify and advance expenses to our directors, our officers, and our Manager, except to the extent prohibited by the Maryland General Corporation Law, or MGCL, and as set forth below. In addition, our bylaws require us to indemnify and advance expenses to our directors and our officers, and permit us, with the approval of our board of directors, to indemnify and advance expenses to our Manager, except to the extent prohibited by the MGCL.

Under the MGCL, a Maryland corporation may limit in its charter the liability of directors and officers to the corporation and its stockholders for money damages unless such liability results from actual receipt of an improper benefit or profit in money, property or services or active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

In addition, the MGCL requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity and allows directors and officers to be indemnified against judgments, penalties, fines, settlements, and expenses actually incurred in a proceeding unless the following can be established:

- the act or omission of the director or officer was material to the cause of action adjudicated in the proceeding, and was committed in bad faith or was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or

- with respect to any criminal proceeding, the director or officer had reasonable cause to believe his or her act or omission was unlawful.

However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that a personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses.

Finally, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon receipt of a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

To the maximum extent permitted by Maryland law, our charter limits the liability of our directors and officers to us and our stockholders for monetary damages and our charter authorizes us to obligate ourselves to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to our directors, our officers, and our Manager (including any director or officer who is or was serving at the request of our company as a director, officer, partner, member, manager or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise). In addition, our bylaws require us to indemnify and advance expenses to our directors and our officers, and permit us, with the approval of our board of directors, to provide such indemnification and advance of expenses to any individual who served a predecessor of us in any of the capacities described above and to any employee or agent of us, including our Manager, or a predecessor of us.

However, the SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and unenforceable.

We have purchased insurance on behalf of all of our directors and executive officers against liability asserted against or incurred by them in their official capacities with us, whether or not we are required or have the power to indemnify them against the same liability.

We have entered into indemnification agreements with each of our directors and each member of our senior management team that provide for indemnification to the maximum extent permitted by Maryland law. See “Interest of Management and Others in Certain Transactions– Indemnification Agreements.”

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

Director Compensation

We made an initial grant of 4,000 restricted shares of our common stock to each of our independent directors, which shares have since vested. We anticipate granting each of our independent directors additional restricted shares of our common stock, in amounts to be determined by our board of directors, upon each re-election to our board of directors of an independent director. In addition, we pay our independent directors $1,500 in cash per in-person board meeting attended, and $250 in cash for each teleconference meeting of the board or any committee. All directors receive reimbursement of reasonable out-of-pocket expenses incurred in connection with attendance at meetings of the board of directors.

Executive Officer Compensation

We do not pay compensation to our executive officers. Our Manager receives fees in return for services related to the investment and management of our assets. No portion of these fees are allocated to the payment of our Manger's personnel, in their roles as our executive officers. Our executive officers who are also employees of our Manager, Messrs. Stanton and Post, receive compensation from our Manager. We do not reimburse our Manager for personnel costs of its executive officers or of employees of our Manager acting as our executive officers, including pursuant to Section 7(b)(iv) of the Management Agreement.

HC Government Realty Trust 2016 Long Term Incentive Plan

We adopted the HC Government Realty Trust 2016 Long Term Incentive Plan. The purpose of our long-term incentive plan is to provide us and our Manager with the flexibility to use equity-based awards as part of an overall compensation package to provide a means of performance-based compensation to attract and retain qualified personnel. We believe that awards under our long-term incentive plan serve to broaden the equity participation of employees, officers, directors and consultants, and further align the long-term interests of such individuals and our stockholders.

Administration

Our long-term incentive plan is administered by our board of directors, or a committee designated by our board for such purpose, or our plan administrator.

Our plan administrator has the full authority to administer and interpret our long term incentive plan, to authorize the granting of awards, to determine the eligibility of an employee, officer, director or consultant to receive an award, to determine the number of shares of common stock to be covered by each award, to determine the terms, provisions and conditions of each award (which may not be inconsistent with the terms of our long term incentive plan), to prescribe the form of agreements evidencing awards and to take any other actions and make all other determinations that it deems necessary or appropriate in connection with our long term incentive plan or the administration or interpretation thereof. In connection with this authority, our plan administrator may establish performance goals that must be met in order for awards to be granted or to vest, or for the restrictions on any such awards to lapse.

Eligibility and Types of Awards

Individual and entity employees, officers, directors and consultants, of us, our Manager, our subsidiaries or our operating partnership, or subsidiaries of our Manager are eligible to be granted stock options, restricted stock, stock appreciation rights and other equity-based awards (including LTIPs and RSUs) or cash-incentive awards under our long-term incentive plan. Eligibility for awards under our long-term incentive plan will be determined by our plan administrator.

Available Shares

Subject to adjustment upon certain corporate transactions or events, a maximum number of shares of our common stock equal to the lesser of (i) 1,000,000 or (ii) 10% of the total number of shares of our common stock outstanding on a fully diluted basis may be issued in connection with awards under our long-term incentive plan. Our board of directors will adjust the number of shares of our common stock that may be issued under our long-term incentive plan, and the terms of outstanding awards, as required to uniformly and equitably reflect the impact of stock dividends, stock splits, recapitalizations and similar changes in our capitalization.

Any shares of our common stock surrendered by plan participants or retained by us in connection with the payment of an option exercise price or in connection with tax withholding will not count towards the share authorization under our long-term incentive plan and will be available for issuance of additional awards under our long-term incentive plan. If an award granted under our long-term incentive plan is forfeited, cancelled or settled in cash, the related shares will again become available for the issuance of additional awards. Other equity-based awards that are LTIPs will reduce the number of shares of our common stock that may be issued under our long-term incentive plan on a one-for-one basis, i.e., each such unit will be treated as an award of a share of common stock. Unless previously terminated by our board of directors, no award may be granted upon or after the tenth anniversary of the closing of this offering.

Awards Under the Plan

- *Stock Options*. Stock options are rights to purchase a stated number of shares of our common stock at the exercise price and in accordance with the terms set forth in the agreement reflecting the grant of such option. The terms of specific options, including whether options will constitute "incentive stock options" for purposes of Section 422(b) of the Internal Revenue Code, will be determined by our plan administrator. The exercise price of an option will be determined by our plan administrator and reflected in the applicable award agreement but may not be lower than 100% (110% in the case of an incentive stock option granted to a 10% stockholder) of the fair market value of our common stock on the date of grant. Each option will be exercisable during the period or periods specified in the award agreement, which cannot exceed 10 years from the date of grant (or five years from the date of grant in the case of an incentive stock option granted to a 10% stockholder). Options will be exercisable at such times and subject to such terms as determined by our plan administrator, but in all cases will be subject to our stock ownership limits as provided under our charter.

- *Restricted Stock*. Restricted stock awards are grants of our common stock that may be subject to transfer restrictions and vesting conditions. The transfer restrictions and vesting requirements, if any, will be prescribed by our plan administrator. For example, the transfer restrictions and the vesting conditions may require that the participant complete a specified period of employment or service or that we achieve specified financial performance goals. A participant generally will have the right to vote the shares of restricted stock and the right to receive dividends on the restricted stock. Our plan administrator may provide in the applicable award agreement that dividends paid on the shares of restricted stock will be subject to the same restrictions as the shares of restricted stock.

- *Stock Appreciation Rights*. Stock appreciation rights are rights to receive a payment in cash, shares of our common stock or a combination of cash and common stock, upon the exercise of the stock appreciation right. The amount of the payment upon the exercise of a stock appreciation right cannot be greater than the excess of the fair market value of a share of our common stock on the date of exercise over the fair market value of a share of our common stock on the date of the grant of the stock appreciation right. The manner in which our obligation will be paid will be determined by our plan administrator. The terms and conditions of each stock appreciation right will be prescribed by our plan administrator, but the term cannot exceed ten years.

- *Other Equity-Based Awards*. Our long-term incentive plan authorizes the granting of other equity-based awards, *i.e.*, awards other than stock options, restricted stock or stock appreciation rights. Other equity-based awards entitle the participant to receive our common stock, or rights or units valued in whole or in part by reference to, or otherwise based on, our common stock, or other equity interests, including RSUs and LTIPs, subject to terms and conditions established at the time of grant.

Restricted stock units, or RSUs, are contractual promises to deliver shares of our common stock in the future. RSUs may remain forfeitable unless and until specified conditions are met as determined by our plan administrator and set forth in the applicable award agreement. RSUs will receive quarterly dividends in parity with shares of our common stock unless otherwise specified in the award agreement.

Long-term incentive plan units, or LTIPs, are a special class of partnership interests in our operating partnership. Each LTIP awarded will be deemed equivalent to an award of one share of common stock under our long-term incentive plan, reducing availability for other equity awards on a one-for-one basis. We will not receive a tax deduction for the value of any LTIPs granted to our employees. The vesting period for any LTIPs, if any, will be determined at the time of issuance. LTIPs, whether vested or not, will receive the same quarterly per unit distributions as units of our operating partnership, which distribution generally equals per share dividends on our shares of common stock. This treatment with respect to quarterly distributions is similar to the expected treatment of our restricted stock awards, which may include full dividends whether vested or not. Initially, LTIPs will not not have full parity with OP Units with respect to liquidating distributions. Under the terms of the LTIPs, our operating partnership will revalue its assets upon the occurrence of certain specified events, and any increase in valuation from the date of grant until such event will be allocated first to the holders of LTIPs to equalize the capital accounts of such holders with the capital account relating to the general partner's OP Units. Upon equalization of the capital accounts of the holders of LTIPs with the general partner's OP Units, the LTIPs will achieve full parity with OP Units for all purposes, including with respect to liquidating distributions. If such parity is reached, vested LTIPs may be converted into an equal number of OP Units at any time, and thereafter enjoy all the rights of OP Units, including redemption rights. However, there are circumstances under which such parity would not be reached. Until and unless such parity is reached, the value that a participant will realize for a given number of vested LTIPs will be less than the value of an equal number of our shares of common stock.

- *Cash-Incentive Awards*. Cash-incentive awards are rights to receive a payment in cash or shares of our common stock (having a value equivalent to the cash otherwise payable) that is contingent on the achievement of performance objectives established by our plan administrator. The amount payable under a cash-incentive award may be stated on an individual basis or as an allocation of an incentive pool. Our plan administrator will prescribe the terms and conditions of each cash-incentive award.

Change in Control

Upon a change in control of our company (as defined in our long-term incentive plan), our plan administrator may make such adjustments to our long-term incentive plan as it, in its discretion, determines are necessary or appropriate in light of the change in control. These actions may include accelerated vesting relating to the exercise or settlement of an award, the purchase or settlement of an award for an amount of cash equal to the amount which could have been obtained had such award been currently exercisable or payable or the assumption of the award by the acquiring or surviving entity.

Amendment and Termination

Our board of directors may amend our long term incentive plan as it deems advisable, except that it may not amend our long term incentive plan without stockholder approval if such amendment (i) increases the total number of shares of our common stock reserved for issuance pursuant to awards granted under the plan (other than an increase to reflect a change in our capitalization, etc.), (ii) expands the class of persons eligible to receive awards, (iii) materially increases the benefits accruing to participants under the plan, (iv) re-prices an option or stock appreciation right (other than an adjustment to reflect a change in our capitalization) or (v) otherwise requires stockholder approval under the rules of a domestic exchange on which our common stock is traded. Our board of directors may unilaterally amend our long-term incentive plan and awards granted thereunder as it deems appropriate to ensure compliance with Rule 16b-3, if applicable, to conform our long-term incentive plan or the award agreement to any present or future law, and to cause incentive stock options to meet the requirements of the Code and regulations under the Code. Except as provided in the preceding sentence, a termination or amendment of our long-term incentive plan may not, without the consent of the participant, adversely affect a participant’s rights under an award previously granted to him or her.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN SECURITYHOLDERS

The table below sets forth, as of the date of this offering circular, certain information regarding the beneficial ownership of our stock for (1) each person who is expected to be the beneficial owner of 10% or more of our outstanding shares of any class of voting stock and (2) each of our directors and named executive officers, if together such group would be expected to be the beneficial owners of 10% or more of our outstanding shares of any class of voting stock. Each person named in the table has sole voting and investment power with respect to all of the shares of common stock shown as beneficially owned by such person.

The SEC has defined "beneficial ownership" of a security to mean the possession, directly or indirectly, of voting power and/or investment power over such security. A stockholder is also deemed to be, as of any date, the beneficial owner of all securities that such stockholder has the right to acquire within 60 days after that date through (1) the exercise of any option, warrant or right, (2) the conversion of a security, (3) the power to revoke a trust, discretionary account or similar arrangement or (4) the automatic termination of a trust, discretionary account or similar arrangement. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, our shares of common stock subject to options or other rights (as set forth above) held by that person that are exercisable as of the completion of this offering or will become exercisable within 60 days thereafter, are deemed outstanding, while such shares are not deemed outstanding for purposes of computing percentage ownership of any other person.

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Amount and Nature of Beneficial Ownership Acquirable	Percentof Class
Common Stock	All Executive Officers and Directors[1]	216,000 Shares	N/A	19.51%
Series A Preferred Stock	All Executive Officers and Directors[1]	40,000 Shares[2]	N/A	27.68%[2]
Series A Preferred Stock	Gerald Kreinces[3]	18,000 Shares	N/A	12.46%
Series A Preferred Stock	Philip Kurlander[1]	26,000 Shares	N/A	17.99%

[1] The address of each beneficial owner is 1819 Main Street, Suite 212, Sarasota, Florida 34236.
[2] Includes the 26,000 shares owned by Philip Kurlander disclosed in the table.
[3] The address of the beneficial owner is 191 Fox Lane, Northport, New York 11763

OUR MANAGER AND RELATED AGREEMENTS

Our Manager

We are externally managed and advised by Holmwood Capital Advisors, LLC, or our Manager, pursuant to a Management Agreement. See "— Management Agreement." Each of our officers are also officers of our Manager. Our Manager is owned by Messrs. Robert R. Kaplan and Robert R. Kaplan Jr., individually, and by Stanton Holdings, LLC, which is controlled by Mr. Edwin M. Stanton, and by Baker Hill Holding LLC, which is controlled by Philip Kurlander, all in equal proportions. Dr. Kurlander is the controlling manager of our Manager. Our Manager is primarily responsible for managing our day-to-day business affairs and assets and carrying out the directives of our board of directors. Our Manager maintains a contractual as opposed to a fiduciary relationship with us. Our Manager will conduct our operations and manage our portfolio of real estate investments. We have no paid employees.

The officers of our Manager are as follow:

Name	Position
Edwin M. Stanton	President
Robert R. Kaplan, Jr.[1]	Vice President
Philip Kurlander	Treasurer
Robert R. Kaplan1	Secretary

[1]Messrs. Robert R. Kaplan and Robert R. Kaplan, Jr. are father and son.

The background and experience of Messrs. Stanton, Kaplan, Jr., Kurlander and Kaplan are described above in "Directors, Executive Officers, and Significant Employees — Our Executive Officers and Directors." For more information on the experience of Mr. Stanton, our Chief Executive Officer, please see "Directors, Executive Officers, and Significant Employees - Material Prior Business Developments of Mr. Stanton."

Liquidity Track Record

Our Manager has not previously sponsored any other offering and has no liquidity track record other than its record managing us.

Management Agreement

We have entered into a Management Agreement with our Manager pursuant to which it will provide for the day-to-day management of our operations. The Management Agreement requires our Manager to manage our business affairs in conformity with the Investment Guidelines and other policies as approved and monitored by our board of directors. Our Manager's role as Manager is under the supervision and direction of our board of directors. Our Manager does not currently manage or advise any other entities and is not actively seeking new clients in such a capacity, although it is not prohibited from doing so under the Management Agreement.

Management Services

Our Manager is responsible for (1) the sourcing and acquisition and sale of our GSA Properties and any other investments, (2) our financing activities, and (3) providing us with advisory services. Our Manager is responsible for our day-to-day management of our operations and will perform (or will cause to be performed) such services and activities relating to our assets and operations as may be appropriate.

Term and Termination

The Management Agreement's Initial Term expired on March 31, 2018, and the Management Agreement renewed automatically for an additional one-year term and will continue to automatically renew annually.. The Management Agreement will be deemed renewed automatically each year for an additional one-year period, or an Automatic Renewal Term, unless our company or our Manager elects not to renew. Upon the expiration of any Automatic Renewal Term and upon 180 days' prior written notice to our Manager, our company may, without cause, but solely in connection with the expiration of the then current Automatic Renewal Term, and upon the affirmative vote of at least two-thirds of the independent directors, decline to renew the Management Agreement, any such nonrenewal, a Termination Without Cause. In the event of a Termination Without Cause, or upon a termination by our Manager if we materially breach the Management Agreement we will be required to pay our Manager a termination fee before or on the last day of such Automatic Renewal Term. Such termination fee will be equal to three times the sum of the asset management fees, acquisition fees and leasing fees earned, in each case, by our Manager during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter; provided, however, that if the Listing Event has not occurred and no acquisition fees have been paid, then all accrued acquisition fees will be included in the above calculation of the termination fee. The termination fee is payable in vested equity of our company, cash, or a combination thereof, in the discretion of our board.

We may generally terminate our Manager for cause, without payment of any termination fee, if (i) our Manager, its agents or assignees breaches any material provision of the Management Agreement and such breach shall continue for a period of 30 days after written notice thereof specifying such breach and requesting that the same be remedied in such 30-day period (or 45 days after written notice of such breach if our Manager takes steps to cure such breach within 30 days of the written notice), (ii) there is a commencement of any proceeding relating to our Manager's bankruptcy or insolvency, including an order for relief in an involuntary bankruptcy case or our Manager authorizing or filing a voluntary bankruptcy petition, (iii) any "Manager Change of Control," as defined in the Management Agreement, which a majority of the independent directors determines is materially detrimental to us and our subsidiaries, taken as a whole, (iv) the dissolution of our Manager, or (v) our Manager commits fraud against us, misappropriates or embezzles our funds, or acts, or fails to act, in a manner constituting gross negligence, or acts in a manner constituting bad faith or willful misconduct, in the performance of its duties under the Management Agreement; *provided, however*, that if any of the actions or omissions described in clause (v) above are caused by an employee and/or officer of our Manager or one of its affiliates and our Manager takes all necessary and appropriate action against such person and cures the damage caused by such actions or omissions within 30 days of our Manager actual knowledge of its commission or omission, we will not have the right to terminate the Management Agreement for cause and any termination notice previously given will be deemed to have been rescinded and nugatory.

No later than 180 days prior to the expiration of the then current Automatic Renewal Term, our Manager may deliver written notice to our company informing it of our Manager's intention to decline to renew the Management Agreement, whereupon the Management Agreement shall not be renewed and extended and the Management Agreement shall terminate effective on the anniversary date of the Management Agreement next following the delivery of such notice. We will not be required to pay to our Manager the termination fee if our Manager terminates the Management Agreement.

The Management Agreement shall terminate automatically without payment of the termination fee in the event of its assignment, in whole or in part, by our Manager, unless such assignment is consented to in writing by us with the consent of a majority of the independent directors and the operating partnership.

The Management Agreement shall not be assigned by us without the prior written consent of our Manager, except in the case of assignment to another REIT or other organization which is a successor (by merger, consolidation, purchase of assets, or other transaction) to us, in which case such successor organization shall be bound under the Management Agreement and by the terms of such assignment in the same manner as we were bound under the Management Agreement.

The Management Agreement may be amended or modified by agreement between us and our Manager in writing.

Management Fees payable to our Manager

See "Compensation to Our Manager and Affiliates."

Liability and Indemnification

Pursuant to the Management Agreement and unless provided otherwise therein, our Manager assumes no responsibility under the Management Agreement other than to render the services called for therein in good faith and shall not be responsible for any action of the board of directors in following or declining to follow any advice or recommendations of our Manager, including as set forth in the Investment Guidelines. Our Manager, its officers, members, managers, directors, personnel, any person controlling or controlled by our Manager, and any person providing sub-advisory services to our Manager, each, a Manager Indemnified Party, will not be liable to us, any subsidiary of ours or any of our or our subsidiaries' stockholders, partners, members or other holders of equity interests for any acts or omissions by any Manager Indemnified Party performed in accordance with and pursuant to this Agreement, except by reason of any act or omission on the part of such Manager Indemnified Party constituting bad faith, willful misconduct, gross negligence or reckless disregard of their duties under the Management Agreement as determined by a final, non-appealable order of a court of competent jurisdiction.

We have agreed to reimburse, indemnify and hold harmless, to the full extent lawful, each Manager Indemnified Party, of and from any and all expenses, losses, damages, liabilities, demands, charges and claims of any nature whatsoever (including reasonable attorneys' fees), collectively Losses, in respect of or arising from any acts or omissions of such Manager Indemnified Party performed in good faith under the Management Agreement and not constituting bad faith, willful misconduct, gross negligence or reckless disregard of duties of such Manager Indemnified Party under the Management Agreement as determined by a final, non-appealable order of a court of competent jurisdiction. In addition, we have agreed to advance funds to a Manager Indemnified Party for legal fees and other costs and expenses incurred as a result of any claim, suit, action or proceeding for which indemnification is being sought pursuant to the terms of the Management Agreement, *provided*, that such Manager Indemnified Party undertakes to repay the advanced funds to us, together with the applicable legal rate of interest thereon, if it shall ultimately be determined that such Manager Indemnified Party is not entitled to be indemnified by us as provided in the Management Agreement in connection with such claim, suit, action or proceeding.

Our Manager has agreed to reimburse, indemnify and hold harmless, to the full extent lawful, our company, its directors and officers, personnel, agents and Affiliates, each, a Company Indemnified Party, of and from any and all Losses in respect of or arising from (i) any acts or omissions of our Manager constituting bad faith, willful misconduct, gross negligence or reckless disregard of the duties of our Manager under the Management Agreement, or (ii) any claims by our Manager's personnel relating to the terms and conditions of their employment by our Manager.

COMPENSATION TO OUR MANAGER AND AFFILIATES

The compensation table below outlines all compensation payable to our Manager and its affiliates during the stages in the life of our company.

Type	Description	Estimated Amount of Maximum Offering[1]
	Offering Stage	
Organizational and Offering Costs	Our Manager or its affiliates may advance organizational and offering costs incurred on our behalf, and we will reimburse such advances, but only to the extent that such reimbursements do not exceed actual expenses incurred by our Manager or its affiliates. To date, our Manager or its affiliates have advanced approximately $1,459,479 as organizational and offering costs, of which. We anticipate no further organizational and offering expenses to be incurred. To the extent that organizational and offering expenses, when combined with underwriting discounts, commissions and expense reimbursements in connection with this offering, exceed 15.0% of the gross proceeds from the offering, or the O&O Cap, the Manager has agreed to repay an amount of organizational and offering expenses which would bring such fees and commissions paid in connection with this offering below the O&O Cap.	$1,459,479[2]
	Operational Stage	
Asset Management Fee	We will pay our Manager an annual asset management fee equal to 1.5% of our stockholders' equity payable quarterly in arrears in cash. For purposes of calculating the asset management fee, our stockholders' equity means: (a) the sum of (1) the net proceeds from (or equity value assigned to) all issuances of our company's equity and equity equivalent securities (including common stock, common stock equivalents, preferred stock and OP Units issued by our operating partnership) since inception (allocated on a pro rata daily basis for such issuances during the fiscal quarter of any such issuance), plus (2) our company's retained earnings at the end of the most recently completed calendar quarter (without taking into account any non-cash equity compensation expense incurred in current or prior periods), less (b) any amount that our company has paid to repurchase our common stock issued in this or any subsequent offering. Stockholders' equity also excludes (1) any unrealized gains and losses and other non-cash items (including depreciation and amortization) that have impacted stockholders' equity as reported in our company's financial statements prepared in accordance with GAAP, and (2) one-time events pursuant to changes in GAAP, and certain non-cash items not otherwise described above, in each case after discussions between our Manager and our independent director(s) and approval by a majority of our independent directors.	$727,923[3]
Property Management Fee	Our Manager's wholly-owned subsidiary, Holmwood Capital Management, LLC, a Delaware Fee limited liability company, or the Property Manager, managers our portfolio earning market-standard property management fees based on a percentage of rent pursuant to a property management agreement executed between the Property Manager and our subsidiary owning the applicable property.	Actual amounts depend upon the terms of each property management agreement and the rental rates of our properties acquired in the future and, therefore, cannot be determined at this time.
Acquisition Fee	We will pay an acquisition fee, payable in vested equity in our company, equal to 1% of the gross purchase price, as adjusted pursuant to any closing adjustments, of each investment made on our behalf by our Manager following the initial closing of this offering; provided, however that all acquisition fees for investments prior to the earlier of (a) the initial listing of our common stock on the New York Stock Exchange, NYSE American, NASDAQ Stock Exchange, or any other national securities exchange, or a Listing Event, or (b) March 31, 2020, shall be accrued and paid simultaneously with the Listing Event, or March 31, 2020, as applicable. To date, we owe our Manager acquisition fees of $490,295 from our acquisition of the Norfolk Property, the Montgomery Property, the San Antonio Property, the Knoxville Property, the Champaign Property and the Sarasota Property.	$879,070[4]

Leasing Fee	Our Manager will be entitled to a leasing fee equal to 2.0% of all gross rent due during the term of any new lease or lease renewal, excluding reimbursements by the tenant for operating expenses and taxes and similar pass-through obligations paid by the tenant for any new lease or lease renewal entered into or exercised during the term of the Management Agreement. The Leasing Fee is due to our Manager within thirty (30) days of the commencement of rent payment under the applicable new lease or lease renewal. The Leasing Fee is payable in addition to any third-party leasing commissions or fees incurred by us.	Actual amounts depend upon the leases we enter into and, therefore, cannot be determined at the present time.
Equity Grants	Our Manager receives a grant of our company's equity securities, or a Grant, which may be in the form of restricted shares of common stock, restricted stock units underlain by common stock, long-term incentive units in our operating partnership, or LTIPs, or such other equity security as may be determined by the mutual consent of the board of directors (including a majority of the independent directors) and our Manager, at each closing of an issuance of our company's common stock or any shares of common stock issuable pursuant to outstanding rights, options or warrants to subscribe for, purchase or otherwise acquire shares of common stock that are "in-the-money" on such date in a public offering, such that following such Grant our Manager shall own equity securities equivalent to 3.0% of the then issued and outstanding common stock of our company, on a fully diluted basis, solely as a result of such Grants. For the avoidance of doubt, only equity securities owned pursuant to a Grant shall be included in our Manager's 3.0% ownership described in the preceding sentence, and no other equity securities owned by our Manager or any member of our Manager shall be included in such calculation. Any Grant shall be subject to vesting over a five-year period with vesting occurring on a quarterly basis, provided, that, the only vesting requirement shall be that the Management Agreement (or any amendment, restatement or replacement hereof with our Manager continuing to provide the same general services as provided hereunder to our company) remains in effect, and, further provided, that, if the Management Agreement is terminated for any reason other than a termination for cause as described in the Management Agreement, then the vesting of any Grant shall accelerate such that the Grant shall be fully vested as of such termination date. To date, our Manager has received Grants equating to 81,029 LTIPs valued at $810,029.	$1,462,240[5]
Accountable Expense Reimbursement	Our Manager will be entitled to receive an accountable expense reimbursement for documented expenses of our Manager and its affiliates incurred on behalf of either our company or our operating partnership that are reasonably necessary for the performance by our Manager of its duties and functions hereunder; provided, that such expenses are in amounts no greater than those that which would be payable to third party professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm's-length basis, and excepting only those expenses that are specifically the responsibility of our Manager. The accountable expense reimbursement will be reimbursed monthly to our Manager. The accountable expense reimbursement in any given year will not exceed the greater of 2.0% of the average book value of our assets and 25.0% of our net income.	Actual amounts depend accountable expenses incurred by the Manager and its affiliates in any given month, and, therefore cannot be determined at the present time.
	Termination and Liquidation Stage	
Termination Fee[6]	Subject to certain limitations, we will pay our Manager a termination fee equal to three times the sum of the asset management fees, acquisition fees and leasing fees earned, in each case, by our Manager during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination; provided that if the Listing Event has not occurred and no accrued acquisition fees have been paid, then all accrued acquisition fees will be included in the above calculation of the termination fee. The termination fee will be payable upon termination of the Management Agreement (i) by us without cause or (ii) by our Manager if we materially breach the Management Agreement. The termination fee is payable in cash, vested equity of our company, or a combination thereof, in the discretion of our board.	Actual amounts depend upon the management fees, acquisition fees and leasing fees payable in the 24 months prior to termination and, therefore, cannot be determined at the present time.

Property Management Termination Fee6	We anticipate that each property management agreement will provide for a termination fee to be paid to the Property Manager if the Property Manager is terminated without cause or in the event of a sale of the subject property. Each property management agreement will or is expected to expire in 2050, and no termination fee will be due to the Property Manager if a property management agreement is not renewed prior to its expiration. The termination fee under the property management agreement will equal the aggregate property management fee paid to the Property Manager for the three full calendar months immediately prior to termination multiplied by four.	Actual amounts depend upon the property management fees payable immediately prior to termination and, therefore, cannot be determined at the present time.

[1] The maximum dollar amounts are based on the issuance of the maximum offering amount and no shares issued through the DRIP.

[2] Estimated organizational and operating costs represent approximately 3.33% of the maximum offering amount, assuming we sell the maximum offering amount.

[3] The expected asset management fee assumes that we sell the maximum offering amount and receive $25,915,521 in net proceeds from this offering. We have previously received $3,612,500 in net proceeds from our Series A Preferred Stock offering. In addition, we issued 1,078,416 OP Units at the initial closing of this offering as compensation for the Contribution Properties, valued at $10,784,160, based on the price per share in this offering. We also issued 40,000 OP Units valued at $400,000 in connection with the purchase of the Sarasota Property. The expected asset management fee also assumes we raise no additional equity and have no additional adjustments.

[4] The expected acquisition fee assumes that we raise the maximum offering amount, resulting in $25,915,521 in net proceeds, and that we buy properties using our target leverage of up to 80%. It also takes into account the paying off of the Holmwood Loan, the Citizens Loan, interim loans from an affiliate of our CEO, and the Standridge Note, and the anticipated paying off of the interim loans incurred in connection with the acquisition of the Norfolk Property, the Promissory Notes, the BH Notes, and certain additional related party loans and payables with proceeds from this offering (See "INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS").. The acquisition fee will be payable in vested equity of our company.

[5] We anticipate making Grants of equity securities equivalent to 146,224 shares of our common stock, on a fully diluted basis, pursuant to this requirement, if we sell the maximum offering amount. The expected value of these grants, disclosed above, is based on a valuation of $10.00 per share.

[6] The termination of the Management Agreement or a property management agreement may be, but will not necessarily be, a part of the termination and liquidation of our company. For example, if a Listing Event occurs, we will be required to pay the Termination Fee, but our company would not be in its termination and liquidation stage.

POLICIES WITH RESPECT TO CERTAIN ACTIVITIES

The following is a discussion of Investment Guidelines and certain of our investment, financing and other policies, which we refer to as our Investment Policies. These Investment Guidelines and Investment Policies have been determined by our board of directors and may be amended or revised from time to time by our board of directors without a vote of our stockholders, except as set forth below. Further, our Investment Policies may be amended from time to time by our Manager without a vote of either the board of directors or our stockholders; provided, however, that any addition, rescission, amendment or modification of the Investment Policies that will, or reasonably could be expected to, cause us (or our operating partnership) to: (i) fail to qualify as a REIT the Code and the applicable Treasury Regulations promulgated thereunder, both as amended or (ii) be regulated as an investment company under the Investment Company Act of 1940, as amended, or the Investment Company Act, will require the approval of a majority of our independent directors. Our Manager and board have the authority to amend our Investment Policies; however only our board (with the approval of a majority of independent directors) has the authority to amend our Investment Guidelines, which supersede the Investment Policies. As a result, our board has ultimate authority over how broad our Investment Policies can be.

Investment Guidelines

Pursuant to the Investment Guidelines as stated in the Management Agreement, no investment shall be made that would (i) cause our company to fail to qualify as a REIT under the Code or (ii) cause our company or our operating partnership to be regulated as an investment company under the Investment Company Act. The Investment Guidelines may be amended, restated, modified, supplemented or waived by the Board (which must include a majority of the independent directors) without the approval of our stockholders.

Investment Policies

Subject to the Investment Guidelines, which have been developed by our Manager for the benefit of us and have been approved by our board, and, subject to the proviso above, our Investment Policies may be rescinded, amended, or replaced as our Manager or board determines in its reasonable discretion:

- We, through our operating partnership will seek to acquire properties that primarily meet the following parameters:

  - Be single tenanted properties, which were built to meet specific needs and requirements of the agency or departmental occupant that were contained in the bid requested by the federal government for the facility and that are leased to the United States of America;

  - Be “Citizen Service” or “Mission Critical” in nature and function, which is to say that provide essential services to the citizenry or make essential contributions to the fulfillment of the stated mission of the occupying agencies or departments;

  - Contain 5,000 to 50,000 square feet;

  - Be located in secondary or smaller metropolitan statistical areas or in rural areas;

  - Be first generation new construction (after 09/11/01) or first generation, retrofit (meeting post-9/11 security requirements);

  - Preferably be LEED® certified;

  - Have installed security features meeting the occupants’ needs; and

  - Be expandable to meet the future needs of the occupant.

For purposes of this Investment Policies section, we refer to properties meeting the description above as our Target Properties.

- Properties we acquire primarily should have at least eight (8) years remaining in the lease term, but twenty percent (20.0%) (or more in certain individual markets with attributes and demographics that our Manager believes militate in favor of renewal or a new lease) of the portfolio at any given time containing properties with three years or less remaining on the particular properties firm (not subject to early termination by the federal government) or remaining term.

- Properties we acquire for our operating partnership will be owned through wholly-owned (by the operating partnership), special purpose entities that will isolate liability for the operating partnership that may arise from any one property.

- We will select properties to acquire that in our Manager's experience are likely to be sellable individually if conditions warrant or are compatible with a reasonably diversified (in terms of geography, agencies and missions) portfolio that is capable of being managed to maximize economies of scale, both overall and regionally.

- If our Manager deems it in our company's best interest, we may:

  - participate with third parties in property ownership, through joint ventures, private equity, real estate funds or other types of co-ownership; and

  - acquire real estate or interests in real estate in exchange for the issuance of common stock, common units, preferred stock or options to purchase stock.

However, our Manager will not cause us (or our operating partnership) to enter into a joint venture or other partnership arrangement to make an investment that would not otherwise meet the requirements of these Investment Policies.

- While our company intends to focus primarily on acquiring Target Properties, in order to achieve higher risk-adjusted returns, we reserve the right to invest a percentage of its capital reasonably deemed appropriate by our Manager in properties leased to States and municipalities, the long-term indebtedness of which is rated A or better by one or more nationally recognized rating agencies (i.e., S&P, Moody's or Fitch) that will be subject to annual appropriations.

- While investments and acquisitions must be consistent with our company's qualification as a REIT, our Manager may:

  - diversify in terms of property locations, size and market or submarket; and

  - invest or acquire and expand and improve the properties owned or acquired, or sell individually or collectively one or more of such properties, in whole or in part, when circumstances warrant.

- If our Manager reasonably deems it to be in our best interest, we may invest in securities of other REITs, other entities engaged in real estate activities or securities of other issuers where such investment would be consistent with our investment objectives and our qualification as a REIT. These investments may be either in debt or equity securities of such entities, including for the purpose of exercising control over such entities, subject to applicable REIT requirements. This Policy does not permit direct investment us or our operating partnership in entities that are not engaged in real estate activities, but it does not restrict our Manager's right to cause our company to invest in one or more TRSs.

- Our Manager may cause us to dispose of some, but not all, properties if, based upon our Manager's periodic review of the operating partnership's portfolio, it determines that such action would be in our best interests. Any proposed dispositions also will be analyzed in light of the "prohibited transaction" rules applicable to REITs.

- Other than as described above, we may invest in any additional securities such as bonds, preferred stocks or common stocks.

Financing

We intend to maintain the aggregate indebtedness of our investment portfolio at approximately 80% of the all-in cost of all portfolio investments (direct and indirect). However, there is no maximum limit on the amount of indebtedness secured by the portfolio investments as a whole, or any portfolio investment individually. Currently, the aggregate indebtedness of our investment portfolio is approximately 74.75% of the all-in cost of all portfolio investments (direct and indirect).

We have the ability to exercise discretion as to the types of financing structures we utilize. For example, we may obtain new mortgage loans to finance property acquisitions, acquire properties subject to debt or otherwise incur secured or unsecured indebtedness at the property level at any time. The use of leverage enables us to acquire more properties than if leverage is not used. However, leverage also increases the risks associated with an investment in our common stock. See "Risk Factors." Our Manager may also elect to enter into one or more credit facilities with financial institutions. Any such credit facility may be unsecured or secured, including by a pledge of or security interest granted in our assets.

Disposition Terms

Investments may be disposed of by sale on an all-cash or upon other terms as determined by our Manager in its sole discretion. We may accept purchase money obligations and other forms of consideration (including other real properties) in exchange for one or more investments. In connection with acquisitions or dispositions of investments, we may enter into certain guarantee or indemnification obligations relating to environmental claims, breaches of representations and warranties, claims against certain financial defaults and other matters, and may be required to maintain reserves against such obligations. In addition, we may dispose of less than 100% of its ownership interest in any investment in the sole discretion of our Manager.

We will consider all viable exit strategies for our investments, including single asset and/or portfolio sales to institutions, investment companies, real estate investment trusts, individuals and 1031 exchange buyers.

Interested Director and Officer Transactions

Pursuant to the MGCL, a contract or other transaction between us and a director or between us and any other corporation or other entity in which any of our directors is a director or has a material financial interest is not void or voidable solely on the grounds of such common directorship or interest. The common directorship or interest, the presence of such director at the meeting at which the contract or transaction is authorized, approved or ratified or the counting of the director's vote in favor thereof will not render the transaction void or voidable if:

- the fact of the common directorship or interest is disclosed or known to our board of directors or a committee of our board of directors, and our board of directors or such committee authorizes, approves or ratifies the transaction or contract by the affirmative vote of a majority of disinterested directors, even if the disinterested directors constitute less than a quorum;
- the fact of the common directorship or interest is disclosed or known to our stockholders entitled to vote thereon, and the transaction is authorized, approved or ratified by a majority of the votes cast by the stockholders entitled to vote, other than the votes of shares owned of record or beneficially by the interested director or corporation or other entity; or
- the transaction or contract is fair and reasonable to us at the time it is authorized, ratified or approved.

Conflict of Interest Policies

Our management is be subject to various conflicts of interest arising out of our relationship with our Manager and its affiliates. See "Risk Factors — Risks Related to Conflicts of Interest." We are entirely dependent upon our Manager for our day-to-day management and do not have any independent employees. Our executive officers and three of our directors, serve as officers of our Manager. Messrs. Kaplan, Kaplan Jr, Kurlander and Stanton, each beneficially own 25% of our Manager. As a result, conflicts of interest may arise between our Manager and its affiliates, on the one hand, and us on the other.

We have not established any formal procedures to resolve the conflicts of interest. Our stockholders will therefore be dependent on the good faith of the respective parties to resolve conflicts equitably, and reliant upon the fiduciary duties of our directors and executive officers. We do not have a policy that expressly restricts any of our directors, officers, stockholders or affiliates, including our Manager and its officers and employees, from having a pecuniary interest in an investment in or from conducting, for their own account, business activities of the type we conduct.

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

Management Agreement

We have entered into the Management Agreement. We describe this agreement and the associated fees in “Our Manager and Related Agreements — Management Agreement.” Messrs. Stanton, Kaplan, Jr., Kurlander and Kaplan, each an officer, and three of which are also directors, of our company, each beneficially own 25% of the outstanding equity of our Manager. Under the Management Agreement, our Manager receives compensation in the form of an asset management fee, an acquisition fee, a leasing fee, equity grants, accountable expense reimbursements and a termination fee. For more information on the fees payable to our Manager and its affiliates, please see “Compensation to Our Manager and Affiliates.”

We pay our Manager an annual asset management fee equal to 1.5% of our stockholders’ equity payable quarterly in arrears in cash. Assuming that we raise the maximum offering amount and issue no common shares through the DRIP, we anticipate we will receive $25,915,521 in net proceeds from this offering. We have previously received $3,612,500 in net proceeds from our Series A Preferred Stock offering and issued 1,078,416 OP Units at the initial closing of this offering as compensation for the Contribution Properties, valued at $10,784,160 based on the price per share in this offering. As a result, we estimate that our Manager would receive an annual asset management fee of $727,923 if we were to raise no additional equity and no additional adjustments were made.

We will pay an acquisition fee, payable in vested equity in our company, equal to 1% of the gross purchase price, as adjusted pursuant to any closing adjustments, of each investment made on our behalf by our Manager following the initial closing of this offering. Assuming that we raise the maximum offering amount and issue no common shares through the DRIP, resulting in $25,915,521 in net proceeds, and that we buy properties using our target leverage of up to 80%, and given that we paid off the Holmwood Loan, the Citizens Loan, interim loans from an affiliate of our CEO, and the Standridge Note and anticipate paying off the interim loans incurred in connection with the acquisition of the Norfolk Property, the Promissory Notes, an interim loan from an affiliate of our CEO, the BH Notes, and certain additional related party loans and payables with proceeds from this offering (See “INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS”), we anticipate that acquisition fees of approximately $879,070 in vested equity of our company will be paid to our Manager as a result of this offering. Based upon their percentage ownership interests in our Manager, Messrs. Kurlander, Kaplan, Kaplan, Jr. and Stanton will each beneficially receive vested equity valued, at the time of accrual, at $219,768 in the aggregate.

Our Manager will be entitled to a leasing fee equal to 2.0% of all gross rent due during the term of any new lease or lease renewal, excluding reimbursements by the tenant for operating expenses and taxes and similar pass-through obligations paid by the tenant for any new lease or lease renewal entered into or exercised during the term of the Management Agreement. We cannot estimate the leasing fees that will be payable to our Manager at this time.

Our Manager receives a grant of our company’s equity securities, or a Grant, at each closing of an issuance of our company’s common stock or any shares of common stock issuable pursuant to outstanding rights, options or warrants to subscribe for, purchase or otherwise acquire shares of common stock that are “ in-the-money ” on such date in a public offering, such that following such Grant our Manager shall own equity securities equivalent to 3.0% of the then issued and outstanding common stock of our company, on a fully diluted basis, solely as a result of such Grants. Any Grant shall be subject to vesting over a five-year period with vesting occurring on a quarterly basis, provided, that, the only vesting requirement shall be that the Management Agreement (or any amendment, restatement or replacement hereof with our Manager continuing to provide the same general services as provided hereunder to our company) remains in effect, and, further provided, that, if the Management Agreement is terminated for any reason other than a termination for cause as described in the Management Agreement, then the vesting of any Grant shall accelerate such that the Grant shall be fully vested as of such termination date. We anticipate making Grants to our Manager of equity securities equivalent to 146,224 shares of our common stock, on a fully diluted basis, if we sell the maximum offering amount and issue no common shares through the DRIP. Based upon their percentage ownership interests in our Manager, Messrs. Kurlander, Kaplan, Kaplan, Jr. and Stanton will each beneficially own approximately 36,556 restricted shares of our common stock as a result of the Grants after vesting. To date, we have made Grants to the Manager of 81,029 LTIPs.

Our Manager will be entitled to receive an accountable expense reimbursement for documented expenses of our Manager and its affiliates incurred on behalf of either our company or our operating partnership that are reasonably necessary for the performance by the Manager of its duties and functions hereunder; provided, that such expenses are in amounts no greater than those that would be payable to third party professionals or consultants engaged to perform such services pursuant to agreements negotiated on an arm’s-length basis, and excepting only those expenses that are specifically the responsibility of our Manager. The accountable expense reimbursement will be reimbursed monthly to the Manager. We cannot estimate the accountable expense reimbursement that will be payable to our Manager or its affiliates at this time.

Our Manager will be entitled to receive a termination fee equal to three times the sum of the asset management fees, acquisition fees and leasing fees earned, in each case, by our Manager during the 24-month period prior to such termination, calculated as of the end of the most recently completed fiscal quarter prior to the date of termination; provided, however, that if the Listing Event has not occurred and no accrued acquisition fees have been paid, then all accrued acquisition fees will be included in the above calculation of the termination fee. The termination fee will be payable upon termination of the Management Agreement (i) by us without cause or (ii) by our Manager if we materially breach the Management Agreement. The termination fee is payable in cash, vested equity of our company, or a combination thereof, in the discretion of our board. We cannot estimate the termination fee that would be payable to our Manager at this time.

Property Management Agreements

We have entered into property management agreements for each of the Owned Properties. We expect to enter into property management agreements for each of the contribution properties as well on substantially the same terms. Under the property management agreements, our Manager's wholly-owned subsidiary, Holmwood Capital Management, LLC, a Delaware limited liability company, or the Property Manager, may receive compensation in the form of property management fees and property management termination fees. For more information on the fees payable to our Manager and its affiliates, please see "Compensation to Our Manager and Affiliates."

We anticipate that the Property Manager, will manage some or all of our company's portfolio earning market-standard property management fees based on a percentage of rent pursuant to a property management agreement executed between the Property Manager and our subsidiary owning the applicable property. We cannot estimate the property management fees that will be payable to the Property Manager at this time.

We anticipate that each property management agreement will provide for a termination fee to be paid to the Property Manager if the Property Manager is terminated without cause or in the event of a sale of the subject property. Each property management agreement will or is expected to expire in 2050, and no termination fee will be due to the Property Manager if a property management agreement is not renewed prior to its expiration. The termination fee under the property management agreement will equal the aggregate property management fee paid to the Property Manager for the three full calendar months immediately prior to termination multiplied by four. We cannot estimate the property management termination fees that would be payable to our Property Manager at this time.

Contribution Transactions

In connection with our acquisitions of the Contribution Properties, Messrs. Stanton, Kaplan, Jr., Kurlander and Kaplan, will receive material benefits. Messrs. Stanton, Kaplan, Jr., Kurlander and Kaplan are each a member of Holmwood Capital, LLC, which owns 100% of the membership interests of (i) GOV PSL, LLC, a Delaware limited liability company, the sole owner of the Port Saint Lucie Property; (ii) GOV Jonesboro, LLC, a Delaware limited liability company, the sole owner of the Jonesboro Property; (iii) GOV Lorain, LLC, a Delaware limited liability company, the sole owner of the Lorain Property; (iv) GOV CBP Port Canaveral, LLC, a Delaware limited liability company, the sole owner of the Port Canaveral Property; (v) GOV FBI Johnson City, LLC, a Delaware limited liability company, the sole owner of the Johnson City Property; (vi) GOV Ft. Smith, LLC, a Delaware limited liability company, the sole owner of the Fort Smith Property; and (vii) GOV Silt, LLC, a Delaware limited liability company, the sole owner of the Silt Property, with each of the above properties, together being the Contribution Properties. We indirectly purchased (i) each of the Silt Property, the Fort Smith Property, the Johnson City Property and the Port Canaveral Property by acquiring all of the membership interests of the entities owning such properties, and (ii) all of the right, title and interest in and to any and all profits, losses and distributed cash flows, if any, from each wholly-owned subsidiary owning each of the Port Saint Lucie Property, the Jonesboro Property and the Lorain Property, or the Affected Properties, as well as all of the other benefits and burdens of ownership solely for federal income tax purposes, or the Profits Interests. At the initial closing, the agreed value of Holmwood's equity in the Contribution Properties was $10,784,160, resulting in 1,078,416 OP Units being issued to Holmwood and the assumption of an aggregate of $23,717,326 in indebtedness. Holmwood acquired (i) the Fort Smith Property on December 30, 2014 for a total cost of $4,364,361, (ii) the Johnson City Property on March 26, 2015 for a total cost of $4,210,660, (iii) the Port Canaveral Property on April 9, 2015 for a total cost of $6,117,332 and (iv) the Silt Property on December 9, 2015 for a total cost of $3,770,183.

The total purchase price for our Contribution Properties was determined by our Manager and Holmwood. By agreement, the value of the Silt Property was agreed to be Holmwood's purchase price, and the values of the remaining Contribution Properties were determined by using prevailing market capitalization rates, as determined by our Manager, and the 2016 pro forma net operating income of each remaining Contribution Property. Our Contribution Agreement required us to enter into an agreement as of the closing of the contribution granting Holmwood registration and qualification rights covering the resale of the shares of common stock into which its OP Units will be convertible, subject to conditions set forth in our operating partner's limited partnership agreement. For more information about the interest of management in the registration rights agreement, see "- Registration Rights Agreements" below. In addition, as of the closing of the contribution, we entered into a tax protection agreement with Holmwood under which we agreed to (i) indemnify Holmwood for any taxes incurred as a result of a taxable sale of the Contribution Properties for a period of ten years after the closing; and (ii) indemnify Holmwood if a reduction in our nonrecourse liabilities secured by the Contribution Properties results in an incurrence of taxes, provided that we may offer Holmwood the opportunity to guaranty a portion of our operating partnership's other nonrecourse indebtedness in order to avoid the incurrence of tax on Holmwood. For more information about the interest of management in the tax protection agreement, see "- Tax Protection Agreement" below.

Based on the issuance of 1,078,416 OP Units to Holmwood at the closing of the contribution, and based upon their current percentage interests in Holmwood, Messrs. Kurlander, Kaplan, Kaplan Jr. and Stanton each beneficially own OP Units in the following amounts: Mr. Kurlander - approximately 857,725 OP Units; Mr. Kaplan – approximately 103,547 OP Units; Mr. Kaplan Jr. – approximately 36,553 OP Units; and Mr. Stanton – approximately 19,238 OP Units.

Tax Protection Agreement

We entered into the tax protection agreement with Holmwood as of the closing of the contribution. Pursuant to the terms of the tax protection agreement, we are required to indemnify Holmwood for adverse tax consequences resulting to Holmwood if we sell any one or more of the Contribution Properties within ten years after the closing of the contribution. Additionally, under the tax protection agreement we will indemnify Holmwood if a reduction in our nonrecourse liabilities secured by the Contribution Properties results in an incurrence of taxes, provided that we may offer Holmwood the opportunity to guaranty a portion of our operating partnership's other nonrecourse indebtedness in order to avoid the incurrence of tax on Holmwood. Through their direct or beneficial membership in Holmwood, Messrs. Kaplan and Kaplan, Jr., individually, and Mr. Stanton, through his ownership and control of Stanton Holdings, LLC, and Dr. Kurlander, through his ownership and control of Baker Hill Holding, LLC, benefit from the Tax Protection Agreement. The Tax Protection Agreement is assignable upon a distribution, and Messrs. Kaplan and Kaplan, Jr., individually, and Mr. Stanton, through his ownership and control of Stanton Holdings, LLC, and Dr. Kurlander, through his ownership and control of Baker Hill Holding, LLC, may each become a party or beneficial party, as applicable, to the Tax Protection Agreement.

Standridge Note

In connection with the purchase of the Lakewood Property, the Moore Property and the Lawton Property, we were issued the Standridge Note in an amount equal to $2,019,789. On December 8, 2017, the Standridge Note was amended. In conjunction with the amendment, we, through our operating partnership, made a prepayment on the Standridge Note in the amount of $1,502,091.82. We paid off the balance of the Standridge Note on December 29, 2017 with a payment of $442,092. The prepayment of the Standridge Note was financed in large part by four promissory notes, in the aggregate principal amount of $1,500,000, including a $500,000 note payable to BH,or the Promissory Notes. We paid off the Standridge Note with proceeds from this offering.

Prepayment of Standridge Note

On December 11, 2017, in connection with prepayment of the Standridge Note, the Company borrowed $1,500,000 in aggregate principal amount pursuant to multiple promissory notes payable to accredited investors. The notes are unsecured, require monthly interest-only payments payable in arrears at an interest rate of 8% per annum. By agreement with the holders of these notes, the maturity date of such notes has been extended to May 1, 2019. With respect to these notes, $500,000 in principal amount was loaned by BH, and $250,000 was loaned by a member of the Company's predecessor. As of the date of this offering circular, the outstanding principal balance of these notes was $1,500,000.

Norfolk Interim Loans

On March 31, 2017, in connection with out purchase of the Norfolk Property, the Company borrowed an aggregate amount of $3,400,000 pursuant to multiple promissory notes payable. The notes are unsecured, require monthly interest-only payments payable in arrears at an interest rate of 12% per annum. By agreement with the holders of these notes, the maturity date of such notes has been extended to May 1, 2019. The notes are pre-payable without penalty. Of these notes, $2,770,000 was loaned by BH and $300,000 was loaned by Mr. Robert R. Kaplan Sr.. As of the date of this offering circular, the outstanding principal balance of these notes was $3,400,000.

CEO Affiliated Interim Loans

On December 11, 2017, the Company borrowed $330,000 from an affiliated entity of our Company's CEO. The loan accrues interest at 3.25% per annum and both principal and accrued interest is payable on demand. This loan was paid in full on February 26, 2018 with proceeds from this offering.

The Company borrowed an additional $455,000 from an affiliated entity of our Company's CEO in April 2018. This loan did not bear interest and was repaid in full as of July 20, 2018 with proceeds from this offering.

The above described loans were not documented in writing.

Additional Affiliated Loans

In July, 2018 Messrs. Kaplan, Kaplan Jr., and Stanton, and BH, each funded a loan of $60,000 to our Company to fund working capital and distributions. These loans have not been documented; however, we have agreed to pay interest at a rate not to exceed 10% on each of them and are payable on demand. We anticipate repaying these loans with proceeds from this offering.

In October, 2018, BH loaned our company an additional $228,000 to fund distributions to our stockholders. This loan is non-interest bearing and payable on demand. We anticipate repaying this loan with proceeds from the offering.

The above loans were not documented in writing.

Promissory Notes

On December 11, 2017, the Company borrowed $1,500,000 in aggregate principal amount pursuant to multiple promissory notes payable to accredited investors. The notes are unsecured, require monthly interest-only payments payable in arrears at an interest rate of 8% per annum. By agreement with the holders of these notes, the maturity date of such notes has been extended to May 1, 2019. With respect to these notes, $500,000 in principal amount was loaned by BH, and $250,000 was loaned by a member of the Company's predecessor. As of the date of this offering circular, the outstanding principal balance of these notes was $1,500,000. See "- Prepayment of Standridge Note."

BH Notes

On July 25, 2018, we caused our Operating Partnership to borrow $1,700,000 from BH, pursuant to an unsecured promissory note. The note bears interest at 14% per annum, or the note rate, payable monthly in arrears and matures on July 31, 2020. In the note, in lieu of paying an interest payment at the note rate in immediately available funds, we reserved the right to (1) pay interest on the outstanding principal balance of the note on any interest payment date in immediately available funds at the per annum rate of 6.0% per annum, or the current pay portion, and (2) add an amount equal to interest on the outstanding principal balance of the note on any interest payment date, calculated at the per annum rate of 8.0% to the principal balance of the note, which we call "paid in kind" interest or "PIK" interest. From and after the addition of any PIK interest to the principal balance of the note, the increased principal amount of the note will bear interest at the per annum rate of 14%, payable in like manner to the prior payment of interest. The proceeds of the loan were contributed as equity to the capital of the SPE that purchased the GSA property located in Knoxville, Iowa. The Note is pre-payable; provided that until July 31, 2019, prepayment must be accompanied by all accrued interest, plus a premium equal to the original principal amount of the Note multiplied by the number of whole calendar months remaining until July 31, 2019, divided by twelve, and then multiplied by the note rate. After July 31, 2019, the note is pre-payable without premium or penalty of any kind.

On August 30, 2018, we caused our Operating Partnership to borrow $800,000 from BH, pursuant to an unsecured promissory note. The note bears interest at the note rate, payable monthly in arrears and matures on August 30, 2020. In the note, in lieu of paying an interest payment at the note rate in immediately available funds, we reserved the right to (1) pay the current pay portion on any interest payment date in immediately available funds, and (2) add an amount equal to the PIK interest to the principal balance of the note. From and after the addition of any PIK interest to the principal balance of the note, the increased principal amount of the note will bear interest at the note rate, payable in like manner to the prior payment of interest. The proceeds of the loan were contributed as equity to the capital of the SPE that purchased the GSA property located in Champaign, Illinois.

On October 12, 2018, we caused our Operating Partnership to borrow $2,470,000 from BH, pursuant to an unsecured promissory note. The note bears interest at the note rate, payable monthly in arrears and matures on October 31, 2020. In the note, in lieu of paying an interest payment at the note rate in immediately available funds, we reserved the right to (1) pay the current pay portion on any interest payment date in immediately available funds, and (2) add an amount equal to the PIK interest to the principal balance of the note. From and after the addition of any PIK interest to the principal balance of the note, the increased principal amount of the note will bear interest at the note rate, payable in like manner to the prior payment of interest. The proceeds of the loan were contributed as equity to the capital of the SPE that purchased the GSA property located in Sarasota, Florida.

Predecessor Payables

Our Company has outstanding payables to our predecessor for various expenses paid on our behalf by our predecessor in the amount of $425,014. These outstanding amounts do not bear interest and are payable on demand.

Owned Properties Acquisition Fee

In connection with our acquisition of the Lakewood Property, the Moore Property and the Lawton Property, we paid Mr. Edwin M. Stanton an acquisition fee of $153,402, or 1.5% of the contract purchase price of $10,226,786. We paid Mr. Stanton the acquisition fee pursuant to an arrangement Mr. Stanton had with Holmwood and which we assumed when Holmwood assigned us the acquisition contract for our Owned Properties.

Registration Rights Agreements

We entered into an agreement providing registration and qualification rights to Holmwood in connection with the closing of the contribution. Pursuant to this agreement, with respect to the shares of our common stock that may be issued in a redemption of the OP Units issued to Holmwood in the contribution, we agreed, among other things to either: (a) if a Listing Event has occurred and six months have passed from the closing of the contribution, register such shares of common stock for resale upon the demand of Holmwood (or a majority of the then holders of the OP Units issued to Holmwood) on an appropriate "shelf" registration statement under the Securities Act; or (b) if four years following the closing of the contribution there has been no Listing Event, upon demand of Holmwood, qualify such shares of common stock for resale pursuant to Regulation A promulgated under the Securities Act. We will also grant Holmwood the right to include such shares of our common stock in any registration statements we may file in connection with any future public equity offerings, including a registration statement filed in conjunction with a Listing Event, subject to the terms of the lockup arrangements described herein and subject to the right of the underwriters of those offerings to reduce the total number of such shares of our common stock to be sold by selling stockholders in those offerings. Through their direct or beneficial membership in Holmwood, Messrs. Kaplan and Kaplan, Jr., individually, and Mr. Stanton, through his ownership and control of Stanton Holdings, LLC, and Dr. Kurlander, through his ownership and control of Baker Hill Holding, LLC, benefit from the Registration Rights Agreement. The Registration Rights Agreement is assignable upon a distribution, and Messrs. Kaplan and Kaplan, Jr., individually, and Mr. Stanton, through his ownership and control of Stanton Holdings, LLC, and Dr. Kurlander, through his ownership and control of Baker Hill Holding, LLC, may each become a party or beneficial party, as applicable, to the Registration Rights Agreement.

We entered into a registration and qualification rights agreement with our Manager in relation to the shares of common stock, or other securities underlied by our common stock, to be issued to our Manager pursuant to our Management Agreement, whether as an equity grant or in payment of the acquisition fee. We agreed, with respect to such shares of common stock received by our Manager, to either (a) if a Listing Event has occurred, register such shares of common stock for resale on an appropriate "shelf" registration statement under the Securities Act, upon demand of the Manager; or (b) if four years following the initial closing of this offering there has been no Listing Event, upon demand of our Manager, qualify such shares of common stock for resale pursuant to Regulation A promulgated under the Securities Act. We also granted our Manager the right to include such shares of our common stock in any registration statements we may file in connection with any future public equity offerings, including a registration statement filed in conjunction with a Listing Event, subject to the terms of the lockup arrangements described herein and subject to the right of the underwriters of those offerings to reduce the total number of such shares of our common stock to be sold by selling stockholders in those offerings.

Indemnification Agreements

We entered into indemnification agreements with each of our directors and our senior management team that obligate us to indemnify them to the maximum extent permitted by Maryland law. The indemnification agreements provide that if a director or member of our senior management team is a party or is threatened to be made a party to any proceeding, by reason of such director's or senior management team member's status as a director, officer or employee of our company, or our manager, we must indemnify such director or senior management team member, and advance expenses actually and reasonably incurred by him or her, or on his or her behalf, unless it has been established that:

- the act or omission of the director or senior management team member was material to the matter giving rise to the proceeding and was committed in bad faith or was the result of active and deliberate dishonesty;
- the director or senior management team member actually received an improper personal benefit in money, property or services; or
- with respect to any criminal action or proceeding, the director or senior management team member had reasonable cause to believe his or her conduct was unlawful.

Except as described below, our directors and senior management team members will not be entitled to indemnification pursuant to the indemnification agreement:

- if the proceeding was one brought by us or in our right and the director or senior management team member is adjudged to be liable to us;
- if the director or senior management team member is adjudged to be liable on the basis that personal benefit was improperly received; or
- in any proceeding brought by the director or senior management team member other than to enforce his or her rights under the indemnification agreement, and then only to the extent provided by the agreement and, except as may be expressly provided in our charter, our bylaws, a resolution of our board of directors or of our stockholders entitled to vote generally in the election of directors or an agreement to which we are a party approved by our board of directors.

Notwithstanding the limitations on indemnification described above, on application by a director of our company or member of our senior management team to a court of appropriate jurisdiction, the court may order indemnification of such director or senior management team member if:

- the court determines the director or senior management team member is entitled to indemnification as described in the following paragraph, in which case the director or senior management team member shall be entitled to recover from us the expenses of securing such indemnification; or

- the court determines that such director or senior management team member is fairly and reasonably entitled to indemnification in view of all the relevant circumstances, whether or not the director or senior management team member (i) has met the standards of conduct set forth above or (ii) has been adjudged liable for receipt of an "improper personal benefit"; provided, however, that our indemnification obligations to such director or senior management team member will be limited to the expenses actually and reasonably incurred by him or her, or on his or her behalf, in connection with any proceeding by or in the right of our company or in which the officer or director shall have been adjudged liable for receipt of an improper personal benefit.

Notwithstanding, and without limiting, any other provisions of the indemnification agreements, if a director or senior management team member is a party or is threatened to be made a party to any proceeding by reason of such director's or senior management team member's status as a director, officer or employee of our company, and such director or senior management team member is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such proceeding, we must indemnify such director or senior management team member for all expenses actually and reasonably incurred by him or her, or on his or her behalf, in connection with each successfully resolved claim, issue or matter, including any claim, issue or matter in such a proceeding that is terminated by dismissal, with or without prejudice.

In addition, the indemnification agreements will require us to advance reasonable expenses incurred by the indemnitee within ten days of the receipt by us of a statement from the indemnitee requesting the advance, provided the statement evidences the expenses and is accompanied by:

- a written affirmation of the indemnitee's good faith belief that he or she has met the standard of conduct necessary for indemnification; and

- a written undertaking to reimburse us if a court of competent jurisdiction determines that the director or senior management team member is not entitled to indemnification.

SECURITIES BEING OFFERED

General

Our Company and stockholders are governed by our charter and bylaws. *See* "– Description of Charter and Bylaws" below for a detailed summary of terms of our charter and bylaws. Our charter and bylaws are filed as an exhibit to the offering statement of which this offering circular is a part. Our charter provides that we may issue up to 750,000,000 shares of common stock and 250,000,000 shares of preferred stock, both having par value $0.01 per share. Pursuant to a private offering, our company classified 400,000 shares of preferred stock as 7.00% Series A Cumulative Convertible Preferred Stock, or the Series A Preferred Stock. Immediately prior to this offering, we had 200,000 shares of common stock issued and outstanding and 144,500 shares of Series A Preferred Stock issued and outstanding. Following the qualification of this offering, we have granted and issued 16,000 shares of common stock to independent directors and our former independent director and issued 891,041 shares of common stock in this offering. We currently have 1,107,041 shares of common stock issued and outstanding.

In our primary offering, which we refer to as the offering, we are offering maximum of 3,000,000 shares of our common stock at an offering price of $10.00 per share, for a maximum offering amount of $30,000,000, which we refer to as our maximum offering amount. The minimum purchase requirement is 150 shares, or $1,500; however, we can waive the minimum purchase requirement in our sole discretion. We are also offering up to 200,000 shares of our common stock at $10.00 per share, or $2,000,000, pursuant to the DRIP. We reserve the right to reallocate the shares we are offering between our primary offering and the DRIP. As of the date of this offering circular, we have issued 891,041 shares of common stock in this offering in exchange for gross proceeds totaling $8,910,410. We have not yet issued any shares of common stock in the DRIP. For more information on the DRIP, see "Summary of Distribution Reinvestment Plan."

We will hold closings on at least a monthly basis or more often, at our sole discretion. As a result, an investor may have their investment in escrow or in such investor's Folio account for up to one month before receipt of their offered shares. Until each closing, the proceeds for that closing will be kept in an escrow account or deposited with Folio for investors purchasing through its platform. See "Plan of Distribution." Upon closing, the proceeds for that closing will be disbursed to us and the shares sold in that closing will be issued to the investors. At the request of an investor, we may, but will not be required to, return funds deposited in the escrow account or an investor's funds that are deposited in such investor's Folio account.

The offering began on November 7, 2016 and is expected to continue until the earlier of (i) the date on which the maximum shares offered hereby have been sold, or (ii) November 7, 2018. We may, however, terminate the offering at any time and for any reason. At this time, there is no public trading market for shares of our common stock.

Upon completion of this offering, if we sell the maximum amount and issue no shares of common stock through the DRIP, there will be 3,216,000 shares of common stock issued and outstanding. Regardless of the number of shares sold in the offering, there will be 144,500 shares of Series A Preferred Stock issued and outstanding.

Common Stock

By investing in this offering, you will become a holder of our common stock. Below is a summary of the rights of such holders. For a complete description of our common stock, please review our charter and bylaws filed as exhibits to the offering statement, of which this offering circular is a part.

Dividends

No dividends to purchasers of our shares of common stock are assured, nor are any returns on, or of, a purchaser's investment guaranteed. Dividends are subject to our ability to generate positive cash flow from operations. All dividends are further subject to the discretion of our board of directors. It is possible that we may have cash available for dividends, but our board of directors could determine that the reservation, and not distribution, of such to be in our best interest. Holders of our Series A Preferred Stock are entitled to preferred returns before dividends are issued to holders of our common stock. To date, we have provided holders of our common stock with an annualized dividend of 5.5%, or $0.55 per share.

Liquidation Preference

No liquidation preference is provided for holders of our common stock. Upon the dissolution and liquidation of our Company, our Series A Preferred Stock will receive a preference in the distribution of liquidation proceeds equal to any accrued and unpaid preferred returns. Following payment of any accrued but unpaid preferred returns to our Series A Preferred Stock, liquidating distributions will be shared pari passu between our common stock and our Series A Preferred Stock, subject to the right of our board of directors to designate the rights and privileges of our authorized but unissued preferred stock in the future.

Registrar, Transfer Agent and Paying Agent

Shares of our common stock will be held in "uncertificated" form, which will eliminate the physical handling and safekeeping responsibilities inherent in owning transferable stock certificates and eliminate the need to return a duly executed stock certificate to effect a transfer. Direct Transfer LLC will act as our registrar and as the transfer agent for our shares.

Stockholder Voting

Subject to the restrictions on ownership and transfer of stock contained in our charter and except as may otherwise be specified in our charter, each share of common stock will have one vote per share on all matters voted on by stockholders, including election of directors. Holders of common stock will vote with holders of the Series A Preferred Stock on all matters to which holders of our common stock are entitled to vote.

Generally, the affirmative vote of a majority of all votes cast is necessary to take stockholder action, except that a plurality of all the votes cast at a meeting at which a quorum is present is sufficient to elect a director and except as set forth in the next paragraph.

Under Maryland law, a Maryland corporation generally cannot dissolve, amend its charter, merge, sell all or substantially all of its assets, engage in a share exchange or engage in similar transactions outside the ordinary course of business, unless approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter. However, a Maryland corporation may provide in its charter for approval of these matters by a lesser percentage, but not less than a majority of all of the votes entitled to be cast on the matter. Our charter provides for a majority vote in these situations. Our charter further provides that any or all of our directors may be removed from office for cause, and then only by the affirmative vote of at least a majority of the votes entitled to be cast generally in the election of directors. For these purposes, "cause" means, with respect to any particular director, conviction of a felony or final judgment of a court of competent jurisdiction holding that such director caused demonstrable material harm to us through bad faith or active and deliberate dishonesty.

Each stockholder entitled to vote on a matter may do so at a meeting in person or by proxy directing the manner in which he or she desires that his or her vote be cast or without a meeting by a consent in writing or by electronic transmission. Any proxy must be received by us prior to the date on which the vote is taken. Pursuant to Maryland law and our bylaws, if no meeting is held, 100% of the stockholders must consent in writing or by electronic transmission to take effective action on behalf of our company, unless the action is advised, and submitted to the stockholders for approval, by our board of directors, in which case such action may be approved by the consent in writing or by electronic transmission of stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting of stockholders.

Preferred Stock

Our charter authorizes our board of directors, without further stockholder action, to provide for the issuance of up to 250,000,000 shares of preferred stock, in one or more classes or series, with such terms, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms or conditions of redemption, as our board of directors approves. As of the date of this offering circular, our board of directors has classified 400,000 shares as Series A Preferred Stock and we have issued 144,500 shares of Series A Preferred Stock. Our board of directors does not have any present plans to issue any additional preferred shares.

Series A Preferred Stock

As of the date this offering circular, 144,500 shares of our Series A Preferred Stock are issued and outstanding. The following paragraphs provide information relative to the rights and preferences of our Series A Preferred Stock

Dividends

Holders of shares of the Series A Preferred Stock will be entitled to receive cumulative cash dividends on the Series A Preferred Stock when, as and if authorized by our board of directors and declared by us from and including the date of original issue or the end of the most recent dividend period for which dividends on the Series A Preferred Stock have been paid, payable quarterly in arrears on each January 5th, April 5th, July 5th and October 5th of each year, commencing on July 5, 2016. From the date of original issue, we will pay dividends at the rate of 7.00% per annum of the $25.00 liquidation preference per share (equivalent to the fixed annual amount of $1.75 per share). Dividends will accrue and be paid on the basis of a 360-day year consisting of twelve 30-day months. Dividends on the Series A Preferred Stock will accrue and be cumulative from the end of the most recent dividend period for which dividends have been paid, or if no dividends have been paid, from the date of original issue. Dividends on the Series A Preferred Stock will accrue whether or not (i) we have earnings, (ii) there are funds legally available for the payment of such dividends and (iii) such dividends are authorized by our board of directors or declared by us. Accrued dividends on the Series A Preferred Stock will not bear interest.

There are no restrictions on the repurchase or redemption of the Series A Preferred Stock while there is an arrearage in the payment of dividends. There is no sinking fund associated with the Series A Preferred Stock.

Liquidation Preference

If we liquidate, dissolve or wind-up, holders of shares of the Series A Preferred Stock will have the right to receive $25.00 per share of the Series A Preferred Stock, plus an amount equal to all accrued and unpaid dividends (whether or not authorized or declared) to and including the date of payment, before any distribution or payment is made to holders of our common stock and any other class or series of capital stock ranking junior to the Series A Preferred Stock as to rights upon our liquidation, dissolution or winding up.

The rights of holders of shares of the Series A Preferred Stock to receive their liquidation preference will be subject to the proportionate rights of any other class or series of our capital stock ranking on parity with the Series A Preferred Stock as to rights upon our liquidation, dissolution or winding up, junior to the rights of any class or series of our capital stock expressly designated as having liquidation preferences ranking senior to the Series A Preferred Stock, and in all instances subject to payment of, or provision for, our debts and other liabilities.

Automatic Conversion

The Series A Preferred Stock shall automatically convert into common stock upon the occurrence of our initial listing of our common stock on the New York Stock Exchange, NYSE American, NASDAQ Stock Exchange, or any other national securities exchange, or a Listing Event. As of the date of the Listing Event, a holder of shares of Series A Preferred Stock shall receive a number of shares of common stock in accordance with the following formula.

where: $Y = ((\$25.00*X1) + X2)/\$10.00 + 0.2*(\$25.00*X1)/\$10.00)$

Y = the number of shares of common stock received

$X1$ = the number of shares of the Preferred Stock held by the applicable holder.

$X2$ = the cumulative accrued but unpaid preferred dividends on the applicable holder's Preferred Stock as of the conversion date.

Optional Conversion

If a Listing Event has not occurred on or prior to the date that is four years following the date of the Articles Supplementary filed with the Delaware Secretary of State creating the Series A Preferred Stock then holders of the Series A Preferred Stock, at their option, may, at any time and from time to time after such date, convert all, but not less than all, of their outstanding shares of Series A Preferred Stock into common stock. Upon exercise of this optional conversion right, a holder of Series A Preferred Stock shall receive a number of shares of common stock in accordance with the formula describe in "– Automatic Conversion" above.

Voting Rights

Except in respect of the special voting rights described below and in our charter, the Series A Preferred Stock will have identical voting rights as our common stock, with each share of Series A Preferred Stock entitling its holder to one vote on all matters on which our common stockholders are entitled to vote. The Series A Preferred Stock and common stock will vote together as one class, except in respect of the special voting rights described below and in our charter.

So long as any shares of Series A Preferred Stock remain outstanding, in addition to any other vote or consent of stockholders required by our charter, we will not, without the affirmative vote or consent of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock voting together as a single class with any other series of preferred stock upon which like voting rights have been conferred, authorize, create or issue, or increase the number of authorized or issued shares of, any class or series of capital stock ranking senior to the Series A Preferred Stock with respect to payment of dividends or the distribution of assets upon our liquidation, dissolution or winding up, or reclassify any of our authorized capital stock into such capital stock, or create, authorize or issue any obligation or security convertible into or evidencing the right to purchase such capital stock.

Issuance of Additional Securities and Debt Instruments

Our board of directors is authorized to issue additional securities, including common stock, preferred stock, convertible preferred stock and convertible debt, for cash, property or other consideration on such terms as they may deem advisable and to classify or reclassify any unissued shares of capital stock of our company into other classes or series of stock without approval of the holders of the outstanding securities. We may issue debt obligations with conversion privileges on such terms and conditions as the directors may determine, whereby the holders of such debt obligations may acquire our common stock or preferred stock. We may also issue warrants, options and rights to buy shares on such terms as the directors deem advisable, despite the possible dilution in the value of the outstanding shares which may result from the exercise of such warrants, options or rights to buy shares, as part of a ratable issue to stockholders, as part of a private or public offering or as part of other financial arrangements. Our board of directors, with the approval of a majority of the directors and without any action by stockholders, may also amend our charter from time to time to increase or decrease the aggregate number of shares of our stock or the number of shares of stock of any class or series that we have authority to issue.

Restrictions on Ownership and Transfer

In order to qualify as a REIT under the federal tax laws, we must meet several requirements concerning the ownership of our outstanding capital stock. Specifically, no more than 50% in value of our outstanding capital stock may be owned, directly or indirectly, by five or fewer individuals, as defined in the federal income tax laws to include specified private foundations, employee benefit plans and trusts, and charitable trusts, during the last half of a taxable year, other than our first REIT taxable year. Moreover, 100 or more persons must own our outstanding shares of capital stock during at least 335 days of a taxable year of 12 months or during a proportionate part of a shorter taxable year, other than our first REIT taxable year.

Because our board of directors believes it is essential for our company to qualify and continue to qualify as a REIT and for other corporate purposes, our charter, subject to the exceptions described below, provides that no person may own, or be deemed to own by virtue of the attribution provisions of the federal income tax laws, more than 9.8% of:

- the total value of the outstanding shares of our capital stock; or
- the total value or number (whichever is more restrictive) of outstanding shares of our common stock.

This limitation regarding the ownership of our shares is the "9.8% Ownership Limitation." Further, our charter provides for certain circumstances where our board of directors may exempt (prospectively or retroactively) a person from the 9.8% Ownership Limitation and establish or increase an excepted holder limit for such person. This exception is the "Excepted Holder Ownership Limitation." Subject to certain conditions, our board of directors may also increase the 9.8% Ownership Limitation for one or more persons and decrease the 9.8% Ownership Limitation for all other persons.

To assist us in preserving our status as a REIT, among other purposes, our charter also contains limitations on the ownership and transfer of shares of common stock that would:

- result in our capital stock being beneficially owned by fewer than 100 persons, determined without reference to any rules of attribution;
- result in our company being "closely held" under the federal income tax laws; and
- cause our company to own, actually or constructively, 9.8% or more of the ownership interests in a tenant of our real property, under the federal income tax laws or otherwise fail to qualify as a REIT.

Any attempted transfer of our stock which, if effective, would result in our stock being beneficially owned by fewer than 100 persons will be null and void, with the intended transferee acquiring no rights in such shares of stock. If any transfer of our stock occurs which, if effective, would result in any person owning shares in violation of the other limitations described above (including the 9.8% Ownership Limitation), then that number of shares the ownership of which otherwise would cause such person to violate such limitations will automatically result in such shares being designated as shares-in-trust and transferred automatically to a trust effective on the day before the purported transfer of such shares. The record holder of the shares that are designated as shares-in-trust, or the prohibited owner, will be required to submit such number of shares of capital stock to our company for registration in the name of the trust. We will designate the trustee, but it will not be affiliated with our company. The beneficiary of the trust will be one or more charitable organizations that are named by our company. If the transfer to the trust would not be effective for any reason to prevent a violation of the limitations on ownership and transfer, then the transfer of that number of shares that otherwise would cause the violation will be null and void, with the intended transferee acquiring no rights in such shares.

Shares-in-trust will remain shares of issued and outstanding capital stock and will be entitled to the same rights and privileges as all other stock of the same class or series. The trust will receive all dividends and other distributions on the shares-in-trust and will hold such dividends or other distributions in trust for the benefit of the beneficiary. Any dividend or other distribution paid prior to our discovery that shares of stock have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the trustee. The trust will vote all shares-in-trust and, subject to Maryland law, the trustee will have the authority to rescind as void any vote cast by the proposed transferee prior to our discovery that the shares have been transferred to the trust and to recast the vote in accordance with the desires of the trustee acting for the benefit of the beneficiary. However, if we have already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from us that shares of our stock have been transferred to the trust, the trustee will sell the shares to a person designated by the trustee, whose ownership of the shares will not violate the above ownership limitations. Upon the sale, the interest of the beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the prohibited owner and to the beneficiary as follows. The prohibited owner generally will receive from the trust the lesser of:

- the price per share such prohibited owner paid for the shares of capital stock that were designated as shares-in-trust or, in the case of a gift or devise, the market price per share on the date of such transfer; or
- the price per share received by the trust from the sale of such shares-in-trust.

The trustee may reduce the amount payable to the prohibited owner by the amount of dividends and other distributions that have been paid to the prohibited owner and are owed by the prohibited owner to the trustee. The trust will distribute to the beneficiary any amounts received by the trust in excess of the amounts to be paid to the prohibited owner. If, prior to our discovery that shares of our stock have been transferred to the trust, the shares are sold by the proposed transferee, then the shares shall be deemed to have been sold on behalf of the trust and, to the extent that the prohibited owner received an amount for the shares that exceeds the amount such prohibited owner was entitled to receive, the excess shall be paid to the trustee upon demand.

In addition, the shares-in-trust will be deemed to have been offered for sale to our company, or our designee, at a price per share equal to the lesser of:

- the price per share in the transaction that created such shares-in-trust or, in the case of a gift or devise, the market price per share on the date of such gift or devise; or
- the market price per share on the date that our company, or our designee, accepts such offer.

We may reduce the amount payable to the prohibited owner by the amount of dividends and other distributions that have been paid to the prohibited owner and are owed by the prohibited owner to the trustee. We may pay the amount of such reduction to the trustee for the benefit of the beneficiary. We will have the right to accept such offer for a period of 90 days after the later of the date of the purported transfer which resulted in such shares-in-trust or the date we determine in good faith that a transfer resulting in such shares-in-trust occurred.

“Market price” on any date means the closing price for our stock on such date. The “closing price” refers to the last quoted price as reported by the primary securities exchange or market on which our stock is then listed or quoted for trading. If our stock is not so listed or quoted at the time of determination of the market price, our board of directors will determine the market price in good faith.

If you acquire or attempt to acquire shares of our capital stock in violation of the foregoing restrictions, or if you owned common or preferred stock that was transferred to a trust, then we will require you to give us immediate written notice of such event or, in the case of a proposed or attempted transaction, at least 15 days written notice, and to provide us with such other information as we may request in order to determine the effect, if any, of such transfer on our status as a REIT.

If you own, directly or indirectly, more than 5%, or such lower percentages as required under the federal income tax laws, of our outstanding shares of stock, then you must, within 30 days after January 1 of each year, provide to us a written statement or affidavit stating your name and address, the number of shares of capital stock owned directly or indirectly, and a description of how such shares are held. In addition, each direct or indirect stockholder shall provide to us such additional information as we may request in order to determine the effect, if any, of such ownership on our qualification as a REIT and to ensure compliance with the ownership limit.

The ownership limit generally will not apply to the acquisition of shares of capital stock by an underwriter that participates in a public offering of such shares. In addition, our board of directors, upon receipt of a ruling from the IRS or an opinion of counsel and upon such other conditions as our board of directors may direct, including the receipt of certain representations and undertakings required by our charter, may exempt (prospectively or retroactively) a person from the ownership limit and establish or increase an excepted holder limit for such person. However, the ownership limit will continue to apply until our board of directors determines that it is no longer in the best interests of our company to attempt to qualify, or to continue to qualify, as a REIT or that compliance is no longer required for REIT qualification.

All certificates, if any, representing our common or preferred stock, will bear a legend referring to the restrictions described above.

The ownership limit in our charter may have the effect of delaying, deferring or preventing a takeover or other transaction or change in control of our company that might involve a premium price for your shares or otherwise be in your interest as a stockholder.

Distributions

We intend to qualify as a REIT for federal income tax purposes. The Code generally requires that a REIT annually distribute at least 90% of its REIT taxable income, determined without regard to the deduction for dividends paid and excluding any net capital gain, and imposes tax on any taxable income retained by a REIT, including capital gains.

To satisfy the requirements for qualification as a REIT and generally not be subject to federal income and excise tax, we intend to make regular quarterly distributions of all or substantially all of our REIT taxable income, determined without regard to dividends paid, to our stockholders out of assets legally available for such purposes. Our board of directors has not yet determined the rate for our future dividends, and all future distributions will be determined at the sole discretion of our board of directors on a quarterly basis. When determining the amount of future distributions, we expect that our board of directors will consider, among other factors, (i) the amount of cash generated from our operating activities, (ii) our expectations of future cash flows, (iii) our determination of near-term cash needs for acquisitions of new properties, general property capital improvements and debt repayments, (iv) our ability to continue to access additional sources of capital, (v) the requirements of Maryland law, (vi) the amount required to be distributed to maintain our status as a REIT and to reduce any income and excise taxes that we otherwise would be required to pay and (vii) any limitations on our distributions contained in our credit or other agreements.

We cannot assure you that we will generate sufficient cash flows to make distributions to our stockholders or that we will be able to sustain those distributions. If our operations do not generate sufficient cash flow to allow us to satisfy the REIT distribution requirements, we may be required to fund distributions from working capital, borrow funds, sell assets, make a taxable distribution of our equity or debt securities, or reduce such distributions. In addition, while we have no intention to do so, prior to the time we have fully invested the net proceeds of this offering, we may fund our distributions out of the net proceeds of this offering, which could adversely impact our results of operations. Our distribution policy enables us to review the alternative funding sources available to us from time to time. Our actual results of operations will be affected by a number of factors, including the revenues we receive from our properties, our operating expenses, interest expense, the ability of our tenants to meet their obligations and unanticipated expenditures. For more information regarding risk factors that could materially adversely affect our actual results of operations, please see “Risk Factors.”

For income tax purposes, dividends to stockholders will be characterized as ordinary income, capital gains, or as a return of a stockholder's invested capital. We will furnish annually to each of our stockholders a statement setting forth distributions paid during the preceding year and their characterization as ordinary income, return of capital qualified dividend income or capital gain.

Shares Eligible for Future Sale

After giving effect to the completion of this offering, assuming we sell the maximum offering amount and issue no shares of common stock through the DRIP, we will have 3,216,000 shares of common stock outstanding. The 3,000,000 shares of common stock sold in this offering will be freely transferable without restriction or further registration under the Securities Act, subject to the limitations on ownership set forth in our charter.

Prior to this offering, there has been no public market for our common stock. We intend to apply for quotation of our common stock on the OTCQX beginning after the final closing of this offering. However, no assurance can be given as to (1) our approval for quotation on the OTCQX, (2) the likelihood that an active market for our shares of common stock will develop, (3) the liquidity of any such market, (4) the ability of the stockholders to sell the shares or (5) the prices that stockholders may obtain for any of the shares. No prediction can be made as to the effect, if any, that future sales of shares, or the availability of shares for future sale, will have on the market price prevailing from time to time. Sales of substantial amounts of our common stock, or the perception that such sales could occur, may adversely affect prevailing market prices of our common stock. See "Risk Factors — Risks Related to the Offering and Lack of Liquidity."

For a description of certain restrictions on transfers of shares of our common stock, see "Restrictions on Ownership and Transfer.

SUMMARY OF DISTRIBUTION REINVESTMENT PLAN

General

We have adopted a distribution reinvestment plan, or the DRIP, that allows you the opportunity to purchase, through reinvestment of distributions, additional shares of common stock. The following is a summary of the DRIP.

The DRIP provides you with a simple and convenient way to invest your cash distributions in additional shares of common stock. As a participant in the DRIP, you may purchase shares at $10.00 per share until all 200,000 shares that are authorized and reserved initially for the DRIP have been purchased, the expiration of the offering statement, of which this offering circular is a part, or the termination of the DRIP our company, whichever occurs first. We may, in our sole discretion, effect registration of additional shares of common stock for issuance under the DRIP.

Eligibility

Holders of record of shares of common stock or Series A Preferred Stock may participate in the DRIP unless the receipt of shares of common stock through the DRIP would cause such holder to: (i) exceed the ownership limitations set forth in our charter; or (ii) if such holder is not an accredited investor, exceed the investment limitation imposed by Regulation A, as described in the offering statement of which this offering circular is a part, for such holder to be a "qualified purchaser" as defined in Rule 256 of Regulation A. A holder may participate with respect to all, or any portion, of its distributions, as indicated on its enrollment form; *provided, that* a holder must participate with respect to at least 25% of its distribution payments. If a participant owns shares of common stock or Series A Preferred Stock that are registered in someone else's name (for example, a bank, broker, or trustee) and the participant wants to participate in the DRIP, the participant may be able to arrange for that person to handle the reinvestment of distributions with respect to the participant's DRIP shares. If not, the participant's shares of common stock or Series A Preferred Stock should be withdrawn from "street name" or other form of registration and should be registered in the participant's own name, in order to participate in the DRIP. Alternatively, the participant's broker or bank may offer a program that allows the participant to participate in a plan without having to withdraw the participant's shares of common stock or Series A Preferred Stock, as the case may be, from "street name."

We may refuse participation in the DRIP to stockholders residing in states where shares offered pursuant to the DRIP are not exempt from registration under applicable securities laws.

Administration

The DRIP is administered by Direct Transfer, LLC, or, in such capacity, the DRIP Administrator, which may be changed by our company. The DRIP Administrator will keep all records of your DRIP purchases and send statements of your purchases to you.

You may enroll in the DRIP, obtain information, and perform certain transactions relative to the DRIP on-line. To visit the DRIP Administrator's website: transfer.issuerdirect.com. You can contact the shareholder relations department toll-free at:
(919) 744-2722. You may write to the Administrator at the following address: Direct Transfer, LLC, 500 Perimeter Park Dr., Suite D, Morrisville, NC 27560.

Enrollment

You may become a participant in the DRIP by indicating your election to participate on your signed enrollment form available from the DRIP Administrator enclosed with the offering statement, of which this offering circular is a part, and returning it to the DRIP Administrator. You may include your signed enrollment form with the subscription agreement for any new purchase in the offering.

Your participation in the DRIP will begin with the first distribution payment after your enrollment form is received by us, provided such form is received on or before ten days prior to the payment date established for that distribution. If your enrollment form is received after the tenth day prior to the record date for a distribution and before payment of that distribution, reinvestment of your distributions will begin with the next distribution payment date.

You can change your DRIP election at any time by notifying the DRIP Administrator in writing.

Costs

Purchases under the DRIP will not be subject to selling commissions or dealer manager fees. All costs of administration of the DRIP will be paid by the Company. Certain charges may be incurred if you withdraw from the DRIP.

Purchases of Shares

Common stock distributions or Series A Preferred Stock distributions will be invested within three days after the date on which common stock distributions or Series A Preferred Stock distributions are paid. Any distributions not so invested will be returned to participants in the DRIP.

Reinvested Distributions. The DRIP Administrator will use the aggregate amount of distributions to all participants for each distribution period to purchase shares for the participants. If the aggregate amount of distributions to participants exceeds the amount required to purchase all shares then available for purchase, the DRIP Administrator will purchase all available shares and will return all remaining distributions to the participants within three days after the date such distributions are made. We will allocate the purchased shares among the participants based on the portion of the aggregate distributions received on behalf of each participant, as reflected on our books.

Reports

Within 90 days after the end of each fiscal year, each participant will receive a report of all the participant's investment in DRIP shares, including information with respect to the distributions reinvested during the year, the number of DRIP shares purchased during the year, the per share purchase price for such shares, the total administrative charge retained by our company or the DRIP Administrator and tax information with respect to income earned on shares purchased under the DRIP for the year. These statements are the participant's continuing record of the cost of purchases and should be retained for income tax purposes.

Certificates for Shares

The ownership of shares purchased under the DRIP will be uncertificated and noted in book-entry form until our board of directors determines otherwise. The number of shares purchased will be shown on your statement of account.

Termination of Participation

You may discontinue reinvestment of distributions under the DRIP with respect to all, but not less than all, of your shares (including shares held for your account in the DRIP) at any time without penalty by notifying the DRIP Administrator in writing no less than ten days prior to the next distribution payment date. A notice of termination received by the DRIP Administrator after such cutoff date will not be effective until the next following distribution payment date. Participants who terminate their participation in the DRIP may thereafter rejoin the DRIP by notifying us and completing all necessary forms and otherwise as required by us.

We reserve the right to prohibit certain employee benefit plans from participating in the DRIP if such participation could cause our underlying assets to constitute "plan assets" of such plans.

Withdrawal from the DRIP

You may discontinue the reinvestment of your distributions at any time by providing written, including via email to transfer@issuerdirect.com or telephone notice to the DRIP Administrator. If the DRIP Administrator receives your notice of withdrawal more than three business days prior to the payment date for the payment of the next distribution, the DRIP Administrator will pay such distribution in cash. If the request is received less than three business days prior to the payment date for the payment of the next distribution, then that distribution will be reinvested. However, all subsequent distributions will be paid out in cash on all balances. The DRIP Administrator will continue to hold the participant's shares of common stock unless the participant requests a certificate for any full shares and a check for any fractional share, less shipping and handling costs.

Generally, an eligible shareholder may again enroll and become a participant in the DRIP. However, we reserve the right to reject the enrollment of a previous participant in the DRIP on grounds of excessive enrollment and termination. This reservation is intended to minimize administrative expense and to encourage use of the DRIP as a long-term investment service.

You must promptly notify the DRIP Administrator if you change your address. If you move your residence to a state in which shares offered pursuant to the DRIP are not exempt from registration under applicable securities laws, the company may deem the participant to have terminated participation in the DRIP.

Amendment and Termination of the DRIP

Our board of directors may, in its sole discretion, terminate the DRIP or amend any aspect of the DRIP (except for the ability of each participant to withdraw from participation in the DRIP) without your consent or the consent of other stockholders, provided that written notice of termination or any material amendment is sent to participants at least 10 days prior to the effective date thereof. Participants will be notified if the DRIP is terminated or materially amended. Our board of directors also may terminate any participant's participation in the DRIP at any time by notice to such participant if continued participation will, in the opinion of our board of directors, jeopardize our status as a real estate investment trust under the Code.

Voting of Shares Held Under the DRIP

You will be able to vote all whole shares of common stock purchased under the DRIP at the same time that you vote the other shares registered in your name on our records. Fractional shares will not be voted.

Responsibility of the DRIP Administrator Under the DRIP

The DRIP Administrator will not be liable for any claim based on an act done in good faith or a good faith omission to act. You should recognize that neither we nor the DRIP Administrator can provide any assurance of a profit or protection against loss on any shares purchased under the DRIP.

Federal Income Tax Consequences of Participation in the DRIP

The following discussion summarizes the principal federal income tax consequences, under current law, of participation in the DRIP. It does not address all potentially relevant federal income tax matters, including consequences peculiar to persons subject to special provisions of federal income tax law (such as tax-exempt organizations, insurance companies, financial institutions, broker-dealers and foreign persons). The discussion is based on various rulings of the Internal Revenue Service regarding several types of distribution reinvestment plans. No ruling, however, has been issued or requested regarding the DRIP. The following discussion is for your general information only, and you must consult your own tax advisor to determine the particular tax consequences (including the effects of any changes in law) that may result from your participation in the DRIP and the disposition of any shares purchased pursuant to the DRIP.

Stockholders subject to federal income taxation who elect to participate in the DRIP will incur a tax liability for distributions allocated to them even though they have elected not to receive their distributions in cash but rather to have their distributions reinvested pursuant to the DRIP. Specifically, participants will be treated as if they received the distribution from us and then applied such distribution to purchase the shares in the DRIP. To the extent that a stockholder purchases shares through the DRIP at a discount to fair market value, the stockholder will be treated for tax purposes as receiving an additional distribution equal to the amount of such discount. A stockholder designating a distribution for reinvestment will be taxed on the amount of such distribution as ordinary income to the extent such distribution is from current or accumulated earnings and profits, unless we have designated all or a portion of the distribution as a capital gain dividend. In such case, such designated portion of the distribution will be taxed as a capital gain. The amount treated as a distribution to you will constitute a dividend for federal income tax purposes to the same extent as a cash distribution.

IMPORTANT PROVISIONS OF MARYLAND CORPORATE LAW AND OUR CHARTER AND BYLAWS

The following is a summary of some important provisions of Maryland law, our charter and our bylaws in effect as of the date of this offering circular, copies of which are filed as an exhibit to the offering statement to which this offering circular relates and may also be obtained from us.

Our Charter and Bylaws

Stockholder rights and related matters are governed by the Maryland General Corporation Law, or MGCL, and our charter and bylaws. Provisions of our charter and bylaws, which are summarized below, may make it more difficult to change the composition of our board of directors and may discourage or make more difficult any attempt by a person or group to obtain control of our company.

Stockholders' Meetings

An annual meeting of our stockholders will be held each year on the date and at the time and place set by our board of directors for the purpose of electing directors and for the transaction of such other business as may properly come before the meeting. A special meeting of our stockholders may be called in the manner provided in the bylaws, including by the president, the chief executive officer, the chairman of the board, or our board of directors, and, subject to certain procedural requirements set forth in our bylaws, must be called by the secretary to act on any matter that may properly be considered at a meeting of stockholders upon written request of stockholders entitled to cast at least a majority of all the votes entitled to be cast on such matter at such meeting. Subject to the restrictions on ownership and transfer of stock contained in our charter and except as may otherwise be specified in our charter, at any meeting of the stockholders, each outstanding share of common stock entitles the owner of record thereof on the applicable record date to one vote on all matters submitted to a vote of stockholders. In general, the presence in person or by proxy of a majority of our outstanding shares of common stock entitled to vote constitutes a quorum, and the majority vote of our stockholders will be binding on all of our stockholders.

Our Board of Directors

A vacancy in our board of directors caused by the death, resignation or incapacity of a director or by an increase in the number of directors may be filled only by the vote of a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the remainder of the full term of the directorship in which the vacancy occurred. Any director may resign at any time and may be removed only for cause, and then only by our stockholders entitled to cast at least a majority of the votes entitled to be cast generally in the election of directors.

Each director will serve a term beginning on the date of his or her election and ending on the next annual meeting of the stockholders and when his or her successor is duly elected and qualifies. Because holders of common stock have no right to cumulative voting for the election of directors, at each annual meeting of stockholders, the holders of the shares of common stock with a majority of the voting power of the common stock will be able to elect all of the directors.

Our bylaws require that a majority of our board of directors be comprised of independent directors, subject to the filling of any vacancy caused by the death, removal or resignation of one of our independent directors. Our bylaws define an independent director as a duly appointed or elected person whom the remaining members of our board of directors have determined meets the standards for independence set forth in the most current NYSE Listed Company Manual. Our board of directors may amend our bylaws at any time without stockholder consent, including without limitation to eliminate the majority independent director requirement.

Limitation of Liability and Indemnification

Maryland law permits us to include in our charter a provision limiting the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty established by a final judgment and which is material to the cause of action.

Maryland law requires a corporation (unless its charter provides otherwise, which our charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made or threatened to be made a party by reason of his or her service in that capacity and permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made or threatened to be made a party by reason of their service in those or other capacities unless it is established that:

- the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty;

- the director or officer actually received an improper personal benefit in money, property or services; or
- in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

However, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification and then only for expenses.

Finally, Maryland law permits a Maryland corporation to advance reasonable expenses to a director or officer upon receipt of a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification and a written undertaking by him or her or on his or her behalf to repay the amount paid or reimbursed if it is ultimately determined that the standard of conduct was not met.

To the maximum extent permitted by Maryland law, our charter limits the liability of our directors and officers to us and our stockholders for monetary damages and our charter authorizes us to obligate ourselves to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of a proceeding to our directors, our officers, and our Manager (including any director or officer who is or was serving at the request of our company as a director, officer, partner, member, manager or trustee of another corporation, real estate investment trust, partnership, limited liability company, joint venture, trust, employee benefit plan or other enterprise). In addition, our bylaws require us to indemnify and advance expenses to our directors and our officers, and permit us, with the approval of our board of directors, to provide such indemnification and advance of expenses to any individual who served a predecessor of us in any of the capacities described above and to any employee or agent of us, including our Manager, or a predecessor of us.

However, the SEC takes the position that indemnification against liabilities arising under the Securities Act is against public policy and unenforceable.

We may also purchase and maintain insurance to indemnify such parties against the liability assumed by them whether or not we are required or have the power to indemnify them against this same liability.

Takeover Provisions of the MGCL

The following paragraphs summarize some provisions of Maryland law and our charter and bylaws which may delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for our stockholders.

Business Combinations

Under the MGCL, certain “business combinations” (including a merger, consolidation, share exchange or, in certain circumstances, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (defined as any person who beneficially owns 10% or more of the voting power of the corporation’s then outstanding voting stock or an affiliate or associate of the corporation who, at any time within the two-year period prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then-outstanding stock of the corporation) or an affiliate of such an interested stockholder are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. However, in approving a transaction the board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by the board. After the five-year prohibition, any such business combination must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than voting stock held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation’s common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. These provisions of the MGCL do not apply, however, to business combinations that are approved or exempted by a board of directors prior to the time that the interested stockholder becomes an interested stockholder.

Pursuant to the statute, our board of directors has opted out of these provisions of the MGCL provided that the business combination is first approved by our board of directors, in which case, the five-year prohibition and the super-majority vote requirements will not apply to business combinations between us and any person. As a result, any person may be able to enter into business combinations with us that may not be in the best interest of our stockholders without compliance by our company with the super-majority vote requirements and the other provisions of the statute.

Control Share Acquisitions

The MGCL provides that “control shares” of a Maryland corporation acquired in a “control share acquisition” have no voting rights except to the extent approved at a special meeting by the affirmative vote of two-thirds of the votes entitled to be cast on the matter, excluding shares of stock in a corporation in respect of which any of the following persons is entitled to exercise or direct the exercise of the voting power of shares of stock of the corporation in the election of directors:

- a person who makes or proposes to make a control share acquisition;
- an officer of the corporation; or
- an employee of the corporation who is also a director of the corporation.

“Control shares” are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power:

- one-tenth or more but less than one-third;
- one-third or more but less than a majority; or
- a majority or more of all voting power.

Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A “control share acquisition” means the acquisition of issued and outstanding control shares, subject to certain exceptions.

A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel our board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders meeting.

If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders’ meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purposes of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

The control share acquisition statute does not apply to (1) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) acquisitions approved or exempted by the charter or bylaws of the corporation.

Our bylaws contain a provision exempting from the control share acquisition statute any and all acquisitions by any person of our stock. We cannot assure you that such provision will not be amended or eliminated at any time in the future.

Subtitle 8

Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the Exchange Act and at least three independent directors to elect to be subject, by provision in its charter or bylaws or a resolution of its board of directors and notwithstanding any contrary provision in the charter or bylaws, to any or all of the following five provisions:

- a classified board;
- a two-thirds vote requirement for removing a director;
- a requirement that the number of directors be fixed only by vote of the directors;
- a requirement that a vacancy on the board be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred; and
- a majority requirement for the calling of a special meeting of stockholders.

We have elected to provide that vacancies on our board of directors may be filled only by the remaining directors and for the remainder of the full term of the directorship in which the vacancy occurred. Through provisions in our charter and bylaws unrelated to Subtitle 8, we already vest in our board of directors the exclusive power to fix the number of directorships and require, unless called by the president, the chief executive officer, the chairman of the board or our board of directors, the request of stockholders entitled to cast at least a majority of the votes entitled to be cast on any matter that may properly be considered at a meeting of stockholders to call a special meeting to act on such matter.

Dissolution or Termination of Our Company

We are an infinite-life corporation that may be dissolved under the MGCL at any time by the affirmative vote of a majority of our entire board and of stockholders entitled to cast at least a majority of all the votes entitled to be cast on the matter. Our operating partnership has a perpetual existence.

Advance Notice of Director Nominations and New Business

Our bylaws provide that with respect to an annual meeting of stockholders, nominations of individuals for election to the board of directors and the proposal of business to be considered by stockholders may be made only (1) pursuant to our notice of the meeting, (2) by or at the direction of the board of directors or (3) by a stockholder who is a stockholder of record both at the time of giving the advance notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated or on such other business and who has complied with the advance notice procedures of the bylaws. With respect to special meetings of stockholders, only the business specified in our notice of the meeting may be brought before the meeting. Nominations of individuals for election to the board of directors at a special meeting may be made only (1) by or at the direction of the board of directors or (2) provided that the special meeting has been called in accordance with our bylaws for the purpose of electing directors, by a stockholder who is a stockholder of record both at the time of giving the advance notice required by our bylaws and at the time of the meeting, who is entitled to vote at the meeting in the election of each individual so nominated and who has complied with the advance notice provisions of the bylaws.

ADDITIONAL REQUIREMENTS AND RESTRICTIONS

Broker-Dealer Requirements

Each of the participating broker-dealers, authorized registered representatives or any other person selling shares of our common stock on our behalf is required to:

make every reasonable effort to determine that the purchase of shares is a suitable and appropriate investment for each investor based on information provided by such investor to the broker-dealer, including such investor's age, investment objectives, income, net worth, financial situation and other investments held by such investor; and

maintain, for at least six (6) years, records of the information used to determine that an investment in our shares is suitable and appropriate for each investor.

In making this determination, your participating broker-dealer, authorized registered representative or other person selling shares on our behalf will, based on a review of the information provided by you, consider whether you:

- meet the minimum suitability standards established by us and the investment limitations established under Regulation A;
- can reasonably benefit from an investment in our shares based on your overall investment objectives and portfolio structure;
- are able to bear the economic risk of the investment based on your overall financial situation; and
- have an apparent understanding of:
  - the fundamental risks of an investment in the shares;
  - the risk that you may lose your entire investment;
  - the lack of liquidity of the shares;
  - the restrictions on transferability of the share;
  - the background and qualifications of our management; and
  - our business.

Restrictions Imposed by the USA PATRIOT Act and Related Acts

In accordance with the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act, the securities offered hereby may not be offered, sold, transferred or delivered, directly or indirectly, to any "unacceptable investor," which means anyone who is:

- a "designated national," "specially designated national," "specially designated terrorist," "specially designated global terrorist," "foreign terrorist organization," or "blocked person" within the definitions set forth in the Foreign Assets Control Regulations of the United States, or U.S., Treasury Department;
- acting on behalf of, or an entity owned or controlled by, any government against whom the U.S. maintains economic sanctions or embargoes under the Regulations of the U.S. Treasury Department;
- within the scope of Executive Order 13224 — Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, effective September 24, 2001;
- a person or entity subject to additional restrictions imposed by any of the following statutes or regulations and executive orders issued thereunder: the Trading with the Enemy Act, the National Emergencies Act, the Antiterrorism and Effective Death Penalty Act of 1996, the International Emergency Economic Powers Act, the United Nations Participation Act, the International Security and Development Cooperation Act, the Nuclear Proliferation Prevention Act of 1994, the Foreign Narcotics Kingpin Designation Act, the Iran and Libya Sanctions Act of 1996, the Cuban Democracy Act, the Cuban Liberty and Democratic Solidarity Act and the Foreign Operations, Export Financing and Related Programs Appropriations Act or any other law of similar import as to any non-U.S. country, as each such act or law has been or may be amended, adjusted, modified or reviewed from time to time; or
- designated or blocked, associated or involved in terrorism, or subject to restrictions under laws, regulations, or executive orders as may apply in the future similar to those set forth above.

THE OPERATING PARTNERSHIP AGREEMENT

General

HC Government Realty Holdings, L.P., which we refer to as our operating partnership, was formed as a Delaware limited partnership on March 14, 2016. All of our assets are held by, and all of our operations are conducted through, our operating partnership. We have entered into Agreement of Limited Partnership of HC Government Realty Holdings, L.P., or the Limited Partnership Agreement. Pursuant to the Limited Partnership Agreement, we are the sole general partner of the operating partnership.

As the general partner of our operating partnership, we have full, exclusive and complete responsibility and discretion in the management and control of the operating partnership, including the ability to cause the operating partnership to enter into certain major transactions, including acquisitions, dispositions, re-financings, select tenants for our properties, enter into leases for our properties, make distributions to partners, and cause changes in the operating partnership's business activities.

Assuming we issue the maximum offering amount and issue no shares of common stock through the DRIP, limited partners other than us will own approximately 25.73% of our operating partnership. The limited partners of our operating partnership have no authority in their capacity as limited partners to transact business for, or participate in the management activities or decisions of, our operating partnership except as required by applicable law. Consequently, we, by virtue of our position as the sole general partner, control the assets and business of our operating partnership.

In the Limited Partnership Agreement, the limited partners of our operating partnership expressly acknowledge that we, as general partner of our operating partnership, are acting for the benefit of our operating partnership, the limited partners and our stockholders, collectively. Neither us nor our board of directors is under any obligation to give priority to the separate interests of the limited partners in deciding whether to cause our operating partnership to take or decline to take any actions. In particular, we will be under no obligation to consider the tax consequence to limited partners when making decisions for the benefit of our operating partnership, but we are expressly permitted to take into account our tax consequences. If there is a conflict between the interests of our stockholders, on one hand, and the interests of the limited partners, on the other, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or the limited partners; provided, however, that for so long as we own a controlling interest in our operating partnership, we have agreed to resolve any conflict that cannot be resolved in a manner not adverse to either our stockholders or the limited partners in favor of our stockholders. We are not liable under the Limited Partnership Agreement to our operating partnership or to any partner for monetary damages for losses sustained, liabilities incurred, or benefits not derived by limited partners in connection with such decisions so long as we have acted in good faith.

Classes of Partnership Units

Subject to our discretion as general partner to create additional classes of limited partnership interests, our operating partnership currently has three classes of limited partnership interests. These classes are the OP Units, the LTIPs, and the Series A Preferred Units. See "- LTIPs" and "- Series A Preferred Units" below. In calculating the percentage interests of our operating partnership's partners, holders of LTIPs are treated as holders of OP Units and LTIPs are treated as OP Units.

Our operating partnership will issue OP Units to limited partners, including Holmwood, and our operating partnership will issue LTIPs to persons who provide services to us, including our officers, directors and employees.

As general partner, we may cause our operating partnership to issue additional OP Units or LTIPs for any consideration, or we may cause the creation of a new class of limited partnership interests, at our sole and absolute discretion. LTIPs may, in our sole discretion, as general partner, be issued subject to vesting, forfeiture and additional restrictions on transfer pursuant to the terms of a vesting agreement. The terms of any vesting agreement may be modified by us from time to time in our sole discretion, subject to any restrictions on amendment imposed by the relevant vesting agreement or any equity incentive plan. Vested LTIPs are eligible to be converted into OP Units in accordance with the Limited Partnership Agreement, and unvested LTIPs may not be converted into OP Units. Taking these differences into account, when we refer to "partnership units," we are referring to OP Units and vested and unvested LTIPs collectively.

Amendments to the Limited Partnership Agreement

Amendments to the Limited Partnership Agreement may be proposed by us, as general partner, or by limited partners holding 66 2/3% or more of all of the outstanding partnership units held by limited partners other than us.

Generally, the Limited Partnership Agreement may not be amended, modified, or terminated without our approval and the written consent of limited partners holding more than 50% of all of the outstanding partnership units held by limited partners other than us. As general partner, we have the power to unilaterally make certain amendments to the Limited Partnership Agreement without obtaining the consent of the limited partners, as may be necessary to:

- add to our obligations as general partner or surrender any right or power granted to us as general partner for the benefit of the limited partners;
- reflect the issuance of additional partnership units or the admission, substitution, termination or withdrawal of partners in accordance with the terms of the Limited Partnership Agreement;
- set forth or amend the designations, rights, powers, duties, and preferences of the holders of any additional partnership units issued by our operating partnership;
- reflect a change of an inconsequential nature that does not adversely affect the limited partners in any material respect, or cure any ambiguity, correct or supplement any provisions of the Limited Partnership Agreement not inconsistent with law or with other provisions of the Limited Partnership Agreement, or make other changes concerning matters under the Limited Partnership Agreement that will not otherwise be inconsistent with the Limited Partnership Agreement or law;
- reflect changes that are reasonably necessary for us, as general partner, to qualify and maintain our qualification as a REIT;
- include provisions in the Limited Partnership Agreement that may be referenced in any rulings, regulations, notices, announcements, or other guidance regarding the federal income tax treatment of compensatory partnership interests issued and made effective after the Limited Partnership Agreement or in connection with any elections that the we determine to be necessary or advisable in respect of any such guidance. Any such amendment may include, without limitation, (a) a provision authorizing or directing us to make any election under the such guidance, (b) a covenant by our operating partnership and all of the partners to agree to comply with the such guidance, (c) an amendment to the capital account maintenance provisions and the allocation provisions contained in the Limited Partnership Agreement so that such provisions comply with (I) the provisions of the Code and the Federal Income Tax Regulations validly issued under the Code, as amended as hereafter amended from time to time, as they apply to the issuance of compensatory partnership interests and (II) the requirements of such guidance and any election made by us with respect thereto, including, a provision requiring "forfeiture allocations" as appropriate. Any such amendments to this Limited Partnership Agreement shall be binding upon all partners; and
- satisfy any requirements, conditions or guidelines of federal or state law.

Amendments that would, among other things, convert a limited partner's interest into a general partner's interest, modify the limited liability of a limited partner in a manner adverse to the limited partner, adversely alter a partner's right to receive any distributions or allocations of profits or losses or adversely alter or modify the redemption rights, or cause the termination of our operating partnership other than in accordance with Section 2.04 of the Limited Partnership Agreement, or amend Section 11.01I of the Limited Partnership Agreement must be approved by each limited partner that would be adversely affected by such amendment.

In addition, we, as general partner, may not do any of the following except as expressly authorized in the Limited Partnership Agreement under certain circumstances:

- without the written consent of limited partners holding more than 66 2/3% of all of the outstanding partnership units held by limited partners other than us, take any action in contravention of an express prohibition or limitation contained in the Limited Partnership Agreement;
- acquire an interest in real or personal property other than through our operating partnership; or
- except as described in "— Restrictions on Mergers, Sales, Transfers and Other Significant Transactions" below, withdraw from our operating partnership or transfer any portion of our general partnership interest.

Restrictions on Mergers, Sales, Transfers and Other Significant Transactions

We may not voluntarily withdraw from the operating partnership or transfer or assign our general partnership interest in the operating partnership or engage in any merger, consolidation or other combination, or sale of all, or substantially all, of our assets in a transaction which results in a change of control of our company (as general partner) unless:

- we receive the consent of limited partners holding more than 50% of the partnership units held by the limited partners (other than those held by us or our subsidiaries);
- as a result of such a transaction, all limited partners (other than us or our subsidiaries) holding partnership units, will receive for each partnership unit an amount of cash, securities or other property equal in value to the amount of cash, securities or other property they would have received if their partnership units had been converted into shares of our common stock immediately prior to such transaction, provided that if, in connection with the transaction, a purchase, tender or exchange offer shall have been made to, and accepted by, the holders of more than 50% of the outstanding shares of our common stock, each holder of Units (other than us or our subsidiaries) shall be given the option to exchange such Units for the greatest amount of cash, securities or other property that a limited partner would have received had it (A) exercised its redemption right (described below) and (B) sold, tendered or exchanged pursuant to the offer shares of our common stock received upon exercise of the redemption right immediately prior to the expiration of the offer; or

- we are the surviving entity in the transaction and either (A) our stockholders do not receive cash, securities or other property in the transaction or (B) all limited partners (other than us or our subsidiaries) receive for each partnership unit an amount of cash, securities or other property having a value that is no less than the greatest amount of cash, securities or other property received in the transaction by our stockholders.

We also may merge or consolidate with another entity, if immediately after such merger or consolidation (i) substantially all of the assets of the successor or surviving entity, other than Units held by us, are contributed, directly or indirectly, to our operating partnership as a capital contribution in exchange for Units with a fair market value equal to the value of the assets so contributed as determined by the survivor in good faith and (ii) the survivor in such merger or consolidation expressly agrees to assume all of our obligations under our Limited Partnership Agreement and such Limited Partnership Agreement shall be amended after any such merger or consolidation so as to arrive at a new method of calculating the amounts payable upon exercise of conversion or redemption rights that approximates the existing method for such calculation as closely as reasonably possible.

We also may (i) transfer all or any portion of our general partnership interest to (A) a wholly-owned subsidiary or (B) a parent company, and following such transfer may withdraw as the general partner, and (ii) engage in a transaction required by law or by the rules of any national securities exchange on which shares of our common stock are listed.

Limited partners may not transfer their partnership units without our consent, as the operating partnership's general partner.

Capital Contributions

We will contribute directly to our operating partnership substantially all of the net proceeds of this offering in exchange for additional OP Units; however, we will be deemed to have made capital contributions in the amount of the gross offering proceeds received from investors. The operating partnership will be deemed to have simultaneously paid the underwriting discounts and commissions and other costs associated with the offering.

As a result of this structure, once we elect REIT status, we will be considered an UPREIT, or an umbrella partnership real estate investment trust. An UPREIT is a structure that REITs often use to acquire real property from sellers on a tax-deferred basis because the sellers can generally accept partnership units and defer taxable gain otherwise required to be recognized by them upon the disposition of their properties. Such sellers may also desire to achieve diversity in their investment and other benefits afforded to stockholders in a REIT. Prior to the completion of this offering, we owned, directly and indirectly, 100% of the partnership interests in our operating partnership, and our operating partnership was a disregarded entity for federal income tax purposes and we were treated as owning all of our operating partnership's assets and income for purposes of satisfying the asset and income tests for qualification as a REIT. Upon completion of this offering, our operating partnership will be treated as having two or more partners for federal income tax purposes, will be treated as a partnership, and the REIT's proportionate share of the assets and income of the operating partnership will be deemed to be assets and income of the REIT for purposes of satisfying the asset and income tests for qualification as a REIT.

We are obligated to contribute the net proceeds of any future offering of shares as additional capital to our operating partnership. If we contribute additional capital to our operating partnership, we will receive additional Units and our percentage interest will be increased on a proportionate basis based upon the amount of such additional capital contributions and the value of the operating partnership at the time of such contributions. Conversely, the percentage interests of the limited partners will be decreased on a proportionate basis in the event of additional capital contributions by us. The Limited Partnership Agreement provides that if the operating partnership requires additional funds at any time in excess of funds available to the operating partnership from cash flow, borrowings by our operating partnership or capital contributions, we may borrow such funds from a financial institution or other lenders and lend such funds to the operating partnership on the same terms and conditions as are applicable to our borrowing of such funds. In addition, if we contribute additional capital to the operating partnership, we will revalue the property of the operating partnership to its fair market value (as determined by us) and the capital accounts of the partners will be adjusted to reflect the manner in which the unrealized gain or loss inherent in such property (that has not been reflected in the capital accounts previously) would be allocated among the partners under the terms of the Limited Partnership Agreement, if there were a taxable disposition of such property for its fair market value (as determined by us) on the date of the revaluation.

Issuance of Additional Limited Partnership Interests

As the sole general partner of our operating partnership, we are authorized, without the consent of the limited partners, to cause our operating partnership to issue additional units to us, to other limited partners or to other persons for such consideration and on such terms and conditions as we deem appropriate. If additional units are issued to us, then, unless the additional units are issued in connection with a contribution of property to our operating partnership, we must (1) issue additional shares of our common stock and must contribute to our operating partnership the entire proceeds received by us from such issuance or (2) issue additional units to all partners in proportion to their respective interests in our operating partnership. In addition, we may cause our operating partnership to issue to us additional partnership interests in different series or classes, which may be senior to the units, in conjunction with an offering of our securities having substantially similar rights, in which the proceeds thereof are contributed to our operating partnership. Consideration for additional partnership interests may be cash or other property or assets. No person, including any partner or assignee, has preemptive, preferential or similar rights with respect to additional capital contributions to our operating partnership or the issuance or sale of any partnership interests therein.

Our operating partnership may issue limited partnership interests that are OP Units, limited partnership interests that are preferred as to distributions and upon liquidation to our OP Units, LTIPs, Series A Preferred Units and other types of units with such rights and obligations as may be established by us, as the sole general partner of our operating partnership, from time to time.

Redemption Rights

Pursuant to the Limited Partnership Agreement, any holders of OP Units, other than us or our subsidiaries, will receive redemption rights, which will enable them to cause the operating partnership to redeem their OP Units in exchange for cash or, at our option, shares of our common stock. The cash redemption amount per share of common stock will be based on the market price of our common stock at the time of redemption, multiplied by the conversion ratio set forth in our Limited Partnership Agreement. Alternatively, we may elect to purchase the OP Units by issuing shares of our common stock for OP Units, based on the conversion ratio set forth in our Limited Partnership Agreement.

The conversion ratio is initially one to one but is adjusted based on certain events including: (i) a distribution in shares of our common stock to holders of our outstanding common stock, (ii) a subdivision of our outstanding common stock, or (iii) a reverse split of our outstanding shares of common stock into a smaller number of shares. Notwithstanding the foregoing, a limited partner will not be entitled to exercise its redemption rights if the delivery of shares of our common stock to the redeeming limited partner would:

- result in any person owning, directly or indirectly, shares of our common stock in excess of the stock ownership limit in our charter;
- result in our common stock being beneficially owned by fewer than 100 persons (determined without reference to any rules of attribution);
- result in our being “closely held” within the meaning of Section 856(h) of the Code;
- cause us to own, actually or constructively, 10% or more of the ownership interests in a tenant (other than a TRS) of ours, the operating partnership’s or a subsidiary partnership’s real property, within the meaning of Section 856(d)(2)(B) of the Code;
- cause us to fail to qualify as a REIT under the Code; or
- cause the acquisition of our common stock by such redeeming limited partner to be “integrated” with any other distribution of common stock for purposes of complying with the registration provisions of the Securities Act.

We may, in our sole and absolute discretion, waive certain of these restrictions.

Subject to the foregoing, limited partners of our operating partnership holding OP Units may exercise their redemption rights at any time after one year following the date of issuance of their OP Units. However, a limited partner may not deliver more than two notices of redemption during each calendar year (subject to the terms of any agreement between us, as general partner, and a limited partner) and may not exercise its redemption right for less than 1,000 OP Units, unless such limited partner holds less than 1,000 OP Units, in which case, it must exercise its redemption right for all of its OP Units. We do not expect to issue any shares of our common stock offered hereby to limited partners of the operating partnership in exchange for their OP Units, if they elect to redeem their OP Units. Rather, in the event a limited partner of our operating partnership exercises its redemption rights, and we elect to redeem the OP Units by the issuance of shares of our common stock, we expect to issue unregistered shares, or shares that shall have been registered after completion of this offering in connection with any such redemption transaction.

No Removal of the General Partner

We may not be removed as general partner by the limited partners with or without cause.

LTIPs

LTIPs shall rank *pari passu* with OP Units as to the payment of regular and special periodic or other distributions and distribution of assets upon liquidation, dissolution or winding up. As to the payment of distributions and as to distribution of assets upon liquidation, dissolution or winding up, any class or series of partnership units which by its terms specifies that it shall rank junior to, on a parity with, or senior to the OP Units shall also rank junior to, or *pari passu* with, or senior to, as the case may be, the LTIPs. Subject to the terms of any vesting agreement, a holder of LTIPs shall be entitled to transfer his or her LTIPs to the same extent, and subject to the same restrictions as holders of OP Units.

LTIPs may, in our sole discretion, as general partner, be issued subject to vesting, forfeiture and additional restrictions on transfer pursuant to the terms of a vesting agreement. The terms of any vesting agreement may be modified by us from time to time in our sole discretion, subject to any restrictions on amendment imposed by the relevant vesting agreement or any equity incentive plan.

Holders of LTIPs shall (a) have the same voting rights as the any limited partner, with the LTIPs voting as a single class with the OP Units and having one vote per LTIP Unit; and (b) have the additional voting rights that are expressly set forth in the Limited Partnership Agreement, so long as any LTIPs remain outstanding. The foregoing voting provisions will not apply if, at or before the time when the act with respect to which such vote would otherwise be required will be effected, all outstanding LTIPs shall have been converted into Common Units.

A holder of LTIPs shall have the right, or the Conversion Right, at his or her option, at any time to convert all or a portion of his or her vested LTIPs into OP Units; *provided, however*, that a holder may not exercise the Conversion Right for less than one thousand (1,000) vested LTIPs or, if such holder holds less than one thousand vested LTIPs, all of the vested LTIPs held by such holder. Holders of vested LTIPs shall not have the right to convert unvested LTIPs into OP Units until they become vested LTIPs; *provided, however*, that when a holder of LTIPs is notified of the expected occurrence of an event that will cause his or her unvested LTIPs to become vested LTIPs, such holder may give the operating partnership a notice in the form provided on Exhibit D to the Limited Partnership Agreement conditioned upon and effective as of the time of vesting and such notice, unless subsequently revoked by such holder, shall be accepted by the operating partnership subject to such condition. We shall have the right at any time to cause a conversion of vested LTIPs into OP Units.

Series A Preferred Units

The Series A Preferred Units will, with respect to distribution rights and rights upon liquidation, dissolution or winding up of the operating partnership, rank (a) senior to OP Units, LTIPs, and any other class or series of unit designated as common and any class or series of preferred units expressly designated as ranking junior to the Series A Preferred Units as to distribution rights and rights upon liquidation, dissolution or winding up of the operating partnership, or the Junior Units; (b) on a parity with any class or series of preferred units issued by the operating partnership expressly designated as ranking on a parity with the Series A Preferred Units as to distribution rights and rights upon liquidation, dissolution or winding up of the Partnership, or the Parity Preferred Units; and (c) junior to any class or series of preferred units issued by the operating partnership expressly designated as ranking senior to the Series A Preferred Units with respect to distribution rights and rights upon liquidation, dissolution or winding up of the operating partnership. The Series A Preferred Units will also rank junior in right or payment to the operating partnership's existing and future indebtedness.

Subject to the preferential rights of holders of any class or series of preferred units of the operating partnership expressly designated as ranking senior to the Series A Preferred Units, the holders of Series A Preferred Units shall be entitled to receive, when, as and if authorized by us and declared by the operating partnership, out of funds of the operating partnership legally available for payment of distributions, preferential cumulative cash distributions at the rate of 7.00% per annum of the liquidation preference of $25.00 per unit (equivalent to a fixed annual amount of $1.75 per unit), or the Series A Preferred Return, from the date of original issue of the Series A Preferred Units. Distributions on the Series A Preferred Units shall accrue and be cumulative from (and including) the date of original issue of any Series A Preferred Units or the end of the most recent Distribution Period for which distributions have been paid, and shall be payable quarterly, in equal amounts, in arrears, on or about the 5th day of each January, April, July and October of each year (or, if not a business day, the next succeeding business day (each a "Series A Preferred Distribution Payment Date") for the period ending on such Series A Preferred Distribution Payment Date, commencing on July 5, 2016. A "Distribution Period" is the respective period commencing on and including January 1, April 1, July 1 and October 1 of each year and ending on and including the day preceding the first day of the next succeeding Distribution Period (other than the initial Distribution Period and the Distribution Period during which any Series A Preferred Units shall be redeemed or otherwise acquired by the operating partnership). The term "Business Day" shall mean each day, other than a Saturday or Sunday, which is not a day on which banks in the State of New York are required to close. The amount of any distribution payable on the Series A Preferred Units for any Distribution Period will be computed on the basis of twelve 30-day months and a 360-day year. Distributions will be payable to holders of record of the Series A Preferred Units as they appear on the records of the operating partnership at the close of business on the 25th day of the month preceding the applicable Series A Preferred Distribution Payment Date, *i.e.*, December 25, March 25, June 25 and September 25

Distributions on the Series A Preferred Units will accrue whether or not the Partnership has earnings, whether or not there are funds legally available for the payment of such distributions and whether or not such distributions are authorized or declared. Unless full cumulative distributions on the Series A Preferred Units have been or contemporaneously are declared and paid in cash or declared and a sum sufficient for the payment thereof is set apart for payment for all past Distribution Periods that have ended, no distributions (other than a distribution in Junior Units or in options, warrants or rights to subscribe for or purchase any such Junior Units) shall be declared and paid or declared and set apart for payment nor shall any other distribution be declared and made upon the Junior Units or the Parity Preferred Units, nor shall any Junior Units or Parity Preferred Units be redeemed, purchased or otherwise acquired for any consideration (or any monies be paid to or made available for a sinking fund for the redemption of any such units) by the operating partnership (except (i) by conversion into or exchange for Junior Units, (ii) the purchase of Series A Preferred Units, Junior Units or Parity Preferred Units in connection with a redemption of stock pursuant to the charter to the extent necessary to preserve our qualification as a REIT or (iii) the purchase of Parity Preferred Units pursuant to a purchase or exchange offer made on the same terms to holders of all outstanding Series A Preferred Units). Holders of the Series A Preferred Units shall not be entitled to any distribution, whether payable in cash, property or units, in excess of full cumulative distributions on the Series A Preferred Units as provided above. Any distribution made on the Series A Preferred Units shall first be credited against the earliest accrued but unpaid distribution due with respect to such units which remains payable.

Upon any voluntary or involuntary liquidation, dissolution or winding up of the affairs of the operating partnership, the holders of Series A Preferred Units are entitled to be paid out of the assets of the operating partnership legally available for distribution to its partners, after payment of or provision for the operating partnership's debts and other liabilities, a liquidation preference of $25.00 per unit, plus an amount equal to any accrued and unpaid distributions (whether or not authorized or declared) thereon to and including the date of payment, but without interest, before any distribution of assets is made to holders of Junior Units. If the assets of the operating partnership legally available for distribution to partners are insufficient to pay in full the liquidation preference on the Series A Preferred Units and the liquidation preference on any Parity Preferred Units, all assets distributed to the holders of the Series A Preferred Units and any Parity Preferred Units shall be distributed pro rata so that the amount of assets distributed per Series A Preferred Units and such Parity Preferred Units shall in all cases bear to each other the same ratio that the liquidation preference per Series A Preferred Unit and such Parity Preferred Units bear to each other.

In connection with any conversion of any shares of our Series A Preferred Stock, the operating partnership shall convert, on the date of such conversion, a number of outstanding Series A Preferred Units into a number of OP Units equivalent to the product of the number of shares of common stock issued upon conversion of the Series A Preferred Stock multiplied by the Conversion Factor, as defined in the Limited Partnership Agreement.

Holders of the Series A Preferred Units will not have any voting rights.

Operations

Our Limited Partnership Agreement requires that our operating partnership be operated in a manner that will enable us to (1) satisfy the requirements for qualification as a REIT for tax purposes, (2) avoid any U.S. federal income or excise tax liability, and (3) ensure that our operating partnership will not be classified as a "publicly traded partnership" for purposes of Section 7704 of the Code, which classification could result in our operating partnership being taxed as a corporation, rather than as a partnership.

Rights, Obligations and Powers of the General Partner

As our operating partnership's general partner, generally we have complete and exclusive discretion to manage and control our operating partnership's business and to make all decisions affecting its assets. This authority generally includes, among other things, the authority to:

- acquire, purchase, own, operate, lease and dispose of any real property and any other property;
- construct buildings and make other improvements on owned or leased properties;
- authorize, issue, sell, redeem or otherwise purchase any OP Units or any other securities of the partnership;
- borrow or lend money;
- make or revoke any tax election;
- maintain insurance coverage in amounts and types as we determine is necessary;
- retain employees or other service providers;
- form or acquire interests in joint ventures; and
- merge, consolidate or combine our operating partnership with another entity.

In addition to the administrative and operating costs and expenses incurred by the operating partnership, the operating partnership generally will pay all of our administrative costs and expenses, including:

- all expenses relating to our continuity of existence and our subsidiaries' operations;
- all expenses relating to offerings and registration of securities;
- all expenses associated with the preparation and filing of any of our periodic or other reports and communications under U.S. federal, state or local laws or regulations;
- all expenses associated with our compliance with laws, rules and regulations promulgated by any regulatory body; and
- all of our other operating or administrative costs incurred in the ordinary course of business on behalf of the operating partnership.

These expenses, however, do not include any of our administrative and operating costs and expenses incurred that are attributable to properties or interests in subsidiaries that are owned by us directly rather than by the operating partnership or its subsidiaries.

Fiduciary Responsibilities of the General Partner

Our directors and officers have duties under applicable Maryland law to manage us in a manner consistent with the best interests of our stockholders. At the same time, we, as the general partner of our operating partnership, will have fiduciary duties to manage our operating partnership in a manner beneficial to our operating partnership and its partners. Our duties, as general partner to our operating partnership and its limited partners, therefore, may come into conflict with the duties of our directors and officers to our stockholders. In the event that a conflict of interest exists between the interests of our stockholders, on the one hand, and our operating partnership's limited partners, on the other, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or such limited partners. However, any such conflict that we determine cannot be resolved in a manner not adverse to either our stockholders or such limited partners shall be resolved in favor of our stockholders. The limited partners of our operating partnership acknowledge expressly that in the event of such a determination by us, as the general partner of our operating partnership, we shall not be liable to such limited partners for losses sustained or benefits not realized in connection with, or as a result of, such a determination.

Distributions; Allocations of Profits and Losses

Our Limited Partnership Agreement provides that our operating partnership will distribute cash from operations at times and in amounts determined by us, as the sole general partner of our operating partnership, in our sole discretion, to the partners, in accordance with their respective percentage interests in our operating partnership. We will cause our operating partnership to distribute annually to us amounts sufficient to allow us to satisfy the annual distribution requirements necessary for us to qualify as a REIT, currently 90% of our REIT taxable income. We generally intend to cause our operating partnership to distribute annually to us an amount equal to at least 100% of our net taxable income, which we will then distribute to our stockholders, but we will be subject to corporate taxation to the extent distributions in such amounts are not made. Upon liquidation of our operating partnership, after payment of, or adequate provision for, debts and obligations of our operating partnership, including any partner loans, any remaining assets of our operating partnership will be distributed to all partners with positive capital accounts in accordance with their respective positive capital account balances. If any partner has a deficit balance in its capital account (after giving effect to all contributions, distributions and allocations for all taxable years, including the year during which such liquidation occurs), such partner shall have no obligation to make any contribution to the capital of our operating partnership with respect to such deficit, and such deficit shall not be considered a debt owed to our operating partnership or to any other person for any purpose whatsoever.

Income, expenses, gains and losses of our operating partnership will generally be allocated among the partners in a manner consistent with the distribution of cash described in the paragraph above. All such allocations are subject to compliance with the provisions of Sections 704(b) and 704(c) of the Code and the Treasury Regulations thereunder. To the extent Treasury Regulations promulgated pursuant to Section 704(c) of the Code permit, we, as the general partner, shall have the authority to elect the method to be used by the operating partnership for allocating items with respect to contributed property acquired in connection with this offering for which fair market value differs from the adjusted tax basis at the time of contribution, and such election shall be binding on all partners.

Term and Termination

Our operating partnership will continue indefinitely, or until sooner dissolved upon:

- our bankruptcy, dissolution, removal or withdrawal (unless the limited partners elect to continue the partnership);
- the passage of 90 days after the sale or other disposition of all, or substantially all, of the assets of the partnership;
- the redemption of all limited partnership interests (other than those held by us or our subsidiaries) unless we decide to continue the partnership by the admission of one or more limited partners; or
- an election by us in our capacity as the general partner.

Tax Matters

Our Limited Partnership Agreement provides that we, as the sole general partner of the operating partnership, will be the tax matters partner of the operating partnership and, as such, will have authority to handle tax audits and to make tax elections under the Code on behalf of the operating partnership.

MATERIAL FEDERAL INCOME TAX CONSIDERATIONS

This section summarizes the material federal income tax considerations that you, as a stockholder, may consider relevant in connection with the purchase, ownership and disposition of our common stock. Because this section is a summary, it does not address all aspects of taxation that may be relevant to particular stockholders in light of their personal investment or tax circumstances, or to certain types of stockholders that are subject to special treatment under the U.S. federal income tax laws, such as:

- insurance companies;
- tax-exempt organizations (except to the limited extent discussed in "— Taxation of Tax-Exempt Stockholders" below);
- financial institutions or broker-dealers;
- non-U.S. individuals and foreign corporations (except to the limited extent discussed in "— Taxation of Non-U.S. Stockholders" below);
- U.S. expatriates;
- persons who mark-to-market our common stock;
- subchapter S corporations;
- U.S. stockholders (as defined below) whose functional currency is not the U.S. dollar;
- regulated investment companies and REITs;
- trusts and estates;
- holders who receive our common stock through the exercise of employee stock options or otherwise as compensation;
- persons holding our common stock as part of a "straddle," "hedge," "conversion transaction," "synthetic security" or other integrated investment;
- persons subject to the alternative minimum tax provisions of the Code; and
- persons holding our common stock through a partnership or similar pass-through entity.

This summary assumes that stockholders hold shares as capital assets for U.S. federal income tax purposes, which generally means property held for investment.

The statements in this section are not intended to be, and should not be construed as, tax advice. The statements in this section based on the Code, current, temporary and proposed Treasury regulations, the legislative history of the Code, current administrative interpretations and practices of the IRS, and court decisions. The reference to IRS interpretations and practices includes the IRS practices and policies endorsed in private letter rulings, which are not binding on the IRS except with respect to the taxpayer that receives the ruling. In each case, these sources are relied upon as they exist on the date of this discussion. Future legislation, Treasury regulations, administrative interpretations and court decisions could change the current law or adversely affect existing interpretations of current law on which the information in this section is based. Any such change could apply retroactively. We have not received any rulings from the IRS concerning our qualification as a REIT. Accordingly, even if there is no change in the applicable law, no assurance can be provided that the statements made in the following discussion, which do not bind the IRS or the courts, will not be challenged by the IRS or will be sustained by a court if so challenged.

WE URGE YOU TO CONSULT YOUR TAX ADVISOR REGARDING THE SPECIFIC TAX CONSEQUENCES TO YOU OF THE PURCHASE, OWNERSHIP AND SALE OF OUR COMMON STOCK AND OF OUR ELECTION TO BE TAXED AS A REIT. SPECIFICALLY, YOU ARE URGED TO CONSULT YOUR OWN TAX ADVISOR REGARDING THE FEDERAL, STATE, LOCAL, FOREIGN, AND OTHER TAX CONSEQUENCES OF SUCH PURCHASE, OWNERSHIP, SALE AND ELECTION, AND REGARDING POTENTIAL CHANGES IN APPLICABLE TAX LAWS.

Taxation of our Company

We have elected to be taxed as a REIT under the federal income tax laws for the taxable year ending December 31, 2017. We believe that, commencing with such taxable year, we are organized and operate in a manner so as to qualify as a REIT under the federal income tax laws. We cannot assure you, however, that we will qualify or remain qualified as a REIT. This section discusses the laws governing the federal income tax treatment of a REIT and its stockholders, which laws are highly technical and complex.

Our qualification as a REIT depends, among other things, upon our meeting the requirements of Sections 856 through 860 of the Code throughout each year. Accordingly, because our satisfaction of such requirements will depend upon future events, including the final determination of financial and operational results, no assurance can be given that we will satisfy the REIT requirements during any particular taxable year .

Our REIT qualification depends on our ability to meet on a continuing basis several qualification tests set forth in the federal tax laws. Those qualification tests involve the percentage of income that we earn from specified sources, the percentage of our assets that fall within specified categories, the diversity of our share ownership, and the percentage of our earnings that we distribute. We describe the REIT qualification tests, and the consequences of our failure to meet those tests, in more detail below. Accordingly, we cannot assure you that we will satisfy those tests.

If we qualify as a REIT, we generally will not be subject to federal income tax on the taxable income that we distribute to our stockholders. The benefit of that tax treatment is that it avoids the "double taxation," which means taxation at both the corporate and stockholder levels, that generally results from owning stock in a corporation.

However, we will be subject to U.S. federal tax in the following circumstances:

- We will pay U.S. federal income tax on any taxable income, including net capital gain, that we do not distribute to stockholders during, or within a specified time period after, the calendar year in which the income is earned.
- We will pay income tax at the highest corporate rate on:
  - net income from the sale or other disposition of property acquired through foreclosure ("foreclosure property") that we hold primarily for sale to customers in the ordinary course of business, and
  - other non-qualifying income from foreclosure property.
- We will pay a 100% tax on net income from sales or other dispositions of property, other than foreclosure property, that we hold primarily for sale to customers in the ordinary course of business.
- If we fail to satisfy one or both of the 75% gross income test or the 95% gross income test, as described below under "— Gross Income Tests," and nonetheless continue to qualify as a REIT because we meet other requirements, we will pay a 100% tax on the gross income attributable to the greater of the amount by which we fail the 75% gross income test or the 95% gross income test, in either case, multiplied by a fraction intended to reflect our profitability.
- If we fail to distribute during a calendar year at least the sum of (1) 85% of our REIT ordinary income for the year, (2) 95% of our REIT capital gain net income for the year, and (3) any undistributed taxable income required to be distributed from earlier periods, we will pay a 4% nondeductible excise tax on the excess of the required distribution over the amount we actually distributed.
- We may elect to retain and pay income tax on our net long-term capital gain. In that case, a stockholder would be taxed on its proportionate share of our undistributed long-term capital gain (to the extent that we made a timely designation of such gain to the stockholders) and would receive a credit or refund for its proportionate share of the tax we paid.
- We will be subject to a 100% excise tax on some payments we receive (or on certain expenses deducted by any TRS we form in the future on income imputed to our TRSs for services rendered to or on behalf of us), if arrangements among us, our tenants, and our TRSs do not reflect arm's-length terms.
- If we fail to satisfy any of the asset tests, other than a *de minimis* failure of the 5% asset test, the 10% vote test or 10% value test, as described below under "— Asset Tests," as long as the failure was due to reasonable cause and not to willful neglect, we file a description of each asset that caused such failure with the IRS, and we dispose of the assets causing the failure or otherwise comply with the asset tests within six months after the last day of the quarter in which we identify such failure, we will pay a tax equal to the greater of $50,000 or the highest federal income tax rate then applicable to U.S. corporations (currently 21%) on the net income from the nonqualifying assets during the period in which we failed to satisfy the asset tests.

- If we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, and such failure is due to reasonable cause and not to willful neglect, we will be required to pay a penalty of $50,000 for each such failure.

- If we acquire any asset from a C corporation, or a corporation that generally is subject to full corporate-level tax, in a merger or other transaction in which we acquire a basis in the asset that is determined by reference either to the C corporation's basis in the asset or to another asset, we will pay tax at the highest regular corporate rate applicable if we recognize gain on the sale or disposition of the asset during the 10-year period after we acquire the asset provided no election is made for the transaction to be taxable on a current basis. The amount of gain on which we will pay tax is the lesser of:

  - the amount of gain that we recognize at the time of the sale or disposition, and

  - the amount of gain that we would have recognized if we had sold the asset at the time we acquired it.

- We may be required to pay monetary penalties to the IRS in certain circumstances, including if we fail to meet record-keeping requirements intended to monitor our compliance with rules relating to the composition of a REIT's stockholders, as described below in "— Recordkeeping Requirements."

- The earnings of our lower-tier entities that are subchapter C corporations, including any TRSs we form in the future, will be subject to U.S. federal corporate income tax.

In addition, notwithstanding our qualification as a REIT, we may also have to pay certain state and local income taxes because not all states and localities treat REITs in the same manner that they are treated for U.S. federal income tax purposes. Moreover, as further described below, any TRSs we form in the future will be subject to federal, state and local corporate income tax on their taxable income.

Requirements for Qualification

A REIT is a corporation, trust, or association that meets each of the following requirements:

1. It is managed by one or more trustees or directors.

2. Its beneficial ownership is evidenced by transferable shares, or by transferable certificates of beneficial interest.

3. It would be taxable as a domestic corporation, but for the REIT provisions of the U.S. federal income tax laws.

4. It is neither a financial institution nor an insurance company subject to special provisions of the U.S. federal income tax laws.

5. At least 100 persons are beneficial owners of its shares or ownership certificates.

6. Not more than 50% in value of its outstanding shares or ownership certificates is owned, directly or indirectly, by five or fewer individuals, which the Code defines to include certain entities, during the last half of any taxable year.

7. It elects to be a REIT, or has made such election for a previous taxable year, and satisfies all relevant filing and other administrative requirements established by the IRS that must be met to elect and maintain REIT qualification.

8. It meets certain other qualification tests, described below, regarding the nature of its income and assets and the amount of its distributions to stockholders.

9. It uses a calendar year for U.S. federal income tax purposes and complies with the recordkeeping requirements of the U.S. federal income tax laws.

We must meet requirements 1 through 4, 8 and 9 during our entire taxable year and must meet requirement 5 during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. If we comply with all the requirements for ascertaining the ownership of our outstanding shares in a taxable year and have no reason to know that we violated requirement 6, we will be deemed to have satisfied requirement 6 for that taxable year. We do not have to comply with 5 and 6 for the first taxable year for which we elect REIT tax status. For purposes of determining stock ownership under requirement 6, an "individual" generally includes a supplemental unemployment compensation benefits plan, a private foundation, or a portion of a trust permanently set aside or used exclusively for charitable purposes. An "individual," however, generally does not include a trust that is a qualified employee pension or profit sharing trust under the U.S. federal income tax laws, and beneficiaries of such a trust will be treated as holding our shares in proportion to their actuarial interests in the trust for purposes of requirement 6.

Our charter provides restrictions regarding the transfer and ownership of shares of our capital stock. See “Description of Capital Stock — Restrictions on Ownership and Transfer.” We believe that we will have issued sufficient stock with sufficient diversity of ownership to allow us to satisfy requirements 5 and 6 above. The restrictions in our charter are intended (among other things) to assist us in continuing to satisfy requirements 5 and 6 above. These restrictions, however, may not ensure that we will, in all cases, be able to satisfy such share ownership requirements. If we fail to satisfy these share ownership requirements, our qualification as a REIT may terminate.

Qualified REIT Subsidiaries. A corporation that is a “qualified REIT subsidiary” is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction, and credit of a “qualified REIT subsidiary” are treated as assets, liabilities, and items of income, deduction, and credit of the REIT. A “qualified REIT subsidiary” is a corporation, other than a TRS, all of the stock of which is owned by the REIT. Thus, in applying the requirements described herein, any “qualified REIT subsidiary” that we own will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such subsidiary will be treated as our assets, liabilities, and items of income, deduction, and credit.

Other Disregarded Entities and Partnerships. An unincorporated domestic entity, such as a partnership or limited liability company that has a single owner, generally is not treated as an entity separate from its owner for U.S. federal income tax purposes. An unincorporated domestic entity with two or more owners is generally treated as a partnership for U.S. federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. Our proportionate share for purposes of the 10% value test (see “— Asset Tests”) will be based on our proportionate interest in the equity interests and certain debt securities issued by the partnership. For all of the other asset and income tests, our proportionate share will be based on our proportionate interest in the capital interests in the partnership. Our proportionate share of the assets, liabilities, and items of income of any partnership, joint venture, or limited liability company that is treated as a partnership for U.S. federal income tax purposes in which we acquire an equity interest, directly or indirectly, will be treated as our assets and gross income for purposes of applying the various REIT qualification requirements.

We may acquire limited partner or non-managing member interests in partnerships and limited liability companies that are joint ventures. If a partnership or limited liability company in which we own an interest takes or expects to take actions that could jeopardize our qualification as a REIT or require us to pay tax, we may be forced to dispose of our interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action which could cause us to fail a gross income or asset test, and that we would not become aware of such action in time to dispose of our interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, we could fail to qualify as a REIT unless we were able to qualify for a statutory REIT “savings” provision, which may require us to pay a significant penalty tax to maintain our REIT qualification.

Taxable REIT Subsidiaries. A REIT may own up to 100% of the shares of one or more TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. The subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the securities will automatically be treated as a TRS. We will not be treated as holding the assets of a TRS or as receiving any income that the TRS earns. Rather, the stock issued by a TRS to us will be an asset in our hands, and we will treat the distributions paid to us from such TRS, if any, as income. This treatment may affect our compliance with the gross income and asset tests. Because we will not include the assets and income of TRSs in determining our compliance with the REIT requirements, we may use such entities to undertake indirectly activities, such as earning fee income, that the REIT rules might otherwise preclude us from doing directly or through pass-through subsidiaries. Overall, no more than 20% of the value of a REIT’s assets may consist of stock or securities of one or more TRSs. We do not currently own any TRSs

A TRS pays income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a taxable REIT subsidiary to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. Further, the rules impose a 100% excise tax on transactions between a TRS and its parent REIT or the REIT’s tenants that are not conducted on an arm’s-length basis.

A TRS may not directly or indirectly operate or manage any health care facilities or lodging facilities or provide rights to any brand name under which any health care facility or lodging facility is operated. A TRS is not considered to operate or manage a “qualified health care property” or “qualified lodging facility” solely because the TRS directly or indirectly possesses a license, permit, or similar instrument enabling it to do so.

Rent that we receive from a TRS will qualify as “rents from real property” as long as (1) at least 90% of the leased space in the property is leased to persons other than TRSs and related-party tenants, and (2) the amount paid by the TRS to rent space at the property is substantially comparable to rents paid by other tenants of the property for comparable space, as described in further detail below under “— Gross Income Tests — Rents from Real Property.” If we lease space to a TRS in the future, we will seek to comply with these requirements.

Gross Income Tests

We must satisfy two gross income tests annually to maintain our qualification as a REIT. First, at least 75% of our gross income for each taxable year must consist of defined types of income that we derive, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income. Qualifying income for purposes of that 75% gross income test generally includes:

- rents from real property;
- interest on debt secured by mortgages on real property, or on interests in real property;
- dividends or other distributions on, and gain from the sale of, shares in other REITs;
- gain from the sale of a real estate asset (excluding gain from the sale of a debt instrument issued by a "publicly offered REIT" to the extent not secured by real property or an interest in real property) not held for sale to customers;
- income and gain derived from foreclosure property; and
- income derived from the temporary investment of new capital that is attributable to the issuance of our stock or a public offering of our debt with a maturity date of at least five years and that we receive during the one-year period beginning on the date on which we received such new capital.

Second, in general, at least 95% of our gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, other types of interest and dividends, gain from the sale or disposition of shares or securities, or any combination of these. Cancellation of indebtedness, or COD, income and gross income from our sale of property that we hold primarily for sale to customers in the ordinary course of business is excluded from both the numerator and the denominator in both gross income tests. In addition, income and gain from "hedging transactions" that we enter into to hedge indebtedness incurred or to be incurred to acquire or carry real estate assets and that are clearly and timely identified as such will be excluded from both the numerator and the denominator for purposes of the 75% and 95% gross income tests. Finally, certain foreign currency gains will be excluded.

Rents from Real Property. Rent that we receive, including as a result of our ownership of preferred or common equity interests in a partnership that owns rental properties, from our real property will qualify as "rents from real property," which is qualifying income for purposes of the 75% and 95% gross income tests, only if the following conditions are met:

- First, the rent must not be based, in whole or in part, on the income or profits of any person, but may be based on a fixed percentage or percentages of receipts or sales.
- Second, neither we nor a direct or indirect owner of 10% or more of our stock may own, actually or constructively, 10% or more of a tenant from whom we receive rent, other than a TRS.
- Third, if the rent attributable to personal property leased in connection with a lease of real property is 15% or less of the total rent received under the lease, then the rent attributable to personal property will qualify as rents from real property. However, if the 15% threshold is exceeded, the rent attributable to personal property will not qualify as rents from real property. With respect to each property we will own, we believe either that the personal property ratio will be less than 15% or that any rent attributable to excess personal property will not jeopardize our ability to qualify as a REIT. There can be no assurance, however, that the IRS would not challenge our calculation of a personal property ratio, or that a court would not uphold such assertion. If such a challenge were successfully asserted, we could fail to satisfy the 75% or 95% gross income test and thus potentially lose our REIT status.
- Fourth, we generally must not operate or manage our real property or furnish or render services to our tenants, other than through an "independent contractor" who is adequately compensated and from whom we do not derive revenue. However, we need not provide services through an "independent contractor," but instead may provide services directly to our tenants, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, we may provide a minimal amount of "noncustomary" services to the tenants of a property, other than through an independent contractor, as long as our income from the services (valued at not less than 150% of our direct cost of performing such services) does not exceed 1% of our income from the related property. Furthermore, we may own up to 100% of the stock of a TRS which may provide customary and noncustomary services to our tenants without tainting our rental income for the related properties.

If a portion of the rent that we receive from a property does not qualify as “rents from real property” because the rent attributable to personal property exceeds 15% of the total rent for a taxable year, the portion of the rent that is attributable to personal property will not be qualifying income for purposes of either the 75% or 95% gross income test. Thus, if such rent attributable to personal property, plus any other income that is nonqualifying income for purposes of the 95% gross income test, during a taxable year exceeds 5% of our gross income during the year, we would lose our REIT qualification. If, however, the rent from a particular property does not qualify as “rents from real property” because either (1) the rent is considered based on the income or profits of the related tenant, (2) the tenant either is a related party tenant or fails to qualify for the exceptions to the related party tenant rule for qualifying TRSs or (3) we furnish noncustomary services to the tenants of the property, or manage or operate the property, other than through a qualifying independent contractor or a TRS, none of the rent from that property would qualify as “rents from real property.”

Interest. Interest income generally constitutes qualifying mortgage interest for purposes of the 75% gross income test to the extent that the obligation upon which such interest is paid is secured by a mortgage on real property (and a mortgage on an interest in real property). Except as provided in the following sentence, if we receive interest income with respect to a mortgage loan that is secured by both real and other property, and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property on the date that we acquired or originated the mortgage loan, the interest income will be apportioned between the real property and the other collateral, and our income from the arrangement will qualify for purposes of the 75% gross income test only to the extent that the interest is allocable to the real property. In the case of real estate mortgage loans secured by both real and personal property, if the fair market value of such personal property does not exceed 15% of the total fair market value of all property securing the loan, then the personal property securing the loan will be treated as real property for purposes of determining whether the mortgage is qualifying under the 75% asset test and as producing interest income that qualifies for purposes of the 75% gross income test.

The term “interest” generally does not include any amount received or accrued, directly or indirectly, if the determination of such amount depends in whole or in part on the income or profits of any person. However, interest generally includes the following:

- an amount that is based on a fixed percentage or percentages of receipts or sales; and
- an amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from the real property securing the debt from leasing substantially all of its interest in the property, and only to the extent that the amounts received by the debtor would be qualifying “rents from real property” if received directly by a REIT.

If a loan contains a provision that entitles a REIT to a percentage of the borrower’s gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property’s value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests.

In connection with development projects, if any, we may originate mezzanine loans, which are loans secured by equity interests in an entity that directly or indirectly owns real property, rather than by a direct mortgage of the real property. In Revenue Procedure 2003-65, the IRS established a safe harbor under which loans secured by a first priority security interest in ownership interests in a partnership or limited liability company owning real property will be treated as real estate assets for purposes of the REIT asset tests described below, and interest derived from those loans will be treated as qualifying income for both the 75% and 95% gross income tests, provided several requirements are satisfied. Although the Revenue Procedure provides a safe harbor on which taxpayers may rely, it does not prescribe rules of substantive tax law. Moreover, we anticipate that our mezzanine loans typically will not meet all of the requirements for reliance on the safe harbor. To the extent any mezzanine loans that we originate do not qualify for the safe harbor described above, the interest income from the loans will be qualifying income for purposes of the 95% gross income test, but there is a risk that such interest income will not be qualifying income for purposes of the 75% gross income test. We intend to invest in mezzanine loans in a manner that will enable us to continue to satisfy the REIT gross income and asset tests.

Dividends. Our share of any dividends received from any corporation (including any TRS, but excluding any REIT) in which we own an equity interest will qualify for purposes of the 95% gross income test but not for purposes of the 75% gross income test. Our share of any dividends received from any other REIT in which we own an equity interest, if any, will be qualifying income for purposes of both gross income tests.

Prohibited Transactions. A REIT will incur a 100% tax on the net income (including foreign currency gain) derived from any sale or other disposition of property, other than foreclosure property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. We believe that none of our properties have been or will be held primarily for sale to customers and that all prior sales of our properties were not, and a sale of any of our properties in the future will not be in the ordinary course of our business. However, there can be no assurance that the IRS would not disagree with that belief. Whether a REIT holds a property “primarily for sale to customers in the ordinary course of a trade or business” depends on the facts and circumstances in effect from time to time, including those related to a particular property. A safe harbor to the characterization of the sale of property which is a real estate asset by a REIT as a prohibited transaction and the 100% prohibited transaction tax is available if the following requirements are met:

- the REIT has held the property for not less than two years;

- the aggregate expenditures made by the REIT, or any partner of the REIT, during the two-year period preceding the date of the sale that are includable in the adjusted basis of the property do not exceed 30% of the selling price of the property;

- either (1) during the year in question, the REIT did not make more than seven sales of property other than foreclosure property or sales to which Section 1033 of the Code applies, or (2) the aggregate adjusted bases of all such properties sold by the REIT during the year did not exceed 10% of the aggregate bases of all of the assets of the REIT at the beginning of the year, or (3) the aggregate fair market value of all such properties sold by the REIT during the year did not exceed 10% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year, or (4) the aggregate adjusted basis of property sold during the year is 20% or less of the aggregate adjusted basis of all of our assets as of the beginning of the taxable year and the aggregate adjusted basis of property sold during the 3-year period ending with the year of sale is 10% or less of the aggregate tax basis of all of our assets as of the beginning of each of the three taxable years ending with the year of sale; or (5) the fair market value of property sold during the year is 20% or less of the aggregate fair market value of all of our assets as of the beginning of the taxable year and the fair market value of property sold during the 3-year period ending with the year of sale is 10% or less of the aggregate fair market value of all of our assets as of the beginning of each of the three taxable years ending with the year of sale;

- in the case of property not acquired through foreclosure or lease termination, the REIT has held the property for at least two years for the production of rental income; and

- if the REIT has made more than seven sales of non-foreclosure property during the taxable year, substantially all of the marketing and development expenditures with respect to the property were made through an independent contractor from whom the REIT derives no income or through any of our TRSs.

We will attempt to comply with the terms of the safe-harbor provisions in the U.S. federal income tax laws prescribing when a property sale will not be characterized as a prohibited transaction. However, not all of our prior sales of properties have qualified for the safe-harbor provisions. In addition, we cannot assure you that we can comply with the safe-harbor provisions or that we have avoided and will avoid owning property that may be characterized as property that we hold "primarily for sale to customers in the ordinary course of a trade or business." The 100% tax will not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be taxed to the corporation at regular corporate income tax rates.

Fee Income. Fee income generally will not be qualifying income for purposes of both the 75% and 95% gross income tests. Any fees earned by a TRS will not be included for purposes of the gross income tests.

Foreclosure Property. We will be subject to tax at the maximum corporate rate on any income from foreclosure property, which includes certain foreign currency gains and related deductions, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from foreclosure property will qualify under the 75% and 95% gross income tests. Foreclosure property is any real property, including interests in real property, and any personal property incident to such real property:

- that is acquired by a REIT as the result of the REIT having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent on a lease of such property or on indebtedness that such property secured;

- for which the related loan was acquired by the REIT at a time when the default was not imminent or anticipated; and

- for which the REIT makes a proper election to treat the property as foreclosure property.

A REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgagee-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be foreclosure property at the end of the third taxable year (or, with respect to qualified health care property, the second taxable year) following the taxable year in which the REIT acquired the property, or longer if an extension is granted by the Secretary of the Treasury. However, this grace period terminates and foreclosure property ceases to be foreclosure property on the first day:

- on which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;

- on which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or

- which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income or through any TRS.

Hedging Transactions. From time to time, we or our operating partnership may enter into hedging transactions with respect to one or more of our assets or liabilities. Our hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase such items, and futures and forward contracts. Income and gain from "hedging transactions" will be excluded from gross income for purposes of both the 75% and 95% gross income tests provided we satisfy the indemnification requirements discussed below. A "hedging transaction" means either (1) any transaction entered into in the normal course of our or our operating partnership's trade or business primarily to manage the risk of interest rate, price changes, or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets and (2) any transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain). If we have entered into a hedging transaction and a portion of the hedged indebtedness or property is disposed of and in connection with such extinguishment or disposition we enter into a new "clearly identified" hedging transaction, or a Counteracting Hedge, income from the applicable hedge and income from the Counteracting Hedge (including gain from the disposition of such Counteracting Hedge) will not be treated as gross income for purposes of the 95% and 75% gross income tests. We are required to clearly identify any such hedging transaction before the close of the day on which it was acquired, originated, or entered into and to satisfy other identification requirements. We intend to structure any hedging transactions in a manner that does not jeopardize our qualification as a REIT.

COD Income. From time-to-time, we and our subsidiaries may recognize COD income in connection with repurchasing debt at a discount. COD income is excluded from gross income for purposes of both the 95% gross income test and the 75% gross income test.

Foreign Currency Gain. Certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. "Real estate foreign exchange gain" will be excluded from gross income for purposes of the 75% and 95% gross income tests. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or an interest in real property and certain foreign currency gain attributable to certain "qualified business units" of a REIT. "Passive foreign exchange gain" will be excluded from gross income for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above, and also includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test and foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations. These exclusions for real estate foreign exchange gain and passive foreign exchange gain do not apply to any certain foreign currency gain derived from dealing, or engaging in substantial and regular trading, in securities. Such gain is treated as nonqualifying income for purposes of both the 75% and 95% gross income tests.

Failure to Satisfy Gross Income Tests. If we fail to satisfy one or both of the gross income tests for any taxable year, we nevertheless may qualify as a REIT for that year if we qualify for relief under certain provisions of the U.S. federal income tax laws. Those relief provisions are available if:

- our failure to meet those tests is due to reasonable cause and not to willful neglect; and
- following such failure for any taxable year, we file a schedule of the sources of our income in accordance with regulations prescribed by the Secretary of the U.S. Treasury.

We cannot predict, however, whether in all circumstances we would qualify for the relief provisions. In addition, as discussed above in "— Taxation of Our Company," even if the relief provisions apply, we would incur a 100% tax on the gross income attributable to the greater of the amount by which we fail the 75% gross income test or the 95% gross income test multiplied, in either case, by a fraction intended to reflect our profitability.

Asset Tests

To qualify as a REIT, we also must satisfy the following asset tests at the end of each quarter of each taxable year. First, at least 75% of the value of our total assets must consist of:

- cash or cash items, including certain receivables and money market funds and, in certain circumstances, foreign currencies;
- government securities;
- interests in real property, including leaseholds and options to acquire real property and leaseholds;
- interests in mortgage loans secured by real property;

stock in other REITs;

- investments in stock or debt instruments during the one-year period following our receipt of new capital that we raise through equity offerings or public offerings of debt with at least a five-year term; and

  - (i) personal property leased in connection with real property to the extent that rents attributable to such personal property are treated as ‘‘rents from real property,’’ and (ii) debt instruments issued by ‘‘publicly offered REITs’’ (i.e., REITs which are required to file annual and periodic reports with the SEC under the Securities Exchange Act of 1934).

Second, of our investments not included in the 75% asset class, the value of our interest in any one issuer’s securities may not exceed 5% of the value of our total assets, or the 5% asset test.

Third, of our investments not included in the 75% asset class, we may not own more than 10% of the voting power of any one issuer’s outstanding securities or 10% of the value of any one issuer’s outstanding securities, or the 10% vote test or 10% value test, respectively.

Fourth, no more than 25% (20% for taxable years beginning after December 31, 2017) of the value of our total assets may consist of the securities of one or more TRSs.

Fifth, no more than 25% of the value of our total assets may consist of the securities of TRSs and other non-TRS taxable subsidiaries and other assets that are not qualifying assets for purposes of the 75% asset test, or the 25% securities test.

Not more than 25% of the value of our total assets may be represented by debt instruments issued by publicly offered REITs to the extent not secured by real property or interests in real property.

For purposes of the 5% asset test, the 10% vote test and the 10% value test, the term “securities” does not include shares in another REIT, equity or debt securities of a qualified REIT subsidiary or TRS, mortgage loans that constitute real estate assets, or equity interests in a partnership. The term “securities,” however, generally includes debt securities issued by a partnership or another REIT, except that for purposes of the 10% value test, the term “securities” does not include:

- “Straight debt” securities, which is defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (1) the debt is not convertible, directly or indirectly, into equity, and (2) the interest rate and interest payment dates are not contingent on profits, the borrower’s discretion, or similar factors. “Straight debt” securities do not include any securities issued by a partnership or a corporation in which we or any controlled TRS (i.e., a TRS in which we own directly or indirectly more than 50% of the voting power or value of the stock) hold non-“straight debt” securities that have an aggregate value of more than 1% of the issuer’s outstanding securities. However, “straight debt” securities include debt subject to the following contingencies:

  - a contingency relating to the time of payment of interest or principal, as long as either (1) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield, or (2) neither the aggregate issue price nor the aggregate face amount of the issuer’s debt obligations held by us exceeds $1,000,000 and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and

  - a contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice;

- Any loan to an individual or an estate;

- Any “section 467 rental agreement,” other than an agreement with a related party tenant;

- Any obligation to pay “rents from real property”;

- Certain securities issued by governmental entities;

- Any security issued by a REIT;

- Any debt instrument issued by an entity treated as a partnership for U.S. federal income tax purposes in which we are a partner to the extent of our proportionate interest in the equity and debt securities of the partnership; and

- Any debt instrument issued by an entity treated as a partnership for U.S. federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in "— Gross Income Tests."

For purposes of the 10% value test, our proportionate share of the assets of a partnership is our proportionate interest in any securities issued by the partnership, without regard to the securities described in the last two bullet points above.

We believe that our holdings of assets comply with the foregoing asset tests, and we intend to monitor compliance on an ongoing basis. However, independent appraisals have not been obtained to support our conclusions as to the value of our assets or the value of any particular security or securities. Moreover, values of some assets may not be susceptible to a precise determination, and values are subject to change in the future. As described above, Revenue Procedure 2003-65 provides a safe harbor pursuant to which certain mezzanine loans secured by a first priority security interest in ownership interests in a partnership or limited liability company will be treated as qualifying assets for purposes of the 75% asset test (and therefore, are not subject to the 5% asset test and the 10% vote or value test). See "— Gross Income Tests." We intend to make mezzanine loans only to the extent such loans will not cause us to fail the asset tests described above.

We will continue to monitor the status of our assets for purposes of the various asset tests and will manage our portfolio in order to comply at all times with such tests. However, there is no assurance that we will not inadvertently fail to comply with such tests. If we fail to satisfy the asset tests at the end of a calendar quarter, we will not lose our REIT qualification if:

- we satisfied the asset tests at the end of the preceding calendar quarter; and

- the discrepancy between the value of our assets and the asset test requirements arose from changes in the market values of our assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If we did not satisfy the condition described in the second item, above, we still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

If we violate the 5% asset test, the 10% vote test or the 10% value test described above, we will not lose our REIT qualification if (1) the failure is *de minimis* (up to the lesser of 1% of our assets or $10,000,000) and (2) we dispose of assets causing the failure or otherwise comply with the asset tests within six months after the last day of the quarter in which we identify such failure. In the event of a failure of any of the asset tests (other than *de minimis* failures described in the preceding sentence), as long as the failure was due to reasonable cause and not to willful neglect, we will not lose our REIT qualification if we (1) dispose of assets causing the failure or otherwise comply with the asset tests within six months after the last day of the quarter in which we identify the failure, (2) we file a description of each asset causing the failure with the IRS and (3) pay a tax equal to the greater of $50,000 or 35% of the net income from the assets causing the failure during the period in which we failed to satisfy the asset tests.

Distribution Requirements

Each year, we must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to our stockholders in an aggregate amount at least equal to:

- the sum of

  - 90% of our "REIT taxable income," computed without regard to the dividends paid deduction and our net capital gain or loss, and

  - 90% of our after-tax net income, if any, from foreclosure property, minus

  - the sum of certain items of non-cash income.

We must pay such distributions in the taxable year to which they relate, or in the following taxable year if either (1) we declare the distribution before we timely file our U.S. federal income tax return for the year and pay the distribution on or before the first regular dividend payment date after such declaration or (2) we declare the distribution in October, November or December of the taxable year, payable to stockholders of record on a specified day in any such month, and we actually pay the dividend before the end of January of the following year. The distributions under clause (1) are taxable to the stockholders in the year in which paid, and the distributions in clause (2) are treated as paid on December 31st of the prior taxable year. In both instances, these distributions relate to our prior taxable year for purposes of the 90% distribution requirement.

We will pay U.S. federal income tax on taxable income, including net capital gain, that we do not distribute to stockholders. Furthermore, if we fail to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of our REIT ordinary income for such year,
- 95% of our REIT capital gain net income for such year, and
- any undistributed taxable income (ordinary and capital gain) from all prior periods.

We will incur a 4% nondeductible excise tax on the excess of such required distribution over the amounts we actually distribute. In making this calculation, the amount that a REIT is treated as having ‘‘actually distributed’’ during the current taxable year is both the amount distributed during the current year and the amount by which the distributions during the prior year exceeded its taxable income and capital gain for that prior year (the prior year calculation uses the same methodology so, in determining the amount of the distribution in the prior year, one looks back to the year before and so forth).

We may elect to retain and pay income tax on the net long-term capital gain we receive in a taxable year. If we so elect, we will be treated as having distributed any such retained amount for purposes of the 4% nondeductible excise tax described above. We intend to make timely distributions sufficient to satisfy the annual distribution requirements and to avoid corporate income tax and the 4% nondeductible excise tax.

It is possible that, from time to time, we may experience timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at our REIT taxable income. For example, we may not deduct recognized capital losses from our “REIT taxable income.” Further, it is possible that, from time to time, we may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds our allocable share of cash attributable to that sale. As a result of the foregoing, we may have less cash than is necessary to distribute taxable income sufficient to avoid corporate income tax and the excise tax imposed on certain undistributed income or even to meet the 90% distribution requirement. In such a situation, we may need to borrow funds or, if possible, pay taxable dividends of our capital stock or debt securities.

We may satisfy the 90% distribution test with taxable distributions of our stock or debt securities. The IRS has issued private letter rulings to other REITs treating certain distributions that are paid partly in cash and partly in stock as dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for U.S. federal income tax purposes. Those rulings may be relied upon only by taxpayers to whom they were issued, but we could request a similar ruling from the IRS. In addition, the IRS previously issued a revenue procedure authorizing publicly traded REITs to make elective cash/stock dividends. Accordingly, it is unclear whether and to what extent we will be able to make taxable dividends payable in cash and stock. We have no current intention to make a taxable dividend payable in our stock.

Under certain circumstances, we may be able to correct a failure to meet the distribution requirement for a year by paying “deficiency dividends” to our stockholders in a later year. We may include such deficiency dividends in our deduction for dividends paid for the earlier year. Although we may be able to avoid income tax on amounts distributed as deficiency dividends, we will be required to pay interest to the IRS based upon the amount of any deduction we take for deficiency dividends.

Recordkeeping Requirements

We must maintain certain records in order to qualify as a REIT. In addition, to avoid a monetary penalty, we must request on an annual basis information from our stockholders designed to disclose the actual ownership of our outstanding stock. We intend to comply with these requirements.

Failure to Qualify

If we fail to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, we could avoid disqualification if our failure is due to reasonable cause and not to willful neglect and we pay a penalty of $50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described in “— Gross Income Tests” and “— Asset Tests.”

If we fail to qualify as a REIT in any taxable year, and no relief provision applies, we would be subject to U.S. federal income tax on our taxable income at regular corporate rates. In calculating our taxable income in a year in which we fail to qualify as a REIT, we would not be able to deduct amounts paid out to stockholders. In fact, we would not be required to distribute any amounts to stockholders in that year. In such event, to the extent of our current and accumulated earnings and profits, distributions to stockholders generally would be taxable as ordinary income. Subject to certain limitations of the U.S. federal income tax laws, corporate stockholders may be eligible for the dividends received deduction and stockholders taxed at individual rates may be eligible for the reduced U.S. federal income tax rate of 20% on such dividends. Unless we qualified for relief under specific statutory provisions, we also would be disqualified from taxation as a REIT for the four taxable years following the year during which we ceased to qualify as a REIT. We cannot predict whether in all circumstances we would qualify for such statutory relief.

Taxation of Taxable U.S. Stockholders

As used herein, the term "U.S. stockholder" means a holder of shares of our common stock that for U.S. federal income tax purposes is:

- a citizen or resident of the United States;
- a corporation (including an entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any of its states or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- any trust if (1) a court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (2) it has a valid election in place to be treated as a U.S. person.

If a partnership, entity or arrangement treated as a partnership for U.S. federal income tax purposes holds shares of our common stock, the U.S. federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding shares of our common stock, you should consult your tax advisor regarding the consequences of the ownership and disposition of our common stock by the partnership.

As long as we qualify as a REIT, a taxable U.S. stockholder must generally take into account as ordinary income distributions made out of our current or accumulated earnings and profits that we do not designate as capital gain dividends or retained long-term capital gain. A U.S. stockholder will not qualify for the dividends received deduction generally available to corporations. In addition, dividends paid to a U.S. stockholder generally will not qualify for the 20% tax rate for "qualified dividend income." The maximum tax rate for qualified dividend income received by U.S. stockholders taxed at individual rates is currently 20%. The maximum tax rate on qualified dividend income is lower than the maximum tax rate on ordinary income, which is 37%. Qualified dividend income generally includes dividends paid by domestic C corporations and certain qualified foreign corporations to U.S. stockholders that are taxed at individual rates. Because we are not generally subject to U.S. federal income tax on the portion of our REIT taxable income distributed to our stockholders (See — "Taxation of Our Company" above), our dividends generally will not be eligible for the 20% rate on qualified dividend income. As a result, our ordinary REIT dividends will be taxed at the higher tax rate applicable to ordinary income. Under the Tax Cuts and Jobs Act enacted on December 22, 2017, or the TJCA, individuals, trusts, and estates generally may deduct 20% of the "qualified REIT dividends" (i.e., REIT dividends other than capital gain dividends and portions of REIT dividends designated as qualified dividend income, which in each case are already eligible for capital gain tax rates) they receive. The deduction for qualified REIT dividends is not subject to the wage and property basis limits that apply to other types of "qualified business in come" under the TCJA. The 20% deduction for qualified REIT dividends results in a maximum 29.6% federal income tax rate on REIT dividends. As with the other individual income tax changes in the TCJA, the deduction provisions are effective beginning in 2018. Without further legislation, the deduction would sunset after 2025.

The 20% tax rate for qualified dividend income will apply to our ordinary REIT dividends (1) attributable to dividends received by us from non-REIT corporations, and (2) to the extent attributable to income upon which we have paid corporate income tax (e.g., to the extent that we distribute less than 100% of our taxable income). In general, to qualify for the reduced tax rate on qualified dividend income, a stockholder must hold our common stock for more than 60 days during the 121-day period beginning on the date that is 60 days before the date on which our common stock becomes ex-dividend.

A U.S. stockholder generally will take into account as long-term capital gain any distributions that we designate as capital gain dividends without regard to the period for which the U.S. stockholder has held shares of our common stock. We generally will designate our capital gain dividends as either 20% or 25% rate distributions. See "— Capital Gains and Losses." A corporate U.S. stockholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

We may elect to retain and pay income tax on the net long-term capital gain that we receive in a taxable year. In that case, to the extent that we designate such amount in a timely notice to such stockholder, a U.S. stockholder would be taxed on its proportionate share of our undistributed long-term capital gain. The U.S. stockholder would receive a credit for its proportionate share of the tax we paid. The U.S. stockholder would increase the basis in its stock by the amount of its proportionate share of our undistributed long-term capital gain, minus its share of the tax we paid.

A U.S. stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the distribution does not exceed the adjusted basis of the U.S. stockholder's shares of our common stock. Instead, the distribution will reduce the adjusted basis of such stock. A U.S. stockholder will recognize a distribution in excess of both our current and accumulated earnings and profits and the U.S. stockholder's adjusted basis in his or her shares of our common stock as long-term capital gain, or short-term capital gain if the shares of the stock have been held for one year or less, assuming the shares of stock are a capital asset in the hands of the U.S. stockholder. In addition, if we declare a distribution in October, November, or December of any year that is payable to a U.S. stockholder of record on a specified date in any such month, such distribution shall be treated as both paid by us and received by the U.S. stockholder on December 31 of such year, provided that we actually pay the distribution during January of the following calendar year.

U.S. stockholders may not include in their individual income tax returns any of our net operating losses or capital losses. Instead, these losses are generally carried over by us for potential offset against our future income. Taxable distributions from us and gain from the disposition of shares of our common stock will not be treated as passive activity income and, therefore, stockholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the U.S. stockholder is a limited partner, against such income. In addition, taxable distributions from us and gain from the disposition of shares of our common stock generally will be treated as investment income for purposes of the investment interest limitations. We will notify U.S. stockholders after the close of our taxable year as to the portions of the distributions attributable to that year that constitute ordinary income, return of capital and capital gain.

The aggregate amount of dividends that we may designate as "capital gain dividends" or "qualified dividends" with respect to any taxable year may not exceed the dividends paid by us with respect to such year, including dividends that are paid in the following year and if made with or before the first regular dividend payment after such declaration) are treated as paid with respect to such year.

Certain U.S. stockholders who are individuals, estates or trusts and whose income exceeds certain thresholds will be required to pay a 3.8% Medicare tax. The Medicare tax will apply to, among other things, dividends and other income derived from certain trades or business and net gains from the sale or other disposition of property, such as our capital stock, subject to certain exceptions. Our dividends and any gain from the disposition of shares of our common stock generally will be the type of gain that is subject to the Medicare tax.

Taxation of U.S. Stockholders on the Disposition of Shares of our Common Stock

A U.S. stockholder who is not a dealer in securities must generally treat any gain or loss realized upon a taxable disposition of shares of our common stock as long-term capital gain or loss if the U.S. stockholder has held shares of our common stock for more than one year and otherwise as short-term capital gain or loss. In general, a U.S. stockholder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. stockholder's adjusted tax basis. A stockholder's adjusted tax basis generally will equal the U.S. stockholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the U.S. stockholder (discussed above) less tax deemed paid on such gains and reduced by any returns of capital. However, a U.S. stockholder must treat any loss upon a sale or exchange of common stock held by such stockholder for six months or less as a long-term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from us that such U.S. stockholder treats as long-term capital gain. All or a portion of any loss that a U.S. stockholder realizes upon a taxable disposition of shares of our common stock may be disallowed if the U.S. stockholder purchases other shares of our common stock within 30 days before or after the disposition.

Capital Gains and Losses

A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. The highest marginal individual income tax rate currently is 37%. The maximum tax rate on long-term capital gain applicable to taxpayers taxed at individual rates is 20% for sales and exchanges of assets held for more than one year. The maximum tax rate on long-term capital gain from the sale or exchange of "Section 1250 property," or depreciable real property, is 25%, which applies to the lesser of the total amount of the gain or the accumulated depreciation on the Section 1250 property.

With respect to distributions that we designate as capital gain dividends and any retained capital gain that we are deemed to distribute, we generally may designate whether such a distribution is taxable to U.S. stockholders taxed at individual rates currently at a 20% or 25% rate. Thus, the tax rate differential between capital gain and ordinary income for those taxpayers may be significant. In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of $3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

Taxation of Tax-Exempt Stockholders

Tax-exempt entities, including qualified employee pension and profit sharing trusts and individual retirement accounts, generally are exempt from U.S. federal income taxation. However, they are subject to taxation on their unrelated business taxable income, or UBTI. Although many investments in real estate generate UBTI, the IRS has issued a ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI so long as the exempt employee pension trust does not otherwise use the shares of the REIT in an unrelated trade or business of the pension trust. Based on that ruling, amounts that we distribute to tax-exempt stockholders generally should not constitute UBTI. However, if a tax-exempt stockholder were to finance (or be deemed to finance) its acquisition of common stock with debt, a portion of the income that it receives from us would constitute UBTI pursuant to the "debt-financed property" rules. Moreover, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the U.S. federal income tax laws are subject to different UBTI rules, which generally will require them to characterize distributions that they receive from us as UBTI. Finally, in certain circumstances, a qualified employee pension or profit sharing trust that owns more than 10% of our capital stock must treat a percentage of the dividends that it receives from us as UBTI. Such percentage is equal to the gross income we derive from an unrelated trade or business, determined as if we were a pension trust, divided by our total gross income for the year in which we pay the dividends. That rule applies to a pension trust holding more than 10% of our capital stock only if:

- the percentage of our dividends that the tax-exempt trust must treat as UBTI is at least 5%;
- we qualify as a REIT by reason of the modification of the rule requiring that no more than 50% of our capital stock be owned by five or fewer individuals that allows the beneficiaries of the pension trust to be treated as holding our capital stock in proportion to their actuarial interests in the pension trust; and
- either:
- one pension trust owns more than 25% of the value of our capital stock; or
- a group of pension trusts individually holding more than 10% of the value of our capital stock collectively owns more than 50% of the value of our capital stock.

Taxation of Non-U.S. Stockholders

The term "non-U.S. stockholder" means a holder of shares of our common stock that is not a U.S. stockholder, a partnership (or entity treated as a partnership for U.S. federal income tax purposes) or a tax-exempt stockholder. The rules governing U.S. federal income taxation of nonresident alien individuals, foreign corporations, foreign partnerships, and other foreign stockholders are complex. This section is only a summary of such rules. **We urge non-U.S. stockholders to consult their own tax advisors to determine the impact of federal, state, and local income tax laws on the purchase, ownership and sale of shares of our common stock, including any reporting requirements.**

Distributions

A non-U.S. stockholder that receives a distribution that is not attributable to gain from our sale or exchange of a "United States real property interest," or USRPI, as defined below, and that we do not designate as a capital gain dividend or retained capital gain will recognize ordinary income to the extent that we pay such distribution out of our current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply to such distribution unless an applicable tax treaty reduces or eliminates the tax. However, if a distribution is treated as effectively connected with the non-U.S. stockholder's conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to U.S. federal income tax on the distribution at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such distribution, and a non-U.S. stockholder that is a corporation also may be subject to the 30% branch profits tax with respect to that distribution. We plan to withhold U.S. income tax at the rate of 30% on the gross amount of any such distribution paid to a non-U.S. stockholder unless either:

- a lower treaty rate applies and the non-U.S. stockholder files an IRS Form W-8BEN evidencing eligibility for that reduced rate with us;
- the non-U.S. stockholder files an IRS Form W-8ECI with us claiming that the distribution is effectively connected income; or
- the distribution is treated as attributable to a sale of a USRPI under FIRPTA (discussed below).

A non-U.S. stockholder will not incur tax on a distribution in excess of our current and accumulated earnings and profits if the excess portion of such distribution does not exceed the adjusted basis of its common stock. Instead, the excess portion of such distribution will reduce the adjusted basis of such stock. A non-U.S. stockholder will be subject to tax on a distribution that exceeds both our current and accumulated earnings and profits and the adjusted basis of its common stock, if the non-U.S. stockholder otherwise would be subject to tax on gain from the sale or disposition of its common stock, as described below. We must withhold 10% of any distribution that exceeds our current and accumulated earnings and profits. Consequently, although we intend to withhold at a rate of 30% on the entire amount of any distribution, to the extent that we do not do so, we will withhold at a rate of 15% on any portion of a distribution not subject to withholding at a rate of 30%. Because we generally cannot determine at the time we make a distribution whether the distribution will exceed our current and accumulated earnings and profits, we normally will withhold tax on the entire amount of any distribution at the same rate as we would withhold on a dividend. However, a non-U.S. stockholder may claim a refund of amounts that we withhold if we later determine that a distribution in fact exceeded our current and accumulated earnings and profits.

For any year in which we qualify as a REIT, a non-U.S. stockholder may incur tax on distributions that are attributable to gain from our sale or exchange of a USRPI under the Foreign Investment in Real Property Tax Act of 1980, or FIRPTA. A USRPI includes certain interests in real property and stock in corporations at least 50% of whose assets consist of interests in real property. Under FIRPTA, a non-U.S. stockholder is taxed on distributions attributable to gain from sales of USRPIs as if such gain were effectively connected with a U.S. business of the non-U.S. stockholder. A non-U.S. stockholder thus would be taxed on such a distribution at the normal capital gains rates applicable to U.S. stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate stockholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution.

However, subject to the discussion below regarding distributions to "qualified shareholders" and "qualified foreign pension funds," if our common stock is regularly traded on an established securities market in the United States, capital gain distributions on our common stock that are attributable to our sale of a USRPI will be treated as ordinary dividends rather than as gain from the sale of a USRPI, as long as the non-U.S. stockholder did not own more than 10% of our common stock at any time during the one-year period preceding the distribution. In such a case, non-U.S. stockholders generally will be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends.

With respect to any class of our stock that is not regularly traded on an established securities market in the United States, subject to the discussion below regarding distributions to "qualified shareholders" and "qualified foreign pension funds," capital gain distributions that are attributable to our sale of USRPIs will be subject to tax under FIRPTA, as described above. In such case, we must withhold 35% of any distribution that we could designate as a capital gain dividend. A non-U.S. stockholder may receive a credit against its tax liability for the amount we withhold. Moreover, if a non-U.S. stockholder disposes of our common stock during the 30-day period preceding a dividend payment, and such non-U.S. stockholder (or a person related to such non-U.S. stockholder) acquires or enters into a contract or option to acquire our common stock within 61 days of the first day of the 30-day period described above, and any portion of such dividend payment would, but for the disposition, be treated as a USRPI capital gain to such non-U.S. stockholder, then such non-U.S. stockholder shall be treated as having USRPI capital gain in an amount that, but for the disposition, would have been treated as USRPI capital gain.

A U.S. withholding tax at a 30% rate will be imposed on dividends paid to certain non-U.S. stockholders if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. If payment of withholding taxes is required, non-U.S. stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect of such dividends will be required to seek a refund from the IRS to obtain the benefit or such exemption or reduction. We will not pay any additional amounts in respect of any amounts withheld.

Qualified Shareholders. Subject to the exception discussed below, any distribution to a "qualified shareholder" who holds REIT stock directly or indirectly (through one or more partnerships) will not be subject to U.S. tax as income effectively connected with a U.S. trade or business and thus will not be subject to special withholding rules under FIRPTA. While a "qualified shareholder" will not be subject to FIRPTA withholding on REIT distributions, certain investors of a "qualified shareholder" (i.e., non-U.S. persons who hold interests in the "qualified shareholder" (other than interests solely as a creditor), and hold more than 10% of REIT stock (whether or not by reason of the investor's ownership in the "qualified shareholder")) may be subject to FIRPTA withholding.

A "qualified shareholder" is a foreign person that (i) either is eligible for the benefits of a comprehensive income tax treaty which includes an exchange of information program and whose principal class of interests is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units representing greater than 50% of the value of all the partnership units that is regularly traded on the NYSE or NASDAQ markets, (ii) is a qualified collective investment vehicle (defined below), and (iii) maintains records on the identity of each person who, at any time during the foreign person's taxable year, is the direct owner of 5% or more of the class of interests or units (as applicable) described in (i), above.

A qualified collective investment vehicle is a foreign person that (i) would be eligible for a reduced rate of withholding under the comprehensive income tax treaty described above, even if such entity holds more than 10% of the stock of such REIT, (ii) is publicly traded, is treated as a partnership under the Code, is a withholding foreign partnership, and would be treated as a United States real property holding corporation if it were a domestic corporation, or (iii) is designated as such by the Secretary of the Treasury and is either (a) fiscally transparent within the meaning of section 894 of the Code, or (b) required to include dividends in its gross income, but is entitled to a deduction for distributions to its investors.

Qualified Foreign Pension Funds. Any distribution to a "qualified foreign pension fund" or an entity all of the interests of which are held by a "qualified foreign pension fund" who holds REIT stock directly or indirectly (through one or more partnerships) will not be subject to U.S. tax as income effectively connected with a U.S. trade or business and thus will not be subject to the withholding rules under FIRPTA.

A qualified foreign pension fund is any trust, corporation, or other organization or arrangement (A) which is created or organized under the law of a country other than the United States, (B) which is established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, (C) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (D) which is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates, and (E) with respect to which, under the laws of the country in which it is established or operates, (i) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate, or (ii) taxation of any investment income of such organization or arrangement is deferred or such income is taxed at a reduced rate.

Dispositions

Non-U.S. stockholders could incur tax under FIRPTA with respect to gain realized upon a disposition of shares of our common stock if we are a United States real property holding corporation during a specified testing period, subject to the discussion below regarding distributions to "qualified shareholders" and "qualified foreign pension funds." If at least 50% of a REIT's assets are USRPIs, then the REIT will be a United States real property holding corporation. We believe that we are, and that we will continue to be, a United States real property holding corporation based on our investment strategy. However, even if we are a United States real property holding corporation, a non-U.S. stockholder generally would not incur tax under FIRPTA on gain from the sale of shares of our common stock if we are a "domestically controlled qualified investment entity."

A "domestically controlled qualified investment entity" includes a REIT in which, at all times during a specified testing period, less than 50% in value of its shares are held directly or indirectly by non-U.S. stockholders. We cannot assure you that this test will be met.

If our common stock is regularly traded on an established securities market, an additional exception to the tax under FIRPTA will be available with respect to our common stock, even if we do not qualify as a domestically controlled qualified investment entity at the time the non-U.S. stockholder sells our common stock. Under that exception, the gain from such a sale by such a non-U.S. stockholder will not be subject to tax under FIRPTA if (1) our common stock is treated as being regularly traded under applicable Treasury Regulations on an established securities market and (2) the non-U.S. stockholder owned, actually or constructively, 10% or less of our common stock at all times during a specified testing period. As noted above, we expect that our common stock will be regularly traded on an established securities market following this offering.

A sale of our shares by:

● a ‘‘qualified shareholder’’ or

● a ‘‘qualified foreign pension fund’’

who holds our shares directly or indirectly (through one or more partnerships) will not be subject to U.S. federal income taxation under FIRPTA. While a ‘‘qualified shareholder" will not be subject to FIRPTA withholding upon sale of our shares, certain investors of a ‘‘qualified shareholder" (i.e., non-U.S. persons who hold interests in the ‘‘qualified shareholder" (other than interests solely as a creditor), and hold more than 15% of REIT stock (whether or not by reason of the investor's ownership in the ‘‘qualified shareholder’’)) may be subject to FIRPTA withholding.

If the gain on the sale of shares of our common stock were taxed under FIRPTA, a non-U.S. stockholder would be taxed on that gain in the same manner as U.S. stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. In addition, distributions that are subject to tax under FIRPTA also may be subject to a 30% branch profits tax when made to a non-U.S. stockholder treated as a corporation (under U.S. federal income tax principles) that is not otherwise entitled to treaty exemption. Finally, if we are not a domestically controlled qualified investment entity at the time our stock is sold and the non-U.S. stockholder does not qualify for the exemptions described in the preceding paragraph, under FIRPTA the purchaser of shares of our common stock also may be required to withhold 10% of the purchase price and remit this amount to the IRS on behalf of the selling non-U.S. stockholder.

With respect to individual non-U.S. stockholders, even if not subject to FIRPTA, capital gains recognized from the sale of shares of our common stock will be taxable to such non-U.S. stockholder if he or she is a non-resident alien individual who is present in the United States for 183 days or more during the taxable year and some other conditions apply, in which case the non-resident alien individual may be subject to a U.S. federal income tax on his or her U.S. source capital gain.

A U.S. withholding tax at a 30% rate will be imposed on proceeds from the sale of shares of our common stock received by certain non-U.S. stockholders if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. If payment of withholding taxes is required, non-U.S. stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect of such proceeds will be required to seek a refund from the IRS to obtain the benefit or such exemption or reduction. We will not pay any additional amounts in respect of any amounts withheld.

Information Reporting Requirements and Withholding

We will report to our stockholders and to the IRS the amount of distributions we pay during each calendar year, and the amount of tax we withhold, if any. Under the backup withholding rules, a stockholder may be subject to backup withholding with respect to distributions unless the stockholder:

- is a corporation or qualifies for certain other exempt categories and, when required, demonstrates this fact; or
- provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

A stockholder who does not provide us with its correct taxpayer identification number also may be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, we may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status to us.

Backup withholding will generally not apply to payments of dividends made by us or our paying agents, in their capacities as such, to a non-U.S. stockholder provided that the non-U.S. stockholder furnishes to us or our paying agent the required certification as to its non-U.S. status, such as providing a valid IRS Form W-8BEN or W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either we or our paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient. Payments of the proceeds from a disposition or a redemption effected outside the U.S. by a non-U.S. stockholder made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) generally will apply to such a payment if the broker has certain connections with the U.S. unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. stockholder and specified conditions are met or an exemption is otherwise established. Payment of the proceeds from a disposition by a non-U.S. stockholder of shares of our common stock made by or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the non-U.S. stockholder certifies under penalties of perjury that it is not a U.S. person and satisfies certain other requirements, or otherwise establishes an exemption from information reporting and backup withholding.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the stockholder's U.S. federal income tax liability if certain required information is furnished to the IRS. Stockholders should consult their own tax advisors regarding application of backup withholding to them and the availability of, and procedure for obtaining an exemption from, backup withholding.

A U.S. withholding tax at a 30% rate will be imposed on dividends received by U.S. stockholders who own shares of our common stock through foreign accounts or foreign intermediaries if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. In addition, if those disclosure requirements are not satisfied, a U.S. withholding tax at a 30% rate will be imposed on proceeds from the sale of shares of our common stock received by U.S. stockholders who own shares of our common stock through foreign accounts or foreign intermediaries. In addition, we may be required to withhold a portion of capital gain distributions to any U.S. stockholders who fail to certify their non-foreign status to us. We will not pay any additional amounts in respect of amounts withheld.

Other Tax Consequences

Tax Aspects of Our Investments in Our Operating Partnership and Subsidiary Partnerships

The following discussion summarizes certain U.S. federal income tax considerations applicable to our direct or indirect investments in our operating partnership and any subsidiary partnerships or limited liability companies that we form or acquire (each individually a "Partnership" and, collectively, the "Partnerships"). The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Classification as Partnerships. We are entitled to include in our income our distributive share of each Partnership's income and to deduct our distributive share of each Partnership's losses only if such Partnership is classified for U.S. federal income tax purposes as a partnership (or an entity that is disregarded for U.S. federal income tax purposes if the entity is treated as having only one owner or member for U.S. federal income tax purposes) rather than as a corporation or an association taxable as a corporation. An unincorporated entity with at least two owners or members will be classified as a partnership, rather than as a corporation, for U.S. federal income tax purposes if it:

- is treated as a partnership under the Treasury Regulations relating to entity classification (the "check-the-box regulations"); and
- is not a "publicly-traded partnership."

Under the check-the-box regulations, an unincorporated entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity fails to make an election, it generally will be treated as a partnership (or an entity that is disregarded for U.S. federal income tax purposes if the entity is treated as having only one owner or member for U.S. federal income tax purposes) for U.S. federal income tax purposes. Once our operating partnership is no longer treated as a disregarded entity, we intend for our operating partnership intends to be classified as a partnership for U.S. federal income tax purposes and will not cause our operating partnership to elect to be treated as an association taxable as a corporation under the check-the-box regulations.

A publicly-traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. A publicly-traded partnership will not, however, be treated as a corporation for any taxable year if, for each taxable year beginning after December 31, 1987 in which it was classified as a publicly-traded partnership, 90% or more of the partnership's gross income for such year consists of certain passive-type income, including real property rents, gains from the sale or other disposition of real property, interest, and dividends, or (the "90% passive income exception"). Treasury Regulations provide limited safe harbors from the definition of a publicly-traded partnership. Pursuant to one of those safe harbors (the "private placement exclusion"), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (1) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act of 1933, as amended, and (2) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a partnership, grantor trust, or S corporation that owns an interest in the partnership is treated as a partner in such partnership only if (1) substantially all of the value of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership and (2) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. Each Partnership in which we own an interest currently qualifies for the private placement exclusion.

We have not requested and do not intend to request a ruling from the IRS that our operating partnership will be classified as a partnership for U.S. federal income tax purposes once it is treated as having two or more partners for U.S. federal income tax purposes. If for any reason our operating partnership were taxable as a corporation, rather than as a partnership, for U.S. federal income tax purposes, we likely would not be able to qualify as a REIT unless we qualified for certain relief provisions. See "— Gross Income Tests" and "— Asset Tests." In addition, any change in a Partnership's status for tax purposes might be treated as a taxable event, in which case we might incur tax liability without any related cash distribution. See "— Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

Income Taxation of the Partnerships and their Partners

Partners, Not the Partnerships, Subject to Tax. A partnership is not a taxable entity for U.S. federal income tax purposes. Rather, we are required to take into account our allocable share of each Partnership's income, gains, losses, deductions, and credits for any taxable year of such Partnership ending within or with our taxable year, without regard to whether we have received or will receive any distribution from such Partnership.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of the U.S. federal income tax laws governing partnership allocations. If an allocation is not recognized for U.S. federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Each Partnership's allocations of taxable income, gain, and loss are intended to comply with the requirements of the U.S. federal income tax laws governing partnership allocations.

Tax Allocations with Respect to Partnership Properties. Income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. The amount of the unrealized gain or unrealized loss ("built-in gain" or "built-in loss") is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (a "book-tax difference"). Any property purchased for cash initially will have an adjusted tax basis equal to its fair market value, resulting in no book-tax difference.

Allocations with respect to book-tax differences are solely for U.S. federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The U.S. Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods. Under certain available methods, the carryover basis of contributed properties in the hands of our operating partnership (1) could cause us to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to us if all contributed properties were to have a tax basis equal to their fair market value at the time of the contribution and (2) in the event of a sale of such properties, could cause us to be allocated taxable gain in excess of the economic or book gain allocated to us as a result of such sale, with a corresponding benefit to the contributing partners. An allocation described in (2) above might cause us to recognize taxable income in excess of cash proceeds in the event of a sale or other disposition of property, which might adversely affect our ability to comply with the REIT distribution requirements and may result in a greater portion of our distributions being taxed as dividends. We have elected to use the "tradional method".

Sale of a Partnership's Property

Generally, any gain realized by a Partnership on the sale of property held by the Partnership for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Under Section 704I of the Code, any gain or loss recognized by a Partnership on the disposition of contributed properties will be allocated first to the partners of the Partnership who contributed such properties to the extent of their built-in gain or loss on those properties for U.S. federal income tax purposes. The partners' built-in gain or loss on such contributed properties will equal the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution as reduced for any decrease in the "book-tax difference." See "— Income Taxation of the Partnerships and their Partners — Tax Allocations with Respect to Partnership Properties." Any remaining gain or loss recognized by the Partnership on the disposition of the contributed properties, and any gain or loss recognized by the Partnership on the disposition of the other properties, will be allocated among the partners in accordance with their respective percentage interests in the Partnership.

Our share of any gain realized by a Partnership on the sale of any property held by the Partnership as inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon our ability to satisfy the income tests for REIT qualification. See "— Gross Income Tests." We do not presently intend to acquire or hold or to allow any Partnership to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of our or such Partnership's trade or business.

Legislative or Other Actions Affecting REITs

The present federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial or administrative action at any time. The REIT rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department which may result in statutory changes as well as revisions to regulations and interpretations. Prospective stockholders are urged to consult with their own tax advisors regarding the effect of potential changes to the federal tax laws on an investment in shares of our common stock.

State and Local Taxes

We and/or you may be subject to taxation by various states and localities, including those in which we or a stockholder transacts business, owns property or resides. The state and local tax treatment may differ from the U.S. federal income tax treatment described above. Consequently, you should consult your own tax advisors regarding the effect of state and local tax laws upon an investment in shares of our common stock.

ERISA CONSIDERATIONS

The following is a summary of material considerations arising under ERISA and the prohibited transaction provisions of the Code that may be relevant to a prospective purchaser, including plans and arrangements subject to the fiduciary rules of ERISA and plans or entities that hold assets of such plans ("ERISA Plans"); plans and accounts that are not subject to ERISA but are subject to the prohibited transaction rules of Section 4975 of the Code, including IRAs, Keogh plans, and medical savings accounts (together with ERISA Plans, "Benefit Plans" or "Benefit Plan Investors"); and governmental plans, church plans, and foreign plans that are exempt from ERISA and the prohibited transaction provisions of the Code but that may be subject to state law or other requirements, which we refer to as Other Plans. This discussion does not address all the aspects of ERISA, the Code or other laws that may be applicable to a Benefit Plan or Other Plan, in light of their particular circumstances.

In considering whether to invest a portion of the assets of a Benefit Plan or Other Plan, fiduciaries should consider, among other things, whether the investment:

- will be consistent with applicable fiduciary obligations;
- will be in accordance with the documents and instruments covering the investments by such plan, including its investment policy;
- in the case of an ERISA plan, will satisfy the prudence and diversification requirements of Sections 404(a)(1)(B) and 404(a)(1)(C) of ERISA, if applicable, and other provisions of the Code and ERISA;
- will impair the liquidity of the Benefit Plan or Other Plan;
- will result in unrelated business taxable income to the plan; and
- will provide sufficient liquidity, as there may be only a limited market to sell or otherwise dispose of our stock.

ERISA and the corresponding provisions of the Code prohibit a wide range of transactions involving the assets of the Benefit Plan and persons who have specified relationships to the Benefit Plan, who are "parties in interest" within the meaning of ERISA and, "disqualified persons" within the meaning of the Code. Thus, a designated plan fiduciary of a Benefit Plan considering an investment in our shares should also consider whether the acquisition or the continued holding of our shares might constitute or give rise to a prohibited transaction. Fiduciaries of Other Plans should satisfy themselves that the investment is in accord with applicable law.

Section 3(42) of ERISA and regulations issued by the Department of Labor provide guidance on the definition of plan assets under ERISA. These regulations also apply under the Code for purposes of the prohibited transaction rules. Under the regulations, if a plan acquires an equity interest in an entity which is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the plan's assets would include both the equity interest and an undivided interest in each of the entity's underlying assets unless an exception from the plan asset regulations applies.

The regulations define a publicly-offered security as a security that is:

- "widely-held;"
- "freely-transferable;" and
- either part of a class of securities registered under Section 12(b) or 12(g) of the Securities Exchange Act of 1934, or sold in connection with an effective registration statement under the Securities Act of 1933, provided the securities are registered under the Securities Exchange Act of 1934 within 120 days (or such later time as may be allowed by the Securities and Exchange Commission) after the end of the fiscal year of the issuer during which the offering occurred.

Because we have not registered and do not intend to register our common stock under the Securities Exchange Act of 1934, we do not believe our common stock would be treated as a "public-offering security" for purposes of the Department of Labor's plan assets guidelines. Therefore, we must comply with another exception to the plan assets regulations.

Another exception in the plan asset regulations applies to a Benefit Plan's investment in a "real estate operating company." If a Benefit Plan acquires an equity security issued by a real estate operating company, the Benefit Plan's assets include that equity security but do not include an undivided interest in the underlying assets of the real estate operating company. To constitute a "real estate operating company" under the plan asset regulations, an entity such as us must, on its initial valuation date and during each annual valuation period, have at least 50% of its assets (valued at cost and excluding short-term investments pending long-term commitment or distribution) invested in real estate which is managed or developed and with respect to which the entity has the right to substantially participate directly in the management and development activities and must, in the ordinary course of business, engage in real estate management and development activities. We believe that we will qualify as a "real estate operating company" so that our assets should not constitute the assets of a Benefit Plan that acquires or holds our common stock.

Another exception in the plan asset regulations applies if Benefit Plan participation in an entity is "insignificant." The plan asset regulations provide that Benefit Plan participation in an entity is insignificant if Benefit Plans do not hold 25% or more of any class of equity security in the entity (disregarding for this purpose, any equity securities held by persons, other than Benefit Plans, who have discretionary authority or control with respect to the assets of the entity or a person who provides investment advice for a fee with respect to those assets). We may qualify for this exception so that our assets should not constitute the assets of a Benefit Plan that acquires or holds our common stock. However, we do not intend to restrict investment in us by Benefit Plans. Thus, no assurance can be given that the "insignificant participation" exception will apply to us.

If the underlying assets of our company were treated by the Department of Labor as "plan assets," the management of our company would be treated as fiduciaries with respect to Benefit Plan stockholders and the prohibited transaction restrictions of ERISA and the Code could apply to transactions involving our assets and transactions with "parties in interest" (as defined in ERISA) or "disqualified persons" (as defined in Section 4975 of the Code) with respect to Benefit Plan stockholders. If the underlying assets of our company were treated as "plan assets," an investment in our company also might constitute an improper delegation of fiduciary responsibility to our company under ERISA and expose the ERISA Plan fiduciary to co-fiduciary liability under ERISA and might result in an impermissible commingling of plan assets with other property.

If a prohibited transaction were to occur, an excise tax equal to 15% of the amount involved would be imposed under the Code, with an additional 100% excise tax if the prohibited transaction is not "corrected." Such taxes will be imposed on any disqualified person who participates in the prohibited transaction. In addition, our Manager, and possibly other fiduciaries of Benefit Plan stockholders subject to ERISA who permitted such prohibited transaction to occur or who otherwise breached their fiduciary responsibilities, could be required to restore to the plan any losses suffered by the ERISA Plan or any profits realized by these fiduciaries as a result of the transaction or beach. With respect to an IRA or similar account that invests in our company, the occurrence of a prohibited transaction involving the individual who established the IRA, or his or her beneficiary, would cause the IRA to lose its tax-exempt status. In that event, the IRA or other account owner generally would be taxed on the fair market value of all the assets in the account as of the first day of the owner's taxable year in which the prohibited transaction occurred.

REPORTS

We will furnish the following reports, statements, and tax information to each of our stockholders:

Reporting Requirements under Tier 2 of Regulation A. As an issue of securities under Tier 2 of Regulation A, we will be required to comply with certain ongoing disclosure requirements under Rule 257 of Regulation A. We are required to file the following: an annual report with the SEC on Form 1-K; a semi-annual report with the SEC is on Form 1-SA; and current reports with the SEC on Form 1-U. Parts I & II of Form 1-Z will be filed by us if and when we decide to and are no longer obligated to file and provide annual reports pursuant to the requirements of Regulation A.

Annual Reports. As soon as practicable, but in no event later than one hundred twenty (120) days after the close of our fiscal year, ending December 31, our board of directors will cause to be mailed or made available, by any reasonable means, to each stockholder as of a date selected by the board of directors, an annual report containing financial statements of our company for such fiscal year, presented in accordance with GAAP, including a balance sheet and statements of operations, company equity and cash flows, with such statements having been audited by an accountant selected by the board of directors. The board of directors shall be deemed to have made a report available to each stockholder as required if it has either (i) filed such report with the SEC via its Electronic Data Gathering, Analysis and Retrieval, or EDGAR, system and such report is publicly available on such system, or (ii) made such report available on any website maintained by our company and available for viewing by the stockholders.

Tax Information. On or before March 31st of the year immediately following our fiscal year, which is currently January 1 through December 31, we will send to each stockholder such tax information as shall be reasonably required for federal and state income tax reporting purposes.

Stock Certificates. We do not anticipate issuing stock certificates representing shares purchased in this offering to the stockholders. However, we are permitted to issue stock certificates and may do so at the request of our transfer agent. The number of shares held by each stockholder, and each stockholder's percentage of the aggregate outstanding shares, will be maintained by us or our transfer agent in our company register.

LEGAL MATTERS

Certain legal matters will be passed upon for us by Kaplan Voekler Cunningham & Frank, PLC, or KVCF. KVCF also provides legal services to some of our affiliates, including our Manager and Holmwood. Messrs. Kaplan and Kaplan Jr. are each a member of KVCF. Following the conclusion of this offering, assuming we sell the maximum offering amount and no shares are issued in the DRIP, Mr. Kaplan will beneficially own approximately 86,556 shares of our common stock (including 36,556 restricted shares), approximately 2,000 shares of our Series A Preferred Stock and approximately 103,547 OP Units, and Mr. Kaplan, Jr. will beneficially own approximately 86,556 shares of our common stock (including 36,556 restricted shares) and 36,553 OP Units. In connection with the offering, neither of Messrs. Kaplan and Kaplan Jr. will serve as an attorney on behalf of KVCF but will serve solely in their capacities with our company and our Manager. KVCF will issue an opinion regarding certain matters of Maryland law, including the validity of the shares of common stock offered hereby.

INDEPENDENT AUDITORS

The consolidated financial statements of HC Government Realty Trust, Inc. and subsidiaries as of December 31, 2017 and December 31, 2016 and for the year ended December 31, 2017 and for the period from March 11, 2016 (date of inception) to December 31, 2016, the consolidated financial statements of Holmwood Capital, LLC and its subsidiaries as of May 26, 2017 and December 31, 2016 and for the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016, the combined statement of revenue and certain operating expenses of our Owned Properties for the year ended December 31, 2015, the statement of revenues and certain operating expenses of the Norfolk Property for the year ended December 31, 2016, the statement of revenues and certain operating expenses of the Knoxville Property for the year ended December 31, 2017, and the statement of revenues and certain operating expenses of the Monroe Property for the year ended December 31, 2017 all included in this offering circular, have been audited by Cherry Bekaert LLP, independent auditors, as stated in their reports appearing herein.

ADDITIONAL INFORMATION

We have filed with the SEC an offering statement on Form 1-A, as amended, of which this offering circular is a part under the Securities Act of 1933 with respect to the shares offered by this offering circular. This offering circular does not contain all of the information set forth in the offering statement, portions of which have been omitted as permitted by the rules and regulations of the SEC. Statements contained in this offering circular as to the content of any contract or other document filed as an exhibit to the offering statement are necessarily summaries of such contract or other document, with each such statement being qualified in all respects by such reference and the schedules and exhibits to this offering circular. For further information regarding our Company and the shares offered by this offering circular, reference is made by this offering circular to the offering statement and such schedules and exhibits.

We will provide to each person, including any beneficial owner, to whom our offering circular is delivered, upon request, a copy of any or all of the information that we have incorporated by reference into our offering circular but not delivered with our offering circular. To receive a free copy of any of the documents incorporated by reference in our offering circular, other than exhibits, unless they are specifically incorporated by reference in those documents, call or write us at:

HC Government Realty Trust, Inc.
1819 Main Street, Suite 212
Sarasota, Florida 34236
(941) 955-7900

The offering statement and the schedules and exhibits forming a part of the offering statement filed by us with the SEC can be inspected and copies obtained from the Securities and Exchange Commission at Room 1580, 100 F Street, N.E., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the Securities and Exchange Commission, Room 1580, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website that contains reports, and other information regarding our company and other registrants that have been filed electronically with the SEC. The address of such site is *http://www.sec.gov*.

PART F/S

INDEX TO FINANCIAL STATEMENTS

I.A Intro to Unaudited Pro Forma Condensed Combined Financial Statements

HC Government Realty Trust, Inc.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial statements as of June 30, 2018 and for the six months ended June 30, 2018 have been prepared to provide pro forma information with regard to the Company's capital raise from this offering, the three recently acquired properties (Knoxville on July 27, 2018, Champaign on August 30, 2018 and Sarasota on October 15, 2018, "Recently Acquired Properties") and one property under contract and located in Monroe, Louisiana ("Under Contract Property").

The unaudited pro forma condensed combined balance sheet as of June 30, 2018 gives effect to the Company for its capital raise to date and estimated remaining capital to be raised as set forth in this offering circular and its immediate use of proceeds. As of June 30, 2018, the Company owned 13 properties, three properties were acquired in 2016; three properties were acquired in 2017; and seven properties were acquired, pursuant to a contribution agreement, in May 2017. The Company has one property under contract as of the filing date of this offering circular. Pro forma adjustments have been made to the HC Government Realty Trust, Inc. ("HC Government REIT") balance sheet presented in the Company's Form 1-SA Semi-Annual Report for the six-month period ended June 30, 2018 and filed on September 28, 2018 with the Securities and Exchange Commission ("SEC"). It is assumed for pro forma presentation purposes that the Recently Acquired Properties and the Property Under Contract were acquired on June 30, 2018. The pro forma balance sheet reflects the preliminary estimated impact of purchase accounting and other adjustments as required.

The unaudited pro forma condensed combined statement of operations for the Company for the six months ended June 30, 2018 assumes ownership as of January 1, 2018 for the Company's Recently Acquired Properties and the Property Under Contract. Pro forma adjustments have been made to the HC Government REIT Statement of Operations for the six months ended June 30, 2018 as presented in the Company's Form 1-SA Semi-Annual Report for the six-month period ended June 30, 2018 and filed on September 28, 2018 with the SEC to reflect such.

The unaudited pro forma condensed combined financial statements have been prepared by the Company's management based upon the historical financial statements of the Company and the pro forma results of owning the Recently Acquired Properties and the Property Under Contract. These pro forma statements may not be indicative of the results that actually would have occurred had the anticipated acquisition been in effect on the dates indicated or which may be obtained in the future.

In management's opinion, all adjustments necessary to reflect the effects of acquiring the Recently Acquired Properties and the Property Under Contract as of January 1, 2018 have been made. These unaudited pro forma condensed combined financial statements are for informational purposes only and should be read in conjunction with the historical consolidated financial statements of (i) the Company as of June 30, 2018 and December 31, 2017 and for the six month period ended June 2018 and 2017, (ii) the Company as of December 31, 2017 and December 31, 2016 and for the year ended December 31, 2017 and for the period from March 11, 2016 to December 31, 2016, and (iii) Holmwood Capital, LLC, as of May 26, 2017 and December 31, 2016 and for the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016.

HC Government Realty Trust, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Six Months Ended June 30, 2018

	REIT Historical[1]	Recently Acquired Properties [2]	Property Under Contract[3]	Pro Forma Adjustments[4]	Pro Forma Total
Revenues	$ 3,775,761	$ 962,011	$ 372,796	$ -	$ 5,110,568
Operating expenses	1,886,223	200,176	97,666	239,797	2,423,862
Depreciation and amortization	1,423,466	272,637	65,019	-	1,761,122
Interest expense	1,444,494	393,275	103,000	(276,724)	1,664,045
Other Income	(57,530)	-	-	-	(57,530)
Net (loss) income	(920,892)	95,923	107,111	36,927	(680,931)
Less: Net loss attributable to noncontrolling interest in operating partnership	(188,714)			156,667	(32,047)
Net loss attributed to HC Government Realty Trust, Inc.	(732,178)				(648,884)
Preferred stock dividends	(126,438)				(126,438)
Net loss attributed to HC Government Realty Trust, Inc. available to common shareholders	$ (858,616)				$ (775,322)
Basic and diluted loss per share	$ (0.86)				$ (0.24)
Basic and diluted weighted-average common shares outstanding	992,741				3,203,094

[1] Derived from the Company's Statement of Operations for the six months ended June 30, 2018 as reported in the Company's Form 1-SA Semi-Annual Report for the six-month period ended June 30, 2018 and filed on September 28, 2018 with the SEC.

[2] Represents the pro forma operating results for the six months ended June 30, 2018 of the Recently Acquired Properties.

[3] Represents the pro forma operating results for the six months ended June 30, 2018 of the Property Under Contract.

[4] Pro forma adjustments represent the following: (1) to adjust the equity-based compensation and asset management fee based upon selling the maximum stock available under this offering; (2) to adjust interest expense to reflect savings from the payoff of notes payable and related party payables; and (3) to adjust the Operating Partnership's noncontrolling ownership interest to 27.55% based upon selling the maximum stock available under this offering circular.

HC Government Realty Trust, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
As of June 30, 2018

	REIT Historical[1]	Recently Acquired Properties [2]	Property Under Contract[3]	Pro Forma Adjustments[4]	Pro Forma Total
ASSETS					
Investment in real estate, net	$ 60,790,197	$ 21,810,950	$ 5,201,500	$ -	$ 87,802,647
Cash and cash equivalents	467,828	-	(968,818)	6,745,500	6,244,510
Restricted cash	3,101,025	-	-	-	3,101,025
Rent and other tenant receivables, net	756,913	-	-	-	756,913
Leasehold intangibles, net	5,194,418	-	-	-	5,194,418
Prepaid expenses and other assets	1,039,614	(816,157)	(61,182)	-	162,275
Total Assets	$ 71,349,995	$ 20,994,793	$ 4,171,500	$ 6,745,500	$ 103,261,788
LIABIILTIES					
Mortgages payable, net of unamortized debt costs	$ 49,161,173	$ 15,808,843	$ 4,120,000	$ -	$ 69,090,016
Loans - related party	175,000	-	-	(175,000)	-
Notes payable	1,617,793	-	-	(1,617,793)	-
Notes payable - related party	3,820,000	4,970,000	-	(8,790,000)	-
Declared dividends and distributions	374,053	-	-	-	374,053
Accrued interest payable	252,559	-	-	-	252,559
Accounts payable	280,700	-	-	-	280,700
Accrued expenses	391,290	-	-	-	391,290
Tenant improvement obligation	1,315,366	-	-	-	1,315,366
Acquisition fee payable - related party	274,345	215,950	51,500	-	541,795
Below-market leases, net	920,837	-	-	-	920,837
Related parties payable, net	518,073	-	-	(518,073)	-
Total Liabilities	59,101,189	20,994,793	4,171,500	(11,100,866)	73,166,616
STOCKHOLDERS' EQUITY					
Preferred Stock	144	-	-	-	144
Common Stock	1,100	-	-	2,116	3,216
Additional paid-in capital	11,249,952	-	-	19,981,542	31,231,494
Offering costs	(1,459,479)	-	-	-	(1,459,479)
Accumulated deficit	(2,073,152)	-	-	-	(2,073,152)
Accumulated dividends and distributions	(1,105,836)	-	-	-	(1,105,836)
Total Stockholders' Equity	6,612,729	-	-	19,983,658	26,596,387
Noncontrolling interest in operating partnership	5,636,077	-	-	(2,137,292)	3,498,785
Total Equity	12,248,806	-	-	17,846,366	30,095,172
Total Liabilities and Stockholders' Equity	$ 71,349,995	$ 20,994,793	$ 4,171,500	$ 6,745,500	$ 103,261,788

[1] Derived from the Company's Balance Sheet as of June 30, 2018 as reported in the Company's Form 1-SA Semi-Annual Report for the six-month period ended June 30, 2018 as filed on September 28, 2018 with the SEC.

[2] Represents the pro forma June 30, 2018 acquisition of the Recently Acquired Properties.

[3] Represents the pro forma June 30, 2018 acquisition of the Property Under Contract.

[4] Pro forma adjustments represent the following: (1) reflect the sale of the maximum stock available to be sold under this offering circular; (2) reflect the payoff of notes payable and related parties payable with use of offering proceeds; and (3) adjust the noncontrolling ownership interest in the operating partnership to 27.55% based upon the maximum stock sold under this offering circular.

II.B Intro to Unaudited Pro Forma Condensed Combined Financial Statements

HC Government Realty Trust, Inc.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited pro forma condensed combined financial statements as of December 31, 2017 and for the year ended December 31, 2017 have been prepared to provide pro forma information with regard to the Company's capital raise from this offering, historical acquisition of three properties during 2017 ("Acquired Properties"), seven properties obtained pursuant to a contribution agreement on May 2017 ("Contributed Properties"), the three recently acquired properties (Knoxville on July 27, 2018, Champaign on August 30, 2018 and Sarasota on October 15, 2018, "Recently Acquired Properties") and one property under contract located in Monroe, Louisiana ("Property Under Contract").

The unaudited pro forma condensed combined balance sheet as of December 31, 2017 gives effect to the Company for its capital raise to date and estimated remaining capital to be raised as set forth in this offering circular and its immediate use of proceeds. As of December 31, 2017, the Company owned 13 properties, three properties were acquired in 2016; three properties were acquired in 2017; and seven properties were acquired, pursuant to a contribution agreement, in May 2017. Pro forma adjustments have been made to the HC Government Realty Trust, Inc. ("HC Government REIT") balance sheet presented in the Company's Form 1-K Annual Report as of December 31, 2017 and filed on April 27, 2018 with the Securities and Exchange Commission ("SEC"). It is assumed for pro forma presentation purposes that the Recently Acquired Properties and the Property Under Contract were acquired on December 31, 2017. The pro forma balance sheet reflects the preliminary estimated impact of purchase accounting and other adjustments as required.

The unaudited pro forma condensed combined statement of operations for the Company for the year ended December 31, 2017 assumes ownership as of January 1, 2017 for the Company's Acquired Properties, Contributed Properties, Recently Acquired Properties, and the Property Under Contract. Pro forma adjustments have been made to the HC Government REIT Statement of Operations for the year ended December 31, 2017 as presented in the Company's Form 1-K Annual Report as of December 31, 2017 and filed on April 27, 2018 with the SEC to reflect such.

The unaudited pro forma condensed combined financial statements have been prepared by the Company's management based upon the historical financial statements of the Company and the pro forma results of owning the Acquired Properties, Contributed Properties, Recently Acquired Properties, and the Property Under Contract. These pro forma statements may not be indicative of the results that actually would have occurred had the anticipated acquisition been in effect on the dates indicated or which may be obtained in the future.

In management's opinion, all adjustments necessary to reflect the effects of acquiring the Acquired Properties, Contributed Properties, Recently Acquired Properties and the Property Under Contract as of January 1, 2017 have been made. These unaudited pro forma condensed combined financial statements are for informational purposes only and should be read in conjunction with the historical consolidated financial statements of (i) the Company, as of December 31, 2017 and December 31, 2016 and for the year ended December 31, 2017 and for the period from March 11, 2016 to December 31, 2016, (ii) Holmwood Capital, LLC, as of May 26, 2017 and December 31, 2016 and for the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016.

HC Government Realty Trust, Inc.
Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2017

	REIT Historical[1]	Contributed Properties[2]	Acquired Properties[3]	Recently Acquired Properties [4]	Under Contract Property [5]	Pro Forma Adjustments[6]	Pro Forma Total
Revenues	$ 4,764,562	$ 1,433,437	$ 1,584,651	$ 1,904,895	$ 743,064	$ -	$10,430,609
Operating expenses	2,558,399	503,390	502,753	381,283	189,182	745,974	4,880,981
Depreciation and amortization	1,675,079	478,377	808,762	545,274	130,038	-	3,637,530
Interest expense	1,990,858	474,471	534,958	786,550	206,000	(464,841)	3,527,996
Net (loss) income	(1,459,774)	(22,801)	(261,822)	191,788	217,844	(281,133)	(1,615,898)
Less: Net loss attributable to noncontrolling interest in operating partnership	(244,844)					105,905	(138,939)
Net loss attributed to HC Government Realty Trust, Inc.	(1,214,930)						(1,476,959)
Preferred stock dividends	(316,095)						(316,095)
Net loss attributed to HC Government Realty Trust, Inc. available to common shareholders	$(1,531,025)						$(1,793,054)
Basic and diluted loss per share	$ (3.03)						$ (0.56)
Basic and diluted weighted-average common shares outstanding	504,486						3,200,000

(1) Derived from the Company's Statement of Operations for the year ended December 31, 2017 as reported in the Company's Form 1-K Annual Report as of December 31, 2017 and filed on April 27, 2018 with the SEC.

(2) Represents the activity of the Contributed Properties which was derived from Holmwood's Statement of Operations for the period January 1, 2017 to May 26, 2017 as reported in the Company's Form 1-K Annual Report as of December 31, 2017 and filed on April 27, 2018 with the SEC.

(3) Represents the Acquired Properties' revenue, operating expenses, depreciation and amortization, and interest expense as if the properties were acquired on January 1, 2017.

(4) Represents the pro forma operating results for the year ended December 31, 2017 of the Recently Acquired Properties

(5) Represents the pro forma operating results for the year ended December 31, 2017 of the Under Contract Property.

(6) Pro forma adjustments represent the following: (1) to adjust the equity-based compensation and asset management fee based upon selling the maximum stock available under this offering; (2) to adjust interest expense to reflect savings from the payoff of notes payable and related party payables; and (3) to adjust the Operating Partnership's noncontrolling ownership interest to reflect 27.55% based upon selling the maximum stock available under this offering circular.

HC Government Realty Trust, Inc.
Unaudited Pro Forma Condensed Combined Balance Sheet
As of December 31, 2017

	REIT Historical(1)	Recently Acquired Properties(2)	Property Under Contract(3)	Pro Forma Adjustments(4)	Pro Forma Total
ASSETS					
Investment in real estate, net	$ 61,922,635	$ 21,810,950	$ 5,201,500	$ -	$ 88,935,085
Cash and cash equivalents	695,719	(758,157)	(1,030,000)	8,955,377	7,862,939
Restricted cash	1,676,152	-	-	-	1,676,152
Rent and other tenant receivables, net	757,752	-	-	-	757,752
Leasehold intangibles, net	5,635,435	-	-	-	5,635,435
Prepaid expenses and other assets	365,840	(58,000)	-	-	307,840
Total Assets	$ 71,053,533	$ 20,994,793	$ 4,171,500	$ 8,955,377	$ 105,175,203
LIABIILTIES					
Mortgages payable, net of unamortized debt costs	$ 49,573,683	$ 15,808,843	$ 4,120,000	$ -	$ 69,502,526
Notes payable	1,179,610	-	-	(1,179,610)	-
Notes payable - related party	4,150,000	4,970,000	-	(9,120,000)	-
Declared dividends and distributions	344,842	-	-	-	344,842
Accrued interest payable	248,352	-	-	-	248,352
Accounts payable	267,232	-	-	-	267,232
Accrued expenses	357,981	-	-	-	357,981
Tenant improvement obligation	1,315,366	-	-	-	1,315,366
Acquisition fee payable - related party	274,345	215,950	51,500	-	541,795
Below-market leases, net	1,001,754	-	-	-	1,001,754
Related parties payable, net	461,858	-	-	(461,858)	-
Total Liabilities	59,175,023	20,994,793	4,171,500	(10,761,468)	$ 73,579,848
STOCKHOLDERS' EQUITY					
Preferred Stock	144	-	-	-	144
Common Stock	895	-	-	2,321	3,216
Additional paid-in capital	8,948,713	-	-	22,463,203	31,411,916
Offering costs	(1,459,479)	-	-	-	(1,459,479)
Accumulated deficit	(1,340,974)	-	-	-	(1,340,974)
Accumulated dividends and distributions	(690,963)	-	-	-	(690,963)
Total Stockholders' Equity	5,458,336	-	-	22,465,524	27,923,860
Noncontrolling interest in operating partnership	6,420,174	-	-	(2,748,679)	3,671,495
Total Equity	11,878,510	-	-	19,716,845	31,595,355
Total Liabilities and Stockholders' Equity	$ 71,053,533	$ 20,994,793	$ 4,171,500	$ 8,955,377	$ 105,175,203

(1) Derived from the Company's Balance Sheet as of December 31, 2017 as reported in the Company's Form 1-K Annual Report as of December 31, 2017 and filed on April 27, 2018 with the SEC.

(2) Represents the pro forma December 31, 2017 acquisition of the Recently Acquired Properties.

(3) Represents the pro forma December 31, 2017 acquisition of the Under Contract Property.

(4) Pro forma adjustments represent the following: (1) to reflect the sale of the maximum stock available to be sold under this offering circular; (3) to reflect the payoff of notes payable and related parties payable with use of offering proceeds; (4) to adjust the noncontrolling ownership interest in the operating partnership to 27.55% based upon the maximum stock sold under this offering circular.

II.A Financial Statements as of June 30, 2018 and December 31, 2017 and for the Six Month Period Ending June 30, 2018 and 2017

HC Government Realty Trust, Inc.
Consolidated Balance Sheets
June 30, 2018 (unaudited) and December 31, 2017

	June 30, 2018 (Unaudited)	December 31, 2017
ASSETS		
Investment in real estate, net	$ 60,790,197	$ 61,922,635
Cash and cash equivalents	467,828	695,719
Restricted cash	3,101,025	1,676,152
Rent and other tenant receivables, net	756,913	757,752
Leasehold intangibles, net	5,194,418	5,635,435
Deposits on properties under contract	877,339	58,000
Prepaid expenses and other assets	162,275	307,840
Total Assets	$ 71,349,995	$ 71,053,533
LIABIILTIES		
Mortgages payable, net of unamortized debt costs	$ 49,161,173	$ 49,573,683
Loans - related party	175,000	-
Notes payable	1,617,793	1,179,610
Notes payable - related party	3,820,000	4,150,000
Declared dividends and distributions	374,053	344,842
Accrued interest payable	252,559	248,352
Accounts payable	280,700	267,232
Accrued expenses	391,290	357,981
Tenant improvement obligation	1,315,366	1,315,366
Acquisition fee payable - related party	274,345	274,345
Below-market leases, net	920,837	1,001,754
Related parties payable, net	518,073	461,858
Total Liabilities	59,101,189	59,175,023
STOCKHOLDERS' EQUITY		
Preferred stock ($0.001 par value, 750,000,000 shares authorized and 144,500 shares issued and outstanding)	144	144
Common stock ($0.001 par value, 250,000,000 shares authorized, 1,100,291 and 895,307 common shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively)	1,100	895
Additional paid-in capital	11,249,952	8,948,713
Offering costs	(1,459,479)	(1,459,479)
Accumulated deficit	(2,073,152)	(1,340,974)
Accumulated dividends and distributions	(1,105,836)	(690,963)
Total Stockholders' Equity	6,612,729	5,458,336
Noncontrolling interest in operating partnership	5,636,077	6,420,174
Total Equity	12,248,806	11,878,510
Total Liabilities and Stockholders' Equity	$ 71,349,995	$ 71,053,533

The following table presents the assets and liabilities of the Company's consolidated variable interest entities as of June 30, 2018 (unaudited) and December 31, 2017 which are included on the consolidated balance sheet above. The assets in the table below include those assets that can only be used to settle obligations of the consolidated variable interest entity. The Liabilities in the table below include third-party liabilities of the consolidated variable interest entity only, and for which creditors or beneficial interest holders do not have recourse to the Company, and exclude intercompany balances that eliminate in consolidation.

ASSETS OF CONSOLIDATED VARIABLE INTEREST ENTITIES THAT CAN ONLY BE USED TO SETTLE THE OBLIGATIONS OF CONSOLIDATED VARIABLE INTEREST ENTITIES:

Buildings and improvements, net	$ 11,810,139	$ 12,007,437
Intangible assets, net	464,104	530,626
Prepaids and other assets	449,681	457,096
Total Assets	$ 12,723,924	$ 12,995,159

LIABILITIES OF CONSOLIDATED VARIABLE INTEREST ENTITIES FOR WHICH CREDITORS OR BENEFICIAL INTEREST HOLDERS DO NOT HAVE RECOURSE TO THE COMPANY.

Mortgages payable	$ 9,715,847	$ 9,796,972
Intangible liabilities, net	146,359	168,733
Accounts payable and accrued expenses	263,653	242,284
Total liabilities	$ 10,125,859	$ 10,207,989

The accompanying notes are an integral part of the consolidated financial statements

HC Government Realty Trust, Inc.
Consolidated Statements of Operations
For the Six Months Ended June 30, 2018 and 2017 (unaudited)

	For the Six Months Ended June 30, 2018	For the Six Months Ended June 30, 2017
Revenues		
Rental revenues	$ 3,758,846	$ 1,325,030
Real estate tax reimbursments and other revenues	16,915	16,031
Total revenues	3,775,761	1,341,061
Operating expenses		
Depreciation and amortization	1,423,466	481,790
General and administrative	216,199	169,232
Ground lease	45,727	7,119
Insurance	45,993	16,250
Janitorial	181,944	57,180
Management fees	259,504	73,346
Professional expenses	248,331	158,725
Real estate and other taxes	327,181	120,517
Repairs and maintenance	212,905	60,837
Equity-based compensation	139,859	31,498
Utilities	208,580	71,107
Total operating expenses	3,309,689	1,247,601
Other (income) expense		
Interest expense	1,444,494	423,260
Gain on disposition of property	(57,530)	-
Net other (income) expense	1,386,964	423,260
Net loss	(920,892)	(329,800)
Less: Net (loss) income attributable to nonconrolling interest in operating partnership	(188,714)	5,514
Net loss attributed to HC Government Realty Trust, Inc.	(732,178)	(335,314)
Preferred stock dividends	(126,438)	(126,438)
Net loss attributed to HC Government Realty Trust, Inc. available to common shareholders	$ (858,616)	$ (461,752)
Basic and diluted loss per share	$ (0.86)	$ (1.62)
Basic and diluted weighted-average common shares outstanding	992,741	285,285

The accompanying notes are an integral part of the consolidated financial statements

HC Government Realty Trust, Inc.
Consolidated Statement of Changes in Stockholders' Equity
For the Six Months Ended June 30, 2018 (unaudited)

	Preferred Series A		Common Stock								
	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Offering Costs	Accumulated Deficit	Cumulative Dividends and Distributions	Total Stockholders' Equity	Non-controlling Interest in Operating Partnership	Total Equity
Balance, December 31, 2017	144,500	$ 144	895,307	$ 895	$ 8,948,713	$ (1,459,479)	$ (1,340,974)	$ (690,963)	$ 5,458,336	$ 6,420,174	$ 11,878,510
Proceeds from issuance of stock			204,984	205	1,884,649				1,884,854	-	1,884,854
Equity-based compensation - restricted stock	-	-	-	-	61,333	-	-	-	61,333	-	61,333
Equity-based compensation long-term incentive plan shares	-	-	-	-	-	-	-	-	-	78,526	78,526
Dividends and distributions	-	-	-	-	-	-	-	(414,873)	(414,873)	(318,652)	(733,525)
Allocation of NCI in operating partnership	-	-	-	-	355,257	-	-	-	355,257	(355,257)	-
Net loss	-	-	-	-	-	-	(732,178)	-	(732,178)	(188,714)	(920,892)
Balance, June 30, 2018 (unaudited)	144,500	$ 144	1,100,291	$ 1,100	$ 11,249,952	$ (1,459,479)	$ (2,073,152)	$ (1,105,836)	$ 6,612,729	$ 5,636,077	$ 12,248,806

The accompanying notes are an integral part of the consolidated financial statements

HC Government Realty Trust, Inc.
Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2018 and 2017 (unaudited)

	For the Six Months Ended June 30, 2018	2017
Cash flows from operating activities:		
Net loss	$ (920,892)	$ (329,800)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,099,580	376,474
Amortization of acquired lease-up costs	147,473	49,565
Amortization of in-place leases	176,412	55,751
Amortization of above/below-market leases	36,215	(7,670)
Amortization of debt issuance costs	116,848	29,720
Amortization of long-term incentive plan units	78,526	12,832
Amortization of equity-based compensation - restricted shares	61,333	18,666
Gain on disposition of property	(57,530)	-
Change in assets and liabilities		
Restricted cash	(19,872)	(5,644)
Rent and other tenant receivables, net	840	(121,887)
Prepaid expense and other assets	145,565	(234,692)
Deposits on under contract properties	(819,339)	-
Related party receivables, net	-	167,334
Accrued interest payable	4,207	12,495
Accounts payable and other accrued expenses	38,284	376,008
Related party payable, net	56,215	-
Net cash provided in operating activities	143,865	399,152
Cash flows from investing activities:		
Restricted cash	(1,405,000)	-
Capital improvements	-	(15,011)
Sale of property	98,879	-
Property acquisitions	-	(14,528,464)
Net cash used in investing activities	(1,306,121)	(14,543,475)
Cash flows from financing activities:		
Debt issuance costs	(2,653)	(151,493)
Dividends paid	(704,314)	(126,438)
Mortgage principal payments	(526,705)	(173,673)
Mortgage proceeds	-	10,875,000
Notes principal repayments	(61,817)	(98,690)
Notes principal repayments - related party	(330,000)	-
Offering costs	-	(330,730)
Proceeds from loans - related party	525,000	-
Proceeds from notes payable	500,000	330,000
Proceeds from notes payable - related party	-	3,070,000
Proceeds from sale of common stock, net of issuance costs	1,884,854	3,719,592
Repayment of loans - related party	(350,000)	-
Repayment of assumed notes payable	-	(1,321,210)
Net cash provided from financing activities	934,365	15,792,358
Net increase in cash and cash equivalents	(227,891)	1,648,035
Cash and cash equivalents, beginning of period	695,719	247,137
Cash and cash equivalents, end of period	$ 467,828	$ 1,895,172
Supplemental cash flow information:		
Cash paid for interest	$ 1,323,439	$ 381,045
Cash paid for income taxes	$ -	$ -
Non cash investing and financing activities:		
Mortgage refinance	$ 6,834,293	$ -
Contributed assets (See Note 3)	$ -	$ 30,738,651
Assumed liabilities (See Note 3)	$ -	$ 24,670,469
Common units issued in connection with contribution transaction	$ -	$ 6,068,182

The accompanying notes are an integral part of the consolidated financial statements

1. Organization

HC Government Realty Trust, Inc. (the "REIT"), a Maryland corporation, was formed on March 11, 2016 to primarily source, acquire, own and manage built-to-suit and improved-to-suit, single-tenant properties leased by the United States of America through the U.S General Services Administration ("GSA Properties"). The REIT focuses primarily on GSA Properties across secondary and smaller markets, within size ranges of 5,000-50,000 rentable square feet, and in their first term after construction or retrofit to post-9/11 standards. Further, the REIT selects GSA Properties that fulfill mission critical or citizen service functions. Leases associated with the GSA Properties are full faith and credit obligations of the United States of America and are administered by the U.S. General Services Administration or directly through the occupying federal agencies, or collectively the GSA.

The REIT owns its properties through the REIT's subsidiary, HC Government Realty Holdings, L.P., a Delaware limited partnership ("Operating Partnership"), and together with the REIT, the "Company"). The Operating Partnership invests through wholly-owned special purpose limited liability companies, or special purpose entities ("SPEs"), primarily in properties across secondary or smaller markets.

The consolidated financial statements include the accounts of its Operating Partnership subsidiary and related SPEs and the accounts of the Company. As of June 30, 2018, the financial statements reflect the operations of 13 properties representing 263,045 rentable square feet located in nine states. The properties are 100% leased to the government of the United States of America and based on net operating income, have a weighted average remaining lease term of 9.1 years if none of the early termination rights are exercised and 5.8 years if all of the early termination rights are exercised as of June 30, 2018. The Company and its assets are managed externally by Holmwood Capital Advisors, LLC and its subsidiary Holmwood Capital Management, LLC (collectively "HCA" or "Asset Manager"). The owners of HCA, or their respective affiliates, principally own and control Holmwood Capital, LLC ("predecessor" or "Holmwood"). Holmwood and HCA collectively own 44.51% of the common shares of the Company outstanding, on a fully diluted basis as of June 30, 2018. The CEO of HCA and Holmwood serves as the CEO and board member of the Company. In addition, two other beneficial owners of HCA and Holmwood serve as board members of the Company. The Company operates as an UPREIT and will elect to be treated as a real estate investment trust, or REIT, for federal income tax purposes under the Internal Revenue Code of 1986, as amended, or the Code, beginning with the taxable year ended December 31, 2017 on or before October 15, 2018, the IRS filing deadline for Form 1120-REIT.

2. Significant Accounting Policies

Basis of Accounting and Consolidation Basis **-** The accompanying consolidated financial statements include the accounts of the Operating Partnership and 13 SPEs as of June 30, 2018. Of the SPEs, ten are wholly-owned entities that are consolidated based upon the Company having a controlling financial interest, and three SPEs are consolidated variable interest entities based upon management's determination that the Operating Partnership has a variable interest in the entities and is the primary beneficiary. All other significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates **-** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents **-** Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less when purchased. At times, the Company's cash and cash equivalents balance deposited with financial institutions may exceed federally insurable limits. The Company maintains separate cash balances at the operating partnership and SPE level. As of June 30, 2018 and December 31, 2017, the Company had a $0 and $318,919, respectively, of cash balances in excess of FDIC limits. The Company mitigates this risk by depositing funds with major financial institutions. The Company has not experienced any losses in connection with such deposits.

Restricted Cash **–** Restricted cash consists of amounts escrowed for future real estate taxes, insurance, and capital expenditures, as required by certain of the Company's mortgage debt agreements.

Purchase Accounting for Acquisitions of Real Estate Subject to a Lease - In accordance with the Financial Accounting Standards Board ("FASB") guidance on business combinations, the Company determines the fair value of the real estate assets acquired on an "as if vacant" basis. The difference between the purchase price and the fair value of the real estate assets on an "as if vacant" basis is first allocated to the fair value of above- and below-market leases, and then allocated to in-place leases and lease-up costs.

Management estimates the "as if vacant" value considering a variety of factors, including the physical condition and quality of the buildings, estimated rental and absorption rates, estimated future cash flows, and valuation assumptions consistent with current market conditions. The "as if vacant" fair value is allocated to land and buildings and improvements based on relevant information obtained in connection with the acquisition of the property, including appraisals and property tax assessments. Above-market and below-market lease values are determined on a lease-by-lease basis based on the present value (using an interest rate that reflects the risk associated with the leases acquired) of the difference between (a) the contractual amounts to be paid under the lease and (b) management's estimate of the fair market lease rate for the corresponding space over the remaining non-cancelable terms of the related leases. Above (below) market lease values are recorded as leasehold intangibles and are recognized as an increase or decrease in rental income over the remaining non-cancelable term of the lease.

Additionally, in-place leases are valued in consideration of the net rents earned that would have been foregone during an assumed lease-up period; and lease-up costs are valued based upon avoided brokerage fees. The Company has not recognized any value attributable to customer relationships. The difference between the total of the calculated values described above, and the actual purchase price plus acquisition costs, is allocated pro-ratably to each component of calculated value. In-place leases and lease-up costs are amortized over the remaining non-cancelable term of the leases. Real estate values were determined by independent accredited appraisers.

Depreciation of an asset begins when it is available for use and is calculated using the straight-line method over its estimated useful life. Range of useful lives for depreciable assets are as follows:

Category	**Term**
Buildings	40 years
Building improvements	5- 40 years
Tenant improvements	Shorter of remaining life of the lease or useful life

Construction expenditures for building improvements and tenant improvements are capitalized and amortized over the terms of each specific lease.

Maintenance and repair expenditures are charged to expense as incurred while expenditures that extend the useful life of the real estate investment are capitalized.

Tenant Improvements - As part of the leasing process, the Company may provide the lessee with an allowance for the construction of leasehold improvements. These leasehold improvements are capitalized and recorded as tenant improvements and depreciated over the shorter of the useful life of the improvements or the remaining lease term. If the allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, the allowance is considered to be a lease incentive and is recognized over the lease term as a reduction of minimum rent revenue. Factors considered during this evaluation include, among other things, who holds legal title to the improvements as well as other controlling rights provided by the lease agreement and provisions for substantiation of such costs (e.g. unilateral control of the tenant space during the build-out process). Determination of the appropriate accounting for the payment of a tenant allowance is made on a lease-by-lease basis, considering the facts and circumstances of the individual tenant lease.

Leases - The Company's real estate is leased to tenants on a modified gross lease basis. The leases provide for a minimum rent which normally is flat during the firm term of the lease. The minimum rent payment may include payments to pay for lessee requests for tenant improvements or to cover the cost for extra security. The tenant is required to pay increases in property taxes over the first year and an increase in operating costs based on the consumer price index of the lease's base year operating expenses. Operating costs includes repairs and maintenance, cleaning, utilities and other related costs. Generally, the leases provide the tenant with renewal options, subject to generally the same terms and conditions of the base term of the lease. The Company accounts for its leases using the operating method. Such method is described below:

Operating method – Properties with leases accounted for using the operating method are recorded at the cost of the real estate. Revenue is recognized as rentals are earned and expenses (including depreciation and amortization) are charged to operations as incurred. Buildings are depreciated on the straight-line method over their estimated useful lives. Leasehold interests are amortized on the straight-line method over the terms of their respective leases. When scheduled rentals vary during the lease term, income is recognized on a straight-line basis so as to produce a constant periodic rent over the term of the lease.

Impairment – Real Estate - The Company reviews investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. To determine if impairment may exist, the Company reviews its properties and identifies those that have experienced either a change or an event or circumstance warranting further assessment of recoverability (such as a decrease in occupancy). If further assessment of recoverability is needed, the Company estimates the future net cash flows expected to result from the use of the property and its eventual disposition, on an individual property basis. If the sum of the expected future net cash flows (undiscounted and without interest charges) is less than the carrying amount of the property on an individual property basis, the Company will recognize an impairment loss based upon the estimated fair value of such property. For the six months ended June 30, 2018 and 2017, the Company has not recorded any impairment charges.

Organizational, Offering and Related Costs - Organizational and offering costs of the Company are presented as a reduction of shareholders' equity within the consolidated balance sheets and statements of changes in stockholders' equity. Organizational and offering costs represent expenses incurred in connection with the formation of the Company and the filing of the Company's securities offering pursuant to Regulation A. As of June 30, 2018 and December 31, 2017, organizational and offering costs totaled $1,459,479, respectively.

Revenue Recognition **-** Minimum rents are recognized when due from tenants; however, minimum rent revenues under leases which provide for varying rents over their terms, if any, are straight lined over the term of the leases. In the case of expense reimbursements due from tenants, the revenue is recognized in the period in which the related expense is incurred.

Rents and Other Tenant Receivables net - Rents and other tenant receivables represent amounts billed and due from tenants. When a portion of the tenants' receivable is estimated to be uncollectible, an allowance for doubtful accounts is recorded. Due to the high credit worthiness of the tenants, there were no allowances as of June 30, 2018 and December 31, 2017, respectively.

Income Taxes **–** The Company will elect to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code and applicable Treasury regulations relating to REIT qualification for its fiscal year ending December 31, 2017. In order to maintain this REIT status, the regulations require the Company to distribute at least 90% of its taxable income to shareholders and meet certain other asset and income tests, as well as other requirements. If the Company fails to qualify as a REIT, it will be subject to tax at regular corporate rates for the years in which it fails to qualify. If the Company loses its REIT status it could not elect to be taxed as a REIT for five years unless the Company's failure to qualify was due to reasonable cause and certain other conditions were satisfied.

Management analyzes its tax filing positions in the U.S. federal, state and local jurisdictions where it is required to file income tax returns for all open tax years. If, based on this analysis, management determines that uncertainties in tax positions exist, a liability is established along with an estimate for interest and penalty. Management has determined that there were no uncertain tax positions, and accordingly no associated interest and penalties were required to be accrued at June 30, 2018 and December 31, 2017, respectively.

Noncontrolling Interest - Noncontrolling interest represents the portion of equity in the Company's Operating Partnership not attributable to the Company. The value of the noncontrolling interest of the Operating Partnership is calculated by multiplying the noncontrolling interest ownership percentage at the balance sheet date by the Operating Partnership's equity. The noncontrolling interest percentage is calculated by dividing the number of common units not owned by the Company by the total number of common units outstanding. The noncontrolling interest ownership percentage will change as additional common units are issued or as common units are exchanged for the Company's common stock. Subsequent changes in the noncontrolling interest value are recorded to additional paid-in capital. Accordingly, the value of the noncontrolling interest is included in the equity section of the consolidated balance sheets but presented separately from the Company's equity.

Debt Issuance Costs – Debt issuance costs incurred in connection with the Company's mortgages payable have been deferred and are being amortized over the term of the respective loan agreements using the effective interest method. As applicable, the unamortized balance of debt issuance costs is presented under mortgages payable within the consolidated balance sheet.

Earnings (Loss) Per Share – Basic earnings (loss) per share is based on the weighted effect of all common shares issued and outstanding and is calculated by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares, if any, that would be issued assuming conversion of all potentially dilutive securities outstanding.

The following securities were not included in the computation of the Company's diluted net loss per share as their effect would be anti-dilutive.

	As of June 30,	
	2018	**2017**
Potentially dilutive securities outstanding at end of period:		
Convertible common units	1,078,416	1,078,416
Convertible long-term incentive plan units	80,789	66,056
Convertible preferred stock	433,500	433,500
Unvested restricted stock	-	16,000
Total potential dilutive securities	1,592,705	1,593,972

Reclassifications – Certain December 31, 2017 amounts have been reclassified for consistency with the current year presentation. Accordingly, $58,000 has been reclassified from prepaid expenses and other assets to deposits on properties under contract on the consolidated balance sheet as of December 31, 2017. This reclassification has no effect on the reported total stockholders' equity or results of operations as of and for the year ended December 31, 2017.

Recent Accounting Pronouncements **-** In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements of Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition" and most industry-specific guidance on revenue recognition throughout the ASC. The new standard is principles based and provides a five-step model to determine when and how revenue is recognized. The core principle of the new standard is that revenue should be recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also requires disclosure of qualitative and quantitative information surrounding the amount, nature, timing and uncertainty of revenues and cash flows arising from contracts with customers. The new standard will be effective for the Company for the year ending December 31, 2019 and can be applied either retrospectively to all periods presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted beginning for the year ending December 31, 2017. The Company is currently evaluating the impact of adoption of the new standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets referred to as "Lessees" to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the consolidated financial statements.

The leasing standard will be effective for the year ended December 31, 2020. Early adoption will be permitted upon issuance of the standard and a modified retrospective approach must be applied. The Company is currently evaluating the impact of ASU 2016-02 on its financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments." ASU 2016-15 is intended to improve cash flow statement classification guidance. The standard will be effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of ASU 2016-15 on its financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." ASU 2017-01 is intended to help companies evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard will be effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of ASU 2017-01 on its financial statements.

The Company has adopted reporting standards and disclosure requirements as a "smaller reporting company" as defined in Securities Act rule 405, Exchange Act Rule 12b-2 and Item 10(f) of Regulation S-K as amended September 13, 2017. This rule provides scaled disclosure accommodations, the purpose of which is to provide general regulatory relief to qualifying entities.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies are not currently applicable to the Company or are not expected to have a significant impact on the Company's financial position, results of operations and cash flows.

3. Contribution Transaction

On May 26, 2017, Holmwood and the Operating Partnership closed on a transaction that resulted in Holmwood contributing its entire membership interest in four SPEs to the Operating Partnership and assigning to the Operating Partnership all its rights, title and interest in and to any and all profits, losses and distributed cash flow for three other SPEs as well as all of the other benefits and burdens of ownership for federal income tax purposes (the "Contribution Transaction"). In exchange for the aforementioned, the Operating Partnership issued 1,078,416 of its common units ("OP Units"). The agreed upon value of the transaction between the parties was $10,784,161. However, the Company recognized value of $6,068,182 with respect to the issuance of the OP Units based upon the book value of net identifiable assets received. The Contribution Transaction was accounted for as a commonly controlled transaction whereby the contributed assets and assumed liabilities are acquired at their historical book values, rather than at the agreed upon value. The historical book value of the net identifiable assets contributed was $6,068,182. This issuance of OP units was recorded as a non-cash transaction.

A summary of the Company's contributed assets and assumed liabilities is as follows:

Assets contributed:	
Buildings and improvements, net	$ 28,748,079
Intangible assets, net	1,653,771
Prepaid and other assets	336,801
Total assets contributed, net	$ 30,738,651
Liabilities assumed:	
Mortgages payable	$ 22,307,335
Notes payable	1,321,210
Intangible liabilities, net	704,941
Accounts payable and accrued expenses	336,983
Total liabilities assumed	$ 24,670,469
Net identifiable assets contributed	$ 6,068,182

As part of the Contribution Transaction, the Company and Holmwood entered into a tax protection agreement indemnifying Holmwood for any taxes resulting from a sale for a period of ten years after the date of the Contribution Transaction.

4. Variable Interest Entities

With respect to the three SPEs where Holmwood assigned to the Operating Partnership all its rights, title and interest in and to any and all profits, losses and distributed cash flow, management determined these SPEs to be variable interest entities ("VIE") in which the Operating Partnership has a variable interest and that Holmwood equity holders lacked the characteristics of a controlling financial interest. The Company determined in accordance with ASC Topic 801 "Consolidation" to consolidate these SPEs.

A summary of the VIE's assets and liabilities that are included within the Company's consolidated balance sheet at June 30, 2018 and December 31, 2017, is as follows:

Assets:	**June 30, 2018 (Unaudited)**	**December 31, 2017**
Buildings and improvements, net	$ 11,810,139	$ 12,007,437
Intangible assets, net	464,104	530,626
Prepaids and other assets	449,681	457,096
Total assets	$ 12,723,924	12,995,159
Liabilities:		
Mortages payable	$ 9,715,847	$ 9,796,972
Intangible liabilities, net	146,359	168,733
Accounts payable and accrued expenses	263,653	242,284
Total liabilities	$ 10,125,859	$ 10,207,989
Net identifiable assets	$ 2,598,064	$ 2,787,170

5. Investment in Real Estate

The following is a summary of the Company's investment in real estate, net as of June 30, 2018 and December 31, 2017, respectively:

	June 30, 2018 (Unaudited)	December 31, 2017
Land	$ 6,032,280	$ 6,065,137
Buildings and improvements	52,699,105	52,699,106
Tenant improvements	4,701,613	4,701,613
	63,432,998	63,465,856
Accumulated depreciation	(2,642,801)	(1,543,221)
Investments in real estate, net	$ 60,790,197	$ 61,922,635

Depreciation expense for the six months ended June 30, 2018 and 2017 was $1,099,580 and $376,474, respectively.

6. Leasehold Intangibles, net

The following is a summary of the Company's leasehold intangibles as of June 30, 2018 and December 31, 2017.

	June 30, 2018 (Unaudited)	December 31, 2017
Acquired in-place leases	$ 2,171,435	$ 2,171,435
Acquired lease-up costs	2,022,123	2,022,123
Acquired above-market leases	2,038,492	2,038,492
	6,232,050	6,232,050
Accumulated amortization	(1,037,632)	(596,615)
Leasehold intangibles, net	$ 5,194,418	$ 5,635,435

Amortization of in-place leases, lease-up costs and acquired above market leases was $441,017 and $136,639 for the six months ended June 30, 2018 and 2017, respectively.

Future amortization of acquired in-place lease value, acquired lease-up costs and acquired above market leases (collectively "Intangible Lease Costs") is as follows:

Year Ended	Intangible Lease Costs
For the remaining six month period ended December 31, 2018	$ 399,084
2019	650,588
2020	654,388
2021	610,228
2022	920,716
2023	411,010
Thereafter	1,548,404
Total	$ 5,194,418

7. Below-Market Leases, net

The Company's intangible liabilities consist of acquired below-market leases. The following is a summary of the Company's intangible liabilities, as of June 30, 2018 and December 31, 2017.

	June 30, 2018 (Unaudited)	December 31, 2017
Acquired below-market leases	$ 1,153,546	$ 1,153,546
Accumulated amortization	(232,709)	(151,792)
Below-market leases, net	$ 920,837	$ 1,001,754

Amortization of below-market leases resulted in an increase in rental revenue of $80,916 and $38,993 for the six months ended June 30, 2018 and 2017, respectively.

The future amortization of acquired below market leases is as follows:

Year Ended	Below Market Leases
For the remaining six month period ended December 31, 2018	$ 109,166
2019	163,321
2020	163,648
2021	155,023
2022	131,858
2023	85,460
Thereafter	112,361
Total	$ 920,837

8. Mortgages Payable

The following table outlines the mortgages payable as of June 30, 2018 and December 31, 2017:

				Outstanding Principal	
Issuance Date	**Initial Balance**	**Interest Rate**	**Maturity**	**June 30, 2018 (Unaudited)**	**December 31, 2017**
August-2013	$ 10,700,000	5.27%	August-2023	$ 9,881,047	$ 9,976,722
April-2015	7,600,000	3.72%	March-2018	-	6,874,169
June-2016	9,675,000	3.93%	July-2019	9,221,995	9,343,234
July-2017	10,875,000	4.00%	August-2022	10,660,276	10,789,967
July-2017	3,530,000	4.00%	August-2022	3,460,301	3,502,398
September-2017	2,750,000	4.00%	August-2022	2,688,631	2,734,311
November-2017	6,991,250	4.25%	June-2019	6,991,250	6,991,250
April-2018	6,834,293	4.26%	April-2020	6,834,293	-
Total principal				49,737,793	50,212,051
Debt issuance costs				(810,438)	(755,338)
Accumulated amortization				233,818	116,970
Mortgage payable net of unamortized debt costs				$ 49,161,173	$ 49,573,683

At June 30, 2018 and December 31, 2017, the Company had unamortized debt issuance costs of $576,620 and $638,368 net of $233,818, and $116,970 of accumulated amortization, respectively, in connection with its various mortgage payables.

Mortgage loan balances as of June 30, 2018 and December 31, 2017 totaled $49,161,173 and $49,573,683, respectively. Fixed rate loans before unamortized debt issuance costs totaled $42,903,189 and $43,337,882 as of June 30, 2018 and December 31, 2017, respectively. Variable rate loans before unamortized debt issuance costs totaled $6,834,293 and $6,874,169 for the same respective periods. The loans are payable to various financial institutions and are collateralized by specific properties.

The mortgage loan issued in August 2013 bears interest at a fixed rate of 5.27% per annum, has debt service payments based on principal amortization over 30 years, and matures in August 2023. This mortgage was assumed by the Company in connection with the Contribution Agreement. Outstanding principal balance as of June 30, 2018 and December 31, 2017 was $9,881,047 and $9,976,722, respectively.

The mortgage loan issued in April 2015 had a variable interest rate equal to the one-month LIBOR rate plus 235 basis points. This mortgage was assumed by the Company in connection with the Contribution Agreement. The loan had required debt service payments based on principal amortization over 20 years and would have matured on March 25, 2017 in the event the predecessor had not exercised its option to extend the loan to March 25, 2018. The predecessor paid an extension fee in the amount of $11,400. The outstanding principal balance as of December 31, 2017 was $6,874,169. On or about March 25, 2018, management secured a 90-day extension to June 25, 2018 while negotiations were in process to procure a long-term refinance agreement. As a result of those negotiations, the Company entered into a loan modification agreement on April 27, 2018 which, among other things, extended the maturity date to April 27, 2020, changed the principal amortization from 20 years to 17 and added $52,907 of principal to cover debt issuances costs. The interest rate calculation was unchanged. As of June 30, 2018, the interest rate was 4.26% and the outstanding principal balance was $6,834,293.

The mortgage loans issued in June 2016 bear interest at a fixed rate of 3.93% per annum with debt service payments based on principal amortization over 25 years and mature in July 2019. This financing consists of four separate properties each with a separate mortgage payable. One of the properties financed was a property of our predecessor, and we acquired the property and assumed the mortgage as a result of the Contribution Transaction. The initial mortgage balance of the contributed property was $2,450,000. The outstanding principal balances of these mortgage loans were $9,221,995 and $9,343,234 as of June 30, 2018 and December 31, 2017, respectively.

The mortgage loan issued in July 2017, for an acquired property in Norfolk, Virginia., bears interest at a fixed rate of 4.00% per annum, has debt service payments based on principal amortization over 25 years, and matures in August 2022. The outstanding principal balance as of June 30, 2018 and December 31, 2017 was $10,660,276 and $10,789,967, respectively.

The mortgage loan issued in July 2017, for an acquired property in Montgomery, Alabama, bears interest at a fixed rate of 4.00% per annum, has debt service payments based on principal amortization over 25 years, and matures in August 2022. The outstanding principal balance as of June 30, 2018 and December 31, 2017 was $3,460,301 and $3,502,398, respectively.

The mortgage loan issued in September 2017, was to refinance a property acquired as a result of the Contribution Transaction. It bears interest at a fixed rate of 4.00% per annum, has debt service payments based on principal amortization over 25 years, and matures in August 2022. The outstanding principal balance as of June 30, 2018 and December 31, 2017 was $2,688,631 and $2,734,311, respectively.

The mortgage loan issued in November 2017, for an acquired property in San Antonio, Texas, is an interest only note that bears a fixed rate of 4.25% per annum and matures in June 2019. The outstanding principal balance as of June 30, 2018 and December 31, 2017 was $6,991,250.

The carrying amount of the Company's variable rate debt approximates its fair value as of June 30, 2018 and December 31, 2017.

9. Notes payable

The following table outlines the notes payable as of June 30, 2018 and December 31, 2017:

				Outstanding Principal	
Issuance Date	**Initial Balance**	**Interest Rate**	**Maturity**	**June 30 2018 (Unaudited)**	**December 31 2017**
Related Parties					
March-2017	3,070,000	12.00%	May-2019	$ 3,070,000	$ 3,070,000
December-2017	330,000	3.25%	February-2018	-	330,000
December-2017	750,000	8.00%	May-2019	750,000	750,000
Total related parties notes payable				$ 3,820,000	$ 4,150,000
Third parties					
April-2018	500,000	8.00%	May-2019	$ 500,000	$ -
March-2017	330,000	12.00%	May-2019	330,000	330,000
November-2017	124,000	4.98%	September-2018	37,793	99,610
December-2017	750,000	8.00%	May-2019	750,000	750,000
Total third party notes payable				$ 1,617,793	$ 1,179,610
Total related and third party notes				$ 5,437,793	$ 5,329,610

March 2017 Notes

On March 31, 2017, the Company borrowed an aggregate amount of $3,400,000 pursuant to multiple promissory notes payable. The notes are unsecured, require monthly interest-only payments payable in arrears at an interest rate of 12% per annum. By agreement with the holders of these notes, the maturity date of such notes has been extended to May 1, 2019. The notes are pre-payable without penalty. Of these notes, $3,070,000 in aggregate principal was loaned by BH ($2,770,000) and Robert R. Kaplan ($300,000), a director of the Company. As of June 30, 2018 and December 31, 2017, the outstanding principal balance of these notes was $3,400,000.

December 2017 Notes

On December 11, 2017, our company borrowed $330,000 from an affiliated entity of our Company's CEO. The loan accrues interest at 3.25% per annum and both principal and accrued interest is payable on demand. This note was paid in full on February 26, 2018.

On December 11, 2017, the Company borrowed $1,500,000 in aggregate principal amount pursuant to multiple promissory notes payable to accredited investors. The notes are unsecured, require monthly interest-only payments payable in arrears at an interest rate of 8% per annum. By agreement with the holders of these notes, the maturity date of such notes has been extended to May 1, 2019. With respect to these notes, $500,000 in principal amount was loaned by BH, and $250,000 was loaned by a member of the Company's predecessor. As of June 30, 2018 and December 31, 2017, the outstanding principal balance of these notes was $1,500,000.

April 2018 Note

On April 11, 2018, the Company borrowed $500,000 pursuant to a promissory notes payable to an unaffiliated third party. The note is unsecured, require monthly interest-only payments payable in arrears at an interest rate of 8% per annum. The notes pre-payable without penalty prior to its maturity date of May 1, 2019.

Premium Finance Agreement

On November 30, 2017, the Company entered into a note payable in the amount of $124,000 to finance certain insurance premiums. The loan bears interest at a fixed annum rate of 4.98% and requires ten payments, including principal and interest, of $12,685. As of June 30, 2018 and December 31, 2017, the outstanding balance was $37,793 and $99,610, respectively.

10. Related Parties

Payable

At June 30, 2018, the Company had a related party payable of $518,073. The payable consists of $88,225 payable to the Asset Manager for asset management fees and for other reimbursable expenses. The remaining $429,848 is payable to Holmwood for amounts borrowed.

At December 31, 2017, the Company had a related party payable of $461,858 which consisted of a payable to Holmwood of $371,984, a payable to HCA of $74,874, and a payable to the Company's CEO of $15,000. Subsequent to December 31, 2017, the Company has repaid $267,000 to Holmwood, $74,807 to HCA and $15,000 to the CEO.

Management fees

The Asset Manager provides asset management, property management, acquisition and leasing services for the Company.

The Company pays the Asset Manager an asset management fee equal to 1.5% of the stockholders' equity payable, subject to certain adjustments, in arrears and on a quarterly basis. The asset management fee incurred for the six months ended June 30, 2018 and 2017 was $156,752 and $39,959, respectively. Accrued asset management fees at June 30, 2018 and December 31, 2017 were $82,824 and $74,807, respectively, and have been subsequently paid.

The Company pays a property management fee to the Asset Manager with respect to all properties. The property management fee is payable on a monthly basis and in arrears. The Company incurred and paid property management fees of $102,752 and $33,387 for the six months ended June 30, 2018 and 2017, respectively.

The Company owes the Asset Manager 1% of the acquisition cost ("Acquisition Fee") of each real estate investment made on behalf of the Company for services with respect to the identification of an investment, arrangement of the purchase, and coordination of closing. The Acquisition Fee shall be paid in common stock or other equity securities of the Company. The Acquisition Fee shall be accrued and unpaid until the earlier of the date on which the Company's common stock is initially listed with a national securities exchange or on March 31, 2020. Unpaid acquisition fees as of June 30, 2018 and December 31, 2017 were $274,345, respectively.

The Company owes the Asset Manager a leasing fee for services in connection with leasing the Company's real estate investments equal to 2.0% of all gross rent for any new lease or lease renewal entered into, excluding reimbursements by the tenant for operating expenses and taxes and similar pass-through obligations paid by the tenant. There were no leasing fees paid during the six months ended June 30, 2018 and 2017. There were no leasing fees accrued at June 30, 2018 and December 31, 2017.

Notes payable

The Company has entered into various promissory notes with related parties (See Note 9 for further discussion). As of June 30, 2018 and December 31, 2017, the unpaid principal balance of related party notes payable was $3,820,000 and $4,150,000.

Additional Related Party Loans

The Company has received on demand loans from certain of its officers, directors or entities affiliated with its officers and directors. These related party loans bar interest at variable rates in excess of 10% per annum. During the six months ended June 30, 2018, the total amount of loans made were $525,000 and the total amount of loans repaid was $350,000. At June 30, 2018, the outstanding balance of these loans was $175,000. There were no loans at December 31, 2017.

11. Leases and Tenants

Our rental properties are subject to generally non-cancelable operating leases generating future minimum contractual rent payments due from tenants. Occupancy of the operating properties was at 98% as of June 30, 2018 and December 31, 2017. Lease terms range from 2.1 to 11.3 years as of June 30, 2018. The future minimum rents for existing leases as of June 30, 2018 are as follows:

Year Ended	Future Minimum Rents
For the remaining six month period ended December 31, 2018	$ 3,821,511
2019	7,580,715
2020	7,546,686
2021	7,164,390
2022	6,486,315
2023	4,102,883
Thereafter	10,703,276
Total	$ 47,405,776

The properties are 100% leased to the United States of America and administered by either the GSA or occupying agency. At June 30, 2018 the weighted average firm lease term is 5.8 years if GSA elects its early termination right and the total remaining weighted average contractual lease term including renewal options is 9.1 years. Lease maturities range from 2020 to 2029.

12. Stockholders' Equity

Preferred Stock

In 2016, the Company issued 144,500 shares of its 7.00% Series A Cumulative Convertible Preferred Stock ("the Series A Preferred Stock") to various investors in exchange for a total of $3,612,500, or $25 per share. The Series A Preferred Stock is convertible, at shareholders' request, on the earlier of (1) the Company's listing on a national securities exchange or (2) on March 31, 2020. The shares are convertible into common shares at a 3:1 ratio. As of June 30, 2018 and December 31, 2017, the outstanding Series A Preferred Stock was 144,500 shares, respectively.

Common Stock

On March 14, 2016, the Company issued 50,000 shares (200,000 shares, collectively) of common stock at a price of $0.01 per share to each of Messrs. Robert R. Kaplan, Robert R. Kaplan, Jr., Edwin M. Stanton and Philip Kurlander, founders of the Company. Total consideration was $500 per person.

On November 7, 2016, the Company's offering statement (the "Offering") filed pursuant to Regulation A was qualified by the SEC. The Offering's minimum and maximum offering amounts are $3,000,000 and $30,000,000, respectively, at an offering price of $10 per share. The initial purchase of common stock with respect to the Offering occurred on May 18, 2017. During the six months ended June 30, 2018 and 2017, the Company sold 204,984 and 407,922 shares in connection with the Offering for net proceeds of $1,884,854 and $3,719,592.

As of June 30, 2018 and December 31, 2017, the common stock outstanding was 1,100,291 and 895,307 shares, respectively.

Restricted Common Stock Issuance

Compensation for each independent board member includes an initial share grant of 4,000 restricted common shares with a one-year vesting term. On May 18, 2017, the Company issued 16,000 shares to its four independent board members, collectively. The shares, valued at $10 share, pay dividends on the number of shares issued without regard to the number of shares vested. For the six months ended June 30, 2018 and 2017, the Company recognized $61,333 and $18,666, respectively, of equity-based compensation with respect to this grant. As of June 30, 2018, the restricted common shares are fully vested.

OP Units Issued

On May 26, 2017, in connection with the closing on the Contribution Transaction, the Operating Partnership issued 1,078,416 OP Units to the Company's predecessor. The recorded value of the OP Units was based upon the book value of the net identifiable assets contributed which was $6,068,182. After one year, the OP Units are exchangeable into the REIT's common stock at a ratio of 1:1 or redeemable for cash, at the REIT's discretion.

Long-Term Incentive Plan Shares

During the six months ended June 30, 2018 and 2017, the Operating Partnership issued the Asset Manager 6,639 and 66,056, respectively, long-term incentive plan shares ("LTIPs") that vest over five-years. Each LTIP is convertible into OP Units at 1:1 which can then be further exchanged into the REIT's common stock at 1:1. Pursuant to an agreement, the shares are issued concurrent with each sale of the REIT's common stock. The vesting will accelerate if the Company terminates its management agreement with the Asset Manager. The LTIPs result in the Asset Manager consistently and beneficially owning 3% of the REIT's issued and outstanding shares on a fully diluted basis. For the six months ended June 30, 2018 and 2017, the Company recognized $78,526 and $12,832 of equity-based compensation expense.

Dividends and Distributions

During the six months ended June 30, 2018 and 2017, the REIT declared dividends on its Series A Preferred Stock of $126,438, respectively. As of June 30, 2018 and December 31, 2017, accrued, unpaid preferred stock dividends were $63,219, respectively.

During the six months ended June 30, 2018 and 2017, the REIT declared dividends on its common stock of $288,435 and $40,536, respectively. As of June 30, 2018 and December 31, 2017, accrued, unpaid common stock dividends were $151,290 and $123,104, respectively.

During the six months ended June 30, 2018 and 2017, the Operating Partnership declared distributions of $318,652 and $74,356, respectively, with respect to its outstanding common units and LTIPs. As of June 30, 2018 and December 31, 2017, accrued, unpaid distributions were $159,544 and $158,519, respectively.

13. Commitments and Contingencies

Our property located in Port Canaveral, Florida was purchased subject to ground leases. The ground lease has an extended term of 30 years and expires in December 2045 with one 10-year renewal option. The Company made ground lease payments of $36,726 and $7,119 during the six months ended June 2018 and 2017, respectively. Future minimum rent payments for the ground lease subsequent to June 30, 2018 are as follows:

Year Ended	Future Minimum Rents
For the remaining six month period ended December 31, 2018	36,784
2019	73,568
2020	73,568
2021	73,568
2022	73,568
2023	73,568
Thereafter	1,618,489
Total	$ 2,023,113

The Company can be party to or otherwise be involved in legal proceedings arising in the normal and ordinary course of business. We are not aware of any proceeding, threatened or pending, against us which, if determined adversely, would have a material effect on our business, results of operations, cash flows or financial position.

14. Subsequent Events

Property Acquisitions

On July 27, 2018, the Operating Partnership, through its subsidiary Gov Knoxville, LLC, acquired the real property commonly known as 1607 North Lincoln Street, Knoxville, Iowa 50138 (the “Knoxville Property”), pursuant to a Purchase and Sales Agreement with a purchase price of $7,150,000. The Knoxville Property consists of 16,731 rentable square foot, build-to-suit single-tenant, one-story office building, built in 2017, located on 2.96 acres in Knoxville, Iowa. The Property is 100% leased by the United States of America and administered and occupied by the US Department of Veterans Affairs (the “VA”) on a single tenant/user basis. The VA operates a community based outpatient clinic with said property. The lease commencement date was January 12, 2017 and has an initial firm term of 15 years.

On August 30, 2018, the Operating Partnership, through its subsidiary Gov Champaign, LLC, acquired the real property commonly known as 2117 West Park Court, Champaign, Illinois 61821 (the “Champaign Property”), pursuant to a Purchase and Sales Agreement with a purchase price of $3,445,000. The Champaign Property consists of 11,180 rentable square foot, build-to-suit single-tenant, two-story office building, built in 2005, located on 0.69 acres in Champaign, IL. The Property is 100% leased by the United States of America, administered by the U.S. General Services Administration, and occupied by the Federal Bureau of Investigation (the “FBI”) on a single tenant/user basis. The FBI operates a resident agency office with said property. The lease commencement date was April 13, 2018 and has an initial firm term of 10 years.

Mortgage Payable

On July 27, 2018, the Company entered into a mortgage loan in the amount of $5,360,000 with a maturity date of August 1, 2028 in connection with the financing of the Knoxville Property. The loan’s interest rate is fixed at 5% and requires principal and interest payments of $31,227 based upon a 25-year amortization schedule.

On August 30, 2018, the Company entered into a mortgage loan in the amount of $2,580,000 with a maturity date of September 1, 2028 in connection with the financing of the Champaign Property. The loan’s interest rate is fixed at 4.75% and requires principal and interest payments of $14,709 based upon a 25-year amortization schedule.

Notes Payable

On July 24, 2018, we caused our Operating Partnership to borrow $100,000 from an unaffiliated third party accredited investor pursuant to a promissory note. The note is unsecured, bears interest at 8% per annum, requires quarterly interest payments, commencing October 1, 2018 and quarterly thereafter and matures on July 24, 2021. The Note is pre-payable; provided that until July 24, 2019, prepayment must be accompanied by all accrued interest, plus a premium equal to the original principal amount of the Note multiplied by the remaining number of whole calendar months remaining until July 24, 2019, divided by twelve, and then multiplied by the 14% interest rate. After July 24, 2019, the note is pre-payable without premium or penalty of any kind.

On July 25, 2018, we caused our Operating Partnership to borrow $1,700,000 from BH, pursuant to an unsecured promissory note. The note bears interest at 14% per annum, or the note rate, payable monthly in arrears and matures on July 31, 2020. In the note, in lieu of paying an interest payment at the note rate in immediately available funds, we reserved the right to (1) pay interest on the outstanding principal balance of the note on any interest payment date in immediately available funds at the per annum rate of 6.0% per annum, or the current pay portion, and (2) add an amount equal to interest on the outstanding principal balance of the note on any interest payment date, calculated at the per annum rate of 8.0% to the principal balance of the note, which we call “paid in kind” interest or “PIK” interest. From and after the addition of any PIK interest to the principal balance of the note, the increased principal amount of the note will bear interest at the per annum rate of 14%, payable in like manner to the prior payment of interest. The proceeds of the loan were contributed as equity to the capital of the SPE that purchased the GSA property located in Knoxville, Iowa. The Note is pre-payable; provided that until July 31, 2019, prepayment must be accompanied by all accrued interest, plus a premium equal to the original principal amount of the Note multiplied by the number of whole calendar months remaining until July 31, 2019, divided by twelve, and then multiplied by the note rate. After July 31, 2019, the note is pre-payable without premium or penalty of any kind.

On August 30, 2018, we caused our Operating Partnership to borrow $800,000 from BH, pursuant to an unsecured promissory note. The note bears interest at the note rate, payable monthly in arrears and matures on August 30, 2020. In the note, in lieu of paying an interest payment at the note rate in immediately available funds, we reserved the right to (1) pay the current pay portion on any interest payment date in immediately available funds, and (2) add an amount equal to the PIK interest to the principal balance of the note. From and after the addition of any PIK interest to the principal balance of the note, the increased principal amount of the note will bear interest at the note rate, payable in like manner to the prior payment of interest. The proceeds of the loan were contributed as equity to the capital of the SPE that purchased the GSA property located in Champaign, Illinois.

Related Party Loans

The Company has received additional on demand loans of $330,000 from certain of its officers, directors or entities affiliated with its officers and directors and had repaid the June 30, 2018 outstanding loan balance of $175,000. These related party loans bar interest at variable rates in excess of 10% per annum.

II.B Financial Statements as of December 31, 2017 and December 31, 2016 and for the Year Ended December 31, 2017

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
HC Government Realty Trust, Inc.
Sarasota, Florida

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of HC Government Reality Trust, Inc. and subsidiaries (collectively, "the Company") as of December 31, 2017 and 2016, the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year ended December 31, 2017 and for the period from March 11, 2016 (date of inception) to December 31, 2016, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of their operations and their cash flows for the year ended December 31, 2017 and for the period from March 11, 2016 (date of inception) to December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Cherry Bekaert LLP

We have served as the Company's auditor since 2016.

Richmond, VA
April 27, 2018

HC Government Realty Trust, Inc.
Consolidated Balance Sheets
December 31, 2017 and 2016

	December 31, 2017	December 31, 2016
ASSETS		
Investment in real estate, net	$ 61,922,635	$ 10,435,991
Cash and cash equivalents	695,719	247,137
Restricted cash	1,676,152	51,656
Rent and other tenant receivables, net	757,752	126,590
Related parties receivable, net	-	525,397
Leasehold intangibles, net	5,635,435	743,010
Prepaid expenses and other assets	365,840	182,376
Total Assets	$ 71,053,533	$ 12,312,157
LIABIILTIES		
Mortgages payable, net of unamortized debt costs	$ 49,573,683	$ 7,068,067
Notes payable	1,179,610	2,103,961
Notes payable - related party	4,150,000	-
Declared dividends and distributions	344,842	-
Accrued interest payable	248,352	35,379
Accounts payable	267,232	138,998
Accrued expenses	357,981	239,686
Tenant improvement obligation	1,315,366	-
Acquisition fee payable - related party	274,345	-
Below-market leases, net	1,001,754	416,731
Related parties payable, net	461,858	-
Total Liabilities	59,175,023	10,002,822
STOCKHOLDERS' EQUITY		
Preferred stock ($0.001 par value, 750,000,000 shares authorized and 144,500 shares issued and outstanding)	144	144
Common stock ($0.001 par value, 250,000,000 shares authorized, 895,307 and 200,000 common shares issued and outstanding at December 31, 2017 and 2016, respectively)	895	200
Additional paid-in capital	8,948,713	3,614,156
Offering costs	(1,459,479)	(1,074,485)
Accumulated deficit	(1,340,974)	(126,044)
Accumulated dividends and distributions	(690,963)	(104,636)
Total Stockholders' Equity	5,458,336	2,309,335
Noncontrolling interest in operating partnership	6,420,174	-
Total Equity	11,878,510	2,309,335
Total Liabilities and Stockholders' Equity	$ 71,053,533	$ 12,312,157

The following table presents the assets and liabilities of the Company's consolidated variable interest entities as of December 31, 2017 which are included on the consolidated balance sheet above. The assets in the table below include those assets that can only be used to settle obligations of the consolidated variable interest entity. The Liabilities in the table below include third-party liabilities of the consolidated variable interest entity only, and for which creditors or beneficial interest holders do not have recourse to the Company, and exclude intercompany balances that eliminate in consolidation.

ASSETS OF CONSOLIDATED VARIABLE INTEREST ENTITIES THAT CAN ONLY BE USED TO SETTLE THE OBLIGATIONS OF CONSOLIDATED VARIABLE INTEREST ENTITIES:

Buildings and improvements, net	$ 12,007,437
Intangible assets, net	530,626
Prepaids and other assets	457,096
Total Assets	$ 12,995,159

LIABILITIES OF CONSOLIDATED VARIABLE INTEREST ENTITIES FOR WHICH CREDITORS OR BENEFICIAL INTEREST HOLDERS DO NOT HAVE RECOURSE TO THE COMPANY.

Mortgages payable	$ 9,796,972
Intangible liabilities, net	168,733
Accounts payable and accrued expenses	242,284
Total liabilities	$ 10,207,989

The accompanying notes are an integral part of the consolidated financial statements

HC Government Realty Trust, Inc.
Consolidated Statements of Operations
For the year ended December 31, 2017 and from
March 11, 2016 (date of inception) to December 31, 2016

	For the year ended December 31, 2017	March 11, 2016 (date of inception) to December 31, 2016
Revenues		
Rental revenues	$ 4,595,560	$ 720,850
Real estate tax reimbursments and other revenues	169,002	26,627
Total revenues	4,764,562	747,477
Operating expenses		
Depreciation and amortization	1,675,079	302,484
General and administrative	405,824	71,522
Ground lease	45,954	-
Insurance	58,373	32,510
Janitorial	208,618	27,298
Management fees	303,482	57,309
Professional expenses	482,070	3,864
Real estate and other taxes	357,143	50,723
Repairs and maintenance	248,900	36,373
Equity-based compensation	181,031	-
Utilities	267,004	35,267
Total operating expenses	4,233,478	617,350
Interest expense	1,990,858	256,171
Net loss	(1,459,774)	(126,044)
Less: Net loss attributable to nonconrolling interest in operating partnership	(244,844)	-
Net loss attributed to HC Government Realty Trust, Inc.	(1,214,930)	(126,044)
Preferred stock dividends	(316,095)	(104,636)
Net loss attributed to HC Government Realty Trust, Inc. available to common shareholders	$ (1,531,025)	$ (230,680)
Basic and diluted loss per share	$ (3.03)	$ (1.44)
Basic and diluted weighted-average common shares outstanding	504,486	160,000

The accompanying notes are an integral part of the consolidated financial statements

HC Government Realty Trust, Inc.
Consolidated Statements of Changes in Stockholders' Equity
For the year ended December 31, 2017 and from
March 11, 2016 (date of inception) to December 31, 2016

	Preferred Series A		Common Stock								
	Shares	Par Value	Shares	Par Value	Additional Paid-in Capital	Offering Costs	Accumulated Deficit	Cumulative Dividends and Distributions	Total Stockholders' Equity	Non-controlling Interest in Operating Partnership	Total Equity
Balance, March 11, 2016	-	$ -	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Proceeds from issuance of stock	144,500	144	200,000	200	3,614,156	-	-	-	3,614,500	-	3,614,500
Offering costs	-	-	-	-	-	(1,074,485)	-	-	(1,074,485)	-	(1,074,485)
Dividends and distributions	-	-	-	-	-	-	-	(104,636)	(104,636)	-	(104,636)
Net loss	-	-	-	-	-	-	(126,044)	-	(126,044)	-	(126,044)
Balance, December 31, 2016	144,500	144	200,000	200	3,614,156	(1,074,485)	(126,044)	(104,636)	2,309,335	-	2,309,335
Proceeds from issuing common shares, net of issuances costs											
Proceeds from issuing common shares, net of issuances costs	-	-	679,307	679	6,141,247	-	-	-	6,141,926	-	6,141,926
Contribution of Holmwood Capital properties for common units											
Contribution of Holmwood Capital properties for common units	-	-	-	-	(1,316,740)	-	-	-	(1,316,740)	7,384,922	6,068,182
Grant of restricted stock	-	-	16,000	16	98,651	-	-	-	98,667	-	98,667
Grant of long-term incentive plan shares	-	-	-	-	-	-	-	-	-	82,364	82,364
Dividends and distributions	-	-	-	-	-	-	-	(586,327)	(586,327)	(390,869)	(977,196)
Offering costs	-	-	-	-	-	(384,994)	-	-	(384,994)	-	(384,994)
Allocation of NCI in operating partnership	-	-	-	-	411,399	-	-	-	411,399	(411,399)	-
Net loss	-	-	-	-	-	-	(1,214,930)	-	(1,214,930)	(244,844)	(1,459,774)
Balance, December 31, 2017	144,500	$ 144	895,307	$ 895	$ 8,948,713	$ (1,459,479)	$ (1,340,974)	$ (690,963)	$ 5,458,336	$ 6,420,174	$11,878,510

The accompanying notes are an integral part of the consolidated financial statements

HC Government Realty Trust, Inc.
Consolidated Statements of Cash Flows
For the year ended December 31, 2017 and from
March 11, 2016 (date of inception) to December 31, 2016

	For the Year Ended December 31, 2017	March 11, 2016 (date of inception) to December 31, 2016
Cash flows from operating activities:		
Net loss	$ (1,459,774)	$ (126,044)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	1,299,191	244,029
Amortization of acquired lease-up costs	178,296	23,862
Amortization of in-place leases	197,592	34,593
Amortization of above/below-market leases	24,639	(14,158)
Amortization of debt issuance costs	97,387	19,584
Amortization of long-term incentive plan units	82,364	-
Amortization of equity-based compensation	98,667	-
Change in assets and liabilities		
Restricted cash	(174,271)	(51,656)
Rent and other tenant receivables, net	(482,217)	(126,590)
Prepaid expense and other assets	(130,470)	(182,376)
Related party receivables, net	525,397	(525,397)
Accrued interest payable	212,973	35,379
Accounts payable and other accrued expenses	(90,454)	378,684
Related party payable, net	461,858	-
Net cash provided (used) in operating activities	841,178	(290,090)
Cash flows from investing activities:		
Restricted cash	(1,315,366)	-
Investment property acquisitions	(26,207,142)	(11,050,596)
Net cash used in investing activities	(27,522,508)	(11,050,596)
Cash flows from financing activities:		
Debt issuance costs	(372,317)	(105,072)
Dividends paid	(632,354)	(104,636)
Mortgage principal payments	(3,673,038)	(71,445)
Mortgage proceeds	24,146,250	7,225,000
Notes principal repayments	(136,211)	(39,828)
Offering costs	(384,994)	(1,074,485)
Proceeds from notes payable	1,204,000	124,000
Proceeds from notes payable - related party	4,150,000	-
Proceeds from sale of common stock, net of issuance costs	6,141,926	2,000
Proceeds from sale of preferred stock	-	3,612,500
Proceeds from seller note payable	-	2,019,789
Repayment of assumed notes payable	(1,321,210)	-
Repayment of seller note payable	(1,992,140)	-
Net cash provided from financing activities	27,129,912	11,587,823
Net increase in cash and cash equivalents	448,582	247,137
Cash and cash equivalents, beginning of period	247,137	-
Cash and cash equivalents, end of period	$ 695,719	$ 247,137
Supplemental cash flow information:		
Cash paid for interest	$ 1,645,119	$ 201,208
Cash paid for income taxes	$ -	$ -
Non cash investing and financing activities:		
Contributed assets (See Note 3)	$ 30,738,651	$ -
Assumed liabilities (See Note 3)	$ 24,670,469	$ -
Common units issued in connection with contribution transaction	$ 6,068,182	$ -

The accompanying notes are an integral part of the consolidated financial statements

HC Government Realty Trust, Inc.
Notes to the Consolidated Financial Statements
For the year ended December 31, 2017 and from
March 11, 2016 (date of inception) to December 31, 2016

1. Organization

HC Government Realty Trust, Inc. (the "REIT"), a Maryland corporation, was formed on March 11, 2016 to primarily source, acquire, own and manage built-to-suit and improved-to-suit, single-tenant properties leased by the United States of America through the U.S General Services Administration ("GSA Properties"). The REIT focuses primarily on GSA Properties across secondary and smaller markets, within size ranges of 5,000-50,000 rentable square feet, and in their first term after construction or retrofit to post-9/11 standards. Further, the REIT selects GSA Properties that fulfill mission critical or citizen service functions. Leases associated with the GSA Properties are full faith and credit obligations of the United States of America and are administered by the U.S. General Services Administration or directly through the occupying federal agencies, or collectively the GSA.

The REIT owns its properties through the REIT's subsidiary, HC Government Realty Holdings, L.P., a Delaware limited partnership ("Operating Partnership", and together with the REIT, the "Company"). The Operating Partnership invests through wholly-owned special purpose limited liability companies, or special purpose entities ("SPEs"), primarily in properties across secondary or smaller markets.

The consolidated financial statements include the accounts of its Operating Partnership subsidiary and related SPEs and the accounts of the Company. As of December 31, 2017, the financial statements reflect the operations of 13 properties representing 263,045 rentable square feet located in seven states. The properties are 100% leased to the government of the United States of America and based on net operating income, have a weighted average remaining lease term of 9.5 years if none of the early termination rights are exercised and 6.2 years if all of the early termination rights are exercised as of December 31, 2017. The Company and its assets are managed externally by Holmwood Capital Advisors, LLC and its subsidiary Holmwood Capital Management, LLC (collectively "HCA" or "Asset Manager"). The owners of HCA, or their respective affiliates, principally own and control Holmwood Capital, LLC ("predecessor" or "Holmwood"). Holmwood and HCA collectively own 46% of the common shares of the Company outstanding, on a fully diluted basis as of December 31, 2017. The CEO of HCA and Holmwood serves as the CEO and board member of the Company. In addition, two other beneficial owners of HCA and Holmwood serve as board members of the Company. The Company operates as an UPREIT and has elect to be treated as a real estate investment trust, or REIT, for federal income tax purposes under the Internal Revenue Code of 1986, as amended, or the Code, beginning with the taxable year ended December 31, 2017.

2. Significant Accounting Policies

Basis of Accounting and Consolidation Basis **-** The accompanying consolidated financial statements include the accounts of the Operating Partnership and 13 SPEs as of December 31, 2017. Of the SPEs, ten are wholly-owned entities that are consolidated based upon the Company having a controlling financial interest, and three SPEs are consolidated variable interest entities based upon management's determination that the Operating Partnership has a variable interest in the entities and is the primary beneficiary. All other significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates **-** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents **-** Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less when purchased. At times, the Company's cash and cash equivalents balance deposited with financial institutions may exceed federally insurable limits. The Company maintains separate cash balances at the operating partnership and SPE level. At December 31, 2017 one account had a $318,919 balance in excess of FDIC limits, all others were below the insurable limits. The Company mitigates this risk by depositing funds with major financial institutions. The Company has not experienced any losses in connection with such deposits.

Restricted Cash **–** Restricted cash consists of amounts escrowed for future real estate taxes, insurance, and capital expenditures, as required by certain of the Company's mortgage debt agreements.

Purchase Accounting for Acquisitions of Real Estate Subject to a Lease - In accordance with the Financial Accounting Standards Board ("FASB") guidance on business combinations, the Company determines the fair value of the real estate assets acquired on an "as if vacant" basis. The difference between the purchase price and the fair value of the real estate assets on an "as if vacant" basis is first allocated to the fair value of above- and below-market leases, and then allocated to in-place leases and lease-up costs.

Management estimates the "as if vacant" value considering a variety of factors, including the physical condition and quality of the buildings, estimated rental and absorption rates, estimated future cash flows, and valuation assumptions consistent with current market conditions. The "as if vacant" fair value is allocated to land and buildings and improvements based on relevant information obtained in connection with the acquisition of the property, including appraisals and property tax assessments. Above-market and below-market lease values are determined on a lease-by-lease basis based on the present value (using an interest rate that reflects the risk associated with the leases acquired) of the difference between (a) the contractual amounts to be paid under the lease and (b) management's estimate of the fair market lease rate for the corresponding space over the remaining non-cancelable terms of the related leases. Above (below) market lease values are recorded as leasehold intangibles and are recognized as an increase or decrease in rental income over the remaining non-cancelable term of the lease.

Additionally, in-place leases are valued in consideration of the net rents earned that would have been foregone during an assumed lease-up period; and lease-up costs are valued based upon avoided brokerage fees. The Company has not recognized any value attributable to customer relationships. The difference between the total of the calculated values described above, and the actual purchase price plus acquisition costs, is allocated pro-ratably to each component of calculated value. In-place leases and lease-up costs are amortized over the remaining non-cancelable term of the leases. Real estate values were determined by independent accredited appraisers.

Depreciation of an asset begins when it is available for use and is calculated using the straight-line method over its estimated useful life. Range of useful lives for depreciable assets are as follows:

Category	**Term**
Buildings	40 years
Building improvements	5- 40 years
Tenant improvements	Shorter of remaining life of the lease or useful life

Construction expenditures for building improvements and tenant improvements are capitalized and amortized over the terms of each specific lease.

Maintenance and repair expenditures are charged to expense as incurred while expenditures that extend the useful life of the real estate investment are capitalized.

Tenant Improvements - As part of the leasing process, the Company may provide the lessee with an allowance for the construction of leasehold improvements. These leasehold improvements are capitalized and recorded as tenant improvements and depreciated over the shorter of the useful life of the improvements or the remaining lease term. If the allowance represents a payment for a purpose other than funding leasehold improvements, or in the event the Company is not considered the owner of the improvements, the allowance is considered to be a lease incentive and is recognized over the lease term as a reduction of minimum rent revenue. Factors considered during this evaluation include, among other things, who holds legal title to the improvements as well as other controlling rights provided by the lease agreement and provisions for substantiation of such costs (e.g. unilateral control of the tenant space during the build-out process). Determination of the appropriate accounting for the payment of a tenant allowance is made on a lease-by-lease basis, considering the facts and circumstances of the individual tenant lease.

Leases - The Company's real estate is leased to tenants on a modified gross lease basis. The leases provide for a minimum rent which normally is flat during the firm term of the lease. The minimum rent payment may include payments to pay for lessee requests for tenant improvements or to cover the cost for extra security. The tenant is required to pay increases in property taxes over the first year and an increase in operating costs based on the consumer price index of the lease's base year operating expenses. Operating costs includes repairs and maintenance, cleaning, utilities and other related costs. Generally, the leases provide the tenant with renewal options, subject to generally the same terms and conditions of the base term of the lease. The Company accounts for its leases using the operating method. Such method is described below:

Operating method – Properties with leases accounted for using the operating method are recorded at the cost of the real estate. Revenue is recognized as rentals are earned and expenses (including depreciation and amortization) are charged to operations as incurred. Buildings are depreciated on the straight-line method over their estimated useful lives. Leasehold interests are amortized on the straight-line method over the terms of their respective leases. When scheduled rentals vary during the lease term, income is recognized on a straight-line basis so as to produce a constant periodic rent over the term of the lease.

Impairment – Real Estate - The Company reviews investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. To determine if impairment may exist, the Company reviews its properties and identifies those that have experienced either a change or an event or circumstance warranting further assessment of recoverability (such as a decrease in occupancy). If further assessment of recoverability is needed, the Company estimates the future net cash flows expected to result from the use of the property and its eventual disposition, on an individual property basis. If the sum of the expected future net cash flows (undiscounted and without interest charges) is less than the carrying amount of the property on an individual property basis, the Company will recognize an impairment loss based upon the estimated fair value of such property. For the year ended December 31, 2017 and the period from March 11, 2016 to December 31, 2016, the Company has not recorded any impairment charges.

Organizational, Offering and Related Costs - Organizational and offering costs of the Company are presented as a reduction of shareholders' equity within the consolidated balance sheets and statements of changes in stockholders' equity. Organizational and offering costs represent expenses incurred in connection with the formation of the Company and the filing of the Company's securities offering pursuant to Regulation A. As of December 31, 2017 and December 31, 2016, organizational and offering costs totaled $1,459,479 and $1,074,485 respectively.

Revenue Recognition **-** Minimum rents are recognized when due from tenants; however, minimum rent revenues under leases which provide for varying rents over their terms, if any, are straight lined over the term of the leases. In the case of expense reimbursements due from tenants, the revenue is recognized in the period in which the related expense is incurred.

Rents and Other Tenant Receivables net - Rents and other tenant receivables represent amounts billed and due from tenants. When a portion of the tenants' receivable is estimated to be uncollectible, an allowance for doubtful accounts is recorded. Due to the high credit worthiness of the tenants, there were no allowances as of December 31, 2017 and December 31, 2016, respectively.

Income Taxes **–** The Company will elect to be taxed as a REIT under Sections 856 through 860 of the Internal Revenue Code and applicable Treasury regulations relating to REIT qualification for its fiscal year ending December 31, 2017. In order to maintain this REIT status, the regulations require the Company to distribute at least 90% of its taxable income to shareholders and meet certain other asset and income tests, as well as other requirements. If the Company fails to qualify as a REIT, it will be subject to tax at regular corporate rates for the years in which it fails to qualify. If the Company loses its REIT status it could not elect to be taxed as a REIT for five years unless the Company's failure to qualify was due to reasonable cause and certain other conditions were satisfied.

Management analyzes its tax filing positions in the U.S. federal, state and local jurisdictions where it is required to file income tax returns for all open tax years. If, based on this analysis, management determines that uncertainties in tax positions exist, a liability is established along with an estimate for interest and penalty. Management has determined that there were no uncertain tax positions, and accordingly no associated interest and penalties were required to be accrued at December 31, 2017 and December 31, 2016, respectively.

Noncontrolling Interest - Noncontrolling interest represents the portion of equity in the Company's Operating Partnership not attributable to the Company. The value of the noncontrolling interest of the Operating Partnership is calculated by multiplying the noncontrolling interest ownership percentage at the balance sheet date by the Operating Partnership's equity. The noncontrolling interest percentage is calculated by dividing the number of common units not owned by the Company by the total number of common units outstanding. The noncontrolling interest ownership percentage will change as additional common units are issued or as common units are exchanged for the Company's common stock. Subsequent changes in the noncontrolling interest value are recorded to additional paid-in capital. Accordingly, the value of the noncontrolling interest is included in the equity section of the consolidated balance sheets but presented separately from the Company's equity.

Debt Issuance Costs – Debt issuance costs incurred in connection with the Company's mortgages payable have been deferred and are being amortized over the term of the respective loan agreements using the effective interest method. As applicable, the unamortized balance of debt issuance costs is presented under mortgages payable within the consolidated balance sheet.

Earnings (Loss) Per Share

Basic earnings (loss) per share is based on the weighted effect of all common shares issued and outstanding and is calculated by dividing net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated by dividing net income available to common shareholders by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares, if any, that would be issued assuming conversion of all potentially dilutive securities outstanding.

The following securities were not included in the computation of the Company’s diluted net loss per share as their effect would be anti-dilutive.

	As of December 31,	
	2017	2016
Potentially dilutive securities outstanding at end of period:		
Convertible common units	1,078,416	-
Convertible long-term incentive plan units	74,450	-
Convertible preferred stock	433,500	433,500
Unvested restricted stock	16,000	-
Total potential dilutive securities	1,602,366	433,500

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current year presentation. Accordingly, $416,731 has been reclassified from leasehold intangibles, net to below-market leases, net, on the consolidated balance sheets as of December 31, 2016, in order to present the below-market lease intangibles separately from the above-market lease intangibles. This reclassification has no effect on the reported total partners’ capital or results of operations as of and for the period ended December 31, 2016.

Recent Accounting Pronouncements **-** In May 2014, the FASB issued Accounting Standards Update (“ASU”) 2014-09, “Revenue from Contracts with Customers,” which supersedes the revenue recognition requirements of Accounting Standards Codification (“ASC”) Topic 605, “Revenue Recognition” and most industry-specific guidance on revenue recognition throughout the ASC. The new standard is principles based and provides a five-step model to determine when and how revenue is recognized. The core principle of the new standard is that revenue should be recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also requires disclosure of qualitative and quantitative information surrounding the amount, nature, timing and uncertainty of revenues and cash flows arising from contracts with customers. The new standard will be effective for the Company for the year ending December 31, 2019 and can be applied either retrospectively to all periods presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted beginning for the year ending December 31, 2017. The Company is currently evaluating the impact of adoption of the new standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets referred to as “Lessees” to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the consolidated financial statements.

The leasing standard will be effective for the year ended December 31, 2020. Early adoption will be permitted upon issuance of the standard and a modified retrospective approach must be applied. The Company is currently evaluating the impact of ASU 2016-02 on its financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.” ASU 2016-15 is intended to improve cash flow statement classification guidance. The standard will be effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of ASU 2016-15 on its financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business.” ASU 2017-01 is intended to help companies evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard will be effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of ASU 2017-01 on its financial statements.

The Company has adopted reporting standards and disclosure requirements as a “smaller reporting company” as defined in Securities Act rule 405, Exchange Act Rule 12b-2 and Item 10(f) of Regulation S-K as amended September 13, 2017. This rule provides scaled disclosure accommodations, the purpose of which is to provide general regulatory relief to qualifying entities.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies are not currently applicable to the Company or are not expected to have a significant impact on the Company’s financial position, results of operations and cash flows.

3. Contribution Transaction

On May 26, 2017, Holmwood and the Operating Partnership closed on a transaction that resulted in Holmwood contributing its entire membership interest in four SPEs to the Operating Partnership and assigning to the Operating Partnership all its rights, title and interest in and to any and all profits, losses and distributed cash flow for three other SPEs as well as all of the other benefits and burdens of ownership for federal income tax purposes (the "Contribution Transaction"). In exchange for the aforementioned, the Operating Partnership issued 1,078,416 of its common units ("OP Units"). The agreed upon value of the transaction between the parties was $10,784,161. However, the Company recognized value of $6,068,182 with respect to the issuance of the OP Units based upon the net identifiable assets received. This issuance was recorded as a non-cash transaction in the consolidated statement of changes in stockholders equity for the year ended December 31, 2017.

The Contribution Transaction was accounted for as a commonly controlled transaction whereby the contributed assets and assumed liabilities are acquired at their historical book values, rather than at the agreed upon value. The historical book value of the net identifiable assets contributed was $6,068,182.

A summary of the Company's contributed assets and assumed liabilities as of May 26, 2017 is as follows:

Assets contributed	
Buildings and improvements, net	$ 28,748,079
Intangible assets, net	1,653,771
Prepaid and other assets	336,801
Total assets contributed, net	$ 30,738,651
Liabilities assumed	
Mortgages payable	$ 22,307,335
Notes payable	1,321,210
Intangible liabilities, net	704,941
Accounts payable and accrued expenses	336,983
Total liabilities assumed	$ 24,670,469
Net identifiable assets contributed	$ 6,068,182

As part of the Contribution Transaction, the Company and Holmwood entered into a tax protection agreement indemnifying Holmwood for any taxes resulting from a sale for a period of ten years after the date of the Contribution Transaction.

4. Variable Interest Entities

With respect to the three SPEs where Holmwood assigned to the Operating Partnership all its rights, title and interest in and to any and all profits, losses and distributed cash flow, management determined these SPEs to be variable interest entities ("VIE") in which the Operating Partnership has a variable interest and that Holmwood equity holders lacked the characteristics of a controlling financial interest. The Company determined in accordance with ASC Topic 801 "Consolidation" to consolidate these SPEs.

A summary of the VIE's assets and liabilities that are included within the Company's consolidated balance sheet at December 31, is as follows:

Assets:	
Buildings and improvements, net	$ 12,007,437
Intangible assets, net	530,626
Prepaids and other assets	457,096
Total assets	$ 12,995,159
Liabilities:	
Mortages payable	$ 9,796,972
Intangible liabilities, net	168,733
Accounts payable and accrued expenses	242,284
Total liabilities	$ 10,207,989
Net identifiable assets	$ 2,787,170

5. Investment in Real Estate

The following is a summary of the Company's investment in real estate, net as of December 31, 2017 and December 31, 2016, respectively:

	2017	2016
Land	$ 6,065,137	$ 841,155
Buildings and improvements	52,699,106	8,420,511
Tenant improvements	4,701,613	1,418,354
	63,465,856	10,680,020
Accumulated depreciation	(1,543,221)	(244,029)
Investments in real estate, net	$ 61,922,635	$ 10,435,991

Depreciation expense for the year ended December 31, 2017 and 2016 was $1,299,192 and $244,029, respectively.

The Company capitalized building improvements in the amount of $49,475 and $0 for the year ended December 31, 2017 and for the period from March 11, 2016 (date of inception) to December 31, 2016, respectively.

During the year ended December 31, 2017 the Company acquired three properties located in Virginia, Alabama and Texas with rentable square footage of 53,917, 16,036 and 38,756 respectively. The acquisitions were financed with a combination of cash and first mortgage loans. All 3 properties were acquired with leases in place with the United States of America with remaining firm terms between 4.3 and 9.5 years at the time of acquisition. A summary of the allocated purchase price for each acquired property, based on estimated fair values, is as follows:

2017 Acquisitions:	Norfolk, VA March 31, 2017	Montgomery, AL July 25, 2017	San Antonio, TX November 21, 2017	Total
Land	$ 1,542,290	$ 549,664	$ 273,588	$ 2,365,542
Buildings and improvements	11,115,690	2,751,204	5,968,136	19,835,030
Tenant improvements	-	504,350	1,324,340	1,828,690
Acquired In-place leases	418,856	174,905	394,907	988,668
Acquired lease-up costs	562,611	167,501	193,487	923,599
Above market leases	1,078,490	649,448	118,891	1,846,829
Tenant improvement obligation	(1,315,366)	-	-	(1,315,366)
Acquisition fees payable	(145,000)	(47,095)	(82,250)	(274,345)
Capitalized costs, other	-	-	-	8,495
	$ 13,257,571	$ 4,749,977	$ 8,191,099	$ 26,207,142

In connection with the purchase of the Norfolk property and the assumption of its related lease agreement, the Company assumed an aggregate obligation in the amount of $1,315,366 relating to a build-out allowance and a building specific capital allowance. At closing, the seller provided the Company a credit of an equal amount. The credit was received in cash and is held in escrow until the capital projects begin. As of December 31, 2017, $1,315,366 remained in escrow and is classified as restricted cash on the consolidated balance sheet.

The Company during 2017 also capitalized certain costs in the amount of $8,495 related to its Lakewood Co. property.

During the period March 11, 2016 to December 31, 2016 the Company acquired three properties, two in Oklahoma and one in Colorado with rentable square footage of 15,445, 9,298 and 19,241 respectively. The acquisitions were financed with a combination of cash and first mortgage loans. All three properties were acquired with leases in place with the United States of America with remaining firm terms between 4.2 and 8.0 years at the time of acquisition. A summary of the allocated purchase price for each acquired property, based on estimated fair values, is as follows:

2016 Acquisitions:	Moore, OK June 10, 2016	Lawton, OK June 10, 2016	Lakewood, CO June 10, 2016	Total
Land	$ 259,130	$ 169,458	$ 412,567	$ 841,155
Buildings and improvements	3,936,562	1,731,446	2,752,503	8,420,511
Tenant improvements	382,588	276,317	759,449	1,418,354
Acquired In-place leases	150,020	81,066	135,081	366,167
Acquired lease-up costs	102,235	39,919	125,973	268,127
Above market leases	184,887	-	-	184,887
Below Market leases	-	(10,519)	(438,086)	(448,605)
	$ 5,015,422	$ 2,287,687	$ 3,747,487	$ 11,050,596

6. Leasehold Intangibles, net

The following is a summary of the Company's leasehold intangibles as of December 31, 2017 and December 31, 2016.

	December 31, 2017	December 31, 2016
Acquired in-place leases	$ 2,171,435	$ 366,167
Acquired lease-up costs	2,022,123	268,127
Acquired above-market leases	2,038,492	184,887
	6,232,050	819,181
Accumulated amortization	(596,615)	(76,171)
Leasehold intangibles, net	$ 5,635,435	$ 743,010

Amortization of in-place leases, lease-up costs and acquired above market leases was $520,444 and $76,171 for the year ended December 31, 2017 and for the period from March 11, 2016 (date of inception) to December 31, 2016, respectively.

Future amortization of acquired in-place lease value, acquired lease-up costs and acquired above market leases (collectively "Intangible Lease Costs") is as follows:

Year Ended	Intangible Lease Costs
2018	$ 804,784
2019	804,784
2020	794,016
2021	743,345
2022	565,945
Thereafter	1,922,561
Total	$ 5,635,435

7. Below-Market Leases, net

The Company's intangible liabilities consist of acquired below-market leases. The following is a summary of the Company's intangible liabilities, as of December 31, 2017 and 2016.

	December 31, 2017	December 31, 2016
Acquired below-market leases	$ 1,153,546	$ 448,605
Accumulated amortization	(151,792)	(31,874)
Below-market leases, net	$ 1,001,754	$ 416,731

Amortization of below-market leases resulted in an increase in rental revenue of $119,918 and $31,874 for the year ended December 31, 2017 and for the period from March 11, 2016 (date of inception) to December 31, 2016, respectively.

The future amortization of acquired below market leases is as follows:

Year Ended	Below Market Leases
2018	$ 163,305
2019	163,305
2020	162,356
2021	144,363
2022	104,499
Thereafter	263,926
Total	$ 1,001,754

8. Mortgages Payable

The following table outlines the mortgages payable as of December 31, 2017 and 2016:

				Outstanding Principal	
Issuance Date	Initial Balance	Interest Rate	Maturity	December 31 2017	December 31 2016
August-2013	$ 10,700,000	5.27%	August-2023	$ 9,976,722	$ -
April-2015	7,600,000	3.72%	March-2018	6,874,169	-
June-2016	9,675,000	3.93%	July-2019	9,343,234	7,153,556
July-2017	10,875,000	4.00%	August-2022	10,789,967	-
July-2017	3,530,000	4.00%	August-2022	3,502,398	-
September-2017	2,750,000	4.00%	August-2022	2,734,311	-
November-2017	6,991,250	4.25%	June-2019	6,991,250	-
Total principal				50,212,051	7,153,556
Debt issuance costs				(755,338)	(105,072)
Accumulated amortization				116,970	19,583
Mortgage payable net of unamortized debt costs				$ 49,573,683	$ 7,068,067

At December 31, 2017, and December 31, 2016, the Company had unamortized debt issuance costs of $638,368 and $85,489 net of $116,970, and $19,583 of accumulated amortization, respectively, in connection with its various mortgage payables.

Mortgage loan balances as of December 31, 2017 and 2016 totaled $50,212,051 and $7,153,556, respectively. Fixed rate loans before unamortized debt issuance costs totaled $43,337,882 and $7,153,556 as of December 31, 2017 and 2016, respectively. Variable rate loans before unamortized debt issuance costs totaled $6,874,169 and $0 for the same respective periods. The loans are payable to various financial institutions and are collateralized by specific properties.

The mortgage loan issued in August 2013 bears interest at a fixed rate of 5.27% per annum, has debt service payments based on principal amortization over 30 years, and matures in August 2023. This mortgage was assumed by the Company in connection with the Contribution Agreement. Outstanding principal balance as of December 31, 2017 was $9,976,722.

The mortgage loan issued in April 2015 has a variable interest rate equal to the one-month LIBOR rate plus 235 basis points. The interest rate was 3.72% for the year ended December 31, 2017. This mortgage was assumed by the Company in connection with the Contribution Agreement. The loan has required debt service payments based on principal amortization over 20 years and would have matured on March 25, 2017 in the event the predecessor had not exercised its option to extend the loan to March 25, 2018. The predecessor paid an extension fee in the amount of $11,400. The outstanding principal balance as of December 31, 2017 was $6,874,169. On or about March 25, 2018, management secured a 90-day extension to June 25, 2018 while negotiations were in process to procure a long-term refinance agreement. As a result of those negotiations, the Company entered into a loan modification agreement on April 27, 2018 which, among other things, extended the maturity date to April 27, 2020 (See Note 14 - Mortgage Payable for further discussion).

The mortgage loans issued in June 2016 bear interest at a fixed rate of 3.93% per annum with debt service payments based on principal amortization over 25 years and mature in July 2019. During the period from March 11, 2016 (date of inception) to December 31, 2016, there were three separate properties included in this financing, each with a separate mortgage payable. A fourth property financed on the same day with the same institution and with the same terms was acquired as a result of the Contribution Transaction. The aggregate original issue for the 4 loans outstanding at December 31, 2017, and the three loans outstanding at December 31, 2016 was $9,675,000 and $7,225,000, respectively. The outstanding principal balances were $9,343,234 and $7,153,566 as of December 31, 2017 and 2016, respectively.

The mortgage loan issued in July 2017, for a newly acquired property in Norfolk, VA., bears interest at a fixed rate of 4.00% per annum, has debt service payments based on principal amortization over 25 years, and matures in August 2022. The outstanding principal balance as of December 31, 2017 was $10,789,967.

The mortgage loan issued in July 2017, for a newly acquired property in Montgomery, AL., bears interest at a fixed rate of 4.00% per annum, has debt service payments based on principal amortization over 25 years, and matures in August 2022. The outstanding principal balance as of December 31, 2017 was $3,502,398.

The mortgage loan issued in September 2017, was to refinance a property acquired as a result of the Contribution Transaction. It bears interest at a fixed rate of 4.00% per annum, has debt service payments based on principal amortization over 25 years, and matures in August 2022. The outstanding principal balance as of December 31, 2017 was $2,734,311.

The mortgage loan issued in November 2017, for a newly acquired property in San Antonio, TX, is an interest only note that bears a fixed rate of 4.25% per annum and matures in June 2019. The outstanding principal balance as of December 31, 2017 was $6,991,250.

The carrying amount of the Company’s variable rate debt approximates its fair value as of December 31, 2017.

9. Notes Payable

The following table outlines the notes payable as of December 31, 2017 and 2016:

				Outstanding Principal	
Issuance Date	Initial Balance	Interest Rate	Maturity	December 31 2017	December 31 2016
Related Parties					
March-2017	3,070,000	12.00%	March-2018	$ 3,070,000	$ -
December-2017	330,000	3.25%	February-2018	330,000	-
December-2017	750,000	8.00%	June-2018	750,000	-
Total related parties notes payable				$ 4,150,000	$ -
Third parties					
June-2016	2,019,789	7.00%	December-2017	$ -	$ 1,992,140
December-2016	124,000	4.78%	September-2017	-	111,821
March-2017	330,000	12.00%	March-2018	330,000	-
November-2017	124,000	4.98%	September-2018	99,610	-
December-2017	750,000	8.00%	June-2018	750,000	-
Total third party notes payable				$ 1,179,610	$ 2,103,961
Total related and third party notes				$ 5,329,610	$ 2,103,961

March Notes

On March 31, 2017, the Company borrowed an aggregate amount of $3,400,000 pursuant to multiple promissory notes payable. The notes are unsecured, require monthly interest-only payments payable in arrears at an interest rate of 12% per annum. By agreement with the holders of these notes, the maturity date of such notes has been extended to May 1, 2019. The notes are pre-payable without penalty. Of these notes, $3,070,000 in aggregate principal were loaned by a director of the Company and by an affiliate of another Company director, all of whom or which also are affiliates of the Asset Manager and the Company's predecessor. As of December 31, 2017, the outstanding principal balance of these notes was $3,400,000.

December Notes

On December 11, 2017, our company borrowed $330,000 from an affiliated entity of our Company's CEO. The loan accrues interest at 3.25% per annum and both principal and accrued interest is payable on demand. This note was paid in full on February 26, 2018.

On December 11, 2017, the Company borrowed $1,500,000 in aggregate principal amount pursuant to multiple promissory notes payable to accredited investors. The notes are unsecured, require monthly interest-only payments payable in arrears at an interest rate of 8% per annum. By agreement with the holders of these notes, the maturity date of such notes has been extended to May 1, 2019. With respect to these notes, $500,000 in principal amount was loaned by an affiliate of a director of the Company, the Asset Manager and the Company's predecessor, and $250,000 was loaned by a member of the Company's predecessor. As of December 31, 2017, the outstanding principal balance of these notes was $1,500,000.

Seller-Finance Note

On June 10, 2016, the Company entered into a note payable agreement in the amount of $2,019,789 with the seller of the Company's 2016 acquired properties. The loan bears interest at a fixed annum rate of 7.0% and payments are based on monthly principal amortization over 20 years. The note matured on December 10, 2017. During December 2017, the Company paid the outstanding principal balance of the note plus accrued interest through the date of payment. The outstanding principal balance as of December 31, 2017 and 2016 was $0 and $1,992,140, respectively.

Premium Finance Agreement

On November 30, 2017, the Company entered into a note payable in the amount of $124,000 to finance certain insurance premiums. The loan bears interest at a fixed annum rate of 4.98% and requires ten payments, including principal and interest, of $12,685. As of December 31, 2017, the outstanding balance was $99,610.

On December 7, 2016, the Company entered into a note payable in the amount of $124,000 to finance certain insurance premiums. The loan bore interest at a fixed annum rate of 4.78% and required ten payments, including principal and interest, of $12,673. As of December 31, 2017 and 2016, the outstanding balance was $0 and $111,821, respectively.

10. Related Parties

Receivables/Payables

At December 31, 2017, the Company had a related party payable of $461,858 which consisted of a payable to Holmwood of $371,984, a payable to HCA of $74,874, and a payable to the Company's CEO of $15,000. Subsequent to December 31, 2017, the Company has repaid $267,000 to Holmwood, $74,807 to HCA and $15,000 to the CEO.

During the period from March 11, 2016 (date of inception) to December 31, 2016, the Company advanced to Holmwood $410,861 and advanced $114,536 to the Asset Manager. At December 31, 2016, the unpaid balance of the advance to Holmwood and the advance to the Asset Manager was $410,861 and $114,536, respectively.

Management fees

The Asset Manager provides asset management, property management, acquisition and leasing services for the Company.

The Company pays the Asset Manager an asset management fee equal to 1.5% of the stockholders' equity payable, subject to certain adjustments, in arrears and on a quarterly basis. The asset management fee incurred for the year ended December 31, 2017 and for the period March 11, 2016 to December 31, 2016 was $178,621 and $35,948, respectively. Accrued asset management fees at December 31, 2017 and 2016 were $74,807 and $0, respectively.

The Company pays a property management fee to the Asset Manager with respect to all properties. The property management fee is payable on a monthly basis and in arrears. The Company incurred property management fees of $124,861 and $21,361 for the year ended December 31, 2017 and for the period from March 11, 2016 (date of inception) to December 31, 2016, respectively.

The Company owes the Asset Manager 1% of the acquisition cost ("Acquisition Fee") of each real estate investment made on behalf of the Company for services with respect to the identification of an investment, arrangement of the purchase, and coordination of closing. The Acquisition Fee shall be paid in common stock or other equity securities of the Company. The Acquisition Fee shall be accrued and unpaid until the earlier of the date on which the Company's common stock is initially listed with a national securities exchange or on March 31, 2020. Unpaid acquisition fees as of December 31, 2017 and 2016 were $274,345 and $0, respectively.

The Company owes the Asset Manager a leasing fee for services in connection with leasing the Company's real estate investments equal to 2.0% of all gross rent for any new lease or lease renewal entered into, excluding reimbursements by the tenant for operating expenses and taxes and similar pass-through obligations paid by the tenant. There were no leasing fees paid during the year ended December 31, 2017 nor during the period from March 11, 2016 (date of inception) to December 31, 2016. There were no leasing fees accrued at December 31, 2017 and 2016.

Notes payable

During the year ended December 31, 2017, the Company entered into various promissory notes with related parties (See Note 9 for further discussion). As of December 31, 2017, the unpaid principal balance of related party notes payable was $4,150,000. There were no related party notes payable issued during the period from March 11, 2016 (date of inception) to December 31, 2016 nor were there any outstanding as of December 31, 2016.

11. Leases and Tenants

Our rental properties are subject to generally non-cancelable operating leases generating future minimum contractual rent payments due from tenants. Occupancy of the operating properties was at 98.1% for the year ended December 31, 2017 and for the period from March 11, 2016 (date of inception) to December 31, 2016. Lease terms range from 3 to 12 years as of December 31, 2017. The future minimum rents for existing leases as of December 31, 2017 are as follows:

	Future Minimum Rents
2018	$ 7,580,715
2019	7,580,715
2020	7,404,384
2021	6,942,197
2022	5,097,601
Thereafter	16,559,369
Total	$ 51,164,980

The properties are 100% leased to the United States of America and administered by either the GSA or occupying agency. At December 31, 2017 the weighted average firm lease term is 6.2 years if GSA elects its early termination right and the total remaining weighted average contractual lease term including renewal options is 9.5 years. Lease maturities range from 2020 to 2029.

12. Stockholders' Equity

Preferred Stock

During the period March 11, 2016 (date of inception) to December 31, 2016, the Company issued 144,500 shares of its 7.00% Series A Cumulative Convertible Preferred Stock ("the Series A Preferred Stock") to various investors in exchange for a total of $3,612,500, or $25 per share. The Series A Preferred Stock is convertible, at shareholders' request, on the earlier of (1) the Company's listing on a national securities exchange or (2) on March 31, 2020. The shares are convertible into common shares at a 3:1 ratio.

Common Stock

On March 14, 2016, the Company issued 50,000 shares (200,000 shares, collectively) of common stock at a price of $0.01 per share to each of Messrs. Robert R. Kaplan, Robert R. Kaplan, Jr., Edwin M. Stanton and Philip Kurlander, founders of the Company. Total consideration was $500 per person.

On November 7, 2016, the Company's offering statement (the "Offering") filed pursuant to Regulation A was qualified by the SEC. The Offering's minimum and maximum offering amounts are $3,000,000 and $30,000,000, respectively, at an offering price of $10 per share. The initial purchase of common stock with respect to the Offering occurred on May 18, 2017. During the year ended December 31, 2017, the Company sold 679,307 shares in connection with the Offering for net proceeds of $6,141,926.

Restricted Common Stock Issuance

Compensation for each independent board member includes an initial share grant of 4,000 restricted common shares with a one-year vesting term. On May 18, 2017, the Company issued 16,000 shares to its four independent board members, collectively. The shares, valued at $10 share, pay dividends on the number of shares issued without regard to the number of shares vested. For the year ended December 31, 2017, the Company recognized $98,667 related to equity-based compensation.

OP Units Issued

On May 26, 2017, in connection with the closing on the Contribution Transaction, the Operating Partnership issued 1,078,416 OP Units to the Company's predecessor. The recorded value of the OP Units was based upon the book value of the net identifiable assets contributed which was $6,068,182. After one year, the OP Units are exchangeable into the REIT's common stock at a ratio of 1:1 or redeemable for cash, at the REIT's discretion.

Long-Term Incentive Plan Shares

During the year ended December 31, 2017, the Operating Partnership issued the Asset Manager 74,450 long-term incentive plan shares ("LTIPs") that vest over five-years. Each LTIP is convertible into OP Units at 1:1 which can then be further exchanged into the REIT's common stock at 1:1. Pursuant to an agreement, the shares are issued concurrent with each sale of the REIT's common stock. The vesting will accelerate if the Company terminates its management agreement with the Asset Manager. The LTIPs result in the Asset Manager consistently and beneficially owning 3% of the REIT's issued and outstanding shares on a fully diluted basis. For the year ended December 31, 2017, the Company recognized $82,364 of equity-based compensation expense.

Dividends and Distributions

During the year ended December 31, 2017 and the period from March 11, 2016 (date of inception) to December 31, 2016, the REIT declared dividends on its Series A Preferred Stock of $316,095 and $104,636, respectively. As of December 31, 2017 and 2016, accrued, unpaid preferred stock dividends were $63,219 and $0, respectively.

During the year ended December 31, 2017 and the period from March 11, 2016 to December 31, 2016, the REIT declared dividends on its common stock of $270,232 and $0, respectively. As of December 31, 2017 and 2016, accrued, unpaid common stock dividends were $123,104 and $0, respectively.

During the year ended December 31, 2017, the Operating Partnership declared distributions of $390,869 with respect to its outstanding common units and LTIPs. As of December 31, 2017, accrued, unpaid distributions were $158,519.

13. Commitments and Contingencies

In connection with the contributed properties in 2017, the property, located in Port Canaveral, Florida, was purchased subject to ground leases. The ground lease has an extended term of 30 years to 2045 with one 10-year renewal option. The Company made ground lease payments of $43,903 during the year ended December 31, 2017. The future minimum rent payments for the ground lease as of December 31, 2017 are as follows:

Year	Future Minimum Rents
2018	$ 73,568
2019	73,568
2020	73,568
2021	73,568
2022	73,568
Thereafter	1,692,057
Total	$ 2,059,897

The Company can be party to or otherwise be involved in legal proceedings arising in the normal and ordinary course of business. We are not aware of any proceeding, threatened or pending, against us which, if determined adversely, would have a material effect on our business, results of operations, cash flows or financial position.

14. Subsequent Events

The Company evaluates events that have occurred after the balance sheet date but before the financial statements are issued. Based upon the evaluation, the Company did not identify any recognized or non-recognized subsequent events that would have required adjustment or disclosure in the consolidated financial statements, other than listed below.

Dividends and Distributions

On January 1, 2018, the Company and Operating Partnership paid the accrued dividends and distributions of $186,323 and $158,519, respectively.

On March 28, 2018, the Company declared a dividend on its Series A Preferred Stock and common stock of $0.4375 and $0.1375 per share for shareholders of record on March 31, 2018. The aggregate dividend of $200,364 was paid on April 5, 2018.

On March 28, 2018, the Operating Partnership declared an aggregate distribution of $158,954 with respect to its OP Units and LTIPs, representing $0.1375 per share for holders of record on March 31, 2018.

Securities Issuances

Through April 27, 2018 the REIT had sold and issued 180,284 additional shares of common stock under its Offering for $1,690,488, net of issuance costs during fiscal 2018.

Through April 27, 2018, the Operating Partnership had issued 5,576 LTIPs to the Asset Manager in connection with the above common stock sold in fiscal 2018. The value of the LTIPs issued were estimated at $55,760 and vest over 5 years.

Notes Payable

On February 26, 2018, the Company satisfied the note payable to an affiliated entity of the Company's Chief Executive Officer in the amount of $332,263, which included accrued interest of $2,263.

Effective April 16, 2018, the Company and investors agreed to extend the maturity date of the $3,400,000 notes payable issued March 31, 2017 to May 1, 2019.

Effective April 16, 2018, the Company and investors agreed to extend the maturity date of the $1,500,000 notes payable issued December 11, 2017 to May 1, 2019.

Mortgage Payable

On April 17, 2018, the Company received a commitment from a lending institution to modify the variable rate mortgage that was previously extended to June 25, 2018. The terms of the commitment specify interest is based on the one-month LIBOR plus 235 basis points, principal payments are based on a 17 year amortization period and matures two years from date of closing. The financing contains other terms and conditions customarily associated with mortgage lending. On April 27, 2018, the Company entered into a loan modification agreement substantially upon the terms of the commitment.

Future Acquisitions

The Company has entered into separate purchase and sale agreements to acquire three properties currently leased to the United States of America for the combined price of $21,655,000, excluding acquisition costs. The acquisitions will be financed by senior debt financing and equity. The Company has acquisition deposits outstanding in the amount of $150,000. The properties are expected to close between late April, 2018 and late July 2018.

III.A Financial Statements as of May 26, 2017 and December 31, 2016 and for the Period from January 1, 2017 to May 26, 2017 and for the Year Ended December 31, 2016

Report of Independent Registered Public Accounting Firm

To the Management of
Holmwood Capital, LLC
Sarasota, Florida

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Holmwood Capital, LLC and subsidiaries (collectively, "Holmwood Capital) as of May 26, 2017 and December 31, 2016, the related consolidated statements of operations, changes in Partners' capital, and cash flows for the period from January 1, 2017 to May 26, 2017 and the year ended December 31, 2016, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Holmwood Capital as of May 26, 2017 and December 31, 2016, and the results of their operations and their cash flows for the period from January 1, 2017 to May 26, 2017 and the year ended Decemer 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of Holmwood Capital's management. Our responsibility is to express an opinion on Holmwood Capital's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Cherry Bekart LLP

We have served as Holmwood Capital's auditor since 2016.

Richmond, Virginia
April 27, 2018

Holmwood Capital, LLC
Consolidated Balance Sheets
May 26, 2017 and December 31, 2016

	May 26, 2017	December 31, 2016
ASSETS		
Investment in real estate, net	$ 28,748,106	$ 29,107,886
Cash and cash equivalents	186,005	258,840
Restricted cash	134,865	239,221
Rent and other tenant receivables, net	166,264	336,464
Leasehold intangibles, net	1,653,770	1,766,835
Prepaids and other assets	75,944	52,579
Total Assets	$ 30,964,954	$ 31,761,825
LIABILITIES		
Mortgages payable, net of unamortized issuance costs	$ 22,307,340	$ 22,455,942
Notes payable, net of unamortized issuance costs	1,120,718	1,387,901
Accrued interest payable	91,616	94,942
Accounts payable	127,651	160,596
Accrued expenses	254,128	245,205
Below-market leases, net	704,941	746,865
Related party payable	121,848	410,861
Total Liabilities	24,728,242	25,502,312
PARTNERS' CAPITAL		
Partners' contributions, net	6,804,872	6,804,872
Accumulated deficit	(568,160)	(545,359)
Total Partners' Capital	6,236,712	6,259,513
Total Liabilities and Partners' Capital	$ 30,964,954	$ 31,761,825

The accompanying notes are an integral part of the consolidated financial statements

Holmwood Capital, LLC
Consolidated Statements of Operations
For the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016

	Period from January 1, 2017 to May 26, 2017	For the Year Ended December 31, 2016
Revenues		
Rental revenues	$ 1,430,291	$ 3,564,278
Real estate tax reimbursments and other revenues	3,146	146,890
Total revenues	1,433,437	3,711,168
Operating expenses		
Depreciation and amortization	478,377	1,228,064
General and administrative	9,379	15,731
Ground lease	27,924	71,094
Insurance	22,530	54,149
Janitorial	67,144	169,172
Management fees	79,005	192,652
Professional expenses	16,392	54,125
Real estate and other taxes	125,279	237,959
Repairs and maintenance	88,502	210,693
Utilities	67,235	161,048
Total operating expenses	981,767	2,394,687
Other expense		
Interest expense	474,471	1,224,717
Net (loss) income	$ (22,801)	$ 91,764

The accompanying notes are an integral part of the consolidated financial statements

Holmwood Capital, LLC
Consolidated Statements of Changes in Partners' Capital
For the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016

	Contributions (Distributions)	Accumulated Deficit	Total Partners' Capital
Balance, December 31, 2015	$ 7,179,761	$ (637,123)	$ 6,542,638
Distributions	(374,889)	-	(374,889)
Net income	-	91,764	91,764
Balance, December 31, 2016	6,804,872	(545,359)	6,259,513
Distributions	-	-	-
Net loss	-	(22,801)	(22,801)
Balance, May 26, 2017	$ 6,804,872	$ (568,160)	$ 6,236,712

The accompanying notes are an integral part of the consolidated financial statements

Holmwood Capital, LLC
Consolidated Statements of Cash Flows
For the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016

	Period from January 1, 2017 to May 26, 2017	For the Year Ended December 31, 2016
Cash flows from operating activities:		
Net (loss) income	$ (22,801)	$ 91,764
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	365,850	946,751
Amortization of acquired lease-up costs	54,495	136,234
Amortization of in-place leases	58,032	145,079
Amortization of above/below-market leases	(41,386)	(103,429)
Amortization of debt costs	35,980	138,095
Change in assets and liabilities		
Restricted cash	104,356	(116,370)
Rent and other tenant receivables, net	170,200	(90,837)
Prepaid expense and other assets	(23,365)	113,770
Accounts payable and accrued expenses	(24,022)	16,297
Accrued interest payable	(3,326)	13,664
Related party payable	(289,013)	410,861
Net cash provided by operating activities	385,000	1,701,879
Cash flows from investing activities:		
Improvements to investment properties	(6,070)	(13,745)
Net cash provided (used) in investing activities	(6,070)	(13,745)
Cash flows from financing activities:		
Distributions to partners	-	(374,889)
Notes payable proceeds	-	1,000,000
Mortgage proceeds	-	2,450,000
Mortgage principal payments	(184,582)	(4,198,676)
Notes payable principal repayments	(267,183)	(465,036)
Debt issuance costs	-	(132,793)
Net cash used in financing activities	(451,765)	(1,721,394)
Net decrease in cash and cash equivalents	(72,835)	(33,260)
Cash and cash equivalents, beginning of year	258,840	292,100
Cash and cash equivalents, end of period for May 26, 2017 and end of year 2016	**$ 186,005**	**$ 258,840**
Supplemental cash flow information:		
Interest paid	$ 430,417	$ 1,084,704

The accompanying notes are an integral part of the consolidated financial statements

Holmwood Capital, LLC
Notes to the Consolidated Financial Statements
For the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016

1. Organization

Holmwood Capital, LLC ("Holmwood" or the "Company"), a Delaware limited liability company, was organized for the primary purpose of acquiring, owning, leasing and disposing of commercial real estate properties leased by the United States of America and administered by General Services Administration (GSA) or occupying agency. The Company invests through wholly-owned, special purpose limited liability companies, or special purpose entities ("SPE"), primarily in properties across secondary or smaller markets.

There were seven (7) SPEs as of May 26, 2017 representing 110,352 rentable square feet located in five states. The properties are 100% leased to the United States of America. Since 2015, the Company and its assets have been managed externally by Holmwood Capital Advisors, LLC and its subsidiary, Holmwood Capital Management, LLC, (collectively "HCA" or "Asset Manager"). The principal owners of HCA or their respective affiliates are also the majority owners of Holmwood.

On May 26, 2017, Holmwood and HC Government Realty Holdings, LP ("HC Gov Realty") closed on a transaction (the "Contribution Transaction") whereby all of the membership interests in four of the Company's subsidiaries were contributed to HC Gov Realty in exchange for common units ("OP Units"). Additionally, in exchange for all the profits, losses, and distributed cash flow and all of the other benefits and burdens of ownership for federal income tax purposes for three of the Company's SPEs, HC Gov Realty issued OP units. `The Contribution Transaction resulted in the contribution of all of Holmwood's property-related operations, assets and liabilities to HC Gov Realty.

2. Basis of Presentation

Holmwood's consolidated balance sheet as of May 26, 2017 and the related consolidated statement of operations, consolidated statement of changes in partners' capital and consolidated statements of cash flows for the period from January 1, 2017 to May 26, 2017 have been presented immediately prior to the effects of the Contribution Transaction.

3. Significant Accounting Policies

Basis of Accounting and Consolidation - The accompanying consolidated financial statements include the accounts of the subsidiary and the seven wholly-owned SPEs including transactions whereby the Company has been determined to have majority voting interest, control and is the primary beneficiary in accordance with the Financial Accounting Standards Board ("FASB") guidance. All other significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates **-** The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

Cash and Cash Equivalents **-** Cash and cash equivalents include all cash and liquid investments with an initial maturity of three months or less when purchased. At times, the Company's cash and cash equivalents balance deposited with financial institutions may exceed federally insurable limits. The Company mitigates this risk by depositing funds with major financial institutions.

The Company has not experienced any losses in connection with such deposits.

Restricted Cash – Restricted cash consists of amounts escrowed for future real estate taxes, insurance and repairs, as required by certain of the Company's mortgage debt agreements.

Purchase Accounting for Acquisitions of Real Estate Subject to a Lease - In accordance with the FASB guidance on business combinations, Holmwood determines the fair value of the real estate assets acquired on an "as if vacant" basis. The difference between the purchase price and the fair value of the real estate assets on an "as if vacant" basis is first allocated to the fair value of above- and below-market leases, and then allocated to in-place leases and lease-up costs.

Management estimates the "as if vacant" value considering a variety of factors, including the physical condition and quality of the buildings, estimated rental and absorption rates, estimated future cash flows, and valuation assumptions consistent with current market conditions. The "as if vacant" fair value is allocated to land and buildings and improvements based on relevant information obtained in connection with the acquisition of the property, including appraisals and property tax assessments. Above-market and below-market lease values are determined on a lease-by-lease basis based on the present value (using an interest rate that reflects the risk associated with the leases acquired) of the difference between (a) the contractual amounts to be paid under the lease and (b) management's estimate of the fair market lease rate for the corresponding space over the remaining non-cancelable terms of the related leases. Above (below) market lease values are recorded as leasehold intangibles and are recognized as an increase or decrease in rental income over the remaining non-cancelable term of the lease.

Additionally, in-place leases are valued in consideration of the net rents earned that would have been foregone during an assumed lease-up period; and lease-up costs are valued based upon avoided brokerage fees. Holmwood has not recognized any value attributable to customer relationships. The difference between the total of the calculated values described above, and the actual purchase price plus acquisition costs, is allocated pro-ratably to each component of calculated value. In-place leases and lease-up costs are amortized over the remaining non-cancelable term of the leases. Real estate values were determined by independent accredited appraisers.

Depreciation of an asset begins when it is available for use and is calculated using the straight-line method over its estimated useful life. Range of useful lives for depreciable assets are as follows:

Category	**Term**
Buildings	40 years
Building improvements	5 - 40 years
Tenant improvements	Shorter of remaining life of the lease or useful life

Construction expenditures for building improvements and tenant improvements are capitalized and amortized over the terms of each specific lease.

Maintenance and repair expenditures are charged to expense as incurred while expenditures that extend the useful life of the real estate investment are capitalized.

Leases - Holmwood's real estate is leased to tenants on a modified gross lease basis. The leases provide for a minimum rent which normally is flat during the firm term of the lease. The minimum rent payment may include payments to pay for lessee requests for tenant improvement or to cover the cost for extra security. The tenant is required to pay increases in property taxes over the first year and an increase in operating costs based on the consumer price index of the lease's base year operating expenses. Operating costs includes repairs and maintenance, cleaning, utilities and other related costs. Generally, the leases provide the tenant with renewal options, subject to generally the same terms and conditions of the base term of the lease. Holmwood accounts for its leases using the operating method. Such method is described below:

Operating method – Properties with leases accounted for using the operating method are recorded at the cost of the real estate. Revenue is recognized as rents are earned and expenses (including depreciation and amortization) are charged to operations as incurred. Buildings are depreciated on the straight-line method over their estimated useful lives. Leasehold intangibles are amortized on the straight-line method over the terms of their respective leases. When scheduled rents vary during the lease term, income is recognized on a straight-line basis so as to produce a constant periodic rent over the term of the lease.

Impairment – Real Estate - The Company reviews investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. To determine if impairment may exist, the Company reviews its properties and identifies those that have had either an event of change or an event of circumstances warranting further assessment of recoverability (such as a decrease in occupancy). If further assessment of recoverability is needed, the Company estimates the future net cash flows expected to result from the use of the property and its eventual disposition, on an individual property basis. If the sum of the expected future net cash flows (undiscounted and without interest charges) is less than the carrying amount of the property on an individual property basis, the Company will recognize an impairment loss based upon the estimated fair value of such property. For the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016, the Company has not recorded any impairment charges.

Revenue Recognition **-** Minimum rents are recognized when due from tenants; however, minimum rent revenues under leases which provide for varying rents over their terms, if any, are straight lined over the term of the leases. In the case of expense reimbursements due from tenants, the revenue is recognized in the period in which the related expense is incurred.

Rents and Other Tenant Accounts Receivables, net - Rents and other tenant accounts receivables represent amounts billed and due from tenants. When a portion of the tenants' receivable is estimated to be uncollectible, an allowance for doubtful accounts is recorded. Due to the high credited worthiness of the tenants, there were no allowances as of May 26, 2017 and December 31, 2016.

Income and Other Taxes **-** No provision for income taxes is made because Holmwood and its operating subsidiaries are not subject to income tax. Management has evaluated tax positions that could have a significant effect on the financial statements and determined that the Company has a franchise and excise state tax liability of $5,997 to reflect its share of the annual costs for the period from January 1, 2017 to May 26, 2017. The franchise and excise state tax liability as of December 31, 2016 was $12,249.

Debt Issuance Costs – Debt issuance costs incurred in connection with Holmwood's mortgages payable and note payable were deferred and amortized as interest expense over the term of the respective loan agreement using the effective interest method. As applicable, the unamortized balance of debt issuance costs is presented within in mortgages payable and notes payable within the consolidated balance sheets.

Reclassifications – Certain prior year amounts have been reclassified for consistency with the current year presentation. Accordingly, $746,865 has been reclassified from leasehold intangibles, net to below-market leases, net, on the consolidated balance sheets as of December 31, 2016, in order to present the below-market lease intangibles separately from the above-market lease intangibles. This reclassification has no effect on the reported total partners' capital or results of operations as of and for the year ended December 31, 2016.

Recent Accounting Pronouncements **-** In May 2014, the FASB issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers," which supersedes the revenue recognition requirements of Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition" and most industry-specific guidance on revenue recognition throughout the ASC. The new standard is principles based and provides a five-step model to determine when and how revenue is recognized. The core principle of the new standard is that revenue should be recognized when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard also requires disclosure of qualitative and quantitative information surrounding the amount, nature, timing and uncertainty of revenues and cash flows arising from contracts with customers. The new standard will be effective for the Company for the year ending December 31, 2019 and can be applied either retrospectively to all periods presented or as a cumulative-effect adjustment as of the date of adoption. Early adoption is permitted beginning for the year ending December 31, 2017. The Company has determined that there will be no impact in adopting the new standard on its consolidated financial statements since there will be no future revenue after May 26, 2017.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)". ASU 2016-02 is intended to improve financial reporting about leasing transactions. The ASU will require organizations that lease assets referred to as "Lessees" to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases with lease terms of more than 12 months. An organization is to provide disclosures designed to enable users of financial statements to understand the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative requirements concerning additional information about the amounts recorded in the consolidated financial Statements.

The leasing standard will be effective for the year ended December 31, 2020. Early adoption will be permitted upon issuance of the standard and a modified retrospective approach must be applied. The Company is currently evaluating the impact of ASU 2016-02 on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments". ASU 2016-15 is intended to improve cash flow statement classification guidance. The standard will be effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of ASU 2016-15 on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): Clarifying the Definition of a Business." ASU 2017-01 is intended to help companies evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses. The standard will be effective for fiscal years beginning after December 15, 2018. The Company is currently evaluating the impact of ASU 2017-01 on its financial statements.

Other accounting standards that have been issued or proposed by the FASB or other standard-setting bodies are not currently applicable to the Company or are not expected to have a significant impact on the Company's financial position, results of operations and cash flows.

4. Investment in Real Estate, net

The following is a summary of the Company's investment in real estate as of May 26, 2017 and December 31, 2016.

	May 26, 2017	December 31, 2016
Land, buildings and improvements	$ 29,555,372	$ 29,549,302
Tenant improvements	2,278,862	2,278,862
	31,834,234	31,828,164
Accumulated depreciation	(3,086,128)	(2,720,278)
Investments in real estate, net	$ 28,748,106	$ 29,107,886

Depreciation expense for the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016 was $365,850 and $946,751, respectively.

The Company capitalized building improvements in the amount of $6,070 and $13,745 for the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016, respectively.

5. Leasehold Intangibles, net

The following is a summary of the Company's leasehold intangibles, as of May 26, 2017 and December 31, 2016.

	May 26, 2017	December 31, 2016
Acquired in-place leases	$ 1,320,305	$ 1,320,305
Acquired lease-up costs	1,285,251	1,285,251
Acquired above market leases	12,642	12,642
Accumulated amortization	(964,428)	(851,363)
Leasehold intangibles, net	$ 1,653,770	$ 1,766,835

Amortization of in-place leases, lease-up costs and acquired above market leases was $113,065 and $281,313 for the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016, respectively.

Future amortization of acquired in-place lease value and acquired lease-up costs (collectively “Intangible Lease Costs”) is as follows:

Year Ended	Intangible Lease
2017*	$ 169,091
2018	282,156
2019	282,156
2020	282,156
2021	257,219
Thereafter	380,992
Total	$ 1,653,770

* Represents period from May 27, 2017 to December 31, 2017.

6. Below-Market Leases, net

The following is a summary of the Company’s acquired below-market leases as of May 26, 2017 and December 31, 2016.

	May 26, 2017	December 31, 2016
Acquired below-market leases	$ 1,070,051	$ 1,070,051
Accumulated amortization	(365,110)	(323,186)
Below-market leases, net	$ 704,941	$ 746,865

Amortization of below-market leases resulted in an increase in rental revenue of $41,924 for the period from January 1, 2017 to May 26, 2017 and $103,429 for the year ended December 31, 2016, respectively.

The future amortization of acquired below-market leases is as follows:

Year Ended	Below Market Leases
2017*	$ (62,888)
2018	(104,812)
2019	(104,812)
2020	(104,812)
2021	(92,223)
Thereafter	(235,394)
Total	$ (704,941)

* Represents period from May 27, 2017 to December 31, 2017.

7. Mortgages and Notes Payable

Mortgages Payable

The following table outlines the mortgages payable as of May 26, 2017 and as of December 31, 2016:

Issuance Date	Initial Balance	Interest Rate	Maturity	Outstanding Principal May 26, 2017	Outstanding Principal December 31, 2016
July 2013	$ 10,700,000	5.27%	August 2023	$ 10,082,759	$ 10,159,209
April 2015	7,600,000	3.84%	March 2018	7,031,647	7,115,152
December 2015	3,080,000	4.00%	June 2017	3,069,733	3,069,733
June 2016	2,450,000	3.93%	June 2019	2,401,146	2,425,773
Total principal				22,585,285	22,769,867
Debt issuance costs				(540,812)	(540,812)
Accumulated amortization				262,867	226,887
Mortgage payable net of unamortized debt costs				$ 22,307,340	$ 22,455,942

At May 26, 2017 and December 31, 2016, the Company had unamortized debt issuance costs of $277,945, and $313,925 net of $262,867, and $226,887 of accumulated amortization, respectively in connection with its various mortgage payables.

Gross mortgage loan balances as of May 26, 2017 and as of December 31, 2016 totaled $22,585,285 and $22,769,867, respectively. Of these amounts, fixed rate loans before unamortized debt issuance costs totaled $12,483,905 and $12,584,982 as of May 26, 2017 and December 31, 2016, respectively. The remaining amounts comprise variable rate loans before unamortized debt issuance costs totaled $10,101,380 and $10,184,885 for the same respective periods. The loans are payable to various financial institutions and are collateralized by specific properties.

The mortgage loan issued in July 2013 bears interest at a fixed annum rate of 5.27%, has debt service payments based on principal amortization over 30 years, and matures in August 2023. The outstanding principal balance as of May 26, 2017 and December 31, 2016 was $10,082,759 and $10,159,209, respectively.

The mortgage loan issued in April 2015 has a variable interest rate equal to the one-month LIBOR rate plus 235 basis points. For the period from January 1, 2017 to May 26, 2017, the average interest rate was 3.84% and for the year ended December 31, 2016 the average interest rate was 2.89%. The loan has required debt service payments based on principal amortization over 20 years and would have matured on March 27, 2017 in the event the Company had not exercised its option to extend the loan for one year. The Company paid an extension fee in the amount of $11,400. The outstanding principal balance as of May 26, 2017 and December 31, 2016 was $7,031,647 and $7,115,152, respectively.

The mortgage loan issued in December 2015 bears a variable interest rate of Prime or 4%, whichever is greater, and matures in June 2017. The outstanding principal balance as of May 26, 2017 and December 31, 2016 was $3,069,733.

On June 10, 2016, the Company refinanced its $3.7 million mortgage payable. The $3.7 million loan was replaced with a new mortgage loan. The new mortgage loan bears interest as a fixed annum rate of 3.93%, has debt service payments based on principal amortization over 25 years, and matures in June 2019. The outstanding principal balance as of May 26, 2017 and December 31, 2016 was $2,401,146 and $2,425,773, respectively.

The carrying amount of the Company's variable rate debt approximates its fair value as of May 26, and as of December 31, 2016.

Notes Payable

The following table summarizes the notes payable as of May 26, 2017 and as of December 31, 2016:

Issuance Date	Initial Balance	Interest Rate	Maturity Date	Outstanding Principal May 26, 2017	Outstanding Principal December 31, 2016
July 2013	$ 1,500,000	7.25%	August 2018	$ 428,864	$ 563,299
June 2016	338,091	5.50%	June 2019	338,091	338,091
June 2016	661,909	5.50%	June 2018	367,199	502,602
Total outstanding principal				1,134,154	1,403,992
Debt issuance costs				(19,750)	(19,750)
Accumulated amortization				6,314	3,659
Notes payable net of unamortized debt costs				$ 1,120,718	$ 1,387,901

Notes payable as of May 26, 2017 and December 31, 2016 were $1,134,154 and $1,403,992, respectively. The loans have fixed interest rates ranging from 5.5% to 7.25% and mature during the period between June 2018 and June 2019. The weighted average interest rate on the notes during the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016 was 6.16% and 6.20%, respectively.

On June 10, 2016, the Company received $1 million in loan proceeds from a financial institution. The loan was pursuant to two promissory notes, one in the original principal amount of $338,091, and one in the original principal amount of $661,909. The notes bear interest at 5.5% per annum. The $338,091 note matures in June 2019, requires interest only payments for the first 24 months and then monthly payments will increase in order to fully amortize the loan over the remaining 12 months of its term. The $661,909 note's debt service payment is based on principal amortization over 2 years. At May 26, 2017, the Company had unamortized debt issuance costs relating to these loans of $13,436, net of $6,314 of accumulated amortization.

In July, 2013, the Company entered into a $1.5 million promissory note and related collateral pledge and security agreement to finance certain reserves and closing costs related to closing a $10.7 million mortgage loan. The promissory note's outstanding balance as of May 26, 2017 and December 31, 2016 was $428,864 and $563,299, respectively. The promissory note bears interest at 7.25% and the monthly debt service payment is $30,008 based on the principal fully amortizing over a five-year term. The promissory note is secured by the Company's membership interests in three of its properties. There were no debt issuance costs in connection with this promissory note.

Future Principal Payments

The following is a schedule of the future principal payments on the Company's mortgages and notes payable at May 26, 2017.

Year Ended	Mortgages Payable	Notes Payable
2017*	$ 3,391,427	$ 522,409
2018	7,113,452	439,986
2019	2,512,561	171,759
2020	221,910	-
2021	233,879	-
Thereafter	9,112,056	-
	$ 22,585,285	$ 1,134,154

* Represents period from May 27, 2017 to December 31, 2017.

8. Related Parties

HC Government Realty has advanced Holmwood funds to meet certain equity requirements needed for a property refinancing and to fund other working capital needs. As of May 26, 2017 and December, 31, 2016, the net funds outstanding totaled $121,848 and $410,861. During the period from January 1, 2017 and May 26, 2017, the Company made payments totaling $289,013.

Property management fees are charged by the Asset Manager to Holmwood through an informal agreement between the two parties. Under the terms of the property management agreements, Holmwood pays the Asset Manager a monthly management fee of 3% of all gross receipts from each property or $1,000 a month, whichever is greater. In connection with this agreement, Holmwood paid the Asset Manager property management fees of $41,924 during the period from January 1, 2017 to May 26, 2017 and $100,706 for the year ended December 31, 2016.

Asset management fees are charged by the Asset Manager to Holmwood through an informal agreement between the two parties. Holmwood pays the Asset Manager a monthly asset management fee equal to 2.4% of each property's gross revenues or $1,000 per month, whichever is greater. Asset management fees totaled $37,081 during the period from January 1, 2017 and May 26, 2017 and $91,946 for the year ended December 31, 2016.

9. Contributions and Distributions

No contributions were made by the Company's owners during the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016.

The Company made distributions during the period from January 1, 2017 to May 26, 2017 and for the year ended December 31, 2016 in the aggregate of $0 and $374,889, respectively.

10. Operating Leases

Our rental properties are subject to generally non-cancelable operating leases generating future minimum contractual rent payments due from tenants. Occupancy of the operating properties was at 100% at May 26, 2017 and lease terms ranged from 3 to 12 years. As of May 26, 2017, the future minimum rents for existing leases are as follows:

Year Ended		Future Minimum Rents
2017*	$	2,079,504
2018		3,465,839
2019		3,465,839
2020		3,465,839
2021		3,111,833
Thereafter		5,203,403
Total	$	20,792,257

* Represents period from May 27, 2017 to December 31, 2017

On May 26, 2017, all operating leases were transferred to HC Gov Realty in connection with the Contribution Transaction.

11. Commitments and Contingencies

In connection with a property acquisition in 2015, the property, located in Port Canaveral, Florida, was purchased subject to a ground lease. The ground lease has an extended term of 30 years to 2045 with one 10-year renewal option. The Company made ground lease payments of $27,923 during the period from January 1, 2017 to May 26, 2017 and $71,094 for the year ended December 31, 2016.

The Company can be party to or otherwise be involved in legal proceedings arising in the normal and ordinary course of business. We are not aware of any proceeding, threatened or pending, against us which, if determined adversely, would have a material effect on our business, results of operations, cash flows or financial position.

12. Subsequent Events

Mortgage Payable

The mortgages entered into in July 2013, June 2016 and April 2015 were assumed by HC Gov Realty in connection with the Contribution Transaction.

The mortgage loan issued in December 2015 was assumed by HC Gov Realty in connection with the Contribution Transaction and subsequently refinanced with another bank.

The mortgage loan issued in April 2015 with an original maturity date of March 25, 2018, was assumed by HC Gov Realty in connection with the Contribution Transaction and was subsequently extended to June 25, 2018. In addition, on April 17, 2018, HC Gov Realty received a loan commitment from a lending institution to refinance this mortgage loan. The terms of the commitment specify interest is based on the 1-month LIBOR plus 235 basis points, principal payments are based on a 17 year amortization period and matures 2 years from date of closing. The financing contains other terms and conditions customarily associated with mortgage lending. The HC Gov Realty refinancing is expected to close on or before April 27, 2018.

Notes Payable

Concurrent with the May 26, 2017 closing of the Contribution Transaction all outstanding notes payable were assumed by HC Gov Realty and paid off.

Other

Since May 26, 2017, the Company has received $366,628 of distributions with respect to the OP Units received as part of the Contribution Transaction.

The Company evaluated subsequent events through April 26, 2018, the date the consolidated financial statements were available to be issued. The Company concluded no additional material events subsequent to May 26, 2017 were required to be reflected in the Company's consolidated financial statements or notes as required by standards for accounting disclosures of subsequent events.

IV.A Owned Porperties: Financial Statement for Fiscal Year Ended December 31, 2015

Report of Independent Auditor
To the Board of Directors and Stockholders
HC Government Realty Trust, Inc.

We have audited the accompanying combined statement of revenues and certain operating expenses (the "Statement") of the Lakewood Property, Lawton Property and the Moore Property (the "Owned Properties"), as defined in Note 1 of the Statement, for the year ended December 31, 2015.

Management's Responsibility for the Statement
Management is responsible for the preparation and fair presentation of this Statement, in accordance with accounting principles generally accepted in the United States of America that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on this Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain operating expenses of the Owned Properties for the year ended December 31, 2015 in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As further discussed in Note 1, HC Government Realty Trust, Inc., acquired the Owned Properties on June 10, 2016 through its subsidiaries of GOV-Lakewood DOT, LLC, GOV-Lawton SSA, LLC, and GOV-Lawton SSA, LLC, respectively.

The accompanying Statement was prepared as described in Note 2, for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Owned Properties' revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Cherry Bekaert LLP,
Richmond, Virginia
June 14, 2016

The Owned Properties
Combined Statement of Revenues and Certain Operating Expenses
For the Year Ended December 31, 2015

	Year Ended December 31, 2015
Revenues	
Rental revenues	$ 1,180,474
Real estate tax reimbursements	36,317
Other income	15,355
Total revenues	1,232,146
Certain Operating Expenses	
Property operating	163,512
Real estate taxes	84,341
Insurance	9,566
Property management fees	36,264
Other	4,902
Total certain operating expenses	298,585
Excess of revenues over certain operating expenses	$ 933,561

See accompanying notes to combined statement of revenues and certain operating expenses.

The Owned Properties
Notes to the Combined Statement of Revenues
and Certain Operating Expenses
for the Year Ended December 31, 2015

1. Business and Purchase and Sales Agreement

On June 10, 2016 HC Government Realty Trust, Inc., through its subsidiaries, Gov-Lakewood DOT, LLC, Gov-Lawton SSA, LLC and Gov-Moore PSA, LLC (the "Operating Partnerships"), acquired, pursuant to Purchase and Sales Agreements (the "Agreements"), the Lakewood Property described below, the Lawton Property described below and the Moore Property described below (collectively the "Owned Properties") respectively, for a combined purchase price of $10,226,786 plus closing costs.

The Lakewood Property is a 19,241 rentable square foot, single-tenant building built in 2004 on 3.8 acres located in Lakewood, CO. The property includes two buildings (19,709 gross square feet of office/warehouse building and a 1,313 gross square feet storage building. The property is 100% leased to the United States of America and administered by the General Services Administration (GSA). The property was a build to suit exclusively for use by the Department of Transportation (DOT), the occupying tenant. The lease had an initial firm term of 20 years. The lease, as of December 31, 2015, has a remaining firm term of 8.5 years.

The Lawton Property is a 9,298 rentable square foot, single-tenant, steel frame single story office building located on 1.3 acres located 87 miles from Oklahoma City, OK. The property was built in 2000. The property is 100% leased to the United States of America, administered by GSA and occupied by the Social Security Administration agency. The lease was amended and GSA signed a new 10-year term, 5 years firm that commenced on August 17, 2015. The lease, as of December 31, 2014, has a remaining firm term of 4.6 years.

The Moore Property is a 17,058 rentable square foot, single-tenant, single story office building located on 2.2 acres located in 10 miles from downtown Oklahoma City, OK. The property was originally built in 1999 and an addition was added in 2012. The property is 100% leased to the United States of America, administered by GSA and occupied by the Social Security Administration agency. GSA signed a new 15-year term lease, 10 years firm that commenced on April 10, 2012. The lease, as of December 31, 2015, has a remaining firm term of 6.3 years.

2. Basis of Presentation

The Combined Statement of Revenues and Certain Operating Expenses (the "Statement") has been prepared for the purpose of complying with Rule 8-06 of Regulation S-X, promulgated by the Securities and Exchange Commission, and is not intended to be a complete presentation of the Owned Properties revenues and expenses. Revenues and certain operating expenses include only those amounts expected to be comparable to the proposed future operations of the Owned Properties. Expenses, such as depreciation and amortization, are excluded from the accompanying Statement. The Statement has been prepared on the accrual basis of accounting which requires management to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting periods. Actual results may differ from those estimates.

3. Revenues

Revenues results from the rental of space to tenants under noncancelable operating leases. Tenant reimbursements, include reimbursement for operating expenses, which are determined by the base year operating expenses and are subject to reimbursement in subsequent years based on changes in the urban CPI. Tenant reimbursements also include amounts due from tenants for real estate taxes and other reimbursements. The tenant reimburses the Owned Properties for real estate taxes over the base year. In the case of expense reimbursements due from tenants, revenues are recognized in the period in which the related expense is incurred. When a portion of accounts receivable is estimated to be uncollectible, an allowance for doubtful accounts is recorded. There were no allowances as of December 31, 2015.

The weighted average remaining lease terms for the tenants at the Owned Properties is 6.8 years. Future minimum rentals to be received under the tenants' noncancelable operating leases for each of the next five years and thereafter, as of December 31, 2015 were as follows:

2015	$ 1,264,737
2016	1,264,737
2017	1,264,737
2018	1,264,737
2019	1,159,308
Thereafter	2,263,150
Total	$ 8,481,406

4. Combining Schedules

An income statement for each property for the year ended December 31, 2015 is presented below.

	For the year ended December 31, 2015			
	Lawton Property	Moore Property	Lakewood Property	Combined Total
Revenues				
Rental revenues	$ 196,554	$ 524,018	$ 459,902	1,180,474
Real estate tax reimbursements	3,479	73	32,765	36,317
Other income	1,700	13,655	—	15,355
Total revenues	201,733	537,746	492,667	1,232,146
Certain Operating Expenses				
Property operating	37,953	59,780	65,779	163,512
Real estate taxes	9,933	20,898	53,510	84,341
Insurance	2,622	4,358	2,586	9,566
Property management fees	5,529	15,727	15,008	36,264
Other	1,800	2,400	702	4,902
Total certain operating expenses	57,837	103,163	137,585	298,585
Excess of revenues over certain operating expenses	$ 143,896	$ 434,583	$ 355,082	$ 933,561

5. Subsequent Events

Management has evaluated all events and transactions that occurred after December 31, 2015 through June 14, 2016, the date the financial statement was available to be issued, and are not aware of any events that have occurred subsequent to December 31, 2015 that would require additional adjustments to or disclosures in the Statement.

V.A Financial Statement for Fiscal Year Ended December 31, 2016

Report of Independent Auditor

Report of Independent Auditor
To the Board of Directors and Stockholders
HC Government Realty Trust, Inc.

We have audited the accompanying statement of revenues and certain operating expenses (the "Statement") of the Norfolk Property (the "Property"), as defined in Note 1 of the Statement, for the year ended December 31, 2016.

Management's Responsibility for the Statement
Management is responsible for the preparation and fair presentation of this Statement, in accordance with accounting principles generally accepted in the United States of America that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on this Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain operating expenses of the Property for the year ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As further discussed in Note 1, HC Government Realty Trust, Inc. acquired the Property in March 2017 through its subsidiary Gov Norfolk, LLC.

The accompanying Statement was prepared as described in Note 2, for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Property's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Cherry Bekaert LLP
Richmond, Virginia
November 7, 2017

Norfolk Property
Statement of Revenues and Certain Operating Expenses
For the Year Ended December 31, 2016

	Year Ended December 31, 2016
Revenues	
Rental revenues	$ 1,381,400
Real estate tax reimbursements	15,428
Other miscellaneous revenues	5,190
Total revenues	1,402,018
Certain Operating Expenses	
Property operating	306,037
Real estate taxes	78,113
Insurance	21,060
Property management fees	28,040
Other	11,159
Total certain operating expenses	444,409
Excess of revenues over certain operating expenses	$ 957,609

See accompanying notes to statement of revenues and certain operating expenses.

Norfolk, VA Property
Notes to the Statement of Revenues and Certain Operating Expenses
For the Year Ended December 31, 2016

1. Business and Purchase and Sales Agreement

On March 31, 2017, HC Government Realty Trust, Inc., through its operating partnership, Gov Norfolk, LLC, acquired the Norfolk Property (the "Property"), pursuant to a Purchase and Sales Agreement (the "Agreement"). The Property, a 53,917 rentable square foot, build-to-suit single-tenant, one-story office building, was developed in 2007 and located on 4.53 acres in Norfolk, VA. The Property is 100% leased by the United States of America and administered by the Social Security Administrations (SSA) on a single tenant/user basis. The initial lease was for ten years and expired in June 2017. The tenant signed a new 10-year firm term lease and began on June 27, 2017.

2. Basis of Presentation

The Statement of Revenues and Certain Operating Expenses (the "Statement") has been prepared for the purpose of complying with Rule 8-06 of Regulation S-X, promulgated by the Securities and Exchange Commission, and is not intended to be a complete presentation of the Property's revenues and expenses. Revenues and certain operating expenses include only those amounts expected to be comparable to the proposed future operations of the Property. Expenses, such as depreciation and amortization, are excluded from the accompanying Statements. The Statement has been prepared on the accrual basis of accounting which requires management to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting periods. Actual results may differ from those estimates.

3. Revenues

Revenues result from the rental of space to the tenant under a noncancelable operating lease. Tenant reimbursements, include reimbursement for operating expenses, which are determined by the base year operating expenses and are subject to reimbursement in subsequent years based on changes in the urban Consumer Price Index ("CPI"). Tenant reimbursements may also include amounts due from the tenant for real estate taxes and other reimbursements. The tenant reimburses the Property for real estate taxes over the base year. In the case of expense reimbursements due from tenant, the revenue is recognized in the period in which the related expense is incurred. When a portion of accounts receivable is estimated to be uncollectible, an allowance for doubtful accounts is recorded. There were no allowances as of December 31, 2016.

The remaining lease term for the tenant's new lease as of the date of this report is 9.6 years. The future minimum rentals for the existing and new lease beginning June 27, 2017 to be received under the tenant's noncancelable operating leases for each of the next five years and thereafter is as follows:

	Future Minimum Rents
2017	$ 1,338,573
2018	1,297,153
2019	1,297,153
2020	1,297,153
2021	1,297,153
Thereafter	7,123,531
Total	$ 13,650,716

4. Tenant Improvement Work

As part of GSA signing the new lease, the landlord promised to complete certain tenant improvement work which the tenant would repay in monthly installments over the remaining term of the lease once the work was completed and accepted by the tenant. The seller provided the funds for estimated tenant improvement work in the amount of $1,315,366 and the amount has been escrowed. The Company is working with the tenant on the construction plans for their tenant improvements and it is estimated to take six months to complete. If the tenant work had been completed by the beginning of the new lease term, the monthly rent would have increased by $10,961 each month or $131,536 annually to reflect the repayment of the tenant improvements over the term of the lease. The monthly reimbursement amount will adjust accordingly once the improvements are complete so that the landlord will receive the $1,315,366 within the new lease term. The tenant's new lease beginning June 27, 2017, will result in annual rental income of $1,297,153 for the shell rent and reimbursement for operating expenses. This amount represents a 12.6% increase over its existing lease annual rent of $1,151,335 representing the shell rent and reimbursement for operating expenses. Under the existing lease as of December 31, 2016, the tenant reimbursed the landlord for tenant improvement work at an annual amount of $230,051. Total annual rent proceeds under the existing lease including reimbursement for tenant work totaled $1,381,386.

5. Subsequent Events

Management has evaluated all events and transactions that occurred after December 31, 2016 through November 7, 2017, the date the financial statement was available to be issued, and are not aware of any events that have occurred subsequent to December 31, 2016 that would require additional adjustments to or disclosures in the Statement.

VI.A Financial Statement for Fiscal Year Ended December 31, 2017 and for the Six Months Ended June 30, 2018

Report of Independent Auditor
To the Board of Directors and Stockholders
HC Government Realty Trust, Inc.

We have audited the accompanying statement of revenues and certain operating expenses (the "Statement") of the Knoxville Property (the "Property"), as defined in Note 1 of the Statement, for the year ended December 31, 2017.

Management's Responsibility for the Statement
Management is responsible for the preparation and fair presentation of this Statement, in accordance with accounting principles generally accepted in the United States of America that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on this Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain operating expenses of the Property for the year ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As further discussed in Note 1, on July 27, 2018, HC Government Realty Trust Inc., through its subsidiary of GOV Knoxville, LLC, completed the acquisition of the Property.

The accompanying Statement was prepared as described in Note 2, for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Property's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Cherry Bekaert LLP
Richmond, Virginia
November 6, 2018

Knoxville Property
Statements of Revenues and Certain Operating Expenses
For the Six Months Ended June 30, 2018 (unaudited)
and the Year Ended December 31, 2017

	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017
Rental revenues	$ 323,415	$ 627,704
Certain operating expenses		
Property operating	36,662	57,169
Real estate taxes	4,181	8,380
Insurance	1,213	2,402
Property management fees	8,000	16,000
Other	2,435	1,962
Total certain operating expenses	52,491	85,913
Excess of revenues over certain operating expenses	$ 270,924	$ 541,791

See accompanying notes to statements of revenues and certain operating expenses.

Knoxville Property
Notes to the Statements of Revenues and Certain Operating Expenses
For the Six Months Ended June 30, 2018 (unaudited) and the Year Ended December 31, 2017

1. Business and Purchase and Sales Agreement

On July 27, 2018, HC Government Realty Holdings, LP (the "Operating Partnership"), through its subsidiary Gov Knoxville, LLC, acquired the real property commonly known as 1607 North Lincoln Street, Knoxville, Iowa 50138 (the "Knoxville Property"), pursuant to a Purchase and Sales Agreement (the "Agreement"). The Knoxville Property consists of 16,731 rentable square foot, build-to-suit single-tenant, one-story office building, built in 2017, located on 2.96 acres in Knoxville, Iowa. The Property is 100% leased by the United States of America and administered and occupied by the US Department of Veterans Affairs (the "VA") on a single tenant/user basis. The VA operates a community based outpatient clinic with said property. The lease commencement date was January 12, 2017 and has an initial firm term of 15 years.

2. Basis of Presentation

The Statements of Revenues and Certain Operating Expenses (the "Statements") have been prepared for the purpose of complying with Rule 8-06 of Regulation S-X, promulgated by the Securities and Exchange Commission, and are not intended to be a complete presentation of the Property's revenues and expenses. Revenues and certain operating expenses include only those amounts expected to be comparable to the proposed future operations of the Property. Expenses, such as depreciation and amortization, are excluded from the accompanying Statements. The Statements have been prepared on the accrual basis of accounting which requires management to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting periods. Actual results may differ from those estimates.

3. Revenues

Revenues are generated from the rental of space to the tenant under a noncancelable operating lease. Tenant reimbursements, include reimbursement for operating expenses, which are determined by the base year operating expenses and are subject to reimbursement in subsequent years based on changes in the Consumer Price Index for Urban Consumers as published by the Bureau of Labor Statistics of the U.S. Department of Labor. Tenant reimbursements also include amounts due from the tenant for real estate taxes and other reimbursements. The tenant reimburses the Property for real estate taxes over the base year. In the case of expense reimbursements due from tenant, the revenue is recognized in the period in which the related expense is incurred. When a portion of accounts receivable is estimated to be uncollectible, an allowance for doubtful accounts is recorded. There were no allowances recognized for the year ended December 31, 2017 nor for the six months ended June 30, 2018 (unaudited).

The remaining lease term for the tenant at the Knoxville Property is 13.53 years as of June 30, 2018 (unaudited). Future minimum rentals to be received under the tenant's noncancelable operating lease for each of the next five years and thereafter as of December 31, 2017 were as follows:

	Future Minimum Rents
2018	$ 646,830
2019	646,830
2020	646,830
2021	646,830
2022	646,830
Thereafter	5,840,597
Total	$ 9,074,747

4. Subsequent Events

Management has evaluated all events and transactions that occurred after December 31, 2017 through November 6, 2018, the date the financial statements were available to be issued, and are not aware of any events that have occurred subsequent to December 31, 2017 that would require additional adjustments to or disclosures in the Statements.

VII.A Financial Statement for Fiscal Year Ended December 31, 2017 and for the Six Months Ended June 30, 2018

Report of Independent Auditor
To the Board of Directors and Stockholders
HC Government Realty Trust, Inc.

We have audited the accompanying statement of revenues and certain operating expenses (the "Statement") of the Monroe Property ("Property"), as defined in Note 1 of the Statement, for the year ended December 31, 2017.

Management's Responsibility for the Statement
Management is responsible for the preparation and fair presentation of this Statement, in accordance with accounting principles generally accepted in the United States of America that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on this Statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Statement.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the Statement referred to above presents fairly, in all material respects, the revenues and certain operating expenses of the Property for the year ended December 31, 2017 in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As further discussed in Note 1, HC Government Realty Trust, Inc., has not yet completed the acquisition of the Property.

The accompanying Statement was prepared as described in Note 2, for the purpose of complying with the rules and regulations of the Securities and Exchange Commission and is not intended to be a complete presentation of the Property's revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Cherry Bekaert LLP
Richmond, Virginia
November 6, 2018

Monroe Property
Statements of Revenues and Certain Operating Expenses
For the Six Months Ended June 30, 2018 (unaudited) and the Year Ended December 31, 2017

	Six Months Ended June 30, 2018 (unaudited)	Year Ended December 31, 2017
Revenues		
Rental revenues	$ 372,796	$ 742,210
Real estate tax reimbursements	-	854
Total revenues	372,796	743,064
Certain Operating Expenses		
Building manager payroll	9,100	18,200
Insurance	7,772	15,544
Property operating	48,583	91,016
Real estate taxes	32,211	64,422
Total certain operating expenses	97,666	189,182
Excess of revenues over certain operating expenses	$ 275,130	$ 553,882

See accompanying notes to statements of revenues and certain operating expenses.

Monroe Property
Notes to the Statements of Revenues and Certain Operating Expenses
For the Six Months Ended June 30, 2018 (unaudited) and the Year Ended December 31, 2017

1. Business and Purchase and Sales Agreement

On April 27, 2018, HC Government Realty Holdings, LP entered into a real estate purchase agreement (the "Agreement") with a third party to acquire the real property commonly known as 1691 Bienville Drive, Monroe, Louisiana 71201(the "Monroe Property"). The Monroe Property consists of 21,124 rentable square foot, build-to-suit single-tenant, one-story office building, developed in 2013, located on 2.78 acres in Monroe, Louisiana. The Monroe Property is 100% leased by the United States of America and administered and occupied by the US Department of Veterans Affairs (the "VA") on a single tenant/user basis. The VA operates a community based outpatient clinic with said property. The lease commencement date was October 1, 2013 and has an initial firm term of 10 years. The closing of this sale is expected to occur in December 2018.

2. Basis of Presentation

The Statements of Revenues and Certain Operating Expenses (the "Statements") have been prepared for the purpose of complying with Rule 8-06 of Regulation S-X, promulgated by the Securities and Exchange Commission, and are not intended to be a complete presentation of the Property's revenues and expenses. Revenues and certain operating expenses include only those amounts expected to be comparable to the proposed future operations of the Monroe Property. Expenses, such as depreciation and amortization, are excluded from the accompanying Statements. The Statements have been prepared on the accrual basis of accounting which requires management to make estimates and assumptions that affect the reported amounts of the revenues and expenses during the reporting periods. Actual results may differ from those estimates.

3. Revenues

Revenues are generated from the rental of space to the tenant under a noncancelable operating lease. Tenant reimbursements, include reimbursement for operating expenses, which are determined by the base year operating expenses and are subject to reimbursement in subsequent years based on changes in the Consumer Price Index for Urban Consumers as published by the Bureau of Labor Statistics of the U.S. Department of Labor . Tenant reimbursements also include amounts due from the tenant for real estate taxes and other reimbursements. The tenant reimburses the Monroe Property for real estate taxes over the base year. In the case of expense reimbursements due from tenant, the revenue is recognized in the period in which the related expense is incurred. When a portion of accounts receivable is estimated to be uncollectible, an allowance for doubtful accounts is recorded. There were no allowances recognized for the six months ended June 30, 2018 (unaudited) and for the year ended December 31, 2017.

The remaining lease term for the tenant at the Monroe Property is 5.25 years as of June 30, 2018 (unaudited). Future minimum rentals to be received under the tenant's noncancelable operating lease for each of the next five years and thereafter as of December 31, 2017 were as follows:

2018	$ 745,592
2019	745,592
2020	745,592
2021	745,592
2022	745,592
Thereafter	559,194
Total	$ 4,287,154

4. Subsequent Events

Management has evaluated all events and transactions that occurred after December 31, 2017 through November 6, 2018, the date the Statements were available to be issued, and are not aware of any events that have occurred subsequent to December 31, 2017 that would require additional adjustments to or disclosures in the Statements.

HC GOVERNMENT REALTY TRUST, INC.
Minimum Offering Amount: $3,000,000 in Shares of Common Stock
Maximum Offering Amount: $30,000,000 in Shares of Common Stock

OFFERING CIRCULAR
November 6, 2018

PART III

EXHIBIT INDEX

The following exhibits are filed as part of this offering circular on Form 1-A:

Exhibit Number	Description
1.1	Managing Broker-Dealer Agreement by and between HC Government Realty Trust, Inc. and SANDLAPPER Securities, LLC, dated as of March 28, 2017, incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 1-U filed on April 25, 2017
1.2	Assignment Agreement by and among HC Government Realty Trust, Inc., SANDLAPPER Securities, LLC and Boustead Securities, LLC, dated as of December 20, 2017, incorporated by reference to Exhibit 1.1 to the Company's Current Report on Form 1-U filed on December 21, 2017
1.3	Form of Participating Dealer Agreement, incorporated by reference to Exhibit 1.2 to the Company's Current Report on Form 1-U filed on December 21, 2017
2.1	Articles of Incorporation of HC Government Realty Trust, Inc., incorporated by reference to Exhibit 2.1 to the Company's Offering Statement on Form 1-A filed on June 15, 2016
2.2	Articles Supplementary of HC Government Realty Trust, Inc., incorporated by reference to Exhibit 2.2 to the Company's Offering Statement on Form 1-A filed on June 15, 2016
2.3	Bylaws of HC Government Realty Trust, Inc., incorporated by reference to Exhibit 2.3 to the Company's Offering Statement on Form 1-A filed on June 15, 2016
4.1	Form of Subscription Agreement, incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 1-U filed December 21, 2017
6.1	Agreement of Limited Partnership of HC Government Realty Holdings, L.P., incorporated by reference to Exhibit 6.1 to the Company's Offering Statement on Form 1-A filed on June 15, 2016
6.2	First Amendment to the Agreement of Limited Partnership of HC Government Realty Holdings, L.P., incorporated by reference to Exhibit 6.2 to the Company's Offering Statement on Form 1-A filed on June 15, 2016
6.3	Limited Liability Company Agreement of Holmwood Portfolio Holdings, LLC, incorporated by reference to Exhibit 6.3 to the Company's Offering Statement on Form 1-A filed on June 15, 2016
6.4	Contribution Agreement by and between Holmwood Capital, LLC and HC Government Realty Holdings, L.P., incorporated by reference to Exhibit 6.4 to the Company's Pre-Qualification Amendment No. 2 to its Offering Statement on Form 1-A filed on September 16, 2016
6.5	Form of Tax Protection Agreement by and between Holmwood Capital, LLC and HC Government Realty Holdings, L.P., incorporated by reference to Exhibit 6.5 to the Company's Pre-Qualification Amendment No. 1 to its Offering Statement on Form 1-A filed on July 29, 2016
6.6	Form of Registration Rights Agreement by and between Holmwood Capital, LLC and HC Government Realty Trust, Inc., incorporated by reference to Exhibit 6.6 to the Company's Pre-Qualification Amendment No. 4 to its Offering Statement on Form 1-A filed on October 24, 2016
6.7	Form of Registration Rights Agreement by and between Holmwood Capital Advisors, LLC and HC Government Realty Trust, Inc., incorporated by reference to Exhibit 6.7 to the Company's Pre-Qualification Amendment No. 4 to its Offering Statement on Form 1-A filed on October 24, 2016
6.8	Management Agreement by and among Holmwood Capital Advisors, LLC, HC Government Realty Trust, Inc. and HC Government Realty Holdings, L.P., incorporated by reference to Exhibit 6.8 to the Company's Offering Statement on Form 1-A filed on June 15, 2016
6.9	Form of Independent Director Agreement, incorporated by reference to Exhibit 6.9 to the Company's Offering Statement on Form 1-A filed on June 15, 2016
6.10	Form of Independent Director Indemnification Agreement, incorporated by reference to Exhibit 6.10 to the Company's Offering Statement on Form 1-A filed on June 15, 2016
6.11	Form of Officer/Director Indemnification Agreement, incorporated by reference to Exhibit 6.11 to the Company's Pre-Qualification Amendment No. 1 to its Offering Statement on Form 1-A filed on July 29, 2016
6.12	2016 HC Government Realty Trust, Inc. Equity Incentive Plan, incorporated by reference to Exhibit 6.12 to the Company's Pre-Qualification Amendment No. 4 to its Offering Statement on Form 1-A filed on October 24, 2016
6.13	First Amendment to Contribution Agreement by and between Holmwood Capital, LLC and HC Government Realty Holdings, L.P., dated as of June 10, 2016, incorporated by reference to Exhibit 6.25 to the Company's Pre-Qualification Amendment No. 2 to its Offering Statement on Form 1-A filed on September 16, 2016
6.14	Second Amendment to Contribution Agreement by and between Holmwood Capital, LLC and HC Government Realty Holdings, L.P., dated as of May 26, 2017, incorporated by reference to Exhibit 6.1 to the Company's Current Report on Form 1-U filed on June 2, 2017
6.15	First Amendment to 2016 HC Government Realty Trust, Inc. Equity Incentive Plan, incorporated by reference to Exhibit 6 to Company's Annual Report on Form 1-K filed on April 27, 2018
6.16	Distribution Reinvestment Plan
6.17	Unsecured Promissory Note dated March 30, 2017 by HC Government Realty Holdings, L.P. in favor of Baker Hill Holding LLC
6.18	Unsecured Promissory Note dated March 30, 2017 by HC Government Realty Holdings, L.P. in favor of Robert R. Kaplan
6.19	Promissory Note dated December 11, 2017 by HC Government Realty Holdings, L.P. in favor of Baker Hill Holding LLC
6.20	Promissory Note dated July 27, 2018 by HC Government Realty Holdings, L.P. in favor of Baker Hill Holding LLC
6.21	Promissory Note dated August 30, 2018 by HC Government Realty Holdings, L.P. in favor of Baker Hill Holding LLC
6.22	Promissory Note dated October 12, 2018 by HC Government Realty Holdings, L.P. in favor of Baker Hill Holding LLC
8.1	Form of Escrow Agreement by and among Branch Banking & Trust Company, HC Government Realty Trust, Inc., and Orchard Securities, LLC, incorporated by reference to Exhibit 8.1 to the Company's Pre-Qualification Amendment No. 4 to its Offering Statement on Form 1-A filed on October 24, 2016
8.2	Assignment of Escrow Agreement by and among HC Government Realty Trust, Inc., Branch Banking & Trust Company, Orchard Securities, LLC and SANDLAPPER Securities, LLC, dated as of April 10, 2017, incorporated by reference to Exhibit 8.1 to the Company's Current Report on Form 1-U filed on April 25, 2017
8.3	Assignment of Escrow Agreement by and among HC Government Realty Trust, Inc., Branch Banking & Trust Company, Boustead Securities, LLC and SANDLAPPER Securities, LLC, dated as of December 20, 2017, incorporated by reference to the Company's Current Report on Form 1-U filed on December 21, 2017
11.1	Consents of Cherry Bekaert LLP
11.2	Consent of Kaplan Voekler Cunningham & Frank, PLC (included in Exhibit 12.1)
12.1	Opinion of Kaplan Voekler Cunningham & Frank, PLC incorportably reference to Exhibit 12.1 to the company's Pre-Qualification Amendment No. 5 to its offering statement on 1-A filation numbered, 2017

SIGNATURES

Pursuant to the requirements of Regulation A, the issuer certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form 1-A and has duly caused this offering circular to be signed on its behalf by the undersigned, thereunto duly authorized on November 6, 2018.

HC GOVERNMENT REALTY TRUST, INC.

By: /s/ Edwin M. Stanton
Edwin M. Stanton
Director and Chief Executive Officer

This offering circular has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ Edwin M. Stanton Edwin M. Stanton	Director and Chief Executive Officer (principal executive officer)	November 6, 2018
/s/ Jason D. Post Jason D. Post	Vice President of Finance and Corporate Controller (principal accounting officer)	November 6, 2018
/s/ Philip Kurlander Philip Kurlander	Director and Treasurer (principal financial officer)	November 6, 2018
/s/ Scott A. Musil Scott A. Musil	Director	November 6, 2018
/s/ Leo Kiely Leo Kiely	Director	November 6, 2018

Exhibit 6.16

HC GOVERNMENT REALTY TRUST, INC.
DISTRIBUTION REINVESTMENT PLAN

The Distribution Reinvestment Plan (the "DRIP") for HC Government Realty Trust, Inc., a Maryland corporation (the "Company"), offers to holders of the Company's common stock, $0.001 par value per share (the "Common Stock"), and the holders of the Company's 7.00% Series A cumulative convertible preferred stock, $0.001 par value per share (the "Series A Preferred Stock"), the opportunity to purchase, through reinvestment of distributions, additional shares of Common Stock, on the terms, subject to the conditions and at the prices herein stated.

The DRIP will be implemented in connection with an offering statement under the Securities Act of 1933, as amended (the "Securities Act") on Form 1-A and its amendments (collectively, the "Offering Statement") qualifying the offering and sale of the shares of Common Stock offered under the DRIP pursuant to Regulation A of the Securities Act. An aggregate amount of 200,000 of shares of Common Stock under the Offering Statement will be reserved for issuance pursuant to the DRIP.

Distributions reinvested pursuant to the DRIP will be applied to the purchase of shares of Common Stock at a price per share (the "DRIP Price") equal to $10.00 until all 200,000 shares reserved for the DRIP (the "DRIP Shares") have been purchased, the expiration of the Offering Statement, or the termination of the DRIP by the Company, whichever occurs first. Thereafter, in its sole discretion, the Company may provide additional shares of Common Stock for use in the DRIP by qualifying such shares for issuance pursuant to the DRIP under a new offering statement on Form 1-A. In any case, the per share purchase price under the DRIP for any such additional shares will equal the DRIP Price.

The DRIP

The DRIP provides participants with a simple and convenient way to invest each participant's cash distributions in additional shares of Common Stock. A participant in the DRIP may purchase shares at the DRIP Price until all 200,000 DRIP Shares have been purchased or until the Company elects to terminate the DRIP. In its sole discretion, the Company may provide additional shares of Common Stock for use in the DRIP.

Shares for the DRIP will be purchased directly from the Company. Such shares will be authorized and may be either previously issued and re-acquired, or authorized but unissued shares. Proceeds from the sale of the DRIP Shares provide the Company with funds for general corporate purposes.

Eligibility

Holders of record of shares of Common or Series A Preferred Stock may participate in the DRIP unless the receipt of shares of Common Stock through the DRIP would cause such holder to: (i) exceed the ownership limitations set forth in the Company's charter; or (ii) if such holder is not an accredited investor, exceed the investment limitation imposed by Regulation A, as described in the Offering Statement, for such holder to be a "qualified purchaser" as defined in Rule 256 of Regulation A. A holder may participate with respect to all, or any portion, of its distributions, as indicated on its enrollment form; *provided, that* a holder must participate with respect to at least 25% of its distribution payments. If a participant owns shares of Common or Series A Preferred Stock that are registered in someone else's name (for example, a bank, broker, or trustee) and the participant wants to participate in the DRIP, the participant may be able to arrange for that person to handle the reinvestment of distributions with respect to the participant's DRIP shares. If not, the participant's shares of Common or Series A Preferred Stock should be withdrawn from "street name" or other form of registration and should be registered in the participant's own name, in order to participate in the DRIP. Alternatively, the participant's broker or bank may offer a program that allows the participant to participate in a plan without having to withdraw the participant's shares of Common or Series A Preferred Stock, as the case may be, from "street name."

The Company may refuse participation in the DRIP to stockholders residing in states where shares offered pursuant to the DRIP are not exempt from registration under applicable securities laws.

Administration

As of the date of adoption of the DRIP, the DRIP will be administered by Direct Transfer, LLC (the "DRIP Administrator"), but a different entity may act as DRIP Administrator in the future. The DRIP Administrator will keep all records of the participants' DRIP purchases and send statements of each participant's purchases to the participant. Certain administrative support may be provided by affiliates of the DRIP Administrator.

Participants may enroll in the DRIP, obtain information, and perform certain transactions relative to the DRIP on-line.

To visit the DRIP Administrator's website: transfer.issuerdirect.com

A participant can contact the shareholder relations department toll-free at:

(919) 744-2722

An automated voice response system is available 24 hours a day, 7 days a week. Customer service representatives are available from 8:00 a.m. to 8:00 p.m., Eastern Time, Monday through Friday (except holidays).

A participant may write to the Administrator at the following address:

Direct Transfer, LLC
500 Perimeter Park Dr., Suite D
Morrisville, NC 27560

Enrollment

A participant must own shares of Common or Series A Preferred Stock in order to participate in the DRIP. A holder may become a participant in the DRIP by indicating its election to participate on a signed enrollment form, which is available from the DRIP Administrator, and returning it to the DRIP Administrator at the address above. A participant may include its signed enrollment form with the subscription agreement for any new purchase of our Common Stock.

Participation in the DRIP will begin with the first distribution payment after the participant's enrollment form is received, provided such form is received on or before ten (10) days prior to the payment date established for that distribution. If the enrollment form is received after the tenth day prior to the payment date for any distribution, reinvestment of the participant's distributions will begin with the next distribution payment date.

By enrolling in the DRIP, the participant directs the DRIP Administrator to apply distributions to the purchase of shares of Common Stock in accordance with the DRIP's terms and conditions. Unless otherwise instructed, the DRIP Administrator automatically will reinvest all distributions declared on shares of Common Stock purchased pursuant to the DRIP. If the participant does not want the distributions made to the participant on shares of Common Stock acquired pursuant to the DRIP reinvested, the participant must provide notice to the DRIP Administrator. See "Administration" for information on how to contact the Administrator.

Method for Changing Dividend Reinvestment Election'

A participant may change the participant's distribution reinvestment election at any time by notifying the DRIP Administrator in writing, including by email to transfer@issuerdirect.com. See "Administration" for information on how to contact the DRIP Administrator. To be effective with respect to a particular distribution, any such change must be received by the DRIP Administrator three or more days prior to the payment date for that distribution.

Costs

Purchases under the DRIP will not be subject to selling commissions or any dealer manager fee. All costs of administration of the DRIP will be paid by the Company. Certain charges may be incurred by the participant if the participant withdraws from the DRIP as described below. See "Withdrawal by Participant."

Purchases and Price of Shares

Common or Series A Preferred Stock distributions will be invested within three days after the date on which Common or Series A Preferred Stock distributions are paid (the "Investment Date"). Any distributions not so invested will be returned to participants in the DRIP.

Each participant becomes an owner of shares of Common Stock purchased under the DRIP as of the Investment Date. Distributions paid on shares held in the DRIP (less any required withholding tax) will be credited to the participant's DRIP account. Distributions will be paid on both full and fractional shares held in each participant's account and are automatically reinvested.

Reinvested Distributions. The DRIP Administrator will use the aggregate amount of distributions to all participants for each distribution period to purchase shares for the participants. If the aggregate amount of distributions to participants exceeds the amount required to purchase all shares then available for purchase, the DRIP Administrator will purchase all available shares and will return all remaining distributions to the participants within three days after the date such distributions are made. The DRIP Administrator will allocate the purchased shares among the participants based on the portion of the aggregate distributions received on behalf of each participant, as reflected on the Company's books and records (as may be kept by its transfer agent).

Reports

Within 90 days after the end of each fiscal year, each participant will receive a report of all the participant's investment in DRIP shares, including information with respect to the distributions reinvested during the year, the number of DRIP shares purchased during the year, the per share purchase price for such shares, the total administrative charge retained by the Company or DRIP Administrator and tax information with respect to income earned on shares purchased under the DRIP for the year. These statements are the participant's continuing record of the cost of purchases and should be retained for income tax purposes.

Certificates for Shares

The ownership of shares purchased under the DRIP will be uncertificated and noted in book-entry form until the Company's Board of Directors determines otherwise. The number of shares purchased will be shown on the participant's statement of account. This feature permits ownership of fractional shares, protects against loss, theft or destruction of stock certificates and reduces the costs of the DRIP.

Withdrawal by Participant

A participant may discontinue the reinvestment of the participant's distributions at any time by providing written, including via email to transfer@issuerdirect.com or telephone notice to the DRIP Administrator. See "Administration" for information on how to contact the DRIP Administrator. If the DRIP Administrator receives a participant's notice of withdrawal more than three business days prior to the payment date for the payment of the next distribution, the DRIP Administrator will pay such distribution in cash. If the request is received less than three business days prior to the payment date for the payment of the next distribution, then that distribution will be reinvested. However, all subsequent distributions will be paid out in cash on all balances. The DRIP Administrator will continue to hold the participant's shares of Common Stock unless the participant requests a certificate for any full shares and a check for any fractional share, less shipping and handling costs.

Generally, an eligible shareholder may again enroll and become a participant in the DRIP. However, we reserve the right to reject the enrollment of a previous participant in the DRIP on grounds of excessive enrollment and termination. This reservation is intended to minimize administrative expense and to encourage use of the DRIP as a long-term investment service.

A participant who changes his or her address must promptly notify the DRIP Administrator. If a participant moves his or her residence to a state in which shares offered pursuant to the DRIP are not exempt from registration under applicable securities laws, the Company may deem the participant to have terminated participation in the DRIP.

Amendment and Termination of the DRIP

The Board of Directors may, in its sole discretion, terminate the DRIP or amend any aspect of the DRIP (except for the ability of each participant to withdraw from participation in the DRIP) without the consent of participants or other stockholders, provided that written notice of termination or any material amendment is sent to participants at least ten (10) days prior to the effective date thereof. Participants will be notified if the DRIP is terminated or materially amended. The Board of Directors also may terminate any participant's participation in the DRIP at any time by notice to such participant if continued participation will, in the opinion of the Board of Directors, jeopardize the status of the Company as a real estate investment trust under the Internal Revenue Code of 1986, as amended.

Voting of Shares Held Under the DRIP

A participant will be able to vote all shares of Common Stock purchased under the DRIP at the same time that a participant would be able to vote other shares held in the participant's name on the records of the Company.

Responsibility of the DRIP Administrator and the Company Under the DRIP

The DRIP Administrator will not be liable for any claim based on an act done in good faith or a good faith omission to act. This includes without limitation any claim of liability arising out of failure to terminate a participant's account upon a participant's death, the prices at which shares are purchased, the times when purchases are made, or fluctuations in the market price of Common Stock.

All notices from the DRIP Administrator to a participant will be mailed to the participant at his or her last address of record with the DRIP Administrator, which will satisfy the DRIP Administrator's duty to give notice. Participants must promptly notify the DRIP Administrator of any change in address.

Each participant must recognize that neither the Company nor the DRIP Administrator can provide any assurance of a profit or protection against loss on any shares purchased under the DRIP.

Interpretation and Regulation of the DRIP

The Company reserves the right without notice to participants to interpret and regulate the DRIP as it deems necessary or desirable in connection with its operation. Any such interpretation and regulation shall be conclusive.

Taxation on Distributions

The reinvestment of distributions in the DRIP does not relieve participants of any taxes that may be payable as a result of those distributions and their reinvestment pursuant to the terms of this DRIP.

Exhibit 6.17

ALLONGE TO UNSECURED PROMISSORY NOTE

Effective as of April 16, 2018, that certain Promissory Note, bearing a dated date of March 30, 2017, made by HC Government Realty Holdings, L.P. and payable to Baker Hill Holdings, LLC in the original principal amount of $2,770,000.00, a specimen copy of which is attached hereto as Exhibit A (the "*HCGRH Unsecured Note*") is amended, as follows:

The "Maturity Date", as defined in the HCGRH Unsecured Note is changed to, and the HCGRH Unsecured Note is amended to provide that, the Maturity Date thereof is May 1, 2019, and if all principal and accrued interest has not been paid and satisfied in full on or before such date, then and in such event the outstanding principal balance of this Note from and after such date shall bear interest at the rate of fifteen percent (15.0%) per annum until paid and satisfied in full.

The undersigned holder of the HCGRH Unsecured Note hereby certifies that he, she or it is the holder of the HCGRH Unsecured Note, which is free and clear of any encumbrances and has not been assigned, pledged, hypothecated or otherwise transferred in whole or in part by the undersigned, who or which consents to the change and amendment made hereby.

MAKER:

HC GOVERNMENT REALTY HOLDINGS, L.P.
By: HC Government Realty Trust, Inc.
Its: General Partner

By: /s/ Robert R. Kaplan
Its: Authorized Signatory

HOLDER:

BAKER HILL HOLDINGS, LLC

By: /s/ Philip Kurlander
Its: Manager

This Allonge shall be deemed to be, and shall be a part of, the HCGRH Unsecured Note whether or not physically attached thereto.

UNSECURED PROMISSORY NOTE

Sarasota, Florida

$2,770,000.00
March 30, 2017

FOR VALUE RECEIVED, HC Government Realty Holdings, L.P., a Delaware limited partnership ("**Borrower**"), promises to pay to the order of Baker Hill Holding, LLC, a New York limited liability company (the "**Lender**"), the principal amount of Two Million Seven Hundred-Seventy Thousand and 00/100 U.S. Dollars ($2,770,000.00), plus interest on the balance remaining from time to time unpaid in like money at the rate Twelve percent (12.00%) per annum, (the "**Rate**"). Accrued interest at the Rate will be calculated on the basis of a 360-day year and shall be paid monthly in arrears for the actual number of days elapsed, the first such interest payment being due and payable on May 1, 2017 and thereafter on the first day of each succeeding month (if the first day of any such month is not a business day, which is a weekday that is not a holiday and on which financial institutions and other deposit gathering institutions in the Borough of Manhattan, City and State of New York are open for business generally, then the interest payment otherwise due on such first day of the month shall be paid on the next succeeding business day) through and including March 27, 2018 (the "**Maturity Date**"), on which date, if not sooner paid, as hereinafter provided, the entire outstanding principal balance of this Promissory Note (this "**Note**"), together with accrued but unpaid interest thereon, shall become and be due and payable in full.

1 . **Prepayment.** At any time on or after One Hundred Eighty (180) days next following the dated date of this Note, Borrower may prepay the outstanding principal balance of this Note, notwithstanding anything to the contrary contained herein, in whole or in part, together with any interest accrued on the outstanding principal balance hereof at the Rate that is unpaid to the time of prepayment, at any time on or after such One Hundred Eightieth (180th) day but before the Maturity Date without penalty or premium of any kind. All payments made under this Note shall be applied first to accrued and unpaid interest and then to principal.

2. **Default.** Each of the following shall constitute an "**Event of Default**" hereunder:

(a) Failure by Borrower to pay any principal of, or interest on, the Note when due, whether at maturity or by reason of acceleration following a default or otherwise, which default is not cured by Borrower on or before the expiration of ten (10) days after the due date therefor; or

(b) Breach of any of Borrower's representations, warranties or covenants contained herein, which default is not cured by Borrower on or before the expiration of thirty (30) days after written notice from Lender.

3. **Remedies.** Upon the occurrence of an Event of Default hereunder and at any time thereafter, the Lender may declare the entire outstanding principal balance of this Note and all accrued but unpaid interest thereon to be immediately due and payable without presentment, demand, protest, notice of dishonor or any other notice of any kind (except as otherwise expressly provided herein). The rights and remedies of Lender following the occurrence of an Event of Default hereunder shall be cumulative, and no failure or delay by Lender in exercising any such right or remedy shall be deemed a waiver thereof or of any other right or remedy which Lender may have against Borrower, whether at law, in equity or by statute.

4. **Miscellaneous.**

(a) Governing Law; Consent to Jurisdiction and Venue. This Note shall be construed and enforced under the laws of the State of Delaware applicable to contracts to be wholly performed therein. Borrower and Lender (by accepting this Note) irrevocably consent to the jurisdiction of the state and federal courts sitting in or for the City of Wilmington, Delaware, for any litigation instituted against Borrower by Lender which arises out of, or is in any way connected with, this Note. Borrower and Lender (by accepting this Note) further agree that venue for any such action shall lie exclusively with such courts sitting in the City of Wilmington, Delaware, unless Borrower and Lender otherwise agree in writing.

(b) Loss of Note. Upon receipt of evidence satisfactory to Borrower of the loss, theft, destruction or mutilation of this Note, and of indemnity reasonably satisfactory to Borrower if lost, stolen or destroyed, and upon surrender and cancellation of this Note if mutilated, Borrower shall execute and deliver to Lender a new Note of like date, tenor and denomination.

(c) Waiver of Presentment, Etc. Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral available to Lender, if any, and to the addition or release of any other party or person primarily or secondarily liable.

(d) Amendment. This Note may only be amended or modified by an instrument in writing subscribed by the Lender and the Borrower.

(e) Notices. Any notices required to be given under the terms of this Note shall be given in writing by United States certified or registered mail, postage prepaid, return receipt requested, by email, or by overnight private courier, addressed to the party to be served at the address below:

If to Borrower:	HC Government Realty Holdings, LP c/o HC Government Realty Trust, Inc., General Partner Attention: Edwin M. Stanton, CEO 1819 Main Street Suite 212 Sarasota, Florida 34236 E-mail: estanton@holmwoodcapita.co
If to Lender:	Baker Hill Holdings, LLC c/o Dr. Philip Kurlander 54 Phipps Lane Plainview, New York 11803 Email: pkurlander@holmwoodcapital.com

(g) Section References. The section references contained in this Note are for reference purposes only and shall not influence the interpretation or construction of this Note.

5. **Subordination**. The payment of principal of, and interest on, this Promissory Note is subordinated in all respects to that certain $10,875,000.00 First Mortgage Loan (the "**First Mortgage Loan**") from Park Sterling Bank ("**Park Sterling**") to GOV Norfolk, LLC, a Delaware limited liability company ("**GOV Norfolk**"), an entity wholly-owned by the Borrower, which First Mortgage Loan is made of even date herewith, and which First Mortgage Loan is secured by, among other things, a first and prior lien on and security interest in, that certain real property and improvements thereon located at 5850 Lake Herbert Drive, Norfolk, Virginia (collectively, the "**Property**"). Notwithstanding anything to the contrary contained in this Note, the Borrower may make payments to Lender on the terms and conditions set forth in this Note until such time as GOV Norfolk receives written notice from Park Sterling that it is in default under the First Mortgage Loan, or facts exist, which with the giving of notice, the passage of time, or both, will result in a default by GOV Norfolk under the First Mortgage Loan. Additionally, Borrower will not repay this Note with the proceeds of replacement financing without first obtaining the consent of Park Sterling, which consent will not be unreasonably withheld.

(Signature Follows)

IN WITNESS WHEREOF, Borrower has executed this Note effective as of the date and year first above written.

BORROWER:

HC Government Realty Holdings, L.P., a
Delaware limited partnership

By: HC Government Realty Trust, Inc
Its: General Partner

By: /s/ Robert R Kaplan
Name: Robert R Kaplan
Its: Authorized Signatory

(Signature Page to $2,770,000 Note Made in Favor of Baker Hill Holdings, LLC,
a New York Limited Liability Company, as Lender)

Exhibit 6.18

ALLONGE TO UNSECURED PROMISSORY NOTE

Effective as of April 16, 2018, that certain Promissory Note, bearing a dated date of March 29, 2017, made by HC Government Realty Holdings, L.P. and payable to Robert R. Kaplan in the original principal amount of $300,000.00, a specimen copy of which is attached hereto as Exhibit A (the "*HCGRH Unsecured Note*") is amended, as follows:

The "Maturity Date", as defined in the HCGRH Unsecured Note is changed to, and the HCGRH Unsecured Note is amended to provide that, the Maturity Date thereof is May 1, 2019.

The undersigned holder of the HCGRH Unsecured Note hereby certifies that he, she or it is the holder of the HCGRH Unsecured Note, which is free and clear of any encumbrances and has not been assigned, pledged, hypothecated or otherwise transferred in whole or in part by the undersigned, who or which consents to the change and amendment made hereby.

MAKER:

HC GOVERNMENT REALTY HOLDINGS, L.P.
By: HC Government Realty Trust, Inc.
Its: General Partner

By: /s/ Robert R. Kaplan
Its: Authorized Signatory

HOLDER:

/s/ Robert R. Kaplan
Robert R. Kaplan

This Allonge shall be deemed to be, and shall be a part of, the HCGRH Unsecured Note whether or not physically attached thereto.

UNSECURED PROMISSORY NOTE

Sarasota, Florida

$300,000.00
March 29, 2017

FOR VALUE RECEIVED, HC Government Realty Holdings, L.P., a Delaware limited partnership (" **Borrower**"), promises to pay to the order of Robert R. Kaplan (the "**Lender**"), the principal amount of Three Hundred Thousand and 00/100 U.S. Dollars ($300,000.00), plus interest on the balance remaining from time to time unpaid in like money at the rate Twelve percent (12.00%) per annum, (the "**Rate**"). Accrued interest at the Rate will be calculated on the basis of a 360-day year and shall be paid monthly in arrears for the actual number of days elapsed, the first such interest payment being due and payable on May 1, 2017 and thereafter on the first day of each succeeding month (if the first day of any such month is not a business day, which is a weekday that is not a holiday and on which financial institutions and other deposit gathering institutions in the Borough of Manhattan, City and State of New York are open for business generally, then the interest payment otherwise due on such first day of the month shall be paid on the next succeeding business day) through and including March 27, 2018 (the "**Maturity Date**"), on which date, if not sooner paid, as hereinafter provided, the entire outstanding principal balance of this Promissory Note (this "**Note**"), together with accrued but unpaid interest thereon, shall become and be due and payable in full.

1 . **Prepayment.** Borrower may prepay the outstanding principal balance of this Note, notwithstanding anything to the contrary contained herein, in whole or in part, together with any interest accrued on the outstanding principal balance hereof at the Rate that is unpaid to the time of prepayment, at any time before the Maturity Date without penalty or premium of any kind. All payments made under this Note shall be applied first to accrued and unpaid interest and then to principal.

2. **Default.** Each of the following shall constitute an "**Event of Default**" hereunder:

(a) Failure by Borrower to pay any principal of, or interest on, the Note when due, whether at maturity or by reason of acceleration following a default or otherwise, which default is not cured by Borrower on or before the expiration of ten (10) days after the due date therefor; or

(b) Breach of any of Borrower's representations, warranties or covenants contained herein, which default is not cured by Borrower on or before the expiration of thirty (30) days after written notice from Lender.

3. **Remedies.** Upon the occurrence of an Event of Default hereunder and at any time thereafter, the Lender may declare the entire outstanding principal balance of this Note and all accrued but unpaid interest thereon to be immediately due and payable without presentment, demand, protest, notice of dishonor or any other notice of any kind (except as otherwise expressly provided herein). The rights and remedies of Lender following the occurrence of an Event of Default hereunder shall be cumulative, and no failure or delay by Lender in exercising any such right or remedy shall be deemed a waiver thereof or of any other right or remedy which Lender may have against Borrower, whether at law, in equity or by statute.

4. **Miscellaneous.**

(a) Governing Law; Consent to Jurisdiction and Venue. This Note shall be construed and enforced under the laws of the State of Delaware applicable to contracts to be wholly performed therein. Borrower and Lender (by accepting this Note) irrevocably consent to the jurisdiction of the state and federal courts sitting in or for the City of Wilmington, Delaware, for any litigation instituted against Borrower by Lender which arises out of, or is in any way connected with, this Note. Borrower and Lender (by accepting this Note) further agree that venue for any such action shall lie exclusively with such courts sitting in the City of Wilmington, Delaware, unless Borrower and Lender otherwise agree in writing.

(b) Loss of Note. Upon receipt of evidence satisfactory to Borrower of the loss, theft, destruction or mutilation of this Note, and of indemnity reasonably satisfactory to Borrower if lost, stolen or destroyed, and upon surrender and cancellation of this Note if mutilated, Borrower shall execute and deliver to Lender a new Note of like date, tenor and denomination.

(c) Waiver of Presentment, Etc. Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral available to Lender, if any, and to the addition or release of any other party or person primarily or secondarily liable.

(d) Amendment. This Note may only be amended or modified by an instrument in writing subscribed by the Lender and the Borrower

(e) Notices. Any notices required to be given under the terms of this Note shall be given in writing by United States certified or registered mail, postage prepaid, return receipt requested, by email, or by overnight private courier, addressed to the party to be served at the address below:

If to Borrower:	HC Government Realty Holdings, LP c/o HC Government Realty Trust, Inc., General Partner Attention: Edwin M. Stanton, CEO 1819 Main Street Suite 212 Sarasota, Florida 34236 E-mail: estanton@holmwoodcapita.com
If to Lender:	Robert R. Kaplan 3827 Old Gun Road West Midlothian, Virginia 23113 E-mail: bkaplan@kv-legal.com

(g) Section References. The section references contained in this Note are for reference purposes only and shall not influence the interpretation or construction of this Note.

5. **Subordination**. The payment of principal of, and interest on, this Promissory Note is subordinated in all respects to that certain $10,875,000.00 First Mortgage Loan (the "**First Mortgage Loan**") from Park Sterling Bank ("**Park Sterling**") to GOV Norfolk, LLC, a Delaware limited liability company ("**GOV Norfolk**"), an entity wholly-owned by the Borrower, which First Mortgage Loan is made of even date herewith, and which First Mortgage Loan is secured by, among other things, a first and prior lien on and security interest in, that certain real property and improvements thereon located at 5850 Lake Herbert Drive, Norfolk, Virginia (collectively, the "**Property**"). Notwithstanding anything to the contrary contained in this Note, the Borrower may make payments to Lender on the terms and conditions set forth in this Note until such time as GOV Norfolk receives written notice from Park Sterling that it is in default under the First Mortgage Loan, or facts exist, which with the giving of notice, the passage of time, or both, will result in a default by GOV Norfolk under the First Mortgage Loan. Additionally, Borrower will not repay this Note with the proceeds of replacement financing without first obtaining the consent of Park Sterling, which consent will not be unreasonably withheld.

(Signature Follows)

IN WITNESS WHEREOF, Borrower has executed this Note effective as of the date and year first above written.

BORROWER:

HC Government Realty Holdings, L.P., a
Delaware limited partnership

By: HC Government Realty Trust, Inc.
Its: General Partner

By: /s/ Rober R Kaplan
Name: Robert R Kaplan
Its: Authorized Signatory

(Signature Page to $300,000 Note Made in Favor of Robert R. Kaplan, as Lender)

ALLONGE TO PROMISSORY NOTE

Effective as of April 16, 2018, that certain Promissory Note, bearing a dated date of December 11, 2017, made by HC Government Realty Holdings, L.P. and payable to Baker Hill Holdings, LLC in the original principal amount of $500,000.00, a specimen copy of which is attached hereto as Exhibit A (the "*HCGRH Note*") is amended, as follows:

The "Maturity Date", as defined in the HCGRH Note is changed to, and the HCGRH Note is amended to provide that, the Maturity Date thereof is May 1, 2019, and if all principal and accrued interest has not been paid and satisfied in full on or before such date, then and in such event the outstanding principal balance of this Note from and after such date shall bear interest at the rate of eleven percent (11.0%) per annum until paid and satisfied in full.

The undersigned holder of the HCGRH Note hereby certifies that he, she or it is the holder of the HCGRH Note, which is free and clear of any encumbrances and has not been assigned, pledged, hypothecated or otherwise transferred in whole or in part by the undersigned, who or which consents to the change and amendment made hereby.

MAKER:

HC GOVERNMENT REALTY HOLDINGS, L.P.
By: HC Government Realty Trust, Inc.
Its: General Partner

By: /s/ Robert R. Kaplan
Its: Secretary

HOLDER:

BAKER HILL HOLDINGS, LLC

By: /s/ Philip Kurlander
Its: Manager

This Allonge shall be deemed to be, and shall be a part of, the HCGRH Note whether or not physically attached thereto.

PROMISSORY NOTE

Sarasota, Florida

$500,000.00
December 11, 2017

FOR VALUE RECEIVED, HC Government Realty Holdings, L.P., a Delaware limited partnership ("**Borrower**"), promises to pay to the order of Baker Hill Holding, LLC (the "**Lender**"), the principal amount of Five Hundred Thousand and 00/100 U.S. Dollars ($500,000.00), plus interest on the balance remaining from time to time unpaid in like money at the rate Eight & 00/100 percent (8.00%) per annum, (the "**Rate**"). Accrued interest at the Rate will be calculated on the basis of a 360-day year and shall be paid monthly in arrears for the actual number of days elapsed, the first such interest payment being due and payable on January 2, 2018 and thereafter on the first day of each succeeding month (if the first day of any such month is not a business day, which is a weekday that is not a holiday and on which financial institutions and other deposit gathering institutions in the Borough of Manhattan, City and State of New York are open for business generally, then the interest payment otherwise due on such first day of the month shall be paid on the next succeeding business day) through and including June 11, 2018 (the "**Maturity Date**"), on which date, if not sooner paid, as hereinafter provided, the entire outstanding principal balance of this Promissory Note (this "**Note**"), together with accrued but unpaid interest thereon, shall become and be due and payable in full.

1 . **Prepayment.** Borrower may prepay the outstanding principal balance of this Note, notwithstanding anything to the contrary contained herein, in whole or in part, together with any interest accrued on the outstanding principal balance hereof at the Rate that is unpaid to the time of prepayment, at any time before the Maturity Date without penalty or premium of any kind. All payments made under this Note shall be applied first to accrued and unpaid interest and then to principal.

2. **Default.** Each of the following shall constitute an "**Event of Default**" hereunder:

(a) Failure by Borrower to pay any principal of, or interest on, the Note when due, whether at maturity or by reason of acceleration following a default or otherwise, which default is not cured by Borrower on or before the expiration of ten (10) days after the due date therefor; or

(b) Breach of any of Borrower's representations, warranties or covenants contained herein, which default is not cured by Borrower on or before the expiration of thirty (30) days after written notice from Lender.

3. **Remedies.** Upon the occurrence of an Event of Default hereunder and at any time thereafter, the Lender may declare the entire outstanding principal balance of this Note and all accrued but unpaid interest thereon to be immediately due and payable without presentment, demand, protest, notice of dishonor or any other notice of any kind (except as otherwise expressly provided herein). The rights and remedies of Lender following the occurrence of an Event of Default hereunder shall be cumulative, and no failure or delay by Lender in exercising any such right or remedy shall be deemed a waiver thereof or of any other right or remedy which Lender may have against Borrower, whether at law, in equity or by statute.

4. **Miscellaneous.**

(a) Governing Law; Consent to Jurisdiction and Venue. This Note shall be construed and enforced under the laws of the State of Delaware applicable to contracts to be wholly performed therein. Borrower and Lender (by accepting this Note) irrevocably consent to the jurisdiction of the state and federal courts sitting in or for the City of Wilmington, Delaware, for any litigation instituted against Borrower by Lender which arises out of, or is in any way connected with, this Note. Borrower and Lender (by accepting this Note) further agree that venue for any such action shall lie exclusively with such courts sitting in the City of Wilmington, Delaware, unless Borrower and Lender otherwise agree in writing.

(b) Loss of Note. Upon receipt of evidence satisfactory to Borrower of the loss, theft, destruction or mutilation of this Note, and of indemnity reasonably satisfactory to Borrower if lost, stolen or destroyed, and upon surrender and cancellation of this Note if mutilated, Borrower shall execute and deliver to Lender a new Note of like date, tenor and denomination.

(c) Waiver of Presentment, Etc. Borrower waives presentment, demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, and assents to any extension or postponement of the time of payment or any other indulgence, to any substitution, exchange or release of collateral available to Lender, if any, and to the addition or release of any other party or person primarily or secondarily liable.

(d) Amendment. This Note may only be amended or modified by an instrument in writing subscribed by the Lender and the Borrower.

(e) Notices. Any notices required to be given under the terms of this Note shall be given in writing by United States certified or registered mail, postage prepaid, return receipt requested, by email, or by overnight private courier, addressed to the party to be served at the address below:

If to Borrower:	HC Government Realty Holdings, LP c/o HC Government Realty Trust, Inc., General Partner Attention: Edwin M. Stanton, CEO 1819 Main Street Suite 212 Sarasota, Florida 34236 E-mail: estanton@holmwoodcapita.com
If to Lender:	Baker Hill Holding, LLC 54 Phipps Lane Plainview, New York 11803

(g) Section References. The section references contained in this Note are for reference purposes only and shall not influence the interpretation or construction of this Note.

IN WITNESS WHEREOF, Borrower has executed this Note effective as of the date and year first above written.

BORROWER:

HC Government Realty Holdings, L.P., a
Delaware limited partnership

By: HC Government Realty Trust, Inc.
Its: General Partner

By: /s/ Robert R. Kaplan
Name: Robert R. Kaplan
Its: Secretary

Exhibit 6.20

PROMISSORY NOTE

$1,700,000

July 27, 2018

HC Government Realty Holdings, L.P., a Delaware limited partnership, ("Borrower"), FOR VALUE RECEIVED, promises to pay to the order of **BAKER HILL HOLDING LLC**, a New York Limited Liability Company, or its permitted assigns (" Lender"), the principal sum of ONE MILLION SEVEN HUNDRED THOUSAND AND 00/100 DOLLARS ($1,700,000) with interest on the outstanding principal amount at the rates set forth herein.

SECTION 1. - DEFINITIONS.

"Borrower" shall mean HC Government Realty Holdings, L.P., a Delaware limited partnership.

"Business Day" shall mean any day other than a Saturday, Sunday or day which shall be in the State of New York a legal holiday or day on which banking institutions are required or authorized to close.

"Default Interest Rate" shall mean a rate of interest per annum equal to the lesser of either (a) THREE percent (3%) above the Interest Rate, or (b) the maximum rate of interest which may be collected from Borrower under applicable law.

"Deferred Interest Rate" shall mean a rate of interest equal to eight percent (8%) per annum.

"Deferred Interest Amount" shall have the meaning ascribed to it in Section 2.1 hereof.

"General Partner" shall mean HC Government Realty Trust, Inc., a Maryland corporation.

"Initial Interest Payment Date" shall be September 1, 2018.

"Interest Rate" shall mean a rate of interest equal to fourteen percent (14%) per annum, inclusive of the Deferred Interest Rate.

"Late Charge" shall mean the lesser of (a) five percent (5%) of any unpaid amount, or (b) the maximum late charge permitted to be charged under applicable law.

"Lender" shall mean Baker Hill Holding LLC, a New York limited liability company.

"Make-Whole Payment" shall have the meaning set forth in Section 2.6.

"Maturity Date" shall mean July 31, 2020.

"Note" shall mean this Promissory Note of Borrower in the original principal amount of ONE MILLION SEVEN HUNDRED THOUSAND AND 00/100 DOLLARS ($1,700,000.00) payable to Lender.

"Payment Date" shall mean the first day of each calendar month, commencing on the Initial Interest Payment Date (or, if any such date is not a Business Day, then the next Business Day immediately following such date).

"Person." Any individual, partnership, limited liability company, corporation, trust, unincorporated organization or association, and any governmental agency or political subdivision thereof.

SECTION 2 - STATED MATURITY; INTEREST AND PRINCIPAL PAYMENTS.

2.1 Payment of Interest. Interest on the principal balance of this Note outstanding shall accrue from the date hereof until paid in full whether before or after maturity at the "Interest Rate" as defined above and be payable monthly in arrears commencing on the Initial Interest Payment Date and on each Payment Date through the Maturity Date; provided, however, at the Borrower's option, payment of the "Deferred Interest Rate" (as defined above) on the principal balance of this Note outstanding (the "Deferred Interest Amount") may be deferred from time to time until the Maturity Date. Any Deferred Interest Amount shall accrue and be compounded at the end of the applicable quarter for the month in which the election was made on an annual basis and then be subject to interest at the "Interest Rate."

For the avoidance of doubt, the foregoing provision can be illustrated by the following hypothetical:

Assume: (i) the principal amount is $1,000,000; (ii) the Interest Rate is ten percent (10.0%) per annum; (iii) the Deferred Interest Rate is five percent (5.0%) per annum; (iv) on an Interest Payment Date the Borrower elects to defer for all three months in a given quarter fifty percent (50.0%) of its Interest Payment for the quarter in question. The Interest Amount for the quarter is $24,999.99 ($1,000,000 x 10% = $100,000 per year ÷ 360 x 30 = $8,333.33 x 3); $12,500.01 is the Deferred Interest Amount, which is deemed added to principal at the end of the quarter applicable to the months the election was made, making the new principal amount of the Note $1,012,500.01, which thereafter bears interest at the Interest Rate.

2.2 Payment on Maturity Date. Notwithstanding anything herein to the contrary, all outstanding principal and accrued but unpaid interest under this Note shall be immediately due and payable in full at the Maturity Date. Upon payment in full of the principal and accrued interest hereunder, this Note shall be surrendered to Borrower for cancellation.

2.3 Computation of Interest. Interest under this Note shall be calculated based on actual days elapsed and a three hundred sixty (360) day year.

2.4 Method of Payment. Each payment due hereunder shall not be deemed received by Lender until received on a Business Day in Federal funds in lawful money of the United States of America immediately available to Lender prior to 2:00 p.m. local time at 54 Phipps Lane, Planview, New York 11803. Any payment received on a Business Day after the time established by the preceding sentence, shall be deemed to have been received on the immediately following Business Day for all purposes.

2.5 Application of Payments. Payments under this Note shall be applied first to the payment of accrued but unpaid interest, and then to any Deferred Interest Amount and then to reduction of the outstanding principal balance. No principal amount repaid may be reborrowed. All amounts due under this Note shall be payable without setoff or any other deduction whatsoever.

2.6 Prepayment; Make-Whole Payment. Borrower may prepay in whole or in part the outstanding principal balance of this Note. Any such prepayment shall be accompanied by all accrued but unpaid interest due Lender at the time of the prepayment, plus a make whole premium (the "Make-Whole Payment") that is 14.0% of the Pro Rata Portion. "Pro Rata Portion" is the number obtained by multiplying (i) a sum equal to the original principal amount of this Note (ii) by the remaining number of whole calendar months until July 31, 2019, divided by twelve. No Make-Whole Payment shall be due and payable if prepayment is made after June 30, 2019.

2.7 Interest Rate Limitation. Nothing contained in this Note shall be construed or so operate as to require the Borrower to pay interest at a greater rate than is now lawful or in such case to contract for, or to make any payment, or to do any act contrary to applicable law. Should any interest or other charges paid by the Borrower, or parties liable for the payment of this Note, in connection with the indebtedness evidenced by this Note result in the computation or earning of interest in excess of the maximum legal rate of interest that is legally permitted under applicable law, then any and all such excess shall be, and the same hereby is, waived by the Lender, and any and all such excess shall be automatically credited against and in reduction of the balance due under this Note, and the portion of said excess that exceeds the balance due under this Note shall be paid by the Lender to the Borrower.

SECTION 3 - DEFAULT

Section 3.1 Events of Default. The occurrence of any of the following shall constitute an "Event of Default":

(a) Borrower shall fail to pay when and as required to be paid herein and pursuant to the Note, any amount of principal of or interest on the Loan and the continuance of such failure for ten (10) Days;

(b) Borrower shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar official of itself or of all or a substantial part of its property, (ii) be generally not paying its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (v) take any action or commence any case or proceeding under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, or any other law providing for the relief of debtors, (vi) fail to contest in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under such Bankruptcy Code or other law, (vii) take any action under the laws of its jurisdiction of incorporation or organization similar to any of the foregoing, or (viii) take any corporate action for the purpose of effecting any of the foregoing;

(c) Breach of any of Borrower's representations, warranties or covenants contained herein; or

(d) A proceeding or case shall be commenced, without the application or consent of Borrower, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding up, or composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets, or (iii) similar relief in respect of it, under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts or any other law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of sixty (60) days; or an order for relief shall be entered in an involuntary case under such Bankruptcy Code, against Borrower or action under the laws of the jurisdiction of incorporation or organization of Borrower, similar to any of the foregoing shall be taken with respect to Borrower.

SECTION 4 - DEFAULT; REMEDIES.

4 . 1 Acceleration. Upon the occurrence and during the continuance of any Event of Default, Lender may notify Borrower in writing of such Event of Default, after which time the Borrower shall have thirty (30) days (ten (10) days in the instance of a payment default) to cure such Event of Default. If an Event of Default continues after such 30-day period (or 10-day period in the instance of a payment default), the Lender may, by written notice to Borrower, declare immediately due and payable the entire principal amount outstanding hereunder together with all accrued and unpaid interest due hereunder.

4.2 Default Interest Rate, Late Charges.

(a) After an Event of Default and until the Default is cured, the Default Interest Rate shall apply, in place of the then-applicable Interest Rate, to all amounts outstanding under the Loan. Such Default Interest shall be compounded on the quarterly anniversary of such Event of Default until the Event of Default is cured or the Note is paid in full.

(b) If any monthly installment due hereunder is not received by Lender on or before the fifth (5th) day following each Payment Date or if any other amount payable under this Note or any other Loan Document is not received by Lender within five (5) days after the date such amount is due, counting from and including the date such amount is due, Borrower shall pay to Lender, immediately and without demand by Lender, the Late Charge on such outstanding monthly installment or other amount due. Borrower acknowledges that its failure to make timely payments will cause Lender to incur additional expenses in servicing and processing the Loan, and that it is extremely difficult and impractical to determine those additional expenses. Borrower agrees that any such Late Charges payable pursuant to this Section 3.2(b) represents a fair and reasonable estimate, taking into account all circumstances existing on the first Payment Date, of the additional expenses Lender will incur by reason of such late payment. Any such Late Charge is payable in addition to, and not in lieu of, any interest payable at the Default Rate pursuant to Section 3.2(a).

4 .3 Remedies. The remedies of Lender as provided herein, or at law or in equity shall be cumulative and concurrent, and may be pursued singly, successively, or together at the sole discretion of Lender, and may be exercised as often as occasion therefor shall occur. The failure at any time to exercise any right or remedy shall not constitute a waiver of the right to exercise the right or remedy at any other time.

SECTION 5 - WAIVER.

Presentment for payment, demand, notice of dishonor, protest, and notice of protest, stay of execution and all other defenses to payment generally are hereby waived by Borrower.

SECTION 6 - GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL; SEVERABILITY; USURY, ETC.

6.1 Governing Law. This Note shall be governed by, and construed in accordance with, the substantive law of the State of New York without regard to the application of choice of law principles. Any and all actions, proceedings, etc. shall be venued in the County of Nassau, State of New York.

6.2 SUBMISSION TO JURISDICTION/SERVICE OF PROCESS. BORROWER HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN OR FOR NAUSSAU COUNTY NEW YORK FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR BASED UPON THIS NOTE, THE SUBJECT MATTER HEREOF, ANY OTHER LOAN DOCUMENT AND THE SUBJECT MATTER THEREOF. BORROWER TO THE EXTENT PERMITTED BY APPLICABLE LAW (A) HEREBY WAIVES, AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE, OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN THE ABOVE-NAMED COURTS ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF SUCH COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THIS NOTE OR THE SUBJECT MATTER HEREOF MAY NOT BE ENFORCED IN OR BY SUCH COURT, (B) HEREBY WAIVES THE RIGHT TO REMOVE ANY SUCH ACTION, SUIT OR PROCEEDING INSTITUTED BY A LENDER IN STATE COURT TO FEDERAL COURT, OR TO REMAND AN ACTION INSTITUTED IN FEDERAL COURT TO STATE COURT AND (C) HEREBY WAIVES THE RIGHT TO ASSERT IN ANY SUCH ACTION, SUIT OR PROCEEDING ANY OFFSETS OR COUNTERCLAIMS EXCEPT COUNTERCLAIMS THAT ARE COMPULSORY OR OTHERWISE ARISE FROM THE SAME SUBJECT MATTER. BORROWER HEREBY CONSENTS TO SERVICE OF PROCESS BY MAIL AT THE ADDRESS TO WHICH NOTICES ARE TO BE GIVEN TO IT PURSUANT TO SECTION 7 HEREOF. BORROWER AGREES THAT ITS SUBMISSION TO JURISDICTION AND CONSENT TO SERVICE OF PROCESS BY MAIL IS MADE FOR THE EXPRESS BENEFIT OF LENDER. FINAL JUDGMENT AGAINST BORROWER IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE, AND MAY BE ENFORCED IN ANY OTHER JURISDICTION (X) BY SUIT, ACTION OR PROCEEDING ON THE JUDGMENT, A CERTIFIED OR TRUE COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND OF THE AMOUNT OF INDEBTEDNESS OR LIABILITY OF BORROWER THEREIN DESCRIBED, OR (Y) IN ANY OTHER MANNER PROVIDED BY OR PURSUANT TO THE LAWS OF SUCH OTHER JURISDICTION

6 . 3 WAIVER BY JURY TRIAL . BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THAT BORROWER MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION ARISING IN ANY WAY IN CONNECTION WITH THIS NOTE, OR ANY OTHER STATEMENTS OR ACTIONS OF THE LENDER.

6 . 4 Severability. If any provision of this Note is held to be invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Note shall remain in full force and effect.

SECTION 7 - NOTICES.

All notices, demands and other communications ("notice") under or concerning this Note shall be in writing. Each notice shall be addressed to the intended recipient at its address set forth below and shall be deemed given on the earliest to occur of (1) the date when the notice is delivered to the addressee; or (2) the third (3rd) Business Day after the notice is deposited in the United States mail with postage prepaid, registered mail, return receipt requested. The Borrower or the Lender may change the address by notice to the other in accordance with this Section 7.

SECTION 8 – EXCULPATION.

Notwithstanding anything to the contrary contained in this Note, no present or future general partner, officer or limited partner of the Borrower or present or future shareholder, director, officer or advisor of the General Partner or any of their members, shareholders, partners, directors or officers shall have any personal liability, directly or indirectly, under or in connection with this Note, or any amendment, made at any time, and Lender hereby forever and irrevocably waives and releases any and all such personal liability. This limitation of liability provided in this paragraph is in addition to, and not in limitation of, any limitation of liability applicable to such parties provided by law or by any other contract, agreement or instrument.

SECTION 9 - MISCELLANEOUS.

9.1 Costs. If, and as often as, this Note is referred to an attorney for the collection of any sum payable hereunder, or to defend or enforce any of Lender's rights hereunder, or to commence an action, cross-claim, third-party claim or counterclaim by Lender against Borrower relating to this Note, Borrower agrees to pay to Lender all costs incurred in connection therewith including reasonable attorneys' fees (including such fees incurred in appellate, bankruptcy or insolvency proceedings), with or without the institution of any action or proceeding, and in addition all costs, disbursements and allowances provided by law.

9.2 Modification. Neither this Note nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing executed by the party against which enforcement of the termination, amendment, supplement, waiver or modification is sought.

9.3 Successors. As used herein, the terms "Borrower" and "Lender" shall be deemed to include their respective permitted successors and assigns whether by voluntary action of the parties or by operation of law. All of the rights, privileges and obligations hereof shall inure to the benefit of and bind such permitted successors and assigns. This Note may not be assigned without the written consent of both Borrower and Lender.

9.3 Business Purpose. The undersigned represents and agrees that this Note evidences indebtedness arising from the regular conduct of Borrower's business (which is carried on for the purpose of profit), and that the indebtedness evidenced hereby constitutes a business loan and is not usurious under the laws of the State of New York.

9.4 No Waiver. No failure or delay by Lender in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Without limiting the foregoing, no disbursement by Lender after a default by Borrower hereunder shall constitute a waiver of any of the Lender's remedies established or referred to hereunder or shall obligate Lender to make any further disbursement. No waiver, consent or approval of any kind by Lender shall be effective unless (and it shall be effective only to the extent) expressly set out in a writing signed and delivered by Lender. No notice to or demand on Borrower in any case shall entitle Borrower to any other notice or demand in similar or other circumstances, nor shall such notice or demand constitute a waiver of the rights of Lender to any other or further actions. In its sole discretion, Lender may, at any time and from time to time, waive any one or more of the requirements contained herein, but such waiver in any instance or under any particular circumstances shall not be considered a waiver of such requirement or requirements in any other instance or under any other circumstance.

9.5 Indebtedness. Borrower shall not incur, and shall not consent to any subsidiary or affiliate Borrower incurring, any debt in a material amount that is senior to Lender without written consent of Lender, *provided, however,* the foregoing shall not apply to primary mortgages on new property acquisitions.

9.6 Tax Treatment. The Borrower and Lender will each treat this Note and amounts borrowed thereunder as debt and the relationship between the Borrower and Lender are that of debtor and creditor, in each case for all U.S. federal, state and local tax purposes and will report consistently with such intent.

[The remainder of this page is intentionally left blank;
Signatures appear on the following page]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Note as of the date first set forth above.

BORROWER:

HC Government Realty Holdings, L.P.

By: /s/ Robert R. Kaplan
Name: Robert R. Kaplan
Title: Authorized Signatory

STATE OF , COUNTY OF , ss.

On the day of , 2018, before me, the undersigned, personally appeared , personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the individual, or the person upon behalf of which the individual acted, executed the instrument.

____
Notary Public
My commission expires
on

Signature Page to
Promissory Note
HC Government Realty Holdings, L.P. and
Baker Hill Holding LLC

Address for Notices:

HC Government Realty Holdings, L.P.
1819 Main Street, Suite 212
Sarasota, FL 34236

Baker Hill Holding LLC
54 Phipps Lane
Plainview, NY 11803

Exhibit 6.21

PROMISSORY NOTE

$800,000

August 30, 2018

HC Government Realty Holdings, L.P., a Delaware limited partnership, ("Borrower"), FOR VALUE RECEIVED, promises to pay to the order of **BAKER HILL HOLDING LLC**, a New York Limited Liability Company, or its permitted assigns (" Lender"), the principal sum of EIGHT HUNDRED THOUSAND AND 00/100 DOLLARS ($800,000) with interest on the outstanding principal amount at the rates set forth herein.

SECTION 1. - DEFINITIONS.

“Borrower” shall mean HC Government Realty Holdings, L.P., a Delaware limited partnership.

"Business Day" shall mean any day other than a Saturday, Sunday or day which shall be in the State of New York a legal holiday or day on which banking institutions are required or authorized to close.

"Default Interest Rate" shall mean a rate of interest per annum equal to the lesser of either (a) THREE percent (3%) above the Interest Rate, or (b) the maximum rate of interest which may be collected from Borrower under applicable law.

“Deferred Interest Rate” shall mean a rate of interest equal to eight percent (8%) per annum.

“Deferred Interest Amount” shall have the meaning ascribed to it in Section 2.1 hereof.

“General Partner” shall mean HC Government Realty Trust, Inc., a Maryland corporation.

"Initial Interest Payment Date" shall be September 1, 2018.

"Interest Rate" shall mean a rate of interest equal to fourteen percent (14%) per annum, inclusive of the Deferred Interest Rate.

"Late Charge" shall mean the lesser of (a) five percent (5%) of any unpaid amount, or (b) the maximum late charge permitted to be charged under applicable law.

"Lender" shall mean Baker Hill Holding LLC, a New York limited liability company.

"Make-Whole Payment" shall have the meaning set forth in Section 2.6.

"Maturity Date" shall mean August 30, 2020.

"Note" shall mean this Promissory Note of Borrower in the original principal amount of EIGHT HUNDRED THOUSAND AND 00/100 DOLLARS ($800,000.00) payable to Lender.

"Payment Date" shall mean the first day of each calendar month, commencing on the Initial Interest Payment Date (or, if any such date is not a Business Day, then the next Business Day immediately following such date).

"Person." Any individual, partnership, limited liability company, corporation, trust, unincorporated organization or association, and any governmental agency or political subdivision thereof.

SECTION 2 - STATED MATURITY; INTEREST AND PRINCIPAL PAYMENTS.

2.1 Payment of Interest. Interest on the principal balance of this Note outstanding shall accrue from the date hereof until paid in full whether before or after maturity at the "Interest Rate" as defined above and be payable monthly in arrears commencing on the Initial Interest Payment Date and on each Payment Date through the Maturity Date; provided, however, at the Borrower's option, payment of the "Deferred Interest Rate" (as defined above) on the principal balance of this Note outstanding (the "Deferred Interest Amount") may be deferred from time to time until the Maturity Date. Any Deferred Interest Amount shall accrue and be compounded at the end of the applicable quarter for the month in which the election was made on an annual basis and then be subject to interest at the "Interest Rate."

For the avoidance of doubt, the foregoing provision can be illustrated by the following hypothetical:

Assume: (i) the principal amount is $1,000,000; (ii) the Interest Rate is ten percent (10.0%) per annum; (iii) the Deferred Interest Rate is five percent (5.0%) per annum; (iv) on an Interest Payment Date the Borrower elects to defer for all three months in a given quarter fifty percent (50.0%) of its Interest Payment for the quarter in question. The Interest Amount for the quarter is $24,999.99 ($1,000,000 x 10% = $100,000 per year ÷ 360 x 30 = $8,333.33 x 3); $12,500.01 is the Deferred Interest Amount, which is deemed added to principal at the end of the quarter applicable to the months the election was made, making the new principal amount of the Note $1,012,500.01, which thereafter bears interest at the Interest Rate.

2.2 Payment on Maturity Date. Notwithstanding anything herein to the contrary, all outstanding principal and accrued but unpaid interest under this Note shall be immediately due and payable in full at the Maturity Date. Upon payment in full of the principal and accrued interest hereunder, this Note shall be surrendered to Borrower for cancellation.

2.3 Computation of Interest. Interest under this Note shall be calculated based on actual days elapsed and a three hundred sixty (360) day year.

2.4 Method of Payment. Each payment due hereunder shall not be deemed received by Lender until received on a Business Day in Federal funds in lawful money of the United States of America immediately available to Lender prior to 2:00 p.m. local time at 54 Phipps Lane, Planview, New York 11803. Any payment received on a Business Day after the time established by the preceding sentence, shall be deemed to have been received on the immediately following Business Day for all purposes.

2.5 Application of Payments. Payments under this Note shall be applied first to the payment of accrued but unpaid interest, and then to any Deferred Interest Amount and then to reduction of the outstanding principal balance. No principal amount repaid may be reborrowed. All amounts due under this Note shall be payable without setoff or any other deduction whatsoever.

2 . 6 Prepayment; Make-Whole Payment. Borrower may prepay in whole or in part the outstanding principal balance of this Note. Any such prepayment shall be accompanied by all accrued but unpaid interest due Lender at the time of the prepayment, plus a make whole premium (the "Make-Whole Payment") that is 14.0% of the Pro Rata Portion. "Pro Rata Portion" is the number obtained by multiplying (i) a sum equal to the original principal amount of this Note (ii) by the remaining number of whole calendar months until August 30, 2019, divided by twelve. No Make-Whole Payment shall be due and payable if prepayment is made after August 30, 2019.

2.7 Interest Rate Limitation. Nothing contained in this Note shall be construed or so operate as to require the Borrower to pay interest at a greater rate than is now lawful or in such case to contract for, or to make any payment, or to do any act contrary to applicable law. Should any interest or other charges paid by the Borrower, or parties liable for the payment of this Note, in connection with the indebtedness evidenced by this Note result in the computation or earning of interest in excess of the maximum legal rate of interest that is legally permitted under applicable law, then any and all such excess shall be, and the same hereby is, waived by the Lender, and any and all such excess shall be automatically credited against and in reduction of the balance due under this Note, and the portion of said excess that exceeds the balance due under this Note shall be paid by the Lender to the Borrower.

SECTION 3 - DEFAULT

Section 3.1 Events of Default. The occurrence of any of the following shall constitute an "Event of Default":

(a) Borrower shall fail to pay when and as required to be paid herein and pursuant to the Note, any amount of principal of or interest on the Loan and the continuance of such failure for ten (10) Days;

(b) Borrower shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar official of itself or of all or a substantial part of its property, (ii) be generally not paying its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (v) take any action or commence any case or proceeding under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts, or any other law providing for the relief of debtors, (vi) fail to contest in a timely or appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under such Bankruptcy Code or other law, (vii) take any action under the laws of its jurisdiction of incorporation or organization similar to any of the foregoing, or (viii) take any corporate action for the purpose of effecting any of the foregoing;

(c) Breach of any of Borrower's representations, warranties or covenants contained herein; or

(d) A proceeding or case shall be commenced, without the application or consent of Borrower, in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding up, or composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of it or of all or any substantial part of its assets, or (iii) similar relief in respect of it, under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition or adjustment of debts or any other law providing for the relief of debtors, and such proceeding or case shall continue undismissed, or unstayed and in effect, for a period of sixty (60) days; or an order for relief shall be entered in an involuntary case under such Bankruptcy Code, against Borrower or action under the laws of the jurisdiction of incorporation or organization of Borrower, similar to any of the foregoing shall be taken with respect to Borrower.

SECTION 4 - DEFAULT; REMEDIES.

4 . 1 Acceleration. Upon the occurrence and during the continuance of any Event of Default, Lender may notify Borrower in writing of such Event of Default, after which time the Borrower shall have thirty (30) days (ten (10) days in the instance of a payment default) to cure such Event of Default. If an Event of Default continues after such 30-day period (or 10-day period in the instance of a payment default), the Lender may, by written notice to Borrower, declare immediately due and payable the entire principal amount outstanding hereunder together with all accrued and unpaid interest due hereunder.

4.2 Default Interest Rate, Late Charges.

(a) After an Event of Default and until the Default is cured, the Default Interest Rate shall apply, in place of the then-applicable Interest Rate, to all amounts outstanding under the Loan. Such Default Interest shall be compounded on the quarterly anniversary of such Event of Default until the Event of Default is cured or the Note is paid in full.

(b) If any monthly installment due hereunder is not received by Lender on or before the fifth (5th) day following each Payment Date or if any other amount payable under this Note or any other Loan Document is not received by Lender within five (5) days after the date such amount is due, counting from and including the date such amount is due, Borrower shall pay to Lender, immediately and without demand by Lender, the Late Charge on such outstanding monthly installment or other amount due. Borrower acknowledges that its failure to make timely payments will cause Lender to incur additional expenses in servicing and processing the Loan, and that it is extremely difficult and impractical to determine those additional expenses. Borrower agrees that any such Late Charges payable pursuant to this Section 3.2(b) represents a fair and reasonable estimate, taking into account all circumstances existing on the first Payment Date, of the additional expenses Lender will incur by reason of such late payment. Any such Late Charge is payable in addition to, and not in lieu of, any interest payable at the Default Rate pursuant to Section 3.2(a).

4.3 Remedies. The remedies of Lender as provided herein, or at law or in equity shall be cumulative and concurrent, and may be pursued singly, successively, or together at the sole discretion of Lender, and may be exercised as often as occasion therefor shall occur. The failure at any time to exercise any right or remedy shall not constitute a waiver of the right to exercise the right or remedy at any other time.

SECTION 5 - WAIVER.

Presentment for payment, demand, notice of dishonor, protest, and notice of protest, stay of execution and all other defenses to payment generally are hereby waived by Borrower.

SECTION 6 - GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL; SEVERABILITY; USURY, ETC.

6.1 Governing Law. This Note shall be governed by, and construed in accordance with, the substantive law of the State of New York without regard to the application of choice of law principles. Any and all actions, proceedings, etc. shall be venued in the County of Nassau, State of New York.

6.2 SUBMISSION TO JURISDICTION/SERVICE OF PROCESS. BORROWER HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN OR FOR NASSAU COUNTY NEW YORK FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR BASED UPON THIS NOTE, THE SUBJECT MATTER HEREOF, ANY OTHER LOAN DOCUMENT AND THE SUBJECT MATTER THEREOF. BORROWER TO THE EXTENT PERMITTED BY APPLICABLE LAW (A) HEREBY WAIVES, AND AGREES NOT TO ASSERT, BY WAY OF MOTION, AS A DEFENSE, OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN THE ABOVE-NAMED COURTS ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF SUCH COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THIS NOTE OR THE SUBJECT MATTER HEREOF MAY NOT BE ENFORCED IN OR BY SUCH COURT, (B) HEREBY WAIVES THE RIGHT TO REMOVE ANY SUCH ACTION, SUIT OR PROCEEDING INSTITUTED BY A LENDER IN STATE COURT TO FEDERAL COURT, OR TO REMAND AN ACTION INSTITUTED IN FEDERAL COURT TO STATE COURT AND (C) HEREBY WAIVES THE RIGHT TO ASSERT IN ANY SUCH ACTION, SUIT OR PROCEEDING ANY OFFSETS OR COUNTERCLAIMS EXCEPT COUNTERCLAIMS THAT ARE COMPULSORY OR OTHERWISE ARISE FROM THE SAME SUBJECT MATTER. BORROWER HEREBY CONSENTS TO SERVICE OF PROCESS BY MAIL AT THE ADDRESS TO WHICH NOTICES ARE TO BE GIVEN TO IT PURSUANT TO SECTION 7 HEREOF. BORROWER AGREES THAT ITS SUBMISSION TO JURISDICTION AND CONSENT TO SERVICE OF PROCESS BY MAIL IS MADE FOR THE EXPRESS BENEFIT OF LENDER. FINAL JUDGMENT AGAINST BORROWER IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE, AND MAY BE ENFORCED IN ANY OTHER JURISDICTION (X) BY SUIT, ACTION OR PROCEEDING ON THE JUDGMENT, A CERTIFIED OR TRUE COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND OF THE AMOUNT OF INDEBTEDNESS OR LIABILITY OF BORROWER THEREIN DESCRIBED, OR (Y) IN ANY OTHER MANNER PROVIDED BY OR PURSUANT TO THE LAWS OF SUCH OTHER JURISDICTION

6 . 3 WAIVER BY JURY TRIAL . BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THAT BORROWER MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION ARISING IN ANY WAY IN CONNECTION WITH THIS NOTE, OR ANY OTHER STATEMENTS OR ACTIONS OF THE LENDER.

6 . 4 Severability. If any provision of this Note is held to be invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Note shall remain in full force and effect.

SECTION 7 - NOTICES.

All notices, demands and other communications ("notice") under or concerning this Note shall be in writing. Each notice shall be addressed to the intended recipient at its address set forth below and shall be deemed given on the earliest to occur of (1) the date when the notice is delivered to the addressee; or (2) the third (3rd) Business Day after the notice is deposited in the United States mail with postage prepaid, registered mail, return receipt requested. The Borrower or the Lender may change the address by notice to the other in accordance with this Section 7.

SECTION 8 – EXCULPATION.

Notwithstanding anything to the contrary contained in this Note, no present or future general partner, officer or limited partner of the Borrower or present or future shareholder, director, officer or advisor of the General Partner or any of their members, shareholders, partners, directors or officers shall have any personal liability, directly or indirectly, under or in connection with this Note, or any amendment, made at any time, and Lender hereby forever and irrevocably waives and releases any and all such personal liability. This limitation of liability provided in this paragraph is in addition to, and not in limitation of, any limitation of liability applicable to such parties provided by law or by any other contract, agreement or instrument.

SECTION 9 - MISCELLANEOUS.

9.1 Costs. If, and as often as, this Note is referred to an attorney for the collection of any sum payable hereunder, or to defend or enforce any of Lender's rights hereunder, or to commence an action, cross-claim, third-party claim or counterclaim by Lender against Borrower relating to this Note, Borrower agrees to pay to Lender all costs incurred in connection therewith including reasonable attorneys' fees (including such fees incurred in appellate, bankruptcy or insolvency proceedings), with or without the institution of any action or proceeding, and in addition all costs, disbursements and allowances provided by law.

9 . 2 Modification. Neither this Note nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing executed by the party against which enforcement of the termination, amendment, supplement, waiver or modification is sought.

9 . 3 Successors. As used herein, the terms "Borrower" and "Lender" shall be deemed to include their respective permitted successors and assigns whether by voluntary action of the parties or by operation of law. All of the rights, privileges and obligations hereof shall inure to the benefit of and bind such permitted successors and assigns. This Note may not be assigned without the written consent of both Borrower and Lender.

9 . 3 Business Purpose. The undersigned represents and agrees that this Note evidences indebtedness arising from the regular conduct of Borrower's business (which is carried on for the purpose of profit), and that the indebtedness evidenced hereby constitutes a business loan and is not usurious under the laws of the State of New York.

9.4 No Waiver. No failure or delay by Lender in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Without limiting the foregoing, no disbursement by Lender after a default by Borrower hereunder shall constitute a waiver of any of the Lender's remedies established or referred to hereunder or shall obligate Lender to make any further disbursement. No waiver, consent or approval of any kind by Lender shall be effective unless (and it shall be effective only to the extent) expressly set out in a writing signed and delivered by Lender. No notice to or demand on Borrower in any case shall entitle Borrower to any other notice or demand in similar or other circumstances, nor shall such notice or demand constitute a waiver of the rights of Lender to any other or further actions. In its sole discretion, Lender may, at any time and from time to time, waive any one or more of the requirements contained herein, but such waiver in any instance or under any particular circumstances shall not be considered a waiver of such requirement or requirements in any other instance or under any other circumstance.

9.5 Indebtedness. Borrower shall not incur, and shall not consent to any subsidiary or affiliate Borrower incurring, any debt in a material amount that is senior to Lender without written consent of Lender, *provided, however,* the foregoing shall not apply to primary mortgages on new property acquisitions.

9.6 Tax Treatment. The Borrower and Lender will each treat this Note and amounts borrowed thereunder as debt and the relationship between the Borrower and Lender are that of debtor and creditor, in each case for all U.S. federal, state and local tax purposes and will report consistently with such intent.

[The remainder of this page is intentionally left blank;
Signatures appear on the following page]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Note as of the date first set forth above.

BORROWER:

HC Government Realty Holdings, L.P.

By: /s/ Robert R. Kaplan
Name: Robert R. Kaplan
Title: Authorized Signatory

COMMONWEALTH OF VIRGINIA
CITY OF RICHMOND

On the 30th day of August, 2018, before me, the undersigned, ROBERT R. KAPLAN, who is personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the limited partnership named therein became bound.

____
Notary Public
My commission expires
on

Address for Notices:

HC Government Realty Holdings, L.P.
1819 Main Street, Suite 212
Sarasota, FL 34236

Baker Hill Holding LLC
54 Phipps Lane
Plainview, NY 11803

Exhibit 6.22

PROMISSORY NOTE

$2,470,000

October 12, 2018

HC Government Realty Holdings, L.P., a Delaware limited partnership, ("Borrower"), FOR VALUE RECEIVED, promises to pay to the order of **BAKER HILL HOLDING LLC,** a New York Limited Liability Company, or its permitted assigns ("Lender"), the principal sum of TWO MILLION FOUR HUNDRED SEVENTY THOUSAND AND 00/100 DOLLARS ($2,470,000) with interest on the outstanding principal amount at the rates set forth herein.

SECTION 1. - DEFINITION.

"Borrower" shall mean HC Government Realty Holdings, L.P., a Delaware limited partnership.

"Business Day" shall mean any day other than a Saturday, Sunday or day which shall be in the State of New York a legal holiday or day on which banking institutions are required or authorized to close.

"Default Interest Rate" shall mean a rate of interest per annum equal to the lesser of either
(a) THREE percent (3%) above the Interest Rate, or (b) the maximum rate of interest which may be collected from Borrower under applicable law.

"Deferred Interest Rate" shall mean a rate of interest equal to eight percent (8%) per annum. "Deferred Interest Amount" shall have the meaning ascribed to it in Section 2.1 hereof. "General Partner" shall mean HC Government Realty Trust, Inc., a Maryland corporation.
"Initial Interest Payment Date" shall be November 1, 2018.
"Interest Rate" shall mean a rate of interest equal to fourteen percent (14%) per annum, inclusive of the Deferred Interest Rate.

"Late Charge" shall mean the lesser of (a) five percent (5%) of any unpaid amount, or (b) the maximum late charge permitted to be charged under applicable law.

"Lender" shall mean Baker Hill Holding LLC, a New York limited liability company. "Make-Whole Payment" shall have the meaning set forth in Section 2.6.
"Maturity Date" shall mean October 31, 2020.

"Note" shall mean this Promissory Note of Borrower in the original principal amount of TWO MILLION FOUR HUNDRED SEVENTY THOUSAND AND 00/100 DOLLARS ($2,470,000.00) payable to Lender.

"Payment Date" shall mean the first day of each calendar month, commencing on the Initial Interest Payment Date (or, if any such date is not a Business Day, then the next Business Day immediately following such date).

"Person." Any individual, partnership, limited liability company, corporation, trust, unincorporated organization or association, and any governmental agency or political subdivision thereof.

SECTION 2 - STATED MATURITY; INTEREST AND PRINCIPAL PAYMENTS.

Payment of Interest. Interest on the principal balance of this Note outstanding shall accrue from the date hereof until paid in full whether before or after maturity at the "Interest Rate" as defined above and be payable monthly in arrears commencing on the Initial Interest Payment Date and on each Payment Date through the Maturity Date; provided, however, at the Borrower's option, payment of the "Deferred Interest Rate" (as defined above) on the principal balance of this Note outstanding (the "Deferred Interest Amount") may be deferred from time to time until the Maturity Date. Any Deferred Interest Amount shall accrue and be compounded at the end of the applicable quarter for the month in which the election was made on an annual basis and then be subject to interest at the "Interest Rate."

For the avoidance of doubt, the foregoing provision can be illustrated by the following hypothetical:
Assume: (i) the principal amount is $1,000,000; (ii) the Interest Rate is ten percent (10.0%) per annum; (iii) the Deferred Interest Rate is five percent (5.0%) per annum; (iv) on an Interest Payment Date the Borrower elects to defer for all three months in a given quarter fifty percent (50.0%) of its Interest Payment for the quarter in question. The Interest Amount for the quarter is $24,999.99 ($1,000,000 x 10% = $100,000 per year+ 360 x 30
= $8,333.33 x 3); $12,500.01 is the Deferred Interest Amount, which is deemed added to
principal at the end of the quarter applicable to the months the election was made, making the new principal amount of the Note $1,012,500.01, which thereafter bears interest at the Interest Rate.

Payment on Maturity Date. Notwithstanding anything herein to the contrary, all outstanding principal and accrued but unpaid interest under this Note shall be immediately due and payable in full at the Maturity Date. Upon payment in full of the principal and accrued interest hereunder, this Note shall be surrendered to Borrower for cancellation.

Computation of Interest. Interest under this Note shall be calculated based on actual days elapsed and a three hundred sixty (360) day year.

Method of Payment. Each payment due hereunder shall not be deemed received by Lender until received on a Business Day in Federal funds in lawful money of the United States of America immediately available to Lender prior to 2:00 p.m. local time at 54 Phipps Lane, Planview, New York 11803. Any payment received on a Business Day after the time established by the preceding sentence, shall be deemed to have been received on the immediately following Business Day for all purposes.

Application of Payments. Payments under this Note shall be applied first to the payment of accrued but unpaid interest, and then to any Deferred Interest Amount and then to reduction of the outstanding principal balance. No principal amount repaid may be reborrowed. All amounts due under this Note shall be payable without setoff or any other deduction whatsoever.

Prepayment; Make-Whole Payment. Borrower may prepay in whole or in part the outstanding principal balance of this Note. Any such prepayment shall be accompanied by all accrued but unpaid interest due Lender at the time of the prepayment, plus a make whole premium (the "Make-Whole Payment") that is 14.0% of the Pro Rata Portion. "Pro Rata Portion" is the number obtained by multiplying (i) a sum equal to the original principal amount of this Note (ii) by the remaining number of whole calendar months until October 31, 2019, divided by twelve. No Make-Whole Payment shall be due and payable if prepayment is made after October 31, 2019.

Interest Rate Limitation. Nothing contained in this Note shall be construed or so operate as to require the Borrower to pay interest at a greater rate than is now lawful or in such case to contract for, or to make any payment, or to do any act contrary to applicable law. Should any interest or other charges paid by the Borrower, or parties liable for the payment of this Note, in connection with the indebtedness evidenced by this Note result in the computation or earning of interest in excess of the maximum legal rate of interest that is legally permitted under applicable law, then any and all such excess shall be, and the same hereby is, waived by the Lender, and any and all such excess shall be automatically credited against and in reduction of the balance due under this Note, and the portion of said excess that exceeds the balance due under this Note shall be paid by the Lender to the Borrower.

SECTION 3 - DEFAULT

Section 3.1 Events of Default. The occurrence of any of the following shall constitute an " Event of Default":

Borrower shall fail to pay when and as required to be paid herein and pursuant to the Note, any amount of principal of or interest on the Loan and the continuance of such failure for ten (10) Days;

Borrower shall (i) apply for or consent to the appointment of, or the taking of possession by, a receiver, custodian, trustee, liquidator or similar official of itself or of all or a substantial part of its property, (ii) be generally not paying its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (v) take any action or commence any case or

SECTION 4 - DEFAULT; REMEDIES.

Acceleration. Upon the occurrence and during the continuance of any Event of Default, Lender may notify Borrower in writing of such Event of Default, after which time the Borrower shall have thirty (30) days (ten (10) days in the instance of a payment default) to cure such Event of Default. If an Event of Default continues after such 30-day period (or 10-day period in the instance of a payment default), the Lender may, by written notice to Borrower, declare immediately due and payable the entire principal amount outstanding hereunder together with all accrued and unpaid interest due hereunder.

Default Interest Rate, Late Charges.

After an Event of Default and until the Default is cured, the Default Interest Rate shall apply, in place of the then-applicable Interest Rate, to all amounts outstanding under the Loan. Such Default Interest shall be compounded on the quarterly anniversary of such Event of Default until the Event of Default is cured or the Note is paid in full.

If any monthly installment due hereunder is not received by Lender on or before the fifth (5th) day following each Payment Date or if any other amount payable under this Note or any other Loan Document is not received by Lender within five (5) days after the date such amount is due, counting from and including the date such amount is due, Borrower shall pay to Lender, immediately and without demand by Lender, the Late Charge on such outstanding monthly installment or other amount due. Borrower acknowledges that its failure to make timely payments will cause Lender to incur additional expenses in servicing and processing the Loan, and that it is extremely difficult and impractical to determine those additional expenses. Borrower agrees that any such Late Charges payable pursuant to this Section 3.2(b) represents a fair and reasonable estimate, taking into account all circumstances existing on the first Payment Date, of the additional expenses Lender will incur by reason of such late payment. Any such Late Charge is payable in addition to, and not in lieu of, any interest payable at the Default Rate pursuant to Section 3.2(a).

Remedies. The remedies of Lender as provided herein, or at law or in equity shall be cumulative and concurrent, and may be pursued singly, successively, or together at the sole discretion of Lender, and may be exercised as often as occasion therefor shall occur. The failure at any time to exercise any right or remedy shall not constitute a waiver of the right to exercise the right or remedy at any other time.

SECTION 5 - WAIVER.

Presentment for payment, demand, notice of dishonor, protest, and notice of protest, stay of execution and all other defenses to payment generally are hereby waived by Borrower.

SECTION 6 - GOVERNING LAW: SUBMISSION TO JURISDI CTION: WAIVER OF JURY TRIAL; SEVERABILITY; USURY, ETC.

Governing Law. This Note shall be governed by, and construed in accordance with, the substantive law of the State of New York without regard to the application of choice of law principles. Any and all actions, proceedings, etc. shall be venued in the County of Nassau, State of New York.

SUBMISSION TO JURISDICTION/SERVICE OF PROCESS. BORROWER HEREBY IRREVOCABLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN OR FOR NASSAU COUNTY NEW YORK FOR THE PURPOSES OF ANY SUIT, ACTION OR OTHER PROCEEDING ARISING OUT OF OR BASED UPON THIS NOTE, THE SUBJECT MATTER HEREOF, ANY OTHER LOAN DOCUMENT AND THE SUBJECT MATTER THEREOF. BORROWER TO THE EXTENT PERMITTED BY APPLICABLE LAW (A) HEREBY WAIVES, AND AGREES NOT TO ASSERT, BYWAY OF MOTION, AS A DEFENSE, OR OTHERWISE, IN ANY SUCH SUIT, ACTION OR OTHER PROCEEDING BROUGHT IN THE ABOVE-NAMED COURTS ANY CLAIM THAT IT IS NOT SUBJECT PERSONALLY TO THE JURISDICTION OF SUCH COURTS, THAT ITS PROPERTY IS EXEMPT OR IMMUNE FROM ATTACHMENT OR EXECUTION, THAT THE SUIT, ACTION OR PROCEEDING IS BROUGHT IN AN INCONVENIENT FORUM, THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING IS IMPROPER OR THAT THIS NOTE OR THE SUBJECT MATTER HEREOF MAY NOT BE
ENFORCED IN OR BY SUCH COURT, (B) HEREBY WAIVES THE RIGHT TO REMOVE ANY SUCH ACTION, SUIT OR PROCEEDING INSTITUTED BY A LENDER IN STATE COURT TO FEDERAL COURT, OR TO REMAND AN ACTION INSTITUTED IN FEDERAL COURT TO STATE COURT AND (C) HEREBY WAIVES THE RIGHT TO ASSERT IN ANY SUCH ACTION, SUIT OR PROCEEDING ANY OFFSETS OR COUNTERCLAIMS EXCEPT COUNTERCLAIMS THAT ARE COMPULSORY OR OTHERWISE ARISE FROM THE SAME SUBJECT MATTER. BORROWER HEREBY CONSENTS TO SERVICE OF PROCESS BY MAIL AT THE ADDRESS TO WHICH NOTICES ARE TO BE GIVEN TO IT PURSUANT TO SECTION 7 HEREOF. BORROWER AGREES THAT ITS SUBMISSION TO JURISDICTION AND CONSENT TO SERVICE OF PROCESS BY MAIL IS MADE FOR THE EXPRESS BENEFIT OF LENDER. FINAL JUDGMENT AGAINST BORROWER IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE, AND MAY BE ENFORCED IN ANY OTHER JURISDICTION (X) BY SUIT, ACTION OR PROCEEDING ON THE JUDGMENT, A CERTIFIED OR TRUE COPY OF WHICH SHALL BE CONCLUSIVE EVIDENCE OF THE FACT AND OF THE AMOUNT OF INDEBTEDNESS OR LIABILITY OF BORROWER THEREIN DESCRIBED, OR (Y) IN ANY OTHER MANNER PROVIDED BY OR PURSUANT TO THE LAWS OF SUCH OTHER JURISDICTION

WAIVER BY JURY TRIAL. BORROWER HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES ANY RIGHT THAT BORROWER MAY HAVE TO A TRIAL BY JURY IN ANY LITIGATION ARISING IN ANY WAY IN CONNECTION WITH THIS NOTE, OR ANY OTHER STATEMENTS OR ACTIONS OF THE LENDER.

Severability. If any provision of this Note is held to be invalid or unenforceable by a court of competent jurisdiction, the other provisions of this Note shall remain in full force and effect.

SECTION 7 - NOTICES.

All notices, demands and other communications ("notice") under or concerning this Note shall be in writing. Each notice shall be addressed to the intended recipient at its address set forth below and shall be deemed given on the earliest to occur of (1) the date when the notice is delivered to the addressee; or (2) the third (3rd) Business Day after the notice is deposited in the United States mail with postage prepaid, registered mail, return receipt requested. The Borrower or the Lender may change the address by notice to the other in accordance with this Section 7.

SECTION 8- EXCULPATION.

Notwithstanding anything to the contrary contained in this Note, no present or future general partner, officer or limited partner of the Borrower or present or future shareholder, director, officer or advisor of the General Partner or any of their members, shareholders, partners, directors or officers shall have any personal liability, directly or indirectly, under or in connection with this Note, or any amendment, made at any time, and Lender hereby forever and irrevocably waives and releases any and all such personal liability. This limitation of liability provided in this
paragraph is in addition to, and not in limitation of, any limitation of liability applicable to such parties provided by law or by any other contract, agreement or instrument.

SECTION 9 - MISCELLANEOUS.

Costs. If, and as often as, this Note is referred to an attorney for the collection of any sum payable hereunder, or to defend or enforce any of Lender's rights hereunder, or to commence an action, cross-claim, third-party claim or counterclaim by Lender against Borrower relating to this Note, Borrower agrees to pay to Lender all costs incurred in connection therewith including reasonable attorneys' fees (including such fees incurred in appellate, bankruptcy or insolvency proceedings), with or without the institution of any action or proceeding, and in addition all costs, disbursements and allowances provided by law.

Modification. Neither this Note nor any of the terms hereof may be terminated, amended, supplemented, waived or modified orally, but only by an instrument in writing executed by the party against which enforcement of the termination, amendment, supplement, waiver or modification is sought.

Successors. As used herein, the terms "Borrower" and "Lender" shall be deemed to include their respective permitted successors and assigns whether by voluntary action of the parties or by operation of law. All of the rights, privileges and obligations hereof shall inure to the benefit of and bind such permitted successors and assigns. This Note may not be assigned without the written consent of both Borrower and Lender.

Business Purpose. The undersigned represents and agrees that this Note evidences indebtedness arising from the regular conduct of Borrower's business (which is carried on for the purpose of profit), and that the indebtedness evidenced hereby constitutes a business loan and is not usurious under the laws of the State of New York.

No Waiver. No failure or delay by Lender in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. Without limiting the foregoing, no disbursement by Lender after a default by Borrower hereunder shall constitute a waiver of any of the Lender's remedies established or referred to hereunder or shall obligate Lender to make any further disbursement. No waiver, consent or approval of any kind by Lender shall be effective unless (and it shall be effective only to the extent) expressly set out in a writing signed and delivered by Lender. No notice to or demand on Borrower in any case shall entitle Borrower to any other notice or demand in similar or other circumstances, nor shall such notice or demand constitute a waiver of the rights of Lender to any other or further actions. In its sole discretion, Lender may, at any time and from time to time, waive any one or more of the requirements contained herein, but such waiver in any instance or under any particular circumstances shall not be considered a waiver of such requirement or requirements in any other instance or under any other circumstance.

Indebtedness. Borrower shall not incur, and shall not consent to any subsidiary or affiliate Borrower incurring, any debt in a material amount that is senior to Lender without written
consent of Lender, *provided, however,* the foregoing shall not apply to primary mortgages on new property acquisitions.

Tax Treatment. The Borrower and Lender will each treat this Note and amounts borrowed thereunder as debt and the relationship between the Borrower and Lender are that of debtor and creditor, in each case for all U.S. federal, state and local tax purposes and will report consistently with such intent.

[The remainder of this page is intentionally left blank; Signatures appear on the following page]

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Note as of the date first set forth above.

BORROWER:

HC Government Realty Holdings, L.P.

By: /s/ Edwin M. Stanton
Name: Edwin Stanton
Title: Chief Executive Officer

STATE OF FLORIDA
CITY OF SARASOTA

On the 12th day of October, 2018, before me, the undersigned, Edwin Stanton, who is personally known to me or proved to me on the basis of satisfactory evidence to be the individual whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his capacity, and that by his signature on the instrument, the limited partnership named therein became bound.

____

Notary Public

My commission expires on

Address for Notices:

HC Government Realty Holdings, L.P. 1819 Main Street, Suite 212
Sarasota, FL 34236

Baker Hill Holding LLC 54 Phipps Lane
Plainview, NY 11803

Exhibit 11.1

Consent of Independent Registered Public Accounting Firm

HC Government Realty Trust, Inc.
Sarasota, Florida

We hereby consent to the use in the Offering Circular constituting a part of this Regulation A Offering Statement on Form 1-A of HC Government Realty Trust, Inc. and subsidiaries of our report dated April 27, 2018, with respect to the consolidated balance sheets of the Company as of December 31, 2017 and 2016 and of the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the year ended December 31, 2017 and for the period from March 11, 2016 (date of inception) through December 31, 2016 and of our report dated April 27, 2018, with respect to the consolidated balance sheets of Holmwood Capital, LLC and subsidiaries as of May 26, 2017 and December 31, 2016 and of the related consolidated statements of operations, changes in Partners' capital, and cash flows for the period from January 1, 2017 to May 26, 2017 and the year ended December 31, 2016

/s/ CHERRY BEKAERT LLP

Richmond, Virginia
November 6, 2018

Consent of Independent Auditor

HC Government Realty Trust, Inc.
Sarasota, Florida

We hereby consent to the use in the Offering Circular constituting a part of this Regulation A Offering Statement on Form 1-A of HC Government Realty Trust, Inc. of our report dated November 6, 2018, with respect to the statement of revenues and certain operating expenses of the Knoxville Property for the year ended December, 31, 2017, of our report dated November 6, 2018, with respect to the statement of revenues and certain operating expenses of the Monroe Property for the year ended December 31, 2017, of our report dated November 7, 2017, with respect to the statement of revenues and certain operating expenses of the Norfolk Property for the year ended December 31, 2016, and of our report dated June 14, 2016, with respect to the statement of revenues and certain operating expenses of the Owned Properties for the year ended December 31, 2015.

/s/ CHERRY BEKAERT

Richmond, Virginia
November 6, 2018