Gray Harbor Government Income REIT – Tax Impact of Distributions

Gray Harbor Government Income REIT is a perpetual life, private placemen security that acquires, develops, and manages single-tenant federal government leased real estate. It seeks long-term total return through growth of capital and tax-deferred, stable income by investing exclusively in properties leased to mission-critical, taxpayer-facing, essential service federal agencies backed by the full faith and credit of the United States of America. Its portfolio of properties meets the specific needs and requirements of politically agnostic, specialized agencies that have enduring missions critical to our country's national security, infrastructure, healthcare, labor force, and natural resources.

Tax Efficient Distributions

REITs have the ability to minimize the tax impact of shareholder distributions by deploying tax-deferred strategies. For example, certain non-cash items, such as depreciation and amortization, can reduce taxable income without impacting cash flows to the REIT. This approach can provide a significant tax benefit to shareholders as some or all of a REIT's distributions are classified as return of capital(1) rather than ordinary income.

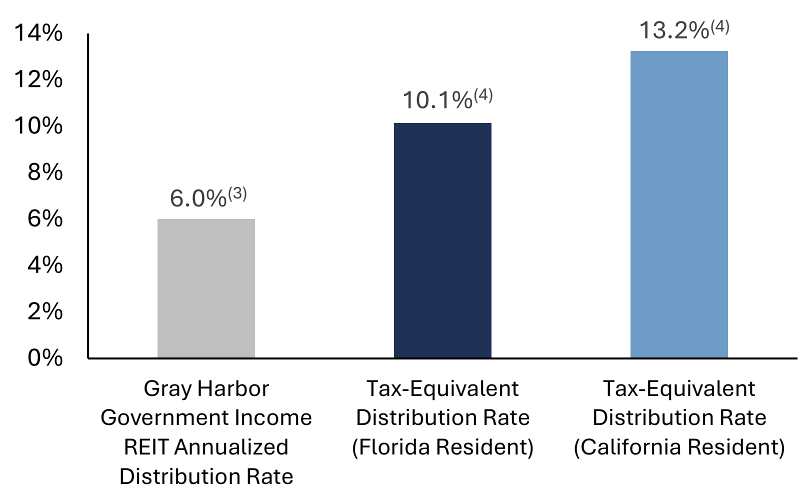
Since the launch of the Gray Harbor Government Income REIT, 100% of its distributions have been classified as return of capital for income tax purposes(2). This classification is specified in box 3 of the 1099-DIVS tax forms investors receive. Because of this, the maximum effective tax rate on distributions Gray Harbor Government Income REIT has paid to date has been 0%.

The tax classification of Gray Harbor Government Income REIT's distributions as a percentage of total distributions for each calendar year is shown on the following table.

Form 1099-Div	1a	1b	2a	3
Year	Total ordinary dividends	Qualified dividends	Total capital gains distr	Nondividend distributions
2024	-	-	-	100%
2023	-	-	-	100%
2022	-	-	-	100%
2021	-	-	-	100%

Tax-Equivalent Distribution Rates

Gray Harbor Government Income REIT paid an annualized fund-level 6.0% distribution rate as of its most recent month-end period. This distribution was classified as return of capital. For illustrative purposes, hypothetical taxable distribution rates are shown for investors in Florida and California in the chart provided (see right). Residents of these states would need to receive distribution rates of 10.1% and 13.2%, respectively, to resemble a 6.0% after-tax distribution rate equivalent to Gray Harbor Government Income REIT's after-tax distribution rate.



(1) Return of capital distributions reduce an investor's basis in the year received, generally defer tax liabilities until the underlying position is sold, and an investor may be subject to higher capital gains taxes as a result of a lower cost basis due to the return of capital distributions. Return of capital is only available to the extent an investor has sufficient tax basis. Once all of an investor's capital has been returned, any additional distributions that are not dividends will be treated as capital gains. While the Gray Harbor Government Income REIT's current distributions are all classified as return of capital, there is no assurance or guarantee that this classification will continue in future time periods. Items such as depreciation and amortization, which are non-cash items, can reduce taxable income for investors in the Gray Harbor Government Income REIT. Each individual's tax situation varies. Please seek guidance from a tax advisor. The information presented here should not be construed as investment, legal or tax advice

(2) This assumes that Gray Harbor Government Income REIT does not generate taxable income. While the Gray Harbor Government Income REIT's current distributions are all classified as return of capital, there is no assurance or guarantee that this classification will continue in future time periods.

(3) Reflects the current month's distribution annualized and divided by the prior month's net asset value, which is inclusive of all fees and expenses. Distributions are not guaranteed and may be funded from the sources other than cash flow from operations.

(4) The tax-equivalent yield refers to the pre-tax distribution rate an investor in a hypothetical taxable investment would need to receive to match the 6.0% after-tax distribution rate of Gray Harbor Government Income REIT's shares. The Tax Equivalent Distribution Rates shown assume a Florida investor who is currently invested in Gray Harbor Government Income REIT with a maximum federal income tax rate of 37%, net investment income tax of 3.8%, and 0% state income tax rate, and a California investor who is currently invested in Gray Harbor Government Income REIT with a maximum federal income tax rate of 37%, net investment income tax of 3.8%, and 14.4% state income tax rate. The ordinary income tax rate, net investment income tax rate, and state income tax rates are subject to change in the future. The illustrative example does not include local taxes. Investors could be subject to local income taxes imposed by their municipalities which could lower the after-tax distribution rate received by the investor. Fixed income investments are not the same as an investment in Gray Harbor Government Income REIT's shares and may have other advantages, including other tax considerations, and individual investors should consult their tax advisors.

Disclosure Information & Risk Factors

This is not an offer to sell securities. An offer to sell the shares of stock of Gray Harbor Government Income REIT, Inc. (the "REIT") may be made on pursuant to the Private Placement Memorandum dated September 1, 2020, as supplemented (the "Memorandum"). The information contained herein is qualified in its entirety by the Memorandum. The offering of shares (the "Offering") is being made by means of the Memorandum only to accredited investors who meet minimum accreditation requirements, as well as suitability standards as determined by a qualified broker-dealer or investment advisor.

All prospective investors must read the Memorandum, including the "Risk Factors," prior to investing. The Offering will not be registered under the Securities Act of 1933 or the securities laws of any state and are being offered and sold in reliance on exemptions from the registration requirements of such laws. Certain disclosure requirements which would have been applicable if the shares were registered are not required to be met. Neither the Securities and Exchange Commission nor any other federal or state agency has passed upon the merits of or given their approval to the shares, the Offering or the Memorandum.

Historical performance results presented herein are net of management and performance fees charged to current investors. Prospective investor returns may significantly vary from that of the current investors. Past performance does not predict future results.

The offering of shares (the Each investor's tax considerations vary. Consult a tax advisor. No information provided herein should not be construed as investment, tax, accounting or legal advice.

Securities offered through Cobalt Capital, Inc., member FINRA, SIPC, 600 Wilkinson Street, Suite 300, Orlando, FL 32803.

Prior to investing, please review the PPM and important risk disclosures contained within it.

Risk Factors

All investments involve risk. Risks associated with the common stock of the REIT include the following:

- An investment in common stock is speculative, illiquid and involves a high degree of risk and there is no guarantee that investors will receive any return.
- The COVID-19 virus has created economic instability and disruption, and the REIT cannot be certain the extent it will impact the REIT's operations or the value of the REIT's assets, and therefore the value of the Shares.
- The common stock being offered to investors is non-voting common stock and the holders of the REIT's voting common stock are affiliated with the officers and directors of the REIT.
- The REIT may borrow funds to make distributions to the holders of the common stock.
- There are risks related to leasing property to the Government Services Administration.
- There are substantial restrictions on the transferability of the common stock.
- There is a lack of liquidity or market for the common stock and a lack of a fixed liquidation date.
- The REIT is authorized, and may, issue shares of stock that have preferences that are senior to the shares of common stock.
- There is uncertainty as to the projects to be acquired and the amount and type of leverage that will be used to acquire such projects. The REIT has no binding financing commitments.
- Substantial fees and distributions that will be paid to the REIT's advisor and its affiliates, which have not been determined by arm's-length negotiations.
- Conflicts of interest exist between the REIT and the REIT's advisor and its affiliates.
- The holders of the common stock must rely on the advisor to select the properties to be acquired by the REIT and must rely on the advisor and its affiliates to manage the properties.
- There are a number of tax risks. Please consult your tax advisor prior to making an investment.
- The data presented herein is an estimate, has not been audited, and may be subject to change.
- Past performance does not predict or guarantee future results.

All investments involve risk. General risks of investment in the GSA properties include the following:

- Unspecified investments: No assurance can be given that the REIT will be able to acquire suitable GSA properties or that the objectives will be achieved.
- Uncertainty as to the Extent of Diversification: Diversification in the number of GSA Properties acquired and geographic locations is uncertain.
- Lack of Asset Class Diversification: While the REIT intends to invest in a significant number of GSA Properties occupied by different agencies across several geo graphical locations and markets, it will not invest in a diverse set of asset classes.
- Approval of GSA to Assumption of Leases: The REIT will be required to obtain the consent of the GSA in order to assume the rights and obligations of the landlord under the GSA leases at the GSA Properties. If the GSA does not approve the Company's assumption of the lease, the ownership of the applicable GSA Property could be jeopardized.
- Illiquidity of Real Estate Investments: The ownership of the GSA properties will be relatively illiquid.
- Department of Government Efficiency ("DOGE"): There are risks related to ("DOGE's") effort to reduce federal government spending by terminating leases, reducing and consolidation federal workforce.
- Terrorist Attacks: Because the primary tenant for the GSA properties will be the federal government, the GSA properties may have a higher risk of terrorist or other attacks (whether domestic or foreign) than similar properties that are leased to non-government tenants.