Risk Factors Comparison 2024-02-28 to 2023-03-01 Form: 10-K

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The following summarizes the material risks of purchasing or owning our securities. Our business, financial condition and / or results of operations and our ability to make distributions to our stockholders may be materially adversely affected by the nature and impact of these risks. In such case, the market value of our securities could be detrimentally affected, and investors may lose part or all of the value of their investment. You should carefully consider the risks and uncertainties described below in this Item 1A, " Risk Factors " included in this Annual Report on Form 10- K. These risks include, but are not limited to, the following: ● We are dependent on our tenants for our revenues. Our tenants face a wide range of business risks, including economic, competitive, government reimbursement and regulatory risks, any of which could cause our tenants to be unable to pay rent to us. ● We finance a portion of our portfolio with unhedged floating- rate debt from our Credit Facility. The rapid increase in inflation during 2022 **, which remained elevated during 2023,** led to a rapid increase in market interest rates, which materially increased the interest rate on our floating rate debt. In addition to interest rate risk, we are subject to additional risks associated with our Credit Facility generally, including covenant restrictions. ● Our assets are concentrated in healthcare- related facilities, making us more economically vulnerable to specific industry- related risks than if our assets were diversified across different industries. ● The inability of any of our significant tenants to pay rent to us could have a disproportionate negative affect on our business ~~. ● Competition for medical office buildings has increased significantly since the beginning of the COVID- 19 pandemic~~ . ● Most of our healthcare facilities are occupied by a single tenant, and we may have difficulty finding suitable replacement tenants in the event of a tenant default or non- renewal of our leases, especially for our healthcare facilities located in smaller markets. ● Our tenants' businesses have in the past and could again in the future be materially and adversely affected by the effects of the COVID- 19 virus, including labor shortages that have resulted from nurses and other medical personnel switching jobs within the medical profession or quitting the medical profession altogether, and other viruses or pandemics could cause similar effects in the future. ● We have significant geographic concentration in a small number of states, including Texas, Florida, Ohio, ~~Oklahoma,~~ Pennsylvania, Arizona, and Illinois. Economic and other conditions that negatively affect those states and our tenants in those states could have a greater effect on our revenues than if our properties were more geographically diverse. ● We rely on external sources of capital to fund future capital needs, and, if we encounter difficulty in obtaining such capital, we may not be able to make future acquisitions necessary to grow our business or meet maturing obligations. ● Subject to certain requirements under Maryland law and REIT requirements, the Board has sole discretion to determine if we will pay distributions and the amount and frequency of such distributions, and past distribution amounts may not be indicative of future distribution amounts. ● Failure to remain qualified as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders. Risks Related to our Business and Healthcare ~~FacilitiesWe~~ -- **Facilities** ~~are dependent on our tenants for our revenues. Our tenants face a wide range of business risks, including economic, competitive, government reimbursement and regulatory risks, any of which could cause our tenants to be unable to pay rent to us.~~ We are dependent on our tenants for our revenues. Our tenants face a wide range of business risks, including economic, competitive, government reimbursement and regulatory risks, which may adversely affect their businesses and, in turn, their ability to pay rent to us. If any of our tenants were unable to pay their rent to us, our revenues and operating cash flows could be materially adversely affected, which in turn could affect our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~14Our~~ -- **Our** assets are concentrated in healthcare- related facilities, making us more economically vulnerable to specific industry- related risks than if our assets were diversified across different industries. We acquire and own healthcare- related facilities. We are subject to risks inherent in concentrating investments in real estate, and specifically healthcare real estate. Any adverse effects that result from these risks could be more pronounced than if we diversified our investments outside of the healthcare industry. Any healthcare industry downturn could adversely affect the ability of our tenants to pay us rents and our ability to maintain current rental and occupancy rates. Our tenant mix could become even more concentrated if a significant portion of our tenants' practice in a particular medical field or are reliant upon a particular healthcare delivery system. Accordingly, a downturn in the healthcare industry generally, or a particular medical field or healthcare delivery system specifically, could materially adversely affect our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. The inability of any of our significant tenants to pay rent to us could have a disproportionate negative affect on our business. As of December 31, ~~2022~~ **2023** , the annualized base rent from our top three tenants represented approximately ~~18~~ **19** % of our portfolio- wide annualized base rent, including our LifePoint Health facilities, which comprised approximately 7 % of our annualized base rent; our Encompass facilities, which comprised approximately ~~6~~ **7** % of our annualized base rent; and our Memorial Health facilities, which comprised approximately 5 % of our annualized base rent. We have no control over the success or failure of our significant tenants' businesses, and, at any time, our significant tenants may fail to make rent payments when due, which, in turn, may have a disproportionate adverse effect on our business, financial condition, results of operations, our ability to make distributions to our stockholders ~~and the trading price of our common and preferred stock. Competition for medical office buildings has increased significantly since the beginning of the COVID- 19 pandemic. Medical office buildings were one of the few real estate asset classes that did not experience a significant downturn due to the COVID- 19 pandemic. Although many medical office building tenants did experience some business disruption during the beginning of the COVID- 19 pandemic, many were able to weather those disruptions and return to normal operations within a short period of time. This was not the case of many other types of real~~

~~estate, such as hospitality, retail, and general commercial office buildings, which experienced significant tenant issues due to travel restrictions, changes in consumer habits during the pandemic and remote working policies instituted by many employers. The resiliency of medical office buildings during the COVID- 19 pandemic caused many real estate investors to enter the market in search of reliable returns. This influx of investors has caused medical office building prices and competition to increase significantly, especially for Class A properties in prime locations, but has also caused similar increases in our target markets. An increase in competition for our acquisition targets could make it more difficult to grow our business, which could affect our ability to increase our distributions~~ and the trading price of our common and preferred stock. Our tenants' businesses have in the past and could again in the future be materially and adversely affected by the effects of the COVID- 19 virus, including labor shortages that have resulted from nurses and other medical personnel switching jobs within the medical profession or quitting the medical profession altogether, and other viruses or pandemics could cause similar effects in the future. ~~The~~ COVID- 19 ~~pandemic~~ has affected the healthcare industry in many ways. Many stories exist about U. S. healthcare workers, especially nurses, experiencing burnout due to the length and severity of the pandemic, and this has caused many nurses and other medical professionals to switch jobs within the medical profession or quit the profession altogether. This phenomenon has led to material increases in labor costs for healthcare systems, especially hospital systems, as employers have had to rely on contract nursing labor to sustain their businesses ~~. Other viruses or pandemics could cause similar effects in the future. In October 2022, Pipeline Health Systems, one of our top 10 tenants, filed for Chapter 11 bankruptcy protection due in part to increases in labor costs resulting from nursing shortages~~. If these labor shortages are not rectified at reasonable cost, healthcare practices, including our tenants, may continue to experience staffing shortages or increased labor and recruitment costs, which could negatively impact their businesses and their ability to pay rents to us. Additionally, the volatility of COVID- 19, its variants and its subvariants are unpredictable and there are no assurances that new variants and subvariants will not emerge in the future. ~~15The~~ **Other viruses or pandemics could also cause similar effects in the future. An epidemic or pandemic (such as the outbreak and worldwide spread of** COVID- 19 **), and the measures that international, federal, state and local governments, agencies, law enforcement and / or health authorities implement to address it, may precipitate or materially exacerbate one or more of the other risks, and may significantly disrupt our business. An epidemic or** pandemic ~~,~~ **could have a material and adverse effect on or cause disruption to** ~~or~~ **our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock due to, among** other **factors: 14 ● The inability to access debt and equity capital on favorable terms, if at all, or a severe disruption and instability in the** global ~~pandemic~~ **financial markets or deteriorations** in ~~the~~ **credit and financing conditions may affect our access to capital necessary to fund business operations, pursue acquisition opportunities, refinance existing debt, reduce our ability to make cash distributions to our stockholders and increase our** future **interest expense; ● The potential negative impact on the health of our employees, particularly if a significant number are impacted, or the impact of government actions or restrictions, including stay- at- home orders, restricting access to our corporate office** , could **result in a deterioration in our ability to ensure business continuity during a** ~~disrupt~~ **disruption** ~~our~~ **;** and **● Disruptions to the operations of** our third- party ~~advisors' businesses. In response to the COVID- 19 pandemic and measures taken by applicable governmental authorities, we have been encouraging all of our employees at our corporate office to work remotely until further notice. While we believe these measures are advisable and in the best interests of our employees and communities, such measures, in combination with other factors, have caused disruptions to our normal operations and may continue to do so during the pendency of such measures. Additionally, certain of our~~ service providers **due to** ~~have instituted or may institute similar preventative measures or are experiencing~~ labor shortages **and remote** ~~due to COVID- 19, which has~~ **work arrangements or other measures could** ~~resulted~~ **result** in **the** ~~reductions~~ **reduction** in the availability, capacity and / or efficiency of the services upon which we depend for our operations, including the services we use to complete our property acquisitions. ~~Further, in the event any of our employees, and / or employees of our service providers, contract COVID- 19 or are otherwise compelled to self- quarantine, we may experience shortages in labor and services that we require for our operations. Also, remote work arrangements may increase the risk of cybersecurity incidents, data breaches or cyber- attacks, which could have a material adverse effect on our business and results of operations, due to, among other things, the loss of proprietary data, interruptions or delays in the operation of our business and damage to our reputation.~~ Our leases are generally **medium- to-** long- term leases with annual rent escalators, however, some of our debt financing is subject to floating interest rates. Recent increases in interest rates have not been matched by an increase in our rent payments, which has exposed us to a funding imbalance. Our revenues are generated by our leases, which are typically medium- to- long- term leases with fixed rental rates, subject to annual rent escalators. The unhedged portion of our Credit Facility debt is subject to SOFR, which has increased substantially since early 2022 **and continued to rise in 2023** . The generally fixed nature of revenues and the variable rate of our debt obligations create interest rate risk for us. Increases in interest rates have not been matched by increases in our rental income, which has increased our expenses and has materially adversely affected our business, financial condition, results of operations and the trading price of our common and preferred stock. Further increases in interest rates may have a material, adverse effect on our ability to make distributions to our stockholders. The bankruptcy of any of our tenants could bar our efforts to collect pre- bankruptcy debts from the tenant or evict the tenant and take back control of the property. Any bankruptcy filings by or relating to one of our tenants could bar all efforts by us to collect pre- bankruptcy debts from that tenant or evict the tenant and take back control of the property, unless we receive an order permitting us to do so from a bankruptcy court, which we may be unable to obtain. A tenant bankruptcy could also delay our efforts to collect past **-** due balances under the relevant leases and could ultimately preclude full collection of these sums. If a tenant rejects the lease while in bankruptcy, we would have only a general unsecured claim for pre- petition damages. Any unsecured claim that we hold may be paid only to the extent that funds are available and only in the same percentage as is paid to all other holders of unsecured claims. It is possible that we may recover substantially less than the full value of any unsecured claims that we hold, or nothing at all, which may have a material adverse effect on our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common stock and preferred stock. Furthermore, dealing with a tenant bankruptcy or other default may divert management' s attention and cause us to incur substantial legal and other costs. ~~In October 2022, one of our tenants, Pipeline Health Systems, LLC filed for Chapter 11 bankruptcy protection. See " Business — Recent Developments — Chapter 11 Reorganization Filing of Pipeline Health System, LLC, " for a description of the Pipeline bankruptcy.~~ The physical effects of climate change could have a material adverse effect on our properties. The physical effects of climate change could have a material adverse effect on our facilities, operations, and business. To the extent climate change causes changes in weather patterns, markets where our properties are located could experience increases in storm intensity, rising sea- levels, and changes in precipitation, temperature, and air quality. Over time, these conditions could result in physical damage to, or declining demand for, our properties or our inability to operate the facilities at all. Climate change may also indirectly affect our business by increasing the cost of (or making unavailable) property insurance on terms we find acceptable, increasing the cost of energy and increasing the risk of ~~flood~~ **flooding** ~~at~~ our properties. Should the impact of climate change be severe or occur for lengthy periods of time, our business, financial condition, results of operations, or our ability to make distributions to our stockholders and the trading price of our common and preferred stock could be materially adversely impacted. ~~16Adverse~~ -- **Adverse** economic or other conditions in our geographic markets could negatively affect our tenants' ability to pay rent to us. Adverse economic or other conditions in our geographic markets, including periods of economic slowdown or recession, industry slowdowns, periods of deflation, relocation of businesses, changing demographics, earthquakes and other natural disasters, ~~fires~~ **15fires** , terrorist acts, public health crisis, pandemics and epidemics, such as the COVID- 19 pandemic, and civil disturbances or acts of war and other man- made disasters which may result in uninsured or underinsured losses, and changes in tax, real estate, zoning and other laws and regulations, may negatively affect our tenants' businesses and ability to pay rents to us and, therefore, could have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Most of our healthcare facilities are occupied by a single tenant, and we may have difficulty finding suitable replacement tenants in the event of a tenant default or non- renewal of our leases, especially for our healthcare facilities located in smaller markets. As of December 31, ~~2022~~ **2023** , leases representing ~~6~~ **12** . ~~6~~ **8** %, ~~13.~~ 7 **. 2** % and ~~7~~ **9** . ~~7~~ **3** % of our portfolio annualized base rent expire in ~~2023,~~ 2024 ~~and~~ **,** 2025 **and 2026** , respectively. Most of our healthcare facilities are occupied by a single tenant. Following expiration of a lease term or if we exercise our right to replace a tenant in default, rental payments on the related healthcare facilities could decline or cease altogether while we reposition such healthcare facility with a suitable replacement tenant. We also might not be successful in identifying suitable replacement tenants or entering into triple- net leases with new tenants on a timely basis, on favorable terms, or at all. Additionally, we may be required to fund certain expenses and obligations (e. g., real estate taxes, debt costs and maintenance expenses) to preserve the value of, and avoid the imposition of liens on, our healthcare facilities while they are being repositioned. Our ability to reposition our healthcare facilities with a suitable tenant could be significantly delayed or limited by state licensing, receivership, CON or other laws, as well as by the Medicare and Medicaid change- of- ownership rules. We could also incur substantial additional expenses in connection with any licensing, receivership or change- of- ownership proceedings. In addition, our ability to locate suitable replacement tenants could be impaired by the specialized healthcare uses or contractual restrictions on use of the healthcare facilities, and we may be required to spend substantial amounts to adapt the healthcare facilities to other uses. Any such delays, limitations and expenses could adversely impact our ability to collect rent, obtain possession of leased healthcare facilities or otherwise exercise remedies for tenant default, which, in turn, could have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. All ~~of~~ these risks may be greater in smaller markets, where there may be fewer potential replacement tenants, making it more difficult to replace tenants, especially for specialized space. We have significant geographic concentration in a small number of states, including Texas, Florida, Ohio, ~~Oklahoma,~~ Pennsylvania, Arizona, and Illinois. Economic and other conditions that negatively affect those states and our tenants in those states could have a greater effect on our revenues than if our properties were more geographically diverse. As of December 31, ~~2022~~ **2023** , approximately ~~18~~ **19** %, ~~10~~ **11** %, ~~8~~ **9 %, 7** %, 6 %, ~~6 %, 6 %~~ and 6 % of our total annualized base rent was derived from properties located in Texas, Florida, Ohio, ~~Oklahoma,~~ Pennsylvania, Arizona, and Illinois, respectively. As a result of this geographic concentration, we are particularly exposed to downturns in these states' economies or other changes in local real estate market conditions. Any material changes in the current payment programs or regulatory, economic, environmental or competitive conditions in these states could have an amplified effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock than if our properties were more geographically diverse. ~~17We~~ **We** may be unable to successfully enter into definitive purchase or sale agreements for, or close the acquisition or sale of, the properties in our investment pipeline or our portfolio. There is no assurance that we will successfully enter into definitive purchase agreements for the facilities in our investment pipeline or definitive sale agreements for current properties we wish to sell. We or a counterparty could also determine through due diligence that a prospective facility does not meet our or their investment standards. We also may be unable to come to an agreement with the seller or buyer for the purchase or sale of the facility. Additionally, there is no assurance that we will successfully close an acquisition or sale once a purchase or sale agreement has been signed. After a purchase or sale agreement has been signed, we (or the buyer in the case of a sale transaction) typically have a due diligence period of 45 to 60 days. If we or a buyer identify problems with the property or the operator during our or their due diligence review, we ~~may~~ or they may terminate the purchase or sale agreement and not close. Failure to close acquisitions or dispositions under contract could make it more difficult to grow or manage our portfolio, which could materially adversely affect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~We~~ **16We** may obtain only limited warranties when we purchase a property, which, in turn, would only provide us with limited recourse against the seller if issues arise after our purchase of a property. The seller of a property often sells such property in its " as is " condition on a " where is " basis and " with all faults, " without any warranties of merchantability or fitness for a particular use or purpose. In addition, purchase and sale agreements may contain only limited warranties, representations and indemnifications that will only survive for a limited period after the closing. The purchase of properties with limited warranties increases the risk of having little or no recourse against a seller if issues were to arise at such property. This, in turn, could cause us to have to write off our investment in the property, which could materially adversely affect our business, financial condition, results of operations, our ability to pay distributions to our stockholders and the trading price of our common and preferred stock. Our healthcare buildings that are subject to ground leases could restrict our use of such healthcare facilities. We have seven buildings located on land that is subject to operating ground leases, representing approximately 4. ~~2~~ **3** % of our December ~~2022~~ **2023** annualized base rent. These ground leases contain certain restrictions. These restrictions include limits on our ability to re- let the facilities, rights of purchase and rights of first offer and refusal with respect to sales of the healthcare facility and limits on the types of medical procedures that may be performed at the facilities. These restrictions could affect our returns on these facilities which, in turn, could materially adversely affect our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Our healthcare facilities and our tenants may be unable to compete successfully, which could negatively affect our tenants' businesses and ability to pay rent to us. Our healthcare facilities often face competition from nearby hospitals and other healthcare facilities that provide comparable services, including urgent care and primary care facilities as well as home healthcare companies. These competitors may have greater geographic coverage, better access to physicians and patients and provide or are perceived to provide higher quality services. From time to time and for reasons beyond our control, managed care organizations may change their lists of preferred hospitals or in- network physicians, which may favor our tenants' competitors. Furthermore, our tenants may lose physicians to their competitors or an increase in telehealth services could reduce the need for healthcare facilities. Any reduction in rental revenues resulting from the inability of our tenants or their associated healthcare delivery systems to compete or due to a reduced need for healthcare facilities generally may have a material adverse effect on our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~18We~~ **We** may incur uninsured losses or losses in excess of our insurance coverage, which may result in us having to absorb all or a portion of such loss. Our tenants are generally required (either directly or through a reimbursement arrangement with us) to maintain comprehensive property and casualty insurance covering our properties. However, some types of losses may be uninsurable or too expensive to insure against, such as losses due to windstorms, terrorist acts, earthquakes, and toxic mold, among others. Accordingly, we may not have enough insurance coverage against certain types of losses and may experience decreases in the insurance coverage available. Should an uninsured loss or a loss in excess of insured limits occur, we could lose all or a portion of our investment in a property, as well as the anticipated future revenue from the property. In such an event, we might remain obligated for any mortgage debt or other financial obligation related to the property. Further, if any of our insurance carriers were to become insolvent, we would be forced to replace the existing coverage with another suitable carrier, and any outstanding claims would be at risk for collection. In such an event, we cannot be certain that we would be able to replace the coverage at similar or otherwise favorable terms. We have obtained title insurance policies for each of our properties, typically in an amount equal to its original price. However, these policies may be for amounts less than the current or future values of our properties. In such an event, if there is a title defect relating to any of our properties, we could lose some of our investment in and anticipated profits from such property. If we were to experience uninsured losses or if any of our insurance carriers were unable to pay insurance claims, we may lose all or a portion of our investment in a property and the revenues associated with such property, which could materially adversely affect our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~We~~ **17We** may incur environmental compliance costs and liabilities associated with owning, leasing, developing and operating our healthcare facilities. Under various U. S. federal, state and local laws, ordinances and regulations, current and prior owners and tenants of healthcare facilities may be jointly and severally liable for the costs of investigating, remediating and monitoring certain hazardous substances or other regulated materials on or in such healthcare facility. In addition to these costs, the past or present owner or tenant of a healthcare facility from which a release emanates could be liable for any personal injury or property damage that results from such releases, including for the unauthorized release of asbestos- containing materials and other hazardous substances into the air, as well as any damages to natural resources or the environment that arise from such releases. These environmental laws often impose such liability without regard to whether the current or prior owner or tenant knew of, or was responsible for, the presence or release of such substances or materials. Moreover, the release of hazardous substances or materials, or the failure to properly remediate such substances or materials, may adversely affect the owner' s or tenant' s ability to lease, sell, develop or rent such healthcare facility or to borrow against such healthcare facility. Persons who transport or arrange for the disposal or treatment of hazardous substances or other regulated materials may be liable for the costs of removal or remediation of such substances at a disposal or treatment facility, regardless of whether such facility is owned or operated by such person. Certain environmental laws impose compliance obligations on owners and tenants of real property with respect to the management of hazardous substances and other regulated materials. For example, environmental laws govern the management and removal of asbestos- containing materials and lead- based paint. Failure to comply with these laws can result in penalties or other sanctions. If we are held liable under these laws, our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock may be materially adversely affected. ~~19The -~~ - **The** income from certain of our properties is dependent on the ability of our property managers to successfully manage those properties. We depend upon the performance of our property managers to effectively manage certain of our properties. We do not control these third- party property managers and are accordingly subject to various risks generally associated with outsourcing of management of day- to- day activities, including the risk that a property manager may not be able to successfully manage a property. Additionally, because we do not control our third- party property managers, any adverse events such as issues related to insufficient internal controls, cybersecurity incidents or other adverse events may impact the income we recognize from properties managed by such third- party property managers. We may be unable to anticipate such events or properly assess the magnitude of any such events because we do not control our third- party property managers. If our property managers are unable to successfully manage our properties, our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock may be materially adversely affected. We, our tenants, and our property managers face risks associated with security breaches through cyber- attacks, cyber- intrusions, or otherwise, as well as other significant disruptions of information technology networks and related systems. We and our tenants face risks associated with security breaches, whether through cyber- attacks or cyber intrusions over the Internet, malware, computer viruses, attachments to emails, company insiders, or persons with access to our and our tenants' systems, and other significant disruptions of our and our tenants' information technology (" IT ") networks and related systems. **Also, remote work arrangements may increase the risk of cybersecurity incidents, data breaches or cyber- attacks.** The risk of a security breach or disruption, particularly through cyber- attack or cyber- intrusion, including by computer hackers, foreign governments and cyber- terrorists, has generally increased as the number, intensity, and sophistication of attempted attacks and intrusions from around the world have increased. Our and our tenants' IT networks and related systems are essential to the operation of each of our businesses and our and our tenants' ability to perform day- to- day operations (including maintaining confidential patient data). Although we make efforts to maintain the security and integrity of our IT networks and related systems, and we have implemented various measures to manage the risk of a security breach or disruption, there can be no assurance that these security measures will be effective or that attempted security breaches or disruptions would not be successful or damaging. Additionally, our tenants may not have enough risk mitigation measures in place or, even if they do, such measures may not be effective. Even the most well protected information, networks, systems, and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not to be detected and may not be detected. Accordingly, we and our tenants may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and it is therefore impossible to entirely mitigate the risk. ~~A~~ **18A** security breach or other significant disruption involving our or our tenants' IT networks and related systems could: ● Disrupt the proper functioning of our or our tenants' networks and systems and therefore our operations and / or those of our tenants; ● Result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of proprietary, confidential, sensitive, or otherwise valuable information about us, our tenants or our tenants' patients, which others could use to compete against us or our tenants or which could expose us or our tenants to regulatory action or damage claims by third- parties; ● Result in misstated financial reports, violations of loan covenants, missed reporting deadlines, and / or missed permitting deadlines; ● Result in our inability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT; ● Jeopardize the building systems relied upon by our tenants for the efficient use of their leased space; ● Require significant management attention and resources to remedy any damages that result; ● Subject us or our tenants to claims for breach of contract, damages, credits, penalties, or termination of leases or other agreements; ~~or20~~ **or** ● Damage our and our tenants' reputations. Any or all the foregoing could have a material adverse effect on our business, financial condition and results of operations, our ability to pay distributions to our stockholders and the trading price of our common and preferred stock. Risks Related to our FinancingsWe finance a portion of our portfolio with unhedged floating- rate debt from our Credit Facility. The rapid increase in inflation during 2022 **, which remained elevated during 2023,** led to a rapid increase in market interest rates, which materially increased the interest rate on our floating rate debt. In addition to interest rate risk, we are subject to additional risks associated with our Credit Facility generally, including covenant restrictions. As of December 31, ~~2022~~ **2023**, the balance of the revolver component of our Credit Facility (the " Revolver ") was $ ~~145~~ **92** . ~~7~~ **4** million, which represented approximately ~~21~~ **15** % of our total outstanding indebtedness at December 31, ~~2022~~ **2023** . The rapid increase in inflation during 2022 **, which remained elevated during 2023,** has led to a dramatic increase in market interest rates as the Fed has implemented a series of interest rate increases to curb the inflation rate. As a result, the ~~One~~ **one** - ~~Month~~ **month** ~~Term~~ **term** SOFR, which serves as the base rate for the Revolver, increased from just over 0 % at the start of **2022** ~~the year~~ to ~~4~~ **5** . ~~32~~ **36** % in December ~~2022 and has continued to increase in~~ 2023 ~~to date. Additionally SOFR is currently forecasted to increase to approximately 5. 40 % by August 2023 (based on the term SOFR forward curve as of February 24, 2023), or approximately 108 basis points (1. 08 %) from our SOFR rate as of December 31, 2022~~ . The ~~recent~~ increase in interest rates has caused our borrowing costs to materially increase, which has, among other things, increased our cost of capital (which has affected our ability to acquire assets) and decreased our earnings, liquidity, cash available to make distributions to our stockholders and the trading price of our common and preferred stock. The terms of our debt agreements require us to comply with several customary financial and other covenants, such as maintaining certain leverage and coverage ratios and minimum tangible net worth requirements. See " Management' s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources " for a description of these covenants. Our continued ability to incur additional debt, make distributions and conduct business in general is subject to our compliance with these covenants, which limit our operational flexibility. Breaches of these covenants could result in defaults under the instruments governing the applicable indebtedness, in addition to any other indebtedness cross- defaulted against such instruments, which could accelerate the principal balance of our debt and cause our lenders to institute foreclosure proceedings against us. Therefore, any such default could have a material adverse impact on our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~Our~~ **19Our** interest rate hedges may not be successful in mitigating our interest rate risks. We use derivative instruments to hedge exposure to changes in interest rates on certain of our variable rate loans. As of December 31, ~~2022~~ **2023** , we had ~~15~~ **13** interest rate swap agreements with a total notional amount of $ 500 million that fixed the SOFR component of the interest rate on the $ 350 million and $ 150 million term loan components under our Credit Facility (the " Term Loans "). There is no assurance that our hedging instruments will adequately mitigate our interest rate risk or that our hedging strategy will not result in losses. Additionally, a hedging counterparty may fail to honor its obligations to us. If our interest rate hedges are unsuccessful in mitigating our interest rate risk, or if a hedging counterparty fails to honor its obligations to us, our borrowing costs would increase, which could, among other things, increase our cost of capital and decrease our earnings, liquidity, cash available to make distributions to our stockholders and the trading price of our common and preferred stock. We finance our healthcare facilities with term indebtedness, and we may place term indebtedness on our healthcare facilities in the future. We may not be able to refinance such debt when due or may be unable to refinance such debt on favorable terms. As of December 31, ~~2022~~ **2023**, we had $ ~~694~~ **611**. ~~1~~ **2** million of indebtedness outstanding (net of unamortized debt issuance costs). We may also place indebtedness on our healthcare facilities in the future. We run the risk of being unable to refinance such debt (including our Credit Facility debt) when the loans come due or of being unable to refinance on favorable terms. If interest rates are higher when we refinance debt, our income could be reduced. We may be unable to refinance debt at appropriate times, which may require us to sell healthcare facilities on terms that are not advantageous to us or could result in the foreclosure of such healthcare facilities. Any of these events could have a material adverse effect on our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~21We~~ **We** rely on external sources of capital to fund future capital needs, and, if we encounter difficulty in obtaining such capital, we may not be able to make future acquisitions necessary to grow our business or meet maturing obligations. To ~~qualify~~ **maintain our qualification** as a REIT, we are required, among other things, to distribute each year to our stockholders at least 90 % of our taxable income, without regard to the deduction for dividends paid and excluding net capital gain. Because of this distribution requirement, we may not be able to fund our future capital needs from cash retained from operations, including capital needed to make investments and to satisfy or refinance maturing obligations. As a result, we expect to rely on external sources of capital, including debt and equity financing, to fund future capital needs. Our access to capital will depend upon several factors, many of which we have little or no control, including: ● The extent of investor interest; ● Our ability to satisfy the distribution requirements applicable to REITs; ● The general reputation of REITs and the attractiveness of their equity securities in comparison to other equity securities, including securities issued by other real estate-based companies; ● Our financial performance and that of our tenants; ● Analyst reports about us and the REIT industry; ● General stock and bond market conditions, including changes in interest rates on fixed income securities, which may lead prospective purchasers of our stock to demand a higher annual yield from future distributions; ● A failure to maintain or increase our dividend which is dependent, in large part, upon our funds from operations, or FFO, which, in turn, depends upon increased revenue from additional acquisitions and rental increases; and ● Other factors such as governmental regulatory action and changes in tax laws. If we are unable to obtain needed capital on satisfactory terms or at all, we may not be able to make the investments needed to expand our business or to meet our obligations and commitments as they mature, which, in turn, could materially adversely affect our business, financial conditions, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~Risks~~ **20Risks** Related to the Healthcare IndustryAdverse trends in the healthcare industry may negatively affect our tenants' businesses. The healthcare industry is currently experiencing, among other things: ● Changes in the demand for and methods of delivering healthcare services; ● Competition among healthcare providers; ● Consolidation of large health insurers; ● Regulatory and government reimbursement uncertainty resulting from the Affordable Care Act and other healthcare reform laws; ● Federal court decisions on cases challenging the legality of the Affordable Care Act; ● Federal and state government plans to reduce budget deficits and address debt ceiling limits by lowering healthcare provider Medicare and Medicaid payment rates; ● Changes in third- party reimbursement methods and policies; ~~and22~~ -- **and** ● Increased scrutiny of billing, referral and other practices by U. S. federal and state authorities. These factors may adversely affect the economic performance of some or all of our tenants and, in turn, our lease revenues, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. The healthcare industry is heavily regulated, and new laws or regulations, changes to existing laws or regulations, loss of licensure or failure to obtain licensure could result in the inability of our tenants to make rent payments to us. The healthcare industry is heavily regulated by U. S. federal, state, and local governmental authorities. Our tenants generally are subject to laws and regulations covering, among other things, licensure, certification for participation in government programs, billing for services, privacy and security of health information and relationships with physicians and other referral sources. See " Business – Government Programs, Laws and Regulations " for a description of the laws and regulations that affect the healthcare industry. In addition, new laws and regulations, changes in existing laws and regulations or changes in the interpretation of such laws or regulations could affect our tenants' ability to make rent payments to us, which, in turn, could have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. These changes, in some cases, could apply retroactively. The enactment, timing, or effect of legislative or regulatory changes cannot be predicted. Violations of healthcare laws may result in criminal and / or civil penalties that range from punitive sanctions, damage assessments, penalties, imprisonment, denial of Medicare and Medicaid payments and / or exclusion from the Medicare and Medicaid programs. Imposition of any of these penalties upon one of our tenants could jeopardize that tenants' ability to operate or to make rent payments or affect the level of occupancy in our healthcare facilities, which may have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Reductions in reimbursement from third- party payors, including Medicare and Medicaid, could adversely affect the profitability of our tenants and hinder their ability to make rent payments to us or renew their leases. Sources of revenue for our tenants typically include the U. S. federal Medicare program, state Medicaid programs and private insurance payors. Healthcare providers continue to face increased government and private payor pressure to control or reduce healthcare costs and significant reductions in healthcare reimbursement, including reduced reimbursements and changes to payment methodologies under the Affordable Care Act. In some cases, private insurers rely on all or portions of the Medicare payment systems to determine ~~payment~~ **21payment** rates, which may result in decreased reimbursement from private insurers. Any reductions in payments or reimbursements from third-party payors could adversely affect the reimbursement rates received by our tenants, the financial success of our tenants and strategic partners and, therefore, our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Downturns in the United States economy could negatively affect state budgets, thereby putting pressure on states to decrease spending on state programs including Medicaid. The need to control Medicaid expenditures may be exacerbated by the potential for increased enrollment in state Medicaid programs due to unemployment and declines in family incomes. Historically, states have often attempted to reduce Medicaid spending by limiting benefits and tightening Medicaid eligibility requirements. Many states have adopted, or are considering the adoption of, legislation designed to enroll Medicaid recipients in managed care programs and / or impose additional taxes on hospitals to help finance or expand the states' Medicaid systems. Potential reductions to Medicaid program spending in response to state budgetary pressures could negatively impact the ability of our tenants to successfully operate their businesses, and, consequently, could have a material adverse effect on our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~23Our~~ -- **Our** tenants may be subject to significant legal actions that could subject them to increased operating costs and substantial uninsured liabilities, which may affect their ability to pay their rent payments to us, and we could also be subject to healthcare industry violations. As is typical in the healthcare industry, our tenants may often become subject to claims that their services have resulted in patient injury or other adverse effects. Many of these tenants may have experienced an increasing trend in the frequency and severity of professional liability and general liability insurance claims and litigation asserted against them. The insurance coverage maintained by these tenants may not cover all claims made against them nor continue to be available at a reasonable cost, if at all. In some states, insurance coverage for the risk of punitive damages arising from professional liability and general liability claims and / or litigation may not, in certain cases, be available to these tenants due to state law prohibitions or limitations of availability. As a result, these types of tenants of our healthcare facilities operating in these states may be liable for punitive damage awards that are either not covered or are in excess of their insurance policy limits. We also believe that there has been, and will continue to be, an increase in governmental investigations of certain healthcare providers, particularly in the area of Medicare / Medicaid false claims, as well as an increase in enforcement actions resulting from these investigations. Insurance is not available to cover such losses. Any adverse determination in a legal proceeding or governmental investigation, any settlements of such proceedings or investigations in excess of insurance coverage, whether currently asserted or arising in the future, could have a material adverse effect on a tenant' s financial condition. If a tenant is unable to obtain or maintain insurance coverage, if judgments are obtained or settlements reached in excess of the insurance coverage, if a tenant is required to pay uninsured punitive damages, or if a tenant is subject to an uninsurable government enforcement action or investigation, the tenant could be exposed to substantial additional liabilities, which may affect the tenant' s ability to pay rent, which in turn could have a material adverse effect on our business, financial condition and results of operations, our ability to pay distributions to our stockholders and the trading price of our common and preferred stock. Risks Related to the Real Estate IndustryChanges in the general real estate market conditions may adversely affect us. Real estate investments are subject to various risks and fluctuations and cycles in value and demand, many of which are beyond our control. Certain market conditions that may affect our business are as follows: ● National or regional economic upturns could increase the value of real estate generally, which could make it more difficult for us to acquire new healthcare properties at attractive prices or prevent us from purchasing additional facilities at all; ● National or regional economic downturns could adversely affect our tenants' businesses, or the businesses located in our tenants' geographic region, which could adversely affect our tenants' ability to pay rent and the value of our healthcare properties; **22** ● A decrease in interest rates and financing costs could increase demand for real estate and, thus, the price of real estate. An increase in demand for real estate could make it more difficult for us to acquire additional healthcare facilities at attractive prices or prevent us from purchasing additional facilities at all; and ● An increase in interest rates and financing costs could decrease the demand for real estate and, thus, the price of real estate. A decrease in demand for real estate could make it more difficult for us to dispose of our healthcare facilities at attractive prices or prevent us from disposing of our facilities at all. If we experience one or more of the risks described above, our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock could be materially adversely affected. ~~24Illiquidity~~ -- **Illiquidity** of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our healthcare facilities. Because real estate investments are relatively illiquid, our ability to promptly sell one or more of our healthcare facilities in response to changing economic, financial and investment conditions is limited. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond our control. We cannot predict whether we will be able to sell any of our healthcare facilities for the price or on the terms set by us or whether any price or other terms offered by a prospective purchaser would be acceptable to us. We also cannot predict the length of time needed to find a willing purchaser and to close the sale of any of our healthcare facilities. We may be required to expend funds to correct defects or to make improvements before a healthcare facility can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. In acquiring a healthcare facility, we have in the past and may in the future agree to transfer restrictions that materially restrict us from selling that healthcare facility for a period of time or impose other restrictions, such as a limitation on the amount of debt that can be placed or repaid on that healthcare facility. These transfer restrictions would impede our ability to sell a healthcare facility even if we deem it necessary or appropriate. These facts and any others that would impede our ability to respond to adverse changes in the performance of our healthcare facilities may have a material adverse effect on our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Uncertain market conditions could cause us to sell our healthcare facilities at a loss in the future. We intend to hold our various real estate investments until we determine that a sale or other disposition appears to be advantageous to achieve our investment objectives. We may exercise our discretion as to whether and when to sell a healthcare facility, and we have no obligation to sell our facilities. We generally intend to hold our healthcare facilities for an extended period, and we cannot predict with any certainty the various market conditions affecting real estate investments that will exist at any particular time in the future. Because of the uncertainty of market conditions that may affect the future disposition of our healthcare facilities, we may not be able to sell our buildings at a profit in the future or at all. We may incur prepayment penalties if we sell a healthcare facility subject to a mortgage earlier than we otherwise had planned. Additionally, we could be forced to sell healthcare facilities at inopportune times which could result in us selling the affected building at a substantial loss. Any inability to sell a healthcare facility could materially, adversely affect our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Our assets may become subject to impairment charges. We periodically evaluate our real estate investments and other assets for impairment indicators. The judgment regarding the existence of impairment indicators is based upon factors such as market conditions, lease re- negotiations, tenant performance and legal structure. For example, the termination of a lease by a major tenant may lead to an impairment charge. If we determine that an impairment has occurred, we would be required to make an adjustment to the net carrying value of the asset which could have a material adverse effect on our business, financial condition, results of operations and the trading price of our common and preferred stock. ~~Risks~~ **23Risks** Related to Our StructureWe have no direct operations and rely on funds received from our Operating Partnership and its subsidiaries to meet our obligations. We conduct substantially all of our operations through our Operating Partnership. As of December 31, ~~2022~~ **2023** , we owned ~~93~~ **92** . ~~97~~ **91** % of the outstanding OP Units. Apart from this ownership interest in our Operating Partnership, we do not have any independent operations. As a result, we rely on distributions from our Operating Partnership to pay any dividends that we might declare on our common and preferred stock. We also rely on distributions from our Operating Partnership to meet our obligations. Stockholders' claims will consequently 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, claims of our stockholders will be satisfied only after all of our and our Operating Partnership' s and its subsidiaries' liabilities and obligations have been paid in full. If we do not receive enough funds from our Operating Partnership, our ability to make distributions to our stockholders and the trading price of our common and preferred stock may be materially, adversely affected. ~~25Subject~~ -- **Subject** to certain requirements under Maryland law and REIT requirements, the Board has sole discretion to determine if we will pay distributions and the amount and frequency of such distributions, and past distribution amounts may not be indicative of future distribution amounts. Any future distributions will be at the sole discretion of the Board and will depend upon a number of factors, including our actual and projected results of operations, the cash flow generated by our operations, funds from operations (" FFO "), adjusted FFO (" AFFO "), liquidity, our operating expenses, our debt service requirements, capital expenditure requirements for the properties in our portfolio, prohibitions and other limitations under our financing arrangements, our REIT taxable income, the annual REIT distribution requirements, restrictions on making distributions under Maryland law and such other factors as the Board deems relevant. We cannot assure you that our distribution policy will not change in the future or that the Board will continue to declare dividends at the same rate as in ~~2022~~ **2023** . Our use of OP Units as currency to acquire healthcare facilities could result in stockholder dilution and / or limit our ability to sell such healthcare facilities, which could have a material adverse effect on us. We have acquired, and in the future may acquire, healthcare facilities or portfolios of healthcare facilities through tax- deferred contribution transactions in exchange for OP Units, which may result in stockholder dilution. 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 healthcare facilities, and has required, and may in the future 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 healthcare facilities or the allocation of partnership debt to the contributors to maintain their tax bases. These restrictions could limit our ability to sell healthcare facilities at a time, or on terms, that would be favorable absent such restrictions which, in turn, could materially, adversely affect our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Our Operating Partnership may issue additional OP Units to third parties without the consent of our stockholders, which would reduce our ownership percentage in our Operating Partnership and could have a dilutive effect on the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. Holders of shares of our common stock will generally not have any voting rights with respect to activities of our Operating Partnership, including issuances of additional OP Units in amounts that do not exceed 20 % of our outstanding shares of common stock. As of December 31, ~~2022~~ **2023** , we owned ~~93~~ **92** . ~~97~~ **91** % of the outstanding OP Units. Our Operating Partnership may, in connection with our acquisition of healthcare facilities or otherwise, issue additional OP Units to third parties. Such issuances would reduce our ownership percentage in our Operating Partnership and could affect the amount of distributions made to us by our Operating Partnership and, therefore, the amount of distributions we can make to our stockholders. We may be unable to maintain effective internal control over financial reporting. Pursuant to the Sarbanes- Oxley Act of 2002, we are required to provide a report by management on internal control over financial reporting, including management' s assessment of the effectiveness of such controls. Because of its inherent limitations, including the possibility of human error, the circumvention or overriding of controls, or fraud, effective internal control over financial ~~reporting~~ **24reporting** may not prevent or detect misstatements and can provide only reasonable assurance with respect to the preparation and fair presentation of financial statements. If we fail to maintain the adequacy of our internal controls, including any failure to implement required new or improved controls as a result of changes to our business or otherwise, or if we experience difficulties in their implementation, our business, results of operations and financial condition, our ability to make distributions to our stockholders and the trading price of our common and preferred stock could be materially adversely impacted and we could fail to meet our reporting obligations. ~~26Conflicts~~ -- **Conflicts** of interest could arise because of our UPREIT structure. Conflicts of interest could arise because of the relationships between us and our affiliates, on the one hand, and our Operating Partnership or any partner thereof, on the other. Our directors and officers have duties to us under applicable Maryland law in connection with their management of our company. At the same time, we, as the sole member of the general partner of the Operating Partnership, have fiduciary duties to our Operating Partnership and to the limited partners under Delaware law in connection with the management of our Operating Partnership. Our duties, as the sole member of the general partner, to our Operating Partnership and its limited partners may come into conflict with the duties of our directors and officers to us. Unless otherwise provided for in the relevant partnership agreement, Delaware law generally requires a general partner of a Delaware limited partnership to adhere to fiduciary duty standards under which it owes its limited partners the highest duties of good faith, fairness and loyalty and which generally prohibits such general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. Additionally, the partnership agreement expressly limits our liability by providing that we, as the sole member of the general partner of the Operating Partnership, and our directors or officers, will not be liable or accountable in damages to our Operating Partnership, the limited partners or assignees for errors in judgment, mistakes of fact or law or for any act or omission if the general partner or such director or officer acted in good faith. In addition, our Operating Partnership is required to indemnify us, our affiliates and each of our respective officers and directors, to the fullest extent permitted by applicable law against any and all losses, claims, damages, liabilities (whether joint or several), expenses (including, without limitation, attorneys' fees and other legal fees and expenses), judgments, fines, settlements and other amounts arising from any and all claims, demands, actions, suits or proceedings, civil, criminal, administrative or investigative, that relate to the operations of our Operating Partnership, provided that our Operating Partnership will not indemnify any such person for (1) acts or omissions committed in bad faith or that were the result of active and deliberate dishonesty, (2) any transaction for which such person received an improper personal benefit in money, healthcare facility or services, or (3) in the case of a criminal proceeding, the person had reasonable cause to believe the act or omission was unlawful. Our charter restricts the ownership and transfer of our outstanding shares of stock which may have the effect of delaying, deferring or preventing a transaction or change of control of our company. For us to qualify as a REIT, no more than 50 % of the value of our outstanding shares of stock may be owned, beneficially or constructively, by five or fewer individuals at any time during the last half of each taxable year other than our initial REIT taxable year. Subject to certain exceptions, our charter prohibits any stockholder from owning actually or constructively more than 9. 8 % in value or number of shares, whichever is more restrictive, of any class or series of our outstanding shares. The constructive ownership rules under the Internal Revenue Code of 1986, as amended (the " Code "), are complex and may cause the outstanding shares owned by a group of related individuals or entities to be deemed to be constructively owned by one individual or entity. As a result, the acquisition of less than 9. 8 % of our outstanding shares of any class or series by an individual or entity could cause that individual or entity to own constructively in excess of 9. 8 % of any class or series of our outstanding beneficial interests and to be subject to our charter' s ownership limit. Our charter also prohibits any person from owning shares of our beneficial interests that would result in our being " closely held " under Section 856 (h) of the Code or otherwise cause us to fail to qualify as a REIT. Any attempt to own or transfer shares of our beneficial interest in violation of these restrictions may result in the shares being automatically transferred to a charitable trust or may be void. ~~27Certain~~ **25Certain** provisions of Maryland law could inhibit changes of control, which may discourage third parties from conducting a tender offer or seeking other change of control transactions that could involve a premium price for shares of our common stock or that our stockholders otherwise believe to be in their best interests. Certain provisions of the Maryland General Corporation Law, or MGCL, may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then- prevailing market price of such shares, including: ● " business combination " provisions that, subject to limitations, prohibit certain business combinations between us and an " interested stockholder " (defined generally as any person who beneficially owns 10 % or more of the voting power of our shares of common stock or an affiliate thereof or an affiliate or associate of ours who was the beneficial owner, directly or indirectly, of 10 % or more of the voting power of our shares of common stock at any time within the two- year period immediately prior to the date in question) for five years after the most recent date on which the stockholder becomes an interested stockholder, and thereafter imposes certain fair price and / or supermajority and stockholder voting requirements on these combinations; and ● " control share " provisions that provide that holders of " control shares " of our company (defined as shares that, when aggregated with other shares controlled by the stockholder, entitle the stockholder to exercise one of three increasing ranges of voting power in electing directors) acquired in a " control share acquisition " (defined as the direct or indirect acquisition of ownership or control of issued and outstanding " control shares ") have no voting rights with respect to their control shares, except to the extent approved by our stockholders by the affirmative vote of at least two- thirds of all the votes entitled to be cast on the matter, excluding all interested shares. By resolution of the Board, we have opted out of the business combination provisions of the MGCL and provide that any business combination between us and any other person is exempt from the business combination provisions of the MGCL, provided that the business combination is first approved by the Board (including a majority of directors who are not affiliates or associates of such persons). In addition, pursuant to a provision in our bylaws, we have opted out of the control share provisions of the MGCL. However, the Board may by resolution elect to opt into the business combination provisions of the MGCL and we may, by amendment to our bylaws, opt into the control share provisions of the MGCL in the future. Certain provisions of the MGCL permit the Board, without stockholder approval and regardless of what is currently provided in our charter or bylaws, to implement certain corporate governance provisions, some of which (for example, a classified board) are not currently applicable to us. If implemented, these provisions may have the effect of limiting or precluding a third party from making an unsolicited acquisition proposal for us or of delaying, deferring, or preventing a change in control of us under circumstances that otherwise could provide our common stockholders with the opportunity to realize a premium over the then current market price. Our charter contains a provision whereby we have elected to be subject to the provisions of Title 3, Subtitle 8 of the MGCL relating to the filling of vacancies on the Board. We could increase the number of authorized shares of common and preferred stock, classify and reclassify unissued shares and issue shares without stockholder approval. The Board, without stockholder approval, has the power under our charter to amend our charter to increase or decrease the aggregate number of shares or the number of shares 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. In addition, under our charter, the Board has the power to classify or reclassify any unissued common or preferred stock into one or more classes or series of shares and set the preference, conversion, or other rights, voting powers, restrictions, limitations as to dividends and other distributions, qualifications or terms or conditions of redemption for such newly classified or reclassified shares. As a result, we may issue series or classes of common or preferred stock with preferences, dividends, powers and rights, voting or otherwise, that are senior to, or otherwise conflict with, the rights of holders of our common or preferred stock. Although the Board has no such intention at the present time, it could establish a class or series of preferred stock that could, depending on the terms of such series, delay, defer or prevent a transaction or a change of control that might involve a premium price for shares of our common stock or that our stockholders otherwise believe to be in their best interests. ~~28We~~ **26We** may change our business, investment, and financing strategies without stockholder approval. We may change our business, investment, and financing strategies without a vote of, or notice to, our stockholders, which could result in our making investments and engaging in business activities that are different from, and possibly riskier than, the investments and businesses described in this annual report. In particular, a change in our investment strategy, 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 real estate market fluctuations. In addition, we may in the future increase the use of leverage at times and in amounts that we, in our discretion, deem prudent, and such decision would not be subject to stockholder approval. Furthermore, the Board may determine that healthcare facilities do not offer the potential for attractive risk- adjusted returns for an investment strategy. Changes to our strategies with regards to the foregoing could adversely affect our business, financial condition and results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Our rights and the rights of our stockholders to take action against our directors and officers are limited, which could limit your recourse in the event that we take certain actions which are not in your best interests. Under Maryland law, generally, directors and officers are required to perform their duties in good faith, in a manner that they reasonably believe to be in our best interests and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Under Maryland law, directors and officers are presumed to have acted with this standard of care. Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages except for liability resulting from (a) actual receipt of an improper benefit or profit in money, property, or services or (b) active and deliberate dishonesty established by a final judgment and which is material to the cause of action. Our charter contains such a provision which eliminates directors' and officers' liability to the maximum extent permitted by Maryland law. Our charter authorizes us to indemnify our present and former directors and officers for actions taken by them in those and other capacities to the maximum extent permitted by Maryland law. Our bylaws obligate us to indemnify each present and former director or officer, to the maximum extent permitted by Maryland law, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service to us. In addition, we may be obligated to advance the defense costs incurred by our directors and officers. We have entered into indemnification agreements with our directors and officers granting them express indemnification rights. As a result, we and our stockholders may have more limited rights against our directors and officers than might otherwise exist absent the current provisions in our charter, bylaws and indemnification agreements or that might exist with other companies. Our charter contains provisions that make removal of our directors difficult, which could make it difficult for our stockholders to effect changes to our management and may prevent a change in control of our company that is in the best interests of our stockholders. Our charter provides that a director may only be removed for cause upon the affirmative vote of holders of two- thirds of all the votes entitled to be cast generally in the election of directors. Vacancies may be filled only by a majority of the remaining directors in office, even if less than a quorum. These requirements make it more difficult to change our management by removing and replacing directors and may prevent a change in control of our company that is in the best interests of our stockholders. Certain provisions in the partnership agreement of our Operating Partnership may delay or prevent unsolicited acquisitions of us. Provisions in the partnership agreement of our Operating Partnership may delay, or make more difficult, unsolicited acquisitions of us or changes of our control. These provisions could discourage third parties from making proposals involving an unsolicited acquisition of us or change of our control, although some stockholders might consider such proposals, if made, desirable. These provisions include, among others: ● Redemption rights; ● A requirement that we may not be removed as the general partner of our Operating Partnership without our consent; ● Transfer restrictions on OP Units; ~~29~~ **27** ● Our ability, as the sole member of the general partner of our Operating Partnership, in some cases, to amend the partnership agreement and to cause the Operating Partnership to issue units with terms that could delay, defer or prevent a merger or other change of control of us or our Operating Partnership without the consent of the limited partners; and ● The right of the limited partners to consent to direct or indirect transfers of the general partnership interest, including as a result of a merger or a sale of all or substantially all of our assets, in the event that such transfer requires approval by our common stockholders. Our charter and bylaws, Maryland law and the partnership agreement of our Operating Partnership also contain other provisions that may delay, defer or prevent a transaction or a change of control that might involve a premium price for our shares of common stock or that our stockholders otherwise believe to be in their best interest. We may be unable to obtain or retain key personnel or continue to remain appropriately staffed. Our success depends to a significant degree upon our executive officers and other key personnel. We rely on the services of Jeffrey Busch, our Chief Executive Officer and Chairman of the Board; Robert Kiernan, our Chief Financial Officer; Alfonzo Leon, our Chief Investment Officer; Danica Holley, our Chief Operating Officer; and Jamie Barber, our Secretary and General Counsel, to manage our operations. Additionally, we rely on several other key personnel to manage our day- to- day operations, including accounting and finance staff, acquisition and due diligence personnel, asset managers and facilities personnel. We cannot guarantee that all, or any one of these key personnel, will remain affiliated with us, especially given the current tightness of the U. S. labor market, nor do we maintain key person life insurance on any person. Our failure to retain key employees and retain highly skilled managerial and operational personnel ~~, especially during a time of rapid growth for our business~~ , could have a material adverse effect on our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Risks Related to Our Qualification and Operation as a REITFailure to remain qualified as a REIT would cause us to be taxed as a regular corporation, which would substantially reduce funds available for distributions to our stockholders. If we fail to qualify as a REIT in any taxable year, we will face serious tax consequences that will substantially reduce the funds available for distributions to our stockholders because: ● We would not be allowed a deduction for dividends paid to stockholders in computing our taxable income and would be subject to U. S. federal income tax at regular corporate rates; ● We could be subject to increased state and local taxes; and ● Unless we are entitled to relief under certain U. S. federal income tax laws, we could not re- elect REIT status until the fifth calendar year after the year in which we failed to qualify as a REIT. In addition, if we fail to qualify as a REIT **for any taxable year** , we will no longer be required to make distributions. As a result of all these factors, our failure to ~~qualify~~ **maintain our qualification** as a REIT could impair our ability to expand our business and raise capital, and it could materially, adversely affect our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~30Even~~ -- **Even** if we continue to qualify as a REIT, we may face other tax liabilities that could reduce our cash flows and negatively impact our results of operations and financial condition. Even if we continue to qualify for taxation as a REIT, we may be subject to certain U. S. federal, state and local taxes on our income and assets, including taxes on any undistributed income, taxes on income from some activities conducted because of a foreclosure, and state or local income, property, and transfer taxes. In addition, our taxable REIT subsidiary (" TRS ") will be subject to regular corporate U. S. federal, state, and local taxes. In addition, if our TRS borrows funds either from us or a third party, it may be unable to deduct all or a portion of the interest paid, resulting in a higher corporate- level tax liability. Specifically, the Code imposes a disallowance of deductions for business interest expense (even if paid to third parties) in excess of the sum of a taxpayer' s business ~~interest~~ **28interest** income and 30 % of the adjusted taxable income of the business, which is its taxable income computed without regard to business interest income or expense, net operating losses or the pass- through income deduction. The TRS rules also impose a 100 % excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm' s- length basis. Any of these taxes would decrease cash available for distributions to our stockholders, which, in turn, could materially adversely affect our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Failure to make required distributions would subject us to U. S. federal corporate income tax. To maintain our qualification as a REIT, we generally are required to distribute at least 90 % of our REIT taxable income, determined without regard to the dividends paid deduction and excluding any net capital gain, each year to our stockholders. To the extent that we satisfy this distribution requirement but distribute less than 100 % of our REIT taxable income, we will be subject to U. S. federal corporate income tax on our undistributed taxable income. In addition, we will be subject to a 4 % nondeductible excise tax if the actual amount that we pay out to our stockholders in a calendar year is less than a minimum amount specified under the Code. Any of these taxes would decrease cash available for distributions to our stockholders which, in turn, could materially adversely affect our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Recharacterization of sale- leaseback transactions may cause us to lose our REIT status. We have engaged, and expect to engage in the future, in transactions in which we purchase healthcare facilities and lease them back to the sellers of such healthcare facilities. Although we have structured, and intend to continue to structure, any such sale- leaseback transaction so that the lease will be characterized as a " true lease " for **U. S. federal income** tax purposes, thereby allowing us to be treated as the owner of the healthcare facility for U. S. federal income tax purposes, we cannot assure you that the Internal Revenue Service (the " IRS ") will not challenge such characterization. If any sale- leaseback transaction is challenged as a partnership for U. S. federal income tax purposes, all of the payments that we receive from the tenant may not be treated as qualifying income for the 75 % or 95 % gross income tests required for REIT qualification and we may fail to ~~qualify~~ **maintain our qualification** as a REIT as a result. If any sale- leaseback transaction is challenged as a financing transaction or loan for U. S. federal income tax purposes, we would not be treated as the owner of the applicable healthcare facility and our deductions for depreciation and cost recovery relating to such healthcare facility would be disallowed. As a result, the amount of our REIT taxable income could be recalculated, which might cause us to fail to meet the distribution requirement required for REIT qualification. Although we may be able to cure such failure by making a distribution in a subsequent taxable year and paying an interest charge, no assurance can be provided that we will be able to make the required distribution or pay the required interest charge. If we lose our REIT status, our business, financial condition, results of operations, ability to make distributions to our stockholders and the trading price of our common and preferred stock could be materially adversely affected. Complying with REIT requirements may cause us to forego otherwise attractive opportunities or liquidate otherwise attractive investments. To maintain our qualification as a REIT for U. S. federal income tax purposes, we must continually satisfy tests concerning, among other things, the sources of our income, the nature and diversification of our assets, the amounts we distribute to our stockholders and the ownership of our shares of stock. To meet these tests, we may be required to forego investments we might otherwise make. Thus, compliance with the REIT requirements may hinder our performance. ~~31We~~ **We** must ensure that at the end of each calendar quarter, at least 75 % of the value of our assets consists of cash, cash items, government securities and qualified real estate assets. The remainder of our investment in securities (other than government securities, securities of TRSs and qualified real estate assets) generally cannot include more than 10 % of the outstanding voting securities of any one issuer or more than 10 % of the total value of the outstanding securities of any one issuer. In addition, in general, no more than 5 % of the value of our assets (other than government securities, securities of TRSs and qualified real estate assets) can consist of the securities of any one issuer, no more than 20 % of the value of our total assets can be represented by the securities of one or more TRSs, and no more than 25 % of our assets can be represented by debt of " publicly offered REITs " (i. e., REITs that are required to file annual and periodic reports with the SEC under the Exchange Act) that is not secured by real property or interests in real property. If we fail to comply with these requirements at the end of any calendar quarter, we must correct the failure within 30 days after the end of the calendar quarter or qualify for certain statutory relief provisions to avoid losing our REIT qualification and suffering adverse tax consequences. As a result, we may be required to liquidate otherwise attractive investments. These actions could materially adversely affect our ~~business~~ **29business** , financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock. Certain taxes may limit our ability to dispose of our healthcare facilities. A REIT' s net income from prohibited transactions is subject to a 100 % tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business. We may be subject to the prohibited transaction tax equal to 100 % of net gain upon a disposition of real property. Although a safe harbor to the characterization of the sale of real property by a REIT as a prohibited transaction is available, we cannot assure you that we can comply with the safe harbor or that we will avoid owning property that may be characterized as held primarily for sale to customers in the ordinary course of business. Consequently, we may choose not to engage in certain sales of our healthcare facilities or may conduct such sales through a TRS, which would be subject to U. S. federal and state income taxation. We may pay taxable dividends in our common stock and cash, in which case stockholders may sell shares of our common stock to pay tax on such dividends, placing downward pressure on the market price of our common stock. We may satisfy the 90 % distribution test with taxable distributions of our common stock. The IRS has issued Revenue Procedure 2017- 45 authorizing elective cash / stock dividends to be made by publicly offered REITs. Pursuant to Revenue Procedure 2017- 45, the IRS will treat the distribution of stock pursuant to an elective cash / stock dividend as a distribution of property under Section 301 of the Code (i. e., a dividend), as long as at least 20 % of the total dividend is available in cash and certain other parameters detailed in the Revenue Procedure are satisfied. Although we have no current intention of paying dividends in our common stock, if we make a taxable dividend payable in cash and common stock, taxable stockholders receiving such dividends will be required to include the full amount of the dividend as income to the extent of our current and accumulated earnings and profits, as determined for U. S. federal income tax purposes. As a result, stockholders may be required to pay income tax with respect to such dividends in excess of the cash dividends received. If a U. S. stockholder sells the common stock that it receives as a dividend to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our common stock at the time of the sale. Furthermore, with respect to certain non- U. S. stockholders, we may be required to withhold U. S. federal income tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in common stock. If we make a taxable dividend payable in cash and our common stock and a significant number of our stockholders determine to sell shares of our common stock in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common stock. The ability of the Board to revoke our REIT qualification without stockholder approval may cause adverse consequences to our stockholders. Our charter provides that the Board may revoke or otherwise terminate our REIT election, without the approval of our stockholders, if it determines that it is no longer in our best interest to continue to qualify as a REIT. If we cease to qualify as a REIT, we would become subject to U. S. federal income tax on our taxable income and would no longer be required to distribute most of our taxable income to our stockholders, which could materially adversely affect our ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~32Our~~ -- **Our** ownership of our TRS is subject to limitations and our transactions with our TRS will cause us to be subject to a 100 % penalty tax on certain income or deductions if those transactions are not conducted on arm' s- length terms. Overall, no more than 20 % of the value of a REIT' s assets may consist of stock or securities of one or more TRSs. Several provisions of the Code regarding the arrangements between a REIT and its TRSs ensure that a TRS will be subject to an appropriate level of U. S. federal income taxation. For example, the Code imposes a 100 % excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm' s- length basis. In addition, any income earned by a TRS that is attributable to services provided to its parent REIT, or on the REIT' s behalf to any of its tenants, that is less than the amounts that would have been charged based upon arm' s- length negotiations, will also be subject to a 100 % excise tax. We will monitor the value of our investment in our TRS and any other TRS we may form for the purpose of ensuring compliance with TRS ownership limitations and will structure our transactions with any such TRS on terms that we believe are arm' s length to avoid incurring the 100 % excise taxes described above. There can be no assurance, however, that we will be able to comply with the 20 % limitation or to avoid application of the 100 % excise ~~taxes~~ **30taxes** . If we are subject to either 100 % excise tax, our business, financial condition, results of operations, our ability to make distributions to our stockholders and the trading price of our common and preferred stock could be materially adversely affected. The formation of a TRS lessee would increase our overall tax liability. We may, in the future, form one or more TRS lessees to lease " qualified health care properties " from us. Any TRS lessee we may form will be subject to U. S. federal and state income tax on its taxable income, which will consist of the revenues from the qualified healthcare facilities leased by the TRS lessee, net of the operating expenses for such healthcare facilities and rent payments to us. In addition, if a TRS borrows funds either from us or a third party, it may be unable to deduct all or a portion of the interest paid, resulting in a higher corporate- level tax liability. Specifically, the Code imposes a disallowance of deductions for business interest expense (even if paid to third parties) in excess of the sum of a taxpayer' s business interest income and 30 % of the adjusted taxable income of the business, which is its taxable income computed without regard to business interest income or expense, net operating losses or the pass- through income deduction. Accordingly, although our ownership of a TRS lessee would allow us to participate in the operating income from our healthcare facilities leased to the TRS lessee on an after- tax basis in addition to receiving rent, that operating income would be fully subject to U. S. federal and state income tax, which could materially adversely affect our business, financial conditions, results of operations, ability to make distributions to our stockholders and the trading price of our common and preferred stock. If leases of our healthcare facilities are not respected as true leases for U. S. federal income tax purposes, we would fail to qualify as a REIT and would be subject to higher taxes and have less cash available for distribution to our stockholders. To ~~qualify~~ **maintain our qualification** as a REIT, we must satisfy two gross income tests, under which specified percentages of our gross income must be derived from certain sources, such as " rents from real property. " Rents paid to our Operating Partnership by third- party lessees and any TRS lessee that we may form in the future pursuant to the leases of our healthcare facilities will constitute substantially all of our gross income. For such rent to qualify as " rents from real property " for purposes of the gross income tests, the leases must be respected as true leases for U. S. federal income tax purposes and not be treated as service contracts, joint ventures or some other type of arrangement. If our leases are not respected as true leases for U. S. federal income tax purposes, we would fail to qualify as a REIT, which, in turn, could materially adversely affect our business, financial conditions, results of operations, ability to make distributions to our stockholders and the trading price of our common and preferred stock. ~~33If~~ **If** a TRS lessee failed to qualify as a TRS or the facility operators engaged by a TRS lessee did not qualify as " eligible independent contractors, " we would fail to qualify as a REIT and would be subject to higher taxes and have less cash available for distribution to our stockholders. Rent paid by a lessee that is a " related party tenant " of ours will not be qualifying income for purposes of the two gross income tests applicable to REITs. We may, in the future, lease certain of our healthcare facilities that qualify as " qualified health care properties " to a TRS lessee. So long as that TRS lessee qualifies as a TRS, it will not be treated as a " related party tenant " with respect to our healthcare facilities that are managed by an independent facility operator that qualifies as an " eligible independent contractor. " We would seek to structure any future arrangements with a TRS lessee such that the TRS lessee would qualify to be treated as a TRS for U. S. federal income tax purposes, but there can be no assurance that the IRS would not challenge the status of a TRS for U. S. federal income tax purposes or that a court would not sustain such a challenge. If the IRS were successful in disqualifying a TRS lessee from treatment as a TRS, it is possible that we would fail to meet the asset tests applicable to REITs and a significant portion of our income would fail to qualify for the gross income tests. If we failed to meet either the asset or gross income tests, we would likely lose our REIT qualification for U. S. federal income tax purposes, which, in turn, could materially adversely affect our business, financial condition, results of operations, ability to make distributions to our stockholders and the trading price of our common and preferred stock. Additionally, if the facility operators engaged by a TRS lessee do not qualify as " eligible independent contractors, " we would fail to qualify as a REIT. Each of the facility operators that would enter into a management contract with any TRS lessee must qualify as an " eligible independent contractor " under the REIT rules in order for the rent paid to us by such a TRS lessee to be qualifying income for purposes of the REIT gross income tests. Among other requirements, to qualify as an " eligible independent contractor, " a facility operator must not own, directly or indirectly, more than 35 % of our outstanding shares and no person or group of persons can own more than 35 % of our outstanding shares and the ownership interests of the facility operator, taking into account certain ownership attribution rules. The ownership attribution rules that apply for purposes of these 35 % thresholds are complex. Although we would monitor ownership of our shares of common stock by any facility operators and their owners, there can be no assurance that these ownership levels will not be exceeded. ~~You~~ **31You** may be restricted from acquiring or transferring certain amounts of our common stock. The stock ownership restrictions for REITs in the Code and the 9. 8 % share ownership limit in our charter may inhibit market activity in our capital stock and restrict our business combination opportunities. In order to ~~qualify~~ **maintain our qualification** as a REIT for each taxable year, five or fewer individuals, as defined in the Code, may not own, beneficially or constructively, more than 50 % in value of our issued and outstanding shares of capital stock at any time during the last half of a taxable year. Attribution rules in the Code determine if any individual or entity beneficially or constructively owns our shares of capital stock under this requirement. Additionally, at least 100 persons must beneficially own our shares of capital stock during at least 335 days of a taxable year for each taxable year. To help ensure that we meet these tests, our charter restricts the acquisition and ownership of shares of our capital stock. Our charter, with certain exceptions, authorizes our directors to take such actions as are necessary and desirable to preserve our qualification as a REIT. Unless exempted by the Board, our charter prohibits any person from beneficially or constructively owning more than 9. 8 % in value or number of shares, whichever is more restrictive, of the outstanding shares of any class or series of our shares of capital stock. The Board may not grant an exemption from this restriction to any proposed transferee whose ownership in excess of 9. 8 % of the value of our outstanding shares would result in our failing to qualify as a REIT. ~~34Dividends~~ -- **Dividends** payable by REITs do not qualify for the reduced tax rates available for some dividends. The maximum U. S. federal income tax rate applicable to " qualified dividend income " payable to U. S. stockholders that are taxed at individual rates is 20 % (plus the 3. 8 % surtax on net investment income, if applicable). Dividends payable by REITs, however, generally are not eligible for the reduced rates on qualified dividend income. Rather, ordinary REIT dividends constitute " qualified business income " and thus a 20 % deduction is available to individual taxpayers with respect to such dividends, resulting in a 29. 6 % maximum U. S. federal income tax rate (plus the 3. 8 % surtax on net investment income, if applicable) for individual U. S. stockholders. To qualify for this deduction, the stockholder receiving such dividends must hold the dividend- paying REIT stock for at least 46 days (taking into account certain special holding period rules) of the 91- day period beginning 45 days before the stock became ex- dividend and cannot be under an obligation to make related payments with respect to a position in substantially similar or related property. Without further legislative action, the 20 % deduction applicable to ordinary REIT dividends will expire on January 1, 2026. The more favorable rates applicable to regular corporate qualified dividends could cause investors who are taxed at individual rates to

perceive investments in REITs to be relatively less attractive than investments in the stock of non- REIT corporations that pay dividends, which could adversely affect the value of the shares of REITs, including our common and preferred stock. We may be subject to adverse legislative or regulatory tax changes. At any time, the U. S. federal income tax laws or regulations governing REITs, or the administrative interpretations of those laws or regulations, may be amended. We cannot predict when or if any new U. S. federal income tax law, regulation or administrative interpretation, or any amendment to any existing U. S. federal income tax law, regulation, or administrative interpretation, will be adopted, promulgated, or become effective and any such law, regulation, or interpretation may take effect retroactively. We and our stockholders could be adversely affected by any such change in the U. S. federal income tax laws, regulations, or administrative interpretations which, in turn, could materially adversely affect our business, financial conditions, results of operation, ability to make distributions to our stockholders and the trading price of our common and preferred stock. If our Operating Partnership failed to qualify as a partnership for U. S. federal income tax purposes, we would cease to qualify as a REIT and suffer other adverse consequences. We believe that our Operating Partnership will be treated as a partnership for U. S. federal income tax purposes. As a partnership, our Operating Partnership will not be subject to U. S. federal income tax on its income. Instead, each of its partners, including us, will be allocated, and may be required to pay tax with respect to, its share of our Operating Partnership' s income. We cannot assure you, however, that the IRS will not challenge the status of our Operating Partnership or any other subsidiary partnership in which we own an interest as a partnership for U. S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our Operating Partnership or any such other subsidiary partnership as an entity taxable as a corporation for U. S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs and, accordingly, we would likely cease to qualify as a REIT. Also, the failure of our Operating Partnership or any subsidiary ~~partnerships~~ **partnership** to qualify as a partnership **for U. S. federal income tax purposes** could cause it to become subject to U. S. federal and state corporate income **32** ~~tax, which, in turn, could materially adversely affect our business, financial condition, results of operations, ability to make distributions to our stockholders and the trading price of our common and preferred stock. Tax protection agreements may limit our ability to sell or otherwise dispose of certain properties and may require our Operating Partnership to maintain certain debt levels that otherwise would not be required to operate our business. In connection with contributions of properties to our Operating Partnership, our Operating Partnership has entered and may in the future enter into tax protection agreements under which it agrees to minimize the tax consequences to the contributing partners resulting from the sale or other disposition of the contributed properties. Tax protection agreements may make it economically prohibitive to sell any properties that are subject to such agreements even though it may otherwise be in our stockholders' best interests to do so. In addition, we may be required to maintain a minimum level of indebtedness throughout the term of any tax protection agreement regardless of whether such debt levels are otherwise required to operate our business. Nevertheless, we have entered and may in the future enter into tax protection agreements to assist contributors of properties to our Operating Partnership in deferring the recognition of taxable gain because of and after any such contribution.~~
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