Risk Factors Comparison 2023-11-15 to 2022-11-14 Form: 10-K

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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: • unfavorable market and industry conditions may have a material adverse effect on our and our clients' results of operations, financial condition and ability to pay dividends; • ~~some of our clients' businesses may not return to levels experienced prior to the COVID- 19 pandemic; •~~ most of our revenues are derived from services to a limited number of clients; • our management fees from our clients are based, in general, on cost of assets, ~~market capitalization~~ **enterprise values**, shareholder returns, rent receipts, capital projects or certain revenues, as applicable, and, accordingly our future revenues, income and cash flows will decline if the business activities, assets, ~~market capitalizations~~ **enterprise values**, shareholder returns, rent receipts, capital projects or certain revenues of our clients decline; • our revenues may be highly variable; • potential terminations of our management agreements with our clients; • **our ability to complete the CARROLL Acquisition, and if completed, our ability to successfully integrate the CARROLL business and realize our expected returns on our investment; • additional** increases in ~~market~~ interest rates **and sustained high interest rates** may significantly ~~reduce~~ **impact our clients and in turn adversely impact** our revenues or impede our growth; • our ability to expand our business depends upon the growth and performance of our clients and our ability to obtain or create new clients for our business **, including through our acquisition of new businesses,** and is often dependent upon circumstances beyond our control; • our ability to continue to pay a regular quarterly dividend is dependent on many factors, including current and expected earnings and alternative uses for available cash and our Board of Directors may decide to lower our dividends; • our and our ~~Managed Operating~~ **operating** ~~Companies~~ **company clients** ' ability to attract, retain and motivate sufficient qualified personnel in a challenging labor market and to effectively manage our and ~~their~~ **our operating company clients'** labor costs; • our ability to retain the services of our controlling shareholder and other key and talented personnel; • our and our clients' risks associated with our and their costs of compliance with laws and regulations, including securities regulations, exchange listing standards and other laws and regulations affecting public companies; • **our** ESG initiatives, **federal and state regulations, other** requirements and ~~market~~ **investor** expectations may impose additional costs and expose us and our clients to new risks; • risks related to the security of our **network and** information technology; • risks related to ~~supply chain constraints, commodity pricing and other~~ inflation, including inflation impacting wages and employee benefits; • risks related to acquisitions, dispositions and other activities by or among our clients; • allegations, even if untrue, of any conflicts of interest arising from our management activities; and • risks to holders of our Class A Common Shares as a result of our dual class capital structure. Prospective investors should carefully consider the risks described in this section, together with all of the other information in this Annual Report on Form 10- K. These risks may not be the only risks we face but are risks we believe may be material at this time. Additional risks and uncertainties that we do not yet know of, or that we currently think are immaterial, may also impair our business operations or financial results. If any of the events or circumstances described in this section occur, our business, financial condition or results of operations and the trading price of our securities could decline. Investors and prospective investors should consider these risks, the information contained under the heading " Warning Concerning Forward- Looking Statements " and the risks described 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 Unfavorable market and industry conditions may have a material adverse effect on our and our clients' results of operations, financial condition and ability to pay dividends. 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 ~~as a whole~~ and / or the local economies in the markets in which our clients' properties are located. Unfavorable economic and industry conditions may be due to, among other things, rising **or sustained high** interest rates **, prolonged high inflation**, labor market challenges, supply chain disruptions, volatility in the public equity and debt markets, pandemics, geopolitical instability **and tensions** (such as the **ongoing** ~~war~~ **wars** in Ukraine **and the Middle East**), **possible economic recession, changes in real estate utilization** and other conditions beyond our control. These current conditions, or similar conditions existing in the future, have adversely affected, and may continue to adversely affect, our and our clients' and their tenants and managers' results of operations, financial condition and ability to pay dividends. ~~These~~ **Unfavorable market conditions and the** ~~impacts~~ - **impact on the commercial real estate industry** have reduced, and may continue to reduce, our clients' market capitalizations, revenues and capital projects, which may reduce the fees we earn from them. **These conditions may also give rise to an increase in tenant defaults under our clients' leases, defaults of SEVN' s loans, decreased market capitalizations, shareholder returns, rent receipts and capital projects for the Managed Equity REITs and decreased financial performance of and lower returns for our Private Capital clients.** Higher interest rates may reduce the value of our clients' properties, increase the cost of their capital ~~,~~ and reduce their ability to make acquisitions **, and have increased their debt service costs**. Higher interest rates also may reduce dispositions by the Managed Equity REITs ~~that~~ **due to their forgoing property sales because of depressed asset valuations and reduced buyer demand or more costly acquisition financing for buyers, which** could limit ~~their~~ **our clients'** ability to reduce leverage and recycle capital. Further, ~~current~~ **unfavorable** market conditions have negatively impacted the stock price of some of the Managed Equity REITs, which in turn has negatively impacted the fees we earn from them. ~~Additionally~~ **In addition**, some of our clients may be negatively impacted by an economic downturn and a corresponding reduction in economic activity that reduces ~~trucking volume,~~ business and leisure travel, **commerce,** hotel occupancy and demand for ~~diesel fuel, gasoline, and~~ office, retail and industrial space, and may also limit the ability of residents and potential residents to pay for senior living

~~communities~~ **community services** . ~~Some of our clients' businesses may not return to the levels experienced prior to the COVID- 19 pandemic. Some of our clients' businesses were significantly impacted by the COVID- 19 pandemic, including senior living, hotels, office and retail. Although these businesses have significantly improved from the low points experienced during the COVID- 19 pandemic, they have not returned to pre- pandemic levels and there is a risk they may not due to changed market practices, delayed returns to prior market practices, industry conditions or otherwise. For instance, occupancy has increased at DHC' s senior living communities but not to pre- pandemic levels. In addition, although workers have increasingly returned to the office, they have not to date done so at the levels experienced prior to the pandemic and the adoption of remote, hybrid and other flexible working arrangements may result in long term declines in office occupancy and declines in demand for office space. Additionally, although leisure travel has increased, business travel has not experienced the same level of increase and it is unclear when or if business travel will return to pre- pandemic levels. If these businesses do not further improve and grow, our business, operating results and financial condition may be harmed, including if we experience a reduction or slower growth in the fees we receive from our clients~~ . Most of our revenues are derived from our provision of management services to a limited number of companies. The loss or failure, or decline in business or assets, of any of the Managed Equity REITs **or clients comprising a significant part of our Private Capital business** could substantially reduce our revenues. The fees we earn from providing management services to, and the reimbursable fees we receive from, the Managed Equity REITs comprise most of our revenues. Further, our ~~Managed~~ Private ~~Real Estate~~ Capital clients have comprised an increasing portion of our **assets under management and** revenues **,** and our current business plans contemplate that trend continuing. **A decline in the business or assets of our Private Capital clients could reduce our revenue.** Our operating results and our ability to maintain and grow our revenues depend upon the ability of our Managed Equity REITs, and increasingly, our ~~Managed~~ Private ~~Real Estate~~ Capital clients to raise or contribute capital to invest in real estate assets, to maintain and grow their investments and, as applicable, market capitalizations, and to achieve positive shareholder returns in excess of applicable REIT total shareholder return indexes. Reduced business activities, market capitalizations, shareholder returns, rents or capital projects of the Managed Equity REITs or ~~Managed~~ Private ~~Real Estate~~ Capital clients may materially reduce our revenues and our profitability. Our revenues may be highly variable. RMR LLC' s business management agreement with each Managed Equity REIT provides for a base business management fee that is based on the lower of the average historical costs of the Managed Equity REIT' s assets under management or its average market capitalization, as calculated in accordance with the applicable business management agreement, and an incentive business management fee that is based on the Managed Equity REIT' s relative outperformance of a specified REIT total shareholder return index. The management fees we earn under these agreements are highly variable. The base business management fee payable by a Managed Equity REIT may increase or decrease materially as the Managed Equity REIT acquires or disposes of real estate assets or its market capitalization increases or decreases. In addition, we generally only earn an incentive business management fee under our business management agreement with a Managed Equity REIT if it outperforms an identified REIT total shareholder return index during the measurement period and certain other conditions are satisfied, as measured at the end of the applicable measurement period. The shareholder returns realized by a Managed Equity REIT, its market capitalization and its ability to raise capital or make investments may be impacted by trends in the Managed Equity REIT' s portfolio, the U. S. **commercial** real estate industry generally, the Managed Equity REIT' s industry specifically or other factors that are outside of our or its control, including **prolonged high** inflation, rising **and sustained high** interest rates, supply chain challenges and economic downturns or recessions. Whether we earn an incentive fee, and the amount of any incentive fee we may earn, may have a significant impact on the amount of revenues we earn. For example, in the fiscal year ended September 30, 2019, our incentive business management fees earned from the Managed Equity REITs was 39. 9 % of our total management and advisory services revenues, and we **have not subsequently** earned ~~no~~ **any** incentive business management fees ~~during the past three fiscal years~~ from the Managed Equity REITs. Further, the fees we earn under our property management agreements with the Managed Equity REITs and **certain of** our ~~Managed~~ Private ~~Real Estate~~ Capital clients are based on a percentage of the rents they receive and a percentage of the costs of construction, in each case, at properties we manage for them ~~and certain of our Managed Operating Companies~~ . To the extent the Managed Equity REITs or **certain Private Capital clients** ~~our applicable Managed Operating Companies~~ receive reduced rent or incur lower construction costs, our property management fee revenues would be negatively impacted. Also, the fees under our management agreements with ~~the Managed Operating Companies~~ **respect to AlerisLife and Sonesta** are based on a percentage of revenues earned by them or generated at the properties they ~~manage~~ **operate** . **AlerisLife and Sonesta** ~~Our Managed Operating Companies have~~ experienced high revenue volatility in the past, and given the nature of **AlerisLife and Sonesta** ~~the Managed Operating Companies~~ ' **s** businesses (i. e. ~~, travel centers~~ , senior living communities and hotels), may continue to experience revenue volatility for the reasonably foreseeable future. Our management agreements with our clients are subject to termination. Our management agreements with our clients may be terminated by a client or by us in certain circumstances. For example, if we do not satisfy the applicable measures for calendar year ~~2022~~ **2023** under our management agreements with DHC or **ILPT** ~~SVC, DHC or SVC~~ , as applicable, **such company** will have the right to terminate its management agreement by prior written notice to us within 60 days following December 31, ~~2022~~ **2023** , and in which case, it would be required to pay us the applicable termination fee. If any of our management ~~or advisory~~ agreements with a client is terminated, we may be unable to replace the lost revenue. Even if we receive a termination fee upon the termination of a management agreement with a client, we may be unable to invest the after tax proceeds from the termination fee we receive in opportunities that earn returns equal to or greater than the revenues lost as a result of the terminated management agreement. The termination of our management agreement ~~or advisory agreement~~ with any of our clients could have a material adverse impact on our business, results of operations and financial condition. We **may be unable to complete the CARROLL Acquisition and if completed we may not be able to successfully integrate the CARROLL business and achieve the anticipated benefits of the transaction. The closing of the CARROLL Acquisition is subject to the satisfaction or waiver of customary conditions, including the seller obtaining**

required consents with respect to managed funds, joint venture partners and applicable lenders with respect to its managed properties. If these conditions are ~~significantly dependent~~ **not satisfied, as applicable, or waived, or if an event, change or other circumstance occurs that could give rise to the termination of our agreement to acquire the CARROLL business, the transaction may not close** on ~~conditions in~~ **the contemplated terms or at all or it may be delayed. If the CARROLL Acquisition is completed, we may not be able to successfully integrate the business or the integration may be more costly or more time- consuming and complex than anticipated, and cost savings, synergies and anticipated future financial performance may not be realized or may take longer to realize than expected. In addition, the closing of the CARROLL Acquisition and the integration of the CARROLL business may divert our management' s attention from our** ~~the~~ **other business operations, and onboarding and integration of a large number of new employees may pose enhanced operational risks and costs. Further, if the CARROLL Acquisition is completed, we will enter into the multifamily real estate sector. We do not have significant experience in this** commercial real estate ~~industry. Our~~ **sector, and there can be no assurance that we will be successful in this** business **, that we will achieve our expected objectives, operate successfully or that we will earn fees from the CARROLL business that provide returns on our investment that meet our underwriting expectations. In addition, because the CARROLL business involves certain joint venture arrangements, investment funds** and ~~operations~~ **limited partnerships, if the CARROLL Acquisition is completed, we may have limited flexibility and discretionary authority with respect to certain assets acquired, or management of assets assumed. Further, in order to grow the CARROLL business, we may need to raise additional capital from third party investors and our ability to raise additional capital depends on many factors, some of which** are ~~significantly dependent~~ **outside of our control. If the CARROLL Acquisition is completed, the failure to raise capital in sufficient amounts and** on **satisfactory terms could** ~~conditions in the commercial real estate industry, which in turn is impacted by general economic conditions in the United States. Significant portions of the commercial real estate market in the United States were negatively impacted by the COVID- 19 pandemic and the resulting~~ --- **result** ~~changes to market~~ **in a decrease in our assets under management** and **our management fees** ~~workplace practices, including remote work for~~ - **or could result** ~~many office based workers, reduced hotel occupancy and declines~~ in **our being unable to grow** ~~senior living communities' operations. Although those~~ -- **the** ~~conditions~~ **CARROLL business. Any of the foregoing risks could** have **a material** ~~since improved, some parts of the commercial real estate market have not returned to pre- COVID 19 pandemic levels. Further, current negative economic conditions exist, including rising interest rates, inflation, supply chain disruptions and possible economic recession. Adverse~~ **adverse effect on** ~~conditions in the commercial real estate industry and declining real estate values would harm~~ our **ability to complete the CARROLL Acquisition and to successfully integrate the CARROLL** business and **achieve** ~~financial condition by limiting our and our clients' access to debt and equity capital and our and their~~ -- **the anticipated benefits of** ~~ability to grow our and their~~ -- **the** ~~businesses~~ **transaction** . **Additional** ~~Adverse conditions may also give rise to an increase~~ **increases** ~~in tenant defaults under our clients' leases, defaults of SEVN' s loans, and decreased market capitalizations, shareholder returns, rent receipts and capital projects for the Managed Equity REITs. Increases~~ in market interest rates **and sustained high interest rates** may significantly reduce our revenues or impede our growth. **Additional** ~~The recent~~ increases in **market** interest rates **and sustained high interest rates** may significantly reduce our revenues or impede our growth. In response to significant and prolonged increases in inflation ~~over the past year~~ , the Federal Reserve has raised interest rates ~~six~~ **multiple** times since the beginning of ~~calendar~~ 2022 **,** ~~and has announced an~~ **and** ~~expectation that~~ it ~~will~~ **may** continue to **do so** ~~raise interest rates through the end of 2022 and into 2023~~ . The timing, number and amount of any future interest rate increases are uncertain. Increases in market interest rates may materially and negatively affect us. One of the factors that investors typically consider important in deciding whether to buy or sell the common shares of our Managed REITs is the distribution rate with respect to such shares relative to prevailing market interest rates. If market interest rates go up, investors may expect a higher distribution rate before investing in a Managed REIT or they may sell the Managed REITs' common shares and seek alternate investments with a higher distribution rate. Sales of common shares of the Managed Equity REITs may cause a decline in the market prices of such shares, which reduces the market capitalizations and total shareholder returns of the Managed Equity REITs, which, in turn, may materially reduce the fees we earn under our business management agreements with them. Moreover, the increases in interest rates has led to increased borrowing costs for our clients and may negatively impact their access to capital to fund future growth, reduce their earnings and total shareholder returns and cause **the Managed REITs' and our real estate business Private Capital vehicles' tenants and operators and** SEVN' s borrowers to default **on their rent and debt obligations** , which may materially reduce the fees we earn under our ~~business~~ management agreements with our clients. Further, during periods of increased borrowing costs, real estate transaction volumes often slow along with real estate valuation growth which may impact the results of operation of our clients and the fees we earn from those clients. If we cannot retain and motivate our key and talented personnel and recruit, retain and motivate new talented personnel, our business, **operating** results and financial condition could be adversely affected. Our people are the foundation of our success and in many ways our most critical asset. Our continued success depends to a great extent on our ability to retain and motivate our key and talented personnel and strategically recruit, retain and motivate new talented personnel. However, we may not be successful in these efforts as the market for qualified employees in the asset management industry is highly competitive. ~~Historically we~~ **We do not** have ~~not had~~ employment agreements with our key employees ~~and we have no present intention to enter into any~~ . Our ability to recruit, retain and motivate our personnel is dependent on our ability to offer attractive compensation, opportunities for professional growth and a desirable work environment. In ~~connection with the COVID- 19 pandemic, there has been a shift to a hybrid work model and, in our recruiting efforts, we have seen increased focus by prospective candidates on remote, hybrid and flexible work arrangements, including around location. If there is a further shift to a longer- term fully remote model that does not require maintaining close proximity to our offices, we may experience an even further increase in competition for talent and it may be difficult to recruit and retain our professionals. In~~ addition, ~~our clients~~ **the Managed REITs** have historically granted equity awards to our officers and certain other employees of ours. If our clients reduce the amount of, or stop making, similar grants in the future, or if the value of any equity awards they may grant are lower than anticipated, we may need to increase ~~the~~ **other** ~~amount of~~ compensation ~~we pay to offset the reduction in compensation our~~ - **or incentives for our** ~~officers and other applicable~~ employees ~~would otherwise receive~~ . ~~In~~ **Likewise, if competition for employees increases, in** order to recruit and retain existing and future personnel, we may need to increase the level of compensation that we pay ~~to them, which may cause a higher amount of our revenue to be paid out in the form of compensation, which may have an adverse impact on our profits~~ . We depend on our controlling shareholder and other key and talented personnel. We depend on the efforts, skills, reputations and business contacts of our controlling shareholder, Adam D. Portnoy, and other key and talented personnel. The extent and nature of the experience of our executive officers and of the relationships they have with real estate professionals and financial institutions, although not a guarantee of positive results, are critical to the success of our business. The loss of the services of any of them or the loss of investor confidence in such personnel could have a material adverse effect on our revenues, operating income and cash flows and could impair our ability to maintain or grow assets under management in our clients or otherwise maintain or grow our business. We are subject to substantial regulation and numerous contractual obligations and internal policies, and failure to comply with these provisions could have a material adverse effect on our business, financial condition and results of operations. We are subject to substantial regulation and numerous contractual obligations and internal policies. We are subject to regulation by the SEC, Nasdaq, and other federal, state and local or international governmental bodies and agencies or self- regulatory organizations. Our subsidiary, Tremont, is registered with the SEC as an investment adviser under the Investment Advisers Act. The Investment Advisers Act requires registered investment advisers to comply with numerous obligations, including compliance, record keeping, operating and marketing requirements, disclosure obligations and limitations on certain activities. Investment advisers also may owe fiduciary duties to certain of their clients. We are also responsible for managing or assisting with the regulatory aspects of certain of our clients, including the Managed REITs' compliance with applicable REIT rules and SEVN' s maintenance of its exemption from registration under the 1940 Act. The level of regulation and supervision to which we and our clients are subject varies from jurisdiction to jurisdiction and is based on the type of business activity involved. For example, we and SEVN may also be subject to state licensing requirements to conduct lending activities. The regulations to which we and our clients are subject are extensive, complex and require substantial management time and attention. In addition, regulatory oversight and enforcement may increase and become more rigorous. Our or our clients' failure to comply with any of the regulations, contractual obligations or policies applicable to it may subject us to litigation, extensive investigations, enforcement actions, as well as substantial fines, penalties and reputational risk, and our business and operations could be materially adversely affected. Our lack of compliance with applicable law could result in, among other things, our inability to enforce contracts, our default under contracts (including our management ~~agreements or advisory~~ agreements with our clients) and our ineligibility to contract with, and receive revenue from, governmental authorities and agencies, our clients or other third parties. We have numerous contractual obligations with which we must comply on a continuous basis to operate our business, the default of which could have a material adverse effect on our business and financial condition. We have established internal policies designed to ensure that we manage our business in accordance with applicable law and regulation and in accordance with our contractual obligations. These internal policies may not be effective in all regards; and, if we fail to comply with our internal policies, we could be subjected to additional risk and liability. ESG initiatives, requirements and market expectations may impose additional costs and expose us and our clients to new risks. There is an increasing focus from **regulators,** investors, certain of our clients' tenants, managers, borrowers, customers, employees, and other stakeholders ~~, and regulators~~ concerning corporate sustainability **. For example, California recently enacted a climate focused disclosure law and the SEC is considering climate change related regulations, both of which will require us to focus significant time and resources on behalf of ourselves and our clients to comply with these new requirements, and we and these clients 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 our clients, or otherwise do business with us or our clients, if they believe our or their policies relating to corporate responsibility are inadequate. Third party providers of corporate responsibility 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 responsibility practices are assessed are evolving, which could result in greater expectations of us and our clients and cause us and our clients to undertake costly initiatives to satisfy such new criteria. Alternatively, if we or our clients 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 their policies with respect to corporate responsibility are inadequate. **Pursuant to** ~~In July 2022, we announced~~ our zero emissions goal **,** ~~pursuant to which~~ we have pledged to reduce our scope 1 and 2 emissions to net zero by 2050 with a 50 % reduction commitment by 2030 from a 2019 baseline. We and our clients may face reputational damage in the event that our or their corporate responsibility procedures or standards do not meet the goals we or they have set or the standards set by various constituencies. If we and our clients fail to **comply with ESG related regulations and to** satisfy the expectations of investors and our clients' tenants, managers, borrowers, customers, employees and other stakeholders or our or our clients' announced goals and other initiatives are not executed as planned, our and our clients' reputation and financial results could be adversely affected, the management fees we may earn from our clients may decline, and our revenues, results of operations and ability to grow our business may be negatively impacted. In addition, we or our clients may incur significant costs in attempting to comply with **regulatory requirements,** ESG policies or third party expectations or demands. We and our clients are subject to risks from adverse weather, natural disasters and **adverse impact from global** climate ~~events~~ **change** . We and our clients are subject to risks and could be exposed to additional costs from adverse weather, natural disasters and **adverse impact from global** climate ~~events~~ **change** . For example, the properties owned **or operated** by our ~~Managed Equity REITs and our Managed Private Real Estate Capital~~ clients could be severely damaged or destroyed by physical climate risks that could materialize as either singular extreme weather events (for example 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 our ~~other~~ clients and cause significant losses if ~~such~~ **our** clients or their tenants, managers or borrowers are unable to operate their businesses due to damage resulting from such events. Insurance may not sufficiently cover all losses sustained by our clients and their tenants, managers or borrowers. If we or our clients fail to adequately prepare for such events, our and our clients' revenues, results of operations and financial condition may be impacted. We rely on information technology and systems in our operations, and any material failure, inadequacy, interruption or security breach of that technology or those systems could materially harm our business. We rely on information technology and systems, including the Internet and cloud- based infrastructures **and services** , commercially available software and our internally developed applications, to process, transmit, store and safeguard information and to manage or support a variety of our business processes, including financial transactions and maintenance of records, which may include personal identifying information of employees, tenants, borrowers and guarantors and lease data. If we experience material failures, inadequacies or interruptions or security breaches of our information technology, we could incur material costs and losses. Further, third party vendors have experienced and could experience similar events with respect to their information technology and systems that impact the products and services they provide to us or our clients. We rely on commercially available systems, software, tools and monitoring, as well as our internally developed applications and internal procedures and personnel, to provide security for processing, transmitting, storing and safeguarding confidential tenant, customer, borrower, guarantor and vendor information, such as personally identifiable information related to our employees and others and information regarding our and our clients' financial accounts. We take various actions, and we incur significant costs, to maintain and protect the operation and security of our information technology and systems, including the data maintained in those systems. However, it is possible that these measures will 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 number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. The cybersecurity risks to us, our clients and 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 against us, including cyberattacks, email or wire fraud and other attacks exploiting security vulnerabilities in our or other third parties' information technology networks and systems or operations. Although ~~much~~ **most** of our staff returned to our offices during the pandemic, flexible working arrangements have resulted in a higher extent of remote working than we experienced prior to the pandemic. This and other possible changing work practices have adversely impacted, and may in the future adversely impact, our ability to maintain the security, proper function and availability of our information technology and systems since remote working by our employees could strain our 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, our 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 to maintain the security, proper function and availability of our information technology and systems, or certain third party vendors' failure to similarly protect their information technology and systems that are relevant to our or our clients' operations, or to safeguard our or our clients' business processes, assets and information 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 us. ~~Supply chain constraints~~ **Inflation may continue to negatively impact us** and **our clients and our and their businesses, results of operations and ability to grow. The global economy continues to experience** commodity pricing and other inflation, including inflation impacting wages and employee benefits ~~, may continue to negatively impact us and our clients and our and their businesses, results of operations and ability to grow~~ . **Although** ~~The global economy has been experiencing supply chain constraints and commodity pricing and other~~ inflation **rates have recently declined** , ~~including~~ **they remain higher than pre- COVID- 19 pandemic levels. It is uncertain whether** inflation ~~impacting wages and employee benefits.~~ **will decline further, remain relatively steady or increase; however, some market forecasts indicate that** ~~Inflation~~ **inflation** rates **may remain elevated for a prolonged period** ~~, particularly in the United States, have increased recently to levels not seen in years~~ . These conditions have increased the costs for materials, other goods and labor, and these rising costs are impacting us and our clients. For example, various construction supplies and materials have experienced significant price increases as have other commodities, such as food and fuel. These pricing increases as well as increases in labor costs have increased the operating costs for certain of our clients **and tenants, operators and borrowers of our clients** . If these inflationary pressures continue, our clients may reduce or delay construction projects that we oversee and may realize decreased earnings, negative impacts on their ability to increase or maintain dividends that they pay to their shareholders and reduced market capitalizations. In that case, the management fees we earn may decline and our revenues, results of operations and ability to grow our business may be negatively impacted. Employee misconduct could harm us by subjecting us to significant legal liability, reputational harm and loss of business. As an asset manager, our business, and our ability to retain and attract new clients, is dependent upon our maintaining a positive reputation in the marketplace. There is a risk that our employees could engage in misconduct that adversely affects our reputation and, hence, our business. We are subject to a number of obligations and standards arising from our business and our authority over the companies and assets we manage. The violation of these obligations and standards by any of our employees may adversely affect our clients and us. Our business often requires that we deal with confidential matters of great significance to our clients. If our employees improperly use or disclose confidential information, we and the concerned client could suffer serious harm to our and its reputation, financial position and current and future business relationships and face potentially significant litigation. It is not always possible to detect or deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in all cases. If any of our employees were to engage in or be accused of misconduct, our business and our reputation could be adversely affected. Misconduct by an employee might rise to the level of a default that would permit a client to terminate its management agreements ~~or advisory agreements~~ with us for cause and without paying a termination fee, which could materially adversely affect our business, results of operations and financial condition. RMR LLC' s required quarterly tax distributions may limit our ability to implement our business or pursue growth opportunities. Under the RMR LLC operating agreement, RMR LLC is required to make certain pro rata distributions to each member of RMR LLC, including RMR Inc., quarterly on the basis of the assumed tax liabilities of the members **. If and when federal, state or local governments impose higher income tax rates or increase the taxable base, RMR LLC' s quarterly tax distributions would generally increase accordingly** . From time to time, RMR LLC' s cash flows from operations may be insufficient to enable it to make required minimum tax distributions to its members. RMR LLC may have to borrow funds or sell assets to fund its distribution requirements, and thereby materially adversely affect our liquidity and financial condition. Further, by making cash distributions rather than investing that cash in our businesses, we might risk slowing the pace of our growth, or not having a sufficient amount of cash to fund our operations, new investments or unanticipated capital expenditures, should the need arise. In such event, we may not be able to implement our business and growth strategy to the extent intended. Risks Related to the Businesses of Our Clients Risks associated with our clients' businesses could adversely affect their respective abilities to grow, generate revenue, increase their market capitalizations and pay management fees. We have presented in this Annual Report on Form 10- K historical fees that we have earned from our clients. The historical fees earned from our clients, including those presented in this Annual Report on Form 10- K, should not be considered as indicative of the future results of our clients or of our future results. The risks associated with each client' s business could adversely affect its ability to carry out its business plans and objectives, and, as a result, could adversely impact its ability to pay us management ~~or advisory~~ fees or cause the amounts of those fees to decline. For more information see " Management' s Discussion and Analysis of Financial Condition and Results of Operations — Overview. " Risks to our clients, in addition to the risks noted elsewhere in this Annual Report on Form 10- K, include, but are not limited to, the following: • adverse economic and market conditions; • the inability of our clients' tenants, managers and borrowers to weather the ~~current~~ **ongoing** adverse economic conditions, including rising **and sustained high** interest rates, prolonged high inflation ~~, supply chain disruptions~~ , economic downturn and possible recession and thereby impair their ability to pay rent and returns and make loan payments; • the inability of our clients to access debt and equity capital on attractive terms, or at all which could reduce our clients' ability to pursue acquisition and development opportunities and refinance existing debt, and reduce our clients' returns from acquisition and development activities and increase their future interest expense; • **our clients** ~~the Managed Equity REITs~~ face competition for tenants **and customers** at substantially all of their properties and competing properties may be more attractive to tenants **and customers** ; • our clients face significant competition for investment opportunities from other investors, some of which have greater financial resources, including publicly traded REITs, non- traded REITs, insurance companies, banking firms, private institutional funds, private equity funds and other investors; • a sustained period of ~~rising~~ **high** interest rates **and high inflation** may increase operating costs, reduce the value of properties, increase cost of capital and make raising capital difficult for our clients whereas low interest rates may increase the amount of debt capital available, which may result in declining capitalization rates for property acquisitions and impede the growth of our clients' businesses; • changing general economic and financial market conditions could significantly reduce the value of the real estate, loans and other investments of our clients and reduce the amounts earned on those investments; • changing market, consumer and workplace practices and trends could result in decreased demand for business travel, hotel stays, conference facilities ~~,~~ **and** office space ~~, diesel fuel and gasoline~~ ; • the real estate and real estate related investments of our clients may be less liquid than other investments and the ability of our clients to adjust their portfolios in response to changes in economic or other conditions may be limited; • our ~~Managed Operating~~ **operating** ~~Companies~~ **company clients** ' ability to attract, retain and motivate sufficient qualified personnel in a challenging labor market and to effectively manage their labor costs; • changes in investor preferences or market conditions could limit our clients' ability to raise capital to competitively maintain their properties and operations or make new investments; • **geopolitical instability and tensions (such as the ongoing wars in Ukraine and the Middle East); •** shareholder activism, complaints about management strategies and structures, corporate governance and other matters may divert management attention and be disruptive to ~~the~~ **our clients'** ~~operation~~ **operations** ~~of our clients~~ ; • ESG initiatives, requirements and market expectations may impose additional costs and expose our clients to new risks; • changes in tax laws, regulation or accounting rules may make certain types of investments in or by our clients less valuable; • our clients are exposed to environmental, building and other laws, natural disasters, adverse impacts from global climate change and other factors beyond their control as a result of their investment in real estate; • **public health safety events, such as pandemics, may adversely impact our clients' business, operating results, financial condition and value; •** our clients have significant investments in certain types of assets, such as hotels, senior living communities **and office** , **industrial and** healthcare properties ~~and travel centers~~ , and market changes which impact these specific types of assets (e. g., a reduction in levels of business travel and occupancy at hotels and senior living communities as a result of adverse economic and market conditions, tenant and customer trends, new competition for short term accommodations, changes in Medicare and Medicaid rates ~~,~~ and other regulatory matters, ~~fuel price volatility, fuel efficiency improvements and~~ **an** ~~alternative energy sourcing~~ **insufficient recovery or a further reduction in the demand for office space as a result of remote, hybrid and other flexible working arrangements, and declining economic activity, oversupply of industrial buildings or technological or market practice changes, such as offshoring, reducing the demand for industrial properties**) may adversely impact certain of the clients' ability to maintain or grow their ~~business~~ **businesses** ; • the failure of a Managed REIT to continue to qualify as a REIT would subject it to U. S. federal income tax and reduce cash available for distributions to its shareholders, adversely impacting its ability to raise capital and operate its business; • the failure of our clients to comply with applicable laws and regulations could result in legal liability, regulatory fines and the loss of, or an inability to obtain, licenses required to operate their businesses; and • complying with REIT requirements may cause a Managed REIT to forgo otherwise attractive opportunities or liquidate otherwise attractive investments. Many of our clients are SEC registrants and file reports with the SEC as required by the Exchange Act. A discussion of the businesses and the risks associated with the businesses of our clients that are SEC registrants is contained in the reports filed by our clients, including in the section captioned " Risk Factors " in each Managed REIT' s ~~, ALR' s and TA' s~~ Annual ~~Reports~~ **Report** on Form 10- K for the year ended December 31, ~~2021~~ **2022** , as those Risk Factors may have been updated or supplemented in those companies' Quarterly Reports on Form 10- Q filed subsequently. Copies of these reports are available at the SEC' s website, www. sec. gov. Risks Related to Our Securities A trading market that provides adequate liquidity may not be sustained for our Class A Common Shares and the market price of our Class A Common Shares may fluctuate widely. Our public float represents about 48. ~~8~~ **9** % of the economic interest in RMR LLC. As a result, a significant amount of the economic interest in RMR LLC is not represented in our public float, which may adversely impact trading in our Class A Common Shares. There can be no assurance that an active trading market for our Class A Common Shares will be sustained in the future. The market price of our Class A Common Shares may fluctuate widely, depending upon many factors, some of which are beyond our control, including, but not limited to, the following: • market and economic volatility due to adverse economic, geopolitical and public health conditions and the resulting market disruption on us and our clients; • declines in the market prices of our clients' common shares; • a relatively thin trading market for our Class A Common Shares could cause trades of small blocks of shares to have a significant impact on the price of our Class A Common Shares; • our quarterly or annual earnings, or those of other comparable companies; • actual or anticipated fluctuations in our operating results; • changes in accounting standards, policies, guidance, interpretations or principles; • announcements by us, our clients or our competitors of significant investments, acquisitions or dispositions; • the inclusion, exclusion, or deletion of our Class A Common Shares from any trading indices; • the failure of securities analysts to cover our Class A Common Shares; • changes in earnings estimates by securities analysts or in our ability to meet those estimates; • the operating and stock price performance of other comparable companies; • overall market fluctuations; and • general economic conditions. Stock markets in general often experience volatility that is unrelated to the operating performance of a particular company. These broad market fluctuations may adversely affect the trading price of our Class A Common Shares. Our shareholders may not be able to resell their Class A Common Shares following periods of volatility because of the market' s adverse reaction to volatility. Some investors may **not** ~~be precluded from investing~~ --- **invest** in our Class A Common Shares as a result of our dual class capital structure, which may adversely affect the trading price of our Class A Common Shares. **Although** S & P Dow Jones, a provider of widely followed stock indices, ~~does not include~~ **recently reversed its prior decision to exclude** companies with multiple share classes, such as ours, in certain of their indices **, there is no guarantee that our Class A Common Shares will be included in an S & P index, despite their eligibility. The Council on Institutional Investors remains strongly opposed to dual class structures and some investors may continue to avoid investing in companies with dual class shares, particularly companies that do not include time limits with respect to such dual class structures** . In addition, several stockholder advisory firms oppose the use of multiple class structures. As a result, our Class A Common Shares **may** ~~will likely~~ not be ~~eligible for these~~ **included in certain** stock indices and may cause stockholder advisory firms to publish negative commentary about our corporate governance practices or otherwise seek to cause us to change our capital structure. FTSE Russell, another provider of widely followed stock indices, adopted rules requiring new constituents of its indices to have at least five percent of their voting rights in the hands of public stockholders. Many investment funds are precluded from investing in companies that are not included in such indices, and these funds would be unable to purchase our Class A Common Shares. We cannot assure you that other stock indices will not take a similar approach to ~~S & P Dow Jones or~~ FTSE Russell in the future. Exclusion from indices could make our Class A Common Shares less attractive to investors and, as a result, the market price of our Class A Common Shares could be adversely affected. Additionally, any actions or publications by stockholder advisory firms critical of our corporate governance practices or capital structure could also adversely affect the value of our Class A Common Shares. Our dividend policy is subject to change. RMR Inc. currently plans to pay a regular quarterly cash dividend equal to $ 0. 40 per share ($ 1. 60 per share per year) to holders of its Class A Common Shares. However, the amount of distributions RMR LLC may make in the future is not certain, and there is no assurance that future distributions will be made. The declaration and payment of any dividends to our shareholders will be at the discretion of our Board of Directors which considers many factors when setting dividend rates including RMR Inc.' s current and expected earnings and the availability of cash to fund dividends as compared to alternative uses of such cash. Our Board of Directors may change the distribution policy or discontinue the payment of dividends at any time. Accordingly, any future dividends may be increased or decreased and there is no assurance as to the rate at which any future dividends will be paid, and they could decline in amount or be suspended or discontinued. Any change in our dividend policy could have a material adverse effect on the market price of our Class A Common Shares. Risks Related to Our Relationships with Our Controlling Shareholder and Our Clients Our controlling shareholder controls our voting power, and our other shareholders will have less influence over our business than shareholders of most other publicly traded companies. Substantially all of the voting power in RMR Inc. and a majority of the economic interest in RMR LLC is held by ABP Trust, an entity controlled by its sole trustee, Adam D. Portnoy. Mr. Portnoy is Chair of our Board of Directors and one of our Managing Directors and is our President and Chief Executive Officer. RMR Inc. is the managing member of RMR LLC. As of September 30, ~~2022~~ **2023** , Adam D. Portnoy beneficially owned in aggregate, directly and indirectly through ABP Trust, a combined direct and indirect 51. ~~2~~ **1** % economic interest in RMR LLC and controlled 91. 2 % of the aggregate voting power of our outstanding capital stock. As a result of this voting control, Adam D. Portnoy is effectively able to determine the outcome of all matters requiring shareholder approval, including, but not limited to, election of our directors. Adam D. Portnoy is able to cause or prevent a change of control of RMR Inc., and this voting control could preclude any unsolicited acquisition of RMR Inc. The voting control of Adam D. Portnoy could deprive our shareholders of an opportunity to receive a premium for their Class A Common Shares as part of a sale of us and may affect the market price of our Class A Common Shares. Our management agreements with the Managed Equity REITs may discourage our change of control. Each Managed Equity REIT may terminate its management agreements with us if we experience a change of control, as defined in those agreements, without payment of any termination fee. We may be unable to duplicate the long term management arrangements we have with each of the Managed Equity REITs if the management agreements were terminated following our change of control. As a result, the management agreements may discourage a change of control of us, including a change of control which might result in payment of a premium for our Class A Common Shares. The registration of Tremont under the Investment Advisers Act may discourage our change of control. Our subsidiary, Tremont, is registered as an investment adviser under the Investment Advisers Act. Any change in control of Tremont, as defined in and interpreted pursuant to the Investment Advisers Act, would trigger a shareholder approval right by SEVN shareholders or other advisory clients of Tremont as applicable, under that Act. The need for such approval may discourage a change of control of us, including a change of control which might result in payment of a premium for our Class A Common Shares. The ability of ABP Trust to sell its ownership stake in us and speculation about any such sale may adversely affect the market price of our Class A Common Shares. ABP Trust controls 100. 0 % of our Class B- 1 Common Shares (which are exchangeable for Class A Common Shares) and Class B- 2 Common Shares, some of our currently outstanding Class A Common Shares and approximately ~~49~~ **48** . ~~0~~ **8** % of our Class A Units of RMR LLC (which ABP Trust may cause RMR LLC to redeem for, at our election, Class A Common Shares on a one for one basis or cash). Thus, a significant portion of our ownership is not trading in the public markets. ABP Trust may sell any or all of its Class A Common Shares at any time without approval by our other shareholders. Speculation by the press, stock analysts, our shareholders or others regarding the intention of ABP Trust to dispose of Class A Common Shares could adversely affect the market price of our Class A Common Shares. Moreover, the market price of our Class A Common Shares may be adversely impacted by the fact that a significant amount of our outstanding shares are not included in the public float of our Class A Common Shares and by our dual- stock structure. Accordingly, our Class A Common Shares may be worth less than they would be if the Class A Common Shares that ABP Trust controls or has a right to acquire were trading in the public markets. We and our clients are party to transactions with related parties that may increase the risk of allegations of conflicts of interest. We and our clients are party to transactions with related parties, including with entities controlled by Adam D. Portnoy and entities that we manage. For example, because of the relationships among us, Adam D. Portnoy, and our clients, the agreements we are party to with them, including our management agreements, are among related parties ~~. Other examples include: SVC is TA' s principal landlord, and TA is SVC' s largest tenant, operating travel center locations owned by SVC pursuant to long term leases; ALR manages many of the senior living communities owned by DHC pursuant to long term management agreements, DHC owns approximately 33 % of ALR' s outstanding common stock and most of the senior living communities ALR operates are owned by DHC; Sonesta manages the majority of SVC' s hotels pursuant to management agreements, SVC owns approximately 34 % of Sonesta' s outstanding common stock and most of the hotels Sonesta operates are owned by SVC~~ . Our and our clients' 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** ~~Moreover, we are subject to the risk that our~~ shareholders or the shareholders of one or more of our clients may challenge ~~any~~ such related party transactions. ~~If~~ **Although all past challenges have been unsuccessful, if any future** challenges to related party transactions were to be successful, we or our clients 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 or our clients' reputation, business and growth and could adversely affect our or our clients' ability to realize the benefits expected from the transactions, whether or not the allegations have merit or are substantiated. Declines in revenue, business or assets of a client may result in a corresponding decline or reduced market capitalizations for another client due to their business relationships with each other. Some of our clients have **or have had** significant interests in other clients of ours, including ownership interests and business arrangements **, and some of our clients may in the future have such interests in other clients** . For example: ~~ALR manages many of the senior living communities owned by DHC and DHC owns approximately 33 % of ALR' s outstanding common stock;~~ Sonesta manages most of SVC' s hotels ~~and the majority of the hotels operated by Sonesta are owned by SVC~~ and SVC owns approximately 34 % of Sonesta' s outstanding common stock; and ~~TA leases all~~ **AlerisLife manages many** of **the senior living communities owned by DHC** ~~SVC' s travel center properties and SVC owns approximately 8. 0 % of TA' s outstanding common stock~~ . Accordingly, a decline in **the performance** ~~revenue, business~~ or ~~assets~~ **prospects** of ~~ALR~~ **AlerisLife** would be expected to adversely impact DHC, and ~~a~~ **any similar** decline ~~in revenue, business or assets~~ of Sonesta ~~or TA~~ would be expected to adversely impact SVC. Our management responsibilities to each of our clients and any future companies we may manage may give rise to actual, potential or perceived conflicts of interest. Some of our clients have overlapping investment objectives, and if and as we expand our management services to include additional private real estate capital clients, additional overlapping investment objectives may result. Additionally, some of our clients have material business relationships with, and in some instances have engaged in material transactions with, other of our clients that could give rise to conflicting interests. Our controlling shareholder' s investment in some of our clients also could give rise to conflicting interests. Our clients rely on information and management services we provide to them. While we and our clients have policies and procedures in place that are intended to mitigate the risks of conflicts of interest, our allocation of investment opportunities and cost reimbursements, advice, recommendations and commitments of our management team across our clients might be perceived to favor one client at the expense of another. In addition to serving as the Chair and a member of our Board of Directors and on our executive team, Adam D. Portnoy serves as the chair of the board and as a managing trustee ~~or managing director,~~ of each Managed REIT, ~~TA and ALR and~~ as a director of Sonesta (and its parent) **and as the sole director of AlerisLife** ; certain of our other officers serve as managing trustees ~~, managing directors~~ or directors of our clients; and all of the executive officers of the Managed REITs ~~and many~~ **, one** of the executive officers of **AlerisLife and one of** the **executive** ~~Managed Operating Companies are our~~ officers **of Sonesta is** ~~and~~ - **an officer and** ~~employees~~ - **employee of ours** . In addition, ~~several~~ **some** of the independent trustees ~~and independent directors~~ of ~~our public clients~~ **the Managed REITs** also serve as independent trustees ~~or independent directors~~ of other ~~public clients~~ **Managed REITs** . These multiple responsibilities and varying interests could create competition for the time and efforts of Adam D. Portnoy and RMR LLC and its subsidiaries and their officers and employees, and actual, potential or perceived conflicts of interest may arise. Shareholder litigation, dissident shareholder director nominations and dissident shareholder proposals have often been instituted against companies alleging conflicts of interest in business dealings with affiliated and related persons and entities. The various relationships noted above may precipitate such activities. In addition, certain proxy advisory firms which have significant influence over the voting by shareholders of public companies, have, in the past, recommended that shareholders vote against, or withhold votes for, the election of board members at annual meetings of shareholders of our clients **and vote against certain proposals at special meetings of shareholders** , and they may advocate for similar voting actions for future meetings. These actions may affect the outcome of those ~~elections~~ **shareholder votes** and impact the governance of those clients, which may increase the risk of shareholder activism and litigation at those clients. These activities could result in substantial costs and diversion of our management' s attention and could have a material adverse effect on our and our clients' reputations and businesses. Risks Related to Our Organization and Structure We are a " controlled company " within the meaning of the Nasdaq listing rules and, as a result, qualify for, and may rely on, exemptions from certain corporate governance requirements. Our shareholders will not have the same protections afforded to shareholders of companies that are subject to such requirements. Adam D. Portnoy, as sole trustee of ABP Trust, holds more than 50. 0 % of the voting power of our shares eligible to vote. As a result, we are a " controlled company " under the Nasdaq listing rules. Under these rules, a company of which more than 50. 0 % of the voting power in the election of directors is held by an individual, group or another company is a " controlled company " and may elect not to comply with certain listed company governance requirements, including the requirements that the board of directors be comprised of a majority of independent directors and that we have a compensation committee and a nominating and corporate governance committee composed entirely of independent directors. Although we are not currently availing ourselves of these exceptions, the fact that we could in the future may cause our Class A Common Shares to trade at a lower price than if **we were required to afford** these protections ~~were provided~~ . Our rights and the rights of our shareholders to take action against our directors and officers are limited. Our governing documents limit the liability of our directors and officers to us and our shareholders for money damages to the maximum extent permitted under Maryland law. Under current Maryland law, our directors 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 director or officer that was established by a final judgment as being material to the cause of action adjudicated. Additionally, our governing documents require us to indemnify, to the maximum extent permitted by Maryland law, any of our present or former directors or executive officers who is made or threatened to be made a party ~~to~~ **or otherwise involved in** a proceeding by reason of his, her or their service in that capacity **and to pay his, her or their expenses in advance of final disposition of a proceeding upon our receipt of an undertaking by or on behalf of such person to repay such amount if it is ultimately determined that such person is not entitled to be indemnified by us** . We also entered into separate agreements with our directors and executive officers providing for indemnification and advancement of expenses in addition to any rights such person may have under our governing documents. 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 directors and officers than might exist with other companies, which could limit shareholder recourse in the event of actions which some shareholders may believe are not in our best interest. Our bylaws designate the Circuit Court for Baltimore City, Maryland or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, 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 directors, officers, manager, agents or employees. Our bylaws currently provide that, unless the dispute has been referred to binding arbitration, the Circuit Court for Baltimore City, Maryland or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Baltimore Division, will be the sole and exclusive forum for: (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 director, officer, agent or employee of ours to us or our shareholders; (3) any action asserting a claim against us or any director, officer, agent or employee of ours arising pursuant to Maryland law or our charter 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 our ~~shareholders~~ **stock or** ~~or~~ **our** shareholders against us or any of our directors, officers, agents or employees, including any **disputes,** claims **or controversies** relating to the meaning, interpretation, effect, validity, performance or enforcement of our charter or bylaws; or (4) any action asserting a claim against us or any director, officer, agent or employee of ours that is governed by the internal affairs doctrine of the State of Maryland. The exclusive forum provision of our bylaws does not apply to any 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 **stock** ~~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 directors, officers, employees or agents, which may discourage lawsuits against us and our directors, officers, employees or agents. Shareholder litigation against us or our directors, officers, employees 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 bylaws, as they may be amended from time to time. Our bylaws provide that certain actions by one or more of our shareholders against us or any of our directors, officers, employees or other agents will be referred to mandatory, binding and final arbitration proceedings if we, or any other party to such dispute, including any of our directors, officers, employees 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 directors, officers, employees 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 directors, officers, employees, agents or other parties 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 bylaws 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 bylaws' 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 bylaws 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 **or any other party' s** award to any shareholder or such shareholder' s attorneys. The arbitration provisions of our bylaws may discourage our shareholders from bringing, and attorneys from agreeing to represent our shareholders wishing to bring, litigation against us or our directors, officers, employees ~~, manager~~ or other agents. A number of our contracts with Adam D. Portnoy, ABP Trust and our clients have similar arbitration provisions to those in our bylaws. We believe that the arbitration provisions in our bylaws are enforceable under both state and federal law, including with respect to federal securities laws claims. We are a Maryland corporation and Maryland courts have upheld the enforceability of arbitration bylaws. In addition, the United States 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 bylaws may ultimately be determined to be unenforceable. By agreeing to the arbitration provisions of our bylaws, shareholders will not be deemed to have waived compliance by us with federal securities laws and the rules and regulations thereunder. RMR Inc. is required to pay ABP Trust for certain tax benefits it claims as a result of the tax basis step up we received as part of the RMR LLC reorganization on June 5, 2015 and will receive upon future redemptions by ABP Trust for Class A Common Shares or for cash. In certain circumstances, payments under the tax receivable agreement may be accelerated and / or significantly exceed the actual tax benefits RMR Inc. realizes. ABP Trust may redeem Class A Units it owns for Class A Common Shares or cash. See " Business- Our Organizational Structure- The RMR LLC Operating Agreement- Redemption rights of holders of Class A Units " in our Annual Report on Form 10- K for the fiscal year ended September 30, 2019. Both ABP Trust' s initial purchase of Class A Units and any future redemptions that ABP Trust may effect may result in increases in our tax basis of our assets that otherwise would not have been available. Such increases in tax basis are likely to increase (for tax purposes) depreciation and amortization deductions and therefore reduce the amount of income tax we otherwise would be required to pay in the future. These increases in tax basis may also decrease gain (or increase loss) on future dispositions of certain capital assets to the extent the increased tax basis is allocated to those assets. The Internal Revenue Service, or the IRS, may challenge all or part of these tax basis increases, and a court might sustain such a challenge. We have entered into a tax receivable agreement, dated June 5, 2015, by and among RMR Inc., RMR LLC and ABP Trust that provides for the payment by RMR Inc. to ABP Trust of 85. 0 % of the amount of cash savings, if any, in U. S. federal, state and local income tax or franchise tax that RMR Inc. actually realizes as a result of (a) the increases in tax basis attributable to its dealings with ABP Trust and (b) tax benefits related to imputed interest deemed to be paid by us as a result of the tax receivable agreement. See " Business- Our Organizational Structure- Tax Receivable Agreement " in our Annual Report on Form 10- K for the fiscal year ended September 30, 2019 for further information regarding the tax receivable agreement. While the actual increase in tax basis, as well as the amount and timing of any payments under the tax receivable agreement, will vary depending upon a number of factors, including the timing of redemptions, the price of our Class A Common Shares at the time of the redemption, the extent to which such redemptions are taxable, and the amount and timing of our income, we expect that, as a result of the size of the increases in the tax basis of the tangible and intangible assets of RMR LLC attributable to RMR Inc.' s interests in RMR LLC, during the expected term of the tax receivable agreement, the payments that RMR Inc. makes to ABP Trust may be substantial. ABP Trust generally will not reimburse RMR Inc. for any payments that may have been made under the tax receivable agreement. As a result, in certain circumstances RMR Inc. could make payments to ABP Trust under the tax receivable agreement in excess of cash tax savings. Our ability to achieve benefits from any tax basis increase, and the payments to be made under the tax receivable agreement, will depend upon a number of factors, including the timing and amount of our future income. In addition, the tax receivable agreement provides that, upon certain changes of control and certain breaches of the agreement that we fail to cure in accordance with the terms of the agreement, our obligations with respect to Class A Units will be accelerated. In those circumstances, our obligations under the tax receivable agreement would be based on certain assumptions, including that we would have sufficient taxable income to fully utilize the deductions arising from the increased tax deductions and tax basis and other benefits described in the tax receivable agreement, and that any Class A Units that have not been redeemed will be deemed redeemed for the market value of the Class A Common Shares at the time of the change of control or breach, as applicable. Consequently, it is possible, in these circumstances, that the actual cash tax savings realized by RMR Inc. may be significantly less than the corresponding tax receivable agreement payments. Our governing documents permit our directors and officers, our clients and ABP Trust to retain corporate opportunities for their own benefit. Under RMR Inc.' s governing documents and RMR LLC' s operating agreement, no director or officer of ours who is also serving as an officer, employee or agent of a client or ABP Trust or any of its affiliates is required to present, communicate or offer any business opportunity to us, and such person shall have the right to hold any business opportunity for themselves or transfer it to any other person to the maximum extent permitted by Maryland law. If any of these persons fails to present an opportunity to us or takes the opportunity for themselves, to the maximum extent permitted under Maryland law they will not be liable to us. We have renounced all potential interest or expectation in certain business opportunities which may fit our growth objectives in the future or otherwise have value to us. These opportunities may be directed to the clients or other persons or entities to which RMR LLC may have a relationship. Additionally, under our governing documents, our directors, officers, employees and agents are permitted to engage in other business activities that are similar to, or even competitive with, our own. If such persons engage in competitive business activities, we may have no remedy under our governing documents in these circumstances. Our governing documents do not limit our ability to enter into new lines of businesses and doing so may result in additional risks and uncertainties in our businesses. Our governing documents do not limit our business to the management of commercial real estate assets or businesses related thereto. Accordingly, we may pursue other business initiatives. To the extent we enter into a new line of business, we will face numerous risks and uncertainties, including risks associated with: (i) the required investment of capital and other resources; (ii) the possibility that we have insufficient expertise to engage in such activities competently or profitably; (iii) combining or integrating operational and management systems and controls; and (iv) the broadening of our geographic footprint, including the risks associated with conducting operations in non- U. S. jurisdictions. Entry into certain lines of business may subject us to new laws and regulations with which we are not familiar, or from which we are currently exempt, and may lead to increased litigation and regulatory risk. During the past **two** ~~year~~ **years** , we expanded our ~~managed private~~ **Private** ~~real estate capital~~ **Capital** through the execution of new business ventures; our ~~managed private~~ **Private** ~~real estate capital~~ **Capital** assets under management increased ~~during the past year~~ from approximately $ 1. ~~3~~ **7** billion as of September 30, 2021 to **approximately** $ ~~3~~ **7** . ~~9~~ **7** billion as of September 30, ~~2022~~ **2023** ~~. Our Managed~~ **and if the CARROLL Acquisition is completed, our** Private ~~Real Estate~~ Capital ~~clients~~ **assets under management** are ~~subject~~ **expected** to **increase by approximately $ 7 billion. In** ~~many of the same risks noted elsewhere in this Annual Report on Form 10- K and may be subject to additional~~ -- **addition** ~~risks. For example~~ , our strategic initiatives may include joint ventures or partnerships, in which case we will be subject to additional risks and uncertainties because we may be dependent upon, and subject to liability, losses or reputational damage relating to systems, controls and personnel that are not under our control. There can be no assurance that our increased focus on private real estate capital **or any other business initiative we decide to pursue** will be successful in the future or that we will achieve our performance objectives. Our only material asset is our interest in RMR LLC, and we are accordingly dependent upon distributions from RMR LLC to pay our taxes and expenses. RMR Inc. is organized as a holding company of RMR LLC and its only material asset is its limited liability company membership units of RMR LLC. RMR Inc. has no independent means of generating revenue. Pursuant to RMR Inc.' s agreements with RMR LLC, RMR Inc., as the managing member of RMR LLC, intends to cause RMR LLC to make distributions in an amount that is at least sufficient to cover applicable taxes payable by its members, other expenses and some or all of the dividends, if any, declared by us. Deterioration in the financial condition, earnings or cash flow of RMR LLC for any reason could limit or impair its ability to pay such distributions to us. Additionally, to the extent that RMR Inc. requires funds and RMR LLC is restricted from making such distributions under applicable law or regulation or under the terms of financing or other arrangements, or is otherwise unable to provide such funds, our liquidity and financial condition could be materially adversely affected.