Risk Factors Comparison 2024-02-27 to 2023-02-28 Form: 10-K

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Set forth below are the risks that we believe are material to our investors and they should be carefully considered. These risks are not all of the risks that we face and other factors not presently known to us or that we currently believe are immaterial may also affect our business if they occur. This section contains forward looking statements. You should refer to the explanation of the qualifications and limitations on forward- looking statements beginning on page 1. Risks Related to our Business and Operations 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. Substantially all of our current rents come from U. S. Government tenant agencies. As of December 31, ~~2022~~ **2023** , our U. S. Government tenant agencies accounted for 97. ~~1~~ **3** % 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. We may be unable to renew leases or lease vacating space on favorable terms or at all as leases expire, which could adversely affect our business, financial condition and results of operations. As of December 31, ~~2022~~ **2023** , leases representing approximately ~~18~~ **13** . ~~4~~ **7** % of our total annualized lease income and approximately ~~19~~ **14** . ~~7~~ **4** % of the square footage of the properties in our portfolio will expire by the end of ~~2025~~ **2026** . We may be unable to renew such expiring leases or our properties may not be released at net effective rental rates equal to or above the current average net effective rental rates. In addition, when we renew leases or lease to new tenants, especially U. S. Government tenant agencies, we may spend substantial amounts for leasing commissions, tenant fit- outs or other tenant inducements. As part of our strategy, we may design build- to- suit property improvements designed to enhance the agency' s mission- critical capabilities. Because these properties have been designed or physically modified to meet the needs of a particular tenant agency, if the current lease is terminated or not renewed, we may be required to renovate the property at substantial costs, decrease the rent we intend to charge or provide other concessions in order to lease the property to another tenant, which could adversely affect our business, financial condition and results of operations. We are exposed to risks associated with property development and redevelopment, including new developments for anticipated tenant agencies and build- to- suit renovations for existing tenant agencies. As of December 31, ~~2022~~ **2023** , we had one property under development. We intend to continue to engage in development and redevelopment activities with respect to our properties, including build- to- suit renovations for existing U. S. Government tenant agencies and new developments for anticipated tenant agencies and, as a result, will be subject to certain risks, which could adversely affect us, including our financial condition and results of operations. These risks include: • the availability and pricing of financing on favorable terms or at all; • development costs that may be higher than anticipated; • cost overruns and untimely completion of construction (including risks beyond our control, such as weather ~~or~~ **,** labor conditions or material shortages); • the potential that we may expend funds on, and devote management time to projects that we do not complete; and • the inability to complete construction and leasing of a property on schedule, resulting in increased debt service expense and development and renovation costs **. Additionally, inflationary pricing may have a negative effect on the construction costs necessary to initiate or complete redevelopment projects, including, but not limited to, costs of construction materials, labor, and services from third- party contractors and suppliers** . These risks could result in substantial unanticipated delays or expenses and could prevent the initiation or the completion of development and renovation activities, any of which could have a material adverse effect on our business, financial condition and results of operations. Unfavorable market and economic conditions in the United States and globally could adversely affect occupancy levels, rental rates, rent collections, operating expenses and the overall market value of our assets and have a material adverse effect on our business, financial condition and results of operations. Unfavorable market conditions in the geographic markets in which we operate and unfavorable economic conditions in the United States and globally may significantly affect our occupancy levels, rental rates, rent collections, operating expenses, the market value of our assets and our ability to strategically acquire, dispose of, recapitalize or refinance our properties on economically favorable terms or at all. Our ability to lease our properties at favorable rates may be adversely affected by increases in supply of office space and is dependent upon overall economic conditions, which are adversely affected by, among other things, job losses and unemployment levels, inflation, rising interest rates, ~~recession~~ **recessions** , stock market volatility and uncertainty about the future. ~~Increased~~ **Continued** economic uncertainty in the United States and abroad could lead to **sustained** periods of economic slowdown or recession, continued inflation and higher interest rates or declining demand for real estate, and the occurrence of such events, or public perception that any of these events may occur, could result in a general decrease in rental rates. Some of our major expenses, including mortgage payments and real estate taxes, generally do not decline when related rents decline. Any declines in our occupancy levels, rental revenues or the values of our buildings would cause us to have less cash available to pay our indebtedness, fund necessary capital expenditures and make distributions to our stockholders, which could negatively affect our financial condition and the market value of our common stock. Our business may be affected by the volatility and illiquidity in the financial and credit markets, a general global economic recession and other market or economic challenges experienced by the real estate industry or the United States economy as a whole. Our business may also be adversely affected by local economic conditions in the areas in which we operate. Factors that may affect our occupancy levels, our rental revenues, our net operating income, our Funds From Operations **(" FFO ")** or the value of our properties include the following, among others: • downturns in global, national, regional and local economic conditions **, including as a result of elevated inflation and interest rates** ; • possible reduction of the U. S. Government workforce; and • economic conditions that could cause an increase in our operating expenses, such as **inflation,** increases in property taxes (particularly as a result of increased local, state and national government budget deficits and debt and potentially reduced federal aid to state and local governments), utilities, insurance, compensation of on- site associates and routine maintenance. Our properties are leased to a limited number of U. S. Government tenant agencies, and a change to any of these agencies' missions could have a material adverse effect on our business, financial condition and results of operations. As of December 31, ~~2022~~ **2023** , three of our U. S. Government tenant agencies, the Department of Veteran Affairs (" VA "), Federal Bureau of Investigation (" FBI "), and Drug Enforcement Administration (" DEA "), accounted for an aggregate of approximately 47. 2 % of our total leased square feet and an aggregate of approximately 53. ~~6~~ **2** % of our total annualized lease income. Each U. S. Government agency has its own customs, procedures, culture, needs and mission, which translate into different requirements for its leased space, and we work with the tenant agency to design and construct specialized, agency- specific enhancements. In addition, under the terms of our GSA leases, the GSA generally has the right to designate another U. S. Government agency to occupy all or a portion of the leased property. A change in the structure, mission, or leasing requirements of any one of our U. S. Government tenant agencies, a significant reduction in the agency' s workforce, a relocation of personnel resources, other internal reorganization or a change in the tenant agency occupying the leased space, could affect our lease renewal opportunities and have a material adverse effect on our business, financial condition and results of operations. Some of our leases with U. S. Government tenant agencies permit the tenant agency to vacate the property and discontinue paying rent prior to their lease expiration date. Some of our leases are currently in the soft- term period of the lease and tenants under such leases have the right to vacate their space during a specified period before the stated terms of their leases expire. Tenants occupying approximately 7. ~~8~~ **2** % of our leased square feet and contributing approximately ~~7~~ **6** . ~~8~~ **9** % of our annualized lease income (in each case, as of December 31, ~~2022~~ **2023**) currently have exercisable rights to terminate their leases before the stated soft- term of their lease expires. For fiscal policy reasons, security concerns or other reasons, some or all of our U. S. Government tenant agencies under leases within the soft- term period may decide to exercise their termination rights before the stated term of their lease expires. Such events, if they were to occur and we were not able to lease the vacant space to another tenant in a timely manner or at all, could have a material adverse effect on our business, financial condition and results of operations. We currently have a concentration of properties located in California and are exposed to changes in market conditions and natural disasters in this state. ~~Seventeen~~ **Eighteen** of our properties are located in California, accounting for approximately ~~14~~ **15** . ~~8~~ **7** % of our total leased square feet and approximately ~~19~~ **20** . ~~9~~ **2** % of our total annualized lease income as of December 31, ~~2022~~ **2023** . As a result of this concentration, a material portion of our portfolio may be exposed to the effects of economic and real estate conditions in California markets, such as the supply of competing properties, general levels of employment and economic activity. In addition, historically, California has been vulnerable to ~~natural disasters and we are therefore susceptible to the risks of~~ natural disasters, such as earthquakes, wildfires, floods and mudslides. To the extent that weak economic or real estate conditions or natural disasters affect California, our business, financial condition and results of operations could be negatively impacted. We are subject to risks from natural disasters and climate change. Natural disasters and severe weather such as earthquakes, tornadoes, hurricanes, floods, or rising sea levels due to climate change may result in significant damage to our properties. The extent of our casualty losses and loss in operating income in connection with such events is a function of the severity of the event and the total amount of exposure in the affected area. When we have geographic concentration of exposures, a single catastrophe, such as an earthquake affecting our properties in California, or destructive weather event, such as a tornado affecting our properties in Nebraska, may have a significant negative effect on our business, financial condition and results of operations. Additionally, risks associated with climate change including, for example, rising sea levels, could cause property loss or damage to our properties located in coastal states such as Georgia, Louisiana, California, Florida ~~,~~ and South Carolina. As a result, our operating and financial results may vary significantly from one period to the next. Our financial results may be adversely affected by our exposure to losses arising from natural disasters or severe weather. We also are exposed to risks associated with inclement winter weather, particularly on the Atlantic coast, a region in which some of our properties are located, including increased need for maintenance and repair of our buildings. As a result of climate change, we may also experience extreme weather and changes in precipitation and temperature, all of which may result in physical damage to, or decreased demand for, our properties, increases in the cost of insurance for our properties located in the areas affected by these conditions and impact our ability to lease, develop or dispose of our properties. Should the impact of climate change be material in nature, our financial condition or results of operations would be adversely affected. In addition, changes in federal and state legislation and regulation on climate change could result in increased capital expenditures to improve the energy efficiency of our existing properties in order to comply with such regulations. Numerous treaties, laws and regulations have been enacted or proposed in an effort to regulate climate change, including regulations aimed at limiting ~~GHG~~ **greenhouse gas** emissions and the implementation of " green " building codes. These laws and regulations may require us to make improvements to our existing properties and result in increased operating costs. We may also incur costs associated with increased regulations or investor requirements for increased environmental and social disclosures and reporting. The cost of compliance with, or failure to comply with, such laws and regulations could impact our financial condition. **Any** ~~COVID- 19 or any~~ future pandemic, epidemic or outbreak of any ~~other~~ highly infectious disease could have an adverse effect on our business, financial condition, results of operations and cash flows. ~~The~~ **Any future pandemic, epidemic or outbreak of any highly infectious disease, including the emergence of additional** COVID- 19 ~~pandemic, including the emergence of additional~~ variants, ~~has~~ **may** ~~caused~~ - **cause** ~~,~~ **significant disruptions to the U. S.** and ~~COVID- 19 or~~ **global economy and could contribute to significant volatility and negative pressure in financial markets. The extent to which** any future pandemic, epidemic or outbreak of any

~~other~~ highly infectious disease ~~may continue to cause, significant disruptions to the U. S. and global economy and has contributed, and may continue to contribute, to significant volatility and negative pressure in financial markets. The extent to which the COVID- 19 pandemic, or any future pandemic, epidemic or outbreak of any other highly infectious disease,~~ impacts our operations will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of such pandemic, the ~~emergence and characteristics of new variants, the~~ actions taken to contain the pandemic or mitigate its impact ~~, including the adoption, administration and effectiveness of available COVID- 19 vaccines,~~ and the direct and indirect economic effects of the pandemic and containment measures, among others. **Any** ~~The COVID- 19 pandemic, or any~~ future pandemic, epidemic or outbreak of any ~~other~~ highly infectious disease ~~,~~ may adversely affect our business, financial condition, results of operations and cash flows, and may have the effect of heightening many of the risks within this " Risk Factors " section. A U. S. Government tenant agency could institute condemnation proceedings against us and seek to take our property, or a leasehold interest therein, through its power of eminent domain. A U. S. Government tenant agency could institute condemnation proceedings against us and seek to take our property, or a leasehold interest therein, through its power of eminent domain. The procedures for settling a dispute with a U. S. Government tenant or seeking to evict a U. S. Government tenant in default may be costly, time consuming and may divert the attention of management from the operations of our business as the process requires first appealing to a U. S. Government assigned contracting officer or through the Civilian Board of Directors of Contract Appeals and ultimately before the U. S. Court of Federal Claims. Furthermore, we may not be able to successfully appeal a condemnation proceeding brought by a U. S. Government tenant agency which could have a material adverse effect on our business, financial condition and results of operations. The impact of prolonged government shutdowns and budgetary reductions or impasses could have a material adverse effect on our business, financial condition and results of operations. Substantially all of our revenue is dependent on the receipt of rent payments from the GSA and U. S. Government tenant agencies. While rents under our leases with the GSA are paid for from the Federal Buildings Fund, which is not subject to direct federal appropriations, and our leases with other federal agencies have been executed under delegation from the GSA and are therefore guaranteed by the Federal Buildings Fund, a prolonged government shutdown or a federal budget impasse could result in delays in our receipt of rental payments. In addition, the impact of a prolonged government shutdown on federal personnel resources could hinder our ability to renew expiring leases, initiate or complete tenant agency build- out and construction projects and otherwise interfere with our ongoing partnership with the U. S. Government, any of which could have a material adverse effect on our business, financial condition and results of operations. An increase in the amount of U. S. Government- owned real estate may adversely affect us. If there is a large increase in the amount of U. S. Government- owned real estate, certain U. S. Government tenant agencies may relocate from our properties to U. S. Government- owned real estate at the expiration of their respective leases. Similarly, it may become more difficult for us to renew our leases with U. S. Government tenant agencies when they expire or to locate additional properties that are leased to U. S. Government tenant agencies in order to grow our business. Therefore, an increase in the amount of U. S. Government- owned real estate could have a material adverse effect on our business, financial condition and results of operations. We may be required to make significant capital expenditures to improve our properties in order to retain and attract tenants, including U. S. Government tenant agencies. Under our leases, including our leases with U. S. Government tenant agencies, we retain certain obligations with respect to the property, including, among other things, the responsibility for maintenance and repair of the property, the provision of adequate parking, maintenance of common areas, responsibility for capital improvements such as roof replacement and major structural improvements and compliance with other affirmative covenants in the lease. The expenditure of any sums in connection therewith will reduce the cash available for distribution and may require us to fund deficits resulting from operating a property. No assurance can be given that we will have funds available to make such repairs or improvements. In addition, risks beyond our control, such as weather, labor conditions, material shortages caused by supply chain disruptions, or inflationary price increases for materials, could lead to cost overruns and untimely completion of projects. If we were to fail to meet these obligations, then the applicable tenant could abate rent or terminate the applicable lease, which may result in a loss of capital invested and reduce our anticipated profits which, in turn, could have a material adverse effect on our business, financial condition and results of operations. Capital and credit market conditions may adversely affect our access to various sources of capital or financing or the cost of capital, which could impact our business activities, dividends, earnings and common stock price, among other things. In periods when the capital and credit markets experience significant volatility, the amounts, sources and cost of capital available to us may be adversely affected. We primarily use external financing to fund acquisition, development and renovation activities. As of December 31, ~~2022~~ **2023** , we had total indebtedness of approximately $ 1. 3 billion, including approximately $ ~~65~~ **79** . ~~5~~ **0** million outstanding under our $ 450. 0 million senior unsecured revolving credit facility, which we refer to as our revolving credit facility, $ ~~150~~ **200** . 0 million outstanding under our $ 200. 0 million senior unsecured term loan facility, which we refer to as our 2018 term loan facility, $ 100. 0 million outstanding under our $ 100. 0 million senior unsecured term loan facility, which we refer to as our 2016 term loan facility, $ 175. 0 million of outstanding fixed rate, senior unsecured notes, which we refer to as our 2017 senior unsecured notes, $ 275. 0 million of outstanding fixed rate, senior unsecured notes, which we refer to as our 2019 senior unsecured notes and $ 250. 0 million of outstanding fixed rate, senior unsecured notes, which we refer to as our 2021 senior unsecured notes. If sufficient sources of external financing are not available to us on cost effective terms, we could be forced to limit our acquisition, development and renovation activities or take other actions to fund our business activities and repayment of debt, such as selling assets, reducing our cash dividend or paying out a smaller percentage of our taxable income (subject to the annual distribution requirements applicable to REITs under the Internal Revenue Code of 1986, as amended (the " Code ")). To the extent that we are able or choose to access capital at a higher cost than we have experienced in recent years, as reflected in higher interest rates for debt financing or a lower stock price for equity financing, our earnings per share and cash flow could be adversely affected. In addition, the price of common stock may fluctuate significantly or decline in a high interest rate or volatile economic environment. If economic conditions deteriorate, the ability of lenders to fulfill their obligations under working capital or other credit facilities that we may have in the future may be adversely impacted. We may be unable to identify and successfully complete acquisitions and, even if acquisitions are identified and completed, completed acquisitions may not achieve the intended benefits or may disrupt our plans and operations. We may be unable to acquire additional properties and grow our business and any acquisitions we make may prove unsuccessful. Agreements for the acquisition of properties are subject to customary conditions to closing, including completion of due diligence investigations and other conditions that are not within our control that may not be satisfied. In this event, we may be unable to complete an acquisition after incurring certain acquisition- related costs. In the case of a portfolio acquisition with staggered closings, we cannot ensure they will close on the timeline anticipated or at all. In addition, if mortgage debt is unavailable at reasonable rates, we may be unable to finance the acquisition on favorable terms in the time period we desire, or at all. Our ability to identify and acquire properties on favorable terms and successfully operate or renovate them may be exposed to significant risks. Acquired properties may be located in markets where we may face risks associated with a lack of market knowledge or understanding of the local economy, lack of business relationships in the area and unfamiliarity with local governmental and permitting procedures. We may spend more than budgeted to make necessary improvements or renovations to acquired properties and may not be able to obtain adequate insurance coverage for new properties. There can be no assurance that we will be able to successfully integrate acquired properties with our business or otherwise realize the expected benefits of these acquisitions. In addition, the integration of acquisitions into our existing portfolio may require significant time and focus from our management team and may divert attention from the day- to- day operations of our business, which could delay the achievement of our strategic objectives. Any delay or failure on our part to identify, negotiate, finance and consummate such acquisitions in a timely manner and on favorable terms, or operate acquired properties to meet our financial expectations, could impede our growth and have an adverse effect on us, including our financial condition, results of operations, cash flow and the market value of our securities. Certain of our properties are leased to private tenants and we may be unable to collect balances due from private tenants that file for bankruptcy protection. If a private tenant or lease guarantor files for bankruptcy, we will become a creditor of such entity, but may not be able to collect all pre- bankruptcy amounts owed by that party. In addition, a tenant that files for bankruptcy protection may terminate its lease with us under federal law, in which event we would have a general unsecured claim against such tenant that would likely be worth less than the full amount owed to us for the remainder of the lease term, which could adversely affect our business, financial condition and results of operations. Because our principal tenants are agencies of the U. S. Government, our properties have a higher risk of terrorist attack and are more likely to be the site of civil unrest than similar properties leased to non- governmental tenants. Terrorist attacks and civil unrest may materially adversely affect our operations, as well as directly or indirectly damage our assets, both physically and financially. Because our principal tenants are, and are expected to continue to be, agencies of the U. S. Government, our properties are presumed to have a higher risk of terrorist attack and are more likely to be the site of civil unrest than similar properties that are leased to non- governmental tenants. Further, some of our properties may be considered " high profile " targets because of the particular U. S. Government tenant (e. g., the DEA and FBI). Terrorist attacks or damage related to civil unrest, to the extent that these properties are not fully insured, could have a material adverse effect on our business, financial condition and results of operations. Competition could limit our ability to acquire attractive investment opportunities and to attract and retain tenants. We compete with numerous developers, real estate companies and other owners of commercial properties for acquisitions and in pursuing buyers for dispositions. We expect that other real estate investors, including insurance companies, private equity funds, sovereign wealth funds, pension funds, other REITs and other well- capitalized investors will compete with us to acquire existing properties and to develop new properties. Because of their strong credit profile, U. S. Government tenants are viewed as desirable tenants by other landlords and properties leased to U. S. Government tenant agencies often attract many potential buyers. This competition could increase prices for properties of the type we may pursue and adversely affect our profitability and impede our growth. In addition, substantially all of our properties face competition for tenants. Some competing properties may be newer, better located or more attractive to tenants. Competing properties may have lower rates of occupancy than our properties, which may result in competing owners offering available space at lower rents than we offer at our properties. This competition may affect our ability to attract and retain tenants, may reduce the rents we are able to charge and could have a material adverse effect on our business, financial condition and results of operations. We may be subject to increased costs of insurance and limitations on coverage, particularly regarding acts of terrorism. We maintain comprehensive insurance coverage for general liability, property and other risks on all of our properties, including coverage for acts of terrorism. Future changes in the insurance industry' s risk assessment approach and pricing structure may increase the cost of insuring our properties and decrease the scope of insurance coverage, either of which could adversely affect our financial position and operating results. Most of our debt agreements contain customary covenants requiring us to maintain insurance. We may not be able to obtain an appropriate amount of coverage at reasonable costs, or at all, in the future. In addition, if lenders insist on greater insurance coverage than we are able to obtain, it could adversely affect our ability to finance or refinance our properties and execute our growth strategies, which, in turn, could have a material adverse effect on our business, financial condition and results of operations. We may become subject to liability relating to environmental and health and safety matters, which could have a material adverse effect on our business, financial condition and results of operations. Under various federal, state or local laws, ordinances and regulations, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from the presence or release of hazardous substances, waste or petroleum products at, on, in, under or from such property, including costs for investigation or remediation, natural resource damages or third- party liability for personal injury or property damage. These laws often impose liability without regard to whether the owner or operator knew of, or was responsible for, the presence or release of such materials, and the liability may be joint and several. Some of our properties may be impacted by contamination arising from current uses of the property or from adjacent properties used for commercial, industrial or other purposes. Such contamination may arise from spills of petroleum or hazardous substances or releases from tanks used to store such materials. We also may be liable for the costs of remediating contamination at off- site disposal or treatment facilities when we arrange for disposal or treatment of hazardous substances at such facilities, without regard to whether we comply with environmental laws in doing so. The presence of contamination or the failure to remediate contamination on our properties may adversely affect our ability to attract or retain tenants and our ability to develop or sell or borrow against those properties. In addition to potential liability for cleanup costs, private plaintiffs may bring claims for personal injury, property damage or for similar reasons. Environmental laws also may create liens on contaminated sites in favor of the U. S. Government for damages and costs it incurs to address such contamination. Moreover, if contamination is discovered on our properties, environmental laws may impose restrictions on the manner in which that property may be used or how businesses may be operated on that property. Some of our properties are, and may be adjacent to or near other properties, used for industrial or commercial purposes. These properties may have contained or currently contain underground storage tanks used to store petroleum products or other hazardous or toxic substances. Releases from these properties could impact our properties. In addition, our properties are subject to various federal, state and local environmental and health and safety laws and regulations. Noncompliance with these environmental and health and safety laws and regulations could subject us or our tenants to liability. These liabilities could affect a commercial tenant' s ability to make rental payments to us. Moreover, changes in laws could increase the potential costs of compliance with such laws and regulations or increase liability for noncompliance. This may result in significant unanticipated expenditures or may otherwise adversely affect our operations, or those of our tenants, which could in turn have an adverse effect on us. As the owner or operator of real property, we may also incur liability based on various building conditions. In addition, our properties may contain or develop harmful mold or suffer from other indoor air quality issues. Indoor air quality issues also can stem from inadequate ventilation, chemical contamination from indoor or outdoor sources and other biological contaminants such as pollen, viruses and bacteria. Indoor exposure to airborne toxins or irritants can be alleged to cause a variety of adverse health effects and symptoms, including allergic or other reactions. As a result, the presence of significant mold or other airborne contaminants at any of our properties could require us to undertake a costly remediation program to contain or remove the mold or other airborne contaminants or to increase ventilation. In addition, the presence of significant mold or other airborne contaminants could expose us to liability from our tenants or others if property damage or personal injury occurs. The costs or liabilities incurred as a result of environmental issues may affect our ability to make distributions to our stockholders and could have a material adverse effect on our business, financial condition and results of operations. Failure to comply with U. S. Government contractor requirements could result in substantial costs and loss of substantial revenue. As a lessor of properties leased to the U. S. Government, we are subject to compliance with a wide variety of complex legal requirements applicable to U. S. Government contractors. These laws regulate how we conduct business and require us to administer various compliance programs and to impose compliance responsibilities on some of our contractors. A material failure to comply with these laws could subject us to fines, penalties and damages, cause us to be in default of our leases and other contracts with the U. S. Government and bar us from entering into future leases and other contracts with the U. S. Government. The costs and loss of revenue associated with a failure to comply with U. S. Government contractor requirements could have a material adverse effect on our properties, business or financial condition. Our development activities may be subject to risks relating to various local, state and federal statutes, ordinances, rules and regulations concerning zoning, building design, construction and similar matters, including local regulations that impose restrictive zoning requirements. Our development activities may be subject to risks relating to various local, state and federal statutes, ordinances, rules and regulations concerning zoning, building design, construction and similar matters, including local regulations that impose restrictive zoning requirements. In addition, we will be subject to registration and filing requirements in connection with these developments in certain states and localities in which we operate even if all necessary U. S. Government approvals have been obtained. We may also be subject to periodic delays or may be precluded entirely from developing properties due to building moratoriums that could be implemented in the future in certain states in which we intend to operate. These risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent completion of development activities once undertaken. Failure to comply with the Americans with Disabilities Act and other similar regulations could result in substantial costs. Our properties must comply with Title III of the Americans with Disabilities Act of 1990, (the " ADA "), to the extent that such properties are deemed to be " public accommodations, " as such term is defined by the ADA. Noncompliance could result in the imposition of fines or the award of damages to private litigants. Additionally, the ADA may require removal of structural barriers to improve access by persons with disabilities in certain public areas of our properties where such removal is readily achievable. We believe our existing properties are in substantial compliance with the ADA and that we will not be required to make substantial capital expenditures to address the requirements of the ADA. However, the obligation to make readily achievable accommodations is an ongoing one, and we will continue to assess our properties and to make alterations as appropriate in this respect. Real estate investments are relatively illiquid and may limit our flexibility. Real estate investments are relatively illiquid, which may tend to limit our ability to react promptly to changes in economic or other market conditions. Our ability to dispose of assets in the future will depend on prevailing economic and market conditions. Our inability to sell our properties on favorable terms or at all could have an adverse effect on our sources of working capital and our ability to satisfy our debt obligations. In addition, real estate can at times be difficult to sell quickly at prices we find acceptable. For example, rising interest rates could decrease the amount third parties are willing to pay for our properties and periods of economic slowdown or recession, or public perception that these events may occur, may result in less demand for our properties overall. The Code also imposes restrictions on REITs, which are not applicable to other types of real estate companies, with respect to the disposition of properties. These potential difficulties in selling real estate in our markets may limit our ability to change or reduce the properties in our portfolio promptly in response to changes in economic or other conditions. Our properties may be subject to impairment charges. On a quarterly basis, we assess whether there are any indicators that the value of our properties may be impaired. A property' s value is considered to be impaired only if the estimated aggregate future cash flows (undiscounted and without interest charges) to be generated by the property are less than the carrying value of the property. In our estimate of cash flows, we consider factors such as expected future operating income, trends and prospects, the effects of demand, competition and other factors. If we are evaluating the potential sale of an asset or development alternatives, the undiscounted future cash flows analysis considers the most likely course of action at the balance sheet date based on current plans, intended holding periods and available market information. We are required to make subjective assessments as to whether there are impairments in the value of our properties. These assessments may be influenced by factors beyond our control, such as early vacating by a tenant or damage to properties due to earthquakes, tornadoes, hurricanes and other natural disasters, fire, civil unrest, terrorist acts or acts of war. These assessments may have a direct impact on our earnings because recording an impairment charge results in an immediate negative adjustment to earnings. There can be no assurance that we will not take ~~impairment~~ charges in the future related to the impairment of our properties. Any such impairment could have a material adverse effect on our business, financial condition and results of operations in the period in which the charge is taken. We may be subject to unknown or contingent liabilities related to properties or businesses that we have acquired or may acquire in the future for which we may have limited recourse against the sellers. Assets and entities that we have acquired or may acquire in the future may be subject to unknown or contingent liabilities for which we may have limited recourse against the sellers. Unknown or contingent liabilities might include liabilities for clean- up or remediation of environmental conditions, claims of customers, vendors or other persons dealing with the acquired entities, tax liabilities and other liabilities whether incurred in the ordinary course of business or otherwise. In the future we may enter into transactions with limited representations and warranties or with representations and warranties that do not survive the closing of the transactions, in which event we would have no or limited recourse against the sellers of such properties. While we usually require the sellers to indemnify us with respect to breaches of representations and warranties that survive, such indemnification is often limited and subject to various materiality thresholds, a significant deductible or an aggregate cap on losses. As a result, there is no guarantee that we will recover any amounts with respect to losses due to breaches by the sellers of their representations and warranties. In addition, the total amount of costs and expenses that we may incur with respect to liabilities associated with acquired properties and entities may exceed our expectations, which may adversely affect our business, financial condition and results of operations. Finally, indemnification agreements between us and the sellers typically provide that the sellers will retain certain specified liabilities relating to the assets and entities acquired by us. One property is encumbered by a right of first refusal with respect to a sale of the property, which could materially and adversely affect the timing and terms of any sale of the property. A right of first refusal encumbers our DEA — Dallas property until the earlier of January 7, 2025, or the date on which two bona fide third- party sales have occurred for which the right of first refusal has not been exercised. As a result of this right of first refusal, we may be delayed in our attempt to sell this property if and when any such disposition is necessary or desirable. We may need to borrow funds or dispose of assets to meet our distribution requirements. We may need to borrow funds or dispose of assets to meet our distribution requirements. In order for us to continue to qualify as a REIT, we are required to make annual distributions generally equal to at least 90 % of our taxable income, computed without regard to the dividends paid deduction and excluding net capital gain. In addition, as a REIT, we will be subject to U. S. federal income tax to the extent that we distribute less than 100 % of our taxable income (including capital gains) and will be subject to a 4 % nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified by the Code. Under some circumstances, we may be required to pay distributions in excess of cash available for distribution in order to meet these distribution requirements or to avoid or minimize the imposition of tax, and we may need to borrow funds or dispose of assets at disadvantageous prices, distribute amounts that would otherwise be invested in future acquisitions or capital expenditures or used for the repayment of debt, pay dividends in the form of " taxable stock dividends " or find another alternative source of funds to make such distributions, which could have a material adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock. Our subsidiaries may be prohibited from making distributions and other payments to us. All of our properties (including our share of properties held through the JV) are owned, and all of our operations are conducted, by our operating partnership and our other subsidiaries. As a result, we depend on distributions and other payments from our operating partnership and our other subsidiaries in order to satisfy our financial obligations and make payments to our investors. The ability of our subsidiaries to make such distributions and other payments depends on their earnings and cash flow and may be subject to statutory or contractual limitations. As an equity investor in our subsidiaries, our right to receive assets upon their liquidation or reorganization will be effectively subordinated to the claims of their creditors. To the extent that we are recognized as a creditor of such subsidiaries, our claims may still be subordinate to any security interest in or other lien on their assets and to any of such subsidiaries' debt or other obligations that are senior to our claims. Our existing tax protection agreements, and any similar agreements that we enter into in the future, could limit our flexibility with respect to selling or otherwise disposing of properties contributed to our operating partnership. In connection with certain contributions of properties to our operating partnership, we and our operating partnership have entered into tax protection agreements with the contributor (s) of such properties that generally provide that if we dispose of any interest in the contributed properties in a taxable transaction within a certain time period, subject to certain exceptions, we may be required to indemnify the contributor (s) for their tax liabilities attributable to the built- in gain that existed with respect to such property interests, and certain tax liabilities incurred as a result of such tax protection payments. Therefore, although it may be in our stockholders' best interests that we sell a contributed property, it may be economically prohibitive for us to do so because of these obligations. In the future, we and our operating partnership may enter into additional tax protection agreements which could further limit our flexibility to sell or otherwise dispose of our properties. We are subject to risks involved in real estate activity through joint ventures. We have acquired, are currently acquiring and may in the future acquire and own properties in joint ventures with other persons or entities when we believe circumstances warrant the use of such structures. Therefore, we may not be in a position to exercise sole decision- making authority regarding such joint venture or the properties held by such joint venture. Investments in joint ventures may involve risks not present were a third party not involved, including the possibility that our partners might become financially distressed or otherwise fail to fund their share of required capital contributions. Our partners might at any time have business, tax, or economic goals that are inconsistent with ours. These investments may also have the potential risk of impasses on decisions such as a sale, because neither we, nor the partner, would have full control over the joint venture. In addition, we may in certain circumstances be liable for the actions of our partners. If any of the foregoing were to occur, our cash flow, financial condition and results of operations could be adversely affected. Risks Related to Our Organization and Structure The ability of stockholders to control our policies and effect a change of control of our company is limited by certain provisions of our charter and bylaws and by Maryland law. There are provisions in our charter and bylaws that may discourage a third party from making a proposal to acquire us, even if some of our stockholders might consider the proposal to be in their best interests. These provisions include the following: Our charter authorizes our board of directors to amend our charter to increase or decrease the aggregate number of authorized shares of stock, to authorize us to issue additional shares of our common stock or preferred stock and to classify or reclassify unissued shares of our common stock or preferred stock and thereafter to authorize us to issue such classified or reclassified shares of stock. We believe these charter provisions will provide us with increased flexibility in structuring possible future financings and acquisitions and in meeting other needs that might arise. The additional classes or series, as well as the additional authorized shares of our common stock, will be available for issuance without further action by our stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which our securities may be listed or traded. Although our board of directors does not currently intend to do so, it could authorize us to issue a class or series of stock that could, depending upon the terms of the particular class or series, delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or that our common stockholders otherwise believe to be in their best interests. In order to qualify as a REIT, not more than 50 % in value of our outstanding stock may be owned, directly or indirectly, by or for five or fewer individuals (as defined in the Code to include certain entities such as private foundations) at any time during the last half of any taxable year (beginning with our second taxable year as a REIT). In order to help us qualify as a REIT, our charter generally prohibits any person or entity from actually or being deemed to own by virtue of the applicable constructive ownership provisions of the Code, (i) more than 7. 1 % (in value or in number of shares, whichever is more restrictive) of the issued and outstanding shares of any class or series of our stock or (ii) more than 7. 1 % in value of the aggregate of the outstanding shares of all classes and series of our stock (the " ownership limits "). Our charter also prohibits the owners of 50 % or more of any historic REIT affiliated with Easterly Partners, LLC and its consolidated subsidiaries (each, an " Easterly Fund REIT "), from which our operating partnership acquired 15 properties in connection with our initial public offering in 2015, from owning 50 % or more of us, applying certain attribution of ownership rules. This limitation is intended to prevent us from being treated as a successor of any such REIT. These ownership restrictions may prevent or delay a change in control and, as a result, could adversely affect our stockholders' ability to realize a premium for their shares of our common stock. In addition, certain provisions of the Maryland General Corporation Law (the " MGCL ") may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of shares of our common stock with the opportunity to realize a premium over the then- prevailing market price of such shares, including the Maryland business combination and control share provisions. As permitted by the MGCL, our board of directors has adopted a resolution exempting any business combinations between us and any other person or entity from the business combination provisions of the MGCL. Our bylaws provide that this resolution or any other resolution of our board of directors exempting any business combination from the business combination provisions of the MGCL may only be revoked, altered or amended, and our board of directors may only adopt any resolution inconsistent with any such resolution (including an amendment to that bylaw provision), which we refer to as an- opt in to the business combination provisions, with the affirmative vote of a majority of the votes cast on the matter by holders of outstanding shares of our common stock. In addition, as permitted by the MGCL, our bylaws contain a provision exempting from the control share acquisition provisions of the MGCL any and all acquisitions by any person of shares of our stock. This bylaw provision may be amended, which we refer to as an opt- in to the control share acquisition provisions, only with the affirmative vote of a majority of the votes cast on such an amendment by holders of outstanding shares of our common stock. Subtitle 8 of Title 3 of the MGCL permits a board of directors, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain takeover defenses, including adopting a classified board or increasing the vote required to remove a director. We have elected in our charter to be subject to the provision of Subtitle 8 that provides that vacancies on our board of directors may be filled only by the remaining directors. We have not elected to be subject to any of the other provisions of Subtitle 8, including the provisions that would permit us to classify our board of directors or increase the vote required to remove a director without stockholder approval. Moreover, our charter provides that, without the affirmative vote of a majority of the votes cast on the matter by our stockholders entitled to vote generally in the election of directors, we may not elect to be subject to any of these additional provisions of Subtitle 8. Such takeover defenses may have the effect of inhibiting a third party from making an acquisition proposal for us or of delaying, deferring or preventing a change in control of us under the circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then current market price. In addition, the provisions of our charter on the removal of directors and the advance notice provisions of our bylaws, among others, could delay, defer or prevent a transaction or a change of control of our company that might involve a premium price for holders of our common stock or otherwise be in their best interest. Each item discussed above may delay, deter or prevent a change in control of our company, even if a proposed transaction is at a premium over the then- current market price for our common stock. Further, these provisions may apply in instances where some stockholders consider a transaction beneficial to them. As a result, our stock price may be negatively affected by these provisions. Certain provisions in the partnership agreement of our operating partnership may delay or prevent acquisitions of us. Provisions in the partnership agreement of our operating partnership may delay, or make more difficult, acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an acquisition of us or change of our control, although some holders of our common stock might consider such proposals, if made, desirable. These provisions include: • redemption rights for holders of common units; • a requirement that we may not be removed as the general partner of our operating partnership without our consent; • transfer restrictions on common units; and • our ability, as general partner, in some cases, to amend the partnership agreement and to cause the operating partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our operating partnership without the consent of the limited partners. We may decide to change our investment strategy without stockholder approval and acquire and develop properties outside of our target market, which could have a material adverse effect on our business, financial condition and results of operations. We may decide to change our investment strategy without stockholder approval and seek to acquire and develop properties that are not leased to U. S. Government tenant agencies. Any change to our investment strategy, including the making of investments outside our target market, could have a material adverse effect on our business, financial condition and results of operations. Our board of directors may change our policies without stockholder approval. Our policies, including any policies with respect to investments, leverage, financing, growth, debt and capitalization, are determined by our board of directors or those committees or officers to whom our board of directors may delegate such authority. Our board of directors also establishes the amount of any dividends or other distributions that we may pay to our stockholders. Our board of directors or the committees or officers to which such decisions are delegated have the ability to amend or revise these and our other policies at any time without stockholder vote. Accordingly, our stockholders are not entitled to approve changes in our policies. Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event of actions that you do not believe are in your best interests. Maryland law provides that a director has no liability in that capacity if he or she satisfies his or her duties to us and our stockholders. Our charter limits the liability of our directors and officers to us and our stockholders for money damages, except for liability resulting from: • actual receipt of an improper benefit or profit in money, property or services; or • a final judgment based upon a finding of active and deliberate dishonesty by the director or officer that was material to the cause of action adjudicated. In addition, our charter authorizes us, and our bylaws require us, to indemnify our directors for actions taken by them in those capacities to the maximum extent permitted by Maryland law. Our charter and bylaws also authorize us to indemnify our officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law and indemnification agreements that we have entered into with our executive officers require us to indemnify such officers for actions taken by them in those capacities to the maximum extent permitted by Maryland law. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist. Accordingly, in the event that actions taken in good faith by any of our directors or officers impede the performance of our company, your ability to recover damages from such director or officer will be limited with respect to directors and may be limited with respect to officers. In addition, we will be obligated to advance the defense costs incurred by our directors and our executive officers pursuant to indemnification agreements, and may, in the discretion of our board of directors, advance the defense costs incurred by our officers, our employees and other agents, in connection with legal proceedings. Conflicts of interest may exist or could arise in the future between the interests of our stockholders and the interests of holders of common units, which may impede business decisions that could benefit our stockholders. Conflicts of interest may exist or could arise in the future as a result of the relationships between us and our affiliates, on the one hand, and our operating partnership or any of its partners, on the other. Our directors and officers have duties to our company under Maryland law in connection with their management of our company. At the same time, we have duties and obligations to our operating partnership and its limited partners under Delaware law as modified by the partnership agreement of our operating partnership in connection with the management of our operating partnership as the sole general partner. The limited partners of our operating partnership expressly acknowledge that the general partner of our operating partnership acts for the benefit of our operating partnership, the limited partners and our stockholders collectively. When deciding whether to cause our operating partnership to take or decline to take any actions, the general partner will be under no obligation to give priority to the separate interests of (i) the limited partners of our operating partnership (including the tax interests of our limited partners, except as provided in a separate written agreement) or (ii) our stockholders. Nevertheless, the duties and obligations of the general partner of our operating partnership may come into conflict with the duties of our directors and officers to our company and our stockholders. We do not own the Easterly name, but have entered into a license agreement with Easterly Capital, LLC (" Easterly Capital ") consenting to our use of the Easterly logo and name. Use of the name by other parties or the termination of our license agreement may have a material adverse effect on our business, financial condition and results of operations. We have entered into a license agreement with Easterly Capital, pursuant to which it granted us a perpetual, royalty- free license to use the Easterly logo and the Easterly name and variations thereof, which license is exclusive to business activities involving properties to be leased to or developed for governmental entities, including properties leased to the GSA. We have a right to use this logo and name for so long as we are not in breach of the terms of the license agreement. Easterly Capital retains the right to continue using the Easterly name. We will be unable to preclude Easterly Capital from licensing or transferring the ownership of the Easterly name to third parties, except in the limited circumstance where our license is exclusive. Consequently, we will be unable to prevent any damage to goodwill that may occur as a result of the activities of Easterly Capital or others. Furthermore, in the event the license agreement is terminated, we will be required to change our name and cease using the Easterly name. Any of these events could disrupt our recognition in the marketplace, damage any goodwill we may have generated and have a material adverse effect on our business, financial condition and results of operations. Risks Related to Our Indebtedness and Financing We have a substantial amount of indebtedness that may limit our financial and operating activities and may adversely affect our ability to incur additional debt to fund future needs. As of December 31, ~~2022~~ **2023** , we had total indebtedness of approximately $ 1. 3 billion including approximately $ ~~65~~ **79** . ~~5~~ **0** million outstanding under our revolving credit facility, $ ~~250~~ **300** . 0 million outstanding in the aggregate under our 2018 term loan facility and our 2016 term loan facility and $ 700. 0 million in the aggregate under our 2017 senior unsecured notes, 2019 senior unsecured notes and 2021 senior unsecured notes. Payments of principal and interest on borrowings may leave us with insufficient cash resources to operate our properties, fully implement our capital expenditure, acquisition and redevelopment activities, or meet the REIT distribution requirements imposed by the Code. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following: • require us to dedicate a substantial portion of cash flow from operations to the payment of principal and interest on indebtedness, thereby reducing the funds available for other purposes; • make it more difficult for us to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to meet operational needs; • force us to dispose of one or more of our properties, possibly on unfavorable terms (including the possible application of the 100 % tax on income from " prohibited transactions "), or in violation of certain covenants to which we may be subject; • subject us to increased sensitivity to interest rate increases; • make us more vulnerable to economic downturns, adverse industry conditions or catastrophic external events; • limit our ability to withstand competitive pressures; • limit our ability to refinance our indebtedness at maturity or the refinancing terms may be less favorable than the terms of our original indebtedness; • reduce our flexibility in planning for or responding to changing business, industry and economic conditions; or • place us at a competitive disadvantage to competitors that have relatively less debt than we have. If any one of these events were to occur, our financial condition, results of operations, cash flow and trading price of our common stock could be adversely affected. Furthermore, foreclosures could create taxable income without accompanying cash proceeds, which could hinder our ability to meet the REIT distribution requirements imposed by the Code. We may be unable to refinance current or future indebtedness on favorable terms, if at all. We may be unable to refinance existing debt on terms as favorable as the terms of existing indebtedness, or at all, including as a result of increases in interest rates or a decline in the value of our portfolio or portions thereof. If, at the time of any refinancing of outstanding debt, prevailing interest rates or other factors result in a higher interest rate on the refinanced indebtedness compared to the existing indebtedness to be refinanced, the increase in interest expense would adversely affect our cash flows, and consequently, cash available for distribution to our stockholders. If principal payments due at maturity cannot be refinanced, extended or paid with proceeds from other capital transactions, such as new equity capital, our operating cash flow will not be sufficient in all years to repay all maturing debt. As a result, certain of our other debt may cross- default, we may be forced to postpone capital expenditures necessary for the maintenance of our properties, we may have to dispose of one or more properties on terms that would otherwise be unacceptable to us or we may be forced to allow the mortgage holder to foreclose on a property. We also may be forced to limit distributions and may be unable to meet the REIT distribution requirements imposed by the Code. Foreclosure on mortgaged properties or an inability to refinance existing indebtedness would likely have a negative impact on our financial condition and results of operations and could adversely affect our ability to make distributions to our stockholders. We may not have sufficient cash flow to meet the required payments of principal and interest on our debt or to pay distributions on our shares at expected levels. In the future, our cash flow could be insufficient to meet required payments of principal and interest or to pay distributions on our shares at expected levels. In this regard, we note that in order for us to continue to qualify as a REIT, we are required to make annual distributions generally equal to at least 90 % of our taxable income, computed without regard to the dividends paid deduction and excluding net capital gain. In addition, as a REIT, we will be subject to U. S. federal income tax to the extent that we distribute less than 100 % of our taxable income (including capital gains) and will be subject to a 4 % nondeductible excise tax on the amount by which our distributions in any calendar year are less than a minimum amount specified by the Code. These requirements and considerations may limit the amount of our cash flow available to meet required principal and interest payments. If we are unable to make required payments on indebtedness that is secured by a mortgage on our property, the asset may be transferred to the lender with a resulting loss of income and value to us, including adverse tax consequences related to such a transfer. Certain of our debt agreements include restrictive covenants, requirements to maintain financial ratios and default provisions, which could limit our flexibility, limit our ability to make distributions and require us to repay the indebtedness prior to its maturity. Certain mortgages on our properties contain customary negative covenants that, among other things, limit our ability, without the prior consent of the lender, to further mortgage the property and to reduce or change insurance coverage. As of December 31, ~~2022~~ **2023** , we had $ ~~240~~ **220** . 6 million of combined United States property mortgages and other secured debt. Additionally, our debt agreements contain customary covenants that, among other things, restrict our ability to incur additional indebtedness and, in certain instances, restrict our ability to engage in material asset sales, mergers, consolidations and acquisitions, and restrict our ability to make capital expenditures. These debt agreements, in some cases, also subject us to guarantor and liquidity covenants and our senior unsecured revolving credit facility, our senior unsecured term loan facility, our senior unsecured notes, and other future debt may, require us to maintain various financial ratios. Some of our debt agreements contain certain cash flow sweep requirements and mandatory escrows, and our property mortgages generally require certain mandatory prepayments upon disposition of underlying collateral. Early repayment of certain mortgages may be subject to prepayment penalties. Variable rate debt is subject to interest rate risk that could increase our interest expense, increase the cost to refinance and increase the cost of issuing new debt. As of December 31, ~~2022~~ **2023** , we had $ ~~81~~ **79** . ~~2~~ **0** million of outstanding consolidated debt that, pursuant to the documentation governing such debt, bears interest at variable rates, and we expect that we may also borrow additional money at variable interest rates in the future. Unless we have made arrangements that hedge against the risk of rising interest rates, increases in interest rates would increase our interest expense under the applicable governing documents, increase the cost of refinancing such debt or issuing new debt, and adversely affect cash flow and our ability to service our indebtedness and make distributions to our stockholders, which could adversely affect the market price of our common stock. ~~The discontinuation of LIBOR and the replacement of LIBOR with an alternative reference rate may adversely affect our borrowing costs and could impact our business and results of operations. We expect that all LIBOR settings relevant to us will cease to be published or will~~

~~no longer be representative after June 30, 2023. The discontinuation of LIBOR will not affect our ability to borrow or maintain already outstanding borrowings or hedging transactions, but if our contracts indexed to LIBOR, including certain contracts governing our variable rate debt and our interest rate swaps, are converted to the Secured Overnight Financing Rate (" SOFR "), the differences between LIBOR and SOFR, plus the recommended spread adjustment, could result in interest or hedging costs that are higher than if LIBOR remained available. Additionally, although SOFR is the recommended replacement rate, it is also possible that lenders may instead choose alternative replacement rates that may differ from LIBOR in ways similar to SOFR or in ways that would result in higher interest or hedging costs for us. It is not yet possible to predict the magnitude of LIBOR' s end on our borrowing costs given the remaining uncertainty about which rates will replace LIBOR. As of December 31, 2022, each of the agreements governing our variable rate debt, with the exception of the mortgage on DEA – Pleasanton, either have been transitioned to SOFR or provide for the replacement of LIBOR if it becomes unavailable during the term of such agreement. On January 26, 2023, we paid off the full $ 15. 7 million outstanding balance of the mortgage on DEA – Pleasanton.~~ Hedging activity may expose us to risks, including the risks that a counterparty will not perform and that the hedge will not yield the economic benefits we anticipate, which could adversely affect us. As of December 31, ~~2022~~ **2023** , we had ~~six~~ **three** interest rate swaps in place with an aggregate notional value of $ ~~250~~ **300** . 0 million to mitigate our exposure to fluctuations in short term interest rates and fix the interest rate on our 2016 term loan facility and 2018 term loan facility. We may continue, in a manner consistent with our qualification as a REIT, to seek to manage our exposure to interest rate volatility by using interest rate hedging arrangements. Such hedging arrangements involve risks, such as the risk that counterparties may fail to honor their obligations under these arrangements, and that these arrangements may not be effective in reducing our exposure to interest rate changes. Moreover, there can be no assurance that our hedging arrangements will qualify for hedge accounting or that our hedging activities will have the desired beneficial impact on our results of operations. Should we desire to terminate a hedging agreement, there could be significant costs and cash requirements involved to fulfill our obligation under the hedging agreement. Failure to hedge effectively against interest rate changes may adversely affect our results of operations. When a hedging agreement is required under the terms of a mortgage loan, it is often a condition that the hedge counterparty maintain a specified credit rating. With the current volatility in the financial markets, there is an increased risk that hedge counterparties could have their credit rating downgraded to a level that would not be acceptable under the loan provisions. If we were unable to renegotiate the credit rating condition with the lender or find an alternative counterparty with acceptable credit rating, we could be in default under the loan and the lender could seize that property through foreclosure, which could adversely affect us. Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities. The REIT provisions of the Code limit our ability to hedge our liabilities. Generally, income from a hedging transaction we enter into (i) to manage the risk of interest rate changes with respect to borrowings incurred or to be incurred to acquire or carry real estate assets, (ii) to manage the risk of currency fluctuations with respect to any item of income or gain that constitutes " qualifying income " for purposes of the 75 % or 95 % gross income tests applicable to REITs (or any property that generates such income or gain) or (iii) that hedges against transactions described in clauses (i) and (ii) and is entered into in connection with the extinguishment of debt or sale of property that is being hedged against by the transactions described in clauses (i) and (ii) does not constitute " gross income " for purposes of the 75 % or 95 % gross income tests, provided that we comply with certain identification requirements pursuant to the applicable sections of the Code and Treasury Regulations. To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non- qualifying income for purposes of both gross income tests. As a result of these rules, we may need to limit our use of otherwise advantageous hedging techniques or implement those hedges through a " Taxable REIT Subsidiary " (" TRS "). The use of a TRS could increase the cost of our hedging activities (because our TRS would be subject to tax on income or gain resulting from hedges entered into by it) or expose us to greater risks than we would otherwise want to bear. In addition, net losses in any of our TRSs will generally not provide any tax benefit except for being carried forward for use against future taxable income in the TRSs. Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in a property or group of properties subject to mortgage debt. Incurring mortgage and other secured debt obligations increases our risk of property losses because defaults on indebtedness secured by properties may result in foreclosure actions initiated by lenders and ultimately our loss of the property securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could adversely affect the overall value of our portfolio of properties. For tax purposes, a foreclosure of any of our properties that is subject to a nonrecourse mortgage loan would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could hinder our ability to meet the distribution requirements applicable to REITs under the Code. High mortgage rates or unavailability of mortgage debt may make it difficult for us to finance or refinance properties, which could reduce the number of properties we can acquire, our net income and the amount of cash distributions we can make. 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 may be unable to refinance the properties when the loans become due, or to refinance on favorable terms. If interest rates are higher when we refinance our properties, our income could be reduced. If any of these events occur, our cash flow could be reduced. This, in turn, could reduce cash available for distribution to our stockholders and may hinder our ability to raise more capital by issuing more stock or by borrowing more money. In addition, payments of principal and interest made to service our debts may leave us with insufficient cash to make distributions necessary to meet the distribution requirements imposed on REITs under the Code. Risks Related to Our Common Stock The market price and trading volume of our common stock may be volatile. The trading price of our common stock may be volatile. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. Some of the factors that could negatively affect our share price or result in fluctuations in the price or trading volume of our common stock include: • actual or anticipated variations in our quarterly operating results or dividends; • changes in guidance related to financial performance; • publication of research reports about us or the real estate industry; • increases in market interest rates that lead purchasers of our shares to demand a higher yield; • changes in market valuations of similar companies; • adverse market reaction to any 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; • the realization of any of the other risk factors presented in this report; • the extent of investor interest in our securities; • the general reputation of REITs and the attractiveness of our equity securities in comparison to other equity securities, including securities issued by other real estate- based companies; • our underlying asset value; • investor confidence in the stock and bond markets, generally; • changes in tax laws; • future equity issuances; • failure to meet guidance related to financial performance; • failure to meet and maintain REIT qualifications; and • general market and economic conditions. In the past, securities class- action litigation has often been instituted against companies following periods of volatility in the price of their common stock. This type of litigation could result in substantial costs and divert our management' s attention and resources, which could have an adverse effect on our financial condition, results of operations, cash flow and trading price of our common stock. The form, timing or amount of dividend distributions in future periods may vary and be impacted by economic and other considerations. The form, timing or amount of dividend distributions will be declared at the discretion of our board of directors and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements applicable to REITs under the Code and other factors as our board of directors may consider relevant. We cannot guarantee that we will repurchase our common stock pursuant to our share repurchase program or that our share repurchase program will enhance long- term stockholder value. Share repurchases could also increase the volatility of the price of our common stock and could diminish our cash reserves. The timing and amount of repurchases of shares of our common stock, if any, will depend upon several factors, including market and business conditions, the trading price of our common stock, our cost of capital and the nature of other investment opportunities. Our share repurchase program may be limited, suspended or discontinued at any time without prior notice. In addition, repurchases of our common stock pursuant to our share repurchase program could affect our stock price and increase its volatility. The existence of our share repurchase program could cause our stock price to be higher than it would be in the absence of such a program and could potentially reduce the market liquidity for our stock. Additionally, our share repurchase program could diminish our cash reserves, which may impact our ability to finance future growth and to pursue possible future strategic opportunities and acquisitions. There can be no assurance that any share repurchases will enhance stockholder value because the market price of our common stock may decline below the levels at which we repurchased shares of stock. Although our share repurchase program is intended to enhance long- term stockholder value, there is no assurance that it will do so and short- term stock price fluctuations could reduce the program' s effectiveness. The number of shares available for future sale could adversely affect the market price of our common stock. We cannot predict whether future issuances of shares of our common stock or the availability of shares for resale in the open market will decrease the market price per share of our common stock. Sales of a substantial number of shares of our common stock in the public market, the issuance of substantial additional shares or the perception that such sales or issuances might occur could materially adversely affect the market price of the shares of our common stock. Some of the potential share issuances that may adversely affect the market price of the shares of our common stock could include: the exchange of our common units in our operating partnership for our common stock, the granting, exercise or vesting of any options, restricted stock or restricted stock units or long- term incentive units in our operating partnership granted or that may be granted to certain directors, executive officers and other employees under our 2015 Equity Incentive Plan, as amended, and other issuances of our common stock or our operating partnership' s securities exchangeable for or convertible into our common stock. Under a registration statement we have filed with the SEC, we may also offer, from time to time, equity securities (including common or preferred stock) on an as- needed basis and subject to our ability to affect offerings on satisfactory terms based on prevailing conditions. No prediction can be made about the effect that future sales of our common stock will have on the market price of our shares of common stock. In addition, future sales by us of our common stock may be dilutive to existing stockholders. Risks Related to Our Status as a REIT Failure to qualify or to maintain our qualification as a REIT would have significant adverse consequences to the value of our common stock. We elected to be a REIT for U. S. federal income tax purposes commencing with our taxable year ended December 31, 2015. The Code generally requires that a REIT distribute at least 90 % of its taxable income (without regard to the dividends paid deduction and excluding net capital gains) to stockholders annually, and a REIT must pay income tax at regular corporate rates to the extent that it distributes less than 100 % of its taxable income (including capital gains) in a given year. In addition, a REIT is required to pay a 4 % nondeductible excise tax on the amount, if any, by which the distributions it makes in a calendar year are less than the sum of 85 % of its ordinary income, 95 % of its capital gain net income and 100 % of its undistributed income from prior years. To avoid entity- level U. S. federal income and excise taxes, we anticipate distributing at least 100 % of our taxable income. We believe that we have been and will continue to be owned and organized, and have operated and will operate, in a manner that allows us to qualify as a REIT commencing with our taxable year ended December 31, 2015. However, we cannot assure you that we have been and will continue to be owned and organized and have operated and will continue to operate as such. Qualification as a REIT involves the application of highly technical and complex provisions of the Code as to which there may only be limited judicial and administrative interpretations and involves the determination of facts and circumstances not entirely within our control. We have not requested and do not intend to request a ruling from the IRS that we qualify as a REIT. The complexity of these provisions and of the applicable Treasury Regulations is greater in the case of a REIT that, like us, holds its assets through one or more partnerships. Moreover, in order to qualify as a REIT, we must meet, on an ongoing basis, various tests regarding the nature and diversification of our assets and our income, the ownership of our outstanding stock, the absence of inherited retained earnings from non- REIT periods and the amount of our distributions. Our ability to satisfy the asset tests imposed on REITs depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Our compliance with the REIT gross income and quarterly asset requirements also depends upon our ability to successfully manage the composition of our gross income and assets on an ongoing basis. Future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for U. S. federal income tax purposes or the U. S. federal income tax consequences of such qualification. Accordingly, it is possible that we may not meet the requirements for qualification as a REIT. If, with respect to any taxable year, we fail to maintain our qualification as a REIT, we would not be allowed to deduct distributions to stockholders in computing our REIT taxable income. If we were not entitled to relief under the relevant statutory provisions, we would also be disqualified from treatment as a REIT for the four subsequent taxable years. If we fail to qualify as a REIT, we would be subject to entity- level income tax on our REIT taxable income at regular corporate tax rates. As a result, the amount available for distribution to holders of our common stock would be reduced for the year or years involved, and we would no longer be required to make distributions to our stockholders. In addition, our failure to qualify as a REIT could impair our ability to expand our business and raise capital, and adversely affect the value of our common stock. In addition, we currently hold interests in certain of our properties through a joint venture that utilizes a subsidiary that has elected to be taxed as a REIT (a " REIT subsidiary ") and we may in the future determine that it is in our best interests to hold one or more of our other properties through one or more REIT subsidiaries. If any of these REIT subsidiaries fails to qualify as a REIT for U. S. federal income tax purposes, then we may also fail to qualify as a REIT for U. S. federal income tax purposes. We may owe certain taxes notwithstanding our qualification as a REIT. Even if we qualify as a REIT, we will be subject to certain U. S. federal, state and local taxes on our income and property, on taxable income that we do not distribute to our stockholders, on net income from certain " prohibited transactions, " and on income from certain activities conducted as a result of foreclosure. We may, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. In addition, we may provide services that are not customarily provided by a landlord, hold properties for sale and engage in other activities (such as a management business) through TRSs and the income of those subsidiaries will be subject to U. S. federal and state income tax at regular corporate rates. Furthermore, to the extent that we conduct operations outside of the United States, our operations would subject us to applicable foreign taxes, regardless of our status as a REIT for U. S. tax purposes. If our operating partnership is treated as a corporation for U. S. federal income tax purposes, we will cease to qualify as a REIT. We believe our operating partnership qualifies and will continue to qualify as a partnership for U. S. federal income tax purposes. Assuming that it qualifies as a partnership for U. S. federal income tax purposes, our operating partnership itself **generally** will not be subject to U. S. federal income tax on its income. Instead, its partners, including us, generally are required to pay tax on their respective allocable share of our operating partnership' s income. No assurance can be provided, however, that the IRS will not challenge our operating partnership' s status as a partnership for U. S. federal income tax purposes, or that a court would not sustain such a challenge. For example, our operating partnership would be treated as a corporation for U. S. federal income tax purposes if it were deemed to be a " publicly traded partnership " and less than 90 % of its income consisted of " qualified income " under the Code. If the IRS were successful in treating our operating partnership as a corporation for U. S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, therefore, cease to qualify as a REIT, and our operating partnership would become subject to U. S. federal, state and local income tax. The payment by our operating partnership of income tax would significantly reduce the amount of cash available to our operating partnership to satisfy obligations to make principal and interest payments on its debt and to make distribution to its partners, including us. Our REIT status may depend on the REIT status of an Easterly Fund REIT. If the owners of 50 % or more of any Easterly Fund REIT were to acquire 50 % or more of our stock, we could be deemed a " successor " to such Easterly Fund REIT for purposes of the REIT rules. Successor treatment would mean that our election to be taxed as a REIT could be terminated if it were determined that the applicable Easterly Fund REIT had failed to qualify as a REIT for a prior period. We do not intend to issue stock to former stockholders of an Easterly Fund REIT if we believe it could cause us to be treated as its successor. Our charter contains ownership restrictions that will prevent any overlapping ownership that would cause us to be a successor of an Easterly Fund REIT, and we intend to enforce such provisions. Dividends payable by REITs generally do not qualify for reduced tax rates applicable to non- corporate taxpayers. The maximum U. S. federal income tax rate for certain qualified dividends payable to United States stockholders that are individuals, trusts and estates generally is currently 20 %. Dividends payable by REITs, however, are generally not eligible for the reduced rates and therefore are taxable as ordinary income when paid to such stockholders. However, current law provides a deduction of 20 % of a non- corporate taxpayer' s ordinary REIT dividends with such deduction scheduled to expire for taxable years beginning after December 31, 2025. Although the reduced U. S. federal income tax rate applicable to dividend income from regular corporate dividends does not adversely affect the taxation of REITs or dividends paid by REITs, the more favorable rates applicable to regular corporate dividends could cause investors who are individuals, trusts and estates or are otherwise sensitive to these lower rates to perceive investments in REITs to be relatively less attractive than investments in the stock of non- REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common stock. A portion of our distributions may be treated as a return of capital for U. S. federal income tax purposes, which could reduce the basis of a stockholder' s investment in shares of our common stock and, if greater than such basis, may trigger taxable gain. A portion of our distributions may be treated as a return of capital for U. S. federal income tax purposes. As a general matter, a portion of our distributions will be treated as a return of capital for U. S. federal income tax purposes if the aggregate amount of our distributions for a year exceeds our current and accumulated earnings and profits for that year. To the extent that a distribution is treated as a return of capital for U. S. federal income tax purposes, it will reduce a holder' s adjusted tax basis in the holder' s shares, and to the extent that it exceeds the holder' s adjusted tax basis such distribution will be treated as gain resulting from a sale or exchange of such shares. Complying with the REIT requirements may cause us to forego otherwise attractive opportunities or liquidate certain of our investments. To qualify as a REIT for U. S. 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 stock. We may be required to make distributions to our stockholders at disadvantageous times or when we do not have funds readily available for distribution. Thus, compliance with the REIT requirements may, for instance, hinder our ability to make certain otherwise attractive investments or undertake other activities that might otherwise be beneficial to us and our stockholders, or may require us to borrow or liquidate investments in unfavorable market conditions and, therefore, may hinder our investment performance. As a REIT, at the end of each calendar quarter, at least 75 % of the value of our assets must consist of cash, cash items, U. S. Government securities, debt instruments issued by a publicly traded REIT and qualified " real estate assets. " The REIT asset tests further require that with respect to our assets that are not qualifying assets for purposes of this 75 % assets test and that are not securities issued by a TRS, we generally cannot hold at the close of any calendar quarter (i) securities representing 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 or (ii) securities of any one issuer that represent more than 5 % of the value of our total assets. In addition, securities (other than qualified real estate assets) issued by one or more of our TRSs cannot represent more than 20 % of the value of our total assets at the close of any calendar quarter. Further, even though debt instruments issued by a publicly traded REIT that are not secured by a mortgage on real property are qualifying assets for purposes of the 75 % asset test, no more than 25 % of the value of our total assets can be represented by such unsecured debt instruments. After meeting these asset test requirements at the close of a calendar quarter, if we fail to comply with these requirements at the end of any subsequent calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain other statutory relief provisions to avoid losing our REIT qualification. As a result, we may be required to liquidate from our portfolio or forego otherwise attractive investments. These actions could have the effect of reducing our income and amounts available for distribution to our stockholders. We may be subject to a 100 % penalty tax on any prohibited transactions that we enter into, or may be required to forego certain otherwise beneficial opportunities in order to avoid the penalty tax on prohibited transactions. If we are found to have held, acquired or developed property primarily for sale to customers in the ordinary course of business, we may be subject to a 100 % " prohibited transactions " tax under U. S. federal tax laws on the gain from disposition of the property unless the disposition qualifies for one or more safe harbor exceptions for properties that have been held by us for at least two years and satisfy certain additional requirements (or the disposition is made through a TRS and, therefore, is subject to corporate U. S. federal and state income tax). Under existing law, whether property is held primarily for sale to customers in the ordinary course of a trade or business is a question of fact that depends on all the facts and circumstances. We intend to hold, and, to the extent within our control, to have any joint venture to which our operating partnership is a partner hold, properties for investment with a view to long- term appreciation, to engage in the business of acquiring, owning, operating and developing the properties, and to make sales of our properties and other properties acquired subsequent to the date hereof as are consistent with our investment objectives (and to hold investments that do not meet these criteria through a TRS). Based upon our investment objectives, we believe that overall, our properties should not be considered property held primarily for sale to customers in the ordinary course of business. However, it may not always be practical for us to comply with one of the safe harbors, and, therefore, we may be subject to the 100 % penalty tax on the gain from dispositions of property if we otherwise are deemed to have held the property primarily for sale to customers in the ordinary course of business. The potential application of the prohibited transactions tax could cause us to forego potential dispositions of other property or to forego other opportunities that might otherwise be attractive to us, or to hold investments or undertake such dispositions or other opportunities through a TRS, which would generally result in corporate income taxes being incurred. REIT distribution requirements could adversely affect our liquidity and our ability to execute our business plan. In order to maintain our qualification as a REIT and to meet the REIT distribution requirements, we may need to modify our business plans. Our cash flow from operations may be insufficient to fund required distributions, for example, as a result of differences in timing between our cash flow, the receipt of income for GAAP purposes and the recognition of income for U. S. federal income tax purposes, the effect of non- deductible capital expenditures, the effect of limitations on interest and net operating loss deductibility, the creation of reserves, payment of required debt service or amortization payments, or the need to make additional investments in qualifying real estate assets. The insufficiency of our cash flow to cover our distribution requirements could require us to (i) sell assets in adverse market conditions, (ii) borrow on unfavorable terms, (iii) distribute amounts that would otherwise be invested in future acquisitions or capital expenditures or used for the repayment of debt, (iv) pay dividends in the form of " taxable stock dividends " or (v) use cash reserves, in order to comply with the REIT distribution requirements. As a result, compliance with the REIT distribution requirements could adversely affect the market value of our common stock. The inability of our cash flow 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 addition, if we are compelled to liquidate our assets to repay obligations to our lenders or make distributions to our stockholders, we may be subject to a 100 % tax on any resultant gain if we sell assets that are treated as property held primarily for sale to customers in the ordinary course of business. The ability of our board of directors to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders. Our charter provides that our board of directors 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 be a REIT, we will not be allowed a deduction for dividends paid to stockholders in computing our taxable income and will be subject to U. S. federal income tax at regular corporate rates, as well as state and local taxes, which may have adverse consequences on our total return to our stockholders. Our ability to provide certain services to our tenants may be limited by the REIT rules, or may have to be provided through a TRS. As a REIT, we generally cannot provide services to our tenants other than those that are customarily provided by landlords, nor can we derive income from a third party that provides such services. If we forego providing such services to our tenants, we may be at a disadvantage to competitors who are not subject to the same restrictions. However, we can provide such non- customary services to tenants or share in the revenue from such services if we do so through a TRS, though income earned through the TRS will be subject to corporate income taxes. We earn fees from certain tenant improvement services and other non- customary services provided to our tenants. Gross income from such tenant improvement services generally may only constitute qualifying income for purposes of the 75 % and 95 % gross income tests to the extent that it is attributable to services provided to our tenants in connection with the entering into or renewal or extension of a lease. In addition, tenant improvement services provided to our tenants other than in such circumstances might constitute non- customary services. As a result, to the extent that we provide tenant improvement services to tenants other than in connection with the entering into or renewal or extension of a lease, or provide other non- customary services, we provide such services through a TRS, which is subject to full corporate tax with respect to such income. Although our use of TRSs may partially mitigate the impact of meeting certain requirements necessary to maintain our qualification as a REIT, there are limits on our ability to own and engage in transactions with TRSs, 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 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 securities of one or more TRSs. In addition, rules impose a 100 % excise tax on certain transactions between a TRS and its parent REIT that are treated as not being conducted on an arm' s- length basis. We have jointly elected with three subsidiaries for such subsidiaries to be treated as TRSs for U. S. federal income tax purposes. These ~~two~~ **three** subsidiaries and any other TRSs that we form 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 is not required to be distributed to us unless necessary to maintain our REIT qualification. Although we will monitor the aggregate value of the securities of such TRSs and intend to conduct our affairs so that such securities will represent less than 20 % of the value of our total assets, there can be no assurance that we will be able to comply with the TRS limitation in all market conditions. We may face risks in connection with Section 1031 exchanges. If a transaction intended to qualify as a tax- deferred Section 1031 exchange is later determined to be taxable, we may face adverse consequences, and if the laws applicable to such transactions are amended or repealed, we may not be able to dispose of properties on a tax- deferred basis. Under current law, Section 1031 exchanges only apply to real property and do not apply to any related personal property transferred with the real property. As a result, any gain on appreciated personal property that is transferred in connection with a Section 1031 exchange of real property will be recognized, and such gain is generally treated as non- qualifying income for the 95 % and 75 % gross income tests. Any such non- qualifying income could have an adverse effect on our REIT status. The partnership audit rules may alter who bears the liability in the event any subsidiary partnership (such as our operating partnership) is audited and an adjustment is assessed. In the case of an audit of a partnership, the partnership itself may be liable for a hypothetical increase in partner- level taxes (including interest and penalties) resulting from an adjustment of partnership tax items on audit, regardless of changes in the composition of the partners (or their relative ownership) between the year under audit and the year of the adjustment. Thus, for example, an audit assessment attributable to former partners of the operating partnership could be shifted to the partners in the year of the adjustment. The partnership audit rules also include, among other procedures, an elective alternative method under which the additional taxes resulting from the adjustment are assessed from the affected partners (often referred to as a " push- out election "), subject to a higher rate of interest than otherwise would apply. The rules provide that when a push- out election causes a partner that is itself a partnership to be assessed with its share of such additional taxes from the adjustment, such partnership may cause such additional taxes to be pushed out to its own partners. In addition, applicable Treasury Regulations provide that a partnership may be able to request a modification of an adjustment that is based on deficiency dividends distributed by a partner that is a REIT. Many questions remain as to how the partnership audit rules will apply in practice, and it is not clear at this time what effect these rules will have on us. However, it is possible that a partnership in which we directly or indirectly invest may be subject to U. S. federal income tax, interest, and penalties in the event of a U. S. federal income tax audit as a result of these rules, and as a result could increase the U. S. federal income tax, interest, and / or penalties otherwise borne by us as a direct or indirect partner in any such partnership. Possible legislative, regulatory or other actions could adversely affect our stockholders and us. The rules dealing with U. S. federal, state and local income taxation are constantly under review by persons involved in the legislative process and by the IRS and the U. S. Treasury Department. Changes to tax laws (which changes may have retroactive application) could adversely affect our stockholders or us. In recent years, many such changes have been made and changes are likely to continue to occur in the future. We cannot predict whether, when, in what form, or with what effective dates, tax laws, regulations and rulings may be enacted, promulgated or decided, which could result in an increase in our, or our stockholders', tax liability or require changes in the manner in which we operate in order to minimize increases in our tax liability. A shortfall in tax revenues for states and municipalities in which we operate may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets or income or be subject to additional restrictions. These increased tax costs could, among other things, adversely affect our financial condition, the results of operations and the amount of cash available for the payment of dividends. General Risk Factors We depend on the members of our senior management team and the loss of any of their services, or an inability to attract and retain highly qualified personnel, could have a material adverse effect on our business, financial condition and results of operations. Our senior management team consists of individuals with experience in identifying, acquiring, developing, financing and managing U. S. Government- leased assets and has developed long- term relationships across the commercial real estate industry, including at all levels of the GSA and at numerous government agencies. Each of these individuals brings specialized knowledge and skills in the U. S. Government- leased property sector. The loss of services of one or more of these members of our senior management team, or our inability to attract and retain highly qualified personnel, could have a material adverse effect on our business, financial condition and results of operations and weaken our relationships with lenders, business partners, industry participants, the GSA and U. S. Government agencies. We may from time to time be subject to litigation, which could have a material adverse effect on our business, financial condition and results of operations. We may be a party to various claims and routine litigation arising in the ordinary course of business. Some of these claims or others to which we may be subject from time to time may result in defense costs, settlements, fines or judgments against us, some of which are not, or cannot be, covered by insurance. Payment of any such costs, settlements, fines or judgments that are not insured could have an adverse impact on our financial position and results of operations. In addition, certain litigation or the resolution of certain litigation may affect the availability or cost of some of our insurance coverage, which could adversely impact our results of operations and cash flow, expose us to increased risks that would be uninsured, or adversely impact our ability to attract officers and directors. We rely on information technology (" IT ") in our operations and any material failure, inadequacy, interruption or security failure of that technology could harm our business. We rely on IT networks and systems, including the Internet, to process, transmit and store electronic information and to manage or support a variety of our business processes, including financial transactions and maintenance of records, which may include confidential information of tenants and lease data. We rely on commercially available systems, software, tools and monitoring **and third-party providers** to provide security for processing, transmitting and storing confidential tenant information, such as individually identifiable information relating to financial accounts. It is possible that our security measures will not be able to prevent the systems' improper functioning, or the improper disclosure of personally identifiable information such as in the event of cyber-attacks. Security breaches **, incidents, and compromises** , including physical or electronic break- ins, computer viruses, attacks by hackers and similar breaches, can create system disruptions, shutdowns or unauthorized disclosure of confidential information. Any failure to maintain proper function, security and availability of our information systems could interrupt our operations, and those of our tenants; result in our inability to properly monitor our compliance with the rules and regulations regarding our compliance as a REIT; result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information of ours or others; result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space; require significant management attention and resources to remedy any damages that may result; damage our reputation among our tenants and investors, or subject us to liability claims or regulatory penalties. Additionally, third- party security events at our vendors or other service providers could also impact our data and operations via unauthorized access to information or disruption of services. Any or all of the above could have a material adverse effect on our business, financial condition and results of operations. ~~To help us better identify, manage and mitigate these risks relating to our IT networks and systems, we have made additional investments in our IT networks and enhanced our existing cybersecurity plan, which utilizes standards established by reference to the National Institute of Standards, or NIST, framework. As part of our ongoing cybersecurity plan, we conduct cybersecurity awareness training at least annually for all our employees, carry out quarterly control reviews, periodic penetration tests and annual investments in our security infrastructure, perform an assessment at least annually of our cybersecurity program against the NIST framework and conduct ongoing phishing simulations to raise awareness of critical security threats. To further address IT security, the audit committee of our board of directors oversees our risk management processes related to cyber security, including discussing no less than annually our cybersecurity plan with management and our internal auditor.~~ The risk of a security breach **, incident, compromise** or disruption, particularly through cyber- attack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased, which, in turn, may lead to increased costs to protect our network **, data** and systems. Although we make efforts to maintain the security and integrity of our IT networks and related systems, and we have implemented various measures to manage the risk of a security breach **, incident, compromise,** or disruption, there can be no assurance that our security efforts and measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches **, incidents, and compromises** evolve and generally are not recognized until launched against a target, and in some cases, are designed to not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures **or to adequately address or mitigate any security breach, incident, or compromise** , and thus it is impossible for us to entirely mitigate this risk. If there are deficiencies in our disclosure controls and procedures or internal control over financial reporting, we may not be able to accurately present our financial statements, which could materially and adversely affect us, including our business, reputation, results of operations, financial condition or liquidity. The design and effectiveness of our disclosure controls and procedures and internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. While management will continue to review the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, there can be no guarantee that our internal controls over financial reporting will be effective in accomplishing all control objectives all of the time. Furthermore, as we grow our business, our internal controls will become more complex, and we may require significantly more resources to ensure our internal controls remain effective. Deficiencies, including any material weakness, in our internal controls over financial reporting which may occur in the future could result in misstatements of our results of operations that could require a restatement, failing to meet our public company reporting obligations and causing investors to lose confidence in our reported financial information. These events could materially and adversely affect us, including our business, reputation, results of operations, financial condition or liquidity.