Risk Factors Comparison 2024-02-28 to 2023-02-28 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 ~~, economic~~ and commercial real estate **industry** conditions due to, among other things, ~~rising or sustained~~ high interest rates ~~and~~ **, prolonged** high inflation, labor market challenges, supply chain ~~challenges~~ **disruptions** , volatility in the public equity and debt markets **and in the commercial real estate markets, generally** , pandemics ~~(such as the COVID- 19 pandemic) or other adverse public health safety events or conditions~~ , geopolitical instability **and tensions** ~~(such as the war in Ukraine)~~ , **economic downturns or a possible recession** and other conditions beyond our control, may have a material adverse effect on our and our hotel managers' and other operators' and tenants' results of operations and financial conditions ~~, and our and their businesses may not return to the levels experienced prior to the COVID- 19 pandemic,~~ and they may be unable to satisfy their obligations to us; • **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 **maintain or** 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 ~~to~~ 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; • we have a high concentration of properties that are operated by Sonesta and TA, and their failure to profitably operate our properties **or perform their obligations under their agreements with us,** could adversely impact our results of operations, and we could experience significant disruption to our operations if we were required to replace either Sonesta or TA ~~; • our earnings will be more volatile than in previous years due to most of the owner' s priority returns under our hotel agreements no longer being guaranteed by our operators' parent companies~~ ; • we and our managers and tenants face significant competition; • we may be unable to renew our leases or lease our properties to new tenants when they expire without decreasing rents or incurring significant costs or at all; • our potential **future** sales or acquisitions 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 ~~and~~ **, prolonged** high inflation, or otherwise; • 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 or our hotel managers' information technology; • our management structure and agreements with RMR and our relationships with our related parties, including our Managing Trustees, RMR ~~,~~ **and** Sonesta ~~and TA~~ 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 or 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 Unfavorable market and ~~economic~~ **industry** 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 **and tensions** ~~(such as the war in Ukraine)~~ , **economic downturns or a possible recession** and other conditions beyond our control. ~~Because~~ **As** economic conditions in the United States may affect business and leisure travel, hotel occupancy, trucking volume and demand for diesel fuel, gasoline, real estate values, occupancy levels and returns and rents, 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 ~~,~~ **may negatively impact** ~~or~~ **our ability to pay distributions to our shareholders and these or other conditions may have** similar **impacts** ~~conditions existing~~ in the future **and** ~~, may have a material adverse effect~~ on our results of operations ~~,~~ **and** financial condition ~~and ability to pay distributions to our shareholders~~. Our and our managers' and other operators' and tenants' businesses may not return to ~~the~~ **historical** levels ~~experienced prior to the COVID- 19 pandemic~~, and they may be unable to satisfy their obligations to us. As a result of ~~the COVID- 19 pandemic, the~~ market practices that arose or increased in **recent years** ~~response to the pandemic~~ and the impacts they have had on travel and the broader economy throughout the United States ~~since March 2020~~, our hotels experienced significant declines in ~~occupancy,~~ **operating performance** which have had a significant negative effect on our operating results and cash flow. ~~While occupancy has since recovered significantly, there remains uncertainty as to when and if operations at our hotels will sustainably return to pre- pandemic levels. Although leisure travel has returned, and in some instances, exceeded pre- pandemic levels, business travel has not, and it is unknown if it will in the foreseeable future or at all. We expect that the recovery with respect to business transient and group business will be gradual and likely inconsistent. We also expect the ongoing recovery of the U. S. hospitality industry to be a multi- year process, and to unfold unevenly, including among different hotel service levels. In addition, consumer~~ **Consumer** confidence **, customer demand** , corporate travel and lodging demand **have been and** will continue to be affected by economic and market conditions, unemployment levels, perceptions of the safety of travel, the continued use of video conferencing technologies rather than in person meetings and broader macroeconomic trends and conditions. These trends, together with increasing labor costs and shortages, **high interest rates, tax rates,** commodity and other price inflation and supply chain challenges, may continue to negatively impact our hotel operations, the operations of our tenants and our financial results ~~. Certain industries~~ **and may have an impact on the results of operations and financial condition of our tenants and result** in **their defaulting their obligations under our leases, including failing to pay the rent due to us. Such adverse economic conditions may also reduce overall demand for leased space,** which ~~some of~~ **could adversely affect** our ~~retail~~ **ability to maintain our current** tenants **or attract new tenants. At any given time, our tenants may experience a downturn in their business that may weaken the operating results and financial condition of individual properties or of their business as whole. As a result, a tenant may delay lease commencement, decline to extend a lease upon its expiration, fail to make rental payments when due, become insolvent or declare bankruptcy. We depend on our tenants to** operate **the properties we lease to** ~~were severely and negatively impacted by the~~ **them** ~~effects of~~ **in a manner that generates revenues sufficient to allow** ~~the~~ **them** ~~COVID- 19 pandemic~~ **to meet their obligations to us, including their obligations to pay rent, maintain certain insurance coverage and pay real estate taxes and maintain the properties** . Our ~~retail~~ tenants' **failure to successfully operate their** businesses could ~~be~~ **materially and** adversely **affect** ~~impacted by changes in consumer spending or preferences that have arisen since the COVID- 19 pandemic began. If those tenants' businesses do not sufficiently improve, they may fail to pay rent due to~~ us. If our hotel managers fail to operate our hotels profitably, we may need to fund operating losses for those hotels or make capital contributions to Sonesta. The owner' s priority returns we receive from our managed hotels are dependent upon the financial results of those hotels' operations. **Decrease demand** ~~During 2020 and into 2021, our hotels experienced significant operating losses that we had to fund. Further losses~~ from pandemics, public health safety concerns or otherwise may result in our managed hotels experiencing operating losses that we will need to fund. Further, we own ~~approximately~~ 34 ~~. 0~~ % of Sonesta. If Sonesta experiences losses, or requires additional capital, Sonesta may request we fund our share through the contribution of additional capital. For more information about our agreements with Sonesta, see Notes **4,** 5 **,** and 9 to our consolidated financial statements in Part IV, Item 15 of this Annual Report on Form 10- K. We have a substantial amount of debt and ~~we may incur additional~~ **are subject to risks related to our debt, including our ability to refinance maturing debt and the cost of any such refinanced** debt. As of December 31, ~~2022~~ **2023** , our consolidated debt was $ 5. ~~7~~ **6** billion. We are subject to numerous risks associated with our debt, including our ability to refinance maturing debt and the cost of any refinancing, the risk that our cash flows could be insufficient for us to make required payments and risks associated with ~~increases in and sustained high market~~ interest rates **remaining high for an extended period of time** . There are 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 ~~substantial~~ **additional** 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 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. ~~Rising~~ **High** interest rates **have significantly** ~~may cause our interest expense to increase~~ **increased** ~~materially~~ **our borrowing costs** . **Although we have an option to extend the maturity date of certain of our debt upon payment of a fee and meeting other conditions, the applicable conditions may not be met, and we may be required to repay or refinance our existing debt with new debt on less favorable terms. Excessive or** ~~Expensive~~ **expensive** debt could reduce the available cash flow to fund, or limit our ability to obtain financing for, working capital, **lease obligations,** capital expenditures, **refinancing,** acquisitions, development or redevelopment projects ~~, lease obligations~~ or other purposes and hinder our ability to pay distributions to our shareholders ~~. Also, our revolving credit facility matures on July 15, 2023 and we have no remaining extension options. Although we currently expect to enter into a new facility prior to its maturity or obtain alternative financing, there can be no assurance we will be successful in doing so and the terms of any new facility or alternative financing we obtain may be less favorable to us than the terms of our existing revolving credit facility~~ . 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, seek to sell any pledged equity interests of certain subsidiaries or the mortgaged properties owned by certain ~~pledging~~ **pledged** subsidiaries, or we could be forced to liquidate our assets for less than the values we 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 ~~credit~~ **debt** ~~agreement~~ **agreements** ~~, our senior unsecured notes indentures and their supplements and our secured loans~~ 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. ~~For example,~~ **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. Our** ability to comply with those covenants will depend upon the net rental income and hotel operating returns we receive from our properties **,** ~~. If the occupancy at our~~ **or in the case of our credit agreement, the value of** properties **securing the** ~~declines or if our rents or returns decline, we may be unable to incur additional debt, including borrowing under our~~ revolving credit facility. If **our rents or returns decline, or the values of our properties decline, we may be unable to borrow under our revolving credit facility. If** we are unable to ~~incur additional debt~~ **borrow under our revolving credit facility** , 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, 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** ~~If we cannot satisfy covenants under our debt agreements~~ , we may ~~need to seek waivers or amendments to our existing debt agreements from our lenders, but our lenders are not required to grant any such waivers or agree to any such amendments and may determine not to do so. We may also~~ obtain additional debt financing ~~. Any waiver or amendment~~ **, and the covenants and conditions applicable** to **that** ~~our existing~~ debt **may be more restrictive** ~~agreements or new debt financing that~~ **than the** ~~we may obtain may include~~ covenants and conditions that are ~~more restrictive than the covenants and conditions~~ 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. ~~Certain~~ **We have a substantial amount** of ~~our~~ debt **that** is secured by properties that ~~are~~ **we** ~~owned~~ -- **own or** by **a** ~~our consolidated, bankruptcy remote, special purpose entities, or SPEs, that have been pledged~~ - **pledge** ~~to secure the borrowings~~ of the ~~SPE~~ **equity interests of certain of our subsidiaries** . Secured debt, including mortgage and asset backed debt, increases our risk of asset and property losses because defaults on debt secured by our assets may result in foreclosure actions initiated by lenders and ultimately our loss of the property or other assets securing **any** ~~our obligations under our credit agreement or our other secured~~ loans if we **are in** default ~~on~~ **under** such ~~obligations~~ **loans** . 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.In response to significant and prolonged increases in inflation ~~over the past year~~ ,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 remain at the current high levels or** continue to ~~rise.The timing,number and amount of any future interest rate increases~~ - **increase** ~~,and the duration that those increased rates will be in effect,are uncertain~~ . **High** ~~Interest~~ **interest** ~~rate~~ **rates** ~~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.If ~~market~~ interest rates ~~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 cost of refinancing our debts when they become due,our cash flows,our ability to pay principal and interest on our debt 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. We have a high concentration of properties that are operated by Sonesta or TA. As of December 31, ~~2022~~ **2023** , Sonesta operated ~~196~~ **195** of our ~~238~~ **221** hotels, which constituted ~~47~~ **49** . ~~6~~ **8** % of our historical real estate investments ~~. We~~ **, and we** ~~lease~~ **leased** ~~177~~ **176** travel centers to TA, which constituted approximately ~~29~~ **28** . ~~3~~ **8** % of our total historical real estate investments ~~as of December 31, 2022~~ . If either Sonesta or TA were to fail to **successfully operate** ~~provide quality services and amenities or~~ **our** ~~to maintain quality brands~~ **properties or meet their obligations under our agreements** , our income from these properties may be adversely affected. Further, if we were required to replace Sonesta or TA, we could experience significant disruptions in operations at the applicable properties, which could reduce our income and cash flows from, and the value of, those properties. ~~Our earnings will be more volatile than in previous years due to most of the returns and rents no longer being guaranteed by our operators' parent companies. Historically, most of our hotel portfolio returns were guaranteed by our hotel managers' parent companies. Due to the adverse impact of the COVID- 19 pandemic, these security features were largely exhausted.~~ We have no guarantee or security deposit under our agreements with Sonesta ~~.~~ ~~Guarantees~~ and ~~security deposits historically~~ **our results from properties operated by Sonesta are subject to the performance of Sonesta, seasonal trends and the general conditions of the lodging industry. TA' s parent company has** provided us **a limited** ~~with generally consistent returns for the hotels they supported. Without the benefit of these types of security features supporting our returns, we expect our earnings to be more volatile than we have experienced historically. Also, certain of our net lease tenants, including TA, provide parent company guarantees~~ **guarantee of our leases** . If ~~these~~ -- **the** ~~tenants do~~ **guarantor of our leases does** not earn sufficient income from their businesses, ~~they~~ **it** may not have sufficient resources independent of these leaseholds to pay their guarantee obligations to us ~~, particularly for those tenants, such as TA, that conduct the majority of their business at properties leased from us~~ . Inherent risks in the hotel industry could impact Sonesta and our other managers and affect our business. Approximately ~~54~~ **55** . ~~7~~ **5** % of our historical real estate investments as of December 31, ~~2022~~ **2023** , are in our hotel properties. Our hotels are subject to operating risks common to the hotel industry, many of which are beyond our control and may impact Sonesta and our other managers, including risks associated with: • competition from other hotels in our markets, or an oversupply of hotels in our markets; • increased operating costs, including wages, benefits, insurance and utilities, due to **prolonged high** inflation, increased minimum wages and other factors, which may not be offset in the future by increased room rates; • increased property taxes due to many state and local governments facing budget deficits, or seeking to expand services, that have led many of them, and may in the future lead others to, increase assessments and / or taxes; • changes in marketing and distribution for the industry including the ability of third party internet and other travel intermediaries to attract and retain customers; • competition from other hotel operators or others to attract and retain qualified employees; • competition from alternative lodging options such as home sharing services, timeshares, vacation rentals or cruise ships in our markets; • low unemployment in the U. S. and a lack of suitable employees for certain job classifications, especially those for less skilled positions, which may drive up costs or affect service levels; • labor strikes, disruptions or lockouts that may impact operating performance; • dependence on demand from business and leisure travelers, which may fluctuate and be seasonal and could experience prolonged declines as a result of economic downturns or recessions or otherwise and possible long ~~–~~ term changes in business and consumer practices; • increases in energy costs, airline fares and other expenses related to travel, which may negatively affect traveling; • decreases in demand for business and leisure travel due to terrorism, terrorism alerts and warnings, military actions, natural disasters, concerns about climate change, pandemics or other public health safety concerns; • decreases in demand for business travel due to use of technologies that enhance interpersonal communication and interaction without the need to travel or meet in person; and • changes in customer preferences for various types of hotels or hotel locations. ~~These and other factors could materially and adversely affect our financial condition and results of operations and cause the value of our securities to decline. TA' s business is subject to substantial risks, which could adversely affect us. TA operates in highly competitive industries, including travel centers and restaurants. TA' s business is subject to a number of risks, including the following: • competition from other travel centers or an oversupply of travel centers in our markets; • increasing truck engine fuel efficiency or adoption of alternative fuel technologies or energy sources may decrease demand for diesel fuel and gasoline and adversely impact TA' s business; • TA' s net operating margins are low and are highly dependent on the gross margin per gallon on TA' s fuel sales and on its nonfuel margins; • the trucking industry is the primary customer for TA' s goods and services. When the U. S. economy declines, demand for goods moved by trucks declines, and in turn demand for TA' s products and services typically declines; • TA' s debt and rent obligations are substantial; • increasing fuel prices and fuel price volatility often have various adverse impacts upon TA' s operating margins and business; • TA' s business requires it to make substantial capital investments; • labor market and supply chain challenges may negatively impact TA and could worsen; • TA may experience interruptions in its fuel supplies, which may be caused by local conditions, such as a malfunction in a particular pipeline or terminal, by weather related events, such as hurricanes in the areas where petroleum or natural gas is extracted or refined, or by national or international conditions, such as government rationing, acts of terrorism, wars and the like, that materially adversely affect TA' s business; • a lack of truck drivers or the market' s increased use of transporting goods by mean other than trucks may reduce the demand for TA' s products and services; • TA' s business is subject to environmental liability risk and costs because its operations include fueling areas, truck repair and maintenance facilities and tanks for the storage and dispensing of petroleum products, natural gas, waste and other hazardous substances, all of which create the potential for environmental damage; • market and government actions in response to concerns about climate change may decrease demand for TA' s major product, diesel fuel, and require TA to make significant changes to its business, which may adversely affect its business; and • TA may incur significant costs and losses as a result of severe weather, both in terms of operating, preparing and repairing the travel centers in anticipation of, during and after a severe weather event and in terms of lost business due to the interruption in operating TA' s travel centers or decreased truck movements.~~ For these reasons, among others, ~~TA~~ **Sonesta** may be unable to pay amounts due to us under the terms of our ~~leases~~ **management agreements** with ~~TA~~ **Sonesta** . For more information about our ~~leases~~ **management agreements** with ~~TA~~ **Sonesta** , see Notes **4,** 5 ~~,~~ **and** 9 ~~and 15~~ to our consolidated financial statements in Part IV, Item 15 of this Annual Report on Form 10- K. We may be unable to fund capital improvements at our properties and our investments may cost more and take longer to complete than expected. Some of our management agreements and lease arrangements require us to fund capital improvements at certain of our properties. Hotels in particular require us to expend significant amounts to maintain them **and to meet brand standards** . We may not have the funds necessary to make necessary or desired improvements to our properties and such investments, if made, may not be sufficient to maintain or improve the financial results of our properties. Certain of our management agreements and lease arrangements require us to maintain the applicable properties in a certain required condition. If we fail to maintain these properties in the required condition, the operator may terminate the applicable management or lease agreement and hold us liable for damages. Planned capital ~~expenditures~~ **investments** could cost more and take longer to complete than expected as a result of labor costs and shortages and commodity and other price inflation due to supply chain challenges, among other things. 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; • 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. We are limited in our ability to operate our properties and are thus dependent on our operators. Because federal income tax laws restrict REITs and their subsidiaries from operating or managing businesses at their properties, we do not operate our hotels or net lease properties. Instead, we lease all our hotels to our subsidiaries that qualify as TRSs under the IRC and lease our other properties to operating companies. We have retained third party managers to manage our hotels that are leased to our TRSs. Our income from our properties may be adversely affected if our operators fail to provide quality services and amenities to customers. While we monitor the performance of our operators and apply asset management strategies and discipline, we have limited recourse under our management agreements and leases if we believe that our operators are not performing adequately. Any failure by our operators to fully perform the duties agreed to in our management agreements and leases could adversely affect our results of operations. In addition, our operators operate, and, in some cases, own or have invested in, properties that compete with our properties, which may result in conflicts of interest. As a result, our operators have made, and may in the future make, decisions regarding competing properties or our properties' operations that may not be in our best interests and which may result in a reduction of our returns . Increases in market interest rates may...... result in our paying increased interest amounts . 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 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. 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. The businesses conducted at our properties face significant competition. For example, our hotels compete with other hotels operated in our markets, and the hotel industry has in the past experienced significant growth in supply from construction in certain markets where we own hotels. Our travel center properties compete with other large, national operators of travel centers, and certain of their competitors have significantly increased the number of travel centers they operate, including as a result of new construction of travel centers. Some of our retail tenants compete with online retailers or service providers. We also compete for tenants at our retail net lease properties. Our retail net lease properties compete in the multi- billion dollar commercial real estate market with numerous developers and owners of properties, many of which own properties similar to ours and are in the same markets in which our properties are located. In operating and managing our retail net lease portfolio, we compete for tenants based on a number of factors, including location, rental rates and flexibility. Certain of our competitors have greater economies of scale, have lower cost of capital, have access to more capital and resources and have greater name recognition than we do. We face significant competition for acquisition opportunities from other investors, including publicly traded and private REITs, numerous financial institutions, operating companies in the hospitality industry, 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 property operators 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. Substantially all of our net lease properties are leased to single tenants, which may subject us to greater risks of loss than if each of those properties had multiple tenants. Substantially all of our net lease properties are leased to single tenants. The value of single tenant properties is materially dependent on the performance of those tenants under their respective leases. Many of our single tenant leases require that certain property level operating expenses and capital expenditures, such as real estate taxes, insurance, utilities, maintenance and repairs, including increases with respect thereto, be paid, or reimbursed to us, by our tenants. Accordingly, in addition to our not receiving rental income, a tenant default on such leases could make us responsible for paying these expenses. Because most of our net lease properties are leased to single tenants, the adverse impact of individual tenant defaults or non- renewals is likely to be greater than would be the case if our properties were leased to multiple tenants. ~~Our tenants may fail to successfully operate their businesses, which could adversely affect us. Adverse economic conditions such as high unemployment levels, interest rates, tax rates, fuel and energy costs, and changes in customer demand or consumer sentiment may have an impact on the results of operations and financial condition of our tenants and result in their defaulting their obligations under our leases, including failing to pay the rent due to us. Such adverse economic conditions may also reduce overall demand for rental space, which could adversely affect our ability to maintain our current tenants and attract new tenants. At any given time, our tenants may experience a downturn in their business that may weaken the operating results and financial condition of individual properties or of their business as whole. As a result, a tenant may delay lease commencement, decline to extend a lease upon its expiration, fail to make rental payments when due, become insolvent or declare bankruptcy. We depend on our tenants to operate the properties we lease to them in a manner that generates revenues sufficient to allow them to meet their obligations to us, including their obligations to pay rent, maintain certain insurance coverage and pay real estate taxes and maintain the properties. Our tenants' failure to successfully operate their businesses could materially and adversely affect us.~~ Many of our tenants do not have credit ratings. The majority of our tenants are not rated by any nationally recognized credit rating organization. It is more difficult to assess the ability of a tenant that is not rated to meet its obligations than that of a rated tenant. Moreover, tenants may be rated when we enter leases with them, but their ratings may be later lowered or terminated during the term of the leases. Because we have many unrated tenants, we may experience a higher percentage of tenant defaults than landlords who have a higher percentage of highly rated tenants. We may be unable to renew leases, lease vacant space or re- lease space as leases expire on favorable terms or at all. Our results of operations depend, in part, on our ability to lease our retail properties by renewing or re- leasing expiring leases and leasing vacant space and optimizing our tenant mix. As of December 31, ~~2022~~ **2023** , leases representing approximately ~~0~~ **2** . ~~6~~ **1** % of our annualized minimum net lease rents will expire during ~~2023~~ **2024** . As of December 31, ~~2022~~ **2023** , ~~2~~ **3** . ~~4~~ **7** % of the leasable square footage of our net lease properties was vacant. Current tenants may decline, or may not have the financial resources available, to renew current leases and we cannot guarantee that leases that are renewed will have terms that are as economically favorable to us as the expiring lease terms. If tenants do not renew their leases as they expire, or renew for less space, we will have to find new tenants to lease our properties and there is no guarantee that we will be able to find new tenants or that our properties will be re- leased at rental rates equal to or above the current average rental rates or that substantial rent abatements, tenant improvement allowances, early termination rights, below- market renewal options or other lease incentive payments will not be offered to attract new tenants. Unfavorable market and industry conditions, including ~~rising or sustained~~ high interest rates ~~and~~ **, prolonged** high inflation, labor market challenges, supply chain challenges and economic downturns or **a possible** ~~recessions~~ - **recession** , may increase these risks. We may experience significant costs in connection with renewing, leasing or re- leasing our properties, which could materially and adversely affect us. Vacancies in a property could result in significant capital expenditures and illiquidity and reduce the value of the property. The loss of a tenant may reduce the value of a property and require us to spend significant amounts of capital to renovate the property before it is suitable for a new tenant. Many of the leases we enter into or acquire are for properties that are especially suited to the particular business of our tenants. Because these properties have been designed or physically modified for a particular tenant, if the current lease is terminated or not renewed, we may be required to renovate the property at substantial costs, decrease the rent we charge or provide other concessions in order to lease the property to another tenant. We may also have difficulty selling the property due to the special purpose for which the property may have been designed or modified. This potential illiquidity may limit our ability to quickly modify our portfolio in response to changes in economic or other conditions, including tenant demand. Some of our net lease tenants operate the properties they lease from us under franchise or license agreements, which, if terminated or not renewed prior to the expiration of their leases with us, would likely impair their ability to pay us rent. Some of our net lease properties are operated by our tenants under franchise or license agreements. Those franchise or license agreements may have terms that end earlier than the respective expiration dates of our related leases. In addition, a franchisee' s or licensee' s rights as a franchisee or licensee could be terminated by the franchisor or licensor, in which case our tenant may be precluded from competing with the franchisor or licensor upon that termination. A franchisor' s or licensor' s termination or refusal to renew a franchise or license agreement with our tenant would likely have a material adverse effect on the ability of the tenant to pay rent to us. In addition, we may have no notice or cure rights with respect to such a termination and have no rights to assignment of any such franchise or license agreement. This may have an adverse effect on our ability to mitigate losses that may result from a default of our leases by a terminated franchisee or licensee. 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 operators of real estate may be required to investigate and clean up or remove hazardous substances present at or migrating from properties they own 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 operators of our properties to incur costs to comply with. Our travel centers and certain of our other properties include fueling areas, truck repair and maintenance facilities and vehicles and tanks for the storage of petroleum products and other hazardous substances, all of which create the potential for environmental contamination. As a result, the tenants of these properties regularly incur environmental costs related to monitoring, prevention and remediation. Under our net lease property leases, we are generally indemnified from all environmental liabilities arising at our respective properties during the term of the leases. Despite this indemnity, various federal and state laws impose environmental liabilities upon property owners, such as us, for any environmental damages arising at, or migrating from, properties they own and we cannot be sure that we will not be liable for environmental investigation and clean up at, or near, our properties. Moreover, tenants may not have sufficient resources to pay their environmental liabilities and environmental indemnity to us. The negative impact on our tenants from economic downturns, volatility in the petroleum markets, industry challenges facing the trucking and service industries and our tenants' businesses and other factors may make it more likely that they will be unable to fulfill their indemnification obligations to us in the event that environmental claims arise at our properties. Any environmental liabilities for which we are responsible and not indemnified could adversely affect our financial condition and result in losses. We are subject to risks associated with our hotel managers' employment of personnel. Our hotel managers are responsible for hiring and maintaining the labor force at each of our hotel properties. Although we do not directly employ or manage employees at our hotel properties, we are subject to many of the costs and risks associated with the hotel labor force. From time to time, hotel operations may be disrupted as a result of strikes, lockouts, public demonstrations or other negative actions and publicity. We may also incur increased legal costs and indirect labor costs as a result of contract disputes and other events. The resolution of labor disputes or renegotiated labor contracts could lead to increased labor costs, either by increases in wages or benefits or by changes in work rules. Labor costs have increased and our hotel managers have experienced labor shortages at our hotels, and these conditions may continue for an extended period. In addition, regulations in certain jurisdictions, such as increases in minimum wages, have increased our hotel managers' labor costs. Our hotel managers may be unable to adequately staff our hotels as a result of these or other reasons, which may limit the business activity at our hotels, decrease the quality of services provided at our hotels and damage our and our applicable hotel managers' reputations in the marketplace. We 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, and we 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 **capital expenditures and** future acquisitions ~~, manage leverage~~ and strategically update, rebalance and reposition our investment portfolio. Our ability to sell properties ~~or~~ **and the prices we may receive in** any **such** ~~other assets and the prices we receive upon any sale~~ **sales** , may be affected by various factors. In particular, these factors could arise from **, among other things: •** weaknesses in or a lack of established markets for the properties we may identify for sale ~~,~~ **; • the availability of financing to potential purchasers on reasonable terms; •** changes in the 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, quality and prospects of the properties **; •** ~~, the availability of financing to potential purchasers on reasonable terms,~~ the number of prospective purchasers ~~,~~ **; •** the number of competing properties in the market ~~,~~ **; •** unfavorable local, national or international economic conditions, such as ~~rising or sustained~~ high interest rates ~~and high inflation~~ , 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 properties 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~~ **have** resulted in reduced commercial real estate transaction volume, and such conditions may continue or worsen. We may not succeed in selling properties ~~or other assets~~ and any sales may be delayed or may not occur or, if sales do occur, the terms may not meet our expectations ~~,~~ and we may incur losses in connection with any sales. In addition, we may elect to ~~change or abandon our strategy and~~ forego or abandon property ~~or other asset~~ sales. If we are unable to realize proceeds from the sale of assets sufficient to allow us to ~~manage~~ **reduce** our leverage ~~at~~ **to** a level we believe appropriate or which ratings agencies and possible financing sources believe appropriate, ~~our credit ratings may be lowered, and~~ we may **be unable to fund capital** ~~further reduce our acquisition activity or~~ investments ~~in our~~ - **or** ~~existing~~ **future acquisitions to grow our business. In addition, we may elect to change or abandon our strategy and forego or abandon** ~~properties~~ **property or other asset sales** . Bankruptcy law may adversely impact us. The occurrence of a tenant bankruptcy could reduce the rent we receive from that tenant, and the current economic conditions, such as ~~rising or sustained~~ high interest rates ~~and~~ **, prolonged** high inflation, labor market challenges, supply chain ~~challenges~~ **disruptions** and economic downturns or a possible recession, may increase the risk of our tenants or hotel managers filing for bankruptcy. If a tenant files for bankruptcy, federal law may prohibit us from evicting that tenant based solely upon its bankruptcy, and a bankrupt tenant may be authorized to reject and terminate its lease with us. Any claims against a bankrupt tenant for unpaid future rent would be subject to statutory limitations that may be substantially less than the contractually specified rent we are owed under the lease, and any claim we have for unpaid past rent may not be paid in full. If any of our tenants or hotel managers files for bankruptcy, we may experience delays in enforcing our rights, we may be limited in our ability to replace the tenant or hotel manager and we may incur substantial costs in protecting our investment and re- leasing or finding a replacement tenant or hotel manager. Insurance may not adequately cover our losses, and insurance costs may continue to increase. We or our operators are generally responsible for the costs of insurance coverage for our properties and the operations conducted on them, including for casualty, liability, malpractice, 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 our operators. Increased insurance costs may adversely affect our operators' abilities to operate our properties profitably and provide us with desirable returns and our operators' 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 ~~, among other things,~~ or 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 an operator 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 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 operators 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. 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 and our hotel managers rely 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 and our hotel managers rely on information technology and systems, including the Internet and cloud-based infrastructures **and services** , commercially available software and their respective internally developed applications, to process, transmit, store and safeguard information and to manage or support a variety of their business processes (including managing our building systems), including financial transactions and maintenance of records, which may include personal identifying information of employees, guests, 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 and our hotel managers take various actions, and incur 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, our hotel managers' or other third parties' information technology networks and systems or operations. Although much of RMR' s and Sonesta' s staff returned to their respective offices during the pandemic, flexible working arrangements have resulted in a higher extent of remote working than they experienced prior to the pandemic. This and other possible changing work practices have adversely impacted, and may in the future adversely impact, RMR' s, our hotel managers' or other third parties' abilities to maintain the security, proper function and availability of their respective information technology and systems since remote working by their employees could strain their respective 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, our hotel managers' or other third parties' 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, our hotel managers 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 ~~, hotel managers~~ 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. Market and government actions in response to concerns about global climate change and supply chain challenges may negatively impact our business. Market and government actions in response to global climate change may result in a reduction in transient travel and demand for fossil fuels and may result in increased costs in response to market demands and government regulation. For instance, in response to concerns about burning fossil fuels, air and on road vehicle travel may decline, which may result in less demand for stays at our hotels and fuel at our travel centers. Further, if in response to global supply chain challenges, there is a movement to increase onshore manufacturing and production of goods, truck transportation in the United States may decline, which may reduce the demand for products and services at our travel center properties. Risks Related to Our Relationships with RMR ~~,~~ **and** Sonesta ~~and TA~~ 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. John Murray, our other Managing Trustee, Todd Hargreaves, our President and Chief Investment Officer, and Brian Donley, our Chief Financial Officer and Treasurer, are also officers and employees of RMR. Mr. Murray is also a director and the president and chief executive officer of Sonesta, and Mr. Donley is also the chief financial officer and treasurer of **Office** ~~Industrial Logistics~~ Properties **Income** Trust, or ~~ILPT~~ **OPI** , another REIT managed by RMR. Messrs. Portnoy, Murray, Hargreaves and Donley have duties to RMR, Mr. Murray has duties to Sonesta and Mr. Donley has duties to ~~ILPT~~ **OPI** , 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, including, for example: as of December 31, ~~2022~~ **2023** , Mr. Portnoy beneficially owned, in aggregate, 1. 1 % of our outstanding common shares ~~, 4. 1 % of TA' s outstanding common shares (including through RMR)~~ and Mr. Portnoy is the controlling shareholder of Sonesta, and we own ~~approximately 7. 8 % of TA' s outstanding shares of common stock and approximately~~ 34 ~~. 0~~ % of Sonesta' s outstanding common stock. ~~As disclosed elsewhere in this Annual Report on Form 10- K, in connection with the BP Acquisition, we have entered into the Voting Agreement, pursuant to which, among other things, we agreed to vote all of our TA common shares in favor of the BP Acquisition and not to sell or transfer our TA common shares while the Voting Agreement remains in effect.~~ 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. Our business dealings with Sonesta ~~and TA~~ comprise a significant part of our **lodging portfolio** ~~business and operations~~ and they may create conflicts of interest or the perception of such conflicts of interest. Sonesta managed ~~196~~ **195** of our hotels as of December 31, ~~2022~~ **2023** . Sonesta is controlled by Adam Portnoy. Mr. Portnoy, Mr. Murray and Jennifer Clark, our Secretary, are directors of Sonesta, and Mr. Murray is also Sonesta' s president and chief executive officer. Other officers and employees of Sonesta are former employees of RMR. We own ~~approximately~~ 34 ~~. 0~~ % of Sonesta' s outstanding common stock. ~~TA is our former 100. 0 % owned subsidiary and our largest tenant, and we are TA' s largest shareholder and landlord. TA was created as a separate public company in 2007 as a result of its spin- off from us. Mr. Portnoy, one of our Managing Trustees, serves as the chair of the board of directors and a managing director of TA and, including through RMR, beneficially owned, as of December 31, 2022, approximately 4. 1 % of TA' s outstanding common shares. Mr. Portnoy is the controlling shareholder, managing director and chief executive officer of RMR Inc., the parent of RMR, which provides management services to both us and TA. As disclosed elsewhere in this Annual Report on Form 10- K, in connection with the BP Acquisition, we have entered into the Voting Agreement, pursuant to which, among other things, we agreed to vote all of our TA common shares in favor of the BP Acquisition and not to sell or transfer our TA common shares while the Voting Agreement remains in effect.~~ The historical and continuing relationships which we, RMR and Mr. Portnoy have with Sonesta ~~and TA~~ could create, or appear to create, conflicts of interest with respect to matters involving us, the other companies to which RMR or its subsidiaries provide management services and their related parties. As a result of these relationships, our agreements with Sonesta ~~and our leases with TA~~ 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,** their terms may be different from those negotiated on an arm' s length basis between unrelated 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.** We may not realize the benefits we expect from our investment in Sonesta. We own ~~approximately~~ 34 ~~. 0~~ % of Sonesta' s outstanding common stock. Risks that we have identified elsewhere in this Risk Factors section, particularly those relating to the hotel industry, are applicable to our ownership of Sonesta common stock. In addition, Sonesta is a private company that is controlled by Adam Portnoy, one of our Managing Trustees. We have a minority ownership interest in Sonesta, and are therefore limited in our ability to direct or influence Sonesta' s corporate level decisions or to affect changes in Sonesta' s business, strategies, operations and management. In addition, Sonesta' s common stock is not publicly traded and our ability to sell our Sonesta shares is limited. Further, any attempt we may make to sell our Sonesta common stock may be unsuccessful and any price that we may be able to realize for our Sonesta common stock may be at a discount due to the minority ownership interest the stock represents and the absence of a trading market for Sonesta' s common stock. As a result of the foregoing, and for other possible reasons, we may not realize any of the benefits we currently expect from our ownership of Sonesta common stock, we may be prevented from selling our Sonesta common stock and we could incur losses from our ownership of Sonesta common stock, including our proportion of any operating or other losses that Sonesta may incur. 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 ~~TA,~~ 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 vote against 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 have affected the outcomes of past Board of Trustees elections and votes on our say on pay **and other shareholder votes** , and similar recommendations in the future would likely affect the outcome of future Board of Trustees elections and **other shareholder** votes ~~on our say on pay~~ , 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 and we may become more highly leveraged, which may increase our risk of default under our debt obligations. 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. If this policy changes, we could become more highly leveraged, which could result in an increase in our debt service costs or a downgrade in our credit ratings. Higher leverage also increases the risk of default on our obligations. In addition, a change in our investment policies, including the manner in which we allocate our resources across our portfolio or the types of assets in which we seek to invest, may increase our exposure to interest rate risk, real estate market fluctuations and liquidity risk. 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 and bylaws prohibit 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. These provisions of our declaration of trust and bylaws are intended to, among other purposes, assist with our REIT compliance under the IRC and otherwise promote our orderly governance. However, these provisions 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; • requirements that shareholders comply with regulatory requirements (including Nevada and Louisiana gaming) affecting us which could effectively limit share ownership of us, including, in some cases, to 5 % of our outstanding shares; • 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. Certain aspects of our business may prevent shareholders from accumulating a large stake in us, from nominating or serving as our Trustees, or from taking actions to otherwise control our business. Certain of our properties include gambling operations. Applicable state laws require that any shareholder who owns or controls 5 % or more of our securities or anyone who wishes to serve as one of our Trustees must be licensed or approved by the state regulators responsible for gambling operations. These approval procedures may discourage or prevent investors from purchasing our securities, from nominating persons to serve as our Trustees or from taking other actions. 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 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, managers 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 Trustees, officers, managers 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, managers 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, managers 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, managers 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 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 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 Trustees, officers, managers or other agents. Our leases with TA and our agreements with RMR and Sonesta 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 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 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. 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, managers 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, managers or other agents to us or our shareholders; (3) any action asserting a claim against us or any of our Trustees, officers, managers 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, managers 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, managers 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, managers or other agents, which may discourage lawsuits against us and our Trustees, officers, managers or other agents. **Disputes with RMR may be referred to mandatory arbitration proceedings, which follow different procedures than in-court litigation and may be more restrictive to those asserting claims than in- court litigation. Our agreements with RMR provide that any dispute arising thereunder will be referred 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 would not be able to pursue litigation in state or federal court against RMR if we or any other parties against whom the claim is made unilaterally demands the matter be resolved by arbitration. In addition, the ability to collect attorneys' fees or other damages may be limited in the arbitration proceedings, which may discourage attorneys from agreeing to represent parties wishing to bring such litigation.** Risks Related to Our Taxation Our failure to remain qualified for taxation as a REIT under the IRC or the loss of our other special tax statuses 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. **Similarly, under existing law and through available tax concessions, we have minimized the Canadian and Puerto Rican income taxes that we must pay. We believe that we have operated, and are operating, in compliance with the requirements of these laws and tax concessions. However, we cannot be sure that, upon review or audit, the local tax authority will agree. If the existing laws or concessions are unavailable to us in the future, then we may be subject to material amounts of income taxes and the market price of our common shares could decline.** 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 ~~. Similarly, under existing law and through available tax concessions, we have minimized the Canadian and Puerto Rican income taxes that we must pay. We believe that we have operated, and are operating, in compliance with the requirements of these laws and tax concessions. However, we cannot be sure that, upon review or audit, the local tax authority will agree. If the existing laws or concessions are unavailable to us in the future, then we may be subject to material amounts of income taxes and the market price of our common shares could decline~~ . 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. If arrangements involving our TRSs fail to comply as intended with the REIT qualification and taxation rules, we may fail to qualify for taxation as a REIT under the IRC or be subject to significant penalty taxes. We lease ~~most~~ **all** of our hotel properties to our TRSs pursuant to arrangements that, under the IRC, are intended to qualify the rents we receive from our TRSs as income that satisfies the REIT gross income tests. We also intend that our transactions with our TRSs be conducted on arm' s length bases so that we and our TRSs will not be subject to penalty taxes under the IRC applicable to mispriced transactions. While relief provisions can sometimes excuse REIT gross income test failures, significant penalty taxes may still be imposed. For our TRS arrangements to comply as intended with the REIT qualification and taxation rules under the IRC, a number of requirements must be satisfied, including: • our TRSs may not directly or indirectly operate or manage a lodging facility, as defined by the IRC; • the leases to our TRSs must be respected as true leases for federal income tax purposes and not as service contracts, partnerships, joint ventures, financings or other types of arrangements; • the leased properties must constitute qualified lodging facilities (including customary amenities and facilities) under the IRC; • our leased properties must be managed and operated on behalf of the TRSs by independent contractors who are less than 35 % affiliated with us and who are actively engaged (or have affiliates so engaged) in the trade or business of managing and operating qualified lodging facilities for any person unrelated to us; and • the rental and other terms of the leases must be arm' s length. We cannot be sure that the IRS or a court will agree with our assessment that our TRS arrangements comply as intended with REIT qualification and taxation rules. If arrangements involving our TRSs fail to comply as we intended, we may fail to qualify for taxation as a REIT under the IRC or be subject to significant penalty taxes. 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 **and foreign** 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 distributions to our shareholders may be reduced or eliminated and the form of payment could change. We intend to continue to pay regular quarterly distributions to our shareholders ~~.~~ **;** ~~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 ~~continuing negative market practices regarding business transient travel that increased during or any new public health safety condition that may arise and market reaction to that condition, or any~~ negative impact caused by current market and economic conditions, such as high ~~inflation, rising or sustained high~~ interest rates, **prolonged high inflation** ~~labor market challenges, supply chain challenges~~ and economic downturns or **a possible** ~~recessions~~ **recession** , on our business, results of operations and liquidity; • our payment of distributions is subject to restrictions contained in our debt agreements and may be subject to restrictions in future debt obligations we may incur; during the continuance of any event of default under our debt agreements, we may be limited or, in some cases, prohibited from paying distributions to our shareholders; 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 **funds from operations, or** FFO **,** and **our normalized funds from operations, or** Normalized FFO, requirements to maintain our qualification for taxation as a REIT, limitations in our debt agreements, the availability to us of debt and equity capital, our distribution rate as a percentage of the trading price of our common shares, or dividend yield, and our dividend yield compared to the dividend yields of other REITs, our expectation of 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 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 2025 Notes ~~and~~ **,** the 2027 **Notes and the 2031** Notes. We are the sole obligor on **our 8. 625 % senior secured notes due 2031, or the 2031 Notes,** our outstanding senior unsecured notes ~~and any notes or other debt securities we may issue in the future~~ , **including** ~~or, together with our outstanding senior unsecured notes, the Notes. Our subsidiaries that guarantee~~ our 7. 50 % senior notes due 2025, or the 2025 Notes, and our 5. 50 % senior notes due 2027, or the 2027 Notes, **and any notes or other debt securities we may issue in the future, or, together with the 2031 Notes and our outstanding senior unsecured notes, the Notes. Our subsidiaries that guarantee the Notes** are the sole obligor on the guarantees of such notes, or the Guarantees. The subsidiaries that guarantee the 2025 Notes ~~and~~ **,** the 2027 **Notes and the 2031** Notes do not currently guarantee any of our other Notes. 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 those subsidiaries' creditors. As a result, the Notes and the Guarantees are, and, except to the extent that future Notes are guaranteed by our non- guarantor subsidiaries, will be, structurally subordinated to all indebtedness and other liabilities of our subsidiaries that do not guarantee the 2025 Notes ~~and~~ **,** the 2027 **Notes and the 2031** 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 of approximately $ ~~42~~ **750** . ~~6~~ **4** million (including guarantees of other indebtedness and trade payables, but excluding liabilities to us or a subsidiary guarantor), which are structurally senior to the 2025 Notes ~~and~~ **,** the 2027 Notes **and the 2031 Notes** . The Notes and the Guarantees **, other than the 2031 Notes and the Guarantee by the Pledgor (as defined below),** are unsecured and effectively subordinated to all of our and the subsidiary guarantors' existing and future secured debt to the extent of the value of the assets securing such indebtedness. The outstanding Notes and Guarantees **, other than the 2031 Notes and the Guarantee by the Pledgor, or the Unsecured Notes and Guarantees,** are not secured and any 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 2031 Notes** and our $ 610. 2 million in aggregate principal amount of net lease 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 Notes that are not secured by those assets. In that event, because ~~such~~ **the Unsecured** Notes and ~~the~~ Guarantees 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 and ~~the~~ Guarantees, 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 and ~~the~~ Guarantees permit, and the terms of any 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 and ~~the~~ Guarantees will be effectively subordinated to any such additional secured debt. As of February ~~24~~ **22** , ~~2023~~ **2024** , our secured debt included our $ ~~610~~ **608** . 2 million in aggregate principal amount of net lease mortgage **notes and $ 1. 0 billion in principal amount of senior secured** notes. In addition, although we had no outstanding borrowings under our revolving credit facility, we have provided certain properties **and equity pledges** as collateral to secure the facility. 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, ~~a~~ **the** ~~guarantee~~ **Guarantees** ~~of the 2025 Notes~~ and the ~~2027 Notes~~ **related liens, if applicable** (or any future Notes that are guaranteed by our subsidiaries) **,** could be voided, or claims in respect of a guarantee **and the related lien, if applicable,** 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, if applicable** : • received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee **or granting of such lien, if applicable** ; • 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 is no public market for the Notes, and one may not develop, be maintained or be liquid. We have not applied for listing 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. A downgrade in our credit ratings could materially adversely affect the market price of the Notes and may increase our cost of capital. The outstanding Notes are rated by two rating agencies and any Notes we may issue in the future may be rated by one or more rating agencies. These credit ratings are continually reviewed by rating agencies and may change at any time based upon, among other things, our results of operations and financial condition. Negative changes in the ratings assigned to our debt securities could have an adverse effect on the market price of the Notes and our cost and availability of capital, which could in turn have a material adverse effect on our results of operations and our ability to satisfy our debt service obligations. 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 a sale, disposition or transfer, in compliance with the provisions of the ~~indenture~~ **indentures** and related supplements governing the 2025 Notes ~~and~~ **,** the 2027 **Notes and the 2031** Notes, of the capital stock of such subsidiary guarantor or of substantially all of the assets of such subsidiary guarantor, or if such subsidiary guarantor becomes an Excluded Subsidiary or a Foreign Subsidiary, as such terms are defined in the applicable **indenture or** supplemental indenture. In addition, if the 2025 Notes ~~and~~ **,** the 2027 **Notes and the 2031** Notes have a rating equal to or higher than Baa2 (or the equivalent) by Moody' s Investor Services, or Moody' s, ~~or~~ **and** BBB (or the equivalent) by Standard & Poor' s Ratings Services, or S & P, and at such time no default or event of default under the indenture and related supplements governing the 2025 Notes ~~and~~ **,** the 2027 **Notes and the 2031** Notes has occurred and is continuing, the Guarantees and all other obligations of the subsidiary guarantors under the indenture will automatically terminate and be released. Accordingly, the 2025 Notes ~~and~~ **,** the 2027 **Notes and the 2031** Notes may not at all times be guaranteed by some or all of the subsidiaries which guaranteed the 2025 Notes ~~or~~ **,** the 2027 **Notes and the 2031** Notes on the date they were initially issued.