STRAWBERRY FIELDS REIT, INC.

(the "**Company**")

Listing Document

Listing for trading of (i) 6,463,590 outstanding shares of common stock, par value $0.0001 per share ("**Common Stock**"), of the Company, and (ii) up to 45,373,615 shares of Common Stock that may be issued, at the Company's option, upon redemption of outstanding OP units not held by the Company ("**OP Units**"), as described in Section 12.1 below; and (iii) 225,100 shares of Common Stock available for future issuance under the Company's equity incentive plan, as described in Section 12.2 below. The issuance and listing of additional shares of Common Stock from time to time in the future will be subject to the approval of the Tel Aviv Stock Exchange ("**TASE**") at such time, to the extent required by the bylaws of the TASE, as may be amended from time to time.

The Common Stock of the Company is listed for trading in the United States on the New York Stock Exchange ("**NYSE**").

Common Stock Ticker Symbol on NYSE: STRW

Expected Common Stock Ticker Symbol on TASE: STRW (English), סטרו (Hebrew)

The Company's securities are to be listed for trading in accordance with the provisions of Chapter E3 of the Israel Securities Law-1968 (the "Securities Law"); accordingly, the Company's reports shall be in English and their contents shall be in accordance with the reporting regime of the United States. According to a ruling of the Israeli Supreme Court, liability for the Company's reports will also be subject to U.S. legal standards.

Date of Listing Document: April 15, 2024

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Part One – General

1. **Company Name**: Strawberry Fields REIT, Inc.

2. **Place of Incorporation**: State of Maryland, USA.

3. **Incorporation Date**: July 2019.

4. **Name of Exchange on which Securities are Listed**: NYSE (included in the Second Annex to the Securities Law's list of approved exchanges).

5. **Initial Listing Date of Securities**: Common Stock, initially listed for trading on the OTCQX market on September 23, 2022. On February 22, 2023, the Company's common stock commenced trading on the NYSE.

6. **Company Address Details**:

   6.1 **Address**: 6101 Nimtz Parkway, South Bend, IN, 46628.

   6.2 **Address of Resident Agent**: c/o Fischer & Co. Law Offices, Telephone: 03-6944111; Fax: 03-6944157.

   6.3 **Telephone and Fax in Israel**: c/o Fischer & Co. Law Offices, Telephone: 03-6944111; Fax: 03-6944157.

   6.4 **Telephone and Fax Abroad**: Telephone: +1 (574) 807-0800; Fax: +1 (574) 807-0900.

7. **Stock Ticker Symbol**:

   7.1 NYSE: STRW

   7.2 TASE: STRW (English), סטרו (Hebrew)

8. **Company Contact Persons**:

   8.1 **Contact Person for Foreign Statutory Supervisory and Enforcement Agencies and Contact Details**:

   Name: David Gross

   Address: 6101 Nimtz Parkway, South Bend, IN 46628

   8.2 **Address for Mail and Service of Court Documents**:

   For mail, see Section 8.1.

   For service of court documents:

   146 Menachem Begin Rd. Tel Aviv 6492103
   Attn: Fischer & Co. Law Offices
   Telephone: 03-6944249, Fax: 03-6944157

8.3 **Contact Persons for the Israel Securities Authority ("ISA")**: Adv. Boaz Noiman of Fischer & Co. Law Offices.

8.4 **Address of Contact Person in Israel**: Fischer & Co. Law Offices, 146 Menachem Begin Rd. Tel Aviv, 6492103.

8.5 **Telephone and Fax of Contact Person in Israel**: Telephone: 03-6944249, Fax: 03-6944157.

8.6 **Transfer Agent (Name and Contact Details)**: Continental Stock Transfer and Trust acts as the Company's transfer agent, distribution paying agent and registrar. Its address is 1 State St 30th floor, New York, NY 10004 and its telephone number is +1 212-509-4000.

9. **Classes of Shares in Authorized Share Capital**:

9.1 Common Stock, par value $0.0001 per share.

9.2 Preferred Stock, par value $0.0001 per share.

10. **Authorized Share Capital**:

10.1 600,000,000 shares, consisting of: (i) 500,000,000 shares of Common Stock par value $0.0001 per share; and (ii) 100,000,000 of Preferred Stock par value $0.0001 per share.

10.2 The Company undertakes that, so long as its Common Stock is listed on the TASE, (i) the Company will not issue shares of a class different from the class listed on the TASE, except as permitted under Section 46B of the Securities Law, as amended from time to time, and (ii) all of its outstanding shares will be fully paid. This undertaking prevails over the authority of the Company to issue shares of various classes according to the laws of the State of Maryland and the Company's charter (the "**Charter**") and the Company's bylaws (the "**Bylaws**").

11. **Issued Share Capital**:

11.1 As of April 9, 2024, there were 6,463,590 shares of Common Stock outstanding, none of which were considered "restricted securities" under the rules of the U.S Securities and Exchange Commission (the "**SEC**") and all such shares of Common Stock were freely tradeable, i.e., with no restrictions on trade (other than 671,840 shares of Common Stock outstanding held by Company affiliates, which were considered "restricted securities" under the rules of the SEC). On a fully diluted basis, i.e., assuming the exchange of all OP Units issued by the Company for the maximum number of shares of Common Stock, and assuming issuance of Common Stock available for future issuance under the Company's equity incentive plan, the total issued common share capital of the Company was 51,837,205 shares of Common Stock as of April 9, 2024.

11.2 No shares of Preferred Stock are outstanding.

11.3 The Company owns no treasury shares.

12. **Convertible Securities**:

Redeemable OP Units

12.1 On June 8, 2021, Strawberry Fields REIT, LLC (the "**Predecessor Company**")[1] contributed all of its assets to Strawberry Fields Realty LP (the "**Operating Partnership**")[2], and the Operating Partnership assumed all of the liabilities of the Predecessor Company (the "**Formation Transactions**"). In exchange, the Operating Partnership issued limited partnership interests designated as common units (the "**OP units**") to the Predecessor Company, which immediately distributed them to its members and beneficial owners (as set forth below). The Company offered certain of the holders of these OP units the opportunity to exchange their OP units for shares of Common Stock of the Company on a one for one basis. The Company limited the number of OP units that could be exchanged by some of the holders so that such holders would not become beneficial owners of more than 9.8% of the outstanding shares of the Company in violation of the ownership limitations set forth in the Charter.

Following the completion of the Formation Transactions, the Operating Partnership had 53,256,397 outstanding OP units, consisting of: (i) 5,849,746 OP units held by the Company; (ii) 45,861,434 OP units held by beneficial owners of the Predecessor Company and their transferees; and (iii) 1,545,217 OP units held by sellers and the broker of certain properties acquired by the Operating Partnership.

According to the terms of the Formation Transactions:

- Commencing on June 8, 2022, the 45,861,434 OP Units held by beneficial owners of the Predecessor Company and their transferees may be redeemed by the holders, for cash, or at the Company's option, for shares of the Company's Common Stock, on a one-for-one basis.
- Commencing on August 25, 2022, the 1,545,217 OP units issued to the sellers and broker of the properties acquired by the Operating Partnership may be redeemed by these holders, for cash, or at the Company's option, for shares of the Company's Common Stock, on a one-for-one basis.

The redemption of the OP units is subject to the restrictions on ownership and transfer of the Company's Common Stock set forth in the Charter (see Section 14 below).

As of April 9, 2024, there were 45,373,615 OP units outstanding which were potentially dilutive securities (in addition to the OP Units held by the Company).

[1] Strawberry Fields REIT, LLC is an Indiana limited liability company and the Company's accounting predecessor.

[2] Strawberry Fields Realty LP is a Delaware limited partnership. The Company is the sole general partner of the Operating Partnership.

Strawberry Fields REIT, Inc. 2021 Equity Incentive Plan

12.2 The Company's 2021 Equity Incentive Plan (the "**Incentive Plan**") authorizes the grant of various types of incentive awards to directors, officers, employees and consultants of the Company and its subsidiaries and affiliates, including the Operating Partnership. An aggregate of 250,000 shares of the Company's Common Stock is authorized for issuance under the Incentive Plan. The Company issued 24,900 shares to certain employees of the Company and its affiliates under the Incentive Plan. In the event that the Company elects to issue additional equity awards under the Incentive Plan, it will file with the SEC a registration statement on Form S-8 covering awards and shares of its Common Stock issuable under the Incentive Plan. Any shares of the Company's Common Stock covered by a Form S-8 would be eligible for transfer or resale without restriction under the Securities Act unless held by affiliates.

Share Repurchase Policy

12.3 On November 14, 2023, the Company's board of directors approved a USD 5 million share repurchase program (the "**Program**"). Repurchases under the program may be made at management's discretion from time to time in the open market or through privately negotiated transactions. The repurchase program has no time limit and may be suspended for periods or discontinued at any time. As of April 9, 2024, the Company has repurchased 33,442 shares.

Stockholder Rights Plan

12.4 The Company has not adopted a stockholder rights plan (commonly referred to as a ("poison pill").

13. **Primary Rights Attached to the Shares**: The Company is incorporated under the laws of the State of Maryland General Corporation Law ("**MGCL**"). **The Israeli Companies Law-1999 (the "Companies Law") does not apply to the Company**. However, for the sake of comparison, material differences in the Companies Law (in comparison to the MGCL) are stated in footnotes to this Section 13.

The following description is based on relevant portions of the MGCL and the Charter and Bylaws. This summary is not necessarily complete, and reference is made to the MGCL and the Charter and Bylaws for a more detailed description of the provisions summarized below. The MGCL and the Charter and Bylaws contain provisions that could make it more difficult for a potential acquirer to acquire the Company by means of a tender offer, proxy contest or otherwise. These provisions may discourage certain coercive takeover practices and inadequate takeover bids and encourage persons seeking to acquire control of the Company to negotiate first with the board of directors.

Common Stock

13.1 Subject to the provisions of the Charter relating to the restrictions on ownership and transfer of its stock, and except as may otherwise be specified in the terms of any class or series of Common Stock, each share of Common Stock shall entitle the holder thereof to one vote for each share held

of record by such holder on all matters submitted to a vote of stockholders.

Under the MGCL, a Maryland corporation generally cannot dissolve, amend the Charter, merge, convert, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless declared advisable by a majority of its board of directors and approved by the affirmative vote of stockholders holding at least two-thirds of the shares entitled to vote on the matter unless a lesser percentage (but not less than a majority of all the votes entitled to be cast on the matter) is set forth in the corporation's charter. The Company's Charter provides that these actions (other than certain amendments to the provisions of the Charter related to the removal of directors and the vote required to amend the Charter, which requires at least two-thirds of the votes entitled to be cast) may be taken if declared advisable by a majority of the Company's board of directors and approved by the vote of stockholders holding at least a majority of the votes entitled to be cast on the matter. However, Maryland law permits a corporation to transfer all or substantially all of its assets without the approval of the stockholders of the corporation to one or more persons if all of the equity interests of the person or persons are owned, directly or indirectly, by the corporation. In addition, because assets may be held by a corporation's subsidiaries, as will be the case with the Company, these subsidiaries may be able to transfer all or substantially all of such assets without a vote of the Company's stockholders.

Except as otherwise provided in the Charter, the Company's board of directors may reclassify any unissued shares of Common Stock from time to time into one or more classes or series of stock[3]. In the event of any voluntary or involuntary liquidation, dissolution or winding up of, or any distribution of the assets of, the Company, each holder of shares of Common Stock shall be entitled (after payment or provision for payment of the debts and other liabilities of the Company and subject to the rights of the holders of shares of any class of stock hereafter classified or reclassified having a preference over the Common Stock as to distributions in the liquidation, dissolution or winding up of the Company) to share ratably in the remaining net assets of the Company, together with the holders of shares of any other class of stock now existing or hereafter classified or reclassified not having a preference over Common Stock as to distributions in the liquidation, dissolution or winding up of the Company.

The holders of shares of Common Stock shall be entitled to receive dividends and other distributions when and as authorized by the Company's board of directors and declared by the Company out of cash or other assets legally available thereof. Except as expressly provided in the Charter, shares of Common Stock shall have the same rights and privileges and rank equally, share ratably in dividends and other distributions and be identical in all respects as to all matters.

[3] Subject to the Company's undertakings as specified in section 10.2 above. Under the Companies Law, the terms of a class of shares must be set forth in the articles of association, the approval of which requires shareholder approval.

Preferred Stock

13.2 The Company's board of directors may classify any unissued shares of Preferred Stock and reclassify any previously classified but unissued shares of Preferred Stock of any class or series from time to time, into one or more classes or series of stock[4].

Classified or Reclassified Shares

13.3 Prior to the issuance of classified or reclassified shares of any class or series of stock, the Company's board of directors by resolution shall: (a) designate that class or series to distinguish it from all other classes and series of stock of the Company; (b) specify the number of shares to be included in the class or series; (c) set or change, subject to the provisions of the Charter and subject to the express terms of any class or series of stock of the Company outstanding at the time, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications and terms and conditions of redemption for each class or series; and (d) cause the Company to file articles supplementary with the State Department of Assessments and Taxation of Maryland (the "**SDAT**").[5]

Action by Stockholders

13.4 Any action required or permitted to be taken at any meeting of the stockholders may be taken without a meeting by consent, in writing or by electronic transmission, in any manner and by any vote permitted by the MGCL and set forth in the Bylaws, including that if the action is advised, and submitted to the stockholders for approval, by the board of directors and a consent in writing or by electronic transmission of stockholders entitled to cast not less than the minimum number of votes that would be necessary to authorize or take the action at a meeting of stockholders is delivered to the Company in accordance with the MGCL and the Company gives notice of the action not later than ten (10) days after the effective date of the action to each holder of the class or series of common stock and to each stockholder who, if the action had been taken at a meeting, would have been entitled to vote.[6]

Distributions

13.5 Except as may otherwise be provided in the terms of any class or series of Preferred Stock, in determining whether a distribution (other than upon liquidation, dissolution or winding up) is permitted under Maryland law, amounts that would be needed, if the Company were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights upon dissolution are superior to those receiving the distribution, shall not

[4] Subject to the Company's undertakings as specified in section 10.2 above. Under the Companies Law, creating a class of preferred shares requires amending the articles of association, which requires shareholder approval.

[5] Under the Companies Law, creating a class of preferred shares requires amending the articles of association, which requires shareholders approval.

[6] Under the Companies Law, the shareholders of a public company may not act by written consent.

be added to the Company's total liabilities.

Number, Election and Removal of Directors

13.6 The number of directors of the Company may be established, increased or decreased by the Company's board of directors, but may not be less than the minimum number required under the MGCL, which is one, or, unless the Bylaws are amended, more than fifteen. The Company have elected by a provision of the Charter to be subject to a provision of Maryland law requiring that, subject to the rights of holders of one or more classes or series of preferred stock, any vacancy resulting from an increase in the number of directors, or the resignation, death or removal of a director may be filled only by a majority of the remaining directors, even if the remaining directors do not constitute a quorum, and any director elected to fill a vacancy will serve for the full term of the directorship in which such vacancy occurred and until his or her successor is duly elected and qualifies.[7]

13.7 Each member of the Company's board of directors is elected by the Company's stockholders to serve until the next annual meeting of stockholders and until his or her successor is duly elected and qualifies. Holders of shares of the Company's Common Stock will have no right to cumulative voting in the election of directors, and directors will be elected by a plurality of the votes cast in the election of directors.[8] Consequently, at each annual meeting of stockholders, stockholders entitled to cast a majority of all the votes entitled to be cast in the election of directors will be able to elect all of the Company's directors.

13.8 subject to the rights of holders of one or more classes or series of preferred stock to elect or remove one or more directors, a director may be removed only for cause (as defined in the Charter) and only by the affirmative vote of holders of shares entitled to cast at least two-thirds of the votes entitled to be cast generally in the election of directors.[9] This provision, when coupled with the exclusive power of the Company's board of directors to fill vacant directorships, may preclude stockholders from removing incumbent directors except for cause and by a substantial affirmative vote and filling the vacancies created by such removal with their own nominees.

Business Combinations

13.9 Under the MGCL, certain "business combinations" (including a merger, consolidation, share exchange or, in circumstances specified in the statute, an asset transfer or issuance or reclassification of equity securities) between a Maryland corporation and an interested stockholder (i.e., any person (other than the corporation or any subsidiary) who beneficially owns 10% or more of the voting power of the corporation's outstanding voting stock after the date on which the corporation had 100 or more beneficial owners of its stock, or an affiliate or associate of the corporation who, at any time

[7] Under the Companies Law, a public company is required to have at least two external directors (as defined therein).

[8] Under the Companies Law, directors generally are elected by a simple majority of the votes cast, not by a plurality.

[9] Under the Companies Law, shareholders generally may remove directors by a simple majority of the votes cast on the matter.

within the two-year period immediately prior to the date in question, was the beneficial owner of 10% or more of the voting power of the then outstanding stock of the corporation after the date on which the corporation had 100 or more beneficial owners of its stock) or an affiliate of an interested stockholder, are prohibited for five years after the most recent date on which the interested stockholder becomes an interested stockholder. Thereafter, any such business combination between the Maryland corporation and an interested stockholder generally must be recommended by the board of directors of such corporation and approved by the affirmative vote of at least (1) 80% of the votes entitled to be cast by holders of outstanding shares of voting stock of the corporation and (2) two-thirds of the votes entitled to be cast by holders of voting stock of the corporation other than shares held by the interested stockholder with whom (or with whose affiliate) the business combination is to be effected or held by an affiliate or associate of the interested stockholder, unless, among other conditions, the corporation's common stockholders receive a minimum price (as defined in the MGCL) for their shares and the consideration is received in cash or in the same form as previously paid by the interested stockholder for its shares. A person is not an interested stockholder under the statute if the board of directors approved in advance the transaction by which the person otherwise would have become an interested stockholder. The board of directors may provide that its approval is subject to compliance, at or after the time of approval, with any terms and conditions determined by it.[10]

13.10 The statute permits various exemptions from its provisions, including business combinations that are exempted by the board of directors prior to the time that the interested stockholder became an interested stockholder. As permitted by the MGCL, the Company's board of directors has adopted a resolution exempting any business combination between the Company and any other person from the provisions of this statute, provided that the business combination is first approved by the Company's board of directors (including a majority of directors who are not affiliates or associates of such persons). However, the Company's board of directors may repeal or modify this resolution at any time in the future, in which case the applicable provisions of this statute will become applicable to business combinations between the Company and interested stockholders.

Control Share Acquisitions

13.11 The MGCL provides that holders of "control shares" of a Maryland corporation acquired in a "control share acquisition" have no voting rights with respect to those shares except to the extent approved by the affirmative vote of at least two-thirds of the votes entitled to be cast by stockholders entitled to vote generally in the election of directors, excluding votes cast by (1) the person who makes or proposes to make a control share acquisition, (2) an officer of the corporation or (3) an employee of the corporation who is also a director of the corporation. "Control shares" are voting shares of stock which, if aggregated with all other such shares of stock previously acquired by the

[10] The Companies Law does not have provisions like those described in this paragraph.

acquirer or in respect of which the acquirer is able to exercise or direct the exercise of voting power (except solely by virtue of a revocable proxy), would entitle the acquirer to exercise voting power in electing directors within one of the following ranges of voting power: (1) one-tenth or more but less than one-third, (2) one-third or more but less than a majority or (3) a majority or more of all voting power. Control shares do not include shares the acquiring person is then entitled to vote as a result of having previously obtained stockholder approval. A "control share acquisition" means the acquisition of issued and outstanding control shares, subject to certain exceptions.[11]

13.12 A person who has made or proposes to make a control share acquisition, upon satisfaction of certain conditions (including an undertaking to pay expenses), may compel the board of directors to call a special meeting of stockholders to be held within 50 days of demand to consider the voting rights of the shares. If no request for a meeting is made, the corporation may itself present the question at any stockholders' meeting.

13.13 If voting rights are not approved at the meeting or if the acquiring person does not deliver an acquiring person statement as required by the statute, then, subject to certain conditions and limitations, the corporation may redeem any or all of the control shares (except those for which voting rights have previously been approved) for fair value determined, without regard to the absence of voting rights for the control shares, as of the date of the last control share acquisition by the acquirer or of any meeting of stockholders at which the voting rights of such shares are considered and not approved. If voting rights for control shares are approved at a stockholders meeting and the acquirer becomes entitled to vote a majority of the shares entitled to vote, all other stockholders may exercise appraisal rights. The fair value of the shares as determined for purpose of such appraisal rights may not be less than the highest price per share paid by the acquirer in the control share acquisition.

13.14 The control share acquisition statute does not apply to, among other things, (1) shares acquired in a merger, consolidation or share exchange if the corporation is a party to the transaction or (2) acquisitions approved or exempted by the Charter or Bylaws of the corporation.

13.15 The Bylaws contain a provision exempting from the control share acquisition statute any acquisition

[11] The Companies Law provides that an acquisition of shares of public company must be made by means of a 'special tender offer' if as a result of the acquisition the purchaser would become a 25% or more shareholder of the company and there is no 25% or more shareholder in the company. In addition, an acquisition of shares of a public company must be made by means of a 'special tender offer' if as a result of the acquisition the purchaser would become a greater than 45% shareholder of the company and there is greater than 45% shareholder in the company (these requirements do not apply if the acquisition (i) is made in a private placement that received shareholder approval, (ii) was from a 25% shareholder of the company and resulted in the acquirer becoming a 25% shareholder of the company or (iii) was from a greater than 45% shareholder of the company and resulted in the acquirer becoming a greater than 45% shareholder of the company. The board of directors does not have the authority to opt out of the 'special tender offer' requirement). A 'special tender offer' must be extended to all shareholders, but the offer or is not required to purchase more than 5% of the company's outstanding shares, regardless of how many shares are tendered by shareholders. A 'special tender offer' may be consummated only if (i) at least 5% of the company's outstanding shares will be acquired by the offer and (ii) the number of shares tendered in the offer exceeds the number of shares whose holders objected to the offer. Shares acquired in violation of these provisions will not have any rights and will be deemed dormant shares for so long as they are held by the acquirer.

by any person of shares of the Company's stock. There can be no assurance that such provision will not be amended or eliminated at any time in the future by the Company's board of directors.

13.16 Subtitle 8 of Title 3 of the MGCL permits a Maryland corporation with a class of equity securities registered under the U.S. Securities Exchange Act of 1934 (the "**Exchange Act**") and at least three independent directors to elect to be subject, by provision in the Charter or Bylaws or a resolution of its board of directors, without stockholder approval, and notwithstanding any contrary provision in the Charter or Bylaws, to any or all of five provisions of the MGCL which provide, respectively, that:

1. The corporation's board of directors will be divided into three classes;
2. The affirmative vote of two-thirds of the votes cast in the election of directors generally is required to remove a director;
3. The number of directors may be fixed only by vote of the directors;
4. A vacancy on its board of directors be filled only by the remaining directors and that directors elected to fill a vacancy will serve for the remainder of the full term of the class of directors in which the vacancy occurred; and
5. The request of stockholders entitled to cast at least a majority of all the votes entitled to be cast at the meeting is required for the calling of a special meeting of stockholders.

The Company has elected by a provision in the Charter to be subject to the provisions of Subtitle 8 relating to the filling of vacancies on the Company's board of directors. In addition, without the Company's having elected to be subject to Subtitle 8, the Charter and Bylaws already (1) require the affirmative vote of holders of shares entitled to cast at least two-thirds of all the votes entitled to be cast generally in the election of directors to remove a director from the board of directors, (2) vest in the board of directors the exclusive power to fix the number of directors and (3) require, unless called by the chairman, the Company's president and chief executive officer or the board of directors, the request of stockholders entitled to cast not less than a majority of all the votes entitled to be cast at the meeting to call a special meeting. [12] The Company's board of directors is not currently classified. In the future, the board of directors may elect, without stockholder approval, to classify the board of directors or elect to be subject to any of the other provisions of Subtitle 8.

Meetings of Stockholders

13.17 Pursuant to the Bylaws, an annual meeting of the Company's stockholders for the purpose of the election of directors and the transaction of any other business will be held on a date and at the time and place set by the board of directors. Each of the Company's directors is elected by the Company's stockholders to serve until the next annual meeting or until his or her successor is duly elected and

[12] Under the Companies Law, the board of directors does not have the authorities described in this paragraph.

qualifies under Maryland law. In addition, the Company's chairman, its president and chief executive officer or the board of directors may call a special meeting of the Company's stockholders. Subject to the provisions of the Bylaws, a special meeting of stockholders to act on any matter that may properly be considered by the Company's stockholders will also be called by the Company's secretary upon the written request of stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting on such matter, accompanied by the information required by the Bylaws.[13] The secretary will inform the requesting stockholders of the reasonably estimated cost of preparing and mailing the notice of meeting (including the Company's proxy materials), and the requesting stockholder must pay such estimated cost before the secretary may prepare and mail the notice of the special meeting.

Amendments to the Company's Charter and Bylaws

13.18 Under the MGCL, a Maryland corporation generally cannot amend its charter unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. Except for certain amendments related to the removal of directors and the vote required to amend the charter (which must be declared advisable by the Company's board of directors and approved by the affirmative vote of stockholders entitled to cast not less than two-thirds of all the votes entitled to be cast on the matter), the Charter generally may be amended only if the amendment is declared advisable by the Company's board of directors and approved by the affirmative vote of stockholders entitled to cast a majority of all of the votes entitled to be cast on the matter. the Company's board of directors, with the approval of a majority of the entire board, and without any action by the Company's stockholders, may also amend the Charter to increase or decrease the aggregate number of shares of stock or the number of shares of stock of any class or series the Company is authorized to issue. the Company's board of directors has the exclusive power to adopt, alter or repeal any provision of the Bylaws and to make new bylaws.[14]

Extraordinary Transactions

13.19 Under the MGCL, a Maryland corporation generally cannot dissolve, merge, convert, sell all or substantially all of its assets, engage in a statutory share exchange or engage in similar transactions outside the ordinary course of business unless approved by the affirmative vote of stockholders entitled to cast at least two-thirds of the votes entitled to be cast on the matter unless a lesser percentage (but not less than a majority of all of the votes entitled to be cast on the matter) is set forth in the corporation's charter. As permitted by the MGCL, the Charter provides that any of these actions may be approved by the affirmative vote of stockholders entitled to cast a majority of all of

[13] Under the Companies Law, the threshold is 5%.

[14] Under the Companies Law, amendments to the articles of association require shareholder approval.

the votes entitled to be cast on the matter.[15],[16] Many of the Company's operating assets will be held by the Company's subsidiaries, and these subsidiaries may be able to merge or sell all or substantially all of their assets without the approval of the Company's stockholders.

Appraisal Rights

13.20 The Charter provides that the Company's stockholders generally will not be entitled to exercise statutory appraisal rights.[17]

Advance Notice of Director Nominations and New Business

13.21 The Bylaws provide that, with respect to an annual meeting of stockholders, nominations of individuals for election to the Company's board of directors and the proposal of other business to be considered by the Company's stockholders at an annual meeting of stockholders may be made only (1) pursuant to the Company's notice of the meeting, (2) by or at the direction of the Company's board of directors or (3) by any stockholder who was a stockholder of record at the record date set by the Company's board of directors for the purposes of determining stockholders entitled to vote at the meeting, at the time of giving of notice and at the time of the meeting, who is entitled to vote at the meeting on the election of the individual so nominated or such other business and who has complied with the advance notice procedures set forth in the Bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee or business proposal, as applicable.

13.22 With respect to special meetings of stockholders, only the business specified in the Company's notice of meeting may be brought before the meeting. Nominations of individuals for election to the Company's board of directors may be made at a special meeting of stockholders at which directors are to be elected only (1) by or at the direction of the Company's board of directors or (2) provided that the special meeting has been properly called in accordance with the Bylaws for the purpose of electing directors, by any stockholder who was a stockholder of record at the record date set by the Company's board of directors for the purposes of determining stockholders entitled to vote at the meeting, at the time of giving of notice and at the time of the meeting, who is entitled to vote at the meeting on the election of each individual so nominated and who has complied with the advance notice provisions set forth in the Bylaws, including a requirement to provide certain information about the stockholder and its affiliates and the nominee. [18]

[15] Under the Companies Law, (i) a merger and all amendments to the articles of association require the approval of a simple majority of the votes cast on the matter, unless the company's articles of association require a higher threshold, and (ii) a sale of all or substantially all of the company's assets does not require shareholder approval.

[16] Under the Companies Law, the dissolution of a solvent company requires the approval of 75% of the votes cast on the matter.

[17] Under the Companies Law, shareholders are entitled to appraisal rights in a full tender offer, unless the offeror stipulates in advance that accepting the offer constitutes a waiver of appraisal rights.

[18] Under the Companies Law and the regulations promulgated thereunder, a holder or holders of at least 1% of the outstanding

Anti-Takeover Effect of Certain Provisions of Maryland Law and the Company's Charter and Bylaws

13.23 The Charter and Bylaws and Maryland law contain provisions that may delay, defer or prevent a change in control or other transaction that might involve a premium price for the Company's Common Stock or otherwise be in the best interests of its stockholders, including:

- supermajority vote and cause requirements for removal of directors;
- requirement that stockholders entitled to cast a majority of all the votes entitled to be cast at the meeting must act together to make a written request before the Company's stockholders can require the Company to call a special meeting of stockholders;
- provisions that vacancies on the Company's board of directors may be filled only by the remaining directors for the full term of the directorship in which the vacancy occurred;
- the power of the Company's board of directors, without stockholder approval, to increase or decrease the aggregate number of authorized shares of stock or the number of shares of any class or series of stock;
- the power of the Company's board of directors to cause the Company to issue additional shares of stock of any class or series and to fix the terms of one or more classes or series of stock without stockholder approval;
- the restrictions on ownership and transfer of the Company's stock; and
- advance notice requirements for director nominations and stockholder proposals.

Likewise, if the resolution opting out of the business combination provisions of the MGCL was repealed, or the business combination is not approved by the Company's board of directors, or the provision in the Bylaws opting out of the control share acquisition provisions of the MGCL were rescinded, these provisions of the MGCL could have similar anti-takeover effects.

Exclusive Forum

13.24 The Bylaws provide that, unless the Company consent in writing to the selection of an alternative forum, the Circuit Court for Baltimore City, Maryland, or, if that court does not have jurisdiction, the United States District Court for the District of Maryland, Northern Division, will be the sole and absolute forum for (a) any Internal Corporate Claim, as such term is defined in Section 1-101(p) of the MGCL, (b) any derivative action or proceeding brought on the Company's behalf other than actions arising under the federal securities laws, (c) any action asserting a claim of breach of any duty owed by any of the Company's directors, officers or other employees to the Company or to its stockholders, (d) any action asserting a claim against the Company or any of its directors, officers or other employees arising pursuant to any provision of the MGCL or the Charter or Bylaws or (e) any action asserting a claim against the Company or any of its directors, officers or other employees

shares generally may request to add a proposal to the agenda of a general meeting within seven days of the notice of such meeting, and a holder or holders of at least 5% of the outstanding shares, any two directors or a quarter of the directors generally may request that the company call a general meeting and may set the agenda thereof, in which case the company must call a meeting within 21 days.

that is governed by the internal affairs doctrine and no such action may be brought in any court sitting outside of the State of Maryland or in another circuit court within the State of Maryland unless the Company consents in writing to such court. These provisions of the Bylaws will not apply to claims that may be asserted under federal securities laws.

Limitation of Liability and Indemnification of Directors and Officers

13.25 Maryland law permits a Maryland corporation to include in its charter a provision limiting the liability of its directors and officers to the corporation and its stockholders for money damages, except for liability resulting from (1) actual receipt of an improper benefit or profit in money, property or services or (2) active and deliberate dishonesty that is established by a final judgment and is material to the cause of action. The Charter contains a provision that eliminates such liability to the maximum extent permitted by Maryland law.[19,20]

13.26 The Charter provides for indemnification of its officers and directors against liabilities to the maximum extent permitted by the MGCL, as amended from time to time.

13.27 The MGCL requires a corporation (unless its charter provides otherwise, which the Company's Charter does not) to indemnify a director or officer who has been successful, on the merits or otherwise, in the defense of any proceeding to which he or she is made, or threatened to be made, a party by reason of his or her service in that capacity. The MGCL permits a corporation to indemnify its present and former directors and officers, among others, against judgments, penalties, fines, settlements and reasonable expenses actually incurred by them in connection with any proceeding to which they may be made, or threatened to be made, a party by reason of their service in those or other capacities unless it is established that: (i) the act or omission of the director or officer was material to the matter giving rise to the proceeding and (1) was committed in bad faith or (2) was the result of active and deliberate dishonesty; (ii) the director or officer actually received an improper personal benefit in money, property or services; or (iii) in the case of any criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.[21, 22]

[19] The Companies Law does not have provisions like those described in this paragraph.

[20] Under the Companies Law, a court order is not required in order to permit the indemnification of expenses incurred by an office holder in connection with a proceeding brought by or in the name of the company and indemnification of an office holder for an act or omission done with the intent to derive an illegal personal benefit is not permitted.

[21] Under the Companies Law, a company is permitted to indemnify its office holders only if it is authorized to do so under the company's articles of association. To be entitled to indemnification for expenses incurred in a civil proceeding, an office holder is not required to be successful in the defense. The office holder may also be indemnified for a financial obligation or monetary liability imposed on him in favor of a third party by a judgment, including a settlement or an arbitrator's award approved by court. However, indemnification for expenses incurred in a criminal proceeding is permitted only if the office holder is acquitted or convicted of a crime which does not require proof of *mens rea*.

[22] Under the Companies Law, an undertaking of a company to indemnify an officer holder is limited to (i) the classes of events that are foreseeable in light of the company's activities at the time of giving the undertaking and (ii) an amount and/or criteria which the board of directors has determined are reasonable in the circumstances. The Companies Law does not permit

13.28 However, under the MGCL, a Maryland corporation may not indemnify for an adverse judgment in a suit by or in the right of the corporation or for a judgment of liability on the basis that personal benefit was improperly received, unless in either case a court orders indemnification if it determines that the director or officer is fairly and reasonably entitled to indemnification, and then only for expenses. In addition, the MGCL permits a Maryland corporation to advance reasonable expenses to a director or officer upon its receipt of: (i) a written affirmation by the director or officer of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification by the corporation; and (ii) a written undertaking by the director or officer or on the director's or officer's behalf to repay the amount paid or reimbursed by the corporation if it is ultimately determined that the director or officer did not meet the standard of conduct.

13.29 The Charter obligates the Company, to the maximum extent permitted by Maryland law in effect from time to time, to indemnify and, without requiring a preliminary determination of the ultimate entitlement to indemnification, pay or reimburse reasonable expenses in advance of final disposition of such a proceeding to: (i) any present or former director or officer of the Company who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity; or (ii) any individual who, while a director or officer of the Company and at the Company's request, serves or has served as a director, officer, partner, trustee, member or manager of another corporation, real estate investment trust, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise and who is made, or threatened to be made, a party to the proceeding by reason of his or her service in that capacity.

13.30 The Charter also permits to indemnify and advance expenses to any individual who served the Predecessor Company in any of the capacities described above and to any employee or agent of the Company or the Predecessor Company.

13.31 The Company has also entered indemnification agreements with each of the Company's directors and executive officers that provide for indemnification to the maximum extent permitted by Maryland law.

REIT Qualification

13.32 The Charter provides that the board of directors may revoke or otherwise terminate the Company's election to qualify as a real estate investment trust (REIT) for U.S. federal income tax purposes, without approval of the stockholders, if it determines that it is no longer in the Company's best interests to attempt to qualify, or to continue to qualify, as a REIT.

indemnification of an office holder for (i) an act or omission done with the intent to derive an illegal personal benefit, (ii) a breach by the office holder of his duty of loyalty (unless the office holder acted in good faith and had a reasonable basis to believe that the act would not prejudice the company), (iii) a breach by the office holder of his duty of care if the breach was done intentionally or recklessly or (iv) any fine levied against the office holder.

14. **Restrictions on Transfer and Ownership of Shares**

In order for the Company to qualify as a REIT under the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), shares of the Company's stock must be owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be taxed as a REIT has been made) or during a proportionate part of a shorter taxable year. Also, under Section 856 of the Code, a REIT cannot be "closely held." In this regard, not more than 50% of the value of the outstanding shares of stock may be owned, actually or constructively, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

The Charter contains restrictions on the ownership and transfer of shares of Common Stock and other outstanding shares of stock. The relevant sections of the Charter provide that, subject to the exceptions described below, no person or entity may own, or be deemed to own, by virtue of the applicable constructive ownership provisions of the Code, more than 9.8% (in value or in number of shares, whichever is more restrictive) of the outstanding shares of the Company's stock (the "**Ownership Limits**").

The Charter also prohibits any person from:

- Beneficially or constructively owning or transferring shares of the Company's capital stock if such ownership or transfer would result in the Company being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a year);
- Transferring shares of the Company's capital stock if such transfer would result in its capital stock being owned by fewer than 100 persons (determined under the principles of Section 856(a)(5) of the Code);
- Beneficially or constructively owning shares of the Company's capital stock to the extent such beneficial or constructive ownership would cause the Company to constructively own 9.9% or more of the stock or other equity interests (determined in accordance with Section 856(d)(2)(B) of the Code) issued by a tenant, other than a Taxable REIT Subsidiary ("**TRS**"), of the Company's real property;
- Beneficially or constructively owning or transferring shares of the Company's capital stock if such beneficial or constructive ownership or transfer would otherwise cause the Company to fail to qualify as a REIT under the Code, including, but not limited to, as a result of any "eligible independent contractor" (as defined in Section 856(d)(9)(A) of the Code) that operates a "qualified health care property" (as defined in Section 856(e)(6)(D)(i) of the Code) on behalf of a TRS failing to qualify as such under the Code; or
- Acquiring shares of the Company's capital stock if such acquisition would disqualify the Company as a REIT under the Code.

The board of directors is authorized to consider the lack of certainty in the provisions of the Code relating to the ownership of stock that may prevent a corporation from qualifying as a REIT and may make interpretations concerning the ownership limit and attributed ownership and related matters on as conservative basis as the board of directors deems advisable to minimize or eliminate uncertainty as to the Company's qualification or continued qualification as a REIT. The Charter does not restrict the authority of the board to take such other action as it deems necessary or advisable to protect the Company and the interests of the stockholders by preservation of the Company's qualification as a REIT under the Code.

The board of directors, in its sole discretion, may prospectively or retroactively exempt a person from certain of the limits described above and may establish or increase an excepted holder percentage limit for such person if the board of directors obtains such representations, covenants and undertakings as it deems appropriate in order to conclude that granting the exemption and/or establishing or increasing the excepted holder percentage limit will not result in the Company being "closely held" under Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of a taxable year) or otherwise failing to qualify as a REIT. The Company's board of directors may not grant an exemption to any person if that exemption results in the Company's failing to qualify as a REIT. The Company's board of directors may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the Company's board of directors, in its sole discretion, in order to determine or ensure the Company's status as a REIT.

Notwithstanding the receipt of any ruling or opinion, the Company's board of directors may impose such guidelines or restrictions as it deems appropriate in connection with granting such exemption. In connection with granting a waiver of the ownership limit or creating an exempted holder limit or at any other time, the Company's board of directors from time to time may increase or decrease the ownership limit, subject to certain exceptions. A decreased ownership limit will not apply to any person or entity whose percentage of ownership of the Company's stock is in excess of the decreased ownership limit until the person or entity's ownership of the Company's stock equals or falls below the decreased ownership limit, but any further acquisition of the Company's stock will be subject to the decreased ownership limit.

Any attempted transfer of shares of the Company's capital stock which, if effective, would violate any of the restrictions described above will result in the number of shares of the Company's capital stock causing the violation (rounded up to the nearest whole share) to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries and the purported owner or transferee (the "**Prohibited Owner**") acquiring no rights in such shares, except that any transfer that results in the violation of the restriction relating to shares of the Company's capital stock being beneficially owned by fewer than 100 persons will be void ab initio. In either case, the Prohibited Owner will not acquire any rights in those shares. The automatic transfer will be deemed to be effective as of the close of business on the business day prior to the date of the purported transfer or other event that results in the transfer to the trust. Shares held in the trust will be issued and outstanding shares. The Prohibited Owner will not benefit economically from ownership of any shares held in the trust, will have no rights to dividends or other

distributions and will have no rights to vote or other rights attributable to the shares held in the trust. The trustee of the trust will have all voting rights and rights to dividends or other distributions with respect to shares held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid prior to the Company's discovery that shares have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the trustee. Any dividend or other distribution paid to the trustee will be held in trust for the charitable beneficiary. Subject to Maryland law, the trustee will have the authority (i) to rescind as void any vote cast by the Prohibited Owner prior to the Company's discovery that the shares have been transferred to the trust and (ii) to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if the Company has already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from the Company that shares of its stock have been transferred to the trust, the trustee will sell the shares to a person, designated by the trustee, whose ownership of the shares will not violate the above ownership and transfer limitations. Upon the sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the Prohibited Owner and to the charitable beneficiary as follows. The Prohibited Owner will receive the lesser of (i) the price paid by the Prohibited Owner for the shares or, if the Prohibited Owner did not give value for the shares in connection with the event causing the shares to be held in the trust (e.g., a gift, devise or other similar transaction), the market price (as defined in the Charter) of the shares on the day of the event causing the shares to be held in the trust and (ii) the price per share received by the trustee (net of any commission and other expenses of sale) from the sale or other disposition of the shares. The trustee may reduce the amount payable to the Prohibited Owner by the amount of dividends or other distributions paid to the Prohibited Owner and owed by the Prohibited Owner to the trustee. Any net sale proceeds in excess of the amount payable to the Prohibited Owner will be paid immediately to the charitable beneficiary. If, prior to the Company's discovery that shares of the Company's stock have been transferred to the trust, the shares are sold by the Prohibited Owner, then (i) the shares shall be deemed to have been sold on behalf of the trust and (ii) to the extent that the Prohibited Owner received an amount for the shares that exceeds the amount he or she was entitled to receive, the excess shall be paid to the trustee upon demand.

In addition, shares of the Company's stock held in the trust will be deemed to have been offered for sale to the Company, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the trust (or, in the case of a devise or gift, the market price at the time of the devise or gift) and (ii) the market price on the date the Company, or its designee, accept the offer, which the Company may reduce by the amount of dividends and distributions paid to the Prohibited Owner and owed by the Prohibited Owner to the trustee. The Company will have the right to accept the offer until the trustee has sold the shares. Upon a sale to the Company, the interest of the

charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the Prohibited Owner.

If a transfer to a charitable trust, as described above, would be ineffective for any reason to prevent a violation of a restriction, the transfer that would have resulted in a violation will be void ab initio, and the Prohibited Owner shall acquire no rights in those shares.

The foregoing restrictions on transferability and ownership will not apply if the Company's board of directors determines that it is no longer in the Company's best interests to attempt to qualify, or to continue to qualify, as a REIT.

Any certificate representing shares of the Company's capital stock, and any notices delivered in lieu of certificates with respect to the issuance or transfer of uncertificated shares, will bear a legend referring to the restrictions described above.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of the Company's capital stock that will or may violate any of the foregoing restrictions on transferability and ownership, or any person who would have owned shares of the Company's capital stock that resulted in a transfer of shares to a charitable trust, is required to give written notice immediately to the Company, or in the case of a proposed or attempted transaction, to give at least 15 days' prior written notice, and provide the Company with such other information as the Company may request in order to determine the effect of the transfer on the Company's status as a REIT.

Every owner of 0.5% or more (or any greater percentage as required by the Code or the regulations promulgated thereunder) in number or value of the outstanding shares of the Company's capital stock, within 30 days after the end of each taxable year, is required to give the Company written notice, stating his or her name and address, the number of shares of each class and series of shares of the Company's capital stock that he or she beneficially owns and a description of the manner in which the shares are held. Each of these owners must provide the Company with additional information that it may request in order to determine the effect, if any, of his or her beneficial ownership on the Company's status as a REIT and to ensure compliance with the ownership limits. In addition, each stockholder will upon demand be required to provide the Company with information that it may request in good faith in order to determine the Company's status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine the Company's compliance.

These ownership limitations could delay, defer or prevent a transaction or a change in control that might involve a premium price for shares of the Company's Common Stock or otherwise be in the best interests of the Company's stockholders.

15. U.S. Taxation in Connection with REITs and the Common Stock

The following is a description of the material U.S. federal income tax considerations to a holder of the Company's Common Stock who is not a U.S. stockholder as such term is defined below). The following

discussion is not exhaustive of all possible tax considerations. In addition, this discussion, except as otherwise indicated, does not address the U.S. federal income or other tax considerations applicable to U.S. stockholders.

No ruling on the U.S. federal, state, or local tax considerations relevant to the Company's operation or to the purchase, ownership or disposition of shares of the Company's shares has been requested from the IRS or other tax authority. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of the tax consequences described below.

This summary is also based upon the assumption that the operation of the Company, and of its subsidiaries and other lower-tier and affiliated entities, will in each case be in accordance with its applicable organizational documents or partnership agreements. This summary does not discuss the impact that U.S. state and local taxes and taxes imposed by non-U.S. jurisdictions could have on the matters discussed in this summary. In addition, this summary assumes that shareholders hold shares of the Company as a capital asset, which generally means as property held for investment.

Each prospective purchaser is advised to consult his or her own tax advisor regarding the specific tax consequences to him or her of the acquisition, ownership and sale of securities of an entity electing to be taxed as a real estate investment trust, including the federal, state, local, foreign, and other tax consequences of such acquisition, ownership, sale, and election and of potential changes in applicable tax laws.

Taxation as a REIT

15.1 The Company has elected to be taxed as a REIT under Sections 856 through 860 of the Code, effective as of January 1, 2022. The Company's qualification and taxation as a REIT depends upon its ability to meet on a continuing basis, through actual annual operating results, distribution levels and diversity of stock ownership, the various qualification tests and organizational requirements imposed under the Code, as discussed below. This summary sets forth only the material aspects of such provisions and is qualified in its entirety by the express language of applicable Code provisions, Treasury Regulations promulgated thereunder, and administrative and judicial interpretations thereof. This section is not a substitute for careful tax planning. As a prospective investor, you are advised to consult your own tax advisor regarding the specific tax consequences to you of a purchase of shares, ownership and sale of the shares and of the Company's election to be taxed as a REIT.

15.2 Qualification and taxation as a REIT depend upon the Company's ability to meet on a continuing basis, through actual annual operating results, the various requirements under the Code described herein with regard to, among other things, the sources of the Company's gross income, the composition of its assets, its distribution levels, and diversity of its stock ownership. While the Company intends to operate so that it qualifies as a REIT, given the highly complex nature of the rules governing REITs, the ongoing importance of factual determinations, and the possibility of

future changes in its circumstances and in the tax rules applicable to REITs, no assurance can be given that it has satisfied all of the tests for REIT qualification or will continue to do so.

15.3 If the Company qualifies for taxation as a REIT, it generally will not be subject to federal corporate income taxes on net income that it currently distributes to stockholders. This treatment substantially eliminates the "double taxation" (at the corporate and stockholder levels) that generally results from investment in a corporation.

15.4 Notwithstanding the Company's REIT election, however, it will be subject to federal income tax in the following circumstances:

- The Company will pay federal corporate income tax on any taxable income, including undistributed net capital gain, that the Company does not distribute to stockholders during, or within a specified time period after, the calendar year in which the income is earned.

- The Company will pay income tax at the highest corporate rate on: (i) net income from the sale or other disposition of property acquired through foreclosure ("**Foreclosure Property**") that the Company holds primarily for sale to customers in the ordinary course of business, and; (ii) other non-qualifying income from Foreclosure Property.

- The Company will pay a 100% tax on net income from prohibited transactions (which are, in general, sales or other dispositions of property other than Foreclosure Property held primarily for sale to customers in the ordinary course of business).

- If the Company fails to satisfy one or both of the 75% gross income test or the 95% gross income test, as described below under "—Gross Income Tests," and nonetheless continue to qualify as a REIT because the Company meets other requirements, the Company will pay a 100% tax on:

    - The gross income attributable to the greater of the amount by which the Company fails the 75% gross income test or the 95% gross income test, in either case, multiplied by a fraction intended to reflect the Company's profitability.

- If the Company fails to distribute during a calendar year at least the sum of (i) 85% of the Company's REIT ordinary income for the year, (ii) 95% of the Company's REIT capital gain net income for the year, and (iii) any undistributed taxable income required to be distributed from earlier periods, the Company will pay a 4% nondeductible excise tax on the excess of the required distribution over the amount that the Company actually distributes.

- The Company may elect to retain and pay income tax on its net long-term capital gain. In that case, a stockholder would be taxed on its proportionate share of the Company's undistributed long-term capital gain (to the extent that the Company made a timely designation of such gain

to the stockholders) and would receive a credit or refund for its proportionate share of the tax that the Company paid.

- If the Company had built-in gain assets at the time of the effectiveness of the Company's REIT election and make an election to be taxed immediately or recognize gain on the disposition of such asset during the 5-year period following the effectiveness of the Company's REIT election or if the Company acquires any asset from a C corporation (i.e., a corporation generally subject to corporate-level tax) in a carryover-basis transaction and the Company subsequently recognizes gain on the disposition of the asset during the 5-year period beginning on the date on which the Company acquired the asset, then all or a portion of the gain may be subject to tax at the highest regular corporate rate, pursuant to guidelines issued by the IRS;

- The Company will be subject to a 100% excise tax on transactions with any TRS that are not conducted on an arm's-length basis, including services provided by a TRS.

- If the Company fails any of the asset tests, other than a de minimis failure of the 5% asset test, the 10% vote test or 10% value test, as described below under "—Asset Tests," as long as the failure was due to reasonable cause and not to willful neglect, the Company files a description of each asset that caused such failure with the IRS, and the Company disposes of the assets causing the failure or otherwise complies with the asset tests within six months after the last day of the quarter in which the Company identifies such failure, the Company in such circumstance may retain its qualification as a REIT but will be required to pay a tax equal to the greater of $50,000 or the highest federal income tax rate then applicable to U.S. corporations on the net income from the non-qualifying assets during the period in which the Company failed to satisfy the asset tests.

- If the Company fails to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, and such failure is due to reasonable cause and not to willful neglect, the Company may retain its qualification as a REIT but will be required to pay a penalty of $50,000 for each such failure.

- The Company may be required to pay monetary penalties to the IRS in certain circumstances, including if the Company fails to meet record-keeping requirements intended to monitor the Company's compliance with rules relating to the composition of a REIT's stockholders, as described below in "—Recordkeeping Requirements."

- The earnings of the Company's lower-tier entities that are subchapter C corporations, including any TRSs of the Company, will be subject to federal corporate income tax.

15.5 In addition, notwithstanding the Company's qualification as a REIT, the Company also may have to pay certain state and local income taxes because not all states and localities treat REITs in the same manner that they are treated for U.S. federal income tax purposes. Moreover, as further described below, the Company's TRSs will be subject to federal, state and local corporate income tax on their taxable income.

Requirements for Qualification as a REIT

15.6 The Code defines a REIT as a corporation, trust or association (i) which is managed by one or more trustees or directors; (ii) the beneficial ownership of which is evidenced by transferable shares or by transferable certificates of beneficial interest; (iii) which would be taxable as a domestic corporation but for Code Sections 856 through 860; (iv) which is neither a financial institution nor an insurance company subject to certain provisions of the Code; (v) the beneficial ownership of which is held by 100 or more persons; (vi) of which not more than 50% in value of the outstanding capital stock is owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of each taxable year after applying certain attribution rules; (vii) that makes an election to be treated as a REIT for the current taxable year or has made an election for a previous taxable year which has not been terminated or revoked and (viii) which meets certain other tests, described below, regarding the nature of its income and assets. The Code provides that conditions (i) through (iv), inclusive, must be met during the entire taxable year and that condition (v) must be met during at least 335 days of a taxable year of 12 months, or during a proportionate part of a taxable year of less than 12 months. Condition (vi) must be met during the last half of each taxable year. For purposes of determining stock ownership under condition (vi), a supplemental unemployment compensation benefits plan, a private foundation or a portion of a trust permanently set aside or used exclusively for charitable purposes generally is considered to be an individual. However, a trust that is a qualified trust under Code Section 401(a) generally is not considered to be an individual, and beneficiaries of a qualified trust are treated as holding shares of a REIT in proportion to their actuarial interests in the trust for purposes of condition (vi). Conditions (v) and (vi) do not apply until after the first taxable year for which an election is made to be taxed as a REIT. The Company has issued sufficient common stock with sufficient diversity of ownership to allow it to satisfy requirements (v) and (vi). In addition, the Charter contains restrictions regarding the transfer and ownership of its stock which are intended to assist in continuing to satisfy the stock ownership requirements described in (v) and (vi) above. These restrictions, however, may not ensure that the Company will be able to satisfy these stock ownership requirements. If the Company fails to satisfy these stock ownership requirements, it may fail to qualify as a REIT.

15.7 To qualify as a REIT, the Company is required to have a taxable year that is the calendar year. In addition, the Company cannot have at the end of any taxable year any undistributed earnings and profits that are attributable to a non-REIT taxable year. The Company believes that it has complied with these requirements.

15.8 Pursuant to applicable Treasury Regulations, to be taxed as a REIT, the Company is required to maintain certain records and request on an annual basis certain information from its stockholders designed to disclose the actual ownership of its outstanding shares, or risk facing a monetary penalty. The Company has complied with such requirements. If the Company complies with these regulatory rules, and it does not know, or by exercising reasonable diligence would not have known, whether it failed to meet requirement (vi) above, it will be treated as having met the requirement.

Qualified REIT Subsidiaries

15.9 A corporation that is a "qualified REIT subsidiary" is not treated as a corporation separate from its parent REIT. All assets, liabilities, and items of income, deduction, and credit of a "qualified REIT subsidiary" are treated as assets, liabilities, and items of income, deduction, and credit of the REIT. A "qualified REIT subsidiary" is a corporation, other than a TRS, all of the stock of which is owned by the REIT. Thus, in applying the requirements described herein, any "qualified REIT subsidiary" that the Company owns will be ignored, and all assets, liabilities, and items of income, deduction, and credit of such subsidiary will be treated as the Company's assets, liabilities, and items of income, deduction, and credit.

Other Disregarded Entities and Partnerships

15.10 An unincorporated domestic entity, such as a limited liability company, that has a single owner for federal income tax purposes generally is not treated as an entity separate from its owner for federal income tax purposes. An unincorporated domestic entity with two or more owners generally is treated as a partnership for federal income tax purposes. In the case of a REIT that is a partner in a partnership that has other partners, the REIT is treated as owning its proportionate share of the assets of the partnership and as earning its allocable share of the gross income of the partnership for purposes of the applicable REIT qualification tests. The Company's proportionate share for purposes of the 10% value test (see "—Asset Tests") is based on its proportionate interest in the equity interests and certain debt securities issued by the partnership. For all of the other asset and income tests, the Company's proportionate share is based on its proportionate interest in the capital interests in the partnership. The Company's proportionate share of the assets, liabilities, and items of income of any partnership, joint venture, or limited liability company that is treated as a partnership for federal income tax purposes in which the Company acquires an equity interest, directly or indirectly, including the Operating Partnership, will be treated as the Company's assets and gross income for purposes of applying the various REIT qualification requirements.

15.11 The Company has control of its Operating Partnership and intends to control any subsidiary partnerships and limited liability companies, and the Company intends to operate them in a manner consistent with the requirements for the Company's qualification as a REIT. The Company may from time to time be a limited partner or non-managing member in some of the Company's partnerships and limited liability companies. If a partnership or limited liability company in which the Company

owns an interest takes or expects to take actions that could jeopardize the Company's status as a REIT or require the Company to pay tax, the Company may be forced to dispose of its interest in such entity. In addition, it is possible that a partnership or limited liability company could take an action that could cause the Company to fail a gross income or asset test, and that the Company would not become aware of such action in time to dispose of its interest in the partnership or limited liability company or take other corrective action on a timely basis. In that case, the Company could fail to qualify as a REIT unless it was entitled to relief, as described below.

15.12 In addition, the character of the assets and gross income of the partnership, qualified REIT subsidiary or other disregarded entity shall retain the same character in the hands of the REIT for purposes of satisfying the gross income tests and asset tests set forth in the Code.

Taxable REIT Subsidiaries

15.13 A REIT may own up to 100% of the shares of one or more TRSs. A TRS is a fully taxable corporation that may earn income that would not be qualifying income if earned directly by the parent REIT. The subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation (other than a REIT) of which a TRS directly or indirectly owns more than 35% of the voting power or value of the outstanding securities will automatically be treated as a TRS. The separate existence of a taxable REIT subsidiary or other taxable corporation, unlike a "qualified REIT subsidiary" or other disregarded entity, as discussed above, is not ignored for U.S. federal income tax purposes. Accordingly, a TRS is generally subject to corporate income tax on its earnings, which may reduce the cash flow generated by such entity. The Company is not treated as holding the assets of a TRS or as receiving any income that the TRS earns. Rather, the stock issued by a TRS to the Company is an asset in its hands, and the Company treats the distributions paid to the Company from such TRS, if any, as dividend income to the extent of the TRS's current and accumulated earnings and profits. This treatment may affect the Company's compliance with the gross income and asset tests. Because the Company does not include the assets and income of TRSs in determining the Company's compliance with the REIT requirements, the Company may use such entities to undertake indirectly activities that the REIT rules might otherwise preclude the Company from doing directly or through pass-through subsidiaries. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities that it holds issued by one or more TRSs.

15.14 A TRS pays income tax at regular corporate rates on any income that it earns. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. In addition, overall limitations on the deductibility of net interest expense by businesses could apply to the Company's TRSs. Further, the rules impose a 100% excise tax on transactions between a TRS and its parent REIT or the REIT's tenants that are not conducted on an arm's-length basis.

15.15 Rent that the Company receives from a TRS will qualify as "rents from real property" for purposes of

the gross income tests applicable to REITs so long as either (A) the property is a healthcare property and is operated on behalf of the lessee TRS by an "eligible independent contractor" that meets certain requirements, or (B) (1) at least 90% of the leased space in the property is leased to persons other than TRSs and related-party tenants, and (2) the amount paid by the TRS to rent space at the property is substantially comparable to rents paid by other tenants of the property for comparable space, as described in further detail below under "—Gross Income Tests — Rents from Real Property." If the Company leases space to a TRS in the future, the Company will seek to comply with these requirements. The Company may elect to treat entities as TRSs in the future. Such TRSs will be subject to corporate income tax on their taxable income.

REIT Income Tests

15.16 The Company must satisfy two gross income tests annually to qualify and maintain its qualification as a REIT. First, at least 75% of the Company's gross income for each taxable year must consist of defined types of income that the Company derives, directly or indirectly, from investments relating to real property or mortgages on real property or qualified temporary investment income. Qualifying income for purposes of that 75% gross income test generally includes: (1) rents from real property; (2) interest on debt secured by mortgages on real property, or on interests in real property, other than on nonqualified publicly-offered REIT debt instruments; (3) dividends or other distributions on, and gain from the sale of, shares in other REITs; (4) gain from the sale of real estate assets; (5) income and gain derived from Foreclosure Property; (6) amounts (other than amounts the determination of which depends in whole or in part on the income or profits of any person) received or accrued as consideration for entering into agreements (i) to make loans secured by mortgages on real property or on interests in real property or (ii) to purchase or lease real property (including interests in real property and interests in mortgages on real property); and (7) income derived from the temporary investment of new capital that is attributable to the issuance of the Company's stock or a public offering of its debt with a maturity date of at least five years and that the Company receives during the one-year period beginning on the date on which the Company received such new capital.

15.17 Generally, gross income from dispositions of real property held primarily for sale in the ordinary course of business is excluded altogether from the 75% income test.

15.18 Although a debt instrument issued by a "publicly offered REIT" (i.e., a REIT that is required to file annual and periodic reports with the SEC under the Exchange Act) is treated as a "real estate asset" for the asset tests, neither the gain from the sale of such debt instruments nor interest on such debt instruments is treated as qualifying income for the 75% gross income test unless the debt instrument is secured by real property or an interest in real property.

15.19 Second, in general, at least 95% of the Company's gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, other types of interest and dividends, gain from the sale or disposition of stock or securities, or any combination of these.

Gross income from the sale of property that the Company holds primarily for sale to customers in the ordinary course of business is generally excluded from both the numerator and the denominator in both gross income tests, but is subject to a 100% tax on income from prohibited transactions. In addition, income and gain from "hedging transactions" (as defined in "—Hedging Transactions") that the Company enters into to hedge indebtedness incurred or to be incurred to acquire or carry real estate assets and that are clearly and timely identified as such will be excluded from both the numerator and the denominator for purposes of the 75% and 95% gross income tests. In addition, certain foreign currency gains will be excluded from gross income for purposes of one or both of the gross income tests. See "— Foreign Currency Gain." Finally, gross income attributable to cancellation of indebtedness income will be excluded from both the numerator and denominator for purposes of both of the gross income tests. The following paragraphs discuss the specific application of the gross income tests to the Company.

15.20 Rents from Real Property. Rent that the Company receives from its real property will qualify as "rents from real property," which is qualifying income for purposes of the 75% and 95% gross income tests, only if the following conditions are met:

- First, the rent must not be based, in whole or in part, on the income or profits of any person; however, an amount received or accrued generally will not be excluded from the term "rents from real property" solely by reason of being based on a fixed percentage or percentages of gross receipts or sales if the percentages: (1) are fixed at the time the leases are entered into; (2) are not renegotiated during the term of the leases in a manner that has the effect of basing rent on income or profit; and (3) conform with normal business practice. More generally, rent will not qualify as "rents from real property" if, considering the leases and all the surrounding circumstances, the arrangement does not conform with normal business practice, but is in reality used as a means of basing the rent on income or profits.

- Second, rents received from a tenant will not qualify as "rents from real property" if the Company or a direct or indirect owner of 10% or more of the REIT directly or constructively owns 10% or more of the tenant (except that rents received from a TRS under certain circumstances qualify as rents from real property even if the REIT owns more than a 10% interest in the subsidiary).

- Third, if the rent attributable to personal property leased in connection with a lease of real property is 15% or less of the total rent received under the lease, then the rent attributable to personal property will qualify as rents from real property. However, if the 15% threshold is exceeded, none of the rent attributable to personal property will qualify as rents from real property.

- Fourth, the Company generally must not operate or manage its real property or furnish or render services to the Company's tenants, other than through an "independent contractor" who is adequately compensated and from whom the Company does not derive revenue. Furthermore,

the Company may own up to 100% of the stock of a TRS which may provide customary and noncustomary services to its tenants without tainting its rental income for the related properties. However, the Company need not provide services through an "independent contractor" or a TRS, but instead may provide services directly to the Company's tenants, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, the Company may provide a minimal amount of "noncustomary" services to the tenants of a property, other than through an independent contractor or a TRS, as long as the Company's income from the services (valued at not less than 150% of its direct cost of performing such services) does not exceed 1% of the Company's income from the related property.

15.21 Second, if the Company owns, actually or constructively, 10% or more (measured by voting power or fair market value) of the stock of a corporate lessee, or 10% or more of the assets or net profits of any non-corporate lessee (each a "related party tenant"), other than a TRS, any income the Company receives from the lessee will be non-qualifying income for purposes of the 75% and 95% gross income tests. The constructive ownership rules generally provide that, if 10% or more in value of the Company's stock is owned, directly or indirectly, by or for any person, the Company is considered as owning the shares owned, directly or indirectly, by or for such person. The Charter prohibits transfers of the Company's stock that would cause the Company to own actually or constructively, 10% or more of the ownership interests in any non-TRS lessee. Based on the foregoing, the Company should not own, actually or constructively, 10% or more of any lessee other than a TRS. However, because the constructive ownership rules are broad and it is not possible to monitor continually direct and indirect transfers of the Company's stock, no absolute assurance can be given that such transfers or other events of which the Company has no knowledge will not cause the Company to own constructively 10% or more of a lessee (or a subtenant, in which case only rent attributable to the subtenant is disqualified) other than a TRS at some future date.

15.22 The Company may own up to 100% of the shares of one or more TRSs. Under an exception to the related-party tenant rule described in the preceding paragraph, rent that the Company receives from a TRS will qualify as "rents from real property" as long as (i) at least 90% of the leased space in the property is leased to persons other than TRSs and related-party tenants, and (ii) the amount paid by the TRS to rent space at the property is substantially comparable to rents paid by other tenants of the property for comparable space. The "substantially comparable" requirement must be satisfied when the lease is entered into, when it is extended, and when the lease is modified, if the modification increases the rent paid by the TRS. If the requirement that at least 90% of the leased space in the related property is rented to unrelated tenants is met when a lease is entered into, extended, or modified, such requirement will continue to be met as long as there is no increase in the space leased to any TRS or related party tenant. Any increased rent attributable to a modification of a lease with a TRS in which the Company owns directly or indirectly more than 50% of the voting power or value

of the stock (a "**controlled TRS**") may not be treated as "rents from real property." If in the future the Company receives rent from a TRS, the Company will seek to comply with this exception.

15.23 While rents from real property do not generally include amounts received from an entity in which the REIT owns, directly or indirectly, a 10% or greater interest by voting power or value, the Code permits a REIT to lease a healthcare facility to a TRS, provided the TRS engages an eligible independent contractor (i.e., an unrelated third party) to manage and operate the healthcare facility. A healthcare facility is defined as a hospital, nursing facility, assisted living facility or congregate care facility and may also include certain independent living facilities or other licensed facilities that provide medical or nursing services to patients. The eligible independent contractor must be responsible for the daily supervision and direction of the employees on behalf of the TRS pursuant to a management agreement or similar service contract.

15.24 Under the Code, a TRS can receive all revenue and bear all expenses of operating qualified healthcare property, less the independent contractor's fee. The TRS's net income after paying management fees, rent to the REIT, and other operating expenses would be subject to corporate level taxation. The net after tax earnings of the TRS may be distributed by the TRS to the REIT and would constitute good REIT income for purposes of the 95% income test, but not the 75% income test.

15.25 With respect to senior housing properties that are healthcare facilities, the Company could utilize a TRS structure for the Company's senior housing properties by leasing such properties to its TRS or one of its subsidiaries and engaging third party operators; however, the Company generally leases its senior housing properties to tenants under triple-net or similar lease structures, where the tenant bears all or substantially all of the costs (including cost increases for real estate taxes, utilities, insurance and ordinary repairs).

15.26 Third, the rent attributable to the personal property leased in connection with the lease of a property must not be greater than 15% of the total rent received under the lease. The rent attributable to the personal property contained in a property is the amount that bears the same ratio to total rent for the taxable year as the average of the fair market values of the personal property at the beginning and at the end of the taxable year bears to the average of the aggregate fair market values of both the real and personal property contained in the property at the beginning and at the end of such taxable year (the "personal property ratio"). With respect to each of the Company's leases, the Company believes either that the personal property ratio is less than 15% or that any rent attributable to excess personal property, when taken together with all of the Company's other non-qualifying income, will not jeopardize the Company's ability to qualify as a REIT. There can be no assurance, however, that the IRS would not challenge the Company's calculation of a personal property ratio, or that a court would not uphold such assertion. If such a challenge were successfully asserted, the Company could fail to satisfy the 75% or 95% gross income test and thus potentially lose the Company's REIT status.

15.27 Fourth, except as described below, the Company cannot furnish or render noncustomary services to

the tenants of the Company's properties, or manage or operate its properties, other than through an independent contractor who is adequately compensated and from whom the Company does not derive or receive any income. However, the Company need not provide services through an "independent contractor," but instead may provide services directly to the Company's tenants, if the services are "usually or customarily rendered" in connection with the rental of space for occupancy only and are not considered to be provided for the tenants' convenience. In addition, the Company may provide a minimal amount of "noncustomary" services to the tenants of a property, other than through an independent contractor, as long as the Company's income from the services (valued at not less than 150% of the Company's direct cost for performing such services) does not exceed 1% of the Company's income from the related property. Finally, the Company may own up to 100% of the shares of one or more TRSs, which may provide noncustomary services to the Company's tenants without tainting the Company's rents from the related properties. The Company believes that it does not perform any services other than customary ones for the Company's lessees, other than any services that are provided through independent contractors or TRSs.

15.28 If a portion of the rent that the Company receives from a property does not qualify as "rents from real property" because the rent attributable to personal property exceeds 15% of the total rent for a taxable year, the portion of the rent that is attributable to personal property will not be qualifying income for purposes of either the 75% or 95% gross income test. Thus, if such rent attributable to personal property, plus any other income that is non-qualifying income for purposes of the 95% gross income test, during a taxable year exceeds 5% of the Company's gross income during the year, the Company would lose the Company's REIT qualification. If, however, the rent from a particular property does not qualify as "rents from real property" because either (i) the rent is considered to be based on the income or profits of the related lessee, (ii) the lessee either is a related party tenant or fails to qualify for the exceptions to the related party tenant rule for qualifying TRSs or (iii) the Company furnishes noncustomary services to the tenants of the property, or manages or operates the property, other than through a qualifying independent contractor or a TRS, none of the rent from that property would qualify as "rents from real property." In that case, the Company might lose the Company's REIT qualification because the Company would be unable to satisfy either the 75% or 95% gross income test. In addition to the rent, the lessees are required to pay certain additional charges. The Company believes that its leases are structured in a manner that will enable the Company to continue satisfy the REIT gross income tests.

15.29 Interest. The term "interest" generally does not include any amount received or accrued, directly or indirectly, if the determination of such amount depends in whole or in part on the income or profits of any person. However, interest generally includes the following:

- An amount that is based on a fixed percentage or percentages of receipts or sales; and
- An amount that is based on the income or profits of a debtor, as long as the debtor derives substantially all of its income from the real property securing the debt from leasing substantially

all of its interest in the property, and only to the extent that the amounts received by the debtor would be qualifying "rents from real property" if received directly by a REIT.

Interest on debt secured by a mortgage on real property or on interests in real property, including, for this purpose, discount points, prepayment penalties, loan assumption fees, and late payment charges that are not compensation for services, generally is qualifying income for purposes of the 75% gross income test. However, if a loan is secured by real property and other property and the highest principal amount of a loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of the date the REIT agreed to originate or acquire the loan or on the date the REIT modifies the loan (if the modification is treated as "significant" for federal income tax purposes), a portion of the interest income from such loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. The portion of the interest income that will not be qualifying income for purposes of the 75% gross income test will be equal to the portion of the principal amount of the loan that is not secured by real property — that is, the amount by which the loan exceeds the value of the real estate that is security for the loan. For purposes of this paragraph, however, the Company does not need to redetermine the fair market value of the real property securing a loan in connection with a loan modification that is occasioned by a borrower default or made at a time when the Company reasonably believes that the modification to the loan will substantially reduce a significant risk of default on the original loan. In addition, in the case of a loan that is secured by both real property and personal property, if the fair market value of such personal property does not exceed 15% of the total fair market value of all such property securing the loan, then the personal property securing the loan will be treated as real property for purposes of determining whether the interest on such loan is qualifying income for purposes of the 75% gross income test.

15.30 If a loan contains a provision that entitles a REIT to a percentage of the borrower's gain upon the sale of the real property securing the loan or a percentage of the appreciation in the property's value as of a specific date, income attributable to that loan provision will be treated as gain from the sale of the property securing the loan, which generally is qualifying income for purposes of both gross income tests assuming the loan is held for investment.

15.31 The Company may modify the terms of any mortgage loans the Company originates or acquires. Under the Code, if the terms of a loan are modified in a manner constituting a "significant modification," such modification triggers a deemed exchange of the original loan for the modified loan. IRS Revenue Procedure 2014-51 provides a safe harbor pursuant to which the Company will not be required to redetermine the fair market value of the real property securing a loan for purposes of the gross income and asset tests in connection with a loan modification that is (i) occasioned by a borrower default or (ii) made at a time when the Company reasonably believes that the modification to the loan will substantially reduce a significant risk of default on the original loan. To the extent the Company significantly modifies loans in a manner that does not qualify for that safe harbor, the

Company will be required to redetermine the value of the real property securing the loan at the time it was significantly modified, which could result in a portion of the interest income on the loan being treated as nonqualifying income for purposes of the 75% gross income test. In determining the value of the real property securing such a loan, the Company generally will not obtain third party appraisals but rather will rely on internal valuations.

15.32 The Company expects that the interest, original issue discount, and market discount income that the Company receives from any mortgage related assets generally will be qualifying income for purposes of both gross income tests.

Other Rules Regarding REIT Income

15.33 *Dividends*. The Company's share of any dividends received from any corporation (including any TRS, but excluding any REIT) in which the Company owns an equity interest will qualify for the purposes of the 95% gross income test but not for purposes of the 75% gross income test. The Company's share of any dividends received from any other REIT in which the Company owns an equity interest, if any, will be qualifying income for purposes of both gross income tests.

15.34 *Fee Income*. the Company may receive various fees. Fee income generally will not be treated as qualifying income for the purposes of the 75% and 95% gross income tests. Any fees earned by a TRS are not included for purposes of the gross income tests. The Company does not expect such amounts, if any, to be significant.

15.35 *Prohibited Transaction Income*. A REIT will incur a 100% tax on the net income (including foreign currency gain) derived from any sale or other disposition of property, other than Foreclosure Property, that the REIT holds primarily for sale to customers in the ordinary course of a trade or business. Any gain that the Company realizes on the sale of property held as inventory or otherwise held primarily for sale to customers, in the ordinary course of business, will generally be treated as income from a prohibited transaction that is subject to a 100% penalty tax. The Company's gain would include any gain realized by a "qualified REIT subsidiary" and the Company's share of any gain realized by any of the partnerships or limited liability companies in which the Company owns an interest. This prohibited transaction income may also adversely affect the Company's ability to satisfy the 75% Income Test and the 95% Income Test for qualification as a REIT. The Company believes that none of the Company's assets will be held primarily for sale to customers and that a sale of any of the Company's assets would not be in the ordinary course of its business. Whether a REIT holds an asset "primarily for sale to customers in the ordinary course of a trade or business" depends, however, on the facts and circumstances in effect from time to time, including those related to a particular asset. A safe harbor to the characterization of the sale of property by a REIT as a prohibited transaction and the 100% prohibited transaction tax is available if the following requirements are met:

- The REIT has held the property for not less than two years;

- The aggregate expenditures made by the REIT, or any partner of the REIT, during the two-year period preceding the date of the sale that are includable in the basis of the property do not exceed 30% of the selling price of the property;
- Either (i) during the year in question, the REIT did not make more than seven sales of property other than Foreclosure Property or sales to which Section 1031 or 1033 of the Code applies, (ii) the aggregate adjusted bases of all such properties sold by the REIT during the year did not exceed 10% of the aggregate bases of all of the assets of the REIT at the beginning of the year, (iii) the aggregate fair market value of all such properties sold by the REIT during the year did not exceed 10% of the aggregate fair market value of all of the assets of the REIT at the beginning of the year, (iv) (a) the aggregate adjusted bases of all such properties sold by the REIT during the year did not exceed 20% of the aggregate adjusted bases of all property of the REIT at the beginning of the year and (b) the 3-year average percentage of properties sold by the REIT compared to all the REIT's properties (measured by adjusted bases) taking into account the current and two prior years did not exceed 10%, or (v) (a) the aggregate fair market value of all such properties sold by the REIT during the year did not exceed 20% of the aggregate fair market value of all property of the REIT at the beginning of the year and (b) the 3-year average percentage of properties sold by the REIT compared to all the REIT's properties (measured by fair market value) taking into account the current and two prior years did not exceed 10%;
- In the case of property not acquired through foreclosure or lease termination, the REIT has held the property for at least two years for the production of rental income; and
- If the REIT has made more than seven sales of non-Foreclosure Property during the taxable year, substantially all of the marketing and development expenditures with respect to the property were made through an independent contractor from whom the REIT derives no income or a TRS.

The Company will attempt to comply with the terms of the safe-harbor provisions in the federal income tax laws prescribing when an asset sale will not be characterized as a prohibited transaction. The Company cannot assure you, however, that the Company can comply with the safe-harbor provisions or that the Company will avoid owning property that may be characterized as property that the Company holds "primarily for sale to customers in the ordinary course of a trade or business." The 100% tax will not apply to gains from the sale of property that is held through a TRS or other taxable corporation, although such income will be taxed to the corporation at regular corporate income tax rates.

15.36 *Foreclosure Property*. The Company will be subject to tax at the maximum corporate rate on any income from Foreclosure Property, which includes certain foreign currency gains and related deductions, other than income that otherwise would be qualifying income for purposes of the 75% gross income test, less expenses directly connected with the production of that income. However, gross income from Foreclosure Property will qualify under the 75% and 95% gross income tests. Foreclosure Property is any real property, including interests in real property, and any personal

property incident to such real property: (i) that is acquired by a REIT as the result of the REIT having bid on such property at foreclosure, or having otherwise reduced such property to ownership or possession by agreement or process of law, after there was a default or default was imminent on a lease of such property or on indebtedness that such property secured; (ii) for which the related loan was acquired by the REIT at a time when the default was not imminent or anticipated; and (iii) for which the REIT makes a proper election to treat the property as Foreclosure Property.

A REIT will not be considered to have foreclosed on a property where the REIT takes control of the property as a mortgage-in-possession and cannot receive any profit or sustain any loss except as a creditor of the mortgagor. Property generally ceases to be Foreclosure Property at the end of the third taxable year (or, with respect to qualified healthcare property, the second taxable year) following the taxable year in which the REIT acquired the property, or longer if an extension is granted by the Secretary of the Treasury. However, this grace period terminates and Foreclosure Property ceases to be Foreclosure Property on the first day:

- On which a lease is entered into for the property that, by its terms, will give rise to income that does not qualify for purposes of the 75% gross income test, or any amount is received or accrued, directly or indirectly, pursuant to a lease entered into on or after such day that will give rise to income that does not qualify for purposes of the 75% gross income test;
- On which any construction takes place on the property, other than completion of a building or any other improvement, where more than 10% of the construction was completed before default became imminent; or
- Which is more than 90 days after the day on which the REIT acquired the property and the property is used in a trade or business which is conducted by the REIT, other than through an independent contractor from whom the REIT itself does not derive or receive any income, or a TRS.

The Company may have the option to foreclose on mortgage loans when a borrower is in default. The foregoing rules could affect a decision by the Company to foreclose on a particular mortgage loan and could affect whether the Company chooses to foreclose with regard to a particular mortgage loan.

15.37 *Hedging Transactions.* From time to time, the Company or its Operating Partnership may enter into hedging transactions with respect to one or more of the Company's assets or liabilities. The Company's hedging activities may include entering into interest rate swaps, caps, and floors, options to purchase such items, and futures and forward contracts. Income and gain from "hedging transactions" will be excluded from gross income for purposes of both the 75% and 95% gross income tests provided the Company satisfies the identification requirements discussed below. A "hedging transaction" means (i) any transaction entered into in the normal course of the Company or its Operating Partnership's trade or business primarily to manage the risk of interest rate, price changes, or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets, (ii) any transaction entered into primarily to manage the risk of currency fluctuations with respect to any item of income or gain that

would be qualifying income under the 75% or 95% gross income test (or any property which generates such income or gain), or (iii) any transaction entered into to "offset" a transaction described in (i) or (ii) if a portion of the hedged indebtedness is extinguished or the related property is disposed of. The Company is required to clearly identify any such hedging transaction before the close of the day on which it was acquired, originated, or entered into and to satisfy other identification requirements. The Company intends to structure any hedging transactions in a manner that does not jeopardize the Company's qualification as a REIT.

15.38 *Foreign Currency Gain*. Certain foreign currency gains will be excluded from gross income for the purposes of one or both of the gross income tests. "Real estate foreign exchange gain" will be excluded from gross income for purposes of the 75% and 95% gross income tests. Real estate foreign exchange gain generally includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 75% gross income test, foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations secured by mortgages on real property or an interest in real property and certain foreign currency gain attributable to certain "qualified business units" of a REIT that would satisfy the 75% gross income test and 75% asset test (discussed below) on a stand-alone basis. "Passive foreign exchange gain" will be excluded from gross income for purposes of the 95% gross income test. Passive foreign exchange gain generally includes real estate foreign exchange gain as described above, and also includes foreign currency gain attributable to any item of income or gain that is qualifying income for purposes of the 95% gross income test and foreign currency gain attributable to the acquisition or ownership of (or becoming or being the obligor under) obligations. These exclusions for real estate foreign exchange gain and passive foreign exchange gain do not apply to foreign currency gain derived from dealing, or engaging in substantial and regular trading, in securities. Such gain is treated as non-qualifying income for purposes of both the 75% and 95% gross income tests.

15.39 *Phantom income.* Due to the nature of the assets in which the Company may invest, the Company may be required to recognize taxable income from certain assets in advance of its receipt of cash flow from or proceeds from disposition of such assets, and may be required to report taxable income that exceeds the economic income ultimately realized on such assets.

The Company may originate loans with original issue discount. In general, the Company will be required to accrue original issue discount based on the constant yield to maturity of the loan, and to treat it as taxable income in accordance with applicable federal income tax rules even though such yield may exceed cash payments, if any, received on such loan.

Under the tax law informally known as the Tax Cuts and Jobs Act ("TCJA"), the Company generally will be required to take certain amounts in income no later than the time such amounts are reflected in the Company's consolidated financial statements. This rule may require the accrual of income with respect to any loans the Company may acquire earlier than would be the case under the general tax

rules.

In addition, in the event that any loan is delinquent as to mandatory principal and interest payments, or in the event payments with respect to a particular loan are not made when due, the Company may nonetheless be required to continue to recognize the unpaid interest as taxable income.

Finally, the Company may be required under the terms of indebtedness that the Company incurs to use cash received from interest payments to make principal payments on that indebtedness, with the effect of recognizing income but not having a corresponding amount of cash available for distribution to the Company's stockholders.

Failure to Satisfy Gross Income Tests. If the Company fails to satisfy one or both of the gross income tests for any taxable year, the Company nevertheless may qualify as a REIT for that year if the Company qualifies for relief under certain provisions of the federal income tax laws. Those relief provisions are available if:

- The Company's failure to meet those tests is due to reasonable cause and not to willful neglect; and
- Following such failure for any taxable year, the Company files a schedule of the sources of the Company's income in accordance with regulations prescribed by the Secretary of the Treasury.
- Any incorrect information on the schedule is not due to fraud with intent to evade tax.

The Company cannot predict, however, whether in all circumstances the Company would qualify for the relief provisions. In addition, as discussed above in "—Taxation as a REIT", even if the relief provisions apply, the Company would incur a 100% tax on the gross income attributable to the greater of the amount by which the Company fails the 75% gross income test or the 95% gross income test multiplied, in either case, by a fraction intended to reflect the Company's profitability.

REIT Asset Tests

15.40 At the close of each quarter of the Company's taxable year, it must satisfy six tests relating to the nature of its assets.

15.41 First, at least 75% of the value of the Company's total assets must consist of: (i) cash or cash items, including certain receivables and, in certain circumstances, foreign currencies; (2) U.S. government securities; (3) interests in real property, including leaseholds and options to acquire real property and leaseholds, and personal property to the extent such personal property is leased in connection with real property and rents attributable to such personal property are treated as "rents from real property"; (4) interests in mortgage loans secured by real property; (5) stock in other REITs and debt instruments issued by "publicly offered REITs"; and (6) investments in stock or debt instruments during the one-year period following the Company's receipt of new capital that the Company raises through equity offerings or public offerings of debt with at least a five-year term.

Second, of the Company's investments not included in the 75% asset class, the value of its interest in

any one issuer's securities (other than a TRS) may not exceed 5% of the value of the Company's total assets, or the 5% asset test.

Third, of the Company's investments not included in the 75% asset class, the Company may not own more than 10% of the voting power of any one issuer's outstanding securities or 10% of the value of any one issuer's outstanding securities, or the 10% vote test or 10% value test, respectively.

Fourth, no more than 20% of the value of the Company's total assets may consist of the securities of one or more TRSs.

Fifth, no more than 25% of the value of the Company's total assets may consist of the securities of TRSs and other non-TRS taxable subsidiaries and other assets that are not qualifying assets for purposes of the 75% asset test, or the 25% securities test.

Sixth, no more than 25% of the value of the Company's total assets may consist of debt instruments issued by "publicly offered REITs" to the extent such debt instruments are not secured by real property or interests in real property.

15.42 For purposes of the 5% asset test, the 10% vote test and the 10% value test, the term "securities" does not include shares in another REIT, debt of "publicly offered REITs," equity or debt securities of a qualified REIT subsidiary or TRS, mortgage loans that constitute real estate assets, or equity interests in a partnership. The term "securities," however, generally includes debt securities issued by a partnership or another REIT (other than a "publicly offered REIT"), except that for purposes of the 10% value test, the term "securities" does not include:

- "Straight debt" securities, which is defined as a written unconditional promise to pay on demand or on a specified date a sum certain in money if (i) the debt is not convertible, directly or indirectly, into equity, and (ii) the interest rate and interest payment dates are not contingent on profits, the borrower's discretion, or similar factors. "Straight debt" securities do not include any securities issued by a partnership or a corporation in which the Company or any controlled TRS (i.e., a TRS in which the Company owns directly or indirectly more than 50% of the voting power or value of the stock) hold non-"straight debt" securities that have an aggregate value of more than 1% of the issuer's outstanding securities. However, "straight debt" securities include debt subject to the following contingencies:

- A contingency relating to the time of payment of interest or principal, as long as either (i) there is no change to the effective yield of the debt obligation, other than a change to the annual yield that does not exceed the greater of 0.25% or 5% of the annual yield, or (ii) neither the aggregate issue price nor the aggregate face amount of the issuer's debt obligations held by the Company exceeds $1 million and no more than 12 months of unaccrued interest on the debt obligations can be required to be prepaid; and

- A contingency relating to the time or amount of payment upon a default or prepayment of a debt obligation, as long as the contingency is consistent with customary commercial practice;
- Any loan to an individual or an estate;
- Any "section 467 rental agreement," other than an agreement with a related party tenant;
- Any obligation to pay "rents from real property";
- Certain securities issued by governmental entities;
- Any security issued by a REIT;
- Any debt instrument issued by an entity treated as a partnership for federal income tax purposes in which the Company is a partner to the extent of the Company's proportionate interest in the equity and debt securities of the partnership; and
- Any debt instrument issued by an entity treated as a partnership for federal income tax purposes not described in the preceding bullet points if at least 75% of the partnership's gross income, excluding income from prohibited transactions, is qualifying income for purposes of the 75% gross income test described above in "—Gross Income Tests."

For purposes of the 10% value test, the Company's proportionate share of the assets of a partnership is the Company's proportionate interest in any securities issued by the partnership, without regard to the securities described in the last two bullet points above.

15.43 In general, under the applicable Treasury regulations, if a loan is secured by real property and other property and the highest principal amount of the loan outstanding during a taxable year exceeds the fair market value of the real property securing the loan as of: (1) the date the Company agreed to acquire or originate the loan; or (2) in the event of a significant modification, the date the Company modified the loan, then a portion of the interest income from such a loan will not be qualifying income for purposes of the 75% gross income test, but will be qualifying income for purposes of the 95% gross income test. Although the law is not entirely clear, a portion of the loan will also likely be a non-qualifying asset for purposes of the 75% asset test. The non-qualifying portion of such a loan would be subject to, among other requirements, the 10% vote or value test. IRS Revenue Procedure 2014-51 provides a safe harbor under which the IRS has stated that it will not challenge a REIT's treatment of a loan as being, in part, a qualifying real estate asset in an amount equal to the lesser of (1) the fair market value of the loan on the relevant quarterly REIT asset testing date or (2) the greater of (a) the fair market value of the real property securing the loan on the relevant quarterly REIT testing date or (b) the fair market value of the real property securing the loan on the date the REIT committed to originate or acquire the loan. The Company intends to invest in mortgage loans, if any, in a manner that will enable the Company to continue to satisfy the asset and gross income test requirements.

15.44 The Company will monitor the status of its assets for the purposes of the various asset tests and will

manage the Company's portfolio in order to comply at all times with such tests. However, there is no assurance that the Company will not inadvertently fail to comply with such tests. If the Company fails to satisfy the asset tests at the end of a calendar quarter, the Company will not lose the Company's REIT qualification if: (1) the Company satisfied the asset tests at the end of the preceding calendar quarter; and (2) the discrepancy between the value of the Company's assets and the asset test requirements arose from changes in the market values of the Company's assets and was not wholly or partly caused by the acquisition of one or more non-qualifying assets.

If the Company did not satisfy the condition described in the second item, above, the Company still could avoid disqualification by eliminating any discrepancy within 30 days after the close of the calendar quarter in which it arose.

15.45 If the Company violates the 5% asset test, the 10% vote test or the 10% value test described above, the Company will not lose the Company's REIT qualification if (i) the failure is de minimis (up to the lesser of 1% of the Company's assets or $10 million) and (ii) the Company disposes of assets causing the failure or otherwise comply with the asset tests within six months after the last day of the quarter in which the Company identifies such failure. If the Company fails any of the asset tests (other than de minimis failures described in the preceding sentence), as long as the failure was due to reasonable cause and not to willful neglect, the Company will not lose its REIT qualification if the Company (i) disposes of assets causing the failure or otherwise comply with the asset tests within six months after the last day of the quarter in which the Company identifies the failure, (ii) files a description of each asset causing the failure with the IRS and (iii) pays a tax equal to the greater of $50,000 or the highest corporate tax rate applicable to the net income from the assets causing the failure during the period in which the Company failed to satisfy the asset tests.

15.46 The Company believes that its existing investments comply with the foregoing asset tests, and the Company intends to monitor compliance on an ongoing basis. the Company believes that the assets that the Company holds, and that the Company will acquire in the future, will allow the Company to satisfy the foregoing asset test requirements. However, the Company does not typically obtain independent appraisals to support the Company's conclusions as to the value of its assets, and may not obtain independent appraisals to support the Company's conclusions as to the value of the real estate collateral for any senior loan that the Company may hold. Moreover, the values of some assets may not be susceptible to a precise determination. As a result, there can be no assurance that the IRS will not contend that the Company's ownership of certain assets violates one or more of the asset tests applicable to REITs.

Distribution Requirements

15.47 Each taxable year, the Company must distribute dividends, other than capital gain dividends and deemed distributions of retained capital gain, to the Company's stockholders in an aggregate amount at least equal to: (1) the sum of: (i) 90% of the Company's "REIT taxable income," computed without

regard to the dividends paid deduction and the Company's net capital gain or loss, and (ii) 90% of the Company's after-tax net income, if any, from Foreclosure Property, minus (2) the excess of the sum of specified items of non-cash income (including original issue discount on any loans) over 5% of the Company's REIT taxable income, computed without regard to the dividends paid deduction and the Company's net capital gain.

15.48 The Company must make such distributions in the taxable year to which they relate, or in the following taxable year if either (i) the Company declares the distribution before the Company timely files its federal income tax return for the year and pays the distribution on or before the first regular dividend payment date after such declaration or (ii) the Company declares the distribution in October, November or December of the taxable year, payable to stockholders of record on a specified day in any such month, and the Company actually pays the dividend before the end of January of the following year. The distributions under clause (i) are taxable to the stockholders in the year in which they are paid, and the distributions in clause (ii) are treated as paid on December 31st of the prior taxable year. In both instances, these distributions relate to the Company's prior taxable year for purposes of the 90% distribution requirement.

15.49 Further, if the Company was not a "publicly offered REIT," for its distributions to be counted as satisfying the annual distribution requirement for REITs and to provide the Company with the dividends paid deduction, such distributions must not be "preferential dividends." A dividend is not a preferential dividend if that distribution is (i) pro rata among all outstanding shares within a particular class of stock and (ii) in accordance with the preferences among different classes of stock as set forth in the Charter. This preferential dividend rule does not apply to the Company so long as the Company qualifies and continue to qualify as a "publicly offered REIT."

15.50 The Company will pay federal income tax on taxable income, including net capital gain, that the Company does not distribute to stockholders. Furthermore, if the Company fails to distribute during a calendar year, or by the end of January following the calendar year in the case of distributions with declaration and record dates falling in the last three months of the calendar year, at least the sum of:

- 85% of the Company's REIT ordinary income for such year,
- 95% of the Company's REIT capital gain income for such year, and
- Any undistributed taxable income from prior periods.

15.51 The Company will incur a 4% non-deductible excise tax on the excess of such required distribution over the amounts the Company actually distributes during such year.

15.52 The Company may elect to retain and pay income tax on the net long-term capital gain the Company receives in a taxable year. If the Company so elects, the Company will be treated as having distributed any such retained amount for purposes of the 4% non-deductible excise tax described above. The Company intends to make timely distributions sufficient to satisfy the annual distribution

requirements and to avoid corporate income tax and the 4% nondeductible excise tax.

15.53 It is possible that, from time to time, the Company may experience timing differences between the actual receipt of income and actual payment of deductible expenses and the inclusion of that income and deduction of such expenses in arriving at the Company's REIT taxable income. For example, the Company may not deduct recognized capital losses from the Company's "REIT taxable income." Further, it is possible that, from time to time, the Company may be allocated a share of net capital gain attributable to the sale of depreciated property that exceeds the Company's allocable share of cash attributable to that sale. As a result of the foregoing, the Company may have less cash than is necessary to distribute taxable income sufficient to avoid corporate income tax and the excise tax imposed on certain undistributed income or even to meet the 90% distribution requirement. In such a situation, the Company may need to borrow funds or, if possible, pay taxable dividends of the Company's capital stock or debt securities.

15.54 The Company may satisfy the REIT annual distribution requirements by making taxable distributions of its stock or debt securities. The IRS has issued a revenue procedure authorizing publicly offered REITs to treat certain distributions that are paid partly in cash and partly in stock as dividends that would satisfy the REIT annual distribution requirement and qualify for the dividends paid deduction for federal income tax purposes. The Company currently does not intend to pay taxable dividends payable in cash and stock.

15.55 Under certain circumstances, the Company may be able to correct a failure to meet the distribution requirement for a year by paying "deficiency dividends" to the Company's stockholders in a later year. The Company may include such deficiency dividends in its deduction for dividends paid for the earlier year. Although the Company may be able to avoid income tax on amounts distributed as deficiency dividends, the Company will be required to pay interest and penalties to the IRS based upon the amount of any deduction the Company takes for deficiency dividends for an earlier year.

15.56 The Company is required to file an annual federal income tax return, which, like other corporate returns, is subject to examination by the IRS. Because the tax laws require the Company to make many judgments regarding the proper treatment of a transaction or an item of income or deduction, it is possible that the IRS will challenge positions the Company takes in computing the Company's REIT taxable income and the Company's distributions. Issues could arise, for example, with respect to the allocation of the purchase price of properties between depreciable or amortizable assets and non-depreciable or non-amortizable assets such as land and the current deductibility of fees paid to the Company's advisor and its affiliates. If the IRS were to successfully challenge the Company's characterization of a transaction or determination of the Company's REIT taxable income, the Company could be found to have failed to satisfy a requirement for qualification as a REIT. If, as a result of a challenge, the Company is determined to have failed to satisfy the distribution requirements for a taxable year, the Company would be disqualified as a REIT unless the Company was permitted

to pay a deficiency distribution to the Company's stockholders and pay penalties and interest thereon to the IRS, as provided by the Code. A deficiency distribution cannot be used to satisfy the distribution requirement however, if the failure to meet the requirement is not due to a later adjustment to the Company's income by the IRS.

Recordkeeping Requirements

15.57 To avoid a monetary penalty, the Company must request on an annual basis information from the Company's stockholders designed to disclose the actual ownership of the Company's outstanding stock. The Company intends to comply with these requirements.

Failure to Qualify as a REIT

15.58 If the Company fails to satisfy one or more requirements for REIT qualification, other than the gross income tests and the asset tests, it could avoid disqualification if the Company's failure is due to reasonable cause and not to willful neglect and the Company pays a penalty of $50,000 for each such failure. In addition, there are relief provisions for a failure of the gross income tests and asset tests, as described in "—Gross Income Tests" and "—Asset Tests."

15.59 If the Company fails to qualify as a REIT in any taxable year, and no relief provision applies, the Company would be subject to federal income tax and any applicable alternative minimum tax on the Company's taxable income at regular corporate rates (currently, 21%). In calculating the Company's taxable income in a year in which the Company fails to qualify as a REIT, the Company would not be able to deduct amounts paid out to stockholders. In fact, the Company would not be required to distribute any amounts to stockholders in that year. In such event, to the extent of the Company's current and accumulated earnings and profits, distributions to stockholders generally would be taxable as ordinary income. Subject to certain limitations of the federal income tax laws, corporate stockholders may be eligible for the dividends received deduction and stockholders taxed at individual rates may be eligible for the reduced federal income tax rate of up to 20% on such dividends. Unless the Company qualified for relief under specific statutory provisions, if the Company's REIT status is terminated, for any reason, the Company also would be disqualified from taxation as a REIT for the four taxable years following the year during which the Company ceased to qualify as a REIT. The Company cannot predict whether in all circumstances the Company would qualify for such statutory relief.

Taxation of Taxable U.S. Stockholders

15.60 As used herein, the term "U.S. stockholder" means a beneficial owner of the Company's capital stock that for federal income tax purposes is:

- A citizen or resident of the United States;
- A corporation (including an entity treated as a corporation for federal income tax purposes) created or organized in or under the laws of the United States, any of its states or the District of Columbia;

- An estate whose income is subject to federal income taxation regardless of its source;
- Any trust if (i) a U.S. court is able to exercise primary supervision over the administration of such trust and one or more U.S. persons have the authority to control all substantial decisions of the trust or (ii) it has a valid election in place to be treated as a U.S. person; or
- A person or entity otherwise subject to federal income taxation on a net income basis.

15.61 If a partnership, entity or arrangement treated as a partnership for federal income tax purposes holds the Company's capital stock, the federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. If you are a partner in a partnership holding the Company's capital stock, you should consult your tax advisor regarding the consequences of the ownership and disposition of the Company's capital stock by the partnership.

15.62 As long as the Company qualifies as a REIT, a taxable U.S. stockholder must generally take into account as ordinary income distributions made out of the Company's current or accumulated earnings and profits that the Company does not designate as capital gain dividends or retained long-term capital gain. The Company's dividends will not qualify for the dividends received deduction generally available to corporations.

15.63 Individuals, trusts and estates may deduct up to 20% of certain pass-through income, including ordinary REIT dividends that are not "capital gain dividends" or "qualified dividend income," subject to certain limitations (the "pass-through deduction"). For taxable years before January 1, 2026, the maximum tax rate for U.S. stockholders taxed at individual rates is 37%. For taxpayers qualifying for the full pass-through deduction, the effective maximum tax rate on ordinary REIT dividends for taxable years before January 1, 2026 would be 29.6%. In addition, individuals, trusts and estates whose income exceeds certain thresholds are also subject to a 3.8% Medicare tax on dividends received from us.

15.64 Dividends paid to a U.S. stockholder generally will not qualify for the 20% tax rate for "qualified dividend income." Qualified dividend income generally includes dividends paid by domestic C corporations and certain qualified foreign corporations to U.S. stockholders that are taxed at individual rates. Because the Company is not generally subject to federal income tax on the portion of the Company's REIT taxable income distributed to the Company's stockholders (See "— Taxation of the Company" above), the Company's dividends generally will not be eligible for the 20% rate on qualified dividend income. As a result, the Company's ordinary REIT dividends generally will be taxed at a higher tax rate as described above. However, the 20% tax rate for qualified dividend income will apply to the Company's ordinary REIT dividends (i) attributable to dividends received by the Company from non-REIT corporations during the taxable year, such as a TRS, and (ii) to the extent attributable to income upon which the Company has paid corporate income tax (e.g., to the extent that the Company distributes less than 100% of the Company's taxable income). In general, to qualify for the reduced tax rate on qualified dividend income, a stockholder must hold the Company's capital

stock for more than 60 days during the 121 day period beginning on the date that is 60 days before the date on which the Company's capital stock becomes ex-dividend.

15.65 A U.S. stockholder generally will take into account as long-term capital gain any distributions that the Company designates as capital gain dividends without regard to the period for which the U.S. stockholder has held the Company's stock. The Company generally will designate its capital gain dividends as either 20% or 25% rate distributions. See "— Capital Gains and Losses." A corporate U.S. stockholder, however, may be required to treat up to 20% of certain capital gain dividends as ordinary income.

15.66 The Company may elect to retain and pay income tax on the net long-term capital gain that the Company receives in a taxable year. In that case, to the extent that the Company designates such amount in a timely notice to such stockholder, a U.S. stockholder would be taxed on its proportionate share of the Company's undistributed long-term capital gain. The U.S. stockholder would receive a credit for its proportionate share of the tax the Company paid. The U.S. stockholder would increase the basis in its stock by the amount of its proportionate share of the Company's undistributed long-term capital gain, minus its share of the tax the Company paid.

15.67 A U.S. stockholder will not incur tax on a distribution in excess of the Company's current and accumulated earnings and profits if the distribution does not exceed the adjusted basis of the U.S. stockholder in the shares of capital stock on which the distribution was paid. Instead, the distribution will reduce the adjusted basis of such stock. A U.S. stockholder will recognize a distribution in excess of both the Company's current and accumulated earnings and profits and the U.S. stockholder's adjusted basis in his or her stock as long-term capital gain, or short-term capital gain if the shares of stock have been held for one year or less, assuming the shares of stock are a capital asset in the hands of the U.S. stockholder. In addition, if the Company declares a distribution in October, November, or December of any year that is payable to a U.S. stockholder of record on a specified date in any such month, such distribution shall be treated as both paid by the Company and received by the U.S. stockholder on December 31 of such year, provided that the Company actually pays the distribution during January of the following calendar year.

15.68 U.S. stockholders may not include in their individual income tax returns any of the Company's net operating losses or capital losses. Instead, these losses are generally carried over by the Company for potential offset against its future income. Taxable distributions from the Company and gain from the disposition of the Company's capital stock will not be treated as passive activity income and, therefore, U.S. stockholders generally will not be able to apply any "passive activity losses," such as losses from certain types of limited partnerships in which the U.S. stockholder is a limited partner, against such income. In addition, taxable distributions from the Company and gain from the disposition of its capital stock generally will be treated as investment income for purposes of the investment interest limitations.

Taxation of U.S. Stockholders on the Disposition of Capital Stock

15.69 A U.S. stockholder who is not a dealer in securities must generally treat any gain or loss realized upon a taxable disposition of the Company's stock as long-term capital gain or loss if the U.S. stockholder has held the Company's stock for more than one year and otherwise as short-term capital gain or loss. In general, a U.S. stockholder will realize gain or loss in an amount equal to the difference between the sum of the fair market value of any property and the amount of cash received in such disposition and the U.S. stockholder's adjusted tax basis. A stockholder's adjusted tax basis generally will equal the U.S. stockholder's acquisition cost, increased by the excess of net capital gains deemed distributed to the U.S. stockholder (discussed above) less tax deemed paid on such gains and reduced by any returns of capital. However, a U.S. stockholder must treat any loss upon a sale or exchange of stock held by such stockholder for six months or less as a long-term capital loss to the extent of capital gain dividends and any other actual or deemed distributions from the Company that such U.S. stockholder treats as long-term capital gain. All or a portion of any loss that a U.S. stockholder realizes upon a taxable disposition of shares of the Company's stock may be disallowed if the U.S. stockholder purchases other stock within 30 days before or after the disposition. Also, the IRS is authorized to issue Treasury Regulations that would subject a portion of the capital gain a U.S. stockholder recognizes from selling his shares or from a capital gain distribution to a tax at a 25% rate, to the extent the capital gain is attributable to depreciation previously deducted.

15.70 If a U.S. stockholder has shares of the Company's common stock redeemed by the Company, the U.S. stockholder will be treated as if the U.S. stockholder sold the redeemed shares if all of the U.S. stockholder's shares of the Company's common stock are redeemed or if the redemption is not essentially equivalent to a dividend within the meaning of Section 302(b)(1) of the Code or substantially disproportionate within the meaning of Section 302(b)(2) of the Code. If a redemption distribution is not treated as a sale of the redeemed shares, it will be treated as a dividend distribution, and will not be entitled to return of capital treatment as in the case of a sale or exchange transaction. U.S. stockholders should consult with their tax advisors regarding the taxation of any particular redemption of the Company's shares.

Capital Gains and Losses

15.71 A taxpayer generally must hold a capital asset for more than one year for gain or loss derived from its sale or exchange to be treated as long-term capital gain or loss. For taxable years before January 1, 2026, the highest marginal individual income tax rate currently is 37%. The maximum tax rate on long-term capital gain applicable to taxpayers taxed at individual rates is 20% for sales and exchanges of assets held for more than one year. In addition, certain net capital gains attributable to depreciable real property held for more than 12 months are subject to a 25% maximum federal income tax rate to the extent of previously claimed real property depreciation. The maximum tax rate on long-term capital gain from the sale or exchange of "Section 1250 property," or depreciable real property, is

25%, which applies to the lesser of the total amount of the gain or the accumulated depreciation on the Section 1250 property. In addition, individuals, trusts and estates whose income exceeds certain thresholds are also subject to a 3.8% Medicare tax on gain from the sale of the Company's stock.

15.72 With respect to distributions that the Company designates as capital gain dividends and any retained capital gain that the Company is deemed to distribute, the Company generally may designate whether such a distribution is taxable to U.S. stockholders taxed at individual rates currently at a 20% or 25% rate. Thus, the tax rate differential between capital gain and ordinary income for those taxpayers may be significant. In addition, the characterization of income as capital gain or ordinary income may affect the deductibility of capital losses. A non-corporate taxpayer may deduct capital losses not offset by capital gains against its ordinary income only up to a maximum annual amount of $3,000. A non-corporate taxpayer may carry forward unused capital losses indefinitely. A corporate taxpayer must pay tax on its net capital gain at ordinary corporate rates. A corporate taxpayer may deduct capital losses only to the extent of capital gains, with unused losses being carried back three years and forward five years.

FATCA Withholding

15.73 Under the Foreign Account Tax Compliance Act, or FATCA, a U.S. withholding tax at a 30% rate will be imposed on dividends paid to certain U.S. stockholders who own the Company's shares through foreign accounts or foreign intermediaries if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. The Company will not pay any additional amounts in respect of any amounts withheld.

Taxation of Tax-Exempt Stockholders

15.74 Tax-exempt entities, including qualified employee pension and profit-sharing trusts and individual retirement accounts, generally are exempt from federal income taxation. However, they are subject to taxation on their unrelated business taxable income ("UBTI"). Although many investments in real estate generate UBTI, the IRS has issued a ruling that dividend distributions from a REIT to an exempt employee pension trust do not constitute UBTI. Based on that ruling, amounts that the Company distributes to tax-exempt stockholders generally should not constitute UBTI. However, if a tax-exempt stockholder were to finance (or be deemed to finance) its acquisition of capital stock with debt, a portion of the income that it receives from the Company would constitute UBTI pursuant to the "debt-financed property" rules. Moreover, social clubs, voluntary employee benefit associations, supplemental unemployment benefit trusts and qualified group legal services plans that are exempt from taxation under special provisions of the federal income tax laws are subject to different UBTI rules, which generally will require them to characterize distributions that they receive from the Company as UBTI. Finally, in certain circumstances, a qualified employee pension or profit-sharing trust that owns more than 10% of the Company's capital stock must treat a percentage of the dividends that it receives from the Company as UBTI. Such a percentage is equal to the gross income the

Company derives from an unrelated trade or business, determined as if the Company was a pension trust, divided by the Company's total gross income for the year in which the Company pays the dividends. That rule applies to a pension trust holding more than 10% of the Company's capital stock only if:

- The percentage of the Company's dividends that the tax-exempt trust must treat as UBTI is at least 5%;
- The Company qualifies as a REIT by reason of the modification of the rule requiring that no more than 50% of the Company's capital stock be owned by five or fewer individuals that allows the beneficiaries of the pension trust to be treated as holding the Company's capital stock in proportion to their actuarial interests in the pension trust; and
- Either: (i) one pension trust owns more than 25% of the value of the Company's capital stock; or (ii) a group of pension trusts individually holding more than 10% of the value of the Company's capital stock collectively owns more than 50% of the value of the Company's capital stock.

Taxation of Non-U.S. Stockholders

15.75 The term "non-U.S. stockholder" means a beneficial owner of the Company's capital stock that is not a U.S. stockholder, a partnership (or entity treated as a partnership for federal income tax purposes) or a tax-exempt stockholder. The rules governing federal income taxation of non-resident alien individuals, foreign corporations, foreign partnerships, and other foreign stockholders are highly complex. This section is only a summary of such rules. The Company urges non-U.S. stockholders to consult their tax advisors to determine the impact of federal, state, and local income tax laws on the purchase, ownership and sale of the Company's capital stock, including any reporting requirements.

REIT Distributions

15.76 A non-U.S. stockholder that receives a distribution that is not attributable to gain from the Company's sale or exchange of a "United States real property interest" ("USRPI"), as defined below, and that the Company does not designate as a capital gain dividend or retained capital gain will recognize ordinary income to the extent that the Company pays such distribution out of the Company's current or accumulated earnings and profits. A withholding tax equal to 30% of the gross amount of the distribution ordinarily will apply to such distribution unless an applicable tax treaty reduces or eliminates the tax. However, if a distribution is treated as effectively connected with the non-U.S. stockholder's conduct of a U.S. trade or business, the non-U.S. stockholder generally will be subject to federal income tax on the distribution at graduated rates, in the same manner as U.S. stockholders are taxed with respect to such distribution, and will be required to file a tax return in the U.S. on which such income and tax are reported, and a non-U.S. stockholder that is a corporation also may be subject to the 30% branch profits tax with respect to that distribution. The Company plans to withhold U.S. income tax at the rate of 30% on the gross amount of any such distribution paid to a non-U.S. stockholder unless either:

- A lower treaty rate applies and the non-U.S. stockholder files an IRS Form W-8BEN or W-8BEN-E, as applicable, evidencing eligibility for that reduced rate with us;
- The non-U.S. stockholder files an IRS Form W-8ECI with the Company claiming that the distribution is effectively connected income; or
- The distribution is treated as attributable to a sale of a USRPI under FIRPTA (discussed below).

15.77 A non-U.S. stockholder will not incur tax on a distribution in excess of the Company's current and accumulated earnings and profits if the excess portion of such distribution does not exceed the adjusted basis of the non-U.S. stockholder in the shares of capital stock on which the distribution was paid. Instead, the excess portion of such distribution will reduce the adjusted basis of such stock. A non-U.S. stockholder will be subject to tax on a distribution that exceeds both the Company's current and accumulated earnings and profits and the adjusted basis of its capital stock, if the non-U.S. stockholder otherwise would be subject to tax on gain from the sale or disposition of its capital stock, as described below. The Company may be required to withhold 15% of any distribution that exceeds the Company's current and accumulated earnings and profits. Consequently, although the Company intends to withhold at a rate of 30% on the entire amount of any distribution, to the extent that the Company does not do so, the Company may withhold at a rate of 15% on any portion of a distribution not subject to withholding at a rate of 30%. Because the Company generally cannot determine at the time the Company makes a distribution whether the distribution will exceed the Company's current and accumulated earnings and profits, the Company normally will withhold tax on the entire amount of any distribution at the same rate as the Company would withhold on a dividend. However, a non-U.S. stockholder may claim a refund of amounts that the Company withhold if it later determines that a distribution in fact exceeded the Company's current and accumulated earnings and profits.

15.78 For any year in which the Company qualifies as a REIT, a non-U.S. stockholder may incur tax on distributions that are attributable to gain from the Company's sale or exchange of a USRPI under the Foreign Investment in Real Property Act of 1980 ("FIRPTA"). A USRPI includes certain interests in real property and stock in corporations at least 50% of whose assets consist of interests in real property. Under FIRPTA, subject to the exceptions discussed below, a non-U.S. stockholder is taxed on distributions attributable to gain from sales of USRPIs as if such gain were effectively connected with a U.S. business of the non-U.S. stockholder. A non-U.S. stockholder thus would be taxed on such a distribution at the normal capital gains rates applicable to U.S. stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of a nonresident alien individual. A non-U.S. corporate stockholder not entitled to treaty relief or exemption also may be subject to the 30% branch profits tax on such a distribution.

15.79 Capital gain distributions to the holders of shares of a class of the Company's capital stock that are attributable to the Company's sale of real property will be treated as ordinary dividends rather than as gain from the sale of a USRPI, as long as (i) (a) such class of capital stock is treated as being "regularly traded" on an established securities market in the United States, and (b) the non-U.S. stockholder did

not own more than 10% of such class of capital stock at any time during the one-year period preceding the distribution or (ii) the non-U.S. stockholder was treated as a "qualified shareholder" or "qualified foreign pension fund," as discussed below. As a result, non-U.S. stockholders generally will be subject to withholding tax on such capital gain distributions in the same manner as they are subject to withholding tax on ordinary dividends. We believe that our Common Stock is regularly traded on an established securities market in the United States. However, no assurance that our common stock will continue to be so traded on an established securities market in the United States. If a class of the Company's capital stock is not regularly traded on an established securities market in the United States or the non-U.S. stockholder owned more than 10% of the applicable class of the Company's capital stock at any time during the one-year period preceding the distribution, capital gain distributions that are attributable to the Company's sale of real property would be subject to tax under FIRPTA, as described in the preceding paragraph. In such case, the Company must withhold 21% of any distribution that the Company could designate as a capital gain dividend. A non-U.S. stockholder may receive a credit against its tax liability for the amount the Company withholds. Moreover, if a non-U.S. stockholder disposes of shares of the Company's capital stock during the 30-day period preceding a dividend payment, and such non-U.S. stockholder (or a person related to such non-U.S. stockholder) acquires or enters into a contract or option to acquire that capital stock within 61 days of the first day of the 30-day period described above, and any portion of such dividend payment would, but for the disposition, be treated as a USRPI capital gain to such non-U.S. stockholder, then such non-U.S. stockholder shall be treated as having USRPI capital gain in an amount that, but for the disposition, would have been treated as USRPI capital gain.

15.80 Although the law is not clear on the matter, it appears that amounts the Company designates as retained capital gains in respect of the Company's capital stock held by U.S. stockholders generally should be treated with respect to non-U.S. stockholders in the same manner as actual distributions by the Company of capital gain dividends. Under this approach, a non-U.S. stockholder would be able to offset as a credit against its federal income tax liability resulting from its proportionate share of the tax paid by the Company on such retained capital gains, and to receive from the IRS a refund to the extent of the non-U.S. stockholder's proportionate share of such tax paid by the Company exceeds its actual federal income tax liability, provided that the non-U.S. stockholder furnishes required information to the IRS on a timely basis.

Dispositions

15.81 Non-U.S. stockholders could incur tax under FIRPTA with respect to gain realized upon a disposition of the Company's capital stock if the Company is a United States real property holding corporation during a specified testing period. If at least 50% of a REIT's assets are USRPIs, then the REIT will be a United States real property holding corporation. The Company anticipates that the Company will be a United States real property holding corporation based on the Company's investment strategy. However, despite the Company's status as a United States real property holding corporation, a non-

U.S. stockholder generally would not incur tax under FIRPTA on gain from the sale of the Company's capital stock if the Company is a "domestically controlled qualified investment entity." A domestically controlled qualified investment entity includes a REIT in which, at all times during a specified testing period, less than 50% in value of its shares are held directly or indirectly by non-U.S. stockholders. The Company cannot assure you that this test will be met. If a class of the Company's capital stock is regularly traded on an established securities market, an additional exception to the tax under FIRPTA will be available with respect to that class of the Company's capital stock, even if the Company does not qualify as a domestically controlled qualified investment entity at the time the non-U.S. stockholder sells shares of that class of the Company's capital stock. Under that exception, the gain from such a sale by such a non-U.S. stockholder will not be subject to tax under FIRPTA if:

- That class of the Company's capital stock is treated as being regularly traded under applicable Treasury regulations on an established securities market; and
- The non-U.S. stockholder owned, actually or constructively, 10% or less of that class of the Company's capital stock at all times during a specified testing period.

Although we believe that our common stock has been regularly traded on an established securities market, no assurance can be given that our Common Stock will continue to be so traded, in which case this exemption from application of FIRPTA upon the sale of a our common stock by a non-U.S. stockholder would not be available.

15.82 If the gain on the sale of shares of the Company's capital stock was taxed under FIRPTA, a non-U.S. stockholder would be taxed on that gain in the same manner as U.S. stockholders, subject to applicable alternative minimum tax and a special alternative minimum tax in the case of nonresident alien individuals. Furthermore, a non-U.S. stockholder generally will incur tax on gain not subject to FIRPTA if:

- The gain is effectively connected with the non-U.S. stockholder's U.S. trade or business, in which case the non-U.S. stockholder will be subject to the same treatment as U.S. stockholders with respect to such gain; or
- The non-U.S. stockholder is a non-resident alien individual who was present in the United States for 183 days or more during the taxable year and has a "tax home" in the United States, in which case the non-U.S. stockholder will incur a 30% tax on his or her capital gains.

Qualified Shareholders

15.83 Subject to the exception discussed below, any distribution to a "qualified shareholder" who holds REIT stock directly or indirectly (through one or more partnerships) will not be subject to federal income taxation under FIRPTA and thus will not be subject to the special withholding rules under FIRPTA. While a "qualified shareholder" will not be subject to FIRPTA withholding on REIT

distributions, the portion of REIT distributions attributable to certain investors in a "qualified shareholder" (i.e., non-U.S. persons who hold interests in the "qualified shareholder" (other than interests solely as a creditor), and directly or indirectly hold more than 10% of the stock of such REIT (whether or not by reason of the investor's ownership in the "qualified stockholder")) may be subject to FIRPTA withholding. REIT distributions received by a "qualified stockholder" that are exempt from FIRPTA withholding may still be subject to regular U.S. withholding tax.

15.84 In addition, a sale of the Company's stock by a "qualified shareholder" who holds such stock directly or indirectly (through one or more partnerships) generally will not be subject to federal income taxation under FIRPTA. As with distributions, the portion of amounts realized attributable to certain investors in a "qualified shareholder" (i.e., non-U.S. persons who hold interests in the "qualified shareholder" (other than interests solely as a creditor), and directly or indirectly hold more than 10% of the stock of such REIT (whether or not by reason of the investor's ownership in the "qualified shareholder")) may be subject to federal income taxation and FIRPTA withholding on a sale of the Company's stock.

15.85 A "qualified shareholder" is a foreign person that (i) either is eligible for the benefits of a comprehensive income tax treaty which includes an exchange of information program and whose principal class of interests is listed and regularly traded on one or more recognized stock exchanges (as defined in such comprehensive income tax treaty), or is a foreign partnership that is created or organized under foreign law as a limited partnership in a jurisdiction that has an agreement for the exchange of information with respect to taxes with the United States and has a class of limited partnership units representing greater than 50% of the value of all the partnership units that is regularly traded on the NYSE American or NASDAQ markets, (ii) is a qualified collective investment vehicle (defined below), and (iii) maintains records on the identity of each person who, at any time during the foreign person's taxable year, is the direct owner of 5% or more of the class of interests or units (as applicable) described in (i), above.

15.86 A qualified collective investment vehicle is a foreign person that (i) would be eligible for a reduced rate of withholding under the comprehensive income tax treaty described above, even if such entity holds more than 10% of the stock of such REIT, (ii) is publicly traded, is treated as a partnership under the Code, is a withholding foreign partnership, and would be treated as a "United States real property holding corporation" if it were a domestic corporation, or (iii) is designated as such by the Secretary of the Treasury and is either (a) fiscally transparent within the meaning of Section 894 of the Code, or (b) required to include dividends in its gross income, but is entitled to a deduction for distributions to its investors.

Qualified Foreign Pension Funds

15.87 Any distribution to a "qualified foreign pension fund" (or an entity all of the interests of which are held by a "qualified foreign pension fund") who holds REIT stock directly or indirectly (through one

or more partnerships) will not be subject to federal income taxation under FIRPTA and thus will not be subject to the special withholding rules under FIRPTA. REIT distributions received by a "qualified foreign pension fund" that are exempt from FIRPTA withholding may still be subject to regular U.S. withholding tax 9e.g. on ordinary dividends). In addition, a sale of the Company's stock by a "qualified foreign pension fund" that holds such stock directly or indirectly (through one or more partnerships) will not be subject to federal income taxation under FIRPTA.

15.88 A qualified foreign pension fund is any trust, corporation, or other organization or arrangement (i) which is created or organized under the law of a country other than the United States, (ii) which is established to provide retirement or pension benefits to participants or beneficiaries that are current or former employees (or persons designated by such employees) of one or more employers in consideration for services rendered, (iii) which does not have a single participant or beneficiary with a right to more than 5% of its assets or income, (iv) which is subject to government regulation and provides annual information reporting about its beneficiaries to the relevant tax authorities in the country in which it is established or operates, and (v) with respect to which, under the laws of the country in which it is established or operates, (a) contributions to such organization or arrangement that would otherwise be subject to tax under such laws are deductible or excluded from the gross income of such entity or taxed at a reduced rate, or (b) taxation of any investment income of such organization or arrangement is deferred or such income is taxed at a reduced rate.

Share Distributions

15.89 The Company has not made, but in the future may make, distributions to holders of shares of Common Stock that are paid in shares of Common Stock. In certain circumstances, these distributions may be intended to be treated as dividends for U.S. federal income tax purposes and, accordingly, would be treated in a manner consistent with the discussion above regarding ordinary dividends and capital gain dividends. If the Company (or the applicable withholding agent) is required to withhold an amount in excess of any cash distributed along with the shares of Common Stock, some of the shares that would otherwise be distributed will be retained and sold in order to satisfy such withholding obligations.

FATCA Withholding

15.90 Under FATCA, a U.S. withholding tax at a 30% rate will be imposed on dividends paid on the Company's capital stock received by certain non-U.S. stockholders if certain disclosure requirements related to U.S. accounts or ownership are not satisfied. If payment of withholding taxes is required, non-U.S. stockholders that are otherwise eligible for an exemption from, or reduction of, U.S. withholding taxes with respect of such dividends and proceeds will be required to seek a refund from the IRS to obtain the benefit of such exemption or reduction. The Company will not pay any additional amounts in respect of any amounts withheld.

Information Reporting Requirements and Withholding

15.91 The Company will report to its stockholders and to the IRS the amount of distributions the Company pays during each calendar year, and the amount of tax the Company withhold, if any. Under the backup withholding rules, a stockholder may be subject to backup withholding, at a rate of 24%, with respect to distributions unless the stockholder: (1) is a corporation or qualifies for certain other exempt categories and, when required, demonstrates this fact; or (2) provides a taxpayer identification number, certifies as to no loss of exemption from backup withholding, and otherwise complies with the applicable requirements of the backup withholding rules.

15.92 A stockholder who does not provide the Company with its correct taxpayer identification number may also be subject to penalties imposed by the IRS. Any amount paid as backup withholding will be creditable against the stockholder's income tax liability. In addition, the Company may be required to withhold a portion of capital gain distributions to any stockholders who fail to certify their non-foreign status to us.

15.93 Backup withholding will generally not apply to payments of dividends made by the Company or its paying agents, in their capacities as such, to a non-U.S. stockholder provided that the non-U.S. stockholder furnishes to the Company or its paying agent the required certification as to its non-U.S. status, such as providing a valid IRS Form W-8BEN, W-8BEN-E or W-8ECI, or certain other requirements are met. Notwithstanding the foregoing, backup withholding may apply if either the Company or its paying agent has actual knowledge, or reason to know, that the holder is a U.S. person that is not an exempt recipient. Payments of the proceeds from a disposition or a redemption effected outside the U.S. by a non-U.S. stockholder made by or through a foreign office of a broker generally will not be subject to information reporting or backup withholding. However, information reporting (but not backup withholding) generally will apply to such a payment if the broker has certain connections with the U.S. unless the broker has documentary evidence in its records that the beneficial owner is a non-U.S. stockholder and specified conditions are met or an exemption is otherwise established. Payment of the proceeds from a disposition by a non-U.S. stockholder of stock made by or through the U.S. office of a broker is generally subject to information reporting and backup withholding unless the non-U.S. stockholder certifies under penalties of perjury that it is not a U.S. person and satisfies certain other requirements, or otherwise establishes an exemption from information reporting and backup withholding.

15.94 Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be refunded or credited against the stockholder's federal income tax liability if certain required information is furnished to the IRS. Stockholders should consult their tax advisors regarding application of backup withholding to them and the availability of, and procedure for obtaining an exemption from, backup withholding.

Other Tax Considerations

15.95 Tax Aspects of the Company's Investments in its Operating Partnership and Subsidiary Partnerships

The following discussion summarizes certain federal income tax considerations applicable to the Company's direct or indirect investments in the Company's Operating Partnership and any subsidiary partnerships or limited liability companies that the Company forms or acquires (each individually a "Partnership" and, collectively, the "Partnerships"). The discussion does not cover state or local tax laws or any federal tax laws other than income tax laws.

Substantially all of the Company's investments are held indirectly through the Operating Partnership. In general, partnerships are "pass-through" entities that are not subject to federal income tax at the partnership level. However, a partner is allocated its proportionate share of the items of income, gain, loss, deduction and credit of a partnership, and is required to include these items in calculating its tax liability, without regard to whether it receives a distribution from the partnership. The Company includes its proportionate share of these partnership items in its income for purposes of the various REIT income tests and the computation of its REIT taxable income. Moreover, for purposes of the REIT asset tests, the Company includes its proportionate share of assets held through the Operating Partnership.

Classification as Partnerships. The Company will include in its income its distributive share of each Partnership's income and to deduct the Company's distributive share of each Partnership's losses only if such Partnership is classified for federal income tax purposes as a partnership (or an entity that is disregarded for federal income tax purposes if the entity is treated as having only one owner for federal income tax purposes) rather than as a corporation or an association taxable as a corporation. An unincorporated entity with at least two owners or members will generally be classified as a partnership, rather than as a corporation, for federal income tax purposes if it: (1) is treated as a partnership under the Treasury regulations relating to entity classification (the "check-the-box regulations"); and (2) is not a "publicly-traded partnership."

Under the check-the-box regulations, an unincorporated entity with at least two owners or members may elect to be classified either as an association taxable as a corporation or as a partnership. If such an entity is a U.S. entity and fails to make an election, it generally will be treated as a partnership (or an entity that is disregarded for federal income tax purposes if the entity is treated as having only one owner for federal income tax purposes) for federal income tax purposes. The Company's Operating Partnership intends to be classified as a partnership for federal income tax purposes and will not elect to be treated as an association taxable as a corporation under the check-the-box regulations.

A publicly traded partnership is a partnership whose interests are traded on an established securities market or are readily tradable on a secondary market or the substantial equivalent thereof. A publicly-traded partnership will not, however, be treated as a corporation for any taxable year if, for each taxable year beginning after December 31, 1987 in which it was classified as a publicly-traded

partnership, 90% or more of the partnership's gross income for such year consists of certain passive-type income, including real property rents, gains from the sale or other disposition of real property, interest, and dividends (the "90% passive income exception"). Treasury regulations (the "PTP regulations") provide limited safe harbors from the definition of a publicly traded partnership. Pursuant to one of those safe harbors (the "private placement exclusion"), interests in a partnership will not be treated as readily tradable on a secondary market or the substantial equivalent thereof if (i) all interests in the partnership were issued in a transaction or transactions that were not required to be registered under the Securities Act and (ii) the partnership does not have more than 100 partners at any time during the partnership's taxable year. In determining the number of partners in a partnership, a person owning an interest in a partnership, grantor trust, or S corporation that owns an interest in the partnership is treated as a partner in such partnership only if (i) substantially all of the value of the owner's interest in the entity is attributable to the entity's direct or indirect interest in the partnership and (ii) a principal purpose of the use of the entity is to permit the partnership to satisfy the 100-partner limitation. The Company believes its Operating Partnership will qualify for the private placement exclusion. The Company expects that any other Partnership that the Company forms in the future will qualify for the private placement exclusion. The Company's Operating Partnership's partnership agreement contains provisions enabling its general partner to take such steps as are necessary or appropriate to prevent the issuance and transfers of interests in the Company's Operating Partnership from causing the Company's Operating Partnership to be treated as a publicly traded partnership under the PTP regulations. There can be no assurance, however, that the Company will not (i) issue partnership interests in a transaction required to be registered under the Securities Act, or (ii) issue partnership interests to more than 100 partners. However, even if the Company's Operating Partnership was considered a publicly traded partnership under the PTP Regulations, the Company believes its Operating Partnership should not be treated as a corporation because the Company expects it would be eligible for the 90% passive income exception described above.

The Company has not requested, and do not intend to request, a ruling from the IRS that the Company's Operating Partnership will be classified as a partnership for federal income tax purposes. If for any reason the Company's Operating Partnership was taxable as a corporation, rather than as a partnership, for federal income tax purposes, the Company may not be able to qualify as a REIT unless the Company qualified for certain relief provisions. See "— Gross Income Tests" and "— Asset Tests." In addition, any change in a Partnership's status for tax purposes might be treated as a taxable event, in which case the Company might incur tax liability without any related cash distribution. See "— Distribution Requirements." Further, items of income and deduction of such Partnership would not pass through to its partners, and its partners would be treated as stockholders for tax purposes. Consequently, such Partnership would be required to pay income tax at corporate rates on its net income, and distributions to its partners would constitute dividends that would not be deductible in computing such Partnership's taxable income.

15.96 Income Taxation of the Partnerships and their Partners

Partners, Not the Partnerships, Subject to Tax. In general, a partnership is not a taxable entity for federal income tax purposes. Rather, the Company is required to take into account the Company's allocable share of each Partnership's income, gains, losses, deductions, and credits for any taxable year of such Partnership ending within or with the Company's taxable year, without regard to whether the Company has received or will receive any distribution from such Partnership. However, the tax liability for adjustments to a Partnership's tax returns made as a result of an audit by the IRS will be imposed on the Partnership itself in certain circumstances absent an election to the contrary.

Partnership Allocations. Although a partnership agreement generally will determine the allocation of income and losses among partners, such allocations will be disregarded for tax purposes if they do not comply with the provisions of the federal income tax laws governing partnership allocations. If an allocation is not recognized for federal income tax purposes, the item subject to the allocation will be reallocated in accordance with the partners' interests in the partnership, which will be determined by taking into account all of the facts and circumstances relating to the economic arrangement of the partners with respect to such item. Each Partnership's allocations of taxable income, gain, and loss are intended to comply with the requirements of the federal income tax laws governing partnership allocations.

Tax Allocations with respect to partnership properties. Pursuant to Section 704(c) of the Code, income, gain, loss, and deduction attributable to appreciated or depreciated property that is contributed to a partnership in exchange for an interest in the partnership must be allocated in a manner such that the contributing partner is charged with, or benefits from, respectively, the unrealized gain or unrealized loss associated with the property at the time of the contribution. In the case of a contribution of property, the amount of the unrealized gain or unrealized loss ("built-in gain" or "built-in loss") is generally equal to the difference between the fair market value of the contributed property at the time of contribution and the adjusted tax basis of such property at the time of contribution (a "book-tax difference"). Any property purchased for cash initially will have an adjusted tax basis equal to its fair market value, resulting in no book-tax difference. The Company's Operating Partnership may admit partners in the future in exchange for a contribution of property, which will result in book-tax differences.

Allocations with respect to book-tax differences are solely for federal income tax purposes and do not affect the book capital accounts or other economic or legal arrangements among the partners. The U.S. Treasury Department has issued regulations requiring partnerships to use a "reasonable method" for allocating items with respect to which there is a book-tax difference and outlining several reasonable allocation methods. Under certain available methods, the carryover basis in the hands of the Company's Operating Partnership of properties contributed to the Company would cause the Company to be allocated lower amounts of depreciation deductions for tax purposes than would be allocated to the Company if all its properties were to have a tax basis equal to their fair market value

at the time of contribution.

Under the partnership agreement for the Company's Operating Partnership, depreciation or amortization deductions of the Company's Operating Partnership generally will be allocated among the partners in accordance with their respective interests in the Company's Operating Partnership, except to the extent that the Company's Operating Partnership is required under Section 704(c) of the Code to use a method for allocating depreciation deductions attributable to contributed properties that results in the contributing partner receiving a disproportionately large share of such deductions when compared to the tax basis of such property. In this case, the contributing partner may be allocated (1) lower amounts of depreciation deductions for tax purposes with respect to contributed properties than would be allocated to such contributing partner if each such property were to have a tax basis equal to its fair market value at the time of contribution, and/or (2) taxable gain in the event of a sale of such contributed properties in excess of the economic profit allocated to such contributing partner as a result of such sale. These allocations may cause the contributing partner to recognize taxable income in excess of cash proceeds received by the contributing partner, which might require such partner to utilize cash from other sources to satisfy his or her tax liability or, if the REIT happens to be the contributing partner, adversely affect the Company's ability to comply with the REIT distribution requirements. The Company has not yet decided what method will be used to account for book-tax differences caused by the Company's Operating Partnership admitting partners in the future in exchange for contributions of property.

The Company anticipates that the REIT primarily will be contributing cash to the Operating Partnership, in which case the Company does not anticipate that these rules will adversely impact the allocations of income and gain from the Operating Partnership to the REIT. However, the Company (and the Operating Partnership) has entered into a contribution agreement with certain affiliates pursuant to which the Operating Partnership acquired real properties having a lower basis than the fair market value of these properties. Accordingly, the tax principles discussed in this section could require lower allocations of depreciation expense and, in the event of a sale of one or more of these properties, higher allocations of income or gain to those contributing partners. While the application of these tax principles would not ordinarily have an adverse impact on any allocations of income, deduction, and/or gain to the Company as a REIT, the Operating Partnership also has entered into a tax protection agreement with the contributing partners that generally limit the Operating Partnership's ability to dispose of these properties. Further, if the Operating Partnership were to dispose of one (or more) of these properties, the Operating Partnership could be obligated to make certain payments to the contributing partners to compensate them for the additional taxes payable as a result of the gains that are recognized and allocated to the contributing partners under these tax principles. As a result, the net proceeds available for distribution to the Company by the Operating Partnership after making any such tax payments to the contributing partners would be reduced.

The foregoing principles also could affect the calculation of the Company's earnings and profits for

purposes of determining which portion of the Company's distributions is taxable as a dividend. The allocations described in the above paragraphs may result in a higher portion of the Company's distributions being taxed as a dividend if the Company acquires properties in exchange for units of its Operating Partnership than would have occurred had the Company purchased such properties for cash.

In general, if any asset contributed to or revalued by the Operating Partnership is determined to have a fair market value that is greater than its adjusted tax basis, partners who have contributed those assets, including the Company, will be allocated lower amounts of depreciation deductions as to specific properties for tax purposes by the Operating Partnership and increased taxable income and gain on sale. Thus, the Company may be allocated lower depreciation and other deductions, and possibly greater amounts of taxable income in the event of a sale of contributed assets. These amounts may be in excess of the economic or book income allocated to it as a result of the sale. In this regard, it should be noted that as the general partner of the Operating Partnership, the Company will determine, taking into account the tax consequences to it, when and whether to sell any given property.

The Company will be allocated its share of the Operating Partnership's taxable income or loss for each year regardless of the amount of cash that may be distributed to it by the Operating Partnership. As a result, the Company could be allocated taxable income for a year in excess of the amount of cash distributed to it. This excess taxable income is sometimes referred to as "phantom income." Because the Company relies on cash distributions from the Operating Partnership to meet its REIT distribution requirements, which are specified percentages of its REIT taxable income, the recognition of this phantom income might adversely affect the Company's ability to comply with those requirements.

15.97 Basis in Operating Partnership Interest

The adjusted tax basis of a partner's interest in the Operating Partnership generally is equal to (1) the amount of cash and the basis of any other property contributed to the Operating Partnership by the partner, (2) increased by the partner's (a) allocable share of the Operating Partnership's income and (b) allocable share of indebtedness of the Operating Partnership, and (3) reduced, but not below zero, by (a) the partner's allocable share of the Operating Partnership's loss and (b) the amount of cash distributed to the partner, including constructive cash distributions resulting from a reduction in the partner's share of indebtedness of the Operating Partnership.

If the allocation of a partner's distributive share of the Operating Partnership's loss would reduce the adjusted tax basis of such partner's partnership interest in the Operating Partnership below zero, the recognition of such loss will be deferred until such time as the recognition of such loss would not reduce an adjusted tax basis below zero. If a distribution from the Operating Partnership or a reduction in a partner's share of the Operating Partnership's liabilities (which is treated as a constructive distribution for tax purposes) would reduce such partner's adjusted tax basis below zero, any such distribution, including a constructive distribution, would constitute taxable income to such partner. The gain realized by the partner upon the receipt of any such distribution or constructive distribution

would normally be characterized as capital gain, and if the partner's partnership interest in the Operating Partnership has been held for longer than the long-term capital gain holding period (currently one year), the distribution would constitute long-term capital gain.

15.98 Sale of a Partnership's Property

Generally, any gain realized by a Partnership on the sale of property held by the Partnership for more than one year will be long-term capital gain, except for any portion of such gain that is treated as depreciation or cost recovery recapture. Under Section 704(c) of the Code, any gain or loss recognized by a Partnership on the disposition of contributed properties will be allocated first to the partners of the Partnership who contributed such properties to the extent of their built-in gain or loss on those properties for federal income tax purposes. The partners' built-in gain or loss on such contributed properties will equal the difference between the partners' proportionate share of the book value of those properties and the partners' tax basis allocable to those properties at the time of the contribution as reduced for any decrease in the "book-tax difference." See "— Income Taxation of the Partnerships and Their Partners — Tax Allocations With Respect to Partnership Properties." Any remaining gain or loss recognized by the Partnership on the disposition of the contributed properties, and any gain or loss recognized by the Partnership on the disposition of the other properties, will be allocated among the partners in accordance with their respective percentage interests in the Partnership.

The Company's share of any gain realized by a Partnership on the sale of any property held by the Partnership as inventory or other property held primarily for sale to customers in the ordinary course of the Partnership's trade or business will be treated as income from a prohibited transaction that is subject to a 100% penalty tax. Such prohibited transaction income also may have an adverse effect upon the Company's ability to satisfy the income tests for REIT status. See "—Gross Income Tests." The Company does not presently intend to acquire or hold or to allow any Partnership to acquire or hold any property that represents inventory or other property held primarily for sale to customers in the ordinary course of the Company or such Partnership's trade or business.

15.99 Legislative or Other Actions Affecting REITs

The present federal income tax treatment of REITs may be modified, possibly with retroactive effect, by legislative, judicial, or administrative action at any time. The REIT rules are constantly under review by persons involved in the legislative process and by the IRS and the U.S. Treasury Department which may result in statutory changes as well as revisions to regulations and interpretations. The TCJA significantly changed the federal income tax laws applicable to businesses and their owners, including REITs and their stockholders. Additional technical corrections or other amendments to the TCJA or administrative guidance interpreting the TCJA may be forthcoming at any time. The Company cannot predict the long-term effect of the TCJA or any future law changes on REITs and their stockholders. Prospective investors are urged to consult with their tax advisors regarding the effect of potential changes to the federal tax laws on an investment in the Company's stock.

15.100 State and Local Taxes

The Company and its stockholders are subject to state or local taxation in various state or local jurisdictions, including those in which it or they transact business or reside. The state and local tax treatment of the Company and its stockholders may not conform to the federal income tax consequences discussed above. Consequently, prospective stockholders of the Company should consult their own tax advisors regarding the effect of state and local tax laws on an investment in the Company. To the extent that the Company and the taxable REIT subsidiaries are required to pay federal, state or local taxes, the Company will have less cash available for distribution to stockholders.

15.101 Tax Shelter Reporting

Under recently promulgated Treasury regulations, if a stockholder recognizes a loss with respect to the shares of $2 million or more for an individual stockholder or $10 million or more for a corporate stockholder, the stockholder may be required to file a disclosure statement with the IRS on Form 8886. Direct stockholders of portfolio securities are in many cases exempt from this reporting requirement, but stockholders of a REIT currently are not excepted. The fact that a loss is reportable under these regulations does not affect the legal determination of whether the taxpayer's treatment of the loss is proper. Stockholders should consult their tax advisors to determine the applicability of these regulations in light of their individual circumstances.

15.102 Statement of Stock Ownership

The Company is required to demand annual written statements from the record holders of designated percentages of the Company's shares disclosing the actual owners of the shares. Any record stockholder who, upon the Company's request, does not provide the Company with required information concerning actual ownership of the shares is required to include specified information relating to his or her shares in his or her federal income tax return. The Company also must maintain, within the Internal Revenue District in which the Company is required to file, the Company's federal income tax return, permanent records showing the information the Company has received about the actual ownership of shares and a list of those persons failing or refusing to comply with the Company's demand.

16. Israeli Taxation in Connection with the Company's Shares

As is customary when making decisions regarding financial investments, one must consider the tax consequences arising from investing in the securities of the Company. The provisions included in this Listing Document regarding the taxation of securities listed herein do not purport to be an authoritative interpretation of the statutory provisions referred to in this Listing Document and do not replace professional advice based on the specific parameters and particular circumstances of each investor. Additionally, the provisions included reflect the provisions of the law as they are on the date of this Listing Document, and these may change by the date of any offering of the said

securities under this Listing Document.

Note, to the extent that the securities registered under this Listing Document are offered to employees of the Company, as discussed in Section 12 of this Listing Document, the tax implications which are set forth below will likely change, with respect to the securities offered and their terms.

Similarly, note that the statements below relate solely to the tax consequences on Israeli investors. Therefore, a foreign resident interested in acquiring the offered securities should receive professional tax advice prior to making such an acquisition.

In 2020, the Israel Tax Authority's Professional Department issued a tax ruling to a U.S. REIT that deals mainly with the taxation of income generated for the shareholders from the distribution of income by the REIT (the "Tax Ruling"). For additional details, see Sections 16.6 to 16.9 below. This section refers to the manner of taxation of Israeli investors only in accordance with the Israeli tax laws. Therefore, a foreign resident holding and/or interested in purchasing the securities of the Company is advised to seek professional counsel before making the investment.

It should be noted that in relation to an "individual who was a resident of Israel for the first time" and a "long-time returning resident" as defined in Section 14 of the of the Income Tax Ordinance [New Version], 5721-1961 (the "**Ordinance**" or "**ITO**")**,, different tax consequences than those described below may apply and it is suggested that such residents seek individual advice in order to examine their eligibility for tax benefits in Israel. It should also be noted that in relation to investors who will be considered "controlling owners" or "substantial shareholders" as defined in the Ordinance, additional tax consequences may apply to those described below.**

Also, the reference, as it is presented below, to the matter of taxation of a member of a foreign resident company, is qualified in the case where residents of Israel are the controlling owners of it, or who, directly or indirectly, benefit from or are entitled to 25% or more of the income or profits of the foreign resident company, , in accordance with the provisions of Section 68A of the Ordinance.

This Listing Document describes the tax obligations in Israel, solely regarding Israeli investors, as well as the tax obligations of Israeli residents (or other non-U.S. residents) in the United States of America, including withholding tax that takes place there. Please review the U.S. tax provisions set forth in Section 15 of this Listing Document.

Accordingly and under to the current law, the securities offered according to this report are subject to the tax arrangements described in the summary below:

16.1 Capital Gains on the Sale of Shares

16.1.1 In accordance with Section 91 of the ITO, a Real Capital Gain on the sale of securities by an individual who is an Israeli resident is subject to tax at the individual's marginal tax rate under Section 121 of the ITO, but at a rate that does not exceed twenty five percent (25%), and the capital gains rate will be deemed to be in the highest bracket of such individual's

taxable income. The foregoing does not include the sale of securities by an individual who is“a "Substantial Shareholder" of the Company, i.e., one who holds, directly or indirectly, alone or jointly with another, at least ten percent (10%) of one or more types of means of control (as defined in Section 88 of the ITO) of the Company on the date of the sale of the securities or at any time during the 12 months prior to such sale, for whom the tax rate on a Real Capital Gain will be a maximum of thirty percent (30%). Furthermore, where an individual claimed real interest expenses and linkage differences on securities, the capital gain on the sale of the securities will be liable to tax at a rate of thirty percent (30%), until the determination of guidelines and conditions for the deduction of real interest expenses under Sections 101A(a)(9) and 101A(b) of the .ITO (up to 47% in 2024). The foregoing reduced tax rate will not apply to an individual whose income from the sale of the securities is considered income from a “business” or “vocation” in accordance with the provisions of Section 2(1) of the ITO since in that case, the marginal tax rate under Section 121 of the ITO would apply.

Specifically regarding an individual, when calculating the capital gains earned from the sale of a security whose value is linked to a foreign currency, the conversion rate is used as an index for calculating inflation.

16.1.2 A company will be liable to tax on Real Capital Gains on the sale of securities at the corporate tax rate prescribed in Section 126(a) of the ITO (for the year 2024, 23%).

16.1.3 Exempt mutual funds, provident funds and tax exempt entities under Section 9(2) of the ITO are exempt from tax on capital gains from the sale of securities. The income of a taxable mutual fund from the sale of securities is subject to the tax rate applying to the income of an individual that does not constitute income from a "business" or "vocation," unless explicitly determined otherwise. In the absence of a special tax rate for the income, the income will be liable to tax at the tax rate set forth in Section 121 of the ITO.

16.1.4 Generally, a foreign resident owes tax on his profits in Israel, only on profits generated or produced in Israel. according to Section 97(b2) of the Ordinance. According to the terms of the Ordinance, the foreign resident is exempt from tax on capital gains arising from the sale of securities listed on the TASE, provided that the capital gains are not from the foreign resident’s permanent establishment in Israel and the foreign resident is not held by Israeli residents (in accordance with Section 68A of the ITO). In the event that the aforementioned exemption is not available, the terms of the tax treaty, if any, between Israel and the country in which the foreign resident resides may apply. and this is subject to obtaining in advance from the Israeli tax authority (the: “**ITA**”) certificate for exemption from withholding tax (the: “**WHT**”).

16.2 Offsetting losses from the sale of the offered securities

16.2.1 Losses during a tax year that are derived from the sale of securities offered in that tax year and which, had they been capital gains, would have been subject to tax to be paid by the recipient, can be offset against capital gains or real estate appreciation that will result from the sale of any property, in Israel or abroad (with the exception of a taxable inflationary capital gain which will be offset at a ratio of 1 to 3.5), all according to the provisions in Section 92 of the ITO, including gains from the sales of securities, whether publicly traded or not, and whether Israeli or foreign, as well as against interest and dividends paid in respect of those securities or paid for other securities (on condition that the tax rate which is applicable to such interest or dividend is not greater than the corporate tax rate (of 23% in 2024) for a company and is not greater than the tax rate established in Sections 125B(1) and 125C(b) of the ITO for an individual (a tax rate of 25%)). Offsetting of losses will be executed by an offset of a capital loss against capital gains or dividend or interest income, as discussed.

16.2.2 It should be noted that according to section 92(a)(4) of the ITO and following the increase in the tax rate applicable to dividends for an individual who is a "substantial shareholder", as defined above, to 30%, the capital loss incurred in the tax year from the sale of securities will not be offset against income from dividends or interest from other securities by an individual defined as an "owner of essential shares".

16.2.3 A loss that cannot be offset, in whole or in part, in a particular tax year, as stated above, will be offset against capital gain only as stated in Section 92 of the Ordinance in the following tax years, one after the other, after the year in which the loss was incurred, provided that a report for the tax year in which the loss occurred was submitted to the assessor according to section 92(b) of the ITO .

16.2.4 In accordance with the Income Tax Regulations (Withholding from Consideration, Payment or Capital Gains in the Sale of Securities, in a Sale of a Mutual Fund Unit or in a Future Transaction), 5763-2002 (the "**Capital Gains Withholding Regulations**"), when calculating the capital gains for the purposes of withholding tax at the source arising from the sale of publicly traded securities, mutual fund units and future transactions ("**Tradable Securities**"), the one who is required to withhold the tax[23] will offset the capital losses which were created by the sale of the Tradable Securities under its management, provided that the gains were created in the same tax year as the loss, whether before or after the generation of the loss.

[23] Commencing January 1, 2013, the tax on dividends paid by a TASE-listed Israeli resident corporation in respect of the shares held by the nominee company are withheld at source by the financial institutions (i.e., TASE members). This would not apply to shares of registered shareholders.

16.2.5 In accordance with the provisions of Section 94C of the ITO, in a sale of shares by a corporation, the amount of the capital loss will be reduced by any dividends received in respect of such shares over the 24 months prior to the sale of the shares, except for dividends upon which taxes were paid in Israel at a rate of fifteen percent (15%) or more, but not more than the total amount of the loss.

16.2.6 Insofar as the securities will be delisted from the TASE, the tax that will be withheld at the time of their sale (after the delisting) will be thirty percent (30%) of the proceeds, unless a certificate from the tax assessor is presented which sets forth a different rate of withholding tax at the source (including a complete exemption from withholding tax at the source).

16.2.7 The provisions of the Capital Gains Withholding Regulations do not apply to a financial institution that pays consideration or another form of payment for exempted capital gains to a seller who is a foreign resident, if the foreign resident presented the financial institution with an affidavit on Form 2402 within 14 days of the opening the account and continues to do so once every three years (if the foreign resident or its representative was in Israel), stating that it is a foreign resident and that it is entitled to an exemption.

16.2.8 In general, a foreign resident (an individual or company) is exempt from taxes on capital gains arising from the sale of securities listed on the TASE, provided that the capital gains are not from the foreign resident's permanent establishment in Israel and the foreign resident is not held by Israeli residents (in accordance with Section 68A of the Ordinance). In the event that the aforementioned exemption is not available, the terms of the tax treaty (if any) between Israel and the country in which the foreign resident resides may apply. Additionally, no tax will be withheld at the source by a banking corporation or TASE member for a foreign resident upon certain conditions.

16.3 Surtax on High Income

In accordance with Section 121B of the Ordinance, an individual whose taxable income in the 2024 tax year is greater than NIS (which721,560 (an amount which is adjusted annually in accordance with the consumer price index) will be liable for the portion of his tax that exceeds such amount at an additional rate of 3%. Taxable income includes all types of income, including income from capital gains and real estate appreciation (the sale of a right to real estate in a residential apartment will only be included if its sale value exceeds NIS 5.382 million and the sale is not exempt from tax according to any law), with the exception of an inflationary amount as defined in section 88 of the ordinance and an inflationary amount as defined in section 47 of the Real Estate Taxation Law (Praise and Purchase) 5773-1963.

16.4 The Tax Regime Which Applies on shares of Common Stock

Income Classification

16.4.1 Below is a summary of Tax Ruling no. 5916/20 obtained in 2020 by a U.S. REIT from the Israel Tax Authority's Professional Department (the "**Tax Ruling**"), describing the taxation of income accruing to the stockholders of a U.S. REIT in respect of their shares of common stock and distributions deriving thereof. The Company understands that the Tax Ruling reflects the current position of the ITA on the taxation of stockholders of U.S. REITs, which should apply to the Company's stockholders, as well.

16.4.2 According to the Tax Ruling, as long as the Company is subject to the U.S. REIT taxation rules, proceeds of holders of the Company's shares of Common Stock, due to their holdings in those shares, will be subject to tax in Israel as follows:

16.4.3 In connection with a distribution of proceeds by the Company, including distributions which are preferred dividends or accrued dividends, as long as the proceeds are not taxed at the Company level in the United States, the classification of the income for the stockholders will be in accordance with the source of the proceeds which were distributed, as follows:

- Distribution of proceeds derived from ordinary income, *i.e.* income from the leasing of real estate in the United States, as well as other current income (including dividends and interest income), will be classified as income from a "business" or "vocation" in accordance with Section 2(1) of the Ordinance.[24]
- Distribution of proceeds derived from capital gains, *i.e.* capital gains from the sale of real estate in the United States, as well as sale of tradable securities, will be classified as income from capital gains in accordance with Section 89(a) of the Ordinance.
- Distribution of proceeds derived from return on capital will be classified as income from capital gains in accordance with Section 89(a) of the Ordinance.

16.4.4 The terms of Section 16.4.3 above will only apply regarding shareholders whose income from investment in the shares is not classified as income under Section 2(1) of the Ordinance, and in that case, such shareholders shall be subject to all applicable legal provisions.

16.4.5 If the Company permanently ceases to be classified as a REIT for tax purposes in the United States, or if it wishes to distribute dividends from income that has been taxed at the corporate level in the United States, a specific tax ruling will be required.

[24] Meaning, income from a business or vocation that is taxable in accordance with Section 121 of the Ordinance for an individual or Section 126 of the Ordinance for a corporation (regarding individuals generally, in accordance with the marginal income tax rate, which may reach, as of the current date and in addition to the surtax on high income, up to 50%, and regarding companies - the corporate tax rate, which is currently 23%).

16.4.6 For the avoidance of doubt, the taxation of income shall not impact the cost of shares held by the shareholders. Additionally, the Tax Ruling is limited to income produced or derived from the territory of the United States does not apply to any real estate of income outside the territory of the United States.

16.5 Withholding Tax

16.5.1 The TASE members will be responsible for withholding tax at the source with respect to shares of the Company held through them.

For the purposes of the provisions of withholding tax only, in order to facilitate operational efficiency with respect to withholding tax at the source, the distributions described in Section 16.4.3 will be classified as income from dividends.

16.5.1.1 The TASE members will withhold tax at source in accordance with the Income Tax Regulations (Withholding from Interest, Dividend, and Certain Profit), 5766-2005 as income from dividends, regardless of the classification of the income set forth above. Israeli withholding tax will be taken from the gross amount of the distribution, before deduction of the U.S. tax withheld, if any.

16.5.1.2 **At the time of withholding taxes from the dividend proceeds, as discussed above, TASE members will disregard any tax withheld in the United States and shall not credit the holder for it.** TASE members will record any tax withheld in the United States on Form 867 as a foreign tax that is not permitted for credit.

16.5.1.3 In light of the above, regarding individuals, there may be certain situations in which the aggregate tax withholding rate (i.e., U.S. withholding tax in addition to Israeli withholding tax) may reach 50% of the distributions.

16.6 Upon the sale of shares of the Company, tax will be withheld at source from Capital Gains in accordance with the Income Tax Regulations (Deduction from Consideration, Payment or Capital Gains upon the Sale of Securities, in the Sale of a Unit in a Trust Fund or in a Future Transaction), 5763-2002.

16.7 It is clarified that the shareholders of the Company will be exempt from submitting a filing in the event that they are exempt from submitting a filing in accordance with the Income Tax Regulations (Exemption from Filing a Report), 5748-1988 and if the withholding of tax as stated in Sections 16.7 is at least the entire tax required to be withheld based on the Tax Ruling, or in case the income is classified as stated in Section16.4.3, including in the event that tax is withheld at source based on the Tax Ruling regarding income as stated in Section 16.4.3 above.

16.8 A shareholder who submits a tax refund request to the Tax Authority, in which he reports and attaches documents regarding income from distributions of the Company based on the classifications as stated

in Section 16.4.3, and where tax was withheld in the United States, will be permitted to be credited for tax on the income based on the terms of Sections 16.5.1and ,16.9, and based on the source from which it is distributed.

16.9 Foreign Tax Credit

16.9.1 A credit for tax withheld in the United States for the shareholders will be subject to the provisions of Sections 199 to 210 of the Ordinance.

16.9.2 The credit from tax will be provided if the classification of the income as stated in Section 16.6 above and the classification of the income abroad are identical, *i.e.*, provided that a shareholder classified the income for Israeli tax purposes in accordance with the source of income from which it was distributed - all subject to the provisions of the law in Israel.

16.9.3 The credit limit in the calculation of foreign taxes that can be recognized in Israel will be the lower of the tax rate set forth (i) by domestic law or (ii) in a treaty for prevention of double taxation, if acting in accordance therewith, but in any case no more than the amount of foreign taxes actually paid.

16.9.4 In this section, "foreign taxes actually paid" shall mean foreign taxes paid that will not be refunded to the payer from the foreign country (the United States) in any manner.

Owing to significant tax changes that have occurred in the capital markets in recent years, the proper practice for implementing all of the provisions described above has still not fully developed, and there may be several interpretations regarding the manner of their implementation. Furthermore, there may be changes and updates in the future to the tax provisions described above, and additional term and conditions may apply. Naturally, the content and effect of such changes cannot be foreseen. For the avoidance of doubt, in case the position of the Tax Authority changes in the future, the Company will endeavor to implement such changes.

As is customary when making any financial investment decision, one must consider the tax consequences arising from investing in the securities. The above does not purport to constitute a settled interpretation of the provisions of the law and the Tax Ruling or an exhaustive description of the tax provisions related to the taxation of the securities, and does not replace professional consulting on the matter, in accordance with the particular facts and unique circumstances of each investor. It is proposed that the purchasers of the proposed securities will seek professional advice in accordance with the particular figures pertaining to each purchaser of a security.

17. Dividends

17.1 Dividend Policy

Federal income tax law requires that a REIT distribute annually at least 90% of its net taxable income, excluding net capital gains, and that it pays tax at regular corporate rates to the extent that it annually distributes less than 100% of its net taxable income, including net capital gains. In addition, a REIT is required to pay a 4% non-deductible excise tax on the amount, if any, by which

the distributions that it makes in a calendar year are less than the sum of 85% of its ordinary income, 95% of its capital gain net income and 100% of its undistributed income from prior years.

To satisfy the requirements to qualify as a REIT and generally not be subject to U.S. federal income and excise tax, the Company generally intends to make regular quarterly distributions to holders of the Company's Common Stock, as the Company's board of directors determines that it has sufficient cash flow to do so, over time in an amount equal to the Company's taxable income. Although the Company anticipates continuing to make quarterly distributions to the Company's stockholders over time, the Company's board of directors has the sole discretion to determine the timing, form (including cash and shares of the Company's Common Stock at the election of each of the Company's stockholders) and amount of any future distributions to the Company's stockholders. Although not currently anticipated, in the event that the Company's board of directors determines to make distributions in excess of the income or cash flow generated from the Company's portfolio of assets, the Company may make such distributions from the proceeds of future offerings of equity or debt securities or other forms of debt financing or the sale of assets.

There can be no assurance that the Company will pay regular quarterly dividends. There are several factors that could affect the payment of dividends in the future, as a result of which stockholders may not receive dividends in the amounts paid in the past or at all.

17.2 Tax Classification of Dividends

At around the end of January of each year, the Company will announce the classification of the dividend payments distributed during the prior fiscal year. The announcement will relate to boxes in IRS Form 1099-DIV, which are described below (with corresponding numbers to the box numbers in such form):

1a) Non-Qualifying Ordinary Income – Since the Company is a REIT, its dividends are considered ordinary non-qualified dividends. Ordinary non-qualified dividends are taxed at the taxpayer's regular (ordinary income) tax rate. (Qualified dividends are taxed at the long-term capital gains rates of 0%, 15% or 20%, dependent on the taxpayer's taxable income and filing status.)

2a) Long-Term Capital Gain - this represents capital gain on the Company's sale of some of the securities that it was holding, which are passed through to its stockholders.

2b) Unrecaptured Section 1250 Gain - this is not expected to apply to the Company because it typically does not sell assets. This item is designed to recapture the portion of a gain related to previously used depreciation allowances. It is only applicable to the sale of depreciable real estate.

3) Return of Capital – this relates to the excess of the Company's annual distribution over its taxable income for the year (generally tax-free to the extent of a stockholder's basis in its stock and capital gains thereafter).

5) Section 199A Dividends - these are dividends from domestic REITs and other entities that qualify for Section 199A deductions. Since the Company is a REIT, all of its ordinary non-qualified dividends are Section 199A dividends; hence Box 5 is equal to Box 1a. A taxpayer can deduct up to 20% of REIT dividends (limited to 20% of taxable income).

18. **Section 39A of the Securities Law**: The Company agrees that in the event that its Common Stock is delisted from the NYSE and is thereby listed only on the TASE, certain provisions of the Companies law will apply to the Company, as set forth in Section 39A of the Securities Law.

19. **TASE Approval**: The TASE has approved the listing of the outstanding Common Stock and the shares of Common Stock issuable from time to time in the future that are set forth in the first paragraph of this Listing Document. The aforesaid approval of the TASE shall not be deemed as confirmation of any of the details set forth in this Listing Document or of their completeness, and such approval shall not constitute an expression of opinion on the Company or the quality of the securities listed pursuant to this Listing Document.

Part Two – Exhibits

The SEC filings listed below (and the exhibits to such filings, if any) are linked by active hyperlinks to such documents on the SEC's website. Such documents are incorporated herein by reference and deemed to be filed herewith. Beneficial ownership reports filed with the SEC by officers, directors and stockholders of the Company pursuant to the Securities Exchange Act of 1934 are listed separately. The Company does not take responsibility for the content of such beneficial ownership reports.

	Description	Date Filed
1.	Current Report on Form 8-K (including the Exhibits)	April 4, 2024
2.	Annual Report on Form 10-K (including the Exhibits)	March 19, 2024
3.	Current Report on Form 8-K (including the Exhibits)	March 8, 2024
4.	Current Report on Form 8-K (including the Exhibits)	March 8, 2024
5.	Registration Withdrawal Request	February 2, 2024
6.	Current Report on Form 8-K (including the Exhibits)	November 14, 2023
7.	Quarterly report on Form 10-Q (including the Exhibits)	November 13, 2023
8.	Current Report on Form 8-K (including the Exhibits) – amendment	November 9, 2023
9.	Current Report on Form 8-K (including the Exhibits)	August 29, 2023
10.	Registration of securities on Form S-11 (including the Exhibits)	August 21, 2023
11.	Current Report on Form 8-K (including the Exhibits)	August 15, 2023
12.	Quarterly report on Form 10-Q (including the Exhibits)	August 14, 2023
13.	Current Report on Form 8-K (including the Exhibits)	June 14, 2023
14.	Current Report on Form 8-K (including the Exhibits)	June 1, 2023
15.	Current Report on Form 8-K (including the Exhibits)	May 19, 2023
16.	Current Report on Form 8-K (including the Exhibits)	May 15, 2023
17.	Quarterly report on Form 10-Q (including the Exhibits)	May 15, 2023
18.	Current Report on Form 8-K (including the Exhibits)	April 20, 2023
19.	Definitive Proxy Statement on Schedule 14A	April 5, 2023
20.	Annual Report on Form 10-K (including the Exhibits)	March 27, 2023

21.	Current Report on Form 8-K (including the Exhibits) – amendment	March 10, 2023
22.	Current Report on Form 8-K (including the Exhibits)	March 9, 2023
23.	FORM-CERT	February 17, 2023
24.	Registration of securities [Section 12(b)]	February 16, 2023
25.	SEC-generated letter	July 28, 2022
26.	Correspondence	July 12, 2022
27.	Registration of securities [Section 12(g)] – amendment	July 12, 2022
28.	SEC-generated letter	June 27,2022
29.	Registration Withdrawal Request	June 1,2022
30.	Registration of securities [Section 12(g)]	May 31, 2022
31.	Registration of securities on Form S-11 (including the Exhibits)	March 28, 2022
32.	Draft Registration Statement – amendment	January 31, 2022

Beneficial Ownership Reports

(filed by officers, directors and stockholders of the Company)

	Description	Date Filed
1.	Statement of changes in beneficial ownership of securities on Form 4	October 26, 2023
2.	Statement of changes in beneficial ownership of securities on Form 4	October 20, 2023
3.	Statement of changes in beneficial ownership of securities on Form 4	June 27, 2023
4.	Initial statement of beneficial ownership of securities on Form 3	June 27, 2023
5.	Statement of changes in beneficial ownership of securities on Form 4	April 11, 2023
6.	Statement of changes in beneficial ownership of securities on Form 4	April 4, 2023

7.	Statement of changes in beneficial ownership of securities on Form 4	December 30, 2022
8.	Statement of changes in beneficial ownership of securities on Form 4	December 30, 2022
9.	Statement of changes in beneficial ownership of securities on Form 4	December 30, 2022
10.	Statement of changes in beneficial ownership of securities on Form 4	December 27, 2022
11.	Initial statement of beneficial ownership of securities on Form 3	December 27, 2022