

NEWS RELEASE

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COPT Defense Reports Strong Full Year 2024 Results

EPS of \$1.23 for Full Year
FFO per Share, as Adjusted for Comparability, of \$2.57
Increased 6.2% Over 2023 Results

Total Portfolio 93.6% Occupied and 95.1% Leased
Defense/IT Portfolio 95.6% Occupied and 96.8% Leased

For the year, Same Property Cash NOI Increased 9.1%
The Company's Highest Increase Ever Reported

Exceeded Leasing Goals in 2024
Total Leasing of 3.2 million SF

500,000 SF of Vacancy Leasing
Exceeded Annual Target of 400,000 SF

Tenant Retention of 86%
Highest Annual Retention Rate in Over 20 Years

Solid Investment Activity
Committed \$212 million of Capital to New Investments
124,000 SF of Investment Leasing

COLUMBIA, MD (BUSINESS WIRE) February 6, 2025 - COPT Defense Properties ("COPT Defense" or the "Company") (NYSE: CDP) announced results for the fourth quarter and full year ended December 31, 2024.

Management Comments

Stephen E. Budorick, COPT Defense's President & Chief Executive Officer, commented, "Our Defense/IT investment strategy, which concentrates our portfolio near priority U.S. defense installations, continued to generate excellent results in 2024. The success of our differentiated strategy is evident in our occupancy rate of 93.6%, which is roughly 700 basis points higher than the Office sector, while occupancy in our Defense/IT Portfolio is even higher at 95.6%. We generated FFO per share growth of 6.2%, our second highest annual growth rate since 2015, which was driven by record performance in our Same Property portfolio, placing highly leased developments into service, and achieving our highest tenant retention rate in over 20 years of 86%.

We achieved a milestone in 2024 as we executed on our first acquisitions since 2015. We leveraged our investment-grade rated balance sheet to execute on several strategic and opportunistic investments, which serve to strengthen our relationship with the U.S. Government and top defense contractors, and will be accretive to shareholder value. The operating assets were acquired at significant discounts to replacement cost and provide strong going-in cash yields, while the development land provides an opportunity to expand our data center shell portfolio over the medium to long term.

We have generated FFO per share growth in each of the past six years, which amounts to a compound annual growth rate of 4.8% between 2019 to 2024. Looking forward, our guidance implies continued growth in 2025, with FFO per share growth of 3.5% at the midpoint, generated by continued strong performance of our portfolio."

Financial Highlights

4th Quarter Financial Results:

- > Diluted earnings per share ("EPS") was \$0.31 for the quarter ended December 31, 2024, compared to \$0.30 for the quarter ended December 31, 2023.
- > Diluted funds from operations per share ("FFOPS"), as calculated in accordance with Nareit's definition was \$0.64 for the quarter ended December 31, 2024, compared to \$0.62 for the quarter ended December 31, 2023.
- > FFOPS, as adjusted for comparability, was \$0.65 for the quarter ended December 31, 2024, compared to \$0.62 for the quarter ended December 31, 2023.

Full Year 2024 Financial Results:

- > EPS for the year ended December 31, 2024 was \$1.23 as compared to \$(0.67) for 2023.
- > Per Nareit's definition, FFOPS for 2024 was \$2.57 as compared to \$2.41 for 2023.
- > FFOPS, as adjusted for comparability, for 2024 was \$2.57 as compared to \$2.42 for 2023.

Operating Performance Highlights

Operating Portfolio Summary:

- > At December 31, 2024, the Company's 24.5 million square foot total portfolio was 93.6% occupied and 95.1% leased, which includes the 22.4 million square foot Defense/IT Portfolio that was 95.6% occupied and 96.8% leased.
- > During the quarter and year ended December 31, 2024, the Company placed into service 225,000 and 399,000 square feet, respectively, of developments that were 100% and 83% leased, respectively, as of year end.

Same Property Performance:

- > At December 31, 2024, the Company's 22.2 million square foot Same Property portfolio was 94.1% occupied and 95.4% leased.
- > The Company's Same Property cash NOI increased 10.0% and 9.1% for the three months and year ended December 31, 2024, respectively, compared to the same periods in 2023.

Leasing:

- > Total Square Feet Leased: For the quarter ended December 31, 2024, the Company leased 709,000 square feet, including 561,000 square feet of renewals, 114,000 square feet of vacancy leasing, and 34,000 square feet of investment leasing. For the year ended December 31, 2024, the Company executed 3.2 million square feet of total leasing, including 2.6 million square feet of renewals, 500,000 square feet of vacancy leasing, and 124,000 square feet of investment leasing.
- > Tenant Retention Rates: During the quarter and year ended December 31, 2024, the Company renewed 93.0% and 86.0%, respectively, of expiring square feet in its total portfolio and renewed 95.9% and 88.6%, respectively, of expiring square feet in its Defense/IT Portfolio.
- > Rent Spreads and Average Escalations on Renewing Leases: For the quarter and year ended December 31, 2024, straight-line rents on renewals increased 5.5% and 8.6%, respectively, and cash rents on renewed space decreased 0.2% and increased 0.6%, respectively, while annual escalations on renewing leases averaged 2.7% and 2.4%, respectively.
- > Lease Terms: In the quarter ended December 31, 2024, lease terms averaged 3.5 years on renewing leases, 7.4 years on vacancy leasing, and 5.9 years on investment leasing. For the year ended December 31, 2024, lease terms averaged 3.9 years on renewing leases, 7.7 years on vacancy leasing, and 8.2 years on investment leasing.

Investment Activity Highlights

- > Development Pipeline: The Company's development pipeline consists of four properties totaling 606,000 square feet that were 75% leased as of December 31, 2024. These projects represent a total estimated investment of \$252.9 million, of which \$67.4 million was spent.

Balance Sheet and Capital Transaction Highlights

- > For the quarter ended December 31, 2024, the Company's adjusted EBITDA fixed charge coverage ratio was 4.7x.
- > At December 31, 2024, the Company's net debt to in-place adjusted EBITDA ratio was 6.0x and its net debt adjusted for fully-leased investment properties to in-place adjusted EBITDA ratio was 5.9x.
- > At December 31, 2024, and including the effect of interest rate swaps, the Company's weighted average effective interest rate on its consolidated debt portfolio was 3.3% with a weighted average maturity of 4.7 years, and 100% of the Company's debt was subject to fixed interest rates.

Associated Supplemental Presentation

Prior to the call, the Company will post a slide presentation to accompany management's prepared remarks for its fourth quarter and full year 2024 conference call; the presentation can be viewed and downloaded from the 'Financial Info – Financial Results' section of COPT Defense's Investors website:

<https://investors.copt.com/financial-information/financial-results>

2025 Guidance

The Company details its initial full year and first quarter guidance, with supporting assumptions, in a separate press release issued concurrently with this press release; that release can be found in the 'News & Events – Press Releases' section of COPT Defense's Investors website: <https://investors.copt.com/news-events/press-releases>

Conference Call Information

Management will discuss fourth quarter and full year 2024 results on its conference call tomorrow at 12:00 p.m. Eastern Time, details of which are listed below:

Conference Call Date:	Friday, February 7, 2025
Time:	12:00 p.m. Eastern Time

Participants must register for the conference call at the link below to receive the dial-in number and personal pin. Registering only takes a few moments and provides direct access to the conference call without waiting for an operator. You may register at any time, including up to and after the call start time:

<https://register.vevent.com/register/BI959f6e09b0064c679a6d9d437eec49c7>

The conference call will also be available via live webcast in the 'News & Events – IR Calendar' section of COPT Defense's Investors website: <https://investors.copt.com/news-events/ir-calendar>

Replay Information

A replay of the conference call will be immediately available via webcast only on COPT Defense's Investors website and will be maintained on the website for approximately 90 days after the conference call.

Definitions

For definitions of certain terms used in this press release, please refer to the information furnished in the Company's Supplemental Information Package furnished on a Form 8-K which can be found on its website (www.copt.com). Reconciliations of non-GAAP measures to the most directly comparable GAAP measures are included in the attached tables.

About COPT Defense

COPT Defense, an S&P MidCap 400 Company, is a self-managed REIT focused on owning, operating and developing properties in locations proximate to, or sometimes containing, key U.S. Government ("USG") defense installations and missions (referred to as its Defense/IT Portfolio). The Company's tenants include the USG and their defense contractors, who are primarily engaged in priority national security activities, and who generally require mission-critical and high security property enhancements. As of December 31, 2024, the Company's Defense/IT Portfolio of 195 properties, including 24 owned through unconsolidated joint ventures, encompassed 22.4 million square feet and was 96.8% leased.

Forward-Looking Information

This press release may contain "forward-looking" statements, as defined in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, that are based on the Company's current expectations, estimates and projections about future events and financial trends affecting the Company. Forward-looking statements can be identified by the use of words such as "may," "will," "should," "could," "believe," "anticipate," "expect," "estimate," "plan" or other comparable terminology. Forward-looking statements are inherently subject to risks and uncertainties, many of which the Company cannot predict with accuracy and some of which the Company might not even anticipate. Although the Company believes that the expectations, estimates and projections reflected in such forward-looking statements are based on reasonable assumptions at the time made, the Company can give no assurance that these expectations, estimates and projections will be achieved. Future events and actual results may differ materially from those discussed in the forward-looking statements and the Company undertakes no obligation to update or supplement any forward-looking statements.

The areas of risk that may affect these expectations, estimates and projections include, but are not limited to, those risks described in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Source: COPT Defense Properties

COPT Defense Properties
Summary Financial Data
(unaudited)
(dollars and shares in thousands, except per share data)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2024	2023	2024	2023
Revenues				
Lease revenue	\$ 169,765	\$ 160,337	\$ 671,366	\$ 619,847
Other property revenue	1,641	1,225	6,351	4,956
Construction contract and other service revenues	12,027	18,167	75,550	60,179
Total revenues	183,433	179,729	753,267	684,982
Operating expenses				
Property operating expenses	66,964	64,577	266,001	247,385
Depreciation and amortization associated with real estate operations	38,821	36,735	153,640	148,950
Construction contract and other service expenses	11,519	17,167	73,265	57,416
Impairment losses	—	—	—	252,797
General and administrative expenses	8,429	8,240	33,555	31,105
Leasing expenses	2,243	2,308	9,233	8,932
Business development expenses and land carry costs	1,171	797	4,250	2,732
Total operating expenses	129,147	129,824	539,944	749,317
Interest expense	(20,391)	(20,383)	(82,151)	(71,142)
Interest and other income, net	2,331	5,659	12,661	12,587
Gain on sales of real estate	—	—	—	49,392
Income (loss) before equity in income (loss) of unconsolidated entities and income taxes	36,226	35,181	143,833	(73,498)
Equity in income (loss) of unconsolidated entities	217	(240)	397	(261)
Income tax benefit (expense)	24	(121)	(288)	(588)
Net income (loss)	36,467	34,820	143,942	(74,347)
Net (income) loss attributable to noncontrolling interests:				
Common units in the Operating Partnership ("OP")	(681)	(576)	(2,694)	1,306
Other consolidated entities	(665)	(592)	(2,319)	(428)
Net income (loss) attributable to common shareholders	\$ 35,121	\$ 33,652	\$ 138,929	\$ (73,469)
Earnings per share ("EPS") computation:				
Numerator for diluted EPS:				
Net income (loss) attributable to common shareholders	\$ 35,121	\$ 33,652	\$ 138,929	\$ (73,469)
Amount allocable to share-based compensation awards	(103)	(100)	(421)	(1,199)
Numerator for diluted EPS	\$ 35,018	\$ 33,552	\$ 138,508	\$ (74,668)
Denominator:				
Weighted average common shares - basic	112,347	112,199	112,296	112,178
Dilutive effect of share-based compensation awards	711	432	603	—
Dilutive exchangeable debt	664	—	—	—
Weighted average common shares - diluted	113,722	112,631	112,899	112,178
Diluted EPS	\$ 0.31	\$ 0.30	\$ 1.23	\$ (0.67)

COPT Defense Properties
Summary Financial Data
(unaudited)
(in thousands, except per share data)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2024	2023	2024	2023
Net income (loss)	\$ 36,467	\$ 34,820	\$ 143,942	\$ (74,347)
Real estate-related depreciation and amortization	38,821	36,735	153,640	148,950
Impairment losses on real estate	—	—	—	252,797
Gain on sales of real estate	—	—	—	(49,392)
Depreciation and amortization on unconsolidated real estate JVs	745	805	3,056	3,217
Funds from operations ("FFO")	76,033	72,360	300,638	281,225
FFO allocable to other noncontrolling interests	(1,050)	(972)	(3,855)	(3,978)
Basic FFO allocable to share-based compensation awards	(614)	(513)	(2,417)	(1,940)
Basic FFO available to common share and common unit holders ("Basic FFO")	74,369	70,875	294,366	275,307
Redeemable noncontrolling interests	—	—	1,963	(58)
Diluted FFO adjustments allocable to share-based compensation awards	47	38	188	150
Diluted FFO available to common share and common unit holders ("Diluted FFO")	74,416	70,913	296,517	275,399
Executive transition costs	58	188	285	518
Diluted FFO comparability adjustments allocable to share-based compensation awards	(1)	(1)	(2)	(4)
Diluted FFO available to common share and common unit holders, as adjusted for comparability	74,473	71,100	296,800	275,913
Straight line rent adjustments and lease incentive amortization	2,950	313	10,824	6,518
Amortization of intangibles and other assets included in net operating income ("NOI")	211	26	755	50
Share-based compensation, net of amounts capitalized	2,617	2,318	10,443	8,544
Amortization of deferred financing costs	671	681	2,708	2,580
Amortization of net debt discounts, net of amounts capitalized	1,041	1,004	4,110	2,994
Replacement capital expenditures	(34,134)	(21,498)	(103,984)	(93,494)
Other	73	336	566	(84)
Diluted adjusted funds from operations available to common share and common unit holders ("Diluted AFFO")	\$ 47,902	\$ 54,280	\$ 222,222	\$ 203,021
Diluted FFO per share	\$ 0.64	\$ 0.62	\$ 2.57	\$ 2.41
Diluted FFO per share, as adjusted for comparability	\$ 0.65	\$ 0.62	\$ 2.57	\$ 2.42
Dividends/distributions per common share/unit	\$ 0.295	\$ 0.285	\$ 1.18	\$ 1.14

COPT Defense Properties
Summary Financial Data
(unaudited)
(Dollars and shares in thousands, except per share data)

	December 31, 2024	December 31, 2023
Balance Sheet Data		
Properties, net of accumulated depreciation	\$ 3,630,526	\$ 3,503,678
Total assets	\$ 4,254,191	\$ 4,246,966
Debt per balance sheet	\$ 2,391,755	\$ 2,416,287
Total liabilities	\$ 2,693,624	\$ 2,699,631
Redeemable noncontrolling interests	\$ 23,974	\$ 23,580
Total equity	\$ 1,536,593	\$ 1,523,755
Debt to assets	56.2%	56.9%
Net debt to adjusted book	40.4%	40.6%

Defense/IT Portfolio Data (as of period end)

Number of operating properties	195	190
Total operational square feet (in thousands)	22,391	21,719
% Occupied	95.6%	96.2%
% Leased	96.8%	97.2%

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2024	2023	2024	2023

GAAP

Payout ratio:				
Net income	93.0%	93.7%	94.2%	N/A
Debt ratios:				
Net income to interest expense ratio	1.8x	1.7x	1.8x	N/A
Debt to net income ratio	16.4x	17.3x	N/A	N/A

Non-GAAP

Payout ratios:				
Diluted FFO	45.2%	45.7%	45.4%	47.1%
Diluted FFO, as adjusted for comparability	45.2%	45.6%	45.4%	47.0%
Diluted AFFO	70.3%	59.7%	60.6%	63.9%
Debt ratios:				
Adjusted EBITDA fixed charge coverage ratio	4.7x	4.4x	4.7x	4.7x
Net debt to in-place adjusted EBITDA ratio	6.0x	6.1x	N/A	N/A
Net debt adj. for fully-leased investment properties to in-place adj. EBITDA ratio	5.9x	6.0x	N/A	N/A

Reconciliation of denominators for per share measures

Denominator for diluted EPS	113,722	112,631	112,899	112,178
Weighted average common units	1,664	1,514	1,672	1,509
Dilutive effect of additional share-based compensation awards	—	—	—	424
Redeemable noncontrolling interests	—	—	842	38
Denominator for diluted FFO per share and as adjusted for comparability	<u>115,386</u>	<u>114,145</u>	<u>115,413</u>	<u>114,149</u>

COPT Defense Properties
Summary Financial Data
(unaudited)
(in thousands)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2024	2023	2024	2023
Numerators for Payout Ratios				
Dividends on unrestricted common and deferred shares	\$ 33,167	\$ 31,998	\$ 132,628	\$ 127,978
Distributions on unrestricted common units	491	430	1,987	1,725
Dividends and distributions on restricted shares and units	248	209	1,000	828
Total dividends and distributions for GAAP payout ratio	33,906	32,637	135,615	130,531
Dividends and distributions on antidilutive shares and units	(250)	(212)	(1,006)	(835)
Dividends and distributions for non-GAAP payout ratios	<u>\$ 33,656</u>	<u>\$ 32,425</u>	<u>\$ 134,609</u>	<u>\$ 129,696</u>
Reconciliation of net income (loss) to earnings before interest, income taxes, depreciation and amortization for real estate ("EBITDAre"), adjusted EBITDA and in-place adjusted EBITDA				
Net income (loss)	\$ 36,467	\$ 34,820	\$ 143,942	\$ (74,347)
Interest expense	20,391	20,383	82,151	71,142
Income tax (benefit) expense	(24)	121	288	588
Real estate-related depreciation and amortization	38,821	36,735	153,640	148,950
Other depreciation and amortization	589	619	2,375	2,445
Impairment losses on real estate	—	—	—	252,797
Gain on sales of real estate	—	—	—	(49,392)
Adjustments from unconsolidated real estate JVs	1,681	1,911	6,820	6,917
EBITDAre	97,925	94,589	389,216	359,100
Credit loss (recoveries) expense	(113)	(1,288)	383	(611)
Business development expenses	758	445	2,548	1,393
Executive transition costs	58	188	638	824
Net gain on other investments	—	—	(488)	(25)
Adjusted EBITDA	98,628	93,934	<u>\$ 392,297</u>	<u>\$ 360,681</u>
Pro forma NOI adjustment for property changes within period	528	1,341		
Change in collectability of deferred rental revenue	1,646	(198)		
In-place adjusted EBITDA	<u>\$ 100,802</u>	<u>\$ 95,077</u>		
Reconciliations of tenant improvements and incentives, building improvements and leasing costs for operating properties to replacement capital expenditures				
Tenant improvements and incentives	\$ 22,912	\$ 7,850	\$ 69,505	\$ 74,912
Building improvements	10,942	14,762	28,294	25,976
Leasing costs	2,629	2,440	12,342	9,634
Net exclusions from tenant improvements and incentives	(7)	(189)	(3)	(12,170)
Excluded building improvements and leasing costs	(2,342)	(3,365)	(6,154)	(4,858)
Replacement capital expenditures	<u>\$ 34,134</u>	<u>\$ 21,498</u>	<u>\$ 103,984</u>	<u>\$ 93,494</u>

COPT Defense Properties
Summary Financial Data
(unaudited)
(in thousands)

	For the Three Months Ended December 31,		For the Years Ended December 31,	
	2024	2023	2024	2023
Reconciliation of interest expense to the denominator for fixed charge coverage-Adjusted EBITDA				
Interest expense	\$ 20,391	\$ 20,383	\$ 82,151	\$ 71,142
Less: Amortization of deferred financing costs	(671)	(681)	(2,708)	(2,580)
Less: Amortization of net debt discounts, net of amounts capitalized	(1,041)	(1,004)	(4,110)	(2,994)
COPT Defense's share of interest expense of unconsolidated real estate JVs, excluding amortization of deferred financing costs and net debt premium and gain or loss on interest rate derivatives	872	819	3,305	3,188
Scheduled principal amortization	455	763	2,334	3,052
Capitalized interest	928	1,028	2,872	4,479
Denominator for fixed charge coverage-Adjusted EBITDA	<u>\$ 20,934</u>	<u>\$ 21,308</u>	<u>\$ 83,844</u>	<u>\$ 76,287</u>
Reconciliation of net income (loss) to NOI from real estate operations, same property NOI from real estate operations and same property cash NOI from real estate operations				
Net income (loss)	\$ 36,467	\$ 34,820	\$ 143,942	\$ (74,347)
Construction contract and other service revenues	(12,027)	(18,167)	(75,550)	(60,179)
Depreciation and other amortization associated with real estate operations	38,821	36,735	153,640	148,950
Construction contract and other service expenses	11,519	17,167	73,265	57,416
Impairment losses	—	—	—	252,797
General and administrative expenses	8,429	8,240	33,555	31,105
Leasing expenses	2,243	2,308	9,233	8,932
Business development expenses and land carry costs	1,171	797	4,250	2,732
Interest expense	20,391	20,383	82,151	71,142
Interest and other income, net	(2,331)	(5,659)	(12,661)	(12,587)
Gain on sales of real estate	—	—	—	(49,392)
Equity in (income) loss of unconsolidated entities	(217)	240	(397)	261
Unconsolidated real estate JVs NOI allocable to COPT Defense included in equity in income (loss) of unconsolidated entities	1,898	1,671	7,217	6,659
Income tax (benefit) expense	(24)	121	288	588
NOI from real estate operations	<u>106,340</u>	<u>98,656</u>	<u>418,933</u>	<u>384,077</u>
Non-Same Property NOI from real estate operations	<u>(7,997)</u>	<u>(3,802)</u>	<u>(27,864)</u>	<u>(7,238)</u>
Same Property NOI from real estate operations	<u>98,343</u>	<u>94,854</u>	<u>391,069</u>	<u>376,839</u>
Straight line rent adjustments and lease incentive amortization	7,093	3,142	16,492	7,030
Amortization of acquired above- and below-market rents	(69)	(121)	(276)	(536)
Lease termination fees, net	(864)	(717)	(3,451)	(3,745)
Tenant funded landlord assets and lease incentives	(5,871)	(7,541)	(18,501)	(26,378)
Cash NOI adjustments in unconsolidated real estate JVs	<u>(147)</u>	<u>(124)</u>	<u>(511)</u>	<u>(544)</u>
Same Property Cash NOI from real estate operations	<u>\$ 98,485</u>	<u>\$ 89,493</u>	<u>\$ 384,822</u>	<u>\$ 352,666</u>

COPT Defense Properties
Summary Financial Data
(unaudited)
(in thousands)

	December 31, 2024	December 31, 2023
Reconciliation of total assets to adjusted book		
Total assets	\$ 4,254,191	\$ 4,246,966
Accumulated depreciation	1,537,293	1,400,162
Accumulated amortization of intangibles on property acquisitions and deferred leasing costs	228,154	228,484
COPT Defense's share of liabilities of unconsolidated real estate JVs	61,294	60,583
COPT Defense's share of accumulated depreciation and amortization of unconsolidated real estate JVs	12,817	9,528
Less: Property - operating lease liabilities	(49,240)	(33,931)
Less: Property - finance lease liabilities	(391)	(415)
Less: Cash and cash equivalents	(38,284)	(167,820)
Less: COPT Defense's share of cash of unconsolidated real estate JVs	(2,053)	(852)
Adjusted book	<u>\$ 6,003,781</u>	<u>\$ 5,742,705</u>

	December 31, 2024	December 31, 2023
Reconciliation of debt to net debt and net debt adjusted for fully-leased investment properties		
Debt per balance sheet	\$ 2,391,755	\$ 2,416,287
Net discounts and deferred financing costs	23,262	28,713
COPT Defense's share of unconsolidated JV gross debt	<u>53,750</u>	<u>52,613</u>
Gross debt	2,468,767	2,497,613
Less: Cash and cash equivalents	(38,284)	(167,820)
Less: COPT Defense's share of cash of unconsolidated real estate JVs	<u>(2,053)</u>	<u>(852)</u>
Net debt	2,428,430	2,328,941
Costs incurred on fully-leased development properties	(18,774)	(53,914)
Costs incurred on fully-leased operating property acquisitions	<u>(17,034)</u>	<u>—</u>
Net debt adjusted for fully-leased investment properties	<u>\$ 2,392,622</u>	<u>\$ 2,275,027</u>