Risk Factors Comparison 2024-02-14 to 2023-02-16 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

There are many factors that may adversely affect us, some of which are beyond our control. The occurrence of any of the following risks could materially and adversely impact our financial condition, results of operations, cash flows and liquidity, prospects, the market price of our common stock, and our ability to, among other things, service our debt and to make distributions to our stockholders. Some statements in this report including statements in the following risk factors constitute forward- looking statements. See" Special Note Regarding Forward- Looking Statements." Risks Related to Our Business and Properties We are subject to risks related to the ownership of commercial real estate that could adversely impact the value of our properties. Factors beyond our control can affect the performance and value of our properties. Our performance is subject to risks incident to the ownership of commercial real estate, including: the possible inability to collect rents from tenants due to financial hardship, including tenant bankruptcies; changes in local real estate conditions and tenant demand for our properties; changes in consumer trends and preferences that reduce the demand for products and services offered by our tenants; adverse changes in national, regional and local economic conditions; inability to re- lease or sell **our** properties upon expiration or termination of leases; environmental risks; the subjectivity and volatility of real estate valuations and the relative illiquidity of real estate investments compared to many other financial assets, which may limit our ability to modify our portfolio promptly in response to changes in economic or other conditions; changes in laws and governmental regulations, including those governing real estate usage and zoning **; changes in interest rates and the availability of financing** ; acts of God, including natural disasters, which may result in uninsured losses; and acts of war or terrorism, including terrorist attacks. Adverse changes in the U. S., global and local markets and related economic and supply chain conditions may materially and adversely affect us and the ability of our tenants to make rental payments to us. Our results of operations, as well as the results of operations of our tenants, are sensitive to changes in U. S., global and local regions or markets that impact our tenants' businesses. Adverse changes or developments in U. S., global or regional economic or supply chain conditions may impact our tenants' financial condition, which may adversely impact their ability to make rental payments to us and may also impact their current or future leasing practices. During periods of supply chain disruption or economic slowdown and declining demand for real estate, we may experience a general decline in rents or increased rates of default under our leases. A lack of demand for rental space could adversely affect our ability to maintain our current tenants and attract new tenants, which may affect our growth, profitability and ability to pay dividends. Our business is dependent upon our tenants successfully operating their businesses, and their failure to do so could materially and adversely affect us. The success of our investments is materially dependent on the financial stability and operating performance of our tenants. The success of any one of our tenants is dependent on the location of the leased property, its individual business and its industry, which could be adversely affected by poor management, economic conditions in general, changes in consumer trends and preferences that decrease demand for a tenant' s products or services or other factors over which neither they nor we have control. At any given time, any tenant may experience a downturn in its business **, including as a result of adverse economic conditions,** that may weaken its operating results or the overall financial condition of individual properties or its business as whole. As a result, a tenant may delay lease commencement, fail to make rental payments when due, decline to extend a lease upon its expiration, become insolvent or declare bankruptcy. We depend on our tenants to operate the properties leased from us in a manner which generates revenues sufficient to allow them to meet their obligations to us, including their obligations to pay rent, maintain certain insurance coverage, pay real estate taxes and maintain the properties in a manner so as not to jeopardize their operating licenses or regulatory status. The ability of our tenants to fulfill their obligations under our leases generally depends, to a significant degree, upon the overall profitability of their operations. Cash flow generated by certain tenant businesses may not be sufficient for a tenant to meet its obligations to us. We could be materially and adversely affected if a number of our tenants ~~were~~ **are** unable to meet their obligations to us. Our assessment that certain businesses are more insulated from e- commerce pressure than many others may prove to be incorrect, and changes in macroeconomic trends may adversely affect our tenants, either of which could impair our tenants' ability to make rental payments to us and materially and adversely affect us. **We primarily invest in properties leased to tenants in industries where a physical location is critical to the generation of sales and profits. Such tenants are particularly focused in service- oriented and experienced- based businesses, such as car washes, early childhood education centers, medical / dental offices, quick service restaurants, automotive service facilities, equipment rental locations and convenience stores. We believe these businesses have characteristics that make them e- commerce resistant and resilient through economic cycles. While we believe this to be the case, businesses previously thought to be internet resistant, such as the retail grocery industry, have proven to be susceptible to competition from e- commerce.** Technology and business conditions, particularly in the retail industry, are rapidly changing, and our tenants may be adversely affected by technological innovation, changing consumer preferences and competition from non- traditional sources ~~. Businesses previously thought to be internet resistant, such as the retail grocery industry, have proven to be susceptible to competition from e- commerce~~ . To the extent our tenants face increased competition from non- traditional competitors, such as internet vendors, some of which may have different business models and larger profit margins, their businesses could suffer. There can be no assurance that our tenants will be successful in meeting any new competition, and a deterioration in our tenants' businesses could impair their ability to meet their lease obligations to us and materially and adversely affect us. Properties occupied by a single **-** tenant pursuant to a single- tenant lease subject us to significant risk of tenant default. Our strategy focuses primarily on investing in single- tenant triple- net leased properties throughout the United States. The financial failure of, or default in payment by, a single **-** tenant under its lease is likely to cause a significant or complete reduction in our rental revenue from that property and a reduction in the value of the property. **We may also experience difficulty or a significant delay in re- leasing or selling such property.** This risk is magnified in situations where we lease multiple properties to a single **-** tenant under a master lease. The default of a tenant that leases multiple properties from us or its decision not to renew its master lease upon expiration could materially and adversely affect us. Periodically, we have experienced, and we may experience in the future, a decline in the fair value of our real estate assets, resulting in impairment charges that impact our financial condition and results of operations. A decline in the fair market value of our long- lived assets may require us to recognize an impairment against such assets (as defined by the Financial Accounting Standards Board (" FASB ")) if certain conditions or circumstances related to an asset were to change and we were to determine that, with respect to any such asset, the cash flows no longer support the carrying value of the asset. The fair value of our long- lived assets depends on market conditions, including estimates of future demand for these assets, and the revenues that can be generated from such assets. When such a determination is made, we recognize the estimated unrealized losses through earnings and write down the depreciated cost of such assets to a new cost basis, based on the fair value of such assets on the date they are considered to be impaired. Such impairment charges reflect non- cash losses at the time of recognition, and subsequent dispositions or sales of such assets could further affect our future losses or gains, as they are based on the difference between the sales price received and the adjusted depreciated cost of such assets at the time of sale. Geographic, industry and tenant concentrations reduce the diversity of our portfolio and make us more susceptible to adverse economic or regulatory developments in those areas or industries. Geographic, industry and tenant concentrations expose us to greater economic or regulatory risks than if we owned a more diverse portfolio. Our business includes substantial holdings in the following states as of December 31, ~~2022~~ **2023** (based on annualized base rent): Texas (13. 1 %), Georgia (~~7~~ **8** . 0 %), Ohio (6. ~~7~~ **0** %), Florida (~~6.~~ 5 **. 9** %) and Wisconsin (~~4~~ **5** . ~~4~~ **2** %). We are susceptible to adverse developments in the economic or regulatory environments of the geographic areas in which we own substantial assets (or in which we may develop a substantial concentration of assets in the future), such as **epidemics,** ~~COVID- 19 pandemic~~ **pandemics** ~~surges~~ **or public health crises** and measures intended to mitigate ~~its~~ **their** spread, business layoffs or downsizing, industry slowdowns, relocations of businesses, increases in real estate and other taxes or costs of complying with governmental regulations. As of December 31, ~~2022~~ **2023** ~~, leases representing approximately 22. 6 % of our annualized base rent were with tenants in industries that have been particularly adversely affected by the COVID- 19 pandemic, including entertainment (7. 9 % of annualized base rent), casual and family dining (8. 7 % of annualized base rent), health and fitness (3. 9 % of annualized base rent), movie theaters (1. 4 % of annualized base rent) and home furnishings (0. 7 % of annualized base rent). Accordingly, to the extent the pandemic measures intended to mitigate its spread or changed consumer preferences continue to adversely affect these industries, our tenants in these industries could fail to meet their obligations to us, and we could be required to provide further tenant concessions. As of December 31, 2022~~ , our five largest tenants contributed ~~10~~ **11** . ~~3~~ **2** % of our annualized base rent, and our ten largest tenants contributed 18. ~~0~~ **1** % of our annualized base rent. If one of these tenants, or another tenant that occupies a significant portion of our properties or whose lease payments represent a significant portion of our rental revenue, were to experience financial weakness or file for bankruptcy, it could have a material adverse effect on our business, financial condition, results of operations, cash flows and liquidity, and prospects. As we continue to acquire properties, our portfolio may become more concentrated by geographic area, industry or tenant. If our portfolio becomes less diverse, our business will be more sensitive to ~~the~~ **a** general economic downturn in a particular geographic area, to changes in trends affecting a particular industry and to the financial weakness, bankruptcy or insolvency of fewer tenants. The vast majority of our properties are leased to unrated tenants whose credit is evaluated through our internal underwriting and credit analysis. However, the tools **and methods** we use ~~to measure credit quality~~ , such as property- level rent coverage ratio, may not ~~be accurate~~ **accurately assess the investment related credit risk** . The vast majority of our properties are leased to unrated tenants whose credit is evaluated through our internal underwriting and credit analysis. Substantially all of our tenants are required to provide financial information to us periodically or, in some instances, at our request. As of December 31, ~~2022~~ **2023** , leases contributing 98. ~~6~~ **8** % of our annualized base rent required tenants to provide us with specified unit- level financial information and leases contributing 98. ~~9~~ **8** % of our annualized base rent required tenants to provide us with corporate- level financial information. We analyze the creditworthiness of our tenants using Moody' s Analytics RiskCalc, which provides an estimated default frequency (" EDF ") and a " shadow rating **,** " ~~,~~ and a lease' s property- level rent coverage ratio. Our methods may not adequately assess the risk of an investment. An EDF score and a shadow rating are not the same as, and may not be as indicative of creditworthiness as, a rating published by a nationally recognized statistical rating organization. Our calculations of EDFs, shadow ratings and rent coverage ratios are unaudited and are based on financial information provided to us by our tenants and prospective tenants without independent verification on our part, and we assume the appropriateness of estimates and judgments that were made by the party preparing the financial information. If our assessment of credit quality proves to be inaccurate, we may be subject to defaults, and our cash flows may be less stable. The ability of an unrated tenant to meet its obligations to us may be more speculative than that of a rated tenant. We may be unable to renew expiring leases with ~~the~~ existing tenants or re- lease ~~the~~ spaces to new tenants on favorable terms or at all. Our results of operations depend to a significant degree on our ability to continue to lease our properties, including renewing expiring leases, leasing vacant space and re- leasing space in properties where leases are expiring ~~and leasing vacant space~~ . As of December 31, ~~2022~~ **2023** , our occupancy was 99. ~~9~~ **8** % and leases representing approximately ~~0.~~ 4 **. 7** % of our annualized base rent as of such date will expire prior to ~~2024~~ **2029** . Current tenants may decline to renew leases and we may not be able to find replacement tenants. We cannot guarantee that leases that are renewed or new leases will have terms that are as economically favorable to us as the expiring leases, or that substantial rent abatements, tenant improvement allowances, early termination rights or below- market renewal options will not be offered to retain tenants or attract new tenants or that we will be able to lease a property at all. We may experience significant costs in connection with re- leasing a significant number of our properties, which could materially and adversely affect us. The tenants that occupy our properties compete in industries that depend upon discretionary spending by consumers. A reduction in the willingness or ability of consumers to physically patronize and use their discretionary income in the businesses of our tenants and potential tenants could adversely impact our tenants' business and thereby adversely impact our ability to collect rents and reduce the demand for our properties. Most of our portfolio is leased to tenants operating service- oriented or experience- based businesses at our properties. As of December 31, ~~2022~~ **2023** , the largest industries in our portfolio were restaurants (including quick service ~~and~~ **,** casual **dining** and family dining), car washes, early childhood education, medical and dental ~~services, automotive~~ services, entertainment (including movie theaters), **automotive service, equipment rental and sales, and** convenience stores ~~, and equipment rental and sales~~ . As of December 31, ~~2022~~ **2023** , tenants operating in those industries represented approximately 84. ~~9~~ **7** % of our annualized base rent. EquipmentShare **, Chicken N Pickle, Crunch Fitness** , Captain D' s, **Tidal Wave Auto Spa** ~~Chicken N Pickle, WhiteWater Express Car Wash~~ , Festival Foods **, Five Star** , Mister Car Wash, Spare Time **Entertainment** ~~, The Nest Schools, Zaxby' s~~ and ~~Crunch Fitness~~ **John Deere** represent the largest concepts in our portfolio. These types of businesses ~~were severely affected by~~ **depend on the willingness of consumers to physically patronize their businesses and use discretionary income to purchase their products or services. To the extent that** the COVID- 19 pandemic ~~, principally due to store closures or limitations on operations (which may be government- mandated or voluntary) and reduced economic activity. While restrictions have generally been lifted and many of our~~ - **or** ~~tenants' businesses have generally recovered from pandemic- induced declines, it is unclear if restrictions will be reinstituted in the future. The success of most of these~~ -- **the responses thereto** ~~businesses depends on the willingness of consumers to physically patronize their businesses and use discretionary income to purchase their products or services. To the extent the COVID- 19 pandemic causes~~ **caused** a secular change in consumer behavior that reduces patronage of service- based and / or experience- based businesses, many of our tenants would be adversely affected and their ability to meet their obligations to us could be ~~further~~ impaired. Additional adverse economic conditions and other developments that discourage consumer spending, such as high unemployment levels, wage stagnation, interest rates, inflation, tax rates and fuel and energy costs, may have an **adverse** impact on the results of operations and financial conditions of our tenants and their ability to pay rent to us. Our ability to realize future rent increases on some of our leases may vary depending on changes in the CPI. The vast majority of our leases provide for periodic contractual rent escalations. As of December 31, ~~2022~~ **2023** , leases contributing 98. ~~2~~ **7** % of our annualized base rent provided for increases in future annual base rent, generally ranging from 1. 0 % to 4. 0 % annually, with a weighted average annual escalation equal to 1. ~~6~~ **7** % of base rent. Although many of our rent escalators increase rent at a fixed amount on fixed dates, approximately ~~3~~ **2** . ~~0~~ **4** % of our rent escalators relate to an increase in the CPI over a specified period. During periods of low inflation or deflation, small increases or decreases in the CPI will subject us to the risk of receiving lower rental revenue than we otherwise would have been entitled to receive if our rent escalators were based on higher fixed percentages or amounts. Conversely, during periods of relatively high inflation, fixed rate rent increases may be lower than the rate of inflation, resulting in a deterioration of the real return on our assets. Recently, numerous measures of inflation have been relatively high, and our fixed rent escalators have not resulted in increases that equal or exceed the rate of inflation. Similarly, to the extent our tenants are unable to increase the prices they charge to their customers in response to any rent increases, their ability to meet their rental payment and other obligations to us could be reduced. Inflation may materially and adversely affect us and our tenants. While our tenants are generally obligated to pay property- level expenses relating to the properties they lease from us (e. g., maintenance, insurance and property taxes), we incur other expenses, such as general and administrative expense, interest expense relating to our debt (some of which bears interest at floating rates) and carrying costs for vacant properties. These expenses have generally increased in the current inflationary environment, and such increases have, in some instances, exceeded any increase in revenue we receive under our leases. Additionally, increased inflation may have an adverse impact on our tenants if increases in their operating expenses exceed increases in their revenue, which may adversely affect the tenants' ability to pay rent owed to us and meet other lease obligations, such as paying property taxes and insurance and maintenance costs. Some of our tenants operate under franchise or license agreements, and, if they are terminated or not renewed prior to the expiration of their leases with us, that would likely impair their ability to pay us rent. As of December 31, ~~2022~~ **2023** , tenants contributing ~~11.~~ 9 **. 1** % of our annualized base rent operated under franchise or license agreements. Often, our tenants' franchise or license agreements have terms that end prior to the expiration dates of the properties they lease from us. In addition, a tenant' s rights as a franchisee or licensee typically may be terminated and the tenant may be precluded from competing with the franchisor or licensor upon termination. Usually, we have no notice or cure rights with respect to such a termination and have no rights to assignment of any such franchise agreement. This may have an adverse effect on our ability to mitigate losses arising from a default on any of our leases. A franchisor' s or licensor' s termination or refusal to renew a franchise or license agreement would likely have a material adverse effect on the ability of the tenant to make payments under its lease, which could materially and adversely affect us. The bankruptcy or insolvency of a tenant could result in the termination or modification of such tenant' s lease and material losses to us. The occurrence of a tenant bankruptcy or insolvency could diminish the income we receive from that tenant' s lease or leases or force us to " take back " a property as a result of a default or a rejection of a lease by a tenant in bankruptcy. Bankruptcy risk is more acute in situations where we lease multiple properties to a tenant pursuant to a master lease. If a tenant becomes bankrupt, the automatic stay created by the bankruptcy will prohibit us from collecting pre- bankruptcy debts from that tenant, or from its property, or evicting such tenant based solely upon such bankruptcy or insolvency, unless we obtain an order permitting us to do so from the bankruptcy court. In addition, a bankrupt or insolvent tenant may be authorized to reject and terminate its lease or leases with us. Any claims against such bankrupt tenant for unpaid future rent would be subject to statutory limitations that would likely result in our receipt of rental revenues that are substantially less than the contractually specified rent we are owed under the lease or leases. In addition, any claim we have for unpaid past rent, if any, may not be paid in full. We may also be unable to re- lease a property whose lease is terminated or rejected in a bankruptcy proceeding on comparable terms (or at all) or to sell any such property. As a result, a significant number of tenant bankruptcies may materially and adversely affect us. Tenants who are considering filing for bankruptcy protection may request that we agree to amendments of their master leases to remove certain of the properties they lease from us under such master leases. We cannot guarantee that we will be able to sell or re- lease properties that we agree to release from tenants' leases in the future or that lease termination fees, if any, will be sufficient to make up for the rental revenues lost as a result of lease amendments. Property vacancies could result in us having to incur significant capital expenditures to re- tenant the properties. Many of our leases relate to properties that have been designed or physically modified for a particular tenant. If such a lease is terminated or not renewed, we may be required to renovate the property at substantial costs, decrease the rent we charge or provide other concessions in order to lease the property to another tenant. In addition, if we determine to sell the property, we may have difficulty selling it to a party other than the **current** tenant due to the special purpose for which the property may have been designed or modified. This potential illiquidity may limit our ability to quickly modify our portfolio in response to changes in economic or other conditions, including tenant demand. Defaults by borrowers on loans we hold could lead to losses. We make mortgage and other loans, which may be unsecured, to extend financing to tenants at certain of our properties. A default by a borrower on its loan payments to us that would prevent us from earning interest or receiving a return of the principal of our loan could materially and adversely affect us. In the event of a default, we may also experience delays in enforcing our rights as lender and may incur substantial costs in collecting the amounts owed to us and in liquidating any collateral. Where collateral is available, foreclosure and other similar proceedings used to enforce payment of real estate loans are generally subject to principles of equity, which are designed to relieve the indebted party from the legal effect of that party' s default. In the event we have to foreclose on a property, the amount we receive from the foreclosure sale of the property may be inadequate to fully pay the amounts owed to us by the borrower and our costs incurred to foreclose, repossess and sell the property. Real estate lending has several risks that need to be considered. There is the potential for changes in local real estate conditions and subjectivity of real estate valuations. In addition, overall economic conditions may impact the borrowers’ financial condition. Adverse economic conditions such as high unemployment levels, interest rates, tax rates and fuel and energy costs may have an impact on the results of operations and financial conditions of borrowers. We may be unable to identify and complete acquisitions of suitable properties, which may impede our growth, and our future acquisitions may not yield the returns we seek. Growth through property acquisitions is a primary element of our strategy. Our ability to expand through acquisitions requires us to identify, finance and complete acquisitions or investment opportunities that are compatible with our growth strategy and to successfully finance and integrate newly acquired properties into our portfolio, which may be constrained by the following significant risks: we face competition from other real estate investors, some of which have greater economies of scale, lower costs of capital, access to more financial resources ~~and~~ **,** greater name recognition than we do, **and** a greater ability to borrow funds and the ability to accept more risk than we can prudently manage, which may significantly reduce our acquisition volume or increase the purchase price for property we acquire, which could reduce our growth prospects; we may be unable to locate properties that will produce a sufficient spread between our cost of capital and the lease rate we can obtain from a tenant, in which case our ability to profitably grow our company will decrease; we may fail to have sufficient capital resources to complete acquisitions or our cost of capital could increase; we may incur significant costs and divert management attention in connection with evaluating and negotiating potential acquisitions, including ones that we are subsequently unable to complete; we may acquire properties that are not accretive to our results upon acquisition; our cash flow from an acquired property may be insufficient to meet our required principal and interest payments with respect to debt used to finance the acquisition of such property; we may discover unexpected items, such as unknown liabilities, during our due diligence investigation of a potential acquisition or other customary closing conditions may not be satisfied, causing us to abandon an investment opportunity after incurring expenses related thereto; we may spend more than budgeted amounts to make necessary improvements or renovations to acquired properties; we may acquire properties subject to liabilities and without any recourse, or with only limited recourse, with respect to unknown liabilities, such as liabilities for clean- up of undisclosed environmental contamination, claims by tenants, vendors or other persons dealing with the former owners of the properties, liabilities incurred in the ordinary course of business and claims for indemnification by general partners, directors, officers and others indemnified by the former owners of the properties; **and** we may obtain only limited warranties when we acquire a property, including properties purchased in “ as is ” condition on a “ where is ” basis and “ with all faults, ” without warranties of merchantability or fitness for a particular purpose and pursuant to purchase agreements that contain only limited warranties, representations and indemnifications that survive for only a limited period after the closing. If any of these risks are realized, we may be materially and adversely affected. Our real estate investments are generally illiquid which could significantly impede our ability to respond to market conditions or adverse changes in the performance of our tenants or our properties and which would harm our financial condition. Our investments are relatively difficult to sell quickly. As a result of this illiquidity, our ability to promptly sell one or more properties in our portfolio in response to changing economic, financial or investment conditions is limited. Return of capital and realization of gains, if any, from an investment generally will occur upon disposition or refinancing of the underlying property. We may be unable to realize our investment objective by sale, other disposition or refinancing at attractive prices within any given period of time or may otherwise be unable to complete any exit strategy. In particular, these risks could arise from weakness in or even the lack of an established market for a property, changes adversely affecting the tenant of a property, changes adversely affecting the area in which a particular property is located, adverse changes in the financial condition or prospects of prospective purchasers and changes in local, national or international economic conditions. In addition, the Internal Revenue Code of 1986, as amended (the “ Code ”), imposes restrictions on a REIT' s ability to dispose of properties that are not applicable to other types of real estate companies. In particular, the tax laws applicable to REITs effectively require that we hold our properties for investment, rather than primarily for sale in the ordinary course of business, which may cause us to forgo or defer sales of properties that otherwise would be in our best interest. Therefore, we may not be able to vary our portfolio in response to economic or other conditions promptly or on favorable terms. Our growth depends on third- party sources of capital that are outside of our control and may not be available to us on commercially reasonable terms or at all. In order to qualify as a REIT, we are required under the Code, among other things, to distribute annually at least 90 % of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain. In addition, we will be subject to income tax at the corporate rate to the extent that we distribute less than 100 % of our REIT taxable income, determined without regard to the dividends paid deduction and including any net capital gain. Accordingly, we will not be able to fund all of our future capital needs, including any necessary acquisition financing, from operating cash flow. Consequently, we rely on other sources of capital, including net proceeds from asset sales and external third- party sources to fund a portion of our capital needs. Our access to debt and equity capital, and the cost thereof, depends on many factors, including general market conditions, interest rates, inflation, the market' s perception of our growth potential, our debt levels, our credit rating, our current and expected future earnings, our cash flow and cash distributions, and the market price of our common stock. ~~The COVID- 19 pandemic has significantly and adversely impacted global, national, regional and local economic activity and has contributed to significant volatility and negative pressure in the financial markets.~~ In particular, **the market price of** our **common** stock ~~price~~ **on the New York Stock Exchange (" NYSE ")** has experienced significant volatility **. Similarly, the availability** and **pricing of debt and equity capital has** ~~our credit spreads in certain credit markets have recently~~ been ~~wider relative to~~ **volatile and, in many instances, more expensive. Accordingly, we could experience difficulty accessing debt and equity capital on attractive terms,** ~~our~~ - **or** ~~historical levels~~ **at all, which would adversely affect our ability to grow our business, conduct our operations or address maturing liabilities. Similarly, a deterioration in access to capital or an increase in cost may adversely affect our tenants' abilities to finance their businesses and reduce their liquidity, which could reduce their ability to meet their obligations to us** . An important aspect of our business is capturing a positive " spread " between the cost at which we raise capital and the returns that we receive on our investments. To the extent our weighted average cost of capital increases without a corresponding increase in the returns that we receive on our investments, this spread will be reduced or eliminated, and our ability to grow through accretive acquisitions will be reduced or even eliminated. If we cannot obtain capital from third- party sources, or if our cost of capital increases materially, we may not be able to acquire properties when strategic opportunities exist, meet the capital and operating needs of our existing properties, satisfy our debt service obligations or make the cash distributions to our stockholders necessary to qualify as a REIT. Loss of senior executives with long- standing business relationships could materially impair our ability to operate successfully. Our ability to operate our business and grow our portfolio depend, in large part, upon the efforts of our senior executive team. Several of our executives have extensive experience and strong reputations in the real estate industry and have been important in setting our strategic direction, operating our business, assembling and growing our portfolio, identifying, recruiting and training key personnel, and arranging necessary financing. In particular, relationships that these individuals have with financial institutions and existing and prospective tenants are important to our growth and the success of our business. The loss of services of one or more members of our senior management team, ~~including due~~ **or our inability** to ~~the~~ **attract and retain highly qualified personnel, could** ~~adverse~~ **adversely** ~~health effects~~ - **affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry personnel, which could materially and adversely affect us. The long- term impact** of the COVID- 19 pandemic **is unclear** ~~, or our inability to attract~~ and ~~retain highly qualified personnel,~~ could **further** ~~adversely affect our business, diminish our investment opportunities and weaken our relationships with lenders, business partners, existing and prospective tenants and industry personnel, which could materially and~~ adversely affect us. The **direct adverse impact of the COVID- 19 pandemic on us has significantly diminished; however, its long- term impact is unclear. For instance, a reinstitution of lockdowns, quarantines, restrictions on travel, " shelter in place " rules, school closures and / or restrictions on the types of businesses that may continue to operate or limitations on certain business operations, whether in response to a COVID- 19 resurgence or another pathogen, could cause a decline in economic activity and a reduction in consumer confidence that could impair the ability of many of our tenants to operate their businesses and meet their obligations to us, including rental payment obligations. More broadly, to the extent the** COVID- 19 pandemic has ~~materially and adversely impacted our business and those of our tenants, particularly during 2020 and 2021, and could further affect our financial condition, results of operations, cash flows and liquidity, prospects, access to and costs of capital, the trading price of our common stock and our ability to service our debt and make distributions to our stockholders. For much of 2020, the COVID- 19 pandemic created significant uncertainty and economic disruption that adversely affected the Company and its tenants. The adverse impact of the pandemic moderated during 2021 and significantly diminished during 2022. However, the continuing impact of the COVID- 19 pandemic, its duration and any enduring effects are unclear, and various factors could erode the progress that has been made against the virus to date. For instance, a reinstitution of lockdowns, quarantines, restrictions on travel, " shelter in place " rules, school closures and / or restrictions on the types of businesses that may continue to operate or limitations on certain business operations, whether in response to a COVID- 19 resurgence or another pathogen, could cause~~ **caused** ~~a decline in economic activity and a reduction in consumer confidence that could impair the ability of many of our~~ - **or** ~~tenants to operate their businesses and meet their obligations to us, including rental payment obligations. More broadly, if the ongoing effects of COVID- 19, the responses thereto or other factors cause the United States to enter into a recessionary period, or if reduced consumer confidence or unemployment weakens economic activity, our business, and those of our tenants, could be adversely affected. To the extent the pandemic~~ causes a secular change in consumer behavior that reduces patronage of service- based and / or experience- based businesses, many of our tenants ~~would~~ **will** be adversely affected and their ability to meet their obligations to us could be impaired; this could also reduce the value of our properties and cause us to realize impairment charges ~~. The COVID- 19 pandemic has significantly and adversely impacted global, national, regional and local economic activity and has contributed to significant volatility and negative pressure in the financial markets. The market price of our common stock on the NYSE has experienced significant volatility since the outbreak of the COVID- 19 pandemic. Similarly, the availability and pricing of debt and equity capital has become increasingly volatile and, in many instances, more expensive. Accordingly, we could experience~~

~~difficulty accessing debt and equity capital on attractive terms, or at all, which would adversely affect our ability to grow our business, conduct our operations or address maturing liabilities. Similarly, a deterioration in access to capital or an increase in cost may adversely affect our tenants' abilities to finance their businesses and reduce their liquidity, which could reduce their ability to meet their obligations to us. The ultimate extent to which the COVID- 19 pandemic adversely impacts us (and our tenants) will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment and mitigation measures, among others~~ . Risks Related to Environmental and Compliance Matters and Climate Change The costs of compliance with or liabilities related to environmental laws may materially and adversely affect us. The properties we own or have owned in the past may subject us to known and unknown environmental liabilities. We obtain Phase I environmental site assessments on all properties we finance or acquire. However, the Phase I environmental site assessments are limited in scope and therefore may not reveal all environmental conditions affecting a property. Under various federal, state and local laws and regulations relating to the environment, as a current or former owner or operator of real property, we may be liable for costs and damages resulting from environmental matters, including the presence or discharge of hazardous or toxic substances, waste or petroleum products at, on, in, under or migrating from such property, including costs to investigate or clean up such contamination and liability for personal injury, property damage or harm to natural resources. If environmental contamination exists on our properties, we could be subject to strict, joint and / or several liability for the contamination by virtue of our ownership interest; we may face liability regardless of our knowledge of the contamination, the timing of the contamination, the cause of the contamination, or the party responsible for the contamination of the property. If our environmental liability insurance is inadequate, we may become subject to material losses for environmental liabilities. Although our leases generally require our tenants to operate in compliance with all applicable laws and to indemnify us against any environmental liabilities arising from a tenant' s activities on the property, we could be subject to strict liability by virtue of our ownership interest. We cannot be sure that our tenants will, or will be able to, satisfy their indemnification obligations, if any, under our leases. Furthermore, the discovery of environmental liabilities on any of our properties could lead to significant remediation costs or to other liabilities or obligations attributable to the tenant of that property or could result in material interference with the ability of our tenants to operate their businesses as currently operated. Noncompliance with environmental laws or discovery of environmental liabilities could each individually or collectively affect such tenant' s ability to make payments to us, including rental payments and, where applicable, indemnification payments. Additionally, the known or potential presence of hazardous substances on a property may adversely affect our ability to sell, lease or improve the property or to borrow using the property as collateral. Environmental laws may also create liens on contaminated properties in favor of the 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 they may be used ~~or businesses may be operated~~ , and these restrictions may require substantial expenditures. Insurance on our properties may not adequately cover all losses and uninsured losses could materially and adversely affect us. Our tenants are required to maintain liability and property insurance coverage for the properties they lease from us pursuant to triple- net leases. Pursuant to such leases, our tenants are required to name us (and any of our lenders that have a mortgage on the property leased by the tenant) as additional insureds on their liability policies and additional named insured and / or loss payee (or mortgagee, in the case of our lenders) on their property policies. All tenants are required to maintain casualty coverage. Depending on the location of the property, losses of a catastrophic nature, such as those caused by earthquakes and floods, may be covered by insurance policies that are held by our tenant with limitations such as large deductibles or co- payments that a tenant may not be able to meet. In addition, losses of a catastrophic nature, such as those caused by wind / hail, hurricanes, terrorism or acts of war, may be uninsurable or not economically insurable. If there is damage to our properties that is not covered by insurance and such properties are subject to recourse indebtedness, we will continue to be liable for the indebtedness, even if these properties are irreparably damaged. Inflation, changes in building codes and ordinances, environmental considerations and other factors, including terrorism or acts of war, may make any insurance proceeds we receive insufficient to repair or replace a property if it is damaged or destroyed. In that situation, the insurance proceeds received may not be adequate to restore our economic position with respect to the affected real property. Furthermore, if we experience a substantial or comprehensive loss of one of our properties, we may not be able to rebuild such property to its existing specifications without significant capital expenditures which may exceed any amounts received pursuant to insurance policies, as reconstruction or improvement of such a property would likely require significant upgrades to meet zoning and building code requirements. The loss of our capital investment in or anticipated future returns from our properties due to material uninsured losses could materially and adversely affect us. Compliance with the **Americans with Disability Act of 1990 (the "** ADA ~~and~~ **"),** fire ~~,~~ **and** safety **regulations,** and other regulations may require us to make unanticipated expenditures. Our properties are subject to the ADA, fire and safety regulations, building codes and other regulations. Failure to comply with these laws and regulations could result in imposition of fines by the government or an award of damages to private litigants, or both. While our tenants are obligated by law to comply with the ADA and typically obligated under our leases to cover costs associated with compliance with the ADA and other property regulations, if required changes involve greater expenditures than anticipated or if the changes must be made on a more accelerated basis than anticipated, the ability of our tenants to cover costs could be adversely affected, and we could be required to expend our own funds to comply with applicable law and regulation. Our operations and financial condition may be adversely affected by climate change, including possible changes in weather patterns, weather- related events, government policy, laws, regulations and economic conditions. In recent years, the assessment of the potential impact of climate change has begun to impact the activities of government authorities, the pattern of consumer behavior and other areas that impact the business environment in the U. S., including, but not limited to, energy- efficiency measures, water use measures and land- use practices. The promulgation of policies, laws or regulations relating to climate change by governmental authorities in the U. S. and the markets in which we own properties may require us to invest additional capital in our properties. New laws and regulations relating to sustainability and climate change are under consideration or being adopted, which may include specific disclosure requirements or obligations, and that may result in additional investments and implementation of new practices and reporting processes, all entailing additional compliance costs and risk. In addition, the impact of climate change on businesses operated by our tenants is not reasonably determinable at this time. Climate change may impact weather patterns, the occurrence of significant weather events and rising sea levels, which could impact economic activity or the value of our properties in specific markets. The occurrence of any of these events or conditions may adversely impact our ability to lease our properties or our or our tenants' ability to obtain property insurance on acceptable terms, which would materially and adversely affect us. Risks Related to Our Indebtedness As of December 31, ~~2022~~ **2023** , we had $ 1. ~~4~~ **7** billion of indebtedness outstanding, which requires substantial cash flow to service, subjects us to covenants and refinancing risk and the risk of default. As of December 31, ~~2022~~ **2023** , we had $ 1. ~~4~~ **7** billion of indebtedness outstanding. This indebtedness consisted of $ 1. ~~0~~ **3** billion of combined borrowings under our term loans and $ 400. 0 million outstanding principal amount of senior unsecured notes. We had no indebtedness outstanding under our Revolving Credit Facility as of December 31, ~~2022~~ **2023** , but we may borrow from this facility in the future. Payments of principal and interest on indebtedness may leave us with insufficient cash resources to meet our cash needs, including funding our investment program, or to make the distributions to our common stockholders currently contemplated or necessary to continue to qualify as a REIT. Our indebtedness and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following: our cash flow may be insufficient to make our required principal and interest payments; cash interest expense and financial covenants relating to our indebtedness may limit or eliminate our ability to make distributions to our common stockholders; we may be unable to borrow additional funds as needed or on favorable terms, which could, among other things, adversely affect our ability to consummate investment opportunities or meet operational needs; we may be unable to refinance our indebtedness at maturity, or the refinancing terms may be less favorable than the terms of the debt being refinanced; because a portion of our debt bears interest at variable rates, increases in interest rates could increase our interest expense; we may be unable to hedge floating rate debt, counterparties may fail to honor their obligations under our hedge agreements, such agreements may not effectively hedge interest rate fluctuation risk, and, upon the expiration of our hedge agreements, we will be exposed to then- existing market rates of interest and future interest rate volatility; we may be forced to dispose of properties, possibly on unfavorable terms or in violation of certain covenants to which we may be subject; we may default on our obligations ~~,~~ **;** we may violate restrictive covenants in our loan documents, which would entitle the lenders to accelerate our debt obligations; and our default under any loan with cross- default provisions could result in a default on other indebtedness. The occurrence of any of these events could materially and adversely affect us. Our business plan depends on external sources of capital, including debt financings, and market conditions could adversely affect our ability to refinance existing indebtedness or obtain additional financing for growth on commercially acceptable terms or at all. Credit markets have recently experienced significant price volatility, **interest rate fluctuations,** displacement and liquidity disruptions. In particular, credit spreads in certain credit markets have recently been wider relative to historical levels. Such circumstances could materially impact liquidity in the financial markets, making financing terms for borrowers less attractive, and potentially result in the unavailability of various types of debt financing. As a result, we may be unable to obtain debt financing on favorable terms or at all or fully refinance maturing indebtedness with new indebtedness. A deterioration in our credit or credit rating, reductions in our available borrowing capacity or **our** inability to obtain credit when required or when business conditions warrant could materially and adversely affect us. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. Higher interest rates on newly incurred debt may negatively impact us as well. If interest rates increase, our interest costs and overall costs of capital will increase, which could materially and adversely affect us and our ability to invest accretively or make distributions to our stockholders. Though we currently do not have any secured debt, we have raised capital through secured debt financing in the past, and we may do so again in the future. Secured debt subjects us to certain risks, including the potential loss of the property securing such debt through foreclosure or otherwise and the possible inability to refinance any such debt at maturity at a similar loan- to- value ratio. A downgrade in our credit ratings could have a material adverse effect on our business and financial condition. The credit ratings assigned to us and our debt, which are subject to ongoing evaluation by the rating agencies who have published them, could change based upon, among other things, our historical and projected business, prospects, liquidity, results of operations and financial condition, or the real estate industry generally. If any credit rating agency downgrades or lowers our credit rating, places any such rating on a so- called " watch list " for a possible downgrading or lowering or otherwise publishes a negative outlook for that rating, it could materially adversely affect the market price of our debt securities and possibly our common stock, and generally the cost and availability of our capital. We have engaged in hedging transactions and may engage in additional hedging transactions in the future; such transactions may materially and adversely affect our results of operations and cash flows. We use hedging strategies, in a manner consistent with the REIT qualification requirements, in an effort to reduce our exposure to changes in interest rates. As of December 31, ~~2022~~ **2023** , we were party to ~~19~~ **25** interest rate swap agreements with third- party financial institutions having an aggregate notional amount of $ 1. ~~0~~ **3** billion that are designated as cash flow hedges and designed to effectively fix the ~~LIBOR component of the interest rate on the debt outstanding under our term loans. Unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions and may materially and adversely affect our business by increasing our cost of capital and reducing the net returns we earn on our portfolio. The~~ Secured Overnight Financing Rate (" SOFR ") **component of the interest rate on the debt outstanding under our term loans. Unanticipated changes in interest rates may result in poorer overall investment performance than if we had not engaged in any such hedging transactions and may materially and adversely affect our business by increasing our cost of capital and reducing the net returns we earn on our portfolio. SOFR** , which **has** ~~is expected to replace~~ **replaced the**

London Interbank Offer Rate (" LIBOR **")** as the principal floating rate benchmark, has a limited history, is different than LIBOR and rates derived from SOFR may perform differently than LIBOR would have performed, which could create increased volatility in our cost of borrowing or increase our interest expense. In anticipation of the discontinuation of LIBOR as a floating rate benchmark, we transitioned the reference interest rate used in connection with our floating rate debt obligations to ones based on SOFR, which ~~is generally~~ **the Alternative Reference Rates Committee, convened by the Federal Reserve Board and the Federal Reserve Bank of New York,** ~~expected~~ **selected** ~~to replace LIBOR~~ as the principal floating rate benchmark in the financial markets. SOFR- based rates differ from LIBOR, and the differences may be material. For example, SOFR is intended to be a broad measure of the cost of borrowing funds overnight in transactions that are collateralized by U. S. Treasury securities. Because SOFR is a financing rate based on overnight secured funding transactions, it differs fundamentally from LIBOR, which ~~is~~ **was** intended to be an unsecured rate that represents interbank funding costs for different short- term tenors. LIBOR ~~is~~ **was** a forward- looking rate reflecting expectations regarding interest rates for those tenors. Thus, LIBOR ~~is~~ **was** intended to be sensitive to bank credit risk and to short- term interest rate risk. In contrast, SOFR is a secured overnight rate reflecting the credit of U. S. Treasury securities as collateral. Thus, SOFR is intended to be insensitive to credit risk and to risks related to interest rates other than overnight rates. However, like LIBOR, some SOFR- based rates, including the ones used in connection with our floating rate debt obligations, are forward- looking term rates. SOFR and SOFR- based rates have a limited history, and there is no assurance that SOFR, or rates derived from SOFR, will perform in the same or a similar way as LIBOR would have performed at any time, and there is no assurance that SOFR- based rates will ultimately prove to be a suitable substitute for LIBOR. SOFR- based reference rates ~~,~~ cannot be predicted based on SOFR' s history, and future levels of SOFR may bear little or no relation to historical levels of SOFR, LIBOR or other rates. Additionally, SOFR has been more volatile than other benchmark or market rates, such as three- month LIBOR. Accordingly, there can be no assurance that our transition to term SOFR in connection with our floating rate borrowings will not result in increased volatility in our cost of borrowing or increased interest expense. Additionally, the inability or any inefficiency in market participants ability to hedge SOFR- based transactions or the illiquidity or relative illiquidity in the market for SOFR- based instruments may increase the costs associated with SOFR- based debt instruments or our ability to hedge our exposure to floating interest rates. Our debt financing agreements contain restrictions and covenants which may limit our ability to enter into, or obtain funding for, certain transactions, operate our business or make distributions to our common stockholders. Our debt financing agreements contain financial and other covenants with which we are required to comply and that limit our ability to operate our business. These covenants, as well as any additional covenants to which we may be subject in the future because of additional or replacement debt financing, could cause us to have to forego investment opportunities, reduce or eliminate distributions to our common stockholders or obtain financing that is more expensive than financing we could obtain if we were not subject to the covenants. The covenants impose limitations on, among other things, our ability to incur additional indebtedness, encumber assets and pay distributions to our stockholders under certain circumstances (subject to certain exceptions relating to our qualification as a REIT under the Code). In addition, these agreements have cross- default provisions that generally result in an event of default if we default under other material indebtedness. The covenants and other restrictions under our debt agreements may affect, among other things, our ability to: incur indebtedness; create liens on assets; cause our subsidiaries to distribute cash to us to fund distributions to stockholders or to otherwise use in our business ~~; (see " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations — Description of Certain Debt ")~~ ; sell or substitute assets; modify certain terms of our leases; manage our cash flows; and make distributions to equity holders, including our common stockholders. Additionally, these restrictions may adversely affect our operating and financial flexibility and may limit our ability to respond to changes in our business or competitive environment, all of which may materially and adversely affect us. Mortgage debt obligations expose us to the possibility of foreclosure, which could result in the loss of our investment in any property subject to mortgage debt. Future borrowings may be secured by mortgages on our properties. Incurring mortgage and other secured debt obligations increases our risk of losses because defaults on secured indebtedness may result in foreclosure actions initiated by lenders and ultimately our loss of the properties securing any loans for which we are in default. If we are in default under a cross- defaulted mortgage loan, we could lose multiple properties to foreclosure. For tax purposes, a foreclosure of any of our properties 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 REIT distribution requirements. As we execute our business plan, we may assume or incur new mortgage indebtedness on our properties. Any default under any mortgage debt obligation we incur may increase the risk of our default on our other indebtedness. Risks Related to Our Organizational Structure Our charter and bylaws and Maryland law contain provisions that may delay, defer or prevent a change of control transaction, even if such a change in control may be in your interest, and as a result may depress the market price of our common stock. Our charter contains certain restrictions on ownership and transfer of our stock. Our charter contains various provisions that are intended to, among other things, assist us in maintaining our qualification for taxation as a REIT and, subject to certain exceptions, authorizes our directors to take such actions as are necessary or appropriate to cause us to continue to qualify as a REIT. For example, our charter prohibits the actual, beneficial or constructive ownership by any person of more than 9. 8 % in value or in number of shares, whichever is more restrictive, of the outstanding shares of our common stock or more than 9. 8 % in value of the aggregate of the outstanding shares of all classes and series of our stock. Our Board, in its sole and absolute discretion, may exempt a person, prospectively or retroactively, from these ownership limits if certain conditions are satisfied. The restrictions on ownership and transfer of our stock may, among other things: discourage a tender offer or other transaction or a change in management or of control that might involve a premium price for our common stock or that our stockholders otherwise believe to be in their best interests; or result in the transfer of shares acquired in excess of the restrictions to a trust for the benefit of one or more charitable beneficiaries and, as a result, the forfeiture by the acquirer of the benefits of owning the additional shares. We could increase or decrease the number of authorized shares of stock, classify and reclassify unissued stock and issue stock without stockholder approval. Our Board, without stockholder approval, has the power under our charter to amend our charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue, to authorize us to issue authorized but unissued shares of our common stock or preferred stock and to classify or reclassify any unissued shares of our common stock or preferred stock into one or more classes or series of stock and to set the terms of such newly classified or reclassified shares. As a result, we may issue one or more classes or series of common stock or preferred stock with preferences, conversion or other rights, voting powers or rights, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption that are senior to, or otherwise conflict with, the rights of our common stockholders. Our Board could establish a class or series of common stock or preferred stock that could, depending on the terms of such class or series, delay, defer or prevent a transaction or a change of control that might involve a premium price for our common stock or otherwise be in the best interest of our stockholders. Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees and could discourage lawsuits against us and our directors, officers and employees. Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, will be the sole and exclusive forum for (a) any Internal Corporate Claim, as such term is defined in the Maryland General Corporation Law (“ MGCL ”), (b) any derivative action or proceeding brought on our behalf, (c) any action asserting a claim of breach of any duty owed by any of our directors, officers or other employees to us or to our stockholders, (d) any action asserting a claim against us or any of our directors, officers or other employees arising pursuant to any provision of the MGCL or our charter or bylaws or (e) any other action asserting a claim against us or any of our directors, officers or other employees that is governed by the internal affairs doctrine. These choice of forum provisions will not apply to suits brought to enforce a duty or liability created by the Securities Act, the Exchange Act, or any other claim for which federal courts have exclusive jurisdiction. These exclusive forum provisions may limit the ability of our stockholders to bring a claim in a judicial forum that such stockholders find favorable for disputes with us or our directors, officers, or employees, which may discourage such lawsuits against us and our directors, officers, and employees. Alternatively, if a court were to find the choice of forum provisions contained in our bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could materially adversely affect our business, financial condition, and operating results. Termination of the employment agreements with certain members of our senior management team could be costly and could impact a change in control of our company. The employment agreements with certain members of our senior management team provide that if their employment with us terminates under certain circumstances (including in connection with a change in control of our company), we may be required to pay them significant amounts of severance compensation, thereby making it costly to terminate their employment. Furthermore, these provisions could delay or otherwise impact a transaction or a change in control of our company that might involve a premium paid for shares of our common stock or otherwise be in the best interests of our stockholders. Our Board may change our investment and financing policies without stockholder approval, including those with respect to borrowing, and we may become more highly leveraged, which may increase our risk of default under our debt obligations. Our investment and financing policies are exclusively determined by our Board. Accordingly, our stockholders do not control these policies. Further, our organizational documents do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Although we are not required by our organizational documents to maintain a particular leverage ratio and may not be able to do so, we generally intend to target a level of net debt (which includes recourse and non- recourse borrowings and any outstanding preferred stock issuance less unrestricted cash and cash equivalents) that, over time, is less than six times our Annualized Adjusted EBITDAre. However, from time to time, our ratio of net debt to our Annualized Adjusted EBITDAre may equal or exceed six times. Our Board may alter or eliminate our current policy on borrowing at any time without stockholder approval. If this policy changed, we could become more highly leveraged, which could result in an increase in our debt service and the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. Changes to our policies with regard to the foregoing could materially and adversely affect us. Our rights and the rights of our stockholders to take action against our directors and officers are limited. As permitted by Maryland law, our charter limits the liability of our directors and officers to us and our stockholders for money damages to the maximum extent permitted by Maryland law. Therefore, our directors and officers are subject to monetary liability resulting only from: actual receipt of an improper benefit or profit in money, property or services; or active and deliberate dishonesty by the director or officer that was established by a final judgment as being material to the cause of action adjudicated. As a result, we and our stockholders have rights against our directors and officers that are more limited than might otherwise exist. Accordingly, if actions taken by any of our directors or officers impede the performance of our company, your and our ability to recover damages from such director or officer will be limited. In addition, our charter requires us to indemnify our directors and officers for actions taken by them in those and certain other capacities to the maximum extent permitted by Maryland law. We are a holding company with no direct operations and rely on funds received from our Operating Partnership to make any distributions to stockholders and to pay liabilities. We are a holding company and conduct substantially all of our operations through our Operating Partnership. We do not have any independent operations, and our only material asset is our interest in our Operating Partnership. As a result, we rely on distributions from our Operating Partnership to pay any distributions our Board declares on shares of our common stock. We also rely on distributions from our Operating Partnership to meet any of our obligations, including any tax liability on taxable income allocated to us from our Operating Partnership. In addition, because we are a holding company, claims by our stockholders will be structurally subordinated to all existing and future liabilities and obligations (whether or not for borrowed money) of our Operating Partnership and its subsidiaries. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of our Operating Partnership and its subsidiaries will be able to satisfy the claims of our stockholders only after all of our and our Operating Partnership' s and its subsidiaries' liabilities and obligations have been paid in full. In connection with our future acquisition of properties or otherwise, we may issue units of our Operating Partnership to third parties. Such issuances would reduce our ownership in our Operating Partnership. If you do not directly own units of our Operating Partnership, you will not have any voting rights with respect to any such issuances or other partnership level activities of our Operating Partnership. Conflicts of interest could arise in the future between the interests of our stockholders and the interests of holders of units in our Operating Partnership, which may impede business decisions that could benefit our stockholders. Conflicts of interest could arise in the future as a result of the relationships between us and our stockholders, on the one hand, and our Operating Partnership and its limited partners, on the other. Under the terms of the partnership agreement of our Operating Partnership, if there is a conflict between the interests of our stockholders, on one hand, and any limited partners, on the other, we will endeavor in good faith to resolve the conflict in a manner not adverse to either our stockholders or any limited partners; provided, however, that so long as we own a controlling economic interest in our Operating Partnership, any conflict that cannot be resolved in a manner not adverse to either our stockholders or any limited partners shall be resolved in favor of our stockholders. Certain mergers, consolidations and other transactions require the approval of a majority in interest of the outside limited partners in our Operating Partnership (which excludes us and our subsidiaries), which could prevent certain transactions that may result in our stockholders receiving a premium for their shares or otherwise be in their best interest. The partnership agreement requires the general partner or us, as the parent of the general partner, to obtain the approval of a majority in interest of the outside limited partners in our Operating Partnership (which excludes us and our subsidiaries) in connection with certain mergers, consolidations or other combinations of us, or a sale of all or substantially all of our assets. This approval right could prevent a transaction that might be in the best interests of our stockholders. Risks Related to Our Status as a REIT Failure to continue to qualify as a REIT would materially and adversely affect us and the value of our common stock, and even if we continue to qualify as a REIT, we may be subject to certain additional taxes. We elected to be taxed as a REIT for federal income tax purposes beginning with our taxable year ended December 31, 2018, and we believe that our current organization and operations have allowed and will continue to allow us to qualify as a REIT. We have not requested and do not plan to request a ruling from the Internal Revenue Service, or IRS, that we qualify as a REIT, and the statements in this Annual Report are not binding on the IRS or any court. Therefore, we cannot assure you that we will remain qualified as a REIT in the future. If we lose our REIT status, we will face significant tax consequences that would substantially reduce our cash available for distribution to our stockholders for each of the years involved because: we would not be allowed a deduction for distributions to stockholders in computing our taxable income and would be subject to federal income tax at the corporate rate; we also could be subject to increased state and local taxes; and unless we are entitled to relief under applicable statutory provisions, we could not elect to be taxed as a REIT for four taxable years following the year during which we were disqualified. Any such corporate tax liability could be substantial and would reduce our cash available for, among other things, our operations and distributions to stockholders. In addition, if we fail to remain qualified as a REIT, we will not be required to make distributions to our stockholders. As a result of all these factors, our failure to remain qualified as a REIT also could impair our ability to expand our business and raise capital and could materially and adversely affect the trading price of our common stock. Qualification as a REIT involves the application of highly technical and complex Code provisions for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may affect our ability to continue to qualify as a REIT. In order to continue to qualify as a REIT, we must satisfy a number of requirements, including requirements regarding the ownership of our stock, requirements regarding the composition of our assets and a requirement that at least 95 % of our gross income in any year must be derived from qualifying sources, such as “ rents from real property. ” Also, we must make distributions to stockholders aggregating annually at least 90 % of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gains. In addition, legislation, new regulations, administrative interpretations or court decisions may materially and adversely affect our investors, our ability to continue to qualify as a REIT for federal income tax purposes or the desirability of an investment in a REIT relative to other investments. Even if we continue to qualify as a REIT for federal income tax purposes, we may be subject to some federal, state and local income, property and excise taxes on our income or property and, in certain cases, a 100 % penalty tax, in the event we sell property as a dealer. In addition, any taxable REIT subsidiaries will be subject to tax as regular corporations in the jurisdictions in which they operate. If our Operating Partnership fails to qualify as a partnership for federal income tax purposes, we will cease to qualify as a REIT and suffer other adverse consequences. We believe that our Operating Partnership will be treated as a partnership for federal income tax purposes and, as a result, will generally not be subject to federal income tax on its income. Instead, for federal income tax purposes each of the partners of the Operating Partnership, including us, will be allocated, and may be required to pay tax with respect to, such partner' s share of its income. Our Operating Partnership will generally be required to determine and pay an imputed underpayment of tax (plus interest and penalties) resulting from an adjustment of the Operating Partnership' s items of income, gain, loss, deduction or credit at the partnership level. We cannot assure you that the IRS will not challenge the tax classification of our Operating Partnership or any other subsidiary partnership in which we own an interest, or that a court will not sustain such a challenge. If the IRS were successful in treating our Operating Partnership or any such other subsidiary partnership as an entity taxable as a corporation for federal income tax purposes, we will fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we will likely cease to qualify as a REIT. Also, the failure of our Operating Partnership or any subsidiary partnerships to qualify as a disregarded entity or partnership could cause it to become subject to federal and state corporate income tax, which will reduce significantly the amount of cash available for debt service and for distribution to its partners, including us. To maintain our REIT status, we may be forced to borrow funds during unfavorable market conditions, and the unavailability of such capital on favorable terms at the desired times, or at all, may cause us to curtail our investment activities and / or to dispose of assets at inopportune times. To continue to qualify as a REIT, we generally must distribute to our stockholders at least 90 % of our REIT taxable income each year, determined without regard to the dividends- paid deduction and excluding any net capital gains, and we will be subject to corporate income tax on our undistributed taxable income to the extent that we distribute less than 100 % of our REIT taxable income, determined without regard to the dividends- paid deduction and including any net capital gains, each year. In addition, we will be subject to a 4 % nondeductible excise tax on the amount, if any, by which distributions paid by us in any calendar year are less than the sum of 85 % of our ordinary income, 95 % of our capital gain net income and 100 % of our undistributed income from prior years. In order to maintain our REIT status and avoid the payment of income and excise taxes, we may need to borrow funds to meet the REIT distribution requirements even if market conditions are not favorable for these borrowings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and / or to dispose of assets at inopportune times, and could materially and adversely affect us and the per share trading price of our common stock. Our ability to provide certain services to our tenants may be limited by the REIT rules or may have to be provided through a taxable REIT subsidiary. 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 that are not subject to the same restrictions. However, we can provide such non- customary services to our tenants and receive our share in the revenue from such services if we do so through a taxable REIT subsidiary (“ TRS ”), though income earned by such TRS will be subject to U. S. federal corporate income taxation. The IRS may treat sale- leaseback transactions as loans, which could jeopardize our REIT status or require us to make an unexpected distribution. A significant portion of our investments were obtained through sale- leaseback transactions, where we purchase owner- occupied real estate and lease it back to the seller. We expect that a majority of our future investments will be obtained this way. The IRS may take the position that specific sale- leaseback transactions that we treat as leases are not true leases for federal income tax purposes but, instead, should be re- characterized as financing arrangements or loans. If a sale- leaseback transaction were so re- characterized, we might fail to satisfy the REIT asset tests, the income tests or distribution requirements and consequently lose our REIT status effective with the year of re- characterization unless we elect to make an additional distribution to maintain our REIT status. The primary risk relates to our loss of previously incurred depreciation expenses, which could affect the calculation of our REIT taxable income and could cause us to fail the REIT distribution test that requires a REIT to distribute at least 90 % of its REIT taxable income, determined without regard to the dividends- paid deduction and excluding any net capital gain. In this circumstance, we may elect to distribute an additional dividend of the increased taxable income so as not to fail the REIT distribution test. This distribution would be paid to all stockholders at the time of declaration rather than the stockholders existing in the taxable year affected by the re- characterization. Dividends payable by REITs do not qualify for the reduced tax rates available for some dividends. The maximum tax rate applicable to income from" qualified dividends" payable to U. S. stockholders that are individuals, trusts and estates is 20 %. Dividends payable by REITs, however, generally are not eligible for the 20 % rate except to the extent the REIT dividends are attributable to" qualified dividends" received by the REIT itself. However, for non- corporate U. S. stockholders, dividends payable by REITs that are not designated as capital gain dividends or otherwise treated as" qualified dividends" generally are eligible for a deduction of 20 % of the amount of such dividends, for taxable years beginning before January 1, 2027. More favorable rates will nevertheless continue to apply for regular corporate" qualified dividends." Although these rules do not adversely affect the taxation of REITs or dividends payable by REITs, if the 20 % rate continues to apply to regular corporate qualified dividends, investors who are individuals, trusts and estates may regard investments in REITs to be relatively less attractive than investments in the stocks of non- REIT corporations. The tax imposed on REITs engaging in “ prohibited transactions ” may limit our ability to engage in transactions which would be treated as sales for federal income tax purposes. A REIT' s net income from “ prohibited transactions ” is subject to a 100 % penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. Although we do not intend to hold any properties that would be characterized as held for sale to customers in the ordinary course of our business, unless a sale or disposition qualifies under certain statutory safe harbors, no guarantee can be given that the IRS would agree with our characterization of our properties or that we will always be able to make use of the available safe harbors. 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 substantially limit our ability to hedge our assets and liabilities. Any income from a hedging transaction that we enter into to manage the risk of interest rate changes with respect to borrowings made or to be made to acquire or carry real estate assets, or from certain terminations of such hedging positions, does not constitute “ gross income ” for purposes of the 75 % or 95 % gross income tests that apply to REITs, provided that certain identification requirements are met. To the extent that we enter into other types of hedging transactions or fail to properly identify such transaction as a hedge, the income is likely to be treated as non- qualifying income for purposes of both of the gross income tests. As a result of these rules, we may be required to limit our use of advantageous hedging techniques or implement those hedges through a TRS. This could increase the cost of our hedging activities because any TRS in which we own an interest may be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in any TRS in which we own an interest will generally not provide any tax benefit, except that such losses could theoretically be carried forward against future taxable income in such TRS. Complying with REIT requirements may affect our profitability and may force us to liquidate or forgo otherwise attractive investments. To qualify as a REIT, we must continually satisfy tests concerning, among other things, the nature and diversification of our assets, the sources of our income and the amounts we distribute to our stockholders. We may be required to liquidate or forgo otherwise attractive investments in order to satisfy the asset and income tests or to qualify under certain statutory relief provisions. We also may be required to make distributions to stockholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, having to comply with the distribution requirement could cause us to: (i) sell assets in adverse market conditions; (ii) borrow on unfavorable terms; or (iii) distribute amounts that would otherwise be invested in future acquisitions, capital expenditures or repayment of debt. Accordingly, satisfying the REIT requirements could materially and adversely affect us. Moreover, if we are compelled to liquidate our investments to meet any of these asset, income or distribution tests, or to repay obligations to our lenders, we may be unable to comply with one or more of the requirements applicable to REITs or may be subject to a 100 % tax on any resulting gain if such sales are prohibited transactions. There is a risk of changes in the tax law applicable to REITs. Because the IRS, the United States Treasury Department and Congress frequently review federal income tax legislation, we cannot predict whether, when or to what extent new federal tax laws, regulations, interpretations or rulings will be adopted. Any of such legislative actions may prospectively or retroactively modify our tax treatment and, therefore, may adversely affect taxation of us and / or our investors. For example, the Tax Cuts and Jobs Act of 2017 (the " TCJA ") has significantly changed the U. S. federal income taxation of U. S. businesses and their owners, including REITs and their stockholders. You are urged to consult with your tax advisor with respect to the status of legislative, regulatory, judicial or administrative developments and proposals and their potential effect on an investment in our securities. Risks Related to the Ownership of Our Common Stock Changes in market conditions and volatility of stock prices could adversely affect the market price of our common stock. The market price of our common stock on the NYSE has experienced significant volatility ~~, particularly since the outbreak of the COVID- 19 pandemic~~ . The market price of our common stock will fluctuate, and such fluctuations could be significant and frequent; accordingly, our common stockholders may experience a significant decrease in the value of their shares, including decreases that may be related to technical market factors and may be unrelated to our operating performance or prospects. Similarly, the trading volume of our common stock may decline, and our common stockholders could experience a decrease in liquidity. A number of factors could negatively affect the price per share of our common stock, including: actual or anticipated variations in our quarterly operating results or distributions; changes in our funds from operations (" FFO "), core FFO (" Core FFO "), adjusted FFO (" AFFO ") or guidance; changes in our net investment activity; difficulties or inability to access equity or debt capital on attractive terms or extend or refinance existing debt; increases in our leverage; changes in our management or business strategy; failure to comply with the NYSE listing requirements or other regulatory requirements; and the other factors described in this Risk Factors section. Many of these factors are beyond our control. These factors may cause the market price of shares of our common stock to decline significantly, regardless of our financial condition, results of operations, business or our prospects. Increases in market interest rates may result in a decrease in the value of shares of our common stock. One of the factors that may influence the price of shares of our common stock is the distribution yield on shares of our common stock (as a percentage of the price of shares of our common stock) relative to market interest rates. An increase in market interest rates may lead prospective purchasers of shares of our common stock to expect a higher distribution yield. Additionally, higher interest rates would likely increase our borrowing costs and potentially decrease funds available for distribution. Thus, higher market interest rates could cause the per share trading price of our common stock to decrease. Higher borrowing costs and a reduced trading price of our common stock would increase our overall cost of capital and adversely affect our ability to make accretive acquisitions. We may be unable to continue to make distributions at our current distribution level, and our ~~board~~ **Board** may change our distribution policy in the future. While we expect to continue to make regular quarterly distributions to the holders of our common stock, if sufficient cash is not available for distribution from our operations, we may have to fund distributions from working capital or net proceeds from asset sales, borrow to provide funds for such distributions, or reduce the amount of such distributions. To the extent we borrow to fund distributions, our future interest costs would increase, thereby reducing our earnings and cash available for distribution from what they otherwise would have been. If cash available for distribution generated by our assets is less than expected, or if such cash available for distribution decreases in future periods from expected levels, our inability to make distributions could result in a decrease in the market price of our common stock. The decision to declare and pay distributions on our common stock, as well as the form, timing and amount of any such future distributions, is at the sole discretion of our Board and depends upon a number of factors, including our actual and projected results of operations, FFO, Core FFO, AFFO, liquidity, cash flows and financial condition, the revenue we actually receive from our properties, our operating expenses, our debt service requirements, our capital expenditures, prohibitions and other limitations under our financing arrangements, our REIT taxable income, the annual REIT distribution requirements, applicable law and such other factors as our Board deems relevant. We may not be able to make distributions in the future, and our inability to make distributions, or to make distributions at expected levels, could have a material adverse effect on the market price of our common stock. The incurrence of additional debt, which would be senior to shares of our common stock upon liquidation, and / or preferred equity securities that may be senior to shares of our common stock for purposes of distributions or upon liquidation, may materially and adversely affect the market price of shares of our common stock. In the future, we may attempt to increase our capital resources by making additional offerings of debt or preferred equity securities, including by causing our Operating Partnership or its subsidiaries to issue additional debt securities, or by otherwise incurring additional indebtedness. Upon liquidation, holders of our debt securities, other lenders and creditors, and any holders of preferred stock with a liquidation preference will receive distributions of our available assets prior to our stockholders. Additionally, any convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common stock and may result in dilution to owners of our common stock. Our stockholders are not entitled to preemptive rights or other protections against dilution. Our preferred stock, if issued, could have a preference on liquidating distributions or a preference on distribution payments that could limit our right to make distributions to our stockholders. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Our stockholders bear the risk of our future offerings reducing per share trading price of our common stock. Sales of substantial amounts of our common stock or securities convertible into or exercisable or exchangeable therefor, or the perception that such sales might occur, could reduce the price of our common stock and may dilute your voting power and your ownership interest in us. Sales of substantial amounts of our common stock or securities convertible into or exercisable or exchangeable therefor (such as OP Units), or the perception that such sales might occur, could adversely affect the market price of our common stock. OP Units (" OP Units ") are limited partnership interests in the Operating Partnership. Generally, beginning on and after the date that is 12 months after the issuance of OP Units, each limited partner of the Operating Partnership has the right to require the Operating Partnership to redeem part or all of its OP Units for cash, based upon the value of an equivalent number of shares of our common stock at the time of the redemption, or, at our election, shares of common stock on a one- for- one basis, subject to certain adjustments and the restrictions on ownership and transfer of our stock. Additionally, such sales would dilute the voting power and ownership interest of existing common stockholders. Our charter provides that we may issue up to 500, 000, 000 shares of common stock, and a majority of our entire Board has the power to amend our charter to increase the aggregate number of shares of stock or the number of shares of stock of any class or series that we are authorized to issue without stockholder approval. As of December 31, ~~2022~~ **2023** , we had ~~142~~ **164** , ~~379~~ **635** , ~~655~~ **150** shares of common stock outstanding and 553, 847 OP Units outstanding (excluding OP Units held directly or indirectly by us). ~~The currently outstanding OP Units are primarily held by members of our management team.~~ Any exchange of OP Units for common stock may result in stockholder dilution. In the future we may acquire properties through tax deferred contribution transactions in exchange for OP Units. This acquisition structure may have the effect of, among other things, reducing the amount of tax depreciation we could deduct over the tax life of the acquired properties, and may require that we agree to protect the contributors' ability to defer recognition of taxable gain through restrictions on our ability to dispose of the acquired properties and / or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell an asset at a time, or on terms, that would be favorable absent such restrictions. As of December 31, ~~2022~~ **2023** , ~~958~~ **4** , ~~515~~ **365, 504** shares remain available for issuance under our ~~2018~~ **2023** Incentive Plan. General Risk Factors We may be vulnerable to security breaches or cyber attacks which could disrupt our operations and have a material adverse effect on our financial condition and operating results. We rely on information systems across our operations and corporate functions, including finance and accounting, and depend on such systems to ensure payment of obligations, collection of cash, data warehousing to support analytics, and other various processes and procedures. Our ability to efficiently manage our business depends significantly on the reliability and capacity of these systems. Security breaches, cyber attacks, or disruption, of our or our third- party service providers' physical or information technology infrastructure, networks and related management systems could result in, among other things, a breach of our networks and information technology infrastructure, the misappropriation of our or our tenants' proprietary or confidential information, interruptions or malfunctions in our or our tenants' operations, misstated financial reports, violations of loan covenants, an inability to monitor compliance with REIT qualification requirements, breach of our legal, regulatory or contractual obligations, **our** inability to access or rely upon critical business records, unauthorized access to our facilities or other disruptions in our operations. Numerous sources can cause these types of incidents, including physical or electronic security breaches ; viruses, ransomware or other malware ; hardware vulnerabilities ; accident or human error by our own personnel or third parties ; criminal activity or malfeasance (including by our own personnel) ; fraud or impersonation scams perpetrated against us or our partners or tenants ; or security events impacting our third- party service providers or our partners or tenants. We recognize the increasing volume of cyber attacks and employ commercially ~~practical~~ **reasonable** efforts to provide reasonable assurance such attacks are appropriately mitigated. We may be required to expend significant financial resources and management time to protect against or respond to such breaches. Techniques used to breach security change frequently and are generally not recognized until launched against a target, so we may not be able to promptly detect that a security breach or unauthorized access has occurred. We also may not be able to implement security measures in a timely manner or, if and when implemented, we may not be able to determine the extent to which these measures could be circumvented. If an actual or perceived security breach occurs, the market' s perception of our security measures could be harmed and we could lose current and potential tenants, and such a breach could be harmful to our brand and reputation. Any breaches that may occur could expose us to increased risk of lawsuits, material monetary damages, potential violations of applicable privacy and other laws, penalties and fines, harm to our reputation and increases in our security and insurance costs. In the event of a breach resulting in loss of data, such as personally identifiable information or other such data protected by data privacy or other laws, we may be liable for damages, fines and penalties for such losses under applicable regulatory frameworks despite not handling the data. We cannot guarantee that any backup systems, regular data backups, security protocols, network protection mechanisms and other procedures currently in place, or that may be in place in the future, will be adequate to prevent network and service interruption, system failure, damage to one or more of our systems or data loss in the event of a security breach or attack. In addition, the regulatory framework around data custody, data privacy and breaches varies by jurisdiction and is an evolving area of law with increasingly complex and rigorous regulatory standards enacted to protect business and personal data in the United States. We may not be able to limit our liability or damages in the event of such a loss. Data protection legislation is becoming increasingly common in the United States at both the federal and state level and may require us to further modify our data processing practices and policies. Compliance with existing, proposed and recently enacted laws and regulations can be costly; any failure to comply with these regulatory standards could subject us to legal and reputational risks. Misuse of or failure to secure personal information could also result in violation of data privacy laws and regulations, proceedings against the Company by governmental entities or others, fines and penalties, or damage to our reputation and credibility with regulators, tenants and investors. We may become subject to litigation, which could materially and adversely affect us. From time to time, we may become party to various lawsuits, claims and other legal proceedings. These matters may involve significant expense and may result in judgments or settlements, which may be significant. There can be no assurance that insurance will be available to cover losses related to legal proceedings or that our tenants will meet any indemnification obligations that they have to us. Litigation may result in significant defense costs and potentially significant judgments against us, some of which are not, or cannot be, insured against. Resolution of these types of matters against us may result in our having to pay significant fines, judgments or settlements, which, if uninsured, or if the fines, judgments, and settlements exceed insured levels, could materially and adversely affect us. Material weaknesses in or a failure to maintain an effective system of internal control over financial reporting or disclosure controls could prevent us from accurately and timely reporting our financial results, which could materially and adversely affect us. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports, effectively prevent fraud and operate successfully as a public company. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be harmed. We are required to perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on, and our independent registered public accounting firm to attest to, the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes- Oxley Act of 2002. Designing and implementing an effective system of internal control over financial reporting and disclosure controls and procedures is a continuous effort that requires significant resources, including the expenditure of a significant amount of time by senior members of our management team. In connection with our ongoing monitoring of our internal control over financial reporting or audits of our financial statements, we or our auditors may identify deficiencies in our internal control over financial reporting that may be significant or rise to the level of material weaknesses. Any failure to maintain effective internal control over financial reporting or disclosure controls and procedures or to timely effect any necessary improvements to such controls, could harm our operating results or cause us to fail to meet our reporting obligations (which could affect the listing of our common stock on the NYSE). Additionally, ineffective internal control over financial reporting or disclosure controls and procedures could also adversely affect our ability to prevent or detect fraud, harm our reputation and cause investors to lose confidence in our reported financial information, which would likely have a negative effect on the trading price of our common stock. Changes in accounting standards may materially and adversely affect us. From time to time FASB and the SEC, who create and interpret accounting standards, may change the financial accounting and reporting standards or their interpretation and application of these standards that will govern the preparation of our financial statements. These changes could materially and adversely affect our reported financial condition and results of operations, and, under certain circumstances, may cause us to fail to comply with financial covenants contained in agreements relating to our indebtedness. In some cases, we could be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements. Similarly, these changes could materially and adversely affect our tenants' reported financial condition or results of operations and affect their preferences regarding leasing real estate.