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5 *Counsel to Successor Receiver*

6 **UNITED STATES DISTRICT COURT**  
7 **NORTHERN DISTRICT OF CALIFORNIA**  
8 **SAN FRANCISCO DIVISION**

10 SECURITIES AND EXCHANGE  
COMMISSION,

11 Plaintiff,

12 v.

13 JOHN V. BIVONA; SADDLE RIVER  
14 ADVISORS, LLC; SRA  
MANAGEMENT ASSOCIATES,  
15 LLC; FRANK GREGORY  
MAZZOLA,

16 Defendants, and

17 SRA I LLC; SRA II LLC; SRA III  
18 LLC; FELIX INVESTMENTS, LLC;  
MICHELE J. MAZZOLA; ANNE  
19 BIVONA; CLEAR SAILING GROUP  
IV LLC; CLEAR SAILING GROUP V  
20 LLC,

21 Relief Defendants.

Case No. 3:16-cv-01386-EMC

**DECLARATION OF KATHY BAZOIAN  
PHELPS IN SUPPORT OF  
ADMINISTRATIVE MOTION FOR ORDER  
APPROVING SALE AND DISTRIBUTION  
OF AIRBNB SHARES PURSUANT TO  
DISTRIBUTION PLAN; AND CREATION  
OF AN AIRBNB ADMINSTRATIVE CASH  
RESERVE**

Date: No Hearing Set  
Time: No Hearing Set  
Judge: Edward M. Chen

22  
23  
24 I, Kathy Bazoian Phelps, declare:

25 1. Pursuant to this Court’s Revised Order Appointing Receiver, entered February 28,  
26 2019, I was appointed as the successor receiver (“Receiver”) in this case. I am also an attorney  
27 duly licensed to practice in the State of California and am partner at the firm of Raines Feldman  
28 LLP (“Raines Feldman”). I have personal knowledge of the matters set forth below and if called

1 as a witness, I would and could testify competently to the matters stated herein.

2 2. This declaration is made in support of the Administrative Motion for Order  
3 Approving Sale and Distribution of Airbnb Shares Pursuant to Distribution Plan and Creation of  
4 an Airbnb Administrative Cash Reserve (the “Motion”).

5 3. I have consulted with counsel for the Securities and Exchange Commission and the  
6 members of the Investor Advisory Committee, who do not oppose the Motion. I have also  
7 conferred with counsel for Progresso Ventures LLC of the Motion, who does not take a position  
8 with respect to the Motion.

9 4. Attached as Exhibits “1,” “2,” and “3” hereto are three hypothetical distribution  
10 schedules that I have prepared with the assistance of my counsel and tax advisors, which reflect  
11 the interests of the investors holding securities in Airbnb, Inc. (“Airbnb”) at three different  
12 hypothetical stock prices for Airbnb. The total shares distributed to each claimant depends on the  
13 price of the stock when I make the sale for the Tax Holding Account, and thus I will not know the  
14 exact amount of shares that will be distributed until I make that sale.

15 5. I have selected three scenarios at prices of \$100, \$140, and \$180, based upon the  
16 fact that Airbnb closed at \$143.17 at the end of the trading day on which this motion was filed.  
17 Each schedule reflects – at the hypothetical share price for that schedule – the Investor Claimants  
18 by identification number, the total number of allowed shares for each claimant, the total  
19 remaining allowed shares for each claimant after the liquidation for the Plan Fund, the total  
20 remaining allowed shares after an administrative reserve is set aside, the remaining shares after  
21 taxes and commissions that are proposed to be distributed to each investor, and the value of the  
22 distribution at the share price in the hypothetical schedule.

23 6. The share values in each schedule are not the number of shares that will actually be  
24 distributed to each claimant, as these are hypothetical scenarios. Once I fix the price and the final  
25 administrative reserve based on the sale for the Tax Holding Account, I will update the schedule  
26 with the actual price and share amounts that the Receivership will use. That updated schedule will  
27 then be posted on the Receivership’s website at <https://www.raineslaw.com/saddle-river-receiver/>.

28 7. The taxes have been estimated based on the current value of the securities that will

1 be sold and the portion of the securities that will be distributed at this time. The actual figures  
 2 may vary based on fluctuations in the price of at the exact time of the sale in preparation to  
 3 distribute. To the extent that the actual sales price for the securities at the time of sale differs  
 4 from the price set forth in the Schedule, I will adjust the number of shares required to be sold to  
 5 fund the Tax Holding Account accordingly.

6 8. The total number of shares acquired by Equity Acquisition Company, Ltd.  
 7 (“EAC”) in the forward contract dated June 17, 2015 was 12,500. Pursuant to the settlement  
 8 between the estate and EAC, 11,125 of those shares were promised to the estate. The  
 9 counterparty to the forward contract acknowledged that settlement and agreed to deliver the  
 10 shares directly to the estate at the time contemplated by the forward contract, which was after the  
 11 expiry of all associated transfer restrictions. In the meantime, Airbnb stock split two-for-one,  
 12 meaning that 22,250 shares were required to be transferred to the estate. That stock transfer was  
 13 accomplished on May 24, 2021, and the shares are now in the estate’s brokerage account.

14 9. I propose to sell up to 15% of the Airbnb stock held by the estate to fund the Plan  
 15 Fund. Because the contribution to the Plan Fund must equal \$252,796, the exact number of  
 16 shares will depend on the price of Airbnb at the time of the sale. So long as the price of Airbnb  
 17 stays above \$92 per share (and its all-time publicly traded low is \$121.50 per share), the number  
 18 of shares necessary to sell to fund the Plan Fund will be below 15% of the total holdings. The  
 19 following are three hypothetical scenarios for the Plan Fund sale at various prices:

Price	Number of Shares to Sell	Gross Proceeds from Sale	Taxes and Commissions	Net Proceeds for Plan Fund
\$100	3,179 (14.1%)	\$317,900	\$65,075	\$252,825
\$140	2,469 (11.0%)	\$345,660	\$92,830	\$252,830
\$180	2,018 (9.0%)	\$363,240	\$110,437	\$252,803

20  
 21  
 22  
 23 10. I propose to retain approximately 4% to 6% the remaining shares after the Plan  
 24 Fund sale (about 800 to 1200 shares), in an Airbnb Administrative Reserve. I have relied on the  
 25 valuation of the securities as assessed by my valuation professional, Oxis Capital, for the basis of  
 26 the estate’s holdings, and do not anticipate any issues regarding that valuation. Nevertheless, as a  
 27 precaution, I believe it is prudent to hold back an Administrative Reserve until the final tax  
 28

1 liabilities of the receivership may be ascertained.

2 11. Further, I propose to liquidate the administrative reserve and hold it as cash, which  
3 is a slight modification to the Plan. If I hold the Airbnb Administrative Reserve in stock, the  
4 Receivership is exposed to future price fluctuations in Airbnb stock and the risk that the reserve  
5 will be insufficient if that price declines in value. But if I liquidate the reserve now, I eliminate  
6 that risk, and as a result I can hold a substantially smaller administrative reserve – 4-6% of the  
7 remaining shares, instead of 20-25% of the remaining shares. If that reserve is not used to resolve  
8 the receivership’s tax liabilities from this distribution, it may be distributed to claimants, meaning  
9 that claimants may still benefit from the reserve if it is not needed to satisfy tax obligations.

10 12. After the Airbnb Administrative Reserve is withheld and after stock is sold to fund  
11 the amounts used to fund the tax holding account and associated commission of 0.25% for such  
12 sale, I will have around 14,000 Airbnb shares to distribute to investors.

13 13. Based on the closing price of \$143.17 as of May 27, 2021, I would set the Airbnb  
14 Administrative Reserve percentage at 5%, and I would need to sell 5,155 shares to fund the Tax  
15 Holding Account. That price may fluctuate, and I will update my calculations in light of market  
16 conditions before placing the trade order.

17 14. I propose to sell the securities necessary to fund the Tax Holding Account and  
18 Airbnb Administrative Reserve on the open market in advance of making the distribution, which  
19 will fix the amount available to pay taxes. After conferring with the IAC, I intend to sell shares  
20 for the Tax Holding Account and Airbnb Administrative Reserve upon Court approval of the  
21 Motion at the then market rate, and will thereafter distribute shares as expeditiously as possible to  
22 try to avoid any significant variance in the price between the date of sale and the dates of  
23 distribution. The dates of distribution may span several weeks or longer depending on how  
24 quickly Wells Fargo Bank processes the transfers and whether investors have provided complete  
25 and accurate account information for the transfers.

26 15. If the price of the stock is significantly higher or lower at the time of distribution  
27 from the date of the sale for the Tax Holding Account, I may need to make adjustments. If the  
28 distribution price is substantially higher due to a stock price increase in the time lag from the sale

1 to the distribution, I may be required to either sell additional shares to fund higher taxes or use  
 2 funds from the Airbnb Administrative Reserve to cover any required taxes. If the distribution  
 3 price is substantially lower, on the other hand, I may contribute excess amounts in the Tax  
 4 Holding Account to the Airbnb Administrative Reserve and distribute those funds to the Airbnb  
 5 investors at a later date.

6 16. I have been tracking the value returned to investors based upon the value of the  
 7 stock distributed relative to the gross amount they originally invested. This interim distribution to  
 8 Airbnb will return value to the Airbnb investors in excess of the amount of the gross amount of  
 9 their investors, estimated as follows:

Hypothetical Price / Admin Reserve	Initial Gross Investment	Value of Interim Distribution	Return
\$100 / 6%	\$842,654	\$1,448,200	+72%
\$140 / 5%	\$842,654	\$1,953,560	+132%
\$180 / 4%	\$842,654	\$2,469,600	+193%

13 17. Because the sale and distribution will likely generate tax liabilities for the  
 14 Receivership in 2021, I have consulted with my tax advisers, and believe it is prudent to pay 95%  
 15 of the amount generated as an estimated payment to the Internal Revenue Service and the  
 16 California Franchise Tax Board sometime in the Second Quarter of 2021. If at least 90% of the  
 17 estimated taxes are not timely paid to both the Franchise Tax Board and the Internal Revenue  
 18 Service, the estate may incur penalties.

19 18. The securities are currently held in the receivership estate’s brokerage account at  
 20 Wells Fargo Bank. I have negotiated the commission structure for the sale of securities which  
 21 started at 0.5% of the value of each trade and was reduced to 0.25% of the value of the trade. I  
 22 believe that such a commission structure is within the range of reasonableness.

23 19. I believe that modification of the Plan to allow for the Airbnb Administrative  
 24 Reserve to be created from immediate liquidation of the Administrative Stock Reserve is  
 25 necessary and appropriate in this case. Although the Plan contemplates that an Administrative  
 26 Stock Reserve can be held as protection against future unknown tax liability, I am advised that the  
 27 time horizon to close out the receivership case could be years until I receive final tax clearance.  
 28

1 During that time period, the value of the administrative stock reserve would be exposed to any  
2 price fluctuations in the underlying stock. Under such conditions, I would propose an  
3 administrative reserve of between 20% and 25%, leaving fewer shares to distribute. In such  
4 scenario, I would need to wait 3 years following the filing of the estate's 2021 tax return (to be  
5 filed in the spring of 2022) for the statute to run on assessment of those taxes. I thereafter would  
6 be able to distribute the remaining Airbnb shares and would then file a final tax return with an  
7 additional 18-month prompt assessment period running from that date before I could release the  
8 administrative cash reserve in the estate. I do not believe that those time delays are necessary or  
9 appropriate.

10 20. I believe that it will be more cost and time efficient to distribute more shares to  
11 Claimants now instead of holding them as an administrative reserve and to sell the stock reserve  
12 now to fix the price and the tax liability. I am able to propose a far smaller administrative reserve  
13 of 4% to 6%, so long as I can liquidate that reserve and therefore not be exposed to price  
14 fluctuations in Airbnb over the upcoming years. The estate would always have incurred the tax  
15 liability at some point; it was merely a question of when. By selling now, the Receivership is also  
16 protected against future unfavorable changes in the tax law and even larger increases in the  
17 taxable gain. Therefore, I propose a small modification to the Plan that will allow me to hold the  
18 administrative reserve for Airbnb as cash instead of stock. This proposed change also allows  
19 Class 4 Airbnb Claimants to receive more shares in this distribution now, while retaining the  
20 ability to receive the value of the administrative reserve in cash if it is not needed to satisfy tax  
21 liabilities assessed at a later date.

22 21. I will serve notice of the Motion and the Motion on all investors holding an interest  
23 in the publicly traded securities by email and will also post the papers on the receivership website  
24 at <https://www.raineslaw.com/saddle-river-receiver/>.

25 I declare under penalty of perjury that the foregoing is true and correct. Executed on this  
26 27th day of May 2021 at Los Angeles, California.

27 /s/ Kathy Bazoian Phelps  
28 Kathy Bazoian Phelps  
Successor Receiver

# EXHIBIT 1

**AirBnb Technologies Distribution Schedule HYPOTHETICAL (LOW)**

Tax Basis per share	\$52.50	
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**Shares Sold for Plan Fund and Tax Holding Account on Plan Fund**

Sales Price per share	\$100.00	
Gain per share	\$47.50	
30% of Gross Investment	\$252,796	
Commission for sales	0.2500%	
<b>Shares to sell for Plan Fund</b>	<b>3,179</b>	14.1%
Total Proceeds from sale of stock for Plan Fund	\$317,900	
Total Reserved for Tax Holding Account on Plan Fund	\$64,281	
Total commissions and fees paid on shares sold for Plan Fund	\$795	
 Net Proceeds for Plan Fund	 \$252,825	

**Shares For Distribution and Tax Withholding Account**

Sales Price per share	\$100.00	
Gain per share	\$47.50	
Total shares owned	22,500	
Total remaining shares after sale for Plan Fund	19,321	
Administrative Reserve Percentage	6.0%	
Total shares to Administrative Reserve	1,159	
Total Shares to distribute and set aside for taxes on that distribution	18,162	
Total Gain on shares for distribution	\$862,695	
Total Taxes on shares for distribution	\$367,242	
Commission for sale of shares	0.2500%	
<b>Shares to sell for taxes on net allowed shares with commissions</b>	<b>3,682</b>	16.4%
 Total Proceeds from sale of stock for Tax Account	 \$368,200	
Total commission on shares sold	\$921	
Gross Proceeds for Tax Account fund	\$367,280	
Total Gain from sale of stock for Tax Account	\$174,895	
Tax liability on gain from sale of stock for Tax Account	\$74,451	
Net Amount for Tax Account Fund (after taxes on the sale for that account)	\$292,828	
 Total Shares To Distribute	 14,480	
Rounding Adjustment	(2)	
Total Shares Distributed	<b>14,482</b>	64.4%
Total Gain on shares distributed	\$687,895	
Total estimated tax on shares distributed	\$292,831	

**Net Cash Amount for Administrative Reserve**

Total shares to Administrative Reserve	1,157	5.1%
Sales Price Per Share	\$100.00	
Gain per share	\$47.50	
Total Proceeds from sale of stock to Administrative Reserve	\$115,700	
Total commission on shares sold	\$289	
Gross Proceeds for Administrative Reserve	\$115,411	
Gain from sale of stock for Administrative Reserve	\$54,958	
Tax liability on gain from sale of stock for Administrative Reserve	\$23,395	
Net Amount for Admin Reserve (after taxes on the sale for that account)	\$92,016	



## AirBnb Technologies Distribution Schedule HYPOTHETICAL (LOW)

Investor ID No.	Gross Investment	30% Gross Inv.	Allowed Shares	Allowed Shares After 30% Plan Fund and associated taxes/commissions	Allowed Shares After 6% to Administrative Reserve	Shares in Distribution	Return to Investor
5	\$50,000	\$15,000	1334	1,158	1,089	868	74%
11	\$25,000	\$7,500	666	578	544	433	73%
14	\$7,500	\$2,250	196	170	160	128	71%
37	\$75,000	\$22,500	2000	1,737	1,633	1,302	74%
136	\$25,000	\$7,500	654	568	534	426	70%
148	\$382,654	\$114,796	10000	8,684	8,163	6,508	70%
205	\$30,000	\$9,000	800	695	653	521	74%
238	\$37,500	\$11,250	1000	868	816	651	74%
297	\$50,000	\$15,000	1334	1,158	1,089	868	74%
299	\$10,000	\$3,000	266	231	217	173	73%
311	\$75,000	\$22,500	2000	1,737	1,633	1,302	74%
323	\$75,000	\$22,500	2000	1,737	1,633	1,302	74%
<b>Totals</b>	<b>\$842,654</b>	<b>\$252,796</b>	<b>22,250</b>	<b>19,321</b>	<b>18,162</b>	<b>14,482</b>	<b>72%</b>

Total Value of Interim Distribution: \$1,448,200

# EXHIBIT 2

**AirBnb Technologies Distribution Schedule HYPOTHETICAL (MEDIUM)**

Tax Basis per share	\$52.50	
<b>Shares Sold for Plan Fund and Tax Holding Account on Plan Fund</b>		
Sales Price per share	\$140.00	
Gain per share	\$87.50	
30% of Gross Investment	\$252,796	
Commission for sales	0.2500%	
<b>Shares to sell for Plan Fund</b>	<b>2,469</b>	11.0%
Total Proceeds from sale of stock for Plan Fund	\$345,660	
Total Reserved for Tax Holding Account on Plan Fund	\$91,965	
Total commissions and fees paid on shares sold for Plan Fund	\$864	
Net Proceeds for Plan Fund	\$252,830	
<b>Shares For Distribution and Tax Withholding Account</b>		
Sales Price per share	\$140.00	
Gain per share	\$87.50	
Total shares owned	22,500	
Total remaining shares after sale for Plan Fund	20,031	
Administrative Reserve Percentage	5.0%	
Total shares to Administrative Reserve	1,002	
Total Shares to distribute and set aside for taxes on that distribution	19,029	
Total Gain on shares for distribution	\$1,665,038	
Total Taxes on shares for distribution	\$708,793	
Commission for sale of shares	0.2500%	
<b>Shares to sell for taxes on net allowed shares with commissions</b>	<b>5,076</b>	22.6%
Total Proceeds from sale of stock for Tax Account	\$710,640	
Total commission on shares sold	\$1,777	
Gross Proceeds for Tax Account fund	\$708,863	
Total Gain from sale of stock for Tax Account	\$444,150	
Tax liability on gain from sale of stock for Tax Account	\$189,071	
Net Amount for Tax Account Fund (after taxes on the sale for that account)	\$519,792	
Total Shares To Distribute	13,953	
Rounding Adjustment	(1)	
Total Shares Distributed	<b>13,954</b>	62.0%
Total Gain on shares distributed	\$1,220,975	
Total estimated tax on shares distributed	\$519,759	
<b>Net Cash Amount for Administrative Reserve</b>		
Total shares to Administrative Reserve	1,001	4.4%
Sales Price Per Share	\$140.00	
Gain per share	\$87.50	
Total Proceeds from sale of stock to Administrative Reserve	\$140,140	
Total commission on shares sold	\$350	
Gross Proceeds for Administrative Reserve	\$139,790	
Gain from sale of stock for Administrative Reserve	\$87,588	
Tax liability on gain from sale of stock for Administrative Reserve	\$37,285	
Net Amount for Admin Reserve (after taxes on the sale for that account)	\$102,504	

## AirBnb Technologies Distribution Schedule HYPOTHETICAL (MEDIUM)

Investor ID No.	Gross Investment	30% Gross Inv.	Allowed Shares	Allowed Shares After 30% Plan Fund and associated taxes/commissions	Allowed Shares After 5% to Administrative Reserve	Shares in Distribution	Return to Investor
5	\$50,000	\$15,000	1334	1,201	1,141	837	134%
11	\$25,000	\$7,500	666	600	570	418	134%
14	\$7,500	\$2,250	196	176	168	123	130%
37	\$75,000	\$22,500	2000	1,801	1,711	1,254	134%
136	\$25,000	\$7,500	654	589	559	410	130%
148	\$382,654	\$114,796	10000	9,003	8,553	6,271	129%
205	\$30,000	\$9,000	800	720	684	502	134%
238	\$37,500	\$11,250	1000	900	855	627	134%
297	\$50,000	\$15,000	1334	1,201	1,141	837	134%
299	\$10,000	\$3,000	266	239	227	167	134%
311	\$75,000	\$22,500	2000	1,801	1,711	1,254	134%
323	\$75,000	\$22,500	2000	1,801	1,711	1,254	134%
<b>Totals</b>	<b>\$842,654</b>	<b>\$252,796</b>	<b>22,250</b>	<b>20,031</b>	<b>19,029</b>	<b>13,954</b>	<b>132%</b>

Total Value of Interim Distribution: \$1,953,560

# EXHIBIT 3

**AirBnb Technologies Distribution Schedule HYPOTHETICAL (HIGH)**

Tax Basis per share	\$52.50	
<b>Shares Sold for Plan Fund and Tax Holding Account on Plan Fund</b>		
Sales Price per share	\$180.00	
Gain per share	\$127.50	
30% of Gross Investment	\$252,796	
Commission for sales	0.2500%	
<b>Shares to sell for Plan Fund</b>	<b>2,018</b>	9.0%
Total Proceeds from sale of stock for Plan Fund	\$363,240	
Total Reserved for Tax Holding Account on Plan Fund	\$109,528	
Total commissions and fees paid on shares sold for Plan Fund	\$908	
Net Proceeds for Plan Fund	\$252,803	
<b>Shares For Distribution and Tax Withholding Account</b>		
Sales Price per share	\$180.00	
Gain per share	\$127.50	
Total shares owned	22,500	
Total remaining shares after sale for Plan Fund	20,482	
Administrative Reserve Percentage	4.0%	
Total shares to Administrative Reserve	819	
Total Shares to distribute and set aside for taxes on that distribution	19,663	
Total Gain on shares for distribution	\$2,507,033	
Total Taxes on shares for distribution	\$1,067,224	
Commission for sale of shares	0.2500%	
<b>Shares to sell for taxes on net allowed shares with commissions</b>	<b>5,944</b>	26.4%
Total Proceeds from sale of stock for Tax Account	\$1,069,920	
Total commission on shares sold	\$2,675	
Gross Proceeds for Tax Account fund	\$1,067,245	
Total Gain from sale of stock for Tax Account	\$757,860	
Tax liability on gain from sale of stock for Tax Account	\$322,615	
Net Amount for Tax Account Fund (after taxes on the sale for that account)	\$744,630	
Total Shares To Distribute	13,719	
Rounding Adjustment	(1)	
Total Shares Distributed	<b>13,720</b>	61.0%
Total Gain on shares distributed	\$1,749,300	
Total estimated tax on shares distributed	\$744,663	
<b>Net Cash Amount for Administrative Reserve</b>		
Total shares to Administrative Reserve	818	3.6%
Sales Price Per Share	\$180.00	
Gain per share	\$127.50	
Total Proceeds from sale of stock to Administrative Reserve	\$147,240	
Total commission on shares sold	\$368	
Gross Proceeds for Administrative Reserve	\$146,872	
Gain from sale of stock for Administrative Reserve	\$104,295	
Tax liability on gain from sale of stock for Administrative Reserve	\$44,398	
Net Amount for Admin Reserve (after taxes on the sale for that account)	\$102,474	

## AirBnb Technologies Distribution Schedule HYPOTHETICAL (HIGH)

Investor ID No.	Gross Investment	30% Gross Inv.	Allowed Shares	Allowed Shares After 30% Plan Fund and associated taxes/commissions	Allowed Shares After 4% to Administrative Reserve	Shares in Distribution	Return to Investor
5	\$50,000	\$15,000	1334	1,228	1,179	823	196%
11	\$25,000	\$7,500	666	613	589	411	196%
14	\$7,500	\$2,250	196	180	173	121	190%
37	\$75,000	\$22,500	2000	1,841	1,767	1,233	196%
136	\$25,000	\$7,500	654	602	578	403	190%
148	\$382,654	\$114,796	10000	9,205	8,837	6,166	190%
205	\$30,000	\$9,000	800	736	707	493	196%
238	\$37,500	\$11,250	1000	921	884	617	196%
297	\$50,000	\$15,000	1334	1,228	1,179	823	196%
299	\$10,000	\$3,000	266	245	235	164	195%
311	\$75,000	\$22,500	2000	1,841	1,767	1,233	196%
323	\$75,000	\$22,500	2000	1,841	1,767	1,233	196%
<b>Totals</b>	<b>\$842,654</b>	<b>\$252,796</b>	<b>22,250</b>	<b>20,482</b>	<b>19,663</b>	<b>13,720</b>	<b>193%</b>

Total Value of Interim Distribution: \$2,469,600