Risk Factors Comparison 2024-02-15 to 2023-02-15 Form: 10-K

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

Our business is subject to a number of risks and uncertainties. The following is a summary of the principal risk factors described in this section: • **we have a substantial amount of debt and we are subject to risks related to our debt, including our ability to refinance maturing debt and the cost of any such refinanced debt and our ability to reduce our debt leverage, which may remain at or above current levels for an indefinite period, covenants and conditions contained in our debt agreements which may restrict our operations by increasing our interest expense and limiting our ability to make investments in our properties, sell properties securing our debt and pay distributions to our shareholders, potential downgrades to our credit ratings and other limitations on our ability to access capital at reasonable costs or at all, including the limited availability of debt capital to office REITs generally; • we have a significant amount of scheduled lease expirations in 2024 and thereafter and** we may be unable to renew our leases when they expire or lease our properties to new tenants without decreasing rents or incurring significant costs or at all; ~~• unfavorable market and economic conditions due to, among other things, rising or sustained high interest rates and high inflation, labor market challenges, supply chain challenges, volatility~~ in **addition** ~~the public equity and debt markets and in commercial real estate markets~~ , ~~generally, reductions in government spending to fund their obligations, pandemics (such as the COVID- 19 pandemic) or other adverse public health safety events or conditions, geopolitical instability (such as the war in Ukraine), and other conditions beyond our control, may have a material adverse effect on our and our tenants' results of operations and financial conditions, and our tenants may be unable to satisfy their lease obligations to us; • remote and other alternative work arrangements and changes in space utilization and other business practices may reduce the demand for office leasing and~~ some **of our** tenants have the right to terminate their leases prior to their **stated** lease expiration date; • **remote and other alternative work arrangements and changes in space utilization and other business practices may continue to reduce the demand for office leasing; •** our concentration of investments in properties leased to private sector single or majority tenants and the U. S. government, and in properties located in the metropolitan Washington, D. C. area, may subject us to risks associated with bankruptcy, insolvency, a downturn of business or a lease termination of such single or majority tenants, government budgetary pressures and priorities and trends and other fiscal pressures and a downturn in economic conditions or a possible recession; • **unfavorable market and commercial real estate industry conditions due to, among other things, high interest rates, prolonged high inflation, labor market challenges, supply chain disruptions, volatility in the public equity and debt markets and in the commercial real estate markets, generally, reductions in government spending to fund their obligations, pandemics, geopolitical instability and tensions, economic downturns** ~~our~~ - **or** ~~capital recycling program~~ **a possible recession** , **changes in real estate utilization and other conditions beyond our control, may have a material adverse effect on our and our tenants' results of operations and financial conditions, and our tenants may be unable to satisfy their lease obligations to us; • our** development or redevelopment projects **,** or potential future **sales or** acquisitions **or development or redevelopment projects,** may not be successful or may not be executed on the terms or within the timing we expect as a result of competition, ~~current~~ **ongoing** market and economic conditions, including capital market disruptions, ~~rising or sustained~~ high interest rates, **prolonged high inflation,** or otherwise ~~; • we are subject to risks related to our debt, including covenants and conditions contained in our debt agreements which may restrict our operations and ability to make investments and to pay distributions to our shareholders, our ability to manage our leverage at a level we believe appropriate, potential downgrades to our credit ratings and other limitations on our ability to access capital at reasonable costs or at all, including the limited availability of debt capital to office REITs generally~~ ; • we are subject to risks related to our qualification for taxation as a REIT, including REIT distribution requirements; • ownership of real estate is subject to environmental risks and liabilities, as well as risks from adverse weather, natural disasters and **adverse impacts from global** climate change ~~and climate related events~~ ; • insurance may not adequately cover our losses, and insurance costs may continue to increase; • we are subject to risks related to our dependence upon RMR to implement our business strategies and manage our day to day operations; • we are subject to risks related to the security of RMR' s information technology; • our management structure and agreements with RMR and our relationships with our related parties, including our Managing Trustees, RMR and others affiliated with them, may create conflicts of interest; • ~~ESG~~ **sustainability** initiatives, requirements and market expectations may impose additional costs and expose us to new risks; • provisions in our declaration of trust, bylaws and other agreements, as well as certain provisions of Maryland law, may deter, delay or prevent a change in our control or unsolicited acquisition proposals, limit our rights and the rights of our shareholders to take action against our Trustees and officers or limit our shareholders' ability to obtain a favorable judicial forum for certain disputes; ~~and~~ • we may change our operational, financing and investment policies without shareholder approval ~~,~~ **;** and **•** ~~we may reduce the rate of or eliminate~~ our distributions to shareholders **may remain at $ 0. 01 per common share per quarter** ~~or~~ **for an indefinite period or be eliminated and** the form of payment could change. The risks described below may not be the only risks we face **,** but are risks we believe may be material at this time. Other risks of which we are not yet aware, or that we currently believe are not material, may also materially and adversely impact our business operations or financial results. If any of the events or circumstances described below occurs, our business, financial condition, liquidity, results of operations or ability to pay distributions to our shareholders could be adversely impacted and the value of an investment in our securities could decline. Investors and prospective investors should consider the risks described below and the information contained under the caption " Warning Concerning Forward- Looking Statements " and elsewhere in this Annual Report on Form 10- K before deciding whether to invest in our securities. We may update these risk factors in our future periodic reports. Risks

Related to Our Business We ~~debt financing,we cannot be sure that we will be successful in doing so~~ .We have ~~engaged~~ **debt and we may incur additional debt.As of December 31,2022,our consolidated debt was $ 2.5 billion.As of December 31,2022 and February 14,2023,we had $ 195.0 million and $ 220.0 million outstanding under our revolving credit facility and $ 555.0 million and $ 530.0 million available for borrowing,respectively.Our credit agreement includes** a **feature under which the maximum borrowing availability may** ~~financial advisor to assist in evaluating our options to address our upcoming debt maturities.There can~~ be ~~no assurance~~ **increased to up to $ 1.95 billion in certain circumstances.We are subject to numerous risks associated with** our ~~advisor will~~ **debt,including the risk that our cash flows could** be **insufficient for** ~~successful in assisting~~ us **to make required payments and risks associated** with ~~our debt maturities~~ **increases in and sustained high market interest rates** .There are ~~also~~ no limits in our organizational documents on the amount of debt we may incur,and ~~,subject to any limitations in our debt agreements,~~ we may incur ~~additional~~ **substantial** debt.Our debt may increase our vulnerability to adverse market and economic conditions,limit our flexibility in planning for changes in our business and place us at a disadvantage in relation to competitors that have lower debt levels.Our debt could increase our ~~cost~~ **costs** of capital,limit our ability to incur additional debt in the future,and increase our exposure to floating interest rates or expose us to potential events of default (if not cured or waived) under covenants contained in debt instruments that could have a material adverse effect on our business,financial condition and operating results. ~~High~~ **Rising** interest rates have significantly increased **,** ~~our borrowing costs.Although we have an~~ **and** ~~option to extend the maturity date of certain of our debt upon payment of a fee and meeting other conditions,the applicable conditions~~ may **continue** ~~not be met,and we may be required~~ to ~~repay~~ **significantly increase,** ~~or~~ **our interest expense** ~~refinance our existing debt with new debt at less favorable terms~~ .Excessive or expensive debt could reduce the available cash flow to fund,or limit our ability to obtain financing for, **working capital,capital expenditures,acquisitions,development or redevelopment projects,refinancing,** lease obligations ~~,working capital,capital expenditures,refinancing,acquisitions,development or redevelopment projects~~ or other purposes and hinder our ability **to achieve or maintain investment grade ratings from nationally recognized credit rating agencies or** to pay distributions to our shareholders.If we default under any of our debt obligations,we may be in default under other debt agreements of ours that have cross default provisions,including our credit agreement and our senior **unsecured** notes indentures and their supplements.In such case,our lenders or noteholders may demand immediate payment of any outstanding debt and ~~could seek payment from the subsidiary guarantors under our credit agreement or our 9.000 % senior secured notes due 2029,or the 2029 Notes,seek to sell any pledged equity interests of certain subsidiaries or the mortgaged properties owned by certain pledged subsidiaries,or~~ we could be forced to liquidate our assets for less than the values we would receive in a more orderly process ~~.~~ may be unable to lease our properties when our leases expire. Leases representing approximately ~~11~~ **15** . ~~2~~ **5** % and ~~14~~ **10** . ~~7~~ **6** % of our annual rental income are scheduled to expire in each of ~~2023 and~~ 2024 **and 2025** , respectively. Although we typically will seek to renew or extend the terms of leases for our properties with tenants when they expire, we cannot be sure that we will be successful in doing so. **Certain changes in space utilization, including** ~~Increases~~ **increases** in remote and other alternative work arrangements ~~and changes in space utilization~~ , as well as **ongoing market and** economic conditions, including **high interest rates, prolonged** high inflation and government spending and budget priorities may cause our tenants not to renew or extend their leases when they expire, or to seek to renew their leases for less space than they currently occupy. ~~Our scheduled lease expirations in 2023 and thereafter are significantly higher than in prior recent years.~~ If we are unable to extend or renew our leases, or we renew leases for reduced space, it may be time consuming and expensive to relet some of these properties to new tenants. We may experience declining rents or incur...... government tenants to pay us rent. Remote and other alternative work arrangements and changes in space utilization and other business practices may **continue to** reduce the demand for office leasing. **Certain** ~~Changes~~ **changes** in **office** space utilization ~~accelerated in response to the COVID- 19 pandemic~~ , including increased remote and other alternative work arrangements **and tenants consolidating their real estate footprints** , continue to impact the market for both private sector and government tenants. It is uncertain to what extent and for how long such remote or other alternative work arrangements may continue. In addition, it is possible that hybrid work arrangements could continue or increase, such as workspace sharing or hoteling of office space. To the extent these practices become permanent or further increase, demand for ~~leased~~ **office** space, including at our properties, may decline. As a result of these factors, our tenant retention levels could decline and we may experience reduced rent or incur increased costs under future new or renewal leases. Some of our properties depend upon a private sector single or majority tenant for all or a significant portion of their rental income; therefore, our financial condition, including our ability to pay distributions to our shareholders, may be adversely affected by bankruptcy or insolvency, a downturn in the business, or a lease termination of such a single or majority tenant. As of December 31, ~~2022~~ **2023** , ~~43~~ **44** . ~~8~~ **4** % of our annualized rental income was from our properties leased to private sector single tenants or majority occupied tenants. The value of the properties leased to these tenants is materially dependent on their performance under their respective leases. These tenants face competition within their industries and other factors that could reduce their ability to pay us rent ~~. Lease payment defaults by these tenants could cause us to reduce the amount of distributions that we pay to~~ **based on market and economic conditions, such as high interest rates, prolonged high inflation, supply chain challenges and economic downturns** ~~our~~ - **or** ~~shareholders~~ **a possible recession** . A default by a single or majority tenant, the failure of a guarantor to fulfill its obligations or other premature termination of a lease to such a tenant or such tenant' s election not to extend a lease upon its expiration could have an adverse effect on our financial condition, results of operations, liquidity and ability to pay distributions to our shareholders. We currently have a concentration of properties in the metropolitan Washington, D. C. market area and are exposed to changes in market conditions in this area. As of December 31, ~~2022~~ **2023** , we derived approximately 22. ~~6~~ **2** % of our annualized rental income from our consolidated properties located in the metropolitan Washington, D. C. market area. In addition, the three properties owned by two joint ventures in which we ~~own~~ **owned** 51 % and 50 % interests are also located in the metropolitan Washington, D. C. market area. A downturn in economic conditions in this area or a possible recession, including as a result of ~~current~~ **prolonged high** ~~inflationary~~ --- **inflation**

~~conditions~~ or otherwise, could result in reduced demand from tenants for our properties, reduced rents that our tenants in this area are willing to pay when our leases expire and increased lease concessions for new leases and renewals. Additionally, there has been a decrease in demand for new leased space by the U. S. government in the metropolitan Washington, D. C. market area, and that could increase competition for government tenants and adversely affect our ability to retain government tenants when our leases expire. Thus, adverse developments and / or conditions in the metropolitan Washington, D. C. market area could reduce demand for space, impact the ~~credit worthiness~~ **creditworthiness** of our tenants or force our tenants to curtail operations, which could impair their ability to meet their rent obligations to us and, accordingly, could have an adverse effect on our financial condition, results of operations, liquidity and ability to pay distributions to our shareholders. **We may experience declining rents or incur significant costs to renew our leases with current tenants or lease our properties to new tenants,and any rent increases that we do achieve may not exceed increased costs we may incur.When we renew our leases with current tenants or lease to new tenants,we may experience rent decreases,and we may have to spend substantial amounts for leasing commissions,tenant improvements or other tenant inducements.Moreover,many of our properties have been specially designed for the particular businesses of our tenants;if the current leases for those properties are terminated or are not renewed,we may be required to renovate those properties at substantial costs,decrease the rents we charge or provide other concessions in order to lease those properties to new tenants.In addition,any rent increases that we do achieve may not exceed our costs associated with renewing our leases with current tenants or leasing our properties to new tenants,which costs have and are expected to continue to increase as a result of rising interest rates,high inflation and supply chain challenges,among other things.Unfavorable market,economic and commercial real estate conditions** may have a material adverse effect on our results of operations,financial condition and ability to pay distributions to our shareholders.Our business ~~and operations~~ may be adversely affected by market ~~and~~ **,** economic ~~volatility experienced by the U.S.~~ and ~~global economies,the~~ commercial real estate ~~industry~~ **conditions in the U.S.and global economies,** and / or the local economies in the markets in which our properties are located.Unfavorable **market,** economic and ~~industry~~ **commercial real estate** conditions may be due to,among other things, **rising or sustained** high interest rates **and** ~~,prolonged~~ high inflation,labor market challenges,supply chain disruptions,volatility in the public equity and debt markets,pandemics **(such as the COVID- 19 pandemic)** ,geopolitical instability **(such as the war** ~~and tensions,economic downturns or a possible recession,changes~~ in ~~real estate utilization~~ **Ukraine),** and other conditions beyond our control. ~~As~~ **Because** economic conditions in the United States may affect the demand for ~~office~~ **leased** space,real estate values,occupancy levels and property income,current and future economic conditions in the United States,including slower growth or a ~~possible~~ recession and capital market volatility or disruptions,could have a material adverse impact on our earnings and financial condition.Economic conditions may be affected by numerous factors,including,but not limited to,the pace of economic growth and / or recessionary concerns,inflation,increases in the levels of unemployment,energy prices,uncertainty about government fiscal and tax policy,geopolitical events,the regulatory environment,the availability of credit and interest rates.Current conditions **,or similar conditions existing in the future,may** have ~~negatively impacted~~ **a material adverse effect on** our **results of operations,financial condition and** ability to pay distributions to our shareholders ~~and these or other conditions may continue to have similar impacts in the future and on our results of operations and financial condition.We may experience declining rents or incur significant costs to renew our leases with current tenants or lease our properties to new tenants,and any rent increases that we do achieve may not exceed increased costs we may incur.When we renew our leases with current tenants or lease to new tenants,we may experience rent decreases,and we may have to spend substantial amounts for tenant improvements,leasing commissions or other tenant inducements.Moreover,many of our properties have been specially designed for the particular businesses of our tenants;if the current leases for those properties are terminated or are not renewed,we may be required to renovate those properties at substantial costs,decrease the rents we charge or provide other concessions in order to lease those properties to new tenants.In addition,any rent increases that we do achieve may not exceed our costs associated with renewing our leases with current tenants or leasing our properties to new tenants,which costs have increased as a result of high interest rates,prolonged high inflation and supply chain challenges,among other things.Further,certain of our long term leases have contractual rent adjustments which may not keep pace with inflation~~ .Our business depends upon our tenants satisfying their lease obligations to us,which,with respect to our private sector tenants,depends,to a large degree,on those tenants' abilities to successfully operate their businesses,and,with respect to our government tenants,depends on discretionary funding from federal,state and local governments.Our business depends on our tenants satisfying their lease obligations **to us** .The financial capacities of our private sector tenants to pay us rent will depend upon their abilities to successfully operate their businesses,which may be adversely affected by factors over which we and they have no control,including market and economic conditions,such as **rising or sustained** high interest rates **and** ~~,prolonged~~ high inflation,supply chain challenges and economic downturns or ~~a possible recession~~ **recessions** .The failure of our private sector tenants and any applicable parent guarantor to satisfy their lease obligations to us,whether due to a downturn in their business or otherwise,could materially and adversely affect us.In addition,our government tenants are subject to discretionary funding from federal,state and local governments,as applicable.Federal government programs are subject to annual congressional budget authorization and appropriation processes,and state and local government programs are often subject to similar processes.For many federal programs,Congress appropriates funds on a fiscal year basis even though the program performance period may extend over several years.Laws and plans adopted by federal,state and local governments relating to,along with pressures on and uncertainty surrounding,budgets,potential changes in priorities and spending levels,sequestration,the appropriations process and the permissible debt limits,could adversely affect the funding for our government tenants.The budget environment and uncertainty surrounding the appropriations processes remain significant long **-** term risks as budget cuts could adversely affect the ability of our government tenants to pay us **rent.** Government budgetary pressures and priorities and trends in government employment and office leasing, including remote working and other space utilization trends, may adversely impact our business. We believe that recent government budgetary and spending priorities and enhancements in technology ~~during the pandemic~~ have resulted in a decrease in government office use for employees. Furthermore, over the past several years, government tenants have reduced their space utilization per employee and consolidated government tenants into existing government owned properties. This activity has reduced the demand for government leased space. Our historical experience with respect to properties of the type we own that are majority leased to government tenants has been that government tenants have generally renewed leases to avoid the costs and disruptions that may result from relocating their operations. However, efforts to manage space utilization rates may result in our tenants exercising early termination rights under ~~our~~ **their** leases, vacating our properties upon expiration of ~~our~~ **their** leases in order to relocate to government owned properties or ~~consolidated~~ - **consolidate** leased space within a market, or ~~renewing~~ --- **renew** their leases for less space than they currently occupy. Also, our government tenants' desire to reconfigure ~~leased~~ office space to manage utilization per employee may require us to spend significant amounts for tenant improvements, and tenant relocations are often more prevalent in those circumstances. Increasing uncertainty with respect to government agency budgets and funding to implement relocations, consolidations and reconfigurations has, in some instances, resulted in delayed decisions by some of our government tenants and more focus on short term lease renewals. Given the significant uncertainties, including the extent to which remote or alternative work arrangements may continue or increase, we are unable to reasonably project what the financial impact of market conditions or changing government circumstances will be on the demand for leased space at our properties and our financial results for future periods. A prolonged U. S. government shutdown may adversely impact our operations, financial results and liquidity. Under our leases with the U. S. government, the tenants pay us rent monthly in arrears. If the U. S. government experiences a prolonged shutdown, these tenants may not pay us rent during the pendency of the shutdown. Although we expect that these tenants would pay us any outstanding rents after the shutdown ends, our available cash and leverage targets may be adversely impacted during the period we do not receive rents from these tenants. A failure to receive rents during a government shutdown may impair our ability to fund our operations and investments, pay our debt obligations, make capital expenditures and pay distributions to our shareholders. In addition, the impact of a prolonged government shutdown on government personnel resources could hinder our ability to renew expiring leases or initiate or complete renovation, construction and other capital maintenance of the affected properties. Moreover, some of our tenants are government contractors that rely on government business. If a government shutdown results in our government contractor tenants not paying us rent, the negative impact on us from a government shutdown may be compounded. **We** ~~Our capital recycling program~~ may not **succeed in selling properties we may identify for sale and any proceeds we may receive from sales we do complete may** be **less than expected** ~~successful. Through our capital recycling program~~ , **and** we ~~seek~~ **may incur losses with respect to any such sales. We plan** to selectively sell certain properties from time to time to **reduce our leverage,** fund ~~future acquisitions,~~ capital ~~requirements~~ **expenditures** and ~~to manage leverage at a level we believe appropriate~~ **strategically update, rebalance and reposition our investment portfolio,** with ~~a~~ **the** goal of (1) improving the asset quality of our portfolio through diversification of property types, by reducing the average age of our properties, lengthening the weighted average lease term of our leases and increasing the likelihood of retaining our tenants and (2) increasing our cash available for distribution. **Our** ~~However, our~~ ability to sell ~~our~~ properties ~~we identify for sale~~ , and the prices we **may** receive ~~upon a~~ **in any such** ~~sale~~ **sales** ~~,~~ may be affected by ~~many~~ **various** factors. In particular, these factors could arise from **, among other things: •** ~~weakness~~ **weaknesses** in or ~~the~~ **a** lack of ~~an~~ established ~~market~~ **markets** for ~~a~~ **the** ~~property~~ **properties we may identify for sale; •** ~~, changes in the financial condition of prospective purchasers and~~ the availability of financing to potential purchasers on reasonable terms ~~,~~ **; • changes in** the ~~number~~ **financial condition** of prospective purchasers **for** , **and the tenants of, the properties; • the terms of leases with tenants at certain of the properties; • the characteristics, tenant utilization, quality and prospects of the properties; • the number of prospective purchasers; •** the number of competing properties ~~on~~ **in** the market ~~,~~ **; •** unfavorable local, national or international economic conditions, such as ~~rising or sustained~~ high interest rates ~~and~~ **, labor market challenges, prolonged** high inflation, supply chain challenges and economic downturns or **a possible** ~~recessions~~ - **recession** ~~,~~ **;** and **•** changes in laws, regulations or fiscal policies of jurisdictions in which the ~~property~~ **properties** ~~is~~ **are** located. For example, current market conditions have caused, and may continue to cause, increased capitalization rates which, together with ~~rising~~ **high** interest rates, has resulted in reduced commercial real estate transaction volume, and such conditions may continue or worsen. We may not succeed in selling properties **and any** ~~that we identify for sale~~ **sales may be delayed or may not occur or, if sales do occur** , the terms ~~of any such sales~~ may not meet our expectations and we may incur losses in connection with ~~those~~ **any** sales. **If** ~~Further,~~ we **are unable to realize proceeds from** ~~may not succeed in identifying and acquiring properties that improve~~ the **sale of** ~~asset~~ **assets sufficient to allow** ~~quality of our portfolio and enable~~ us to ~~increase~~ **reduce** our ~~cash available for distribution and we may not succeed in managing~~ leverage ~~at~~ **to a** ~~levels~~ - **level** we **, or ratings agencies or possible financing sources,** believe appropriate ~~. As a result~~ , ~~our~~ **we may be unable to fund** capital ~~recycling program~~ **expenditures or future acquisitions to grow our business. In addition, we** may ~~not be successful~~ **elect to change or abandon our strategy and forego or abandon property or other asset sales** . We are exposed to risks associated with property development, redevelopment and repositioning that could adversely affect us, including our financial condition and results of operations. We currently have properties under development and we **may** ~~intend to continue to~~ engage in **additional** development, redevelopment and repositioning activities with respect to our properties **in the future** , and, as a result, we are subject to certain risks ~~, which could adversely affect us, including our financial condition and results of operations~~ . These risks include cost overruns and untimely completion of construction due to, among other things, weather conditions, inflation, labor or material shortages or delays in receiving permits or other governmental approvals, as well as the availability and pricing of financing on favorable terms or at all. ~~Recent supply chain constraints and~~ **The global economy continues to experience** commodity pricing and other inflation, including inflation impacting wages and employee benefits ~~,~~ **. Although inflation rates** have ~~resulted in~~ **recently declined, it is uncertain whether inflation will decline further, remain relatively steady or increase; however, some market forecasts indicate that inflation rates may remain elevated for a prolonged period.**

These conditions have increased **the** costs for materials, other goods and labor, including construction materials, and **caused** some delays in construction activities, and these conditions may continue and worsen. These ~~risks~~ **pricing increases, as well as increases in labor costs,** could result in substantial unanticipated delays and increased development and renovation costs and could prevent the initiation or the completion of development, redevelopment or repositioning activities. In addition, changes to demand for ~~leased~~ **office** space and increased vacancies due to continued increases in remote and other alternative work arrangements and changes in space utilization, as well as current economic conditions and volatility in the commercial real estate markets, generally, may cause delays in leasing these properties or possible loss of tenancies and negatively impact our ability to generate cash flows from these properties that meet or exceed our cost of investment. Any of these risks associated with our current or future development, redevelopment and repositioning activities could have a material adverse effect on our business, financial condition and results of operations. We may be unable to grow our business by acquiring additional properties, and we might encounter unanticipated difficulties and expenditures relating to our acquired properties. Our business plan includes the acquisition of additional properties. Our ability to make profitable acquisitions is subject to risks, including, but not limited to, risks associated with: • **the extent of our debt leverage; • the availability, terms and cost of debt and equity capital; •** competition from other investors; **and** • contingencies in our acquisition agreements ~~; • the availability, terms and cost of debt and equity capital; and • the extent of our debt leverage~~ . These risks may limit our ability to grow our business by acquiring additional properties. In addition, we might encounter unanticipated difficulties and expenditures relating to our acquired properties. For example: • notwithstanding pre- acquisition due diligence, we could acquire a property that contains undisclosed defects in design or construction or unknown liabilities, including those related to undisclosed environmental contamination, or our analyses and assumptions for the properties may prove to be incorrect, or we could receive rental revenues less than we expect at an acquired property due to tenant vacancies, changed economic conditions or otherwise; • an acquired property may be located in a new market where we may face risks associated with investing in an unfamiliar market; • the market in which an acquired property is located may experience unexpected changes that adversely affect the property' s value; and • property operating costs for our acquired properties may be higher than anticipated and our acquired properties may not yield expected returns. For these reasons, among others, we might not realize the anticipated benefits of our acquisitions, and our business plan to acquire additional properties may not succeed or may cause us to experience losses. REIT distribution requirements and limitations on our ability to access capital at reasonable costs or at all may adversely impact our ability to carry out our business plan. To maintain our qualification for taxation as a REIT under the IRC, we are required to satisfy distribution requirements imposed by the IRC. See " Material United States Federal Income Tax Considerations — REIT Qualification Requirements — Annual Distribution Requirements " included in Part I, Item 1 of this Annual Report on Form 10-K. Accordingly, we may not be able to retain sufficient cash to fund our operations, repay our debts, invest in our properties or fund our acquisitions or development, redevelopment or repositioning efforts. Our business strategies therefore depend, in part, upon our ability to raise additional capital at reasonable costs. We may **also** be unable to raise capital at reasonable costs or at all because of reasons related to our business, market perceptions of our prospects, the terms of our ~~existing~~ debt, the extent of our leverage or for reasons beyond our control, such as capital market volatility, ~~rising or sustained~~ high interest rates and other market conditions. For example, decreased demand for leased space and increased vacancies due to continued increases in remote and other alternative work arrangements and changes in space utilization, as well as current economic conditions, have negatively impacted the availability of debt capital to office REITs on reasonable terms or at all. Because the earnings we are permitted to retain are limited by the rules governing REIT qualification and taxation, if we are unable to raise reasonably priced capital, we may not be able to carry out our business plan. We face significant competition. We **We also** face competition for tenants at our properties.Some competing properties may be newer,better located or more attractive to tenants.Competing properties may have lower rates of occupancy than our properties,which may result in competing owners offering available space at lower rents than we offer at our properties.Development activities may increase the supply of properties of the type we own in the leasing markets in which we own properties and increase the competition we face.Competition may make it difficult for us to attract and retain tenants and may reduce the rents we are able to charge and the values of our properties. ~~We also~~ face significant competition for acquisition opportunities from other investors, including publicly traded and private REITs, numerous financial institutions, individuals, foreign investors and other public and private companies. Some of our competitors may have greater financial and other resources than us ~~,~~ and may be able to accept more risk than we can prudently manage, including risks with respect to the creditworthiness of tenants and guarantors and the extent of leverage used in their capital structure. Because of competition for acquisitions, we may be unable to acquire desirable properties or we may pay higher prices for, and realize lower net cash flows than we hope to achieve from, acquisitions. We also face competition for tenants at...... and the values of our properties. Some tenants have the right to terminate their leases prior to their lease expiration date. Some of our leases allow the tenants to vacate the leased premises before the stated terms of the leases expire with little or no liability. In particular: • **Twelve** ~~Tenants~~ **tenants** occupying approximately ~~2.~~ 4 **. 0** % of our rentable square feet and responsible for approximately ~~2~~ **4** . ~~3~~ **1** % of our annualized rental income as of December 31, ~~2022~~ **2023** have ~~currently~~ -- **current** exercisable rights to terminate their leases before the stated term of their leases expire. • As of December 31, ~~2022~~ **2023** , pursuant to leases with ~~10~~ **eight** of our tenants, these tenants have rights to terminate their leases if their respective legislature or other funding authority does not appropriate rent amounts in their respective annual budgets. These ~~10~~ **eight** tenants represented approximately ~~5~~ **4** . ~~5~~ **2** % of our rentable square feet and ~~6~~ **4** . ~~1~~ **4** % of our annualized rental income as of December 31, ~~2022~~ **2023** . For various reasons, some or all of our tenants may decide to exercise early termination rights under our leases or vacate our properties upon expiration of our leases. If a significant number of our leases are terminated pursuant to these termination rights, our income and cash flow may materially decline, our ability to pay distributions to our shareholders may be negatively impacted and the values of our properties may decline . We have debt and we may...... would receive in a more orderly process . We may fail to comply with the terms of our debt agreements, which could adversely affect our business and prohibit us from paying distributions to our shareholders. Our debt agreements include various conditions, covenants and events of default. We may not be able to satisfy all of these conditions or may default on some of these covenants for various reasons, including for reasons beyond our control. **If any of the covenants in these debt agreements are breached and not cured within the applicable cure period, we could be required to repay the debt immediately, even in the absence of a payment default, or be prevented from refinancing maturing debt.** Complying with these covenants may limit our ability to take actions that may be beneficial to us and our security holders. Our credit agreement and our senior ~~unsecured~~ notes indentures and their supplements require us to comply with certain financial and other covenants **. These covenants may limit our operational flexibility and acquisition and disposition activity** . Our ability to comply with those covenants will depend upon the net rental income we receive from our properties. If the occupancy at our properties declines or if our rents decline, we may be unable to borrow under our revolving credit facility. **Our** ~~If we are unable to borrow under our~~ revolving credit facility **is secured by certain properties and the availability of borrowings under the facility is subject to minimum performance and value levels of those properties. If we are unable to borrow under our revolving credit facility** , **our liquidity would be negatively affected and** we may be unable to meet our obligations or grow our business by acquiring additional properties or otherwise. If we default under our credit agreement, our lenders may demand immediate payment and **could seek payment from the subsidiary guarantors under our credit agreement or the 2029 Notes, seek to sell any pledged equity interests of certain subsidiaries or the mortgaged properties owned by such pledged subsidiaries, or** may elect not to fund future borrowings. During the continuance of any event of default under our credit agreement, we may be limited or, in some cases, prohibited from paying distributions to our shareholders. Any default under our credit agreement that results in acceleration of our obligations to repay outstanding debt or in our no longer being permitted to borrow under our revolving credit facility would likely have serious adverse consequences to us and would likely cause the value of our securities to decline. In the future, we may obtain additional debt financing, and the covenants and conditions applicable to that debt may be more restrictive than the covenants and conditions that are contained in our existing debt agreements. **Secured debt exposes us to the possibility of foreclosure, which could result in the loss of our investment in certain of our subsidiaries or in a property or group of properties or other assets that secure that debt. We have a substantial amount of debt that is secured by properties that we own or by a pledge of the equity interests of certain of our subsidiaries. Secured debt, including mortgage debt,** ~~Increases~~ **increases our risk of asset and property losses because defaults on debt secured by our assets may result** in ~~market~~ **foreclosure actions initiated by lenders and ultimately our loss of the property or other assets securing any loans for which we are in default. Any foreclosure on a mortgaged property or group of properties could have a material adverse effect on the overall value of our portfolio of properties and more generally on us. For tax purposes, a foreclosure of any of our properties would be treated as a sale of the property for a purchase price equal to the outstanding balance of the debt secured by the mortgage. If the outstanding balance of the debt secured by the mortgage exceeds our tax basis in the property, we would recognize taxable income on foreclosure, but would not receive any cash proceeds, which could materially and adversely affect us. High** interest rates have significantly increased our interest expense and may otherwise materially and negatively affect us. ~~Recent increases in market interest rates have significantly increased our interest expense.~~ In response to significant and prolonged increases in inflation, the **U. S.** Federal Reserve has raised interest rates ~~several~~ **multiple** times since the beginning of 2022 ~~and~~ **, which** has ~~announced an expectation~~ **significantly increased our interest expense. Although the U. S. Federal Reserve has indicated** that **it may lower** interest rates **in 2024, we cannot be sure that it** will **do so, and interest rates may** continue to ~~rise~~ **increase** . **High** ~~The timing, number and amount of any future~~ interest ~~rate increases, and the duration that those increased~~ rates ~~will be in effect, are uncertain. Interest rate increases~~ may materially and negatively affect us in several ways, including: • **one of the factors that** investors ~~may~~ **typically** consider **important in deciding** whether to buy or sell our common shares **is** ~~based upon~~ the distribution rate on our common shares relative to ~~the then~~ prevailing ~~market~~ interest rates **, and our quarterly cash distribution rate on our common shares is currently $ 0** . ~~If market~~ **01 per common share in order to enhance our liquidity until our leverage profile otherwise improves. At current** interest ~~rates~~ **rate** ~~continue to rise or remain at elevated~~ levels, investors may expect a higher distribution rate than we are able to pay, which may increase our cost of capital, or they may sell our common shares and seek alternative investments **with** ~~that offer~~ higher distribution rates. Sales of our common shares may cause a decline in the ~~value~~ **market price** of our common shares; • amounts outstanding under our revolving credit facility require interest to be paid at floating interest rates. ~~When~~ **High** interest rates **have significantly** ~~increase~~ **increased** ~~,~~ our ~~interest~~ **borrowing** costs ~~will increase~~ , which ~~could~~ adversely ~~affect~~ **affects** our cash flows, our ability to pay principal and interest on our debt, our cost of refinancing our fixed rate debts when they become due and our ability to pay distributions to our shareholders. Additionally, if we choose to hedge our interest rate risk, we cannot be sure that the hedge will be effective or that our hedging counterparty will meet its obligations to us; **• we have a substantial amount of fixed rate debt maturing over the next few years. Our ability to refinance this debt and the cost of any such refinancing will be subject to market conditions, our financial condition and operating performance and our credit ratings;** and • property values are often determined, in part, based upon a capitalization of rental income formula. When ~~market~~ interest rates ~~increase or remain at elevated levels~~ **are high, such as they are currently** , real estate transaction volumes ~~often~~ slow due to increased borrowing costs ~~, which the commercial real estate market is currently experiencing,~~ and property investors often demand higher capitalization rates ~~and that~~ **, which** causes property values to decline. **High** ~~Increases in or continued elevated levels of~~ interest rates could **therefore** lower the value of our properties and cause the value of our securities to decline. ~~In addition, as noted in Part II, Item 7A of this Annual Report on Form 10- K, LIBOR has been phased out for new contracts and is expected to be phased out for pre- existing contracts by June 30, 2023. We are required to pay interest on borrowings under our revolving credit facility at floating rates based on LIBOR, and interest we may pay on any future borrowings under our revolving credit facility may also require that we pay interest based upon LIBOR. We currently expect that the determination of interest under our revolving credit facility will be revised as~~

~~provided under our credit agreement or amended as necessary to provide for an alternative interest rate index. We expect that the alternative interest rate index would likely be the secured overnight financing rate, or SOFR, because interest rates based on SOFR have gained significant market adoption as the replacement to LIBOR for debt facilities similar to ours. Despite our current expectations, we cannot be sure that any changes to the determination of interest under our credit agreement would approximate the current calculation in accordance with LIBOR. We cannot be certain of what standard, if any, will replace LIBOR, and any alternative interest rate index that may replace LIBOR may result in changes to the amount of interest we are required to pay and could result in our paying increased interest amounts. A further~~ **Further** ~~downgrade~~ **downgrades** in our credit ratings may increase our cost of capital and could otherwise materially adversely affect our business and financial condition. ~~Our outstanding senior unsecured debt is rated investment grade by S & P Global Ratings.~~ In determining our credit ratings, ~~the~~ rating agencies consider a number of both quantitative and qualitative factors, including earnings, fixed charges, cash flows, total debt outstanding, total secured debt, off balance sheet obligations, total capitalization and various ratios calculated from these factors. The rating agencies also consider predictability of cash flows, business strategy, joint venture activity, property development risks, industry conditions and contingencies. ~~Therefore, deterioration in our operating performance may put further pressure on our investment grade rating. In November 2022, Moody' s downgraded our corporate credit rating from Baa3 with a stable outlook to Ba1. Although our corporate credit rating at S & P Global Ratings currently remains " BBB- " with a negative outlook, we cannot be sure that our credit ratings will not be lowered further or withdrawn in their entirety. A negative change in our ratings outlook or any further downgrade~~ **Downgrades** in our current ~~investment grade~~ credit ratings by rating agencies could adversely affect our cost and access to sources of liquidity and capital ~~. Additionally, a further downgrade could, among other things, further increase the costs of borrowing under our revolving credit facility~~ , adversely impact our ability to obtain unsecured debt or refinance our unsecured debt on competitive terms in the future, or require us to take certain actions to support our obligations, any of which would adversely affect our business and financial condition. Ownership of real estate is subject to environmental risks and liabilities. Ownership of real estate is subject to risks associated with environmental hazards. Under various laws, owners as well as tenants of real estate may be required to investigate and clean up or remove hazardous substances present at or migrating from properties they own, lease or operate and may be held liable for property damage or personal injuries that result from hazardous substances. These laws also expose us to the possibility that we may become liable to government agencies or third parties for costs and damages they incur in connection with hazardous substances. The costs and damages that may arise from environmental hazards may be substantial and are difficult to assess and estimate for numerous reasons, including uncertainty about the extent of contamination, alternative treatment methods that may be applied, the location of the property which subjects it to differing local laws and regulations and their interpretations, as well as the time it may take to remediate contamination. In addition, these laws also impose various requirements regarding the operation and maintenance of properties and recordkeeping and reporting requirements relating to environmental matters that require us or the tenants of our properties to incur costs to comply with. While our leases with non- government tenants generally require our tenants to operate in compliance with applicable ~~law~~ **laws** and to indemnify us against any environmental liabilities arising from their activities on our properties, applicable ~~law~~ **laws** may make us subject to strict liability by virtue of our ownership interests. Also, our tenants may have insufficient financial resources to satisfy their indemnification obligations under our leases or they may resist doing so. The U. S. government is not required to indemnify us for environmental hazards they create at our properties and therefore could hold us liable for environmental hazards they create at our properties and we could have no recourse to them. We may incur substantial liabilities and costs for environmental matters. We are subject to risks from adverse weather, natural disasters and **adverse impacts from global** climate change ~~and climate related events~~ , and we incur significant costs and invest significant amounts with respect to these matters. We are subject to risks and could be exposed to additional costs from adverse weather, natural disasters and **adverse impacts from global** climate change ~~and climate related events~~ . For example, our properties could be severely damaged or destroyed from either singular extreme weather events (such as floods, storms and wildfires) or through long ~~-~~ term impacts of climatic conditions (such as precipitation frequency, weather instability and rise of sea levels). Such events could also adversely impact us or the tenants of our properties if we or they are unable to operate our or their businesses due to damage resulting from such events. Insurance may not adequately cover all losses sustained by us or the tenants of our properties. If we fail to adequately prepare for such events, our revenues, results of operations and financial condition may be impacted. In addition, we may incur significant costs in preparing for possible future climate change or ~~climate related events or~~ in response to our tenants' requests for such investments and we may not realize desirable returns on those investments. RMR relies on information technology and systems in providing services to us, and any material failure, inadequacy, interruption or security breach of that technology or those systems could materially harm us. RMR relies on information technology and systems, including the Internet and cloud- based infrastructures **and services** , commercially available software and its internally developed applications, to process, transmit, store and safeguard information and to manage or support a variety of its business processes (including managing our building systems), including financial transactions and maintenance of records, which may include personal identifying information of employees, tenants and guarantors and lease data. If we or our third party vendors experience material security or other failures, inadequacies or interruptions in our or their information technology systems, we could incur material costs and losses and our operations could be disrupted. RMR takes various actions, and incurs significant costs, to maintain and protect the operation and security of information technology and systems, including the data maintained in those systems. However, these measures may not prevent the systems' improper functioning or a compromise in security such as in the event of a cyberattack or the improper disclosure of personally identifiable information. Security breaches, computer viruses, attacks by hackers, online fraud schemes and similar breaches have created and can create significant system disruptions, shutdowns, fraudulent transfer of assets or unauthorized disclosure of confidential information. The risk of a security breach or disruption, particularly through cyberattack or cyber intrusion, including by computer hackers, foreign governments and cyber terrorists, has generally increased as the intensity and sophistication of attempted attacks and intrusions from around the world have increased. The cybersecurity risks to us or our third party vendors are heightened by, among other things, the evolving nature of the threats faced, advances in computer capabilities, new discoveries in the field of cryptography and new and increasingly sophisticated methods used to perpetrate illegal or fraudulent activities, including cyberattacks, email or wire fraud and other attacks exploiting security vulnerabilities in RMR' s or other third parties' information technology networks and systems or operations. Although ~~much~~ **most** of RMR' s staff returned to its offices during the pandemic, flexible working arrangements have resulted in a higher extent of remote working than it experienced prior to the pandemic. This and other possible changing work practices have adversely impacted, and may in the future adversely impact, RMR' s ability to maintain the security, proper function and availability of its information technology and systems since remote working by its employees could strain its technology resources and introduce operational risk, including heightened cybersecurity risk. Remote working environments may be less secure and more susceptible to hacking attacks, including phishing and social engineering attempts that have sought, and may seek, to exploit remote working environments. In addition, RMR' s data security, data privacy, investor reporting and business continuity processes could be impacted by a third party' s inability to perform in a remote work environment or by the failure of, or attack on, their information systems and technology. Any failure by RMR or other third party vendors to maintain the security, proper function and availability of their respective information technology and systems could result in financial losses, interrupt our operations, damage our reputation, cause us to be in default of material contracts and subject us to liability claims or regulatory penalties, any of which could materially and adversely affect our business and the value of our securities. ~~ESG~~ **Sustainability** initiatives, requirements and market expectations may impose additional costs and expose us to new risks. There ~~is an increasing~~ **continues to be increased** focus from **regulators,** investors, tenants, including the General Services Administration, and other stakeholders ~~and regulators~~ concerning corporate sustainability **. The SEC is considering climate change related regulations and certain states have enacted climate focused disclosure laws and we may incur significant costs in compliance with such rules** . Some investors may use ESG factors to guide their investment strategies and, in some cases, may choose not to invest in us, or otherwise do business with us, if they believe our or RMR' s policies relating to corporate sustainability are inadequate. Third party providers of corporate sustainability ratings and reports on companies have increased in number, resulting in varied and, in some cases, inconsistent standards. In addition, the criteria by which companies' corporate sustainability practices are assessed are evolving, which could result in greater expectations of us and RMR and cause us and RMR to undertake costly initiatives to satisfy such new criteria. Alternatively, if we or RMR elect not to or are unable to satisfy such new criteria or do not meet the criteria of a specific third party provider, some investors may conclude that our or RMR' s policies with respect to corporate sustainability are inadequate. **Pursuant to** ~~In July 2022,~~ RMR ~~announced its~~ **' s** zero emissions goal **, RMR** ~~pursuant to which it~~ has pledged to reduce its ~~scope~~ **Scope** 1 and 2 emissions to net zero by 2050 with a 50 % reduction commitment by 2030 from a 2019 baseline. We and RMR may face reputational damage in the event that our or their corporate sustainability procedures or standards do not meet the goals that we or RMR have set or the standards set by various constituencies. If we and RMR fail to **comply with ESG related regulations and to** satisfy the expectations of investors and our tenants and other stakeholders or our or RMR' s announced goals and other initiatives are not executed as planned, our and RMR' s reputation ~~and financial results~~ could be adversely affected, and our revenues, results of operations and ability to grow our business may be negatively impacted. In addition, we may incur significant costs in attempting to comply with **regulatory requirements,** ESG policies or third party expectations or demands. Insurance may not adequately cover our losses, and insurance costs may continue to increase. We or our tenants are generally responsible for the costs of insurance coverage for our properties and the operations conducted on them, including for casualty, liability, fire, extended coverage and rental or business interruption loss insurance. In the future, we may acquire properties for which we are responsible for the costs of insurance. In the past few years, the costs of insurance have increased significantly, and these increased costs have had an adverse effect on us and certain of our tenants. Increased insurance costs may adversely affect our applicable tenants' abilities to pay us rent or result in downward pressure on rents we can charge under new or renewed leases. Losses of a catastrophic nature, such as those caused by hurricanes, flooding, volcanic eruptions and earthquakes **or** ~~, among other things,~~ losses as a result of outbreaks of pandemics or acts of terrorism, may be covered by insurance policies with limitations such as large deductibles or co- payments that we or a responsible tenant may not be able to pay. Insurance proceeds may not be adequate to restore an affected property to its condition prior to a loss or to compensate us for our losses, including lost revenues or other costs. Certain losses, such as losses we may incur as a result of known or unknown environmental conditions, are not covered by our insurance. Market conditions or our loss history may limit the scope of insurance or coverage available to us or our applicable tenants on economic terms. If we determine that an uninsured loss or a loss in excess of insured limits occurs and if we are not able to recover amounts from our applicable tenants for certain losses, we may have to incur uninsured costs to mitigate such losses or lose all or a portion of the capital invested in a property, as well as the anticipated future revenue from the property. Risks Related to Our Relationships with RMR We are dependent upon RMR to manage our business and implement our growth strategy. We have no employees. Personnel and services that we require are provided to us by RMR pursuant to our management agreements with RMR. Our ability to achieve our business objectives depends on RMR and its ability to effectively manage our properties, to appropriately identify and complete our acquisitions and dispositions and to execute our growth strategy. Accordingly, our business is dependent upon RMR' s business contacts, its ability to successfully hire, train, supervise and manage its personnel and its ability to maintain its operating systems. If we lose the services provided by RMR or its key personnel, our business and growth prospects may decline. We may be unable to duplicate the quality and depth of management available to us by becoming internally managed or by hiring another manager. In the event RMR is unwilling or unable to continue to provide management services to us, our cost of obtaining substitute services may be greater than the fees we pay RMR under our management agreements, and as a result our expenses may increase. RMR has broad discretion in operating our day to day business. Our manager, RMR, is authorized to follow broad operating and investment guidelines and, therefore, has discretion in identifying the properties that will be appropriate investments for us, as well as our individual operating and investment decisions. Our Board of Trustees periodically reviews our operating and investment guidelines and our operating activities and investments but it does not review or approve each decision made by RMR on our behalf. In addition, in conducting periodic reviews, our Board of Trustees relies primarily on information provided to it by RMR. RMR may exercise its discretion in a manner that results in investment returns that are substantially below expectations or that results in losses. Our management structure and agreements and relationships with RMR and RMR' s and its controlling shareholder' s relationships with others may create conflicts of interest, or the perception of such conflicts, and may restrict our investment activities. RMR is a majority owned subsidiary of RMR Inc. The Chair of our Board of Trustees and one of our Managing Trustees, Adam Portnoy, is the sole trustee, an officer and the controlling shareholder of ABP Trust, which is the controlling shareholder of RMR Inc., chair of the board of directors, a managing director and the president and chief executive officer of RMR Inc. and an officer and employee of RMR. RMR or its ~~subsidiary~~ **subsidiaries** also ~~acts~~ **act** as the manager to certain other Nasdaq listed companies and private companies, and Mr. Portnoy serves as a managing director, managing trustee, director or trustee, as applicable, of those companies, and as chair of the board of trustees or board of directors, as applicable, of those Nasdaq listed companies. Jennifer Clark, our other Managing Trustee, ~~Christopher Bilotto~~ **Yael Duffy** , our President and Chief Operating Officer, and ~~Matthew Brown~~ **Brian Donley** , our Chief Financial Officer and Treasurer, are also officers and employees of RMR. **Ms. Duffy is also the president and chief operating officer of Industrial Logistics Properties Trust, or ILPT, and Mr. Donley is also the chief financial officer and treasurer of Service Properties Trust, or SVC, other REITs managed by RMR.** Messrs. Portnoy ~~, Bilotto~~ and ~~Brown~~ **Donley** and ~~Ms~~ **Mses** . Clark **and Duffy** have duties to RMR **, Ms. Duffy has duties to ILPT and Mr. Donley has duties to SVC** , as well as to us, and we do not have their undivided attention. They and other RMR personnel may have conflicts in allocating their time and resources between us and RMR and other companies to which RMR or its subsidiaries provide services. Some of our Independent Trustees also serve as ~~independent directors or~~ independent trustees of other public companies to which RMR or its subsidiaries provide management services. In addition, we may in the future enter into additional transactions with RMR, its affiliates or entities managed by it or its subsidiaries. In addition to his investments in RMR Inc. and RMR, Mr. Portnoy holds equity investments in other companies to which RMR or its subsidiaries provide management services and some of these companies have significant cross ownership interests. Our executive officers ~~may~~ also own equity investments in other companies to which RMR or its subsidiaries provide management services. These multiple responsibilities, relationships and cross ownerships may give rise to conflicts of interest or the perception of such conflicts of interest with respect to matters involving us, RMR Inc., RMR, our Managing Trustees, the other companies to which RMR or its subsidiaries provide management services and their related parties. Conflicts of interest or the perception of conflicts of interest could have a material adverse impact on our reputation, business and the market price of our common shares and other securities and we may be subject to increased risk of litigation as a result. In our management agreements with RMR, we acknowledge that RMR may engage in other activities or businesses and act as the manager to any other person or entity (including other REITs) even though such person or entity has investment policies and objectives similar to our policies and objectives and we are not entitled to preferential treatment in receiving information, recommendations and other services from RMR. Accordingly, we may lose investment opportunities to, and may compete for tenants with, other businesses managed by RMR or its subsidiaries. We cannot be sure that our Code of Conduct or our governance guidelines, or other procedural protections we adopt will be sufficient to enable us to identify, adequately address or mitigate actual or alleged conflicts of interest or ensure that our transactions with related persons are made on terms that are at least as favorable to us as those that would have been obtained with an unrelated person. Our management agreements with RMR were not negotiated on an arm' s length basis and their fee and expense structure may not create proper incentives for RMR, which may increase the risk of an investment in our common shares. As a result of our relationships with RMR and its current and former controlling shareholder (s), our management agreements with RMR were not negotiated on an arm' s length basis between unrelated parties, and therefore, while such agreements were negotiated with the use of a special committee and disinterested Trustees, the terms, including the fees payable to RMR, may be different from those negotiated on an arm' s length basis between unrelated parties. Our property management fees are calculated based on rents we receive and **we also pay RMR** construction supervision fees for construction at our properties overseen and managed by RMR, and our base business management fee is calculated based upon the lower of the historical costs of our real estate investments and our market capitalization. We pay RMR substantial base management fees regardless of our financial results. These fee arrangements could incentivize RMR to pursue acquisitions, capital transactions, tenancies and construction projects or to avoid disposing of our assets in order to increase or maintain its management fees and might reduce RMR' s incentive to devote its time and effort to seeking investments that provide attractive returns for us. If we do not effectively manage our investment, disposition and capital transactions and leasing, construction and other property management activities, we may pay increased management fees without proportional benefits to us. In addition, we are obligated under our management agreements to reimburse RMR for employment and related expenses of RMR' s employees assigned to work exclusively or partly at our properties, our share of the wages, benefits and other related costs of RMR' s centralized accounting personnel, our share of RMR' s costs for providing our internal audit function and as otherwise agreed. We are also required to pay for third party costs incurred with respect to us. Our obligation to reimburse RMR for certain of its costs and to pay third party costs may reduce RMR' s incentive to efficiently manage those costs, which may increase our costs. The termination of our management agreements with RMR may require us to pay a substantial termination fee, including in the case of a termination for unsatisfactory performance, which may limit our ability to end our relationship with RMR. The terms of our management agreements with RMR automatically extend on December 31 of each year so that such terms thereafter end on the 20th anniversary of the date of the extension. We have the right to terminate these agreements: (1) at any time on 60 days' written notice for convenience, (2) immediately upon written notice for cause, as defined in the agreements, (3) on written notice given within 60 days after the end of any applicable calendar year for a performance reason, as defined in the agreements, and (4) by written notice during the 12 months following a manager change of control, as defined in the agreements. However, if we terminate a management agreement for convenience, or if RMR terminates a management agreement with us for good reason, as defined in such agreement, we are obligated to pay RMR a termination fee in an amount equal to the sum of the present values of the monthly future fees, as defined in the applicable agreement, payable to RMR for the term that was remaining before such termination, which, depending on the time of termination, would be between 19 and 20 years. Additionally, if we terminate a management agreement for a performance reason, as defined in the agreement, we are obligated to pay RMR the termination fee calculated as described above, but assuming a remaining term of 10 years. These provisions substantially increase the cost to us of terminating the management agreements without cause, which may limit our ability to end our relationship with RMR as our manager. The payment of the termination fee could have a material adverse effect on our financial condition, including our ability to pay distributions to our shareholders. Our management arrangements with RMR may discourage a change of control of us. Our management agreements with RMR have continuing 20 year terms that renew annually. As noted in the preceding risk factor, if we terminate either of these management agreements other than for cause or upon a change of control of our manager, we are obligated to pay RMR a substantial termination fee. For these reasons, our management agreements with RMR may discourage a change of control of us, including a change of control which might result in payment of a premium for our common shares. We are party to transactions with related parties that may increase the risk of allegations of conflicts of interest. We are party to transactions with related parties, including with entities controlled by Adam Portnoy or to which RMR or its subsidiaries provide management services. Our agreements with related parties or in respect of transactions among related parties may not be on terms as favorable to us as they would have been if they had been negotiated among unrelated parties. **Our** ~~We are subject to the risk that our~~ shareholders or the shareholders of RMR Inc. or other related parties may challenge any such related party transactions. If **any** challenges to related party transactions were to be successful, we might not realize the benefits expected from the transactions being challenged. Moreover, any such challenge could result in substantial costs and a diversion of our management' s attention, could have a material adverse effect on our reputation, business and growth and could adversely affect our ability to realize the benefits expected from the transactions, whether or not the allegations have merit or are substantiated. We may be at an increased risk for dissident shareholder activities due to perceived conflicts of interest arising from our management structure and relationships. Companies with business dealings with related persons and entities may more often be the target of dissident shareholder trustee nominations, dissident shareholder proposals and shareholder litigation alleging conflicts of interest in their business dealings. The various relationships noted above may precipitate such activities. Certain proxy advisory firms which have significant influence over the voting by shareholders of public companies have, in the past, recommended, and in the future may recommend, that shareholders withhold votes for the election of our incumbent Trustees, vote against our say on pay vote or other management proposals or vote for shareholder proposals that we oppose. These recommendations by proxy advisory firms in the future would likely affect the outcome of future Board of Trustees elections and votes on our say on pay **or other shareholder votes** , which may increase shareholder activism and litigation. These activities, if instituted against us, could result in substantial costs and diversion of our management' s attention and could have a material adverse impact on our reputation and business. Risks Related to Our Organization and Structure **We may change our operational, financing and investment policies without shareholder approval. Our Board of Trustees determines our operational, financing and investment policies and may amend or revise our policies, including our policies with respect to our intention to remain qualified for taxation as a REIT, acquisitions, dispositions, growth, operations, indebtedness, capitalization and distributions, or approve transactions that deviate from these policies, without a vote of, or notice to, our shareholders. Policy changes could adversely affect the market price of our common shares and our ability to pay distributions to our shareholders. Further, our organizational documents do not limit the amount or percentage of indebtedness, funded or otherwise, that we may incur; however, provisions in our debt agreements may limit us from incurring additional debt. Our Board of Trustees may alter or eliminate our current policy on borrowing at any time without shareholder approval. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk.** Ownership limitations and certain provisions in our declaration of trust, bylaws and agreements, as well as certain provisions of Maryland law, may deter, delay or prevent a change in our control or unsolicited acquisition proposals. Our declaration of trust prohibits any shareholder, other than RMR and its affiliates (as defined under Maryland law) and certain persons who have been exempted by our Board of Trustees, from owning, directly and by attribution, more than 9. 8 % of the number or value of shares (whichever is more restrictive) of any class or series of our outstanding shares of beneficial interest, including our common shares. This provision of our declaration of trust is intended to, among other purposes, assist with our REIT compliance under the IRC and otherwise promote our orderly governance. However, this provision may also inhibit acquisitions of a significant stake in us and may deter, delay or prevent a change in control of us or unsolicited acquisition proposals that a shareholder may consider favorable. Additionally, provisions contained in our declaration of trust and bylaws or under Maryland law may have a similar impact, including, for example, provisions relating to: • limitations on shareholder voting rights with respect to certain actions that are not approved by our Board of Trustees; • the authority of our Board of Trustees, and not our shareholders, to adopt, amend or repeal our bylaws and to fill vacancies on our Board of Trustees; • shareholder voting standards which require a supermajority of shares for approval of certain actions; • the fact that only our Board of Trustees, or, if there are no Trustees, our officers, may call shareholder meetings and that shareholders are not entitled to act without a meeting; • required qualifications for an individual to serve as a Trustee and a requirement that certain of our Trustees be " Managing Trustees " and other Trustees be " Independent Trustees, " as defined in our governing documents; • limitations on the ability of our shareholders to propose nominees for election as Trustees and propose other business to be considered at a meeting of our shareholders; • limitations on the ability of our shareholders to remove our Trustees; • the authority of our Board of Trustees to create and issue new classes or series of shares (including shares with voting rights and other rights and privileges that may deter a change in control) and issue additional common shares; • restrictions on business combinations between us and an interested shareholder that have not first been approved by our Board of Trustees (including a majority of Trustees not related to the interested shareholder); and • the authority of our Board of Trustees, without shareholder approval, to implement certain takeover defenses. As changes occur in the marketplace for corporate governance policies, the above provisions may change, be removed, or new ones may be added. Our rights and the rights of our shareholders to take action against our Trustees and officers are limited. Our declaration of trust limits the liability of our Trustees and officers to us and our shareholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our Trustees and officers will not have any liability to us and our shareholders for money damages other than liability resulting from: • actual receipt of an improper benefit or profit in money, property or services; or • active and deliberate dishonesty by the Trustee or officer that was established by a final judgment as being material to the cause of action adjudicated. Our declaration of trust authorizes us, and our bylaws and indemnification agreements require us, to indemnify, to the maximum extent permitted by Maryland law, any present or former Trustee or officer who is made or threatened to be made a party to a proceeding by reason of his or her service in these and certain other capacities. In addition, we may be obligated to pay or reimburse the expenses incurred by our present and former Trustees and officers without requiring a preliminary determination of their ultimate entitlement to indemnification. As a result of these limitations on liability and indemnification obligations, we and our shareholders may have more limited rights against our present and former Trustees and officers than might exist with other companies, which could limit shareholder recourse in the event of actions ~~that~~ **which** some shareholders may believe are not in our best interest. Shareholder litigation against us or our Trustees, officers, manager or other agents may be referred to mandatory arbitration proceedings, which follow different procedures than in- court litigation and may be more restrictive to shareholders asserting claims than in- court litigation. Our shareholders agree, by virtue of becoming shareholders, that they are bound by our governing documents, including the arbitration provisions of our declaration of trust and bylaws, as they may be amended from time to time. Our governing documents provide that certain actions by one or more of our shareholders against us or any of our Trustees, officers, manager or other agents, other than disputes, or any portion thereof, regarding the meaning, interpretation or validity of any provision of our declaration of trust or bylaws, will be referred to mandatory, binding and final arbitration proceedings if we, or any other party to such dispute, including any of our Trustees, officers, manager or other agents unilaterally so demands. As a result, we and our shareholders would not be able to pursue litigation in state or federal court against us or our Trustees, officers, manager or other agents, including, for example, claims alleging violations of federal securities laws or breach of fiduciary duties or similar director or officer duties under Maryland law, if we or any of our Trustees, officers, manager or other agents against whom the claim is made unilaterally demands the matter be resolved by arbitration. Instead, our shareholders would be required to pursue such claims through binding and final arbitration. Our governing documents provide that such arbitration proceedings would be conducted in accordance with the procedures of the Commercial Arbitration Rules of the American Arbitration Association, as modified in our bylaws. These procedures may provide materially more limited rights to our shareholders than litigation in a federal or state court. For example, arbitration in accordance with these procedures does not include the opportunity for a jury trial, document discovery is limited, arbitration hearings generally are not open to the public, there are no witness depositions in advance of arbitration hearings and arbitrators may have different qualifications or experiences than judges. In addition, although our governing documents' arbitration provisions contemplate that arbitration may be brought in a representative capacity or on behalf of a class of our shareholders, the rules governing such representation or class arbitration may be different from, and less favorable to shareholders than, the rules governing representative or class action litigation in courts. Our governing documents also generally provide that each party to such an arbitration is required to bear its own costs in the arbitration, including attorneys' fees, and that the arbitrators may not render an award that includes shifting of such costs or, in a derivative or class proceeding, award any portion of our award to any shareholder or such shareholder' s attorneys. The arbitration provisions of our governing documents may discourage our shareholders from bringing, and attorneys from agreeing to represent our shareholders wishing to bring, litigation against us or our Trustees, officers, manager or other agents. Our agreements with RMR have similar arbitration provisions to those in our governing documents. We believe that the arbitration provisions in our governing documents are enforceable under both state and federal law, including with respect to federal securities laws claims. We are a Maryland real estate investment trust and Maryland courts have upheld the enforceability of arbitration bylaws. In addition, the U. S. Supreme Court has repeatedly upheld agreements to arbitrate other federal statutory claims, including those that implicate important federal policies. However, some academics, legal practitioners and others are of the view that charter or bylaw provisions mandating arbitration are not enforceable with respect to federal securities laws claims. It is possible that the arbitration provisions of our governing documents may ultimately be determined to be unenforceable. By agreeing to the arbitration provisions of our governing documents, shareholders will not be deemed to have waived compliance by us with federal securities laws and the rules and regulations thereunder. Our bylaws designate the Circuit Court for Baltimore City, Maryland as the sole and exclusive forum for certain actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our Trustees, officers, manager or other agents. Our bylaws currently provide that, unless the dispute has been referred to binding arbitration, the Circuit Court for Baltimore City, Maryland will be the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim for breach of a fiduciary duty owed by any of our Trustees, officers, manager or other agents to us or our shareholders; (3) any action asserting a claim against us or any of our Trustees, officers, manager or other agents arising pursuant to Maryland law, our declaration of trust or bylaws brought by or on behalf of a shareholder, either on such shareholder' s own behalf, on our behalf or on behalf of any series or class of shares of beneficial interest of ours or by our shareholders against us or any of our Trustees, officers, manager or other agents, including any disputes, claims or controversies relating to the meaning, interpretation, effect, validity, performance or enforcement of our declaration of trust or bylaws; or (4) any action asserting a claim against us or any of our Trustees, officers, manager or other agents that is governed by the internal affairs doctrine of the State of Maryland. Our bylaws currently also provide that the Circuit Court for Baltimore City, Maryland will be the sole and exclusive forum for any dispute, or portion thereof, regarding the meaning, interpretation or validity of any provision of our declaration of trust or bylaws. The exclusive forum provision of our bylaws does not apply to any action for which the Circuit Court for Baltimore City, Maryland does not have jurisdiction or to a dispute that has been referred to binding arbitration in accordance with our bylaws. The exclusive forum provision of our bylaws does not establish exclusive jurisdiction in the Circuit Court for Baltimore City, Maryland for claims that arise under the Securities Act, the Exchange Act or other federal securities laws if there is exclusive or concurrent jurisdiction in the federal courts. Any person or entity purchasing or otherwise acquiring or holding any interest in our shares of beneficial interest shall be deemed to have notice of and to have consented to these provisions of our bylaws, as they may be amended from time to time. The arbitration and exclusive forum provisions of our bylaws may limit a shareholder' s ability to bring a claim in a judicial forum that the shareholder believes is favorable for disputes with us or our Trustees, officers, manager or other agents, which may discourage lawsuits against us and our Trustees, officers, manager or other agents. ~~We~~ **Disputes with RMR** may ~~change~~ **be referred to mandatory arbitration proceedings, which follow different procedures than in-** ~~our~~ **court litigation** ~~operational, financing~~ and ~~investment policies without shareholder approval and we~~ may ~~become~~ **be** more ~~highly leveraged, which may increase~~ **restrictive to those asserting claims than in-** ~~our~~ **court** ~~risk of default under our debt obligations~~ --- **litigation** . Our **agreements** ~~Board of Trustees determines our operational, financing and investment policies and may amend or revise our policies, including our policies~~ with **RMR provide** ~~respect to our intention to remain qualified for taxation as a REIT, acquisitions, dispositions, growth, operations, indebtedness, capitalization and distributions, or approve transactions~~ that **any dispute arising thereunder will be referred** ~~deviate from these policies, without a vote of, or notice~~ to **mandatory** , **binding and final arbitration proceedings if we, or any other party to such dispute, unilaterally so demands. As a result, we and** our shareholders ~~. Policy changes could~~ **would** ~~adversely affect the market price of our common shares and our ability to pay distributions to our shareholders. Further, our organizational documents do~~ not **be able to pursue litigation in state** ~~limit the amount or percentage of indebtedness, funded or otherwise, that we may incur. Our Board of Trustees may alter or eliminate our~~ - **or** ~~current policy on borrowing at~~ **federal court against RMR if we or** any ~~time without shareholder approval. If this policy changes, we could become more highly leveraged, which could result in an increase in our debt service costs or a further downgrade in our credit ratings. Higher leverage also increases the~~ **other** ~~risk of default on our obligations~~ **parties against whom the claim is made unilaterally demands the matter be resolved by arbitration** . In addition, ~~a change in~~ **the ability to collect attorneys' fees** ~~our~~ - **or** ~~investment policies, including the~~ **other** ~~manner~~ **damages may be limited** in **the arbitration proceedings,** which ~~we allocate our resources across our portfolio or the types of assets in which we seek to invest,~~ may ~~increase our exposure~~ **discourage attorneys from agreeing** to **represent parties wishing to bring such litigation** ~~interest rate risk, real estate market fluctuations and liquidity risk~~ . Risks Related to Our Taxation Our failure to remain qualified for taxation as a REIT under the IRC could have significant adverse consequences. As a REIT, we generally do not pay federal or most state income taxes as long as we distribute all of our REIT taxable income and meet other qualifications set forth in the IRC. However, actual qualification for taxation as a REIT under the IRC depends on our satisfying complex statutory requirements, for which there are only limited judicial and administrative interpretations. We believe that we have been organized and have operated, and will continue to be organized and to operate, in a manner that qualified and will continue to qualify us to be taxed as a REIT under the IRC. However, we cannot be sure that the IRS, upon review or audit, will agree with this conclusion. Furthermore, we cannot be sure that the federal government, or any state or other taxation authority, will continue to afford favorable income tax treatment to REITs and their shareholders. Maintaining our qualification for taxation as a REIT under the IRC will require us to continue to satisfy tests concerning, among other things, the nature of our assets, the sources of our income and the amounts we distribute to our shareholders. In order to meet these requirements, it may be necessary for us to sell or forgo attractive investments. If we cease to qualify for taxation as a REIT under the IRC, then our ability to raise capital might be adversely affected, we will be in breach under our credit agreement, we may be subject to material amounts of federal and state income taxes, our cash available for distribution to our shareholders could be reduced, and the market price of our common shares could decline. In addition, if we lose or revoke our qualification for taxation as a REIT under the IRC for a taxable year, we will generally be prevented from requalifying for taxation as a REIT for the next four taxable years. Distributions to shareholders generally will not qualify for reduced tax rates applicable to " qualified dividends. " Dividends payable by U. S. corporations to noncorporate shareholders, such as individuals, trusts and estates, are generally eligible for reduced federal income tax rates applicable to " qualified dividends. " Distributions paid by REITs generally are not treated as " qualified dividends " under the IRC and the reduced rates applicable to such dividends do not generally apply. However, for tax years beginning before 2026, REIT dividends paid to noncorporate shareholders are generally taxed at an effective tax rate lower than applicable ordinary income tax rates due to the availability of a deduction under the IRC for specified forms of income from passthrough entities. More favorable rates will nevertheless continue to apply to regular corporate " qualified " dividends, which may cause some investors to perceive that an investment in a REIT is less attractive than an investment in a non- REIT entity that pays dividends, thereby reducing the demand and market price of our common shares. REIT distribution requirements could adversely affect us and our shareholders. We generally must distribute annually at least 90 % of our REIT taxable income, subject to specified adjustments and excluding any net capital gain, in order to maintain our qualification for taxation as a REIT under the IRC. To the extent that we satisfy this distribution requirement, federal corporate income tax will not apply to the earnings that we distribute, but if we distribute less than 100 % of our REIT taxable income, then we will be subject to federal corporate income tax on our undistributed taxable income. We intend to pay distributions to our shareholders to comply with the REIT requirements of the IRC. In addition, we will be subject to a 4 % nondeductible excise tax if the actual amount that we pay to our shareholders in a calendar year is less than a minimum amount specified under federal tax laws. From time to time, we may generate taxable income greater than our income for financial reporting purposes prepared in accordance with U. S. generally accepted accounting principles, or GAAP, or differences in timing between the recognition of taxable income and the actual receipt of cash may occur. If we do not have other funds available in these situations, among other things, we may borrow funds on unfavorable terms, sell investments at disadvantageous prices or distribute amounts that would otherwise be invested in future acquisitions in order to pay distributions sufficient to enable us to distribute enough of our taxable income to satisfy the REIT distribution requirement and to avoid corporate income tax and the 4 % excise tax in a particular year. These alternatives could increase our costs or reduce our shareholders' equity. Thus, compliance with the REIT distribution requirements may hinder our ability to grow, which could cause the market price of our common shares to decline. Even if we remain qualified for taxation as a REIT under the IRC, we may face other tax liabilities that reduce our cash flow. Even if we remain qualified for taxation as a REIT under the IRC, we may be subject to federal, state and local taxes on our income and assets, including taxes on any undistributed income, excise taxes, state or local income, property and transfer taxes ~~,~~ and other taxes. Also, some jurisdictions may in the future limit or eliminate favorable income tax deductions, including the dividends paid deduction, which could increase our income tax expense. In addition, in order to meet the requirements for qualification and taxation as a REIT under the IRC, prevent the recognition of particular types of non- cash income, or avert the imposition of a 100 % tax that applies to specified gains derived by a REIT from dealer property or inventory, we may hold or dispose of some of our assets and conduct some of our operations through our TRSs or other subsidiary corporations that will be subject to corporate level income tax at regular rates. In addition, while we intend that our transactions with our TRSs will be conducted on arm' s length bases, we may be subject to a 100 % excise tax on a transaction that the IRS or a court determines was not conducted at arm' s length. Any of these taxes would decrease cash available for distribution to our shareholders. Legislative or other actions affecting REITs could materially and adversely affect us and our shareholders. The rules dealing with U. S. federal, state, and local taxation are constantly under review by persons involved in the legislative process and by the IRS, the U. S. Department of the Treasury ~~,~~ and other taxation authorities. Changes to the tax laws, with or without retroactive application, could materially and adversely affect us and our shareholders. We cannot predict how changes in the tax laws might affect us or our shareholders. New legislation, Treasury regulations, administrative interpretations or court decisions could significantly and negatively affect our ability to remain qualified for taxation as a REIT or the tax consequences of such qualification to us and our shareholders. Risks Related to Our Securities Our **quarterly cash distribution rate on our common shares is currently $ 0. 01 per common share and future** distributions ~~to~~ **may remain at this level for an indefinite period** ~~our~~ - **or** ~~shareholders may~~ be ~~reduced or~~ eliminated and the form of payment could change. **Beginning with the first quarter of 2024, we have reduced our quarterly cash distribution rate on our common shares to $ 0. 01 per common share in order to increase our liquidity and financial flexibility when addressing future leasing costs, capital expenditures and debt maturities.** We intend to continue to pay ~~regular~~ quarterly distributions to our shareholders ~~.~~ **at this rate for an indefinite period, subject to applicable REIT tax requirements;** ~~However~~ **however** : • our ability to pay distributions to our shareholders or sustain the rate of distributions may **continue to** be adversely affected if any of the risks described in this Annual Report on Form 10- K occur, including any negative impact caused by current market and economic conditions, such as ~~rising or sustained~~ high interest rates ~~and~~ **, prolonged** high inflation ~~, supply chain challenges~~ and economic downturns or **a possible** ~~recessions~~ - **recession** , on our business, results of operations and liquidity; • our **credit** ~~payment of distributions is subject to restrictions contained in our debt agreements~~ - **agreement requires us** ~~and may be subject~~ to **obtain lender approval for** ~~restrictions in future debt obligations we may incur; during the continuance of~~ any **increase in** ~~event of default under our debt agreements, we may be limited or~~ **our** ~~, in some cases, prohibited from paying distributions~~ - **distribution** ~~to our shareholders~~ **rate above the current level** ; and • the timing and amount of any distributions will be determined at the discretion of our Board of Trustees and will depend on various factors that our Board of Trustees deems relevant, including, but not limited to, our ~~FFO~~ **historical and projected income** , **normalized funds from operations, or** Normalized FFO, **cash available for distribution, or CAD, the then current and expected needs and availability of cash to pay our obligations and fund our investments,** requirements to maintain our qualification ~~for taxation~~ as a REIT, limitations in our debt agreements ~~,~~ **and** ~~the~~ **other factors deemed relevant by** ~~availability to us of debt and equity capital,~~ our ~~expectation~~ **Board** of **Trustees** ~~our future capital requirements and operating performance and our expected needs for and availability of cash to pay our obligations~~ . For these reasons, among others, our distribution rate may ~~decline~~ **not increase for an indefinite period** or we may cease paying distributions to our shareholders. Further, in order to preserve liquidity, we may elect to **, in part,** pay distributions to our shareholders ~~in part~~ in a form other than cash, such as issuing additional common shares ~~of ours~~ to our shareholders, as permitted by the applicable tax rules. The Notes **and the Guarantees** are structurally subordinated to the payment of all indebtedness and other liabilities **of our subsidiaries that do not guarantee the 2029 Notes** . We are the sole obligor on our outstanding senior unsecured notes **, the 2029 Notes** and any notes or other debt securities we may issue in the future, or, together with our outstanding senior unsecured notes ~~,~~ **and** the **2029** Notes, ~~and such~~ **the Notes. Our subsidiaries that guarantee the 2029** Notes are **the sole obligors on the guarantees of such notes, or the Guarantees. The subsidiaries that guarantee the 2029 Notes do** not ~~, and~~ **currently guarantee** any **of our other** Notes ~~we may issue in the future may not be, guaranteed by any of our subsidiaries~~ . Our **non- guarantor** subsidiaries are separate and distinct legal entities and have no obligation, contingent or otherwise, to pay any amounts due on the Notes **or the Guarantees** , or to make any funds available therefor, whether by dividend, distribution, loan or other payments. The rights of holders of the Notes to benefit from any of the assets of our **non- guarantor** subsidiaries are subject to the prior satisfaction of claims of our **non- guarantor** subsidiaries' creditors. As a result, the Notes **and the Guarantees** are, and, except to the extent that future Notes are guaranteed by our subsidiaries, will be, structurally subordinated to all indebtedness and other liabilities of our subsidiaries **that do not guarantee the 2029 Notes** , including guarantees of or pledges under other indebtedness of ours, payment obligations under lease agreements, trade payables and preferred equity. As of December 31, ~~2022~~ **2023** , our **non-**

guarantor subsidiaries had total indebtedness and other liabilities (excluding security and other deposits and guaranties) of $ ~~148~~ **270** . ~~4~~ **8** million **(including guarantees of other indebtedness and trade payables, but excluding liabilities to us or by a subsidiary guarantor), which are structurally senior to the 2029 Notes. The Notes, other than the 2029 Notes, or the Unsecured Notes, are unsecured and effectively subordinated to all of our and our subsidiary guarantors' existing and future secured debt to the extent of the value of the assets securing such indebtedness. The outstanding Unsecured Notes are not secured and any Unsecured Notes we may issue in the future may not be secured. Upon any distribution to our creditors in a bankruptcy, liquidation, reorganization or similar proceeding relating to us or our property, the holders of our secured debt, including debt under our credit agreement, the 2029 Notes and our $ 177. 3 million in aggregate principal amount of mortgage notes (to the extent such debt remains outstanding and is still then secured), will be entitled to exercise the remedies available to a secured lender under applicable law and pursuant to the instruments governing such debt and to be paid in full, from the assets securing that secured debt before any payment may be made with respect to the Unsecured Notes that are not secured by those assets. In that event, because such Unsecured Notes will not be secured by any of our assets, it is possible that there will be no assets from which claims of holders of such Unsecured Notes can be satisfied or, if any assets remain, that the remaining assets will be insufficient to satisfy those claims in full. If the value of such remaining assets is less than the aggregate outstanding principal amount of such Unsecured Notes and accrued interest and all future debt ranking equally with such Unsecured Notes, we will be unable to fully satisfy our obligations under such Unsecured Notes. In addition, if we fail to meet our payment or other obligations under our secured debt, the holders of that secured debt would be entitled to foreclose on our assets securing that secured debt and liquidate those assets. Accordingly, we may not have sufficient funds to pay amounts due on such Unsecured Notes. As a result, note holders may lose a portion or the entire value of their investment in such Unsecured Notes. Further, the terms of the outstanding Unsecured Notes permit, and the terms of any Unsecured Notes we may issue in the future may permit, us to incur additional secured debt subject to compliance with certain debt ratios. The Unsecured Notes will be effectively subordinated to any such additional secured debt. As of February 14, 2024, our secured debt included $ 232. 0 million in outstanding borrowings under our credit agreement, the 2029 Notes and $ 177. 3 million in aggregate principal amount of mortgage notes. Federal and state statutes allow courts, under specific circumstances, to void guarantees and require holders of notes to return payments received from guarantors. Under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, the Guarantees and the related liens (or any future notes that are guaranteed by our subsidiaries) could be voided, or claims in respect of a guarantee and the related lien could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the debt evidenced by its guarantee and related lien: • received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee or granting of such lien; • was insolvent or rendered insolvent by reason of such incurrence; • was engaged in a business or transaction for which the guarantor' s remaining assets constituted unreasonably small capital; or • intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature. In addition, any payment by that guarantor pursuant to its guarantee could be voided and required to be returned to the guarantor, or to a fund for the benefit of our creditors or the creditors of the guarantor. The measures of insolvency for purposes of these fraudulent transfer laws will vary depending upon the law applied in any proceeding to determine whether a fraudulent transfer has occurred. Generally, however, a guarantor would be considered insolvent if: • the sum of its debts, including contingent liabilities, was greater than the fair saleable value of all of its assets; • the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or • it could not pay its debts as they become due. We cannot be sure as to what standard a court would apply in making these determinations. In addition, each Guarantee contains, and any future guarantees may contain, a provision intended to limit the guarantor' s liability to the maximum amount that it could incur without causing the incurrence of obligations under its guarantee to be a fraudulent transfer. This provision may not be effective to protect the Guarantees or any future guarantees from being voided under fraudulent transfer laws, or may eliminate the guarantor' s obligations or reduce the guarantor' s obligations to an amount that effectively makes the guarantee worthless** . There may be no public market for certain of the Notes, and one may not develop, be maintained or be liquid. We have not applied for listing of certain of the Notes on any securities exchange or for quotation on any automatic dealer quotation system, and we may not do so for Notes issued in the future. We cannot be sure of the liquidity of any market that may develop for such Notes, the ability of any holder to sell such Notes or the price at which holders would be able to sell such Notes. If a market for such Notes does not develop, holders may be unable to resell such Notes for an extended period of time, if at all. If a market for such Notes does develop, it may not continue or it may not be sufficiently liquid to allow holders to resell such Notes. Consequently, holders of the Notes may not be able to liquidate their investment readily, and lenders may not readily accept such Notes as collateral for loans. The Notes may trade at a discount from their initial issue price or principal amount, depending upon many factors, including prevailing interest rates, the ratings assigned by rating agencies, the market for similar securities and other factors, including general economic conditions and our financial condition, performance and prospects. Any decline in market prices, regardless of cause, may adversely affect the liquidity and trading markets for the Notes. **Some or all of the Guarantees may be released automatically. A subsidiary guarantor may be released from its Guarantee under certain circumstances. Such release may occur at any time upon, among other things, the sale of all or substantially all of the assets or capital stock of the subsidiary guarantor or upon the sale or release of the properties that are owned directly or indirectly by such subsidiary guarantor that serve as collateral for the 2029 Notes, in each case in compliance with the provisions of the indenture governing the 2029 Notes. Accordingly, the 2029 Notes may not at all times be guaranteed by some or all of the subsidiaries which guaranteed the 2029 Notes on the date they were initially issued.**