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

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An investment in our common shares involves a high degree of risk. Before making an investment decision, you should carefully consider the following risk factors, together with the other information contained in this Annual Report on Form 10-K. If any of the risks discussed in this Annual Report on Form 10- K occurs, our business, financial condition, liquidity and results of operations could be materially and adversely affected. Risks Related to our Business Adverse economic or other conditions in the markets in which we do business and more broadly associated with the real estate industry could negatively affect our occupancy levels and rental rates and therefore our operating results and the value of our self storage properties. Our operating results are dependent upon our ability to achieve optimal occupancy levels and rental rates at our self storage properties. Adverse economic or other conditions in the markets in which we do business, particularly in our markets in Texas, California, Florida, **Georgia, and** Oregon ~~, and Georgia~~ , which accounted for approximately ~~19~~ **17** %, ~~14~~ **12** %, ~~9~~ **11** %, ~~8~~ **6** %, and 6 %, respectively, of our total rental and other property- related revenues for the year ended December 31, ~~2022~~ **2023** , may lower our occupancy levels and limit our ability to maintain or increase rents or require us to offer rental discounts. No single customer represented a significant concentration of our ~~2022~~ **2023** revenues. However, our property portfolio consists solely of self storage properties and is therefore subject to risks inherent in investments in a single industry. The following adverse developments, among others, in the markets in which we do business may adversely affect the operating performance of our properties **or our financial results** : • business layoffs or downsizing, industry slowdowns, relocation of businesses and changing demographics; • periods of economic slowdown, recession **, high interest rates** , or inflationary environments, declining demand for self storage generally or in a particular area or the public perception that any of these events may occur; • local or regional real estate market conditions, such as competing properties or products, the oversupply of self storage, or vacancies or changes in self storage space market rents; • perceptions by prospective tenants of the safety, convenience and attractiveness of our properties and the neighborhoods in which they are located; and • other events affecting or shifting consumer discretionary spending. Any of the above events may reduce our rental revenues, impair our operating results, and reduce our ability to satisfy our debt service obligations and make cash distributions to our shareholders, and the effect of the foregoing may be greater than it would be were our investments not limited to a single industry. We may not be successful in identifying and consummating suitable acquisitions, adding additional suitable new PROs, or integrating and operating such acquisitions, including integrating them into our financial and operational reporting infrastructure and internal control framework in a timely manner, which may impede our growth. Our ability to expand through acquisitions is integral to our business strategy and requires us to identify suitable acquisition candidates or investment opportunities that meet our criteria and are compatible with our growth strategy. We may not be successful in identifying suitable properties or other assets that meet our acquisition criteria or in consummating acquisitions on satisfactory terms or at all. Failure to identify or consummate acquisitions will slow our growth, which could in turn adversely affect our share price. For the potential acquisitions in our captive pipeline, we have not entered into negotiations with the respective owners of these properties and there can be no assurance as to whether we will acquire any of these properties or the actual timing of any such acquisitions. Each captive pipeline property is subject to additional due diligence and the determination by us to pursue the acquisition of the property. In addition, with respect to the captive pipeline properties in which our PROs have a non- controlling ownership interest or no ownership interest, the current owner of each property is not required to offer such property to us and there can be no assurance that we will acquire these properties. Our ability to acquire properties on favorable terms and successfully integrate and operate them, including integrating them into our financial and operational reporting infrastructure in a timely manner, may be constrained by the following significant risks: • we face competition from national, regional and local owners, operators and developers of self storage properties, which may result in higher property acquisition prices and reduced yields; • we may not be able to achieve satisfactory completion of due diligence investigations and other customary closing conditions; • we may fail to finance an acquisition on favorable terms or at all; • we may spend more time and incur more costs than budgeted to make necessary improvements or renovations to, and to integrate and operate, acquired properties; and • we may acquire properties subject to liabilities without any recourse, or with only limited recourse, with respect to unknown liabilities such as liabilities for clean- up of undisclosed environmental contamination, tax liabilities, claims by persons dealing with the former owners of the properties and claims for indemnification by general partners, trustees, officers and others indemnified by the former owners of the properties. The contributors of properties may make limited representations and warranties to us about the properties and may agree to indemnify us up to a specified amount for a certain period of time following the closing for breaches of those representations and warranties. However, any resulting liabilities identified may not fall within the scope or time frame covered by the indemnification, and we may be required to bear those liabilities, which may materially and adversely affect our operating results, financial condition and business. We face competition for tenants. We compete with many other entities engaged in real estate investment activities for tenants, including national, regional and local owners, operators and developers of self storage properties. Actions by our competitors may decrease or prevent increases in the occupancy and rental rates, while increasing the operating expenses **,** of our properties. Increases in taxes and regulatory compliance costs, including as a result of changes in law or property reassessments, may reduce our income and adversely impact our cash flows. Increases in income or other taxes generally are not passed through to tenants under leases and may reduce or negatively impact our net income, funds from operations (" FFO") **, core FFO** , cash flows, financial condition, ability to pay or refinance our debt obligations, ability to make cash distributions to shareholders, and the trading price of our securities. In addition, the value of our properties may be reassessed for property tax purposes by taxing authorities including as a result of our acquisition activities. For example, our property taxes could increase due to changes in tax rates or removal of limitations on the amount by which our property taxes or property reassessments may increase. ~~For example~~ **From time to time** , **proposals have been made** ~~in November 2020, there was an initiative in California, which did not pass,~~ to remove certain limits on annual real estate tax increases of assessed value of real property **in California, where we currently have 87 consolidated properties and 12 unconsolidated properties** . ~~To~~ **While no such initiative has yet been successful, to** the extent a similar future initiative is successful, ~~it would increase the assessed value and / or~~ **our property** tax **expense could** ~~rates applicable to self storage properties in California. We currently have 86 consolidated properties and 12 unconsolidated properties in California. Accordingly, the amount of property taxes we pay in the future may~~ increase substantially ~~from what we have paid in the past or from what we expected in connection with our underwriting activities~~ , which could adversely impact our operating results, cash flow, and our ability to pay any expected dividends to our shareholders. Similarly, in response to facing severe budgetary problems, many states and jurisdictions are considering or implementing changes in laws such as increasing sales taxes, increasing the potential liability for environmental conditions existing on properties, increasing the restrictions on discharges or other conditions, or mandating paid family leave for employees, which may result in significant unanticipated expenditures, which could result in similar adverse effects. Our storage leases are relatively short- term in nature, which exposes us to the risk that we may have to re- lease our units and we may be unable to do so on attractive terms, on a timely basis or at all. Our storage leases are relatively short- term in nature, typically month- to- month, which exposes us to the risk that we may have to re- lease our units frequently and we may be unable to do so on attractive terms, on a timely basis or at all. Because these leases generally permit the tenant to leave at the end of the month without penalty, our revenues and operating results may be impacted by declines in market rental rates more quickly than if our leases were for longer terms. In addition, any delay in re- leasing units as vacancies arise would reduce our revenues and harm our operating results. Security breaches through cyber- attacks, cyber- intrusions, or other methods could disrupt our information technology networks and related systems. We and our PROs are increasingly dependent upon automated information technology processes and Internet commerce, and many of our and their tenants come from the telephone or over the Internet. Moreover, the nature of our and our PROs' business involves the receipt and retention of certain personal information about such tenants. In many cases, we and our PROs also rely significantly on third- party vendors to retain data, process transactions and provide other systems services. Our networks and operations could be disrupted, and sensitive data could be compromised, by physical or electronic security breaches, targeted against us, our PROs, our vendors or other organizations, including financial markets or institutions, including by way of or through cyber- attacks or cyber- intrusions over the Internet, malware, computer viruses, attachments to e- mails, phishing, employee theft or misuse, or inadequate security controls. Although we make efforts to protect the security and integrity of our networks and systems, there can be no assurance that these efforts and measures will be effective or that attempted security breaches or disruptions would not be successful, as such attacks and breaches may be difficult to detect (or not detected at all) and are becoming more sophisticated. In such event, we may experience business interruptions; data loss, ransom, misappropriation, or corruption; theft or misuse of confidential or proprietary information; or litigation and investigation by tenants, governmental or regulatory agencies, or other third parties, which could result in the payment of fines, penalties and other damages. Such events could also have other adverse impacts on us, including breaches of debt covenants, other contractual or REIT compliance obligations, or late or misstated financial reports, and significant diversion of management attention and resources. As a result, such events could have a material adverse effect on our financial condition, results of operations and cash flows and harm our business reputation or have such effects on our PROs. Costs associated with complying with the ADA may result in unanticipated expenses. Under the ADA and other federal, state and local laws, we are required to meet certain requirements related to access and use by disabled persons. Noncompliance with the ADA could result in the imposition of fines or an award of damages to private litigants and also could result in an order to correct any non- complying feature, which could result in substantial capital expenditures. If one or more of our properties or websites is not in compliance with the ADA or similar laws, then we would be required to incur additional costs to bring the property or websites into compliance. If we incur such costs and they are substantial, our financial condition, results of operations, cash flow, per share trading price of our common shares and our ability to satisfy our debt service obligations and to make cash distributions to our shareholders could be adversely affected. Environmental compliance costs and liabilities associated with operating our properties may affect our results of operations. Under various U. S. federal, state and local environmental laws, ordinances and regulations, owners and operators of real estate may be liable for the costs of investigating and remediating certain hazardous substances or other regulated materials on or in such property. No assurances can be given that existing environmental studies with respect to any of our properties reveal all environmental liabilities, that any prior owner or operator of our properties did not create any material environmental condition not known to us, or that a material environmental condition does not otherwise exist as to any one or more of our properties. There also exists the risk that material environmental conditions, liabilities or compliance concerns may have arisen after the review was completed or may arise in the future. Finally, future laws, ordinances or regulations and future interpretations of existing laws, ordinances or regulations may impose additional material environmental liability. We and certain of our PROs have tenant insurance- and / or tenant protection plan- related arrangements that are in some cases subject to state- specific governmental regulation, which may adversely affect our results. We and certain of our PROs have tenant insurance- and / or tenant protection plan- related arrangements with regulated insurance companies and our tenants. Some of our PROs earn access fees in connection with these arrangements. We receive a portion of the fees from these PROs. The tenant insurance and tenant protection plan businesses, including the payments associated with these arrangements, are in some cases subject to state- specific governmental regulation. State regulatory authorities generally have broad discretion to grant, renew and revoke licenses and approvals, to promulgate, interpret and implement regulations, and to evaluate compliance with regulations through periodic examinations, audits and investigations of the affairs of insurance industry participants. **As** ~~Although these arrangements are managed by our property management~~

~~platform and / or certain of our PROs who have developed marketing programs and management procedures to navigate the regulatory environment, as~~ a result of **such** ~~regulatory or private~~ action ~~in any jurisdiction in which we operate~~ , we may be temporarily or permanently suspended from continuing some or all of our tenant insurance- and / or tenant protection plan- related activities, or otherwise fined or penalized or suffer an adverse judgment, which could adversely affect our business and results of operations. Privacy concerns could result in regulatory changes that may harm our business. Personal privacy has become a significant issue in the jurisdictions in which we operate. Many jurisdictions in which we operate have imposed or in the future may impose restrictions and requirements on the use of personal information by those collecting such information. For example, the California Consumer Privacy Act of 2018, which became effective as of January 1, 2020, together with the California Privacy Rights Act, provides consumers with expansive rights and control over personal information obtained by or shared with certain covered businesses. Changes to law or regulations or the passage of new laws affecting privacy, if applicable to our business, could impose additional costs and liability on us and could limit our use and disclosure of such information. We face possible risks and costs associated with the effects of climate change and severe weather. We cannot predict the rate at which climate change will progress. However, the physical effects of climate change could have a material adverse effect on our properties, operations, and business. To the extent that climate change impacts changes in weather patterns, our markets could experience severe weather, including hurricanes, tornados, earthquakes, severe winter storms, wildfires and coastal flooding due to increases in storm intensity and rising sea levels. Over time, these conditions could result in declining demand for storage at our properties or in our inability to operate them at all. Climate change and severe weather may also have indirect effects on our business by increasing the cost of, or decreasing the availability of, property insurance **, utilities or other important vendor services** on terms we find acceptable, by increasing the costs of energy, maintenance, repair of fire, water and / or wind damage, and snow removal at our properties. **There can be no assurance that climate change and severe weather, or the potential impacts of these events on our vendors, will not have a material adverse effect on our properties, operations, or business** Changes in federal, state, and local legislation and regulation as well as international pacts or treaties based on concerns about climate change could result in increased capital expenditures on our existing properties (for example, to improve their energy efficiency and / or resistance to severe weather) without a corresponding increase in revenue, which may result in adverse impacts to our net income. In recent years, there have been a number of new legal efforts to reduce greenhouse gas emissions and to take other similar actions to combat the effects of climate change, including at the international level and at the U. S. federal, state and local levels. ~~We rely on a limited number of vendors to provide key services, such as the provision of utilities, at certain of our properties. Our business and property operations may be adversely affected if these vendors fail to adequately provide key services at our properties as a result of unanticipated events, including those resulting from climate change. If a vendor fails to adequately provide utilities or other important services, we may experience significant interruptions in service and disruptions to business operations at our properties, incur remediation costs, and become subject to claims and damage to our reputation. There can be no assurance that climate change and severe weather, or the potential impacts of these events on our vendors, will not have a material adverse effect on our properties, operations, or business.~~ Uninsured losses or losses in excess of our insurance coverage could adversely affect our financial condition, operating results and cash flow. We maintain comprehensive liability, fire, flood, earthquake, wind (as deemed necessary or as required by our lenders), extended coverage and rental loss insurance with respect to our properties. Certain types of losses, however, may be either uninsurable or not economically insurable either in total or in part (due to location or otherwise), such as losses due to earthquakes, hurricanes, tornadoes, floods, riots, acts of war or terrorism. Should an uninsured loss occur, we could lose both our investment in and anticipated profits and cash flow from a property or otherwise be subject to significant liabilities. In addition, if any such loss is insured, we may be required to pay significant amounts on any claim for recovery of such a loss prior to our insurer being obligated to reimburse us for the loss, or the amount of the loss may exceed our coverage for the loss. We currently self- insure a portion of our commercial insurance deductible risk through our captive insurance company. To the extent that our captive insurance company is unable to bear that risk, we may be required to fund additional capital to our captive insurance company or we may be required to bear that loss. As a result, our operating results may be adversely affected. Illiquidity of real estate investments could significantly impede our ability to respond to adverse changes in the performance of our properties. Because real estate investments are relatively illiquid and we have agreed and may in the future agree to certain transfer restrictions with respect to our properties, our ability to promptly sell one or more properties in our portfolio 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 **, and others** , that are beyond our control. We cannot predict whether we will be able to sell any property 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 a property. In addition, we may be required to expend funds to correct defects or to make improvements before a property can be sold. We cannot assure you that we will have funds available to correct those defects or to make those improvements. Our business could be harmed if key personnel terminate their employment with us. Our success depends, to a significant extent, on the continued services of Arlen D. Nordhagen, Tamara D. Fischer, David G. Cramer ~~and~~ **,** Brandon S. Togashi **, William S. Cowan, Derek Bergeon and Tiffany S. Kenyon** and the other members of our senior management team. We have entered into employment agreements with Mr. Nordhagen, Ms. Fischer, Mr. Cramer ~~and~~ **,** Mr. Togashi **, Mr. Cowan, Mr. Bergeon** and ~~these employment agreements~~ **Ms. Kenyon, which** provide for an initial term of employment and automatic one- year extensions thereafter unless either party provides at least 90 days' notice of non- renewal. Notwithstanding these agreements, there can be no assurance that any of them will remain employed by us. The loss of services of one or more members of our senior management team could harm our business and our prospects. This risk may be heightened during periods of tight labor market conditions. We invest in strategic joint ventures that subject us to additional risks. Some of our investments are, and in the future may be, structured as strategic joint ventures. Part of our strategy is to opportunistically partner with institutional funds and other institutional investors to acquire attractive portfolios through a promoted return structure. These arrangements are driven by the magnitude of capital required to complete the acquisitions and maintain the acquired portfolios. Such arrangements involve risks not present where a third party is not involved, including the possibility that partners or co- venturers might become bankrupt or otherwise fail to fund their share of required capital contributions. Additionally, partners or co- venturers might at any time have economic or other business interests or goals different from us and or in competition with us. Joint ventures generally provide for a reduced level of control over an acquired project because governance rights are shared with others. Accordingly, certain major decisions relating to joint ventures, including decisions relating to, among other things, the approval of annual budgets, sales and acquisitions of properties, financings, and certain actions relating to bankruptcy, are often made by a majority vote of the investors or by separate agreements ~~that are reached with respect to individual decisions~~ . In addition, such decisions may be subject to the risk that the partners or co- venturers may make **certain** ~~business, financial or management~~ decisions with which we do not agree ~~or take risks~~ or otherwise act in a manner that does not serve our best interests. Because we may not have the ability to exercise control over such operations, we may not be able to realize some or all of the benefits that we believe will be created from our involvement. At times, we and our partners or co- venturers may also each have the right to trigger a buy- sell arrangement, which could cause us to sell our interest, or acquire our partners' or co- venturers' interest, at a time when we otherwise would not have initiated such a transaction. If any of the foregoing were to occur, our business, financial condition and results of operations could suffer as a result. **Public health and** ~~The on- going COVID- 19 pandemic or the future outbreak of any~~ other **crisis, such as a** highly infectious or contagious ~~diseases~~ - **disease** , could adversely impact or cause significant disruption to our financial condition, results of operations and cash flows. We face various risks related to **public health** ~~pandemics, epidemics~~ and other **crises, such as the future** ~~outbreaks~~ - **outbreak** of **a** highly infectious or contagious **disease. The impact of such crises and the response of governments to combat the spread of these** diseases ~~, including the on- going COVID- 19 pandemic. New COVID- 19 variants continue to emerge and have spread locally, regionally, nationally, and globally. The severity of new variants remains uncertain and there is no guarantee that governments and businesses in the future will not reinstate many of the more restrictive safety protocols that were implemented at various times over the last three years. There is no assurance that current or future variants will be contained or that the recommended safety protocols, including the use of vaccines, will continue to be effective or available in the long term. Impact of the COVID- 19, future variants thereof or other highly infectious or contagious diseases and the response of governments to combat the spread of these disease~~ , could, among other things, affect our tenants ability to meet their obligations to us, impact consumer discretionary spending, reduce new move- ins, compel complete or partial closures and operational changes at our properties, reduce demand for growth opportunities, such as acquiring new properties or adding new PROs, and interrupt the availability of our and our PROs' personnel. As a result, **such crises** ~~the ongoing COVID- 19 pandemic and any future outbreak of another highly infectious or contagious disease,~~ could adversely impact our financial condition, results of operations and cash flows **. Terrorist attacks, active shooter incidents and other acts of violence or war may adversely impact our performance and may affect the markets on which our securities are traded. Terrorist attacks at or against our stores, our interests, the United States or abroad, may negatively impact our operations and the value of our securities. Attacks, armed conflicts or active- shooter situations could negatively impact the demand for self- storage and increase of insurance coverage for our stores, which could reduce our profitability and cash flow. Furthermore, any terrorist attacks, armed conflicts or active- shooter situations could result in increased volatility in or damage to the United States and worldwide financial markets and economy** . Risks Related to Our Structure and Our Relationships with Our PROs **We** ~~Some of our PROs have limited experience operating under our capital structure, and we~~ may not be able to achieve the desired outcomes that the **PRO** structure is intended to produce ~~. Some of our PROs have limited experience operating under our capital structure~~ . As a means of incentivizing our PROs to drive operating performance and support the sustainability of the operating cash flow from the properties they manage on our behalf, we issued each PRO subordinated performance units aimed at aligning the interests of our PROs with our interests and those of our shareholders. The subordinated performance units are entitled to distributions exclusively tied to the performance of each PRO' s managed portfolios but only after minimum performance thresholds are satisfied. Our issuance of such units, however, may have been and could be based on inaccurate valuations and thus misallocated, which would limit or eliminate the effectiveness of our intended incentive- based program ~~. We are restricted in making certain property sales on account of agreements with our PROs that may require us to keep certain properties that we would otherwise sell. The partnership unit designations related to our subordinated performance units provide that, until March 31, 2023, our operating partnership may not sell, dispose or otherwise transfer any property that is a part of the applicable self storage property portfolio relating to a series of subordinated performance units without the consent of the partners (including us) holding at least 50 % of the then outstanding OP units and the consent of partners holding at least 50 % of the then outstanding series of subordinated performance units that relate to the applicable property, except for sales, dispositions or other transfers of a property to wholly owned subsidiaries of our operating partnership. This restriction may require us to keep certain properties that we would otherwise sell, which could have an adverse effect on our results of operations, financial condition, cash flow and ability to execute our business plan. In addition, we may enter into agreements with future PROs that contain the same or similar restrictions or that impose such restrictions for different periods~~ . Our ability to terminate our facilities portfolio management agreements (" FPMAs") and asset management agreements (" AMAs") with a PRO is limited, which may adversely affect our ability to execute our business plan. We may elect to terminate our FPMAs and AMAs with a PRO and transfer property management responsibilities over the properties managed by such PRO to us (or our designee), (i) upon certain defaults by a PRO as set forth in these agreements, or (ii) if the PRO' s properties, on a portfolio basis, fail to meet certain predetermined performance thresholds for more than two consecutive calendar years or if the operating cash flow generated by the properties of the PRO for any calendar year falls below a level that will enable us to fund minimum levels of distributions, debt service payments attributable to the properties, and fund the properties' allocable operating expenses. Consequently, to the extent a PRO complies with these covenants, standards, and minimum requirements, we may not be able to terminate the applicable FPMAs and AMAs and transfer property management responsibilities over such properties to us (or our designee) even if our board believes that such PRO is not properly executing our business plan and / or is failing to operate its properties to their full potential. Moreover, transferring the management responsibilities over the properties managed by a PRO may be costly or difficult to implement or may be delayed, even if we are able to and believe that such a change in portfolio and property management would be beneficial to us and our shareholders. We may less vigorously pursue enforcement of terms of agreements entered into with our PROs because of conflicts of interest with our PROs. Our PROs are entities that have contributed self storage properties to us in exchange for ownership interests in us. As part of each transaction, our PROs make limited representations to us regarding the entities, properties and other assets to be acquired by us in the contribution and generally agree to indemnify us for 12 months after the closing of the contribution for breaches of such representations. Such indemnification is limited, however, and we are not entitled to any other indemnification in connection with the contributions. In addition, following each contribution from a PRO, the day- to- day operations of each of the managed properties will be managed by the PRO who was the principal of the applicable property portfolios prior to the contribution. In addition, certain key persons of our PROs are members of our board or our PRO advisory committee. Consequently, we may choose not to enforce, or to enforce less vigorously, our rights under these agreements and any other agreements with our PROs due to our desire to maintain our ongoing relationship with our PROs, which could adversely affect our operating results and business. We own self storage properties in some of the same geographic regions as our PROs and may compete for tenants with other properties managed by our PROs. Pursuant to our FPMAs, each PRO has agreed that, without our consent, the PRO will not, and it will cause its affiliates (other than Blue Sky' s sub- manager) not to, enter into any new arrangements for the management of additional self storage properties within any PRO' s assigned territory. However, we have not and will not acquire all of the self storage properties of our PROs. We will therefore own self storage properties in some of the same geographic regions as our PROs, and, as a result, we and our PROs may compete for tenants. This competition may affect our ability to attract and retain tenants and may reduce the rental rates we are able to charge, which could adversely affect our operating results and business. Our PROs may engage in other activities, diverting their attention from the management of our properties, which could adversely affect the execution of our business plan and our operating results. Our PROs and their employees and personnel are in the business of managing self storage properties. We have agreed that our PROs may continue to manage properties not included in our portfolio, and our PROs are not obligated to dedicate any specific employees or personnel exclusively to the management of our properties. As a result, their time and efforts may be diverted from the management of our properties, which could adversely affect the execution of our business plan and our operating results. When a PRO elects or is required to" retire" we may become exposed to new and additional costs and risks. Under our FPMAs, after a two- year period following the initial contribution of their properties to us, a PRO may elect, or be required, to" retire" from the self storage business. Upon a retirement event, management of the properties will be transferred to us (or our designee) in exchange for OP units with a value equal to four times the average of the normalized annual EBITDA from the management contracts related to such PRO' s managed portfolio over the immediately preceding 24- month period. As a result of this transfer, we may become exposed to new and additional costs and risks. Accordingly, the retirement of a PRO may adversely affect our financial condition and operating results. For example, in connection with our internalization of a retiring PRO, there can be no assurance that we will be able to retain such retiring PRO' s employees, successfully hire new employees, or effectively integrate such employees and the retiring PRO' s property management platform into our or another PRO' s property management platform. ~~Our contribution transactions were generally not negotiated on an arm' s- length basis and may not be as favorable to us as if they had been negotiated with unaffiliated third parties. We did not conduct arm' s- length negotiations with certain of the parties involved regarding the terms of our contribution transactions, including the contribution agreements, FPMAs, sales commission agreements, AMAs and registration rights agreements. In the course of structuring such transactions, certain members of our senior management team and other contributors had the ability to influence the type and level of benefits that they received from us. Accordingly, the terms of such transactions may not solely reflect the best interests of us or our shareholders and may be overly favorable to the other party to such transactions and agreements.~~ Conflicts of interest could arise with respect to certain transactions between the holders of OP units and subordinated performance units, which include our PROs, on the one hand, and us and our shareholders, on the other. Conflicts of interest could arise with respect to the interests of holders of OP units and subordinated performance units, on the one hand, which include members of our senior management team, PROs, and trustees and us and our shareholders, on the other. Certain business combinations, the sale, disposition or transfer of certain of our assets or the repayment of certain indebtedness that may be desirable to us and our shareholders could have adverse tax consequences to such unit holders. In addition, under Maryland law, our trustees and officers have duties to the Company in connection with their management of the Company, however, under Delaware law, as a general partner, we have fiduciary duties to our operating partnership and to the limited partners in connection with the management of our operating partnership. Our duties as a general partner may come into conflict with the duties of our trustees and officers to the Company and our shareholders and we are not required to resolve such conflicts in favor of either the Company or the limited partners in our operating partnership. Further, there can be no assurance that any procedural protections we implement to address these or other conflicts of interest will result in optimal outcomes for us and our shareholders. The partnership agreement of our operating partnership contains provisions that may delay, defer or prevent a change in control. The partnership agreement of our operating partnership provides that subordinated performance unit holders holding more than 50 % of the voting power of the subordinated performance units must approve certain change of control transactions involving us unless, as a result of such transactions, the holders of subordinated performance units are offered a choice (1) to allow their subordinated performance units to remain outstanding without the terms thereof being materially and adversely changed or the subordinated performance units are converted into or exchanged for equity securities of the surviving entity having terms and conditions that are substantially similar to those of the subordinated performance units (it being understood that we may not be the surviving entity and that the parent of the surviving entity or the surviving entity may not be publicly traded) or (2) to receive for each subordinated performance unit an amount of cash, securities or other property payable to a holder of OP units had such holder exercised its right to exchange its subordinated performance units for OP units without taking into consideration a specified conversion penalty associated with such an exchange. In addition, in the case of any such change of control transactions in which we have not received the consent of OP unit holders holding more than 50 % of the OP units (other than those held by us or our subsidiaries) and of subordinated performance unit holders holding more than 50 % of the voting power of the subordinated performance units (other than those held by us or our subsidiaries), such transaction is required to be approved by a company- wide vote of limited partners holding more than 50 % of our outstanding OP units in which OP units (including for this purpose OP units held by us and our subsidiaries) are voted and subordinated performance units (not held by us and our subsidiaries) are voted on an applicable as converted basis and in which we will be deemed to vote the OP units held by us and our subsidiaries in proportion to the manner in which all of our outstanding common shares were voted at a shareholders meeting relating to such transaction. These approval rights could delay, deter, or prevent a transaction or a change in control that might involve a premium price for our common shares or otherwise be in the best interests of our shareholders. Certain provisions of the Maryland General Corporation Law (the" MGCL") and of our bylaws and our declaration of trust could inhibit a change in our control and have an adverse impact on the price of our shares. The MGCL, our bylaws and our declaration of trust contain provisions that may discourage, delay or make more difficult a change in our control. We are subject to the Maryland Business Combination Act **(the" MBCA")** . Our board has adopted a resolution exempting from the **MBCA** ~~Maryland Business Combination Act~~ any business combinations between us and (1) any other person, provided that the business combination is first approved by our board (including a majority of disinterested trustees), (2) Arlen D. Nordhagen and any of his affiliates and associates and (3) any person acting in concert with the foregoing. As a result, such persons may be able to enter into business combinations with us that may not be in the best interests of our shareholders without compliance by us with the moratorium supermajority vote requirements and other provisions of the statute. If this resolution is repealed or our board does not approve a business combination, the **MBCA** ~~Maryland Business Combination Act~~ may discourage third parties from trying to acquire control of us and increase the difficulty of consummating such an offer. The Maryland Control Share Acquisition Act **(the" MCSAA")** provides that holders of" control shares" of a Maryland real estate investment trust acquired in a" control share acquisition" have no voting rights with respect to such shares except to the extent approved by our shareholders by the affirmative vote of at least two- thirds of all the votes entitled to be cast on the matter, excluding votes entitled to be cast by the acquirer of control shares, our officers and our trustees who are also our employees. Our bylaws exempt from the **MCSAA** ~~Maryland Control Share Acquisition Act~~ acquisitions of our shares by any person. If we amend our bylaws to repeal the exemption from **MCSAA** ~~the Maryland Control Share Acquisition Act~~ , the **MCSAA** ~~Maryland Control Share Acquisition Act~~ also may make it more difficult for a third party to obtain control of us and increase the difficulty of consummating such an offer. We have also adopted other measures that may make it difficult for a third party to obtain control of us, including provisions of our declaration of trust and bylaws limiting the liability of our present and former trustees and officers to us and our shareholders for money damages to the maximum extent permitted under Maryland law, requiring us to indemnify our present and former trustees and officers for actions taken in their official capacities, permitting (subject to the rights of holders of any class or series of preferred shares) removal of a trustee, with or without cause, only by the affirmative vote of at least two- thirds of the votes entitled to be cast generally in the election of trustees, and authorizing our board (without shareholder approval) to classify or reclassify our shares in one or more classes or series, to cause the issuance of additional shares and to amend our declaration of trust to increase or decrease the number of shares that we have authority to issue. These provisions, as well as other provisions of our declaration of trust and bylaws, may delay, defer or prevent a transaction or a change in control that might otherwise be in the best interests of our shareholders. Restrictions on ownership and transfer of our shares may restrict change of control or business combination opportunities in which our shareholders might receive a premium for their shares. In order for us to qualify as a REIT for each taxable year, no more than 50 % in value of our outstanding shares may be owned, directly or constructively, by five or fewer individuals during the last half of any calendar year, and at least 100 persons must beneficially own our shares during at least 335 days of a taxable year of 12 months, or during a proportionate portion of a shorter taxable year." Individuals" for this purpose include natural persons, private foundations, some employee benefit plans and trusts, and some charitable trusts. To assist us in preserving our REIT qualification, among other purposes, our declaration of trust generally prohibits, among other limitations, any person from beneficially or constructively owning more than 9. 8 % in value or in number of shares, whichever is more restrictive, of our aggregate outstanding shares of all classes and series, the outstanding shares of any class or series of our preferred shares or our outstanding common shares. These ownership limits and the other restrictions on ownership and transfer of our shares contained in our declaration of trust could have the effect of discouraging a takeover or other transaction in which holders of our common shares might receive a premium for their shares over the then prevailing market price or which holders might believe to be otherwise in their best interests. Our board of trustees has established exemptions from these ownership limits which permits certain of our institutional investors to hold up to 20 % of our common shares and up to 25 % of our preferred shares. Risks Related to Our Debt Financings There are risks associated with our indebtedness. Our level of debt and the limitations imposed on us by our debt agreements could have significant adverse consequences, including the following: • our cash flow may be insufficient to meet our required principal and interest payments; • to satisfy our debt obligations, we may be forced to dispose of one or more of our properties, possibly on disadvantageous terms; • our debt level could place us at a competitive disadvantage compared to our competitors with less debt; and • we may violate our restrictive covenants or otherwise default on our obligations, which may entitle our creditors to accelerate our debt obligations, foreclose on our properties securing our debt, enforce our guarantees and / or trigger default on our other indebtedness. ~~Disruptions in the~~

~~financial markets could affect our ability to obtain debt financing on reasonable terms or at all and have other adverse effects on us. Uncertainty in the credit markets may negatively impact our ability to access additional debt financing or to refinance existing debt maturities on favorable terms (or at all), which may negatively affect our ability to make acquisitions or make distributions required to maintain our qualification as a REIT. A downturn in the credit markets may cause us to seek alternative sources of potentially less attractive financing, and may require us to adjust our business plans accordingly. In addition, these factors may make it more difficult for us to sell properties or may adversely affect the price we receive for properties that we do sell, as prospective buyers may experience increased costs of debt financing or difficulties in obtaining debt financing.~~ We depend on external sources of capital that are outside of our control, which could adversely affect our ability to acquire or develop properties, satisfy our debt obligations and / or make distributions to shareholders. We depend on external sources of capital to acquire properties, to satisfy our debt obligations and to make distributions to our shareholders required to maintain our qualification as a REIT, and these sources of capital may not be available on favorable terms, or at all. Our access to external sources of capital depends on a number of factors, including the market' s perception of our growth potential and our current and potential future earnings and our ability to continue to qualify as a REIT for U. S. federal income tax purposes. If we are unable to obtain external sources of capital **, or if such capital is not available on acceptable terms** , we may not be able to acquire properties when strategic opportunities exist, satisfy our debt obligations or make cash distributions to our shareholders that would permit us to qualify as a REIT or avoid paying tax on all of our net taxable income. Increases in interest rates may increase our interest expense and adversely affect our cash flow and our ability to service our indebtedness, make cash distributions to our shareholders, and acquire or sell properties and our decision to hedge against interest rate risk might not be effective. As of December 31, ~~2022~~ **2023** , we had approximately $ 3. ~~6~~ **7** billion of debt outstanding, of which approximately $ ~~621~~ **511** . 0 million, or ~~17~~ **14** . ~~5~~ **0** %, is subject to variable interest rates (excluding variable- rate debt subject to interest rate swaps). **If** ~~During 2022, the U. S. Federal Reserve Board (the" Federal Reserve Board) has raised interest rates from historically low levels and has signaled an intention to continue to do so until current inflation levels re- align with the Federal Reserve Board' s long- term inflation target. To the extent the Federal Reserve Board continues to raise interest rates, there is a risk that rates across the financial system may rise. As~~ interest rates increase, our debt service obligations on variable- rate debt **will** increase even though the amount borrowed remains the same, while our net income, cash flows, and our ability to pay cash distributions to our shareholders correspondingly decrease. In addition, increased interest rates make the financing of any acquisition and investment activity more costly and could decrease the amount third parties are willing to pay for any properties that we wish to sell. Although we have historically sought, and may in the future seek, to manage our exposure to interest rate volatility by using interest rate hedging arrangements, these arrangements may not be effective. Developing an effective interest rate risk strategy is complex and no strategy can completely insulate us from risks associated with interest rate fluctuations. Failure to hedge effectively against interest rate changes may adversely affect our financial condition, results of operations and ability to make cash distributions to our shareholders. The terms and covenants relating to our indebtedness could adversely impact our economic performance. Our credit facility, term loan facilities and senior unsecured notes contain (and any new or amended facility we may enter into from time to time will likely contain) customary affirmative and negative covenants, including financial covenants that, among other things, cap our total leverage and our unsecured debt. In the event that we fail to satisfy our covenants, we would be in default under our debt agreements and may be required to repay such debt with capital from other sources. Under such circumstances, other sources of debt or equity capital may not be available to us, or may be available only on unattractive terms. Moreover, the presence of such covenants could cause us to operate our business with a view toward compliance with such covenants, which might not produce optimal returns for shareholders ~~. The discontinuation of the London interbank offered rate (" LIBOR") and transition to alternative reference rates may adversely impact our borrowings and interest rate hedging. As of December 31, 2022, certain of our debt agreements and our interest rate swap agreements are linked to U. S. dollar LIBOR, including certain of our term loan facilities. As announced on March 5, 2021 by the ICE Benchmark Administration Limited (" IBA"), the IBA will cease the publication of LIBOR for the most commonly used U. S. dollar LIBOR tenors after June 30, 2023. The Alternative Reference Rates Committee (" AARC"), a steering committee comprised of large U. S. financial institutions convened by the U. S. Federal Reserve Board and the New York Federal Reserve, has recommended the Secured Overnight Financing Rate (" SOFR") as a more robust reference rate alternative to U. S. dollar LIBOR. The ARRC has also recommended the use of the CME Group' s computation of forward- looking SOFR term rates (" Term SOFR"), subject to certain recommended limitations on the scope of its use. In March 2022, the Adjustable Interest Rate (LIBOR) Act was enacted at the federal level in the United States, pursuant to which the Board of Governors of the Federal Reserve System has designated benchmark replacement rates based on SOFR for U. S. law-governed legacy contracts that have no or insufficient fallback provisions. Market practices related to calculation conventions for replacement benchmark rates continue to develop and may vary, and inconsistent calculation conventions may develop among financial products. It is not possible to predict all consequences of the IBA' s plans to cease publishing U. S. dollar LIBOR, any related regulatory actions and the expected discontinuance of the use of U. S. dollar LIBOR as a reference rate for financial contracts. In advance of the transition date described above, we have begun amending our debt agreements and interest rate swap agreements that utilize U. S. dollar LIBOR as a factor in determining the interest rate to transition to SOFR and Term SOFR, including the recent amendment of our credit facility. However, these efforts may not be successful in mitigating the legal, tax and financial risk from changing the reference rate in our legacy agreements. Furthermore, the transition away from U. S. dollar LIBOR may adversely impact our ability to manage and hedge exposures to fluctuations in interest rates using derivative instruments. There is no guarantee that a transition from U. S. dollar LIBOR to an alternative will not result in financial market disruptions, significant increases in benchmark rates, or borrowing costs to borrowers, any of which could have an adverse effect on our business, results of operations, financial condition, and the market price of our common shares~~ . Risks Related to Our Qualification as a REIT Our failure to remain qualified as a REIT would subject us to U. S. federal income tax and applicable state and local taxes, which would reduce the amount of operating cash flow to our shareholders. We have elected and we believe that we have qualified to be taxed as a REIT commencing with our taxable year ended December 31, 2015. We have not requested, and do not intend to request a ruling from the Internal Revenue Service (" IRS"), that we qualify as a REIT. Qualification as a REIT involves the application of highly technical and complex Code provisions and Treasury Regulations promulgated thereunder for which there are limited judicial and administrative interpretations. To qualify as a REIT, we must meet, on an ongoing basis through actual operating results, various tests regarding the nature and diversification of our assets and our income, the ownership of our outstanding shares and the amount of our distributions. Our ability to satisfy these asset tests depends upon our analysis of the characterization and fair market values of our assets, some of which are not susceptible to a precise determination, and for which we will not obtain independent appraisals. Moreover, new legislation, court decisions or administrative guidance may, in each case possibly with retroactive effect, make it more difficult or impossible for us to qualify as a REIT. Thus, while we believe that we have been organized and operated and we intend to operate so that we will continue to qualify as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations and the possibility of future changes in our circumstances, no assurance can be given that we have qualified or will so qualify for any particular year. These considerations also might restrict the types of assets that we can acquire or services that we can provide in the future. We own and may in the future acquire direct or indirect interests in entities that have elected or will elect to be treated as REITs under the Code (each a" Subsidiary REIT"). If a Subsidiary REIT were to fail to qualify as a REIT, then (i) that Subsidiary REIT would become subject to U. S. federal income tax, (ii) shares in such Subsidiary REIT would cease to be qualifying assets for purposes of the asset tests applicable to REITs, and (iii) it is possible that we would fail certain of the tests applicable to REITs, in which event we would fail to qualify as a REIT unless we qualify for certain statutory relief provisions. In addition, in order to qualify as a REIT, prior to the end of the taxable year, we must also distribute any earnings and profits of any property we acquire in certain tax- deferred transactions to the extent such earnings accrued at a time when such corporation did not qualify as a REIT. We have entered into certain transactions involving the tax- deferred acquisition of target corporations. We believe that we have distributed any earnings and profits of such target corporations attributable to any period that such corporations did not qualify as a REIT. However, no assurances can be provided in this regard, and if there is a determination that we have inherited and retained any such earnings and profits, our qualification as a REIT could be adversely impacted. If we fail to qualify as a REIT in any taxable year, and we do not qualify for certain statutory relief provisions, we would be required to pay U. S. federal income tax on our taxable income at regular corporate rates, and distributions to our shareholders would not be deductible by us in determining our taxable income. In such a case, we might need to borrow money, sell assets, or reduce or even cease making distributions in order to pay our taxes. Our payment of income tax would reduce significantly the amount of operating cash flow to our shareholders. Furthermore, if we fail to maintain our qualification as a REIT, we no longer would be required to make distributions to our shareholders. In addition, unless we were eligible for certain statutory relief provisions, we could not re- elect to be taxed as a REIT until the fifth calendar year following the year in which we failed to qualify. Even if we qualify as a REIT, we may face other tax liabilities that reduce our cash flow. Even if we 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, state or local income and property and transfer taxes, including real property transfer taxes. In addition, we could, in certain circumstances, be required to pay an excise or penalty tax (which could be significant in amount) in order to utilize one or more relief provisions under the Code to maintain our qualification as a REIT. Any of these taxes would decrease operating cash flow to our shareholders. In order to qualify as a REIT, we must distribute to our shareholders each calendar year at least 90 % of our net taxable income (excluding net capital gain). To the extent that we satisfy the 90 % distribution requirement, but distribute less than 100 % of our net taxable income (including net capital gain), we would be subject to U. S. federal corporate income tax on our undistributed net taxable income. In addition, we will incur a 4 % non- deductible excise tax on the amount, if any, by which our distributions in any calendar year are less than a minimum amount specified under U. S. federal income tax laws. Although we intend to distribute our net taxable income to our shareholders in a manner that would avoid this 4 % tax, there can be no assurance that we will be able to do so, due to timing differences between our actual receipt of cash and the inclusion of items in our income for U. S. federal income tax purposes, the effect of non- deductible capital expenditures, or the creation of reserves or required debt or amortization payments. In addition, we will be subject to a 100 % tax on any income from sales or other dispositions of property (other than property treated as foreclosure property under the Code) that is held as inventory or primarily for sale to customers in the ordinary course of a trade or business by a REIT, either directly or indirectly through certain pass- through subsidiaries (a" prohibited transaction"). In order to meet the REIT qualification requirements, or to avoid the imposition of the penalty tax on prohibited transactions, we may hold some of our assets or provide certain services to our tenants through one or more TRSs, which generally will be subject to U. S. federal, state and local corporate taxes. In addition, if a REIT lends money to a TRS, the TRS may be unable to deduct all or a portion of the interest paid to the REIT, which could increase the tax liability of the TRS. In addition, the Code imposes a 100 % tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm' s length basis. We intend to structure transactions with any TRS on terms that we believe are arm' s length to avoid incurring the 100 % excise tax described above. There can be no assurances, however, that we will be able to avoid application of the 100 % tax. Furthermore, if we acquire appreciated assets from a corporation that is or has been a subchapter C corporation in a transaction in which the adjusted tax basis of such assets in our hands is less than the fair market value of the assets, determined at the time we acquired such assets, and if we subsequently dispose of any such assets during the 5- year period following the acquisition of the assets from the C corporation, we will be subject to tax at the highest corporate tax rates on any gain from the disposition of such assets to the extent of the excess of the fair market value of the assets on the date that we acquired such assets over the basis of such assets on such date, which we refer to as built- in gains. In addition, we have entered into certain transactions in which we acquired target entities in tax- deferred transactions. To the extent such entities had outstanding U. S. federal income tax or other tax liabilities, we would succeed to such liabilities. Payment of these taxes generally could materially and adversely affect our income, cash flow, results of operations, financial condition, liquidity and prospects, and could adversely affect the value of our common shares and our ability to make distributions to our shareholders. Complying with the REIT requirements may cause us to forgo and / or liquidate otherwise attractive investments, and in some situations, to maintain our REIT qualification, we may be forced to borrow funds during unfavorable market conditions. To qualify as a REIT, we must ensure that at least 75 % of our gross income for each taxable year, excluding certain amounts, is derived from certain real property- related sources, and at least 95 % of our gross income for each taxable year, excluding certain amounts, is derived from certain real property- related sources and passive income such as dividends and interest. In addition, we must ensure that, at the end of each calendar quarter, at least 75 % of the value of our total assets consists of cash, cash items, U. S. government securities and qualified real estate assets. The remainder of our investment in securities generally cannot include more than 10 % of the outstanding voting securities of any one issuer (other than U. S. government securities, securities of corporations that are treated as TRSs and qualified real estate assets) or more than 10 % of the total value of the outstanding securities of any one issuer (other than government securities, securities of corporations that are treated as TRSs and qualified real estate assets). In addition, in general, no more than 5 % of the value of our assets can consist of the securities of any one issuer (other than U. S. government securities, securities of corporations that are treated as TRSs and qualified real estate assets), no more than 20 % of the value of our total assets can be represented by securities of one or more TRSs and no more than 25 % of the value of our assets can consist of debt instruments issued by publicly offered REITs that are not otherwise secured by real property. If we fail to comply with these asset 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. To meet these tests, we may be required to take or forgo taking actions that we would otherwise consider advantageous. For instance, in order to satisfy the gross income or asset tests applicable to REITs under the Code, we may be required to forgo investments that we otherwise would make, and we may be required to liquidate from our portfolio otherwise attractive investments. In addition, we may be required to make distributions to shareholders at disadvantageous times or when we do not have funds readily available for distribution. As a result, we may need to borrow funds to meet the REIT distribution requirements even if the then prevailing market conditions are not favorable for these borrowings. Our access to third- party sources of capital depends on a number of factors, including the market' s perception of our growth potential, our current debt levels, the per share trading price of our common shares, and our current and potential future earnings. We cannot assure you that we will have access to such capital on favorable terms at the desired times, or at all, which may cause us to curtail our investment activities and / or to dispose of assets at inopportune times. These actions could reduce our income and amounts available for distribution to our shareholders. Thus, compliance with the REIT requirements may hinder our investment performance. If our operating partnership is treated as a corporation for U. S. federal income tax purposes, we will cease to qualify as a REIT. We believe our operating partnership qualifies as a partnership for U. S. federal income tax purposes, and accordingly generally will not be subject to U. S. federal income tax on its income. Instead, each of its partners, including us, will be required to pay tax on its allocable share of our operating partnership' s income. No assurance can be provided, however, that the IRS will not challenge our operating partnership' s status as a partnership for U. S. federal income tax purposes, or that a court would not sustain such a challenge. If the IRS were successful in treating our operating partnership as a corporation for U. S. federal income tax purposes, we would fail to meet the gross income tests and certain of the asset tests applicable to REITs, we would cease to qualify as a REIT, and both we and our operating partnership would become subject to U. S. federal, state and local income tax. The payment by our operating partnership of income tax would reduce significantly the amount of cash available to our operating partnership to satisfy obligations to make principal and interest payments on its debt and to make distribution to its partners, including us. Complying with REIT requirements may limit our ability to hedge effectively and may cause us to incur tax liabilities. The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate risk will be excluded from gross income for purposes of the REIT 75 % and 95 % gross income tests if (i) the instrument (a) hedges interest rate risk on liabilities used to carry or acquire real estate assets or (b) hedges an instrument described in clause (a) for a period following the extinguishment of the liability or the disposition of the asset that was previously hedged by the hedged instrument, and (ii) the relevant instrument is properly identified under applicable Treasury regulations. Income from hedging transactions that does not meet these requirements will generally constitute non- qualifying income for purposes of both the REIT 75 % and 95 % gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRS would be subject to tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear, and we generally would not benefit from losses in our TRS, although, subject to limitation, such losses may be carried forward to offset future taxable income of the TRS. The ability of our board of trustees to revoke our REIT election without shareholder approval may cause adverse consequences to our shareholders. Our declaration of trust provides that the board of trustees may revoke or otherwise terminate our REIT election, without the approval of our shareholders, if the board determines that it is no longer in our best interest to attempt to, or 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 net taxable income and we generally would no longer be required to distribute any of our net taxable income to our shareholders, which may have adverse consequences on our total return to our shareholders. Legislative or regulatory tax changes related to REITs could materially and adversely affect our business. 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 changed, possibly with retroactive effect. We cannot predict if or when 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 or whether any such law, regulation or interpretation may take effect retroactively. We and our shareholders could be adversely affected by any such change in, or any new, U. S. federal income tax law, regulation or administrative interpretation. Stockholders are urged to consult with their tax advisors regarding the effects of the other legislative, regulatory or administrative developments on an investment in the Company' s common stock. Risks Related to Our Common Shares and Preferred Shares Common shares and preferred shares eligible for future sale may have adverse effects on our share price. Subject to applicable law and the rules of any stock exchange on which our shares may be listed or traded, our board, without common shareholder approval, may authorize us to issue additional authorized and unissued common shares and preferred shares on the terms and for the consideration it deems appropriate and may amend our declaration of trust to increase the total number of shares, or the number of shares of any class or series, that we are authorized to issue. In addition, our operating partnership may issue OP units, which are redeemable for cash or, at our option exchangeable on a one- for- one basis into common shares after an agreed period of time and certain other conditions, preferred units of limited partnership interest, which are redeemable for cash or, at our option exchangeable on a one- for- one basis into our 6. 000 % Series A cumulative redeemable preferred shares of beneficial interest (" Series A Preferred Shares") and subordinated performance units, which are only convertible into OP units beginning two years following the initial issuance of the applicable series and then (i) at the holder' s election only upon the achievement of certain performance thresholds relating to the properties to which such subordinated performance units relate or (ii) at our election upon a retirement event of a PRO that holds such subordinated performance units or upon certain qualifying terminations. Notwithstanding the two- year lock out period on conversions of subordinated performance units into OP units, if such subordinated performance units were convertible into OP units as of December 31, ~~2022~~ **2023** , each subordinated performance unit would on average hypothetically convert into 1. ~~72~~ **55** OP units, or into an aggregate of approximately ~~21~~ **18** . ~~5~~ **8** million OP units. These amounts are based on historical financial information for the trailing twelve months ended December 31, ~~2022~~ **2023** . The hypothetical conversion is calculated by dividing the average cash available for distribution, or CAD, per subordinated performance unit by 110 % of the CAD per OP unit over the same period. We anticipate that as our CAD grows over time, the conversion ratio will also grow, including to levels that may exceed this amount. The actual number of OP units into which such subordinated performance units will become convertible may vary significantly and will depend upon the applicable conversion penalty and the actual CAD to the OP units and the actual CAD to the converted subordinated performance units in the one- year period ending prior to conversion. We have also granted registration rights to those persons who will be eligible to receive common shares issuable upon exchange of OP units and preferred shares issuable upon exchange of preferred units issued in our contribution transactions. We cannot predict the effect, if any, of future sales of our common or preferred shares or the availability of shares for future sales, on the market price of our common or preferred shares. The market price of our common shares may decline significantly when the restrictions on resale by certain of our shareholders lapse. Sales of substantial amounts of common or preferred shares or the perception that such sales could occur may adversely affect the prevailing market price for our common shares. We cannot assure our ability to pay dividends in the future. Historically, we have paid quarterly common share dividends to our shareholders and quarterly distributions to our operating partnership unitholders, and we intend to continue to pay such dividends and distributions in amounts such that all or substantially all of our net taxable income in each year is distributed, which, along with other factors, should enable us to continue to qualify for the tax benefits accorded to a REIT under the Code. We have not established a minimum dividends payment level, and all future distributions will be made at the discretion of our board. Our ability to pay dividends will depend upon, among other factors: • the operational and financial performance of our properties; • capital expenditures with respect to existing and newly acquired properties; • general and administrative expenses associated with our operation as a publicly- held REIT; • maintenance of our REIT qualification; • the amount of, and the interest rates on, our debt and the ability to refinance our debt; • the absence of significant expenditures relating to environmental and other regulatory matters; and • other risk factors described in this Annual Report on Form 10- K. Certain of these matters are beyond our control and any significant difference between our expectations and actual results could have a material adverse effect on our cash flow and our ability to make distributions to shareholders. Future offerings of debt or equity securities, which may rank senior to our common shares, may adversely affect the market price of our common shares. If we decide to issue debt securities in the future, which would rank senior to our common shares, it is likely that they will be governed by an indenture or other instrument containing covenants restricting our operating flexibility. Additionally, any equity securities or convertible or exchangeable securities that we issue in the future may have rights, preferences and privileges more favorable than those of our common shares and may result in dilution to owners of such shares. We and, indirectly, our shareholders will bear the cost of issuing and servicing such securities. Because our decision to issue debt or equity securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. Thus, holders of our common shares will bear the risk of our future offerings reducing the market price of our shares and diluting the value of their common share holdings in us.