

## Risk Factors Comparison 2025-02-21 to 2024-02-22 Form: 10-K

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

Set forth below are risks and uncertainties relating to our business and the ownership of our securities. These risks and uncertainties may lead to outcomes that could adversely affect our financial position, results of operations, cash flows or ability to make expected distributions to our shareholders. You should carefully consider each of these risks and uncertainties, along with all of the information in this Annual Report on Form 10-K and its Exhibits, including our consolidated financial statements and notes thereto for the year ended December 31, ~~2023~~ **2024** included in a separate section at the end of this report beginning on page F-1. Risks Associated with the Real Estate Industry and Our Properties Our performance and asset value are subject to risks associated with our properties and with the real estate industry. Real estate investments are subject to various risks and fluctuations in value and demand, many of which are beyond our control. Our performance and the value of our real estate assets may decline due to conditions in the general economy and the real estate industry, which could adversely affect our financial position, results of operations, cash flows or ability to make expected distributions to our shareholders. These conditions include, but are not limited to: > downturns in national, regional and local economic environments, including increases in the unemployment rate and inflation or deflation; > competition from other properties; ~~> trends in office real estate that may adversely affect future demand, including remote work and flexible work arrangements, open workspaces and coworking spaces~~; > deteriorating local real estate market conditions, such as oversupply, reduction in demand and decreasing rental rates; > declining real estate valuations; > adverse developments concerning our tenants, which could affect our ability to collect rents and execute lease renewals; > increasing operating costs, including real estate taxes, utilities, insurance and other expenses, some of which we may not be able to pass through to tenants; > increasing vacancies and the need to periodically repair, renovate and re-lease space; > **trends in office real estate that may adversely affect future demand, including remote work and flexible work arrangements, open workspaces and coworking spaces;** > increasing interest rates and unavailability of financing on acceptable terms or at all; > unavailability of financing for potential purchasers of our properties; > potential impact of prolonged government shutdowns or budgetary reductions or impasses, such as a reduction of rental revenues, non-renewal of leases and / or reduced or delayed demand for additional space by existing or new tenants; > potential additional costs, such as capital improvements, fees and penalties, associated with environmental laws and regulations; > adverse changes from other government actions and initiatives, such as changes in taxation, zoning laws or other regulations; > potential inability to secure adequate insurance; > adverse consequences resulting from civil disturbances, natural disasters, terrorist acts or acts of war; and > adverse consequences resulting from climate-related risks. Our business may be affected by adverse economic conditions. Our business may be affected by adverse economic conditions in the United States, real estate industry as a whole or local markets in which our properties are located, including the impact of high unemployment, inflation or deflation, constrained credit and shortages of goods or services. Such conditions could potentially be triggered by geopolitical or other world events. Adverse economic conditions could increase the likelihood of tenants encountering financial difficulties, including bankruptcy, insolvency or general downturn of business, and as a result could increase the likelihood of tenants defaulting on their lease obligations to us. Such conditions could also decrease our likelihood of successfully renewing tenants at favorable terms or at all or leasing vacant space in existing properties or newly-developed properties. In addition, such conditions could disrupt the operations or profitability of our business or increase the level of risk that we may not be able to obtain new financing for development activities, refinancing of existing debt, acquisitions or other capital requirements at reasonable **terms, if at all, or to execute dispositions of our properties on a satisfactory time frame or on satisfactory** terms, if at all. We may suffer adverse consequences as a result of our reliance on rental revenues for our income. We earn revenue from leasing our properties. Certain of our operating costs do not necessarily fluctuate in relation to changes in our occupancy and rental revenue. As a result, these costs will not necessarily decline and may increase even if our revenues decline. For new tenants or upon expiration of existing leases, we generally must make improvements and pay other leasing costs for which we may not receive increased rents. We also make building-related capital improvements for which tenants may not reimburse us. If our properties do not generate revenue sufficient to meet our operating expenses and capital costs, we may need to borrow additional amounts to cover these costs. In such circumstances, we would likely have lower profits or possibly incur losses. We may also find in such circumstances that we are unable to borrow to fund such costs, in which case our operations could be adversely affected. In addition, the competitive environment for leasing is affected considerably by a number of factors including, among other things, changes due to economic factors such as supply and demand. These factors may make it difficult for us to lease vacant space in existing properties or newly-developed properties and space associated with future lease expirations at rental rates that are sufficient to meet our short-term capital needs. We rely on the ability of our tenants to pay rent and would be harmed by their inability to do so. Our performance depends on the ability of our tenants to fulfill their lease obligations by paying their rental payments in a timely manner. As a result, we would be harmed if one or more of our major tenants, or a number of our smaller tenants, were to experience financial difficulties, including bankruptcy, insolvency or general downturn of business. We may be adversely affected by developments concerning our major tenants, including the USG and its contractors, or the defense installations or missions from which demand for our Defense / IT Portfolio's properties is driven. As of December 31, ~~2023~~ **2024**, our 10 largest tenants accounted for 63. ~~58~~ **50** % of our total ~~ARR~~ **ARR** annualized rental revenue, the three largest of these tenants accounted for ~~49~~ **50** %, and the USG, our largest tenant, accounted for 35. ~~9~~ **6** %. For additional information regarding our tenant concentrations, refer to the section entitled "Concentration of Operations" within the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations." We ~~further~~ **further** calculate annualized

rental revenue by multiplying by 12 the sum of monthly contractual base rents (ignoring free rent then in effect and rent associated with tenant funded landlord assets) and estimated monthly expense reimbursements under active leases in our portfolio as of the date defined— **define ARR in Item 7**; with regard to properties owned through unconsolidated real estate joint ventures, we include the portion of annualized rental revenue allocable to our ownership interests **this Annual Report on Form 10-K**. Most of our leases with the USG provide for one- year terms, with a series of one- year renewal options. The USG may terminate its leases if, among other reasons, the United States Congress fails to provide funding. We would be harmed if any of our largest tenants fail to make rental payments to us over an extended period of time, including as a result of a prolonged government shutdown, or if the USG elects to terminate some or all of its leases and the space cannot be re- leased on satisfactory terms. As of December 31, ~~2023~~ **2024**, ~~89-90~~ **8-3** % of our ~~ARR annualized rental revenue~~ was from our Defense / IT Portfolio. A **temporary or permanent** reduction in government spending targeting the activities of the USG or its contractors ~~(such as knowledge- and technology- based defense and security activities)~~ in this portfolio’ s demand drivers could adversely affect our tenants’ ability to fulfill lease obligations, renew leases or enter into new leases and limit our future growth from properties whose demand rely on such activities. In addition, uncertainty regarding the potential for future government spending for such activities could also decrease or delay leasing activity from existing or new tenants engaged in these activities. ~~Moreover,~~ **Our future ability to fuel growth through data center shell development may be adversely affected should we suffer a loss** may face additional economic harm in the event of **future development opportunities with long-term displacement, or our data center shell customer** elimination, of government spending for ~~or~~ defense installations or missions from which demand ~~are unable to locate suitable developable land~~. **Data center shells have been a growth driver** for our Defense / IT **Locations strategy** Portfolio’ s properties is driven. Our future ability to develop data center shells will be limited ~~without additional land to do so~~. Since 2013, we have developed ~~30~~ **31** data center shells in Northern Virginia totaling 5. ~~7-9~~ million square feet for a Fortune 100 Company ~~tenant~~ **cloud computing customer**, and we had an additional ~~three two~~ under development totaling ~~643~~ **418**, 000 square feet for that tenant as of December 31, ~~2023~~ **2024**. **Historically, These these** properties have also garnered the interest of outside investors, enabling us to raise capital by selling ownership interests through joint venture structures at favorable profit margins, and to apply the proceeds towards other development opportunities. **Our ability** As of December 31, 2023, we did not have additional land under control in Northern Virginia for the future development of data center shells. If we are unable to locate additional ~~continue to use~~ data center shell development opportunities, we ~~as a growth driver and possible future source of capital~~ may be limited if our **cloud computing customer** no longer ~~be chooses to allocate development opportunities to us or if we are~~ able ~~unable~~ to **acquire suitable land for** develop ~~development~~ data center shells. We may suffer economic harm in the event of a decline in the real estate market or general economic conditions in the Mid- Atlantic region, particularly in the Greater Washington, DC / Baltimore region, or in particular business parks. Most of our properties are located in the Mid- Atlantic region of the United States, particularly in the Greater Washington, DC / Baltimore region. Many of our properties are also concentrated in business parks in which we own most of the properties. Consequently, our portfolio of properties is not broadly distributed geographically. As a result, we could be harmed by a decline in the real estate market or general economic conditions in the Mid- Atlantic region, the Greater Washington, DC / Baltimore region or markets, submarkets or business parks in which our properties are located. We would suffer economic harm if we were unable to renew our leases on favorable terms. When leases expire, our tenants may not renew or may renew on terms less favorable to us than the terms of their original leases. If a tenant vacates a property, we can expect to experience a vacancy for some period of time, as well as incur higher leasing costs than we would likely incur if a tenant renews. As a result, we may be harmed if we experience a high volume of tenant departures at the end of their lease terms. We may be adversely affected by trends in the office real estate industry. Certain businesses have implemented remote work and flexible work arrangements and / or utilized open workspaces and coworking spaces. These practices could enable businesses to reduce their office space requirements. A continuation or acceleration of these trends could erode demand for commercial office space and, in turn, place downward pressure on occupancy, rental rates and property valuations. We may encounter a significant decline in the value of our real estate. The value of our real estate could be adversely affected by general economic and market conditions connected to a specific property or property type, a market or submarket, a broader economic region or the office real estate industry. Examples of such conditions include a broader economic recession, declining demand for space, **increases in interest rates** and decreases in market rental rates and / or market values of real estate assets. If our real estate assets significantly decline in value, it could result in our recognition of impairment losses. Moreover, a decline in the value of our real estate could adversely affect the amount of borrowings available to us and our ability, or willingness, to execute plans to sell properties. We may not be able to compete successfully with other entities that operate in our industry. The commercial real estate market is highly competitive. Numerous commercial properties compete with our properties for tenants; some of the properties competing with ours may be newer or in more desirable locations, or the competing properties’ owners may be willing to accept lower rates than are acceptable to us. In addition, we compete for the acquisition of land and commercial properties with many entities, including other publicly- traded REITs and large private equity ~~-~~ backed entities and funds; competitors for such acquisitions may have substantially greater financial resources than ours, or may be willing to accept lower returns on their investments or incur higher leverage. Real estate investments are illiquid, and we may not be able to dispose of properties on a timely basis when we determine it is appropriate to do so. Real estate investments can be difficult to sell and convert to cash quickly, especially if market conditions, including real estate lending conditions, are not favorable. Such illiquidity could limit our ability to fund capital needs or quickly change our portfolio of properties in response to changes in economic or other conditions. Moreover, under certain circumstances, the Internal Revenue Code imposes penalties on a REIT that sells property held for less than two years and limits the number of properties it can sell in a given year. We may be unable to successfully execute our plans to develop additional properties. Although the majority of our investments are in operating properties, we also develop and redevelop properties, including some that are not fully pre- leased. When we develop or redevelop properties, we assume a

number of risks, including, but not limited to, the risk of: actual costs exceeding our budgets; conditions or events occurring that delay or preclude our ability to complete the project as originally planned or at all; projected leasing not occurring as expected or at all, or occurring at lower than expected rental rates; and not being able to obtain financing to fund property development activities. We may suffer adverse effects from acquisitions of commercial real estate properties. We may pursue acquisitions of existing commercial real estate properties as part of our property **investment development and acquisition** strategy. Acquisitions of commercial properties entail risks, such as the risk that we may not be in a position, or have the opportunity in the future, to make suitable property acquisitions on advantageous terms and / or that such acquisitions fail to perform as expected. We may pursue selective acquisitions of properties in regions where we have not previously owned properties. These acquisitions may entail risks in addition to those we face with acquisitions in more familiar regions, such as our not sufficiently anticipating conditions or trends in such regions and therefore not being able to operate the acquired properties profitably. In addition, we may acquire properties that are subject to liabilities in situations where we have no recourse, or only limited recourse, against the prior owners or other third parties with respect to unknown liabilities. As a result, if a liability were asserted against us based upon ownership of those properties, we might have to pay substantial sums to settle or contest it. We may be subject to possible environmental liabilities. We are subject to various federal, state and local environmental laws, including air and water quality, hazardous or toxic substances and health and safety. These laws can impose liability on current and prior property owners or operators for the costs of removal or remediation of hazardous substances released on a property, even if the property owner was not responsible for, or even aware of, the release of the hazardous substances. **Uninsured Costs-costs** resulting from environmental liability could be substantial. The presence of hazardous substances on our properties may also adversely affect occupancy and our ability to sell or borrow against those properties. In addition to the costs of government claims under environmental laws, private plaintiffs may bring claims for personal injury or other reasons. Additionally, various laws impose liability for the costs of removal or remediation of hazardous substances at the disposal or treatment facility; anyone who arranges for the disposal or treatment of hazardous substances at such a facility is potentially liable under such laws. Although most of our properties have been subject to varying degrees of environmental assessment, many of these assessments are limited in scope and may not include or identify all potential environmental liabilities or risks associated with the property. Identification of new compliance concerns or undiscovered areas of contamination, changes in the extent or known scope of contamination, discovery of additional sites, human exposure to the contamination or changes in cleanup or compliance requirements could result in significant costs to us. We would incur losses if third parties to whom we make loans fail to service or repay such loans. We enter into loan arrangements with tenants of our properties and other third parties. We would incur losses if these parties failed to fulfill their obligations to service and repay such loans. We may be adversely affected by the impact of climate- related risks. We may be adversely affected by extreme weather events, such as **heavy rainstorms,** hurricanes, floods and tornadoes, which could result in significant property damage and make it more difficult for us to obtain affordable insurance coverage in the future. Longer term, we could also face the potential for more frequent or destructive severe weather events and shifts in temperature and precipitation amounts. Such events could adversely affect our properties in a number of ways, including, but not limited to: declining demand for space; our ability to operate them effectively and profitably; their valuations; and our ability to sell them or use them as collateral for future debt. We may be adversely affected by legislation and regulatory changes relating to combating climate change. We may be adversely affected by legislation and regulatory changes aimed at combating climate change. For example, the State of Maryland enacted legislation that will subject our properties in the state (approximately half of our portfolio at year end) to future energy performance standards **(with potential monetary penalties for failing to meet such standards )**, building code changes and other requirements. In order to meet these performance standards and other requirements, we expect that we will need to make additional investments in building systems for new and existing properties. Other jurisdictions in which our properties are located have also either enacted similar legislation or are considering doing so in the future. We believe that our future additional capital investments and potential fees and penalties resulting from the State of Maryland legislation, and other similar federal, state or local laws or regulations in the future, could potentially be substantial **and may not be recoverable from our tenants. Other risks and uncertainties we may encounter as a result of such laws or regulations include, but are not limited to, limited availability of equipment, contractors and services required to complete the resulting capital improvements and potential future effects of increased electrification requirements, such as increased electricity rates and power grid constraints**. We may be subject to other possible liabilities that would adversely affect our financial position and cash flows. Our properties may be subject to other risks related to current or future laws, including laws relating to zoning, development, fire and life safety requirements and other matters. These laws may require significant property modifications in the future and could result in the levy of fines against us. Attacks by terrorists or foreign nations or incidents related to social unrest may adversely affect the value of our properties, our financial position and cash flows. We have significant investments in properties located in large metropolitan areas or near military installations. Attacks by terrorists or foreign nations, or incidents related to social unrest, could directly or indirectly damage our properties or cause losses that materially exceed our insurance coverage. After such an attack or incident, tenants in these areas may choose to relocate their businesses to areas of the United States that may be perceived to be less likely targets of future attacks or unrest, and fewer customers may choose to patronize businesses in these areas. This in turn **would may** trigger a decrease in demand for space in these areas that could increase vacancies in our properties and adversely affect property rental rates and valuations. We may be subject to increased costs of insurance and limitations on coverage. Our portfolio of properties is insured for losses under our property, casualty and umbrella insurance policies. These policies include coverage for acts of terrorism. Future changes in the insurance industry' s risk assessment approach and pricing structure may increase the cost of insuring our properties and decrease the scope of insurance coverage. Most of our loan agreements contain customary covenants requiring us to maintain insurance. Although we believe that we have adequate insurance coverage for purposes of these agreements, we may not be able to obtain an equivalent amount of coverage at reasonable costs, or at all, in

the future. In addition, if lenders insist on greater coverage than we are able to obtain, it could adversely affect our ability to finance and / or refinance our properties and execute our growth strategies. Moreover, there are some loss events for which we cannot obtain insurance at reasonable costs, or at all, such as acts of war. With respect to such losses and losses from acts of terrorism, earthquakes, fires, pandemics or other catastrophic events, if we experience a loss that is uninsured or that exceeds policy limits, we could lose the capital invested in the damaged properties, as well as the anticipated future revenue from those properties. We may suffer economic harm as a result of the actions of our partners in real estate joint ventures and other investments. We may invest in certain entities in which we are not the exclusive investor or principal decision maker. Investments in such entities may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that the other parties to these investments might become bankrupt or fail to fund their share of required capital contributions. Our partners in these entities may have economic, tax or other business interests or goals that are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our policies or objectives. These investments may also lead to impasses on major decisions, such as whether or not to sell a property, because neither we nor the other parties to these investments may have full control over the entity; such a dispute could also result in a sale of either our ownership interest in a joint venture or the joint venture's underlying properties at a suboptimal price or time. In addition, we may in certain circumstances be liable for the actions of the other parties to these investments. Our business could be adversely affected by a negative audit by the USG. Agencies of the USG, including the Defense Contract Audit Agency and various agency Inspectors General, routinely audit and investigate parties that provide goods and services to the USG. These agencies review such parties' performance under contracts, cost structure, internal controls systems and policies and compliance with applicable laws, regulations and standards. Any costs found to be misclassified may be subject to repayment. If an audit or investigation of us were to uncover improper ~~or illegal~~ activities associated with our activities for the USG, we may be subject to civil or criminal penalties and administrative sanctions, including termination of contracts, forfeiture of profits, suspension of payments, fines and suspension or prohibition from doing business with the USG. In addition, we could suffer serious reputational harm if allegations of impropriety were made against us. Risks Associated with Financing and Other Capital-Related Matters We are dependent on external sources of capital for growth. Because COPT Defense is a REIT, it must distribute at least 90 % of its annual taxable income to its shareholders. This requirement may limit the extent to which we are able to fund our investment activities using retained cash flow from operations. Therefore, our ability to fund much of these activities is dependent on our ability to externally generate capital through issuances of new debt, common shares, preferred shares, common or preferred units in CDPLP or sales of interests in properties. These capital sources may not be available **to us** on favorable terms or at all. Moreover, additional debt financing may substantially increase our leverage and subject us to covenants that restrict management's flexibility in directing our operations. Our inability to obtain capital when needed could have a material adverse effect on our ability to expand our business and fund other cash requirements. We often use our Revolving Credit Facility to initially finance much of our investing activities and certain financing activities. Our lenders under this and other facilities could, for financial hardship or other reasons, fail to honor their commitments to fund our requests for borrowings under these facilities. If lenders default under these facilities by not being able or willing to fund a borrowing request, it would adversely affect our ability to access borrowing capacity under these facilities. We may suffer adverse effects as a result of the indebtedness that we carry and the terms and covenants that relate to this debt. As of December 31, ~~2023~~ **2024**, we had \$ 2. 4 billion in debt ~~with~~ **with** the future maturities ~~as of which are~~ set forth in Note 8 to our consolidated financial statements. Payments of principal and interest on our debt may leave us with insufficient cash to operate our properties or pay distributions to COPT Defense's shareholders required to maintain COPT Defense's qualification as a REIT. We are also subject to the risks that: > we may not be able to refinance our existing indebtedness, or may only be able to do so on terms that are less favorable to us than the terms of our existing indebtedness; > in the event of our default under the terms of our Revolving Credit Facility, CDPLP could be restricted from making cash distributions to COPT Defense unless such distributions are required to maintain COPT Defense's qualification as a REIT, which could result in reduced distributions to our equityholders or the need for us to incur additional debt to fund such distributions; and > if we are unable to pay our debt service on time or are unable to comply with restrictive financial covenants for certain of our debt, our lenders could foreclose on our properties securing such debt. Virtually all of our unsecured debt is cross- defaulted, which means that failure to pay interest or principal on ~~the such~~ **the such** debt above a threshold value will create a default on certain of our other debt. If interest rates were to rise, our debt service payments on debt with variable interest rates would increase. Our operations likely will not generate enough cash flow to repay all of our debt without additional borrowings, equity issuances and / or sales of interests in properties. If we cannot refinance, extend the repayment date of, or otherwise raise funds required to repay ~~debt~~ **debt** by its maturity date, we would default on such debt. Our organizational documents do not limit the amount of indebtedness that we may incur. Therefore, we may incur additional indebtedness and become more highly leveraged, which could harm our financial position. A downgrade in our credit ratings would materially adversely affect our business and financial condition. Our Senior Notes are currently rated investment grade, with ~~either~~ **either** stable ~~or positive~~ **or positive** outlooks, by the three major rating agencies. These credit ratings are subject to ongoing evaluation by the credit rating agencies and can change. Any downgrades of our ratings or a negative outlook by the credit rating agencies would have a materially adverse impact on our cost and availability of capital and also could have a materially adverse effect on the market price of our common shares. In addition, since the variable interest rate spread and facility fees on certain of our debt, including our Revolving Credit Facility and a term loan facility, is determined based on our credit ratings, a downgrade in our credit ratings would increase the payments required on such debt. We have certain distribution requirements that reduce cash available for other business purposes. Since COPT Defense is a REIT, it must distribute to its shareholders at least 90 % of its annual taxable income, which limits the amount of cash that can be retained for other business purposes, including amounts to fund development activities and acquisitions. Also, due to the difference in time between when we receive revenue and pay expenses and when we report such items for distribution purposes, it is possible that

we may need to borrow funds for COPT Defense to meet the 90 % distribution requirement. We may issue additional common or preferred equity that dilutes our shareholders' interests. We may issue additional common shares or new issuances of preferred shares without shareholder approval. Similarly, we may issue additional common or preferred units in CDPLP for contributions of cash or property without approval by our shareholders. Our existing shareholders' interests could be diluted if such additional issuances were to occur. A number of factors could cause our security prices to decline. As is the case with any publicly- traded securities, certain factors outside of our control could influence the value of our equity security issuances. These conditions include, but are not limited to: > market perception of REITs in general and office REITs in particular; > market perception regarding our major tenants and property concentrations; > the level of institutional investor interest in us; > general economic and business conditions; > prevailing interest rates; > our financial performance; > our underlying asset value; > our actual, or market perception of our, financial condition, performance, dividends and growth potential; > adverse changes in tax laws; and > market perception regarding our commitment to environmental, social and governance matters. We may be unable to continue to make distributions to our shareholders at expected levels. We expect to make regular quarterly cash distributions to our shareholders. However, our ability to make such distributions depends on a number of factors, some of which are beyond our control. Some of our loan agreements contain provisions that could, in the event of default, restrict future distributions unless we meet certain financial tests or such payments or distributions are required to maintain COPT Defense' s qualification as a REIT. Our ability to make distributions at expected levels is also dependent, in part, on other matters, including, but not limited to: > continued property occupancy and timely receipt of rent from our tenants; > the amount of future capital expenditures and expenses for our properties; > our leasing activity and future rental rates; > the strength of the commercial real estate market; > our ability to compete **with other entities, including with other publicly- traded commercial REITs**; > governmental actions and initiatives, including risks associated with the impact of a prolonged government shutdown or budgetary reductions or impasses; > our costs of compliance with environmental and other laws; > our corporate overhead levels; and > our amount of uninsured losses. In addition, we can make distributions to holders of our common shares only after we make preferential distributions to holders of any outstanding preferred equity. Our ability to pay distributions may be limited, and we cannot provide assurance that we will be able to pay distributions regularly. Our ability to pay distributions will depend on a number of things discussed elsewhere herein, including our ability to operate profitably and generate cash flow from our operations. We cannot guarantee that we will be able to pay distributions on a regular quarterly basis in the future. Additionally, the terms of some of our debt may limit our ability to make some types of payments and distributions in the event of certain default situations. This may limit our ability to make some types of payments, including **payment payments** of distributions on common or preferred shares, unless we meet certain financial tests or such payments or distributions are required to maintain COPT Defense' s qualification as a REIT. ~~As a result, if we are unable to meet the applicable financial tests, we may not be able to pay distributions in one or more periods.~~ Furthermore, any new common or preferred equity that we may issue in the future for raising capital, financing acquisitions, share- based compensation arrangements or otherwise will increase the cash required to continue to pay cash distributions at current levels. We may experience significant losses and harm to our financial condition if financial institutions holding our cash and cash equivalents file for bankruptcy protection **or otherwise failed**. We believe that we maintain our cash and cash equivalents with high quality financial institutions. However, we may incur significant losses and harm to our financial condition in the future if we were holding large sums of cash in any of these financial institutions at a time when they filed for bankruptcy protection **or otherwise failed**. Other Risks Our business could be adversely affected by security breaches through cyber attacks, cyber intrusions or other factors, and other significant disruptions of our IT networks and related systems. We face risks associated with security breaches and other significant disruptions of our IT networks and related systems, which are essential to our business operations. Such breaches and disruptions may occur through cyber- attacks or- intrusions over the Internet, malware, computer viruses, attachments to e- mails or by actions of persons inside our organization, including those with access to our systems. Because of our concentration on serving the USG and its contractors with a general focus on national security and information technology, we may have a heightened likelihood of being targeted for cyber- attacks or- intrusions, including by governments, organizations or persons hostile to the USG. Additionally, a successful attack on our vendors or service providers could result in a compromise of our own network or a disruption in our supply chain or services upon which we rely. We have preventative, detective, and responsive measures in place to maintain the security and integrity of our networks and related systems that have to date enabled us to avoid breaches and disruptions that were individually, or in the aggregate, material. However, despite our activities to maintain the security and integrity of our networks and related systems, there can be no assurance that these activities will be effective in mitigating these risks. We also have insurance coverage in place in the event of significant future losses from breaches and disruptions; however, continuing changes in the insurance industry' s risk assessment approach and pricing structure could in the future increase the cost for us to obtain insurance coverage or decrease the scope of such coverage available to us. Like other businesses, we and our vendors and service providers have been, and expect to continue to be, subject to cyber- attacks or- intrusions, computer viruses or malware, attempts at unauthorized access and other events of varying degrees. A security breach or other significant disruption involving our IT networks and related systems, or those of certain of our vendors or service providers, could: > disrupt the proper functioning of our networks and systems and therefore our operations and / or those of certain of our tenants; > increase the likelihood of missed reporting or permitting deadlines; > affect our ability to properly monitor our compliance with rules and regulations regarding our qualification as a REIT; > result in unauthorized access to, and / or destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information of ours or others, which others could use to compete against us or which could expose us to damage claims by third- parties; > disrupt or disable the building systems relied upon by us and our tenants for the effective and efficient use of our properties; > require significant management attention and resources to remedy any resulting damages; > subject us to termination of leases or other agreements or claims for breach of contract, damages or other penalties; and >

damage our reputation among our tenants and investors generally. Please refer to Item 1C, **Cybersecurity**, for disclosure regarding our cybersecurity risk management, strategy and governance. We may be adversely affected by environmental, social and governance matters. Certain investors and other stakeholders ~~are increasingly focused~~ **focus** on environmental, social and governance matters. If our perceived commitment to environmental, social and governance matters fails to meet the expectations of **these** investors and other stakeholders, it could adversely affect their willingness to invest in, or otherwise do business with, us. We may suffer adverse effects from epidemics or pandemics. The occurrence of epidemics or pandemics may adversely affect us in many ways, including, but not limited to: > disruption of our tenants' operations, which could adversely affect their ability, or willingness, to sustain their businesses and / or fulfill their lease obligations; > our ability to maintain occupancy in our properties and obtain new leases for unoccupied ~~and new development~~ space at favorable terms or at all; > shortages in supply of products or services from vendors that are needed for us and our tenants to operate effectively, and which could lead to increased costs for such products and services; > access to debt and equity capital on attractive terms or at all. Severe disruption and instability in the global financial markets or ~~deteriorations~~ **deterioration** in credit and financing conditions may affect our or our tenants' ability to access capital necessary to fund operations, refinance debt or fund planned investments on a timely basis, and may adversely affect the valuation of financial assets and liabilities; and > our and our tenants' ability to continue or complete planned development, including the potential for delays in the supply of materials or labor necessary for development. The extent of any effect on our operations, financial condition and cash flows will be dependent on various factors, such as the duration and extent of the epidemic or pandemic, the prevalence, strength and duration of restrictive measures implemented in response and the resulting effects on our tenants, potential future tenants, the commercial real estate industry and the broader economy. Moreover, some of the risks described in other risk factors set forth in this Annual Report on Form 10-K may be more likely to impact us as a result of epidemics or pandemics, including, but not limited to: downturns in national, regional and local economic environments; deteriorating local real estate market conditions; and declining real estate valuations. Our business could be adversely impacted if we are unable to attract and retain highly-qualified personnel. Our ability to operate effectively and succeed in the future is dependent in large part on our employees. Our Defense / IT strategy in particular relies on the knowledge, specialized skills and credentialed personnel on our teams that serve those properties' unique needs. We face very intense competition for highly-qualified personnel in the labor market. We also occasionally face even greater competition for personnel with certain skill sets or qualifications. As a result, we may not be successful in retaining our existing talent or attracting, training and retaining new personnel with the requisite skills. We may also find that we need to further increase compensation costs in response to this competition. Our business could be harmed by the loss of key employees, a significant number of employees or a significant number of employees in a specialized area of the Company. We have certain provisions or statutes that may serve to delay or prevent a transaction or a change in control that would be advantageous to our shareholders from occurring. COPT Defense' s Declaration of Trust limits ownership of its common shares by any single shareholder to 9.8 % of the number of the outstanding common shares or 9.8 % of the value of the outstanding common shares, whichever is more restrictive. COPT Defense' s Declaration of Trust also limits ownership by any single shareholder of our common and preferred shares in the aggregate to 9.8 % of the aggregate value of our outstanding common and preferred shares. We refer to these restrictions as the "Ownership Limit." COPT Defense' s Declaration of Trust allows our Board of Trustees to exempt shareholders from the Ownership Limit. ~~The These Ownership Limit and the~~ **These** restrictions on ownership of our common shares may delay or prevent a transaction or a change of control that might involve a premium price for our common shares or otherwise be in the best interest of our shareholders. Subject to the requirements of the New York Stock Exchange, our Board of Trustees has the authority, without shareholder approval, to issue additional securities on terms that could delay or prevent a change in control. In addition, our Board of Trustees has the authority to reclassify any of our unissued common shares into preferred shares. Our Board of Trustees may issue preferred shares with such preferences, rights, powers and restrictions if it chooses to do so, which could also delay or prevent a change in control. In addition, various Maryland laws may have the effect of discouraging offers to acquire us, even if the acquisition would be advantageous to shareholders. Resolutions adopted by our Board of Trustees and / or provisions of our bylaws exempt us from such laws, but our Board of Trustees can alter its resolutions or change our bylaws at any time to make these laws applicable to us. COPT Defense' s failure to qualify as a REIT would have adverse tax consequences, which would substantially reduce funds available to make distributions to our shareholders. We believe that COPT Defense has qualified for taxation as a REIT for federal income tax purposes since 1992. We plan for COPT Defense to continue to meet the requirements for taxation as a REIT. Many of these requirements, however, are highly technical and complex. The determination that COPT Defense is a REIT requires an analysis of various factual matters and circumstances that may not be totally within our control. For example, to qualify as a REIT, at least 95 % of COPT Defense' s gross income must come from certain sources that are specified in the REIT tax laws. COPT Defense is also required to distribute to shareholders at least 90 % of its annual taxable income. The fact that COPT Defense holds most of its assets through CDPLP and its subsidiaries further complicates the application of the REIT requirements. Even a technical or inadvertent mistake could jeopardize COPT Defense' s REIT status. Furthermore, Congress and the Internal Revenue Service ~~might~~ **might could** make changes to the tax laws and regulations and the courts ~~might~~ **might could** issue new rulings that make it more difficult or impossible for COPT Defense to remain qualified as a REIT. If COPT Defense fails to qualify as a REIT, it would be subject to federal income tax at regular corporate rates. Also, unless the Internal Revenue Service granted us relief under certain statutory provisions, COPT Defense would remain disqualified from being a REIT for four years following the year it first fails to qualify. If COPT Defense fails to qualify as a REIT, it would have to pay significant income taxes and would therefore have less money available for investments or for distributions to our shareholders. In addition, if COPT Defense fails to qualify as a REIT, it would no longer be required to pay distributions to shareholders. As a result of all these factors, COPT Defense' s failure to qualify as a REIT could impair our ability to expand our business and raise capital and would likely have a significant adverse effect on the value of our shares. We may be adversely impacted by changes in tax laws. At any time, U. S. federal tax laws or the administrative

interpretations of those laws may ~~be changed~~ **change**. We cannot predict whether, when or to what extent new U. S. federal tax laws, regulations, interpretations or rulings will be issued. In addition, while REITs generally receive certain tax advantages compared to entities taxed as C corporations, it is possible that future legislation could result in REITs having fewer tax advantages, and therefore becoming a less attractive investment alternative. As a result, changes in U. S. federal tax laws could negatively impact our operating results, financial condition and business operations, and adversely impact our shareholders. Occasionally, changes in state and local tax laws or regulations are enacted that may result in an increase in our tax liability. Shortfalls in tax revenues for states and municipalities may lead to an increase in the frequency and size of such changes. If such changes occur, we may be required to pay additional taxes on our assets, revenue or income. Our tenants and contractual counterparties could be designated “ Prohibited Persons ” by the Office of Foreign Assets Control. The Office of Foreign Assets Control of the United States Department of the Treasury (“ OFAC ”) maintains a list of persons designated as terrorists or who are otherwise blocked or banned (“ Prohibited Persons ”). OFAC regulations and other laws prohibit us from conducting business or engaging in transactions with Prohibited Persons. If a tenant or other party with whom we conduct business is placed on the OFAC list or is otherwise a party with whom we are prohibited from doing business, we would be required to terminate our lease or other agreement with them.