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.