

October 11, 2017



# HC Government Realty Trust Issues Third Quarter Corporate Update

To Our Shareholders and Stakeholders:

As we ended the summer and moved into the fall, HC Government Realty Trust, Inc. (the "Company" or "HCGRT") entered into the next phase of its development, something we are pleased to write to you about today.

Management has been hard at work continuing to execute its business plan. As you know, early last quarter, the Company reached a major funding milestone - raising an initial \$3.2 million through our Regulation A offering - as we worked closely with our growing network of broker dealers including lead manager, Sandlapper Securities LLC. This achievement enabled us to move ahead with a number of other growth initiatives, foremost amongst them being the contribution of ownership interests in seven additional properties leased to the United States of America and owned by affiliate and sponsor Holmwood Capital, LLC. These contributed properties have aggregate Rentable Square Feet (RSF) in excess of 104,000 and currently house federal agency tenants including the CIS, FBI, Social Security Administration, and Customs and Border Protection, among others. With the closing of the CIS Montgomery acquisition in early August 2017, our REIT portfolio has now grown to include 12 properties, representing approximately 230,000 RSF. Momentum in our acquisition program continues, as evidenced by our intent to acquire an Immigration and Customs Enforcement (ICE) facility in San Antonio, Texas, our first acquisition in the State of Texas, and will extend our portfolio into nine states, as well as a US Department of Agriculture laboratory in Sarasota, Florida. Other acquisition opportunities are in various stages of negotiation. These properties should contribute meaningfully to both the asset value of our portfolio and our cash flow.

In addition to our property acquisition plans, management has made considerable progress in advancing corporate development efforts throughout the first half of the year.

- We announced the appointments of four independent directors to our Board of Directors - Scott A. Musil, William Robert Fields, Leo Kiely, and John F. O'Reilly - bringing a valuable mix of expertise in the areas of commercial real-estate acquisition, ownership, financial and business management, capital formation, and corporate governance to the Company. These additions are further confirmations of our commitment to instilling corporate governance best practices within the organization.
- Last month, the Company declared and issued its second consecutive quarterly common dividend and reconfirmed its intent to provide investors in its common stock

with an initial annual dividend of 5.5%.

- On September 28, 2017, HCGRT filed its first [Form 1-SA Semi-Annual Report with the SEC for the period ended June 30, 2017](#). In this comprehensive filing, the Company outlined its business operations and reported on its financial results, including:

- Total revenues were \$1.3 million and \$600,000 for the six months ended June 30, 2017 and 2016, respectively, a 105.8% increase for the same period in 2016 (\$0.7 million from our initial properties, \$0.3 million from contribution properties and \$0.3 million from property acquisitions).

- Net operating income was \$0.5 million for the six months ended June 30, 2017, as compared to a net operating loss of \$0.4 million for the same period in 2016. After taking into account asset management fees, depreciation, amortization and interest expense, the Company reported a net loss of \$0.5 million for the six months ended June 30, 2017, though this included HCGRT's corporate expenses of \$0.4 million.

- Cash and cash equivalents stood at \$1.7 million as compared to approximately \$0.3 million as of December 31, 2016.

- Working capital as of June 30, 2017 increased to \$15.9 million from \$2.3 million reported as of December 31, 2016.

Momentum in our Reg A offering continues, and we intend to have further updates on our capital raising plans throughout the year.

We look toward the remainder of the year with confidence in the value we are building at HC Government Realty Trust for all of our stakeholders, including our federal agency tenants, investors and employees. Through the dedication of our team, and with the support and the invaluable guidance of our Board of Directors, we anticipate the continued execution of our business plan which is focused on capitalizing on the many unique benefits of investing in built-to-suit properties leased to the United States, and its ability to provide investors with attractive yields and a reduced risk profile.

As always, we wish to thank all of those involved in helping us create HC Government Realty Trust and for all of your continued support as we continue to capitalize on the tremendous opportunity ahead of us. We look forward to hearing from you, so please contact us at to [ir@hcgovtrust.com](mailto:ir@hcgovtrust.com) if you have any questions.

Sincerely,

Edwin M. Stanton  
Co-Founder, Director and CEO

Robert R. Kaplan, Jr.  
Co-Founder and President