

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_ Commission file number: 1-07183



**TEJON RANCH CO.**

(Exact name of registrant as specified in its charter)

Delaware 77-0196136

(State or other jurisdiction of incorporation or organization.) (I.R.S. Employer Identification No.)

P.O. Box 1000, Tejon Ranch, California 93243

(Address of principal executive offices) (Zip Code)

(661) 248-3000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.50 par value	TRC	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

The aggregate market value of registrant's Common Stock, par value \$.50 per share, held by persons other than those who may be deemed to be affiliates of registrant on June 30, 2022 was \$411,046,377 based on the last reported sale price on the New York Stock Exchange as of the close of business on that date.

The number of the Company's outstanding shares of Common Stock on February 28, 2023 was 26,626,784 .

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the Registrant's Proxy Statement for the 2023 Annual Meeting of Stockholders, to be filed within 120 days of the Registrant's fiscal year ended December 31, 2022, relating to the directors and executive officers of the Company are incorporated by reference into Part III.

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**PART I**

**Forward-Looking Statements**

*This annual report on Form 10-K contains forward-looking statements, including without limitation, statements regarding strategic alliances, the almond, pistachio and grape industries, the future plantings of permanent crops, future yields, prices, and water availability for our crops and real estate operations, future prices, production and demand for oil and other minerals, future development of our property, future revenue and income of our jointly-owned travel plaza and other joint venture operations, potential losses to the Company as a result of pending environmental proceedings, the adequacy of future cash flows to fund our operations, and of current assets and contracts to meet our water and other commitments, market value risks associated with investment and risk management activities and with respect to inventory, accounts receivable and our own outstanding indebtedness, ongoing negotiations, and other future events and conditions. In some cases, these statements are identifiable through the use of words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “project,” “target,” “can,” “could,” “may,” “will,” “should,” “would,” “likely,” and similar expressions such as “in the process,” “designed to,” “well positioned,” or “envisioned to.” In addition, any statements that refer to projections of our future financial performance, our anticipated growth, and trends in our business and other characterizations of future events or circumstances are forward-looking statements. We caution you not to place undue reliance on these forward-looking statements. These forward-looking statements are not a guarantee of future performance and are subject to assumptions and involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Company, or industry results, to differ materially from any future results, performance, or achievement implied by such forward-looking statements. These risks, uncertainties and important factors include, but are not limited to, weather, market and economic forces, availability of financing for land development activities, and competition and success in obtaining various governmental approvals and entitlements for land development activities. No assurance can be given that the actual future results will not differ materially from the forward-looking statements that we make for a number of reasons including those described above and in Part I, Item 1A, “Risk Factors” of this report.*

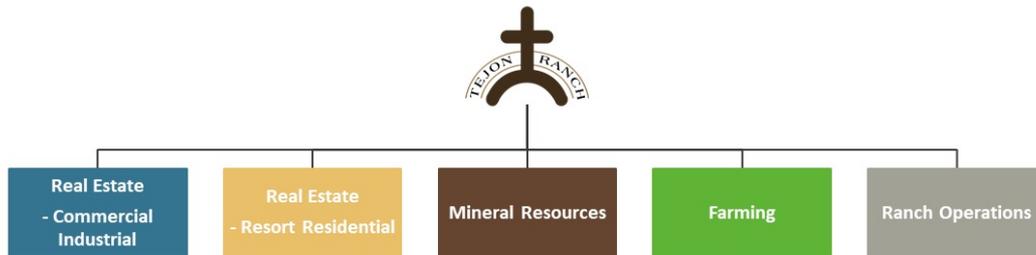
As used in this annual report on Form 10-K, references to the “Company,” “Tejon,” “TRC,” “we,” “us,” and “our” refer to Tejon Ranch Co. and its consolidated subsidiaries. The following discussion should be read in conjunction with the consolidated financial statements and the accompanying notes appearing elsewhere in this annual report on Form 10-K.

**ITEM 1. BUSINESS**

**Company Overview**

We are a diversified real estate development and agribusiness company committed to responsibly using our land and resources to meet the housing, employment, and lifestyle needs of Californians and create value for our shareholders. Current operations consist of land planning and entitlement, land development, commercial land sales and leasing, leasing of land for mineral royalties, water asset management and sales, grazing leases, farming, and ranch operations.

These activities are performed through our five reporting segments:



Our prime asset is approximately 270,000 acres of contiguous, largely undeveloped land that, at its most southerly border, is 60 miles north of downtown Los Angeles and, at its most northerly border, is 15 miles east of Bakersfield. We create value by securing entitlements for our land, facilitating infrastructure development, strategic land planning, monetization of land through development and/or sales, and conservation in order to maximize the highest and best use for our land. We are involved in eight joint ventures that either own, develop, and/or operate real estate properties. We enter into joint ventures as a means to facilitate the development of portions of our land.

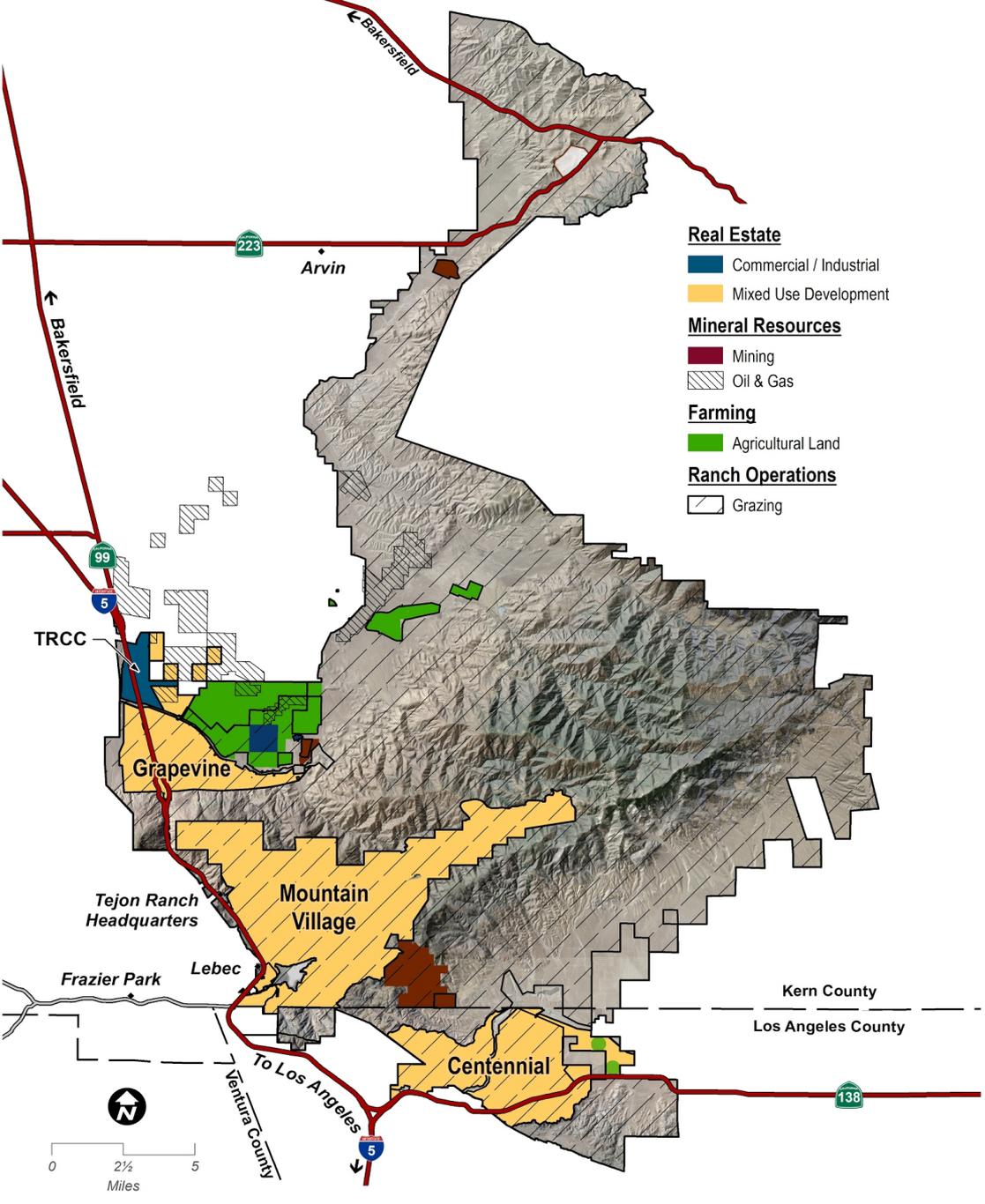


### Business Objectives and Strategies

Our primary business objective is to maximize long-term shareholder value through the monetization of our land-based assets. A key element of our strategy is to entitle and then develop large-scale mixed-use master planned residential and commercial/industrial real estate projects to serve the growing populations of Southern and Central California. Our mixed-use master planned residential developments have been approved to collectively include up to 35,278 housing units, and more than 35 million square feet of commercial space. We have obtained entitlements on Mountain Village at Tejon Ranch, or MV, and the first approved final map for the project consisting of 401 residential lots and parcels for hospitality, amenities, and public uses. In 2019, the Kern County Board of Supervisors unanimously reapproved the Grapevine at Tejon Ranch project, or Grapevine. Centennial at Tejon Ranch, or Centennial, had entitlements approved in 2018, and received legislative approvals in 2019 from the Los Angeles County Board of Supervisors. The approvals were litigated in May 2019 and the Company has since worked on addressing the ongoing litigation.

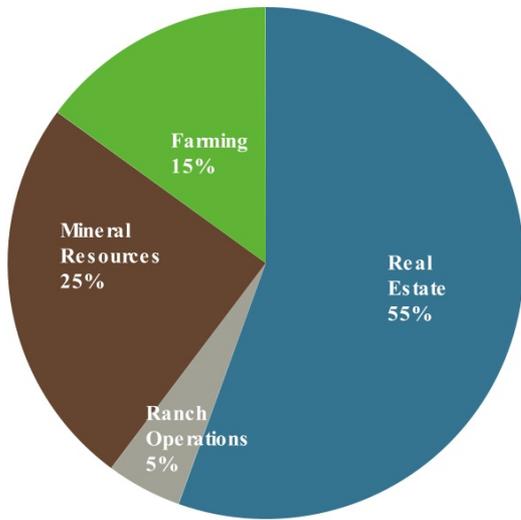
We are currently executing on value creation as we are engaged in construction, commercial sales, and leasing at our commercial/industrial center Tejon Ranch Commerce Center, or TRCC. The Kern County Board of Supervisors approved a Conditional Use Permit, authorizing development of multi-family apartment uses within the Tejon Ranch Commerce Center, on a 27-acre site located immediately north of the Outlets at Tejon. This authorization allows the Company to develop up to a maximum of 495 multi-family residences, in thirteen apartment buildings, as well as approximately 6,500 square feet of community amenity space and up to 8,000 square feet of community serving retail. All of these efforts are supported by diverse revenue streams generated from other operations including: farming, mineral resources, ranch operations, and our various joint ventures.

# MASTER LAND USE PLAN

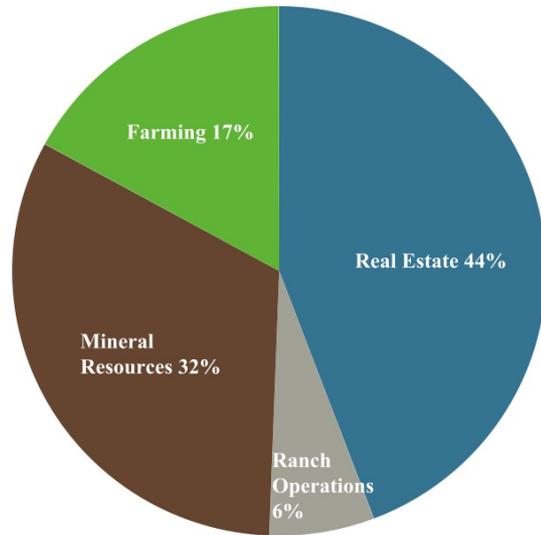


Percentage of Total Revenue<sup>1,2</sup> by Segment:

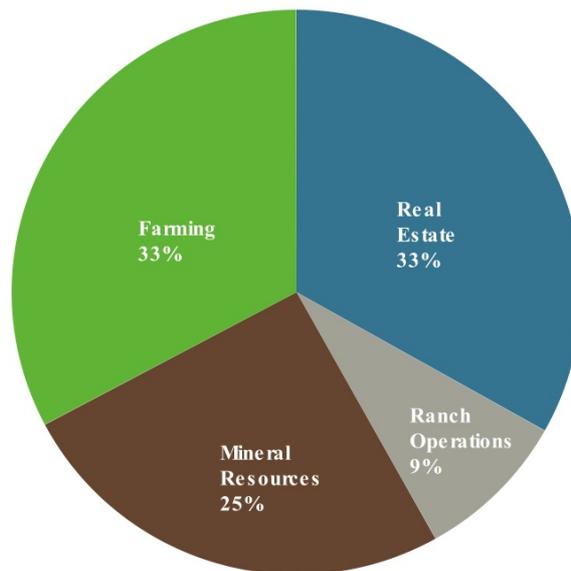
2022



2021

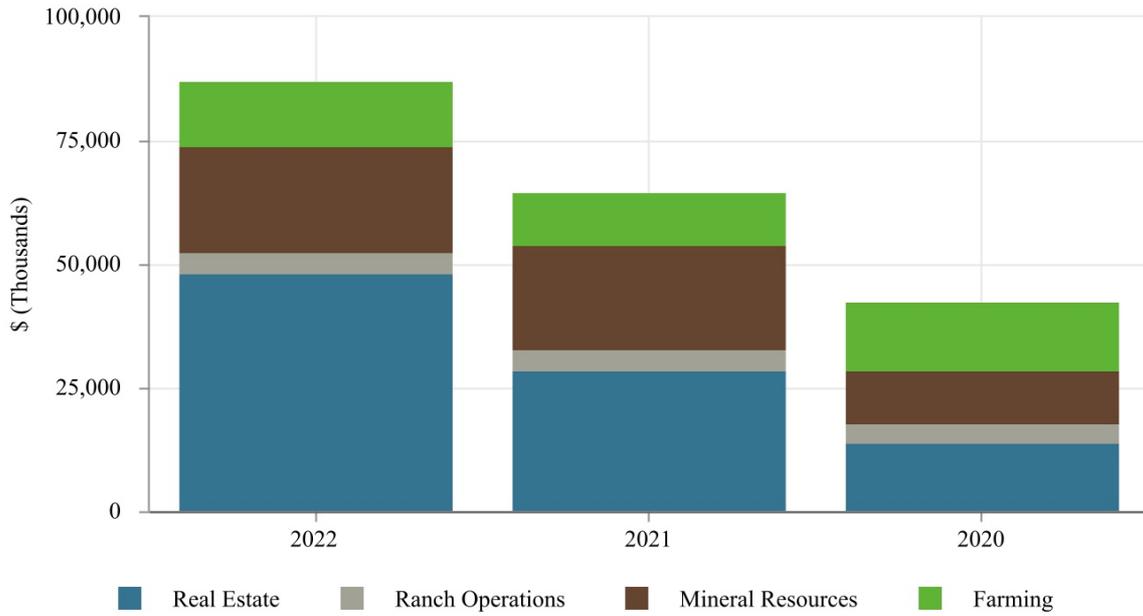


2020

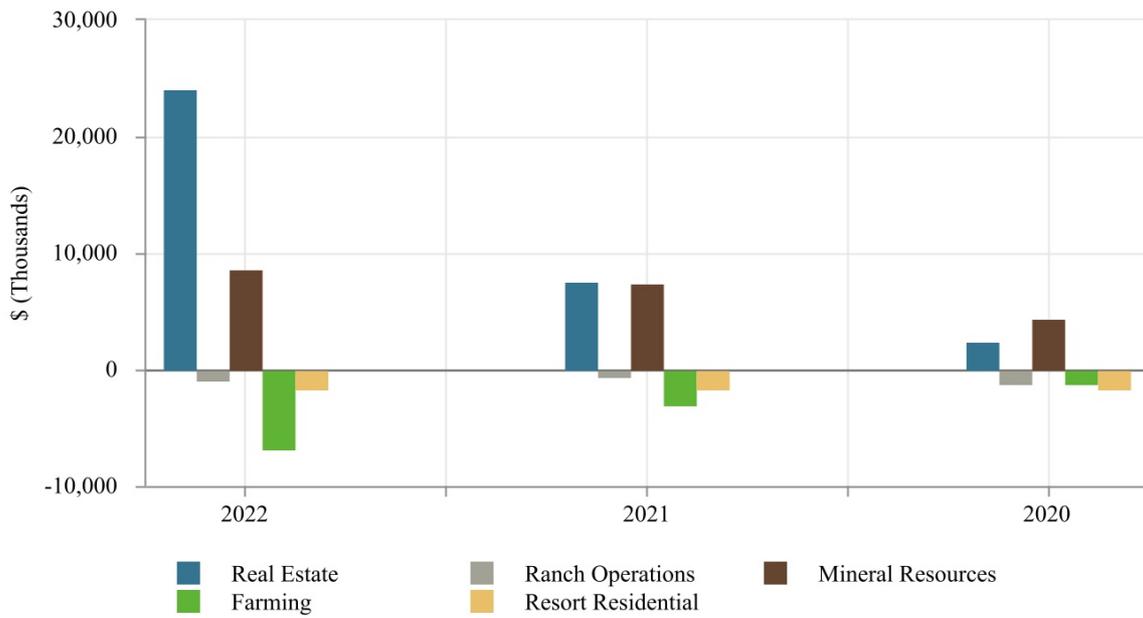


1. Real Estate includes equity in earnings of unconsolidated joint ventures.  
2. Charts presented only include the segment revenues, other income components are excluded.

### Segment Revenues



### Segment Profit and Loss



Note: Our Resort Residential reporting segment did not report revenues in the periods reported herein.

The following table shows the revenues from continuing operations, segment profits and identifiable assets of each of our continuing segments for the last three years:

**FINANCIAL INFORMATION ABOUT SEGMENTS**

*(Amounts in thousands of dollars)*

	Year Ended December 31,		
	2022	2021	2020
<b>Revenues and Other Income</b>			
Real Estate—Commercial/Industrial	\$ 40,515	\$ 19,476	\$ 9,536
Mineral Resources	21,595	20,987	10,736
Farming	13,001	11,039	13,866
Ranch operations	4,106	4,111	3,692
Segment revenues	79,217	55,613	37,830
Investment income	634	57	884
Revenues and other income	79,851	55,670	38,714
Equity in earnings of unconsolidated joint ventures	7,752	9,202	4,504
Total revenues and other income <sup>(1)</sup>	\$ 87,603	\$ 64,872	\$ 43,218
<b>Segment Profits (Losses) and Net Income</b>			
Real Estate—Commercial/Industrial	\$ 24,159	\$ 7,523	\$ 2,414
Real Estate—Resort/Residential	(1,629)	(1,723)	(1,612)
Mineral Resources	8,626	7,428	4,322
Farming	(6,810)	(3,077)	(1,237)
Ranch operations	(918)	(568)	(1,204)
Segment profits <sup>(2)</sup>	23,428	9,583	2,683
Gain on sale of real estate	—	—	1,331
Investment income	634	57	884
Other income (loss)	1,088	164	110
Corporate expenses	(9,699)	(9,843)	(9,430)
Income (loss) from operations before equity in earnings of unconsolidated joint ventures and income tax expense	15,451	(39)	(4,422)
Equity in earnings of unconsolidated joint ventures	7,752	9,202	4,504
Income before income taxes	23,203	9,163	82
Income tax expense	7,393	3,821	829
Net income (loss)	15,810	5,342	(747)
Net income (loss) attributable to non-controlling interest	2	(6)	(7)
Net income (loss) attributable to common stockholders	\$ 15,808	\$ 5,348	\$ (740)
<b>Identifiable Assets by Segment <sup>(3)</sup></b>			
Real estate—commercial/industrial	\$ 74,292	\$ 82,397	\$ 73,317
Real estate—resort/residential	312,956	305,818	297,052
Mineral Resources	48,780	52,440	57,797
Farming	45,814	47,160	38,090
Ranch operations	1,945	2,079	2,442
Corporate	83,004	56,142	67,651
Total assets	\$ 566,791	\$ 546,036	\$ 536,349

(1) Refer to Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations for additional detail on segment revenues.

(2) Segment profits are revenues less operating expenses, excluding investment income and expense, corporate expenses, equity in earnings of unconsolidated joint ventures, and income taxes.

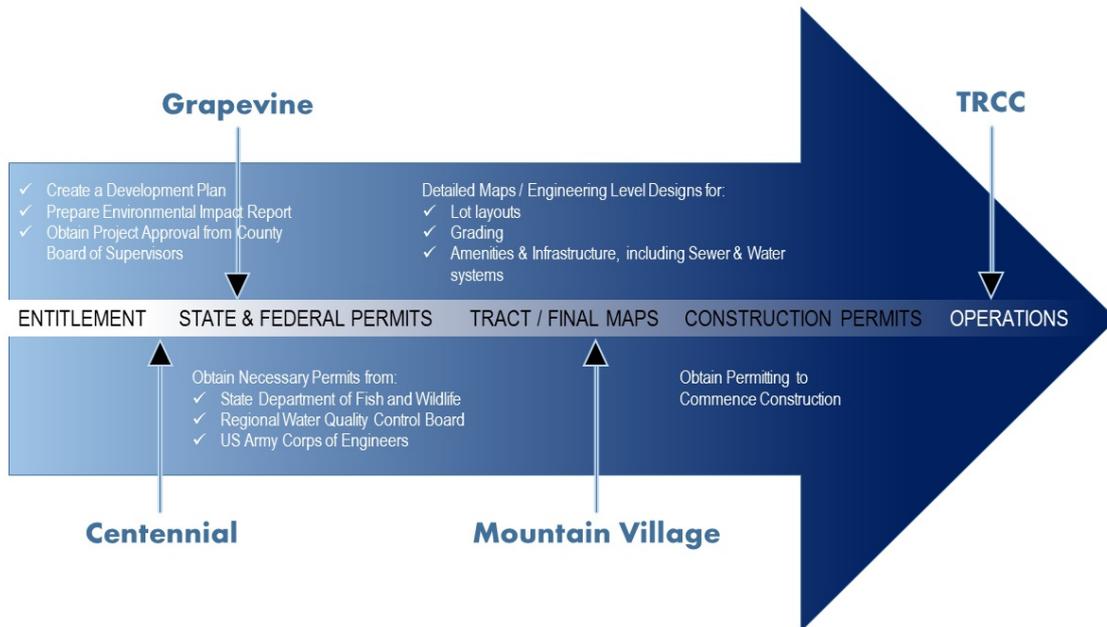
(3) Total Assets by Segment include both assets directly identified with those operations and an allocable share of jointly used assets. Corporate assets consist of cash and cash equivalents, refundable and deferred income taxes, land, buildings, and improvements.

## Real Estate Development Overview

Our real estate operations consist of the following activities: real estate development, commercial land sales and leasing, land planning and entitlement, and conservation.

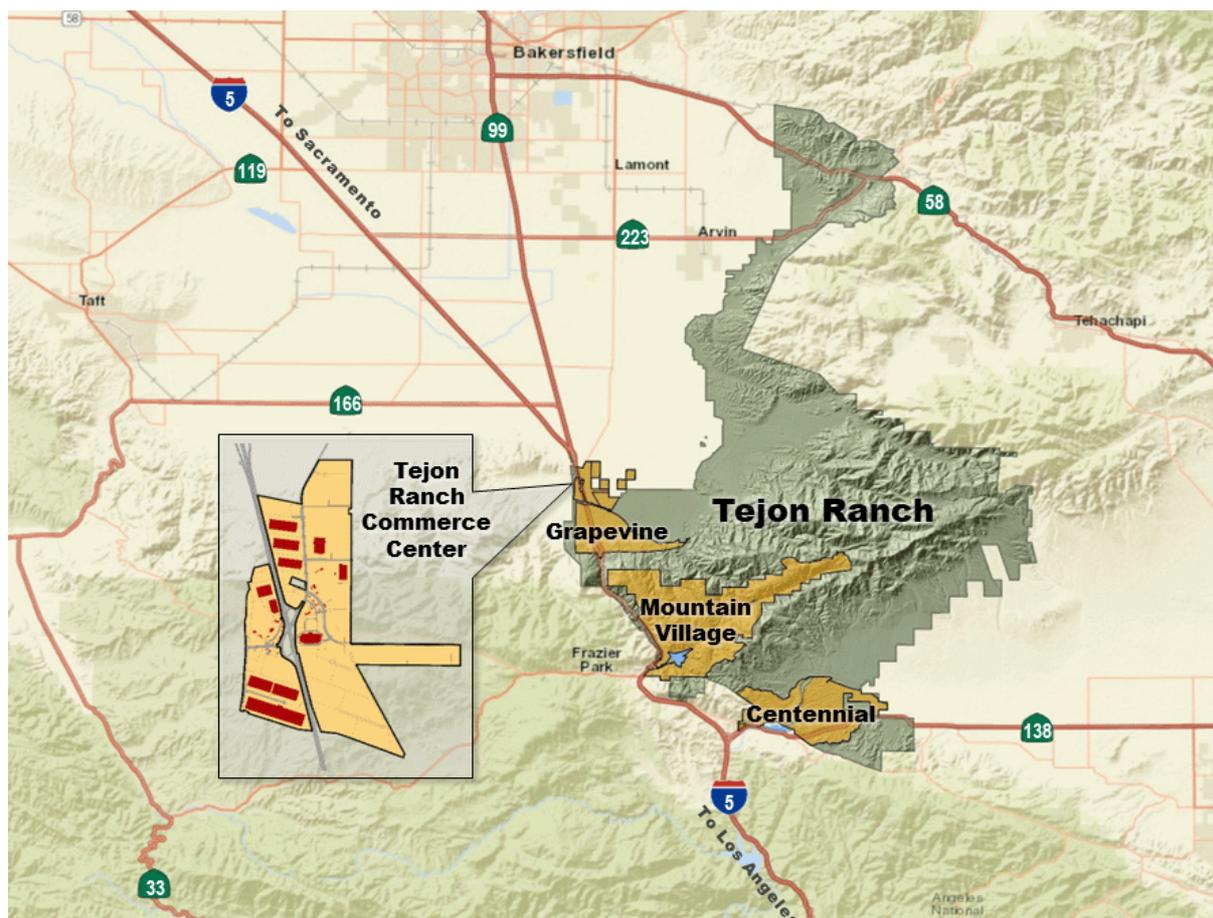
Interstate 5, one of the nation's most heavily traveled freeways, brings in excess of 80,000 vehicles per day through our land, which includes 16 miles of Interstate 5 frontage on each side of the freeway and the commercial land surrounding three interchanges. The strategic plan for real estate focuses on development opportunities along the Interstate 5 and Highway 138 corridors, which includes TRCC in Kern County, Centennial, a mixed-use master planned community on our land in Los Angeles County, MV, a resort and residential community in Kern County, and Grapevine, a mixed-use master planned community on our land in Kern County. TRCC includes developments east and west of Interstate 5 at TRCC-East and TRCC-West, respectively.

The chart below is a continuum of the real estate development process highlighting each project's current status and key milestones to be met in moving through the real estate development process in California. During this process, we may experience delays arising from factors beyond our control. Such factors include litigation and a changing regulatory environment.



## Operating Segments

### Real Estate - Commercial/Industrial



A primary focus of the Company is our real estate commercial/industrial segment that includes: planning, and permitting of land held for development; construction of infrastructure; the construction of pre-leased buildings; the construction of buildings to be leased or sold; and the sale of land to third parties for their own development. The commercial/industrial segment also includes activities related to communications leases, a power plant lease, and landscape maintenance fees.

At the heart of our real estate commercial/industrial segment is TRCC, a 20 million square foot commercial/industrial development on Interstate 5 just north of the Los Angeles basin. The Los Angeles industrial market is the largest in the country by most measures, sitting at the center of a 2 billion square-foot Southern California industrial market. It has been characterized by some of the highest asking rents and lowest vacancy rates of any market in the nation. The Ports of Los Angeles and Long Beach are the primary industrial drivers and are responsible for over 40% of all inbound containers into the U.S.

As of December 31, 2022, our industrial portfolio, through our joint venture partnerships, consisted of 2.3 million square feet of gross leasable area, or GLA, and our TRCC commercial portfolio consisted of 620,907 square feet of GLA. As of December 31, 2022, our industrial portfolio was 100% leased and our commercial portfolio was 89% leased. Substantially all of our tenants are subject to net lease agreements. A net lease typically requires the tenant to be responsible for minimum monthly rent and property expenses including property taxes, insurance, and maintenance.

Over eight million square feet of industrial, commercial, and retail space has been developed at TRCC, including distribution centers for IKEA, Caterpillar, Famous Footwear, L'Oreal, Camping World, Sunrise Brands, and Dollar General. TRCC sits on both sides of Interstate 5, giving distributors immediate access to the west coast's principal north-south goods movement corridor.

TRCC has a Foreign Trade Zone, or FTZ, designation, of approximately 1,094 acres, which allows a user within the FTZ to secure the many benefits and cost reductions associated with streamlined movement of goods in and out of a trade zone. TRCC's attractiveness as a commercial/industrial location is further enhanced by the Economic Development Incentive Policy, or EDIP, adopted by the Kern County Board of Supervisors. The EDIP is aimed to expand and enhance the County's competitiveness by taking affirmative steps to attract new businesses and to encourage the growth and resilience of existing businesses. The EDIP provides incentives such as assistance in obtaining state tax incentives, building supporting infrastructure, and workforce development.

### **Recent Developments**

For a discussion of business developments that occurred in 2022, see "Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations" later in this report. Certain summarized highlights are contained below.

#### *Construction*

On March 29, 2022, we formed TRC-MRC 5 LLC, a joint venture with Majestic Realty Co., or Majestic, a Los Angeles-based commercial industrial developer, to pursue the development, construction, lease-up, and management of an approximately 446,400 square foot industrial building located within TRCC-East. Construction began in 2023 with completion expected later this year. A lease has been secured, in advance of construction, for the entirety of this space by Sunrise Brands, a leading designer, producer, distributor, and retailer of both branded and private-label apparel.

Construction on the 629,274 square foot industrial building owned by TRC-MRC 4 LLC was completed in the fourth quarter of 2022, and the Company has leased 100% of the rentable space.

#### *Land Sales*

During 2022, the Company sold three land parcels, comprised of 98.2 acres, for \$29,796,000 comprising of the following:

- A 27.88 acre land parcel contributed with a fair value of \$8,501,000 to TRC-MRC 5, LLC. The Company recognized revenues of \$5,489,000 and deferred profit of \$3,012,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.
- 58.0 acres of industrial land located at TRCC East to a major multinational corporation for \$22,000,000. The Company recognized land sales revenue of \$19,627,000 and deferred revenues of \$2,373,000 attributable to a performance obligation within the contract after applying the five-step revenue recognition model in accordance with ASC Topic 606 - Revenue From Contracts With Customers.
- 12.3 acres of industrial land located at TRCC West to a third party for \$4,680,000.

### **Investments**

#### *Leasing*

Within our commercial/industrial segment, we lease land to various types of tenants. We currently lease land to two auto service stations with convenience stores, 13 fast-food operations, a motel, an antique shop, and a post office.

In addition, the Company leases several microwave repeater locations, radio and cellular transmitter sites, fiber optic cable routes, and 32 acres of land to Pastoria Energy Facility, L.L.C., or PEF, for an electric power plant.

The following table summarizes information with respect to lease expirations for our consolidated entities as of December 31, 2022.

Year of Lease Expiration	Number of Expiring Leases	RSF of Expiring Leases	Annualized Base Rent <sup>1</sup>	Percentage of Annual Minimum Rent
2023	5	2,140	\$419	6.30%
2024 <sup>2</sup>	1	—	\$152	2.29%
2025	5	61,708	\$552	8.30%
2026	6	65,367	\$532	8.00%
2027	3	1,201	\$219	3.29%
2028	3	32,670	\$106	1.59%
2029 <sup>3</sup>	1	1,394,000	\$4,241	63.79%
2030 <sup>2</sup>	2	—	\$66	0.99%
2031	—	—	\$—	—%
2032	1	3,750	\$152	2.29%
2033	1	125,453	\$82	1.23%
Thereafter	2	64,004	\$127	1.91%

<sup>1</sup> - Annualized base rent is calculated as monthly base rent (cash basis) per the lease, as of the reporting period, multiplied by 12. Annualized base rent shown in thousands.

<sup>2</sup> - This lease pertains to a communication lease that does not have defined rentable square feet.

<sup>3</sup> - This amount includes 32 acres of the PEF ground lease.

For the year ended December 31, 2022, we had six lease renewals.

### Joint Ventures

We use joint ventures to advance our development projects at TRCC. This allows us to combine our resources with other real estate companies and gain greater access to capital, share in the risks of real estate developments and share in the operating expenses. More importantly, it allows us to better manage the deployment of our capital and increase our leasing portfolio.

Our joint venture with TA/Petro owns and operates two travel and truck stop facilities, restaurants, and five separate gas stations with convenience stores within TRCC-West and TRCC-East.

We are involved in five joint ventures with Majestic to develop, lease, manage, and/or acquire industrial buildings within TRCC. These joint ventures currently operate four fully leased industrial buildings occupying over 2.3 million rentable square feet, and have a 446,400 square foot industrial building under construction.

We are involved in one joint venture with Rockefeller Development Group, or RDG, as of December 31, 2022. The TRCC/Rock Outlet Center LLC operates the Outlets at Tejon. Our previous joint venture with RDG, the 18-19 joint venture, sold its land to a third-party during the fourth quarter of 2021 for \$15.2 million, and was dissolved in 2022.

### TRCC Residential

In 2021, the Kern County Board of Supervisors approved a Conditional Use Permit (CUP) which authorizes the development of a multi-family apartment complex within the TRCC. The approved CUP authorize the Company to develop up to a maximum of 495 multi-family residences, in thirteen apartment buildings, as well as approximately 6,500 square feet of community amenity space and 8,000 square feet of community serving retail, collectively known as TRCC Residential. TRCC Residential will be located on a 27-acre site located immediately north of the Outlets at Tejon. TRCC Residential will be the first residential community at TRCC and for the Company, providing an ideal housing option for the thousands of employees currently working at the various distribution centers, retailers and fast-food restaurants at TRCC.

On February 16, 2022, we formed TRC-MRC Multi I, LLC with Majestic for the development, leasing and management of this multi-family residential community. As of December 31, 2022, the Company controlled the joint venture and has consolidated its assets within the Consolidated Balance Sheet. On January 26, 2023, the Company and Majestic entered into a Membership Interest Purchase Agreement, formalizing the purchase of Majestic's interest in this joint venture for \$175,000. The project is currently in its final planning and design phases.

### TRCC Entitlements

The following is a summary of the Company's commercial, retail and industrial real estate developments as of December 31, 2022:

(\$ in thousands)

Project	Cost to Date	Estimated Cost to Complete	Total Estimated Cost at Completion	Estimated Completion Date
Tejon Ranch Commerce Center	\$ 97,734	\$ 100,589	\$ 198,323	TBD
Less: Reimbursements from TRPFPA <sup>1</sup>	82,976	48,846	131,822	TBD
TRCC Development Costs, net	\$ 14,758	\$ 51,743	\$ 66,501	

<sup>1</sup>The Tejon Ranch Public Facilities Financing Authority, or TRPFPA, is a joint powers authority formed by Kern County and Tejon-Castac Water District, or TCWD, to finance public infrastructure within the Company's Kern County developments. TRPFPA, through bond sales, will reimburse the Company for qualifying infrastructure costs at TRCC.

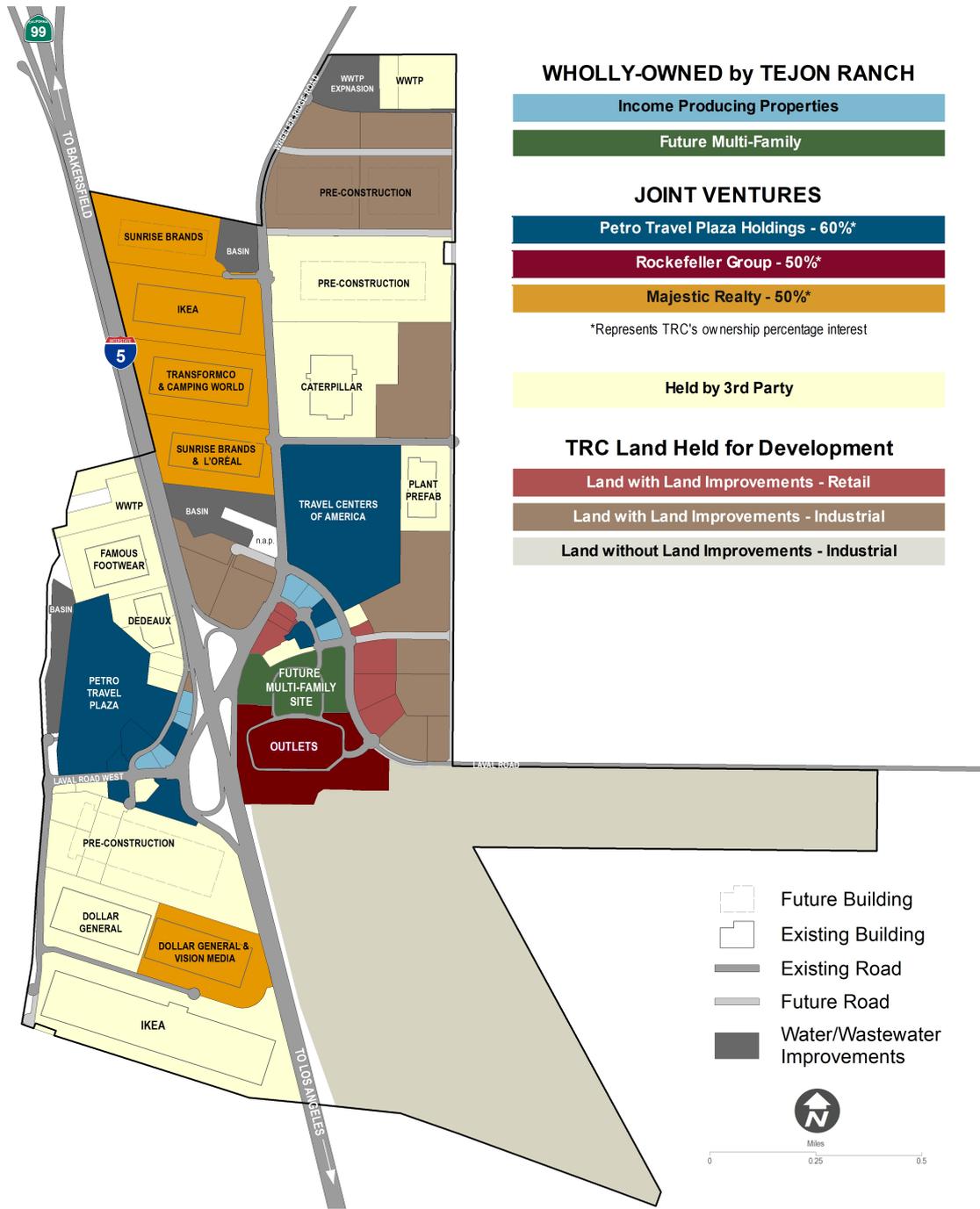
The above costs have increased as a result of inflationary factors on things such as labor, fuel, and material costs.

The following table summarizes total entitlements for TRCC as of December 31, 2022:

(in square feet)	Industrial	Commercial Retail
Total entitlements received	19,300,941	956,309
Total entitlements used	8,201,864	674,246
Entitlements available	11,099,077	282,063

We believe we are well positioned for long-term value creation as we continue with our current development plans at TRCC. This is evident in the 151% increase in land prices over the last five years, which reached \$8.77 per square foot in 2022 compared with \$3.50 per square foot in 2017. Industrial rents have increased 188% over the last five years, with rents at \$0.72 per square foot in 2022 compared to \$0.25 per square foot in 2017. Current entitlements available at TRCC can facilitate alternative uses and further increase the per acre value.

# Master Land Use Plan



**WHOLLY-OWNED by TEJON RANCH**

- Income Producing Properties
- Future Multi-Family

**JOINT VENTURES**

- Petro Travel Plaza Holdings - 60%\*
- Rockefeller Group - 50%\*
- Majestic Realty - 50%\*

\*Represents TRC's ownership percentage interest

- Held by 3rd Party

**TRC Land Held for Development**

- Land with Land Improvements - Retail
- Land with Land Improvements - Industrial
- Land without Land Improvements - Industrial

-  Future Building
-  Existing Building
-  Existing Road
-  Future Road
-  Water/Wastewater Improvements



Miles  
0 0.25 0.5

The above land use plan is subject to change based upon economic and market variables.

### *Commercial/industrial Real Estate Development Market Overview*

The logistics operators currently located within TRCC have demonstrated success in serving all of California and the western region of the United States, and we are building on their success in our marketing efforts. We will continue to focus our marketing strategy for TRCC on the significant labor and logistical benefits of our site, the pro-business approach of Kern County, and the success of the current tenants and owners within our development. Our strategy fits within the logistics model that many companies are using, which favors large, centralized distribution facilities which have been strategically located to maximize the balance of inbound and outbound efficiencies, rather than several decentralized smaller distribution centers. Operators located within TRCC have demonstrated success through utilization of this model. With access to markets of over 40 million people for next-day delivery service, they are also demonstrating success with e-commerce fulfillment.

We believe that our ability to provide fully-entitled, shovel-ready land parcels to support buildings of any size, provides us with a marketing advantage. Our marketing efforts target industrial users in the Santa Clarita Valley of northern Los Angeles County, and the northern part of the San Fernando Valley for whom we may be an attractive location due to the limited availability of new product and high real estate costs in these locations. Tenants in these geographic areas are typically users of smaller facilities, but often are looking to expand operations and cannot find larger size buildings in these markets. We are also targeting larger users in the Inland Empire that are looking to relocate to lower their operating costs.

We continue to closely monitor new construction, specifically speculative construction in comparison to pre-lease and build to suit. Limited supply and an increase in demand has made the industrial property sector advantageous, positioning it for success going into the next year.

The commercial/industrial real estate sales market is highly competitive, with competition throughout California. The principal factors of competition in this industry are price, availability of labor, proximity to the port complexes of Los Angeles and Long Beach and customer base. A potential disadvantage to our development strategy is our distance from the ports of Los Angeles and Long Beach in comparison to the warehouses and distribution centers located in the West Inland Empire.

Our most direct regional competitors are in the Inland Empire, a large industrial area located 60 miles east of Los Angeles, which continues its expansion eastward beyond Riverside and San Bernardino into the Perris, Moreno Valley, and Beaumont regions of Southern California. We also face competition within Northern Los Angeles, which is comprised of the San Fernando Valley and Santa Clarita Valley along with areas north of us in the San Joaquin Valley of California. Strong demand for large distribution facilities is driving development farther east in search for large, entitled parcels. As development in the Inland Empire continues to move east and farther away from the ports, our distance from the ports is becoming less of a disadvantage.

During the quarter ended December 31, 2022, vacancy rates in the Inland Empire ticked up to 0.9% and net absorption failed to surpass new supply. However, average asking rents posted a new record-high rate of \$1.61 per square foot, a 50% jump from, 12 months ago. As lease rates increase in the Inland Empire, we may experience greater pricing advantages due to our lower land basis. Vacancy rates in the northern Los Angeles industrial market, which includes the San Fernando Valley and Santa Clarita Valley, increased 10 basis points to 0.7%. Average asking price continued to climb, posting another high-water mark at \$1.64 per square foot in the San Fernando Valley and \$1.46 per square foot in Santa Clarita.

Industrial vacancy rates are expected to remain low, and industrial users seeking larger spaces are going further north into neighboring Kern County, and particularly, TRCC, which has attracted increased attention as market conditions continue to tighten. Additionally, TRCC is in a position to capture tenant awareness due to our ability to provide a competitive alternative for users in the Inland Empire and the Santa Clarita Valley.

## Real Estate - Resort/Residential

Our resort/residential segment activities include land entitlement, land planning and pre-construction engineering, and land stewardship and conservation activities. We have three major resort/residential communities within this segment:

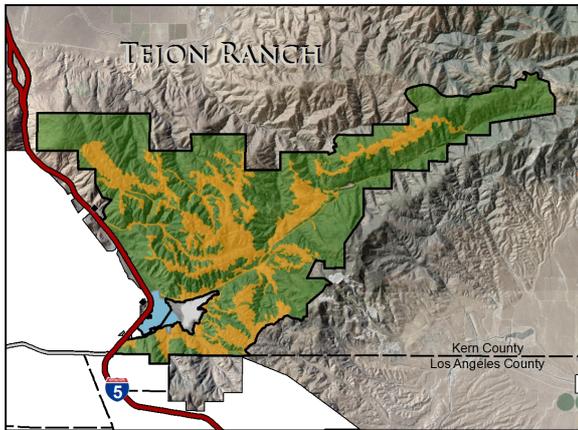
- Mountain Village at Tejon Ranch
- Centennial at Tejon Ranch
- Grapevine at Tejon Ranch

The entitlement process precedes the regulatory approvals necessary for land development and routinely takes several years to complete. The Conservation Agreement we entered into with five major environmental organizations in 2008 is designed to minimize opposition from environmental groups to these projects and eliminate or reduce the time spent in litigation once governmental approvals are received. Litigation by environmental and other special interest groups have been a primary cause of delays and increased costs for our real estate development projects as well as other projects in California. For discussion on legal matters pertaining to our developments, see Note 14 (Commitments and Contingencies) of the Notes to Consolidated Financial Statements.

As we embark on our mixed-use master planned communities, we understand that it can take up to 25 years, or longer, to complete from commencement of construction. The entitlement process for development of property in California is complex, lengthy (spanning multiple years) and costly, involving numerous federal, state, and county regulatory approvals. We are unable to determine anticipated completion dates for our real estate development projects with certainty because the time for completion is heavily dependent on the regulatory approvals necessary for land development. Also, as a real estate developer, we are cognizant of the micro- and macro-economic factors that have a significant influence on the real estate sector. As a developer, one would be at an economic disadvantage to bring product to market with no willing or able buyers. This ebb and flow of the economy also plays into the timing of our completion date. Costs will also fluctuate over the life of these projects because of the cost of labor and raw materials and the timing of approvals and other activity. The uncertainty of estimated costs to completion is compounded by the potential impact of inflation, which will fluctuate with the equally uncertain completion dates for our projects.

# DEVELOPMENT PROJECTS

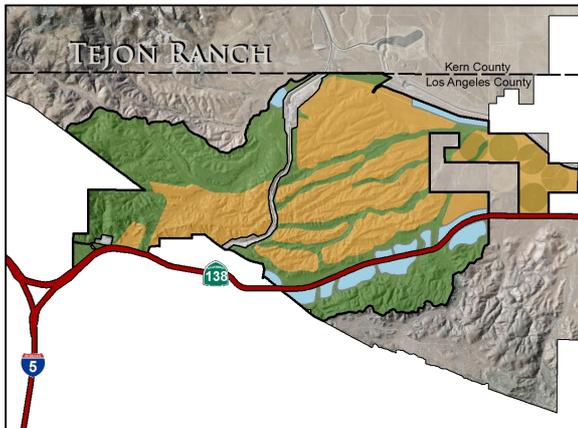
Mixed Use Development
  Commercial / Industrial
  Project Open Space



## MOUNTAIN VILLAGE

Kern County

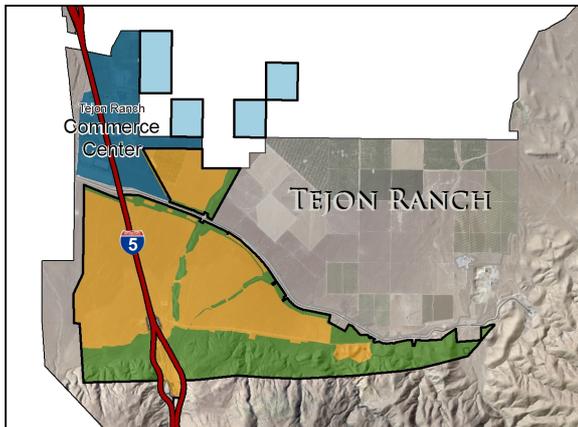
Project Area	26,417 ac
Acres to be Developed	5,082 ac
Open Space	21,335 ac
Dwelling Units	3,450 du
Commercial Development	160,000 sf
Lodging Units	750 keys



## CENTENNIAL

Los Angeles County

Project Area	12,323 ac
Acres to be Developed	6,699 ac
Open Space	5,624 ac
Dwelling Units	19,333 du
Commercial Development	10,100,000 sf



## GRAPEVINE

Kern County

Project Area	8,010 ac
Acres to be Developed	4,643 ac
Open Space	3,367 ac
Dwelling Units	12,000 du
Commercial Development	5,100,000 sf

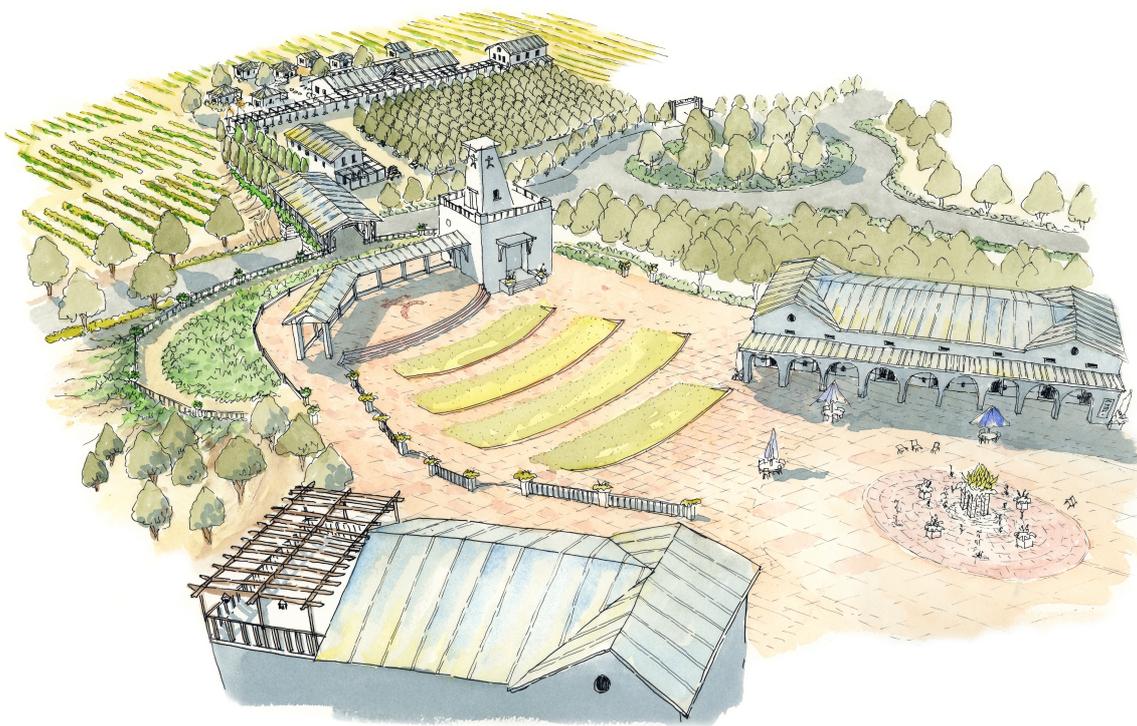
The above land use plan is subject to change based upon economic and market variables.



MV is planned to be an exclusive, low-density, resort-based community that will provide its owners and guests with a wide variety of recreational opportunities, lodging and spa facilities, putting greens, a range of housing options, and other exclusive services and amenities that are designed to distinguish MV as the resort community of choice for the Southern California market. MV encompasses 26,417 acres, including 5,082 acres for a mixed-use master planned community to include housing, lodging, retail, and commercial components. MV is entitled for 3,450 homes, 160,000 square feet of commercial development, 750 hotel keys, and 21,335 acres of open space. The first tentative tract map for the project, which includes 752 residential lots, was approved by Kern County in 2017. The first final map for the project consisting of 401 residential lots and parcels for hospitality, amenities, and public uses was approved by Kern County in December 2021.

The commercial component of the project is the 160,000 square foot commercial center that we call Farm Village (shown above). Farm Village will serve as the commercial center and community gathering place for MV residents and visitors, as well as the gateway to MV. Farm Village will include fresh culinary offerings, artisan markets, boutique lodging, and an array of trails, gardens, and agriculture that will be intertwined to create the most unique, relaxing and edutaining experience while fulfilling the needs of residents and visitors of MV. In 2018, we obtained commercial site plan approval from Kern County for the first phase of the Farm Village consisting of 53,180 square feet.

Timing of MV development in the coming years will be dependent on the strength of both the economy and the residential real estate market. We are currently exploring capital financing opportunities for the development of MV. Such financing opportunities could come from a variety of sources, such as joint ventures with financial partners, debt financing, or the Company's issuance of common stock.



The Centennial development is a mixed-use master planned community development encompassing 12,323 acres of our land within Los Angeles County. Centennial is entitled for 19,333 housing units, including nearly 3,500 affordable units, and 10.1 million square feet of commercial development. Centennial will incorporate business districts, schools, retail and entertainment centers, medical facilities and other commercial office and light industrial businesses that, when complete, will create a substantial number of jobs. The project is being developed by Centennial Founders, LLC, a consolidated joint venture in which we have a 93.27% ownership interest as of December 31, 2022. Centennial is envisioned to be an ecologically friendly community that will achieve a jobs-housing balance.

In 2018, the Los Angeles County Board of Supervisors took action to approve the Specific Plan and 30-Year Development Agreement for Centennial by a vote of 4-1. In 2019, the Los Angeles County Board of Supervisors' affirmed their final approval of Centennial project, and Climate Resolve and CBD/California Native Plant Society, or CNPS, separately filed actions in Los Angeles Superior Court objecting to the Centennial project. In 2021, the court issued its decision denying the petition for writ of mandate by CBD/CNPS and granting the petition for writ of mandate filed by Climate Resolve. On November 30, 2021, the Company and Centennial entered into a Settlement Agreement with Climate Resolve. The Company is now awaiting the Court's decision regarding the outcome of outstanding claims. See Note 14 (Commitments and Contingencies) of the Notes to Consolidated Financial Statement for further discussion.

*Grapevine at Tejon Ranch*



Grapevine is a mixed-use master planned community encompassing 8,010 acres of our lands within Kern County located on the San Joaquin Valley floor, adjacent to TRCC. Grapevine is entitled for 12,000 homes, 5.1 million square feet for commercial development, and more than 3,367 acres of open space and parks. The 4,643 acres designated for mixed-use development will include housing, retail, commercial, and industrial components. See Note 14 (Commitments and Contingencies) of the Notes to Consolidated Financial Statement for further discussion.

Immediately northeast of Grapevine is Grapevine North, a 7,655-acre development area, that is currently used for agricultural purposes. Identified as a development area in the Tejon Ranch Conservation and Land Use Agreement, Grapevine North presents a significant opportunity for future development. Grapevine North may feature mixed use community development similar to Grapevine at Tejon Ranch, or other development uses as appropriate based upon market conditions at the time.

The greatest competition for the Centennial and Grapevine communities will come from developments in the Santa Clarita Valley, Lancaster, Palmdale, and Bakersfield. The developments in these areas will be providing similar housing product as our developments. The principal factors of competition in this industry are product segmentation, pricing of product, amenities offered, and location. We will attempt to differentiate our developments through our unique setting, land planning and different product offerings. MV will compete generally for discretionary dollars that consumers will allocate to recreational and residential homes.

The following is a summary of the Company's residential real estate developments as of December 31, 2022:

<b>Community: Location: Project Status<sup>1</sup>:</b>	<b>Mountain Village Kern County Entitled</b>	<b>Grapevine Kern County Entitled</b>	<b>Centennial Los Angeles County Entitled</b>	<b>Resort Residential Total</b>
Entitlement Area (acres):	26,417	8,010	12,323	46,750
Housing Units:	3,450	12,000	19,333	34,783
Commercial Development (sqft) <sup>2</sup> :	160,000	5,100,000	10,100,000	15,360,000
Open Areas (acres):	21,335	3,367	5,624	30,326
Costs to Date <sup>3</sup> :	\$153,156	\$39,273	\$115,221	\$307,650

(1) Estimated completion anticipated to be 25 years, or longer, from commencement of construction. To-date construction has not begun.

(2) MV also has approval for up to 750 lodging units and 350,000 square feet of facilities in support of two 18-hole golf courses.

(3) Total estimated project costs are difficult to accurately forecast with any certainty at this time due to finalization of entitlement and mapping processes, as well as final engineering for the developments, and capital funding structure selected. Dollars presented in thousands.

### Mineral Resources

Our mineral resources segment consists of oil and gas royalties, rock and aggregate royalties, royalties from a cement operation leased to National Cement Company of California, Inc., or National, and the management of water assets and water infrastructure. We continue to look for opportunities to grow our mineral resource revenues through expansion of leasing and encouraging new exploration. The management of our water assets consists of the evaluation of near-term highest and best uses, which can include the sale of water on a temporary basis, the use of water for internal purposes, and the storage of water for future use in our development projects. At the same time we are also evaluating opportunities as they arise for the purchase of additional water assets as we have done in the past.

Royalty rates are contractually defined and based on a percentage of production and are received in cash. Our royalty revenues fluctuate based on changes in the market prices for oil, natural gas, and rock and aggregate product, the inevitable decline in production of existing wells and quarries, and other factors affecting the third-party oil and natural gas exploration and production companies that operate on our lands including the cost of development and production.

Estimates of oil and gas reserves on our properties are unknown to us. We do not make such estimates, and our lessees do not make information concerning reserves available to us.

We lease certain portions of our land to oil companies for the exploration and production of oil and gas. We do not engage in any oil exploration or extraction activities. As of December 31, 2022, 10,332 acres were committed to producing oil and gas leases from which the operators produced and sold approximately 92,788 barrels of oil and 57,000 MCF (each MCF being 1,000 cubic feet) of dry gas during 2022. Our share of production, based upon average royalty rates during the last three years, has been 36, 29, and 37 barrels of oil per day for 2022, 2021, and 2020, respectively. There are 306 active oil wells located on the leased land as of December 31, 2022. Royalty rates on our leases averaged approximately 14% of oil production in 2022.

The price per barrel of oil increased in the first-half of 2022 and declined in the second-half of 2022. Prices for oil, natural gas fluctuate in response to relatively minor changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control, such as: changes in domestic and global supply and demand, domestic and global inventory levels, and political and economic conditions, including international disputes such as current conflicts in Eastern Europe.

We have approximately 2,000 acres under lease to National, for the purpose of manufacturing Portland cement from limestone deposits found on the leased acreage. National owns and operates a cement manufacturing plant on our property with a production capacity in excess of 1,000,000 tons of cement per year. The amount of payment that we receive under the lease is based upon shipments from the cement plant. In 2022, payments increased due to an increase in production stemming from an increase in regional construction as well as price increases driven by inflationary pressures. The term of this lease expires in 2026, however National has options to extend the lease until 2095.

We also lease 521 acres to Granite Construction and Griffith Construction for the mining of rock and aggregate product that is used in construction of roads and bridges. The royalty revenues we receive under this arrangement are based upon the amount of product produced at these sites. The Granite site has reached its economic life and will undergo restoration activities during 2023. We also have a royalty arrangement with Granite Construction tied to land previously owned by the Company that began operations in 2021 and is now paying royalty payments which will more than offset the payments received from the old Granite site.

Water sales opportunities each year are impacted by rain and snowfall volume along with California State Water Project, or SWP, allocations. The current SWP allocation is at 35% of contract amounts with an expectation that the allocation will increase. At higher SWP allocations we anticipate a reduced amount of water will be sold in 2023.

In 2015, we entered into a water sale agreement with PEF, our current lessee under a power plant lease. PEF may purchase from us up to 3,500 acre feet of water per year through July 2030, with an option to extend the term. PEF is under no obligation to purchase water from us in any given year, but is required to pay us an annual option payment equal to 30% of the maximum annual payment. The price of the water under the agreement is subject to 3% annual increases for the duration of the lease agreement. The Company's commitments to sell this water can be met through current water sources.

### Farming Operations

In the San Joaquin Valley, we farm permanent crops including the following acreage: wine grapes—1,036 (849 in production and 187 under development); almonds—2,235 (1,487 in production and 748 under development); and pistachios—932 (all in production). We manage the farming of alfalfa and forage mix on 626 acres in the Antelope Valley, and we periodically lease 530 acres of land that is used for the growing of vegetables which can also be used for the development of permanent crops such as almonds.

Pricing for nut and grape crops are particularly sensitive to the size of each year's world crop and demand for those crops. The U.S. almond industry projects 2022 yields to be about 2.6 billion pounds compared to 2.9 billion pounds during the previous year. High production levels combined with higher-than-normal inventory levels from the 2021 crop year as a result of supply chain issues have pushed prices to lower levels. We expect prices to remain low until industry inventory levels are reduced, which may not happen until after 2023. We have begun to see some improvement as January 2023 almond shipments increased to pre-Covid levels. Pistachios for the 2022 crop year are expected to be approximately 1.0 billion pounds compared to 1.2 billion pounds during the previous year. Yields for the Company's 2022 almond and wine grape crops have been comparable with prior year's thus far, while pistachio yields have seen a decrease. Tariffs from China and India, which are major customers of almonds and pistachios, can make American products less competitive and push customers to switch to another producing country.

The Company, and the industry as a whole, continues to experience challenges with attracting and retaining farm workers. The Company is unable to determine the expected duration of these labor shortages.

Labor costs both internal and through labor contractors continue to increase and the Company expects this trend to continue over the foreseeable future. The Company utilizes external labor contractors as necessary for large projects such as pruning and harvesting as a way to manage our labor needs. From a broader inflationary standpoint, the Company is seeing and will continue to see an increase in production costs, most notably chemicals such as herbicides and pesticides, and fuel costs.

Sales of our grape crop typically occur in the third and fourth quarters of the calendar year. Sales of our pistachio and almond crops also typically occur in the third and fourth quarters of the calendar year, but can occur up to a year or more after each crop is harvested. In 2022, we sold 40% of our grape crop to one winery, 38% to a second winery and the remainder to two other customers. These sales are under contracts ranging from one to eight years. In 2022, our almonds were sold to various commercial buyers, with the largest buyer accounting for 34% of our crop. We do not believe that we would be adversely affected by the loss of any or all of these buyers because of the markets for these commodities, the large number of buyers that would be available to us, and the fact that the prices for these commodities do not vary based on the identity of the buyer or the size of the contract.

Weather conditions could impact the number of tree and vine dormant hours, which are integral to tree and vine growth. We will not know the impact of current weather conditions on 2023 production until the early summer of 2023.

At this time the State Department of Water Resources has announced that the estimated water supply for 2023 will be at 35% of full entitlement. This allocation may change based upon precipitation and snowpack runoff in Northern California from additional potential winter storms. The current 35% allocation of SWP water is enough for us to farm our crops. We have additional water resources, such as groundwater and surface sources, and those of the water districts we are in, that allow us to have sufficient water for our farming needs. It is too early in the year to determine the impact of 2023 water supplies on 2023 California crop production for almonds, pistachios, and wine grapes. See discussion of water contract entitlement and long-term outlook for water supply under Item 2, "Properties." Also see Note 6. (Long-Term Water Assets) of the Notes to Consolidated Financial Statements for additional information regarding our water assets.

## **Ranch Operations**

Our ranch operations segment consists of game management revenues and ancillary land uses such as grazing leases and filming. Within game management, we operate our High Desert Hunt Club, a premier upland bird hunting club. The High Desert Hunt Club offers over 6,400 acres and 35 hunting fields, each field providing different terrain and challenges. The hunting season runs from mid-October through March. We also sell individual hunting packages as well as seasonal hunting memberships.

Approximately 256,000 acres are used for two grazing leases, which account for 29% of total revenues from ranch operations at December 31, 2022.

Game management offers a wide variety of guided big game hunts, including trophy Rocky Mountain elk, deer, turkey and wild pig. We offer guided hunts and memberships for both the Spring and Fall hunting seasons. At December 31, 2022, game management accounts for 42% of the total revenue from ranch operations.

In addition, the Ranch Operations segment manages, and includes the expenses for the upkeep, maintenance, and security of all 270,000 acres of land.

## **General Environmental Regulation**

Our operations are subject to federal, state, and local environmental laws and regulations including laws relating to water, air, solid waste, and hazardous substances. Although we believe that we are in material compliance with these requirements, there can be no assurance that we will not incur costs, penalties, and liabilities, including those relating to claims for damages to property or natural resources, resulting from our operations. Environmental liabilities may also arise from claims asserted by adjacent landowners or other third parties. We also expect continued legislation and regulatory development in the area of climate change and greenhouse gases. It is unclear as of this date how any such developments will affect our business. Enactment of new environmental laws or regulations, or changes in existing laws or regulations or the interpretation of these laws or regulations, might require expenditures in the future. We historically have not had material environmental liabilities.

## **Environmental Sustainability**

Environmental stewardship, or sustainability, is one of Tejon Ranch Co.'s core values, along with quality and visionary innovation and development. This commitment to sustainability manifests itself in many ways throughout the Company and its operations.

### *Climate Change*

The Company maintains policies intended to both reduce its carbon footprint and proactively sequester, or capture and store, carbon.

- Since 2008, the Company has voluntarily conserved 240,000 acres of its land covered by trees and other vegetation. A recent analysis conducted for the Company by Dudek Environmental Service's determined that this acreage effectively sequesters 3.3 million tons of carbon. That equals the volume of carbon produced in a single year by 2.5 million passenger vehicles, approximately 5% of California's 2022 passenger vehicle fleet.
- Solar power is used significantly within TRCC. For example, the Company installed a solar covered parking structure at the Outlets at Tejon. The structure covers 1.85 acres and is projected to offset 83% of the center's electricity needs for shared spaces and produce 1,076,000 kWh of clean energy every year. In addition, the IKEA distribution center at TRCC features a 1.8 MW photovoltaic solar array covering 370,000 square feet of the warehouse's rooftop. The system handles the power needs of IKEA's distribution center and provides power into the electric grid as well.
- The Company is working with Calpine Energy, a power generating company, to complete the development of a 600-acre industrial-sized solar field. Located immediately adjacent to Calpine's PEF, a natural gas and steam powered generating plant in the San Joaquin Valley portion of Tejon Ranch, the solar array is expected to produce approximately 100 MW of power once fully operational.
- The Company's master planned mixed-use residential communities are designed with a jobs housing balance that will locate housing near employment centers, reducing commuting miles and emissions. Centennial is designed to be a net zero carbon community, completely mitigating projected carbon emissions through a combination of on-site and on-ranch carbon reduction measures, and off-ranch credited carbon reductions. These measures include encouraging and facilitating the use of emission-free electric vehicles through vehicle purchase incentives and the installation of 30,000 EV chargers located within both residential and commercial sections of the community, at TRCC, and within disadvantaged communities in Southern California. At Centennial, at least 50% of the energy supply is intended to be

produced by on-site renewable sources, and natural gas use in the community will be limited to essential commercial uses only, significantly reducing emissions from residential and commercial natural gas.

- At Grapevine, like Centennial, 50% or more of its energy supply is intended to be produced on site by renewable sources, and natural gas will not be installed in homes to further reduce carbon emissions.
- All homes in Mountain Village will feature roof-top photovoltaic solar arrays and battery energy storage systems where required by code.

#### *Air Quality*

- The Company has contracted with the San Joaquin Valley Unified Air Pollution Control District, or SJVUAPCD, to pre-mitigate air emissions related to the Company's current development at TRCC-East and future development at Mountain Village and Grapevine. As of 2022, the SJVUAPCD had fully offset current air emissions at TRCC-East, as well as future emissions projected to occur through full build-out of the project. For Mountain Village, the Company has funded the replacement of outdated agricultural engines to provide emissions mitigation for the initial phase of development.
- Nearly two decades ago, the Company helped establish and has continuously supported Valley Clean Air Now, or VCAN, a non-profit, 501(c)(3) public charity that advances quantifiable and voluntary solutions addressing air pollution in California's San Joaquin Valley, a region with some of the worst air quality and highest poverty levels in the United States. The Company continues to support VCAN in its mission to improve public health and quality of life in disadvantaged communities located in the region.
  - VCAN's programs deliver \$850 smog repair vouchers and \$9,500 in down payment incentives to low-income residents in the region so they can replace high-polluting vehicles with used plug-in or hybrid cars.
  - In the past five years, VCAN has helped more than 35,000 households improve their vehicle emissions by completing over 20,000 smog repairs and providing more than 26,000 smog repair vouchers. Additionally, VCAN's vehicle replacement program has delivered more than 2,000 plug-in electric vehicles. Based on pre- and post-repair emission capture readings, VCAN's vehicle repair and replacement work has reduced oxides of nitrogen (also known as "NOx") by 692 tons, carbon monoxide by 71 tons, and hydro-carbon emissions by 90 tons.

#### *Water Conservation*

- At TRCC-East, all water used for irrigation purposes is reclaimed water from the water treatment plant. Landscaping at the Outlets at Tejon consists of drought-tolerant, native planting material.
- Each of the Company's master planned mixed-use residential communities will feature state-of-the-art water conservation measures, reclaimed water for irrigation, stormwater capture, and drought-tolerant landscaping.
- The Company's agricultural operations use highly efficient drip irrigation to water its orchards and vineyards.
- We are involved in water storage and water recharge programs in the water basins in which we have operations.

#### **Customers**

Our PEF power plant lease accounted for 6% of total revenues in 2022, 8% in 2021 and 12% in 2020. No other recurring customer represents 5% or more of our revenues in 2022, 2021 and 2020.

#### **Organization**

Tejon Ranch Co. is a Delaware corporation incorporated in 1987 to succeed the business operated as a California corporation since 1936.

## Human Capital

At December 31, 2022, we had 78 full-time employees. We believe our employees are among our most important resources and are critical to our continued success. We focus significant attention on attracting and retaining talented and experienced individuals to manage and support our operations. To attract and retain top talent, we have designed our compensation and benefits programs to provide a balanced and effective reward structure. Our short and long-term incentive programs are aligned with key business objectives and are intended to motivate strong performance. Our employees are eligible for medical, dental and vision insurance, a 401(k) savings/retirement plan, employer-provided life and disability insurance and an array of voluntary benefits designed to meet individual needs. We have adopted a Compliance with State and Federal Statutes, Rules and Regulations Reporting Policy that applies to all of our employees. Its receipt and review by each employee is documented and verified quarterly. None of our employees are covered by a collective bargaining agreement.

### *Diversity, Equity and Inclusion*

Our policies are designed to promote fairness, equal opportunities, and diversity within the Company. When attracting, developing and retaining talent, we seek individuals who hold varied experiences and viewpoints and embody our core values to create an inclusive and diverse culture and workplace that allows each employee to do their best work and drive our collective success. We believe that a diverse workforce possesses a broader array of perspectives that businesses need to remain competitive in today's economy. We maintain employment policies that comply with federal, state and local labor laws and promote a culture of fairness and respect. These policies set forth our goal to provide equal employment opportunity without discrimination or harassment on the basis of age, gender (including identity or expression), marital status, civil partnership status, sexual orientation, disability, color, nationality, race or ethnic origin, or religion or belief. All of our employees must adhere to a Code of Business Conduct and Ethics that sets standards for appropriate behavior, and all employees must also complete required internal training on respect in the workplace and diversity to further enhance our cultural behaviors.

## Reports

We make available free of charge through our Internet website, [www.tejonranch.com](http://www.tejonranch.com), our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to these reports filed or to be furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with or furnish it to the SEC. We also make available on our website our corporate governance guidelines, charters of our Board of Directors' Committees (audit, compensation, nominating and corporate governance, and real estate), and our Code of Business Conduct and Ethics for Directors, Officers, and Employees. These items are also available in printed copy upon request. We intend to disclose in the future any amendments to our Code of Business Conduct and Ethics for Directors, Officers, and Employees, or waivers of such provisions granted to executive officers and directors, on the website within four business days following the date of such amendment or waiver. Any document we file with the Securities and Exchange Commission, or SEC, may be inspected, without charge, at the SEC's website: <http://www.sec.gov>.

## Information about our Executive Officers

The following table shows each of our executive officers and the offices held as of March 8, 2023, the period the offices have been held, and the age of the executive officer.

Name	Office	Held since	Age
Gregory S. Bielli	President and Chief Executive Officer, Director	2013	62
Allen E. Lyda	Executive Vice President and Chief Operating Officer/Chief Financial Officer	2022	65
Hugh McMahan	Executive Vice President, Real Estate	2014	56
Robert D. Velasquez	Senior Vice President, Chief Accounting Officer	2022	56
Marc W. Hardy	Senior Vice President & General Counsel	2021	53

A description of present and prior positions with us, and business experience is given below.

Mr. Bielli has been employed by the Company since September 2013. Mr. Bielli joined the Company as President and Chief Operating Officer and became President and Chief Executive Officer on December 17, 2013. Prior to joining the Company, Mr. Bielli was President of Newland Communities' Western Region, a diversified real estate company, and was responsible for overseeing management of all operational aspects of Newland's real estate projects in the region. Mr. Bielli worked with Newland Communities from 2006 through August 2013.

Mr. Lyda has been employed by us since 1990, initially serving as Vice President, Finance and Treasurer. He was elected Assistant Secretary in 1995 and Chief Financial Officer in 1999. Mr. Lyda was promoted to Senior Vice President in 2008, and Executive Vice President in 2012. Mr. Lyda's title was subsequently changed in 2013 to Executive Vice President and Chief Financial Officer to more accurately describe the responsibilities of his office. In 2019, he was appointed to the role of Chief Operating Officer and ceased serving as the Company's Chief Financial Officer. In 2022, he was given the title of Executive Vice President and Chief Operating Officer/Chief Financial Officer.

Mr. McMahon joined the Company in November 2001 as Director of Financial Analysis. In 2008, Mr. McMahon became Vice President of Commercial/Industrial Development and in December of 2014, was promoted to Senior Vice President of Commercial/Industrial Development and elected as an officer of the Company. In 2015, he was promoted to Executive Vice President. Mr. McMahon's title was subsequently changed to Executive Vice President, Real Estate.

Mr. Velasquez joined the Company as Vice President of Finance in 2014. Mr. Velasquez's title was subsequently changed, in 2015, to Vice President of Finance and Chief Accounting Officer to more accurately describe the responsibilities of his office. Prior to joining the Company, Mr. Velasquez served as an Executive Director at Ernst & Young in their audit and assurance practice section. Mr. Velasquez worked with Ernst & Young from 1999 through 2014. Mr. Velasquez holds a B.S. in Business Administration – Option: Accounting from California State University, Los Angeles. Mr. Velasquez is a Certified Public Accountant in the state of California. On January 1, 2018 he was promoted to Senior Vice President, Finance and Chief Accounting Officer. On January 1, 2019, he was appointed Chief Financial Officer. In 2022, he was given the title of Chief Accounting Officer

Mr. Hardy is Senior Vice President and General Counsel, having joined the company in May 2021. From 2001 to 2020, Mr. Hardy served as Assistant General Counsel and then General Counsel/Assistant Secretary for the A.G. Spanos Companies, a builder of multi-family housing and master planned communities. He has extensive experience in corporate law, real estate, land use and environmental issues. With the A.G. Spanos Companies, Mr. Hardy provided executive leadership and management to the Board of Directors, executive members and its operating managers concerning the legal affairs for a fully diversified group of companies, including, the Spanos Corporation, a national multi-family residential home builder, mixed-use master plan developer, and owner/operator of Class A office complexes, vineyards, orchards, golf course and marina, and the Los Angeles Chargers National Football League team. From June 2020 to May 2021, Mr. Hardy held the position of Counsel, at the Am Law 200 law firm, Buchalter, in their Irvine, California office where Mr. Hardy predominantly practiced commercial real estate and construction law. Mr. Hardy earned a BA from the University of California, Davis, a Juris Doctorate from the University of the Pacific's McGeorge School of Law, and a Masters of Law degree in Taxation from the University of Washington School of Law.

## ITEM 1A. RISK FACTORS

The risks and uncertainties described below are not the only ones facing the Company. If any of the following risks occur, our business, financial condition, results of operations or future prospects could be materially adversely affected. Our strategy, focused on more aggressive development of our land, involves significant risk and could result in operating losses. The risks that we describe in our public filings are not the only risks that we face. Additional risks and uncertainties not presently known to us, or that we currently consider immaterial, also may materially adversely affect our business, financial condition, and results of operations.

### STRATEGIC RISKS

Strategic risk relates to the Company's future business plans and strategies, including the risks associated with the macro- and micro- environment in which we operate, including the demand for our products and services, the success of investments in our real estate development, technology and public policy.

**Adverse changes in economic conditions in markets where we conduct our operations and where prospective purchasers of our future homes and commercial products live could reduce the demand for our products and, as a result, could adversely affect our business, results of operations, and financial condition.** Adverse changes in economic conditions in markets where we conduct our operations and where prospective purchasers of our real estate products live have had and may in the future have a negative impact on our business. Adverse changes in employment levels, job growth, consumer confidence, interest rates, and population growth, or an oversupply of product for sale or lease may reduce demand and depress prices and cause buyers to cancel their purchase agreements. This, in turn, could adversely affect our results of operations and financial condition.

**Higher interest rates and lack of available financing can have significant impacts on the real estate industry.** Higher interest rates generally impact the real estate industry by making it harder for buyers to qualify for financing, which can lead to a decrease in the demand for residential, commercial or industrial sites. Higher interest rates can also lead to tighter construction lending markets impacting the development of industrial buildings within our projects. Any decrease in demand

will negatively impact our proposed developments. Lack of available credit to finance real estate purchases can also negatively impact demand. Any downturn in the economy or consumer confidence can also be expected to result in reduced housing demand and slower industrial development, which would negatively impact the demand for land we are developing.

**We are subject to various land use regulations and require governmental approvals and permits for our developments that could be denied.** In planning and developing our land, we are subject to various local, state, and federal statutes, ordinances, rules and regulations concerning zoning, infrastructure design, subdivision of land, and construction. All of our new developments require amending existing general plan and zoning designations, so it is possible that our entitlement applications could be denied. In addition, the zoning that ultimately is approved could include density provisions that would limit the number of homes and other structures that could be built within the boundaries of a particular area, which could adversely impact the financial returns from a given project. Many states, cities and counties (including neighboring Ventura County) have in the past approved various “slow growth” or “urban limit line” measures. If that were to occur in the jurisdictions governing the Company’s land use, our future real estate development activities could be significantly adversely affected.

**Third-party litigation could increase the time and cost of our development efforts.** The land use approval processes we must follow to ultimately develop our projects have become increasingly complex. Moreover, the statutes, regulations and ordinances governing the approval processes provide third parties the opportunity to challenge the proposed plans and approvals. As a result, the prospect of third-party challenges to planned real estate developments provides additional uncertainties in real estate development planning and entitlements. Third-party challenges in the form of litigation could result in denial of the right to develop, or would, by their nature, adversely affect the length of time and the cost required to obtain the necessary approvals. In addition, adverse decisions arising from any litigation would increase the costs and length of time to obtain ultimate approval of a project and could adversely affect the design, scope, plans and profitability of a project.

**We are subject to environmental regulations and opposition from environmental groups that could cause delays and increase the costs of our development efforts or preclude such development entirely.** Environmental laws that apply to a given site can vary greatly according to the site’s location and condition, present and former uses of the site, and the presence or absence of sensitive elements like wetlands and endangered species. Federal and state environmental laws also govern the construction and operation of our projects and require compliance with various environmental regulations, including analysis of the environmental impact of our projects and evaluation of our reduction in the projects’ carbon footprint and greenhouse gas emissions. Environmental laws and conditions may result in delays, cause us to incur additional costs for compliance, mitigation and processing land use applications, or preclude development in specific areas. In addition, in California, third parties have the ability to file litigation challenging the approval of a project which they usually do by alleging inadequate disclosure and mitigation of the environmental impacts of the project. Certain groups opposed to development have made clear they intend to oppose our projects vigorously, so litigation challenging their approval is expected. Currently, the Centennial entitlement approval has been opposed through litigation against the Company and Los Angeles County. At Grapevine, the issues most commonly cited in opponents’ public comments include the poor air quality of the San Joaquin Valley air basin, potential impacts of projects on the California condor and other species of concern, the potential for our lands to function as wildlife movement corridors, potential impacts of our projects on traffic and air quality in Los Angeles County, emissions of greenhouse gases, water availability and criticism of proposed development in rural areas as being “sprawl.” In addition, California has a specific statutory and regulatory scheme intended to reduce greenhouse gas emissions in the state and efforts to enact federal legislation to address climate change concerns could require further reductions in our projects’ carbon footprint in the future.

**Until final permits are received, litigation is complete, and final maps are received, we will have a limited inventory of real estate.** Each of our four current and planned real estate projects, TRCC, Centennial, MV, and Grapevine involve obtaining various governmental agency permits, overcoming litigation, and receiving final maps from local jurisdictions. A delay in achieving these items could lead to additional costs related to these developments and potentially lost opportunities for the sale of lots to developers and land users.

**We are in competition with several other developments for customers and residents.** Within our real estate activities, we are in direct competition for customers with other industrial sites in Northern, Central, and Southern California. We are also in competition with other highway interchange locations using Interstate 5 and State Route 99 for commercial leasing opportunities. Once they receive all necessary permits and approvals, Centennial and Grapevine will ultimately compete with other residential housing options in the region, such as developments in the Santa Clarita Valley, Lancaster, Palmdale, and Bakersfield. MV will compete generally for discretionary dollars that consumers will allocate to recreation and second homes, so its competition will include a greater area and range of projects. Intense competition may decrease our sales and harm our results of operations.

**Increases in taxes or government fees could increase our cost, and adverse changes in tax laws could reduce demand for homes in our future residential communities.** Increases in real estate taxes and other local government fees, such as fees imposed on developers to fund schools, open space, and road improvements, could increase our costs and have an adverse effect on our operations. In addition, any changes to income tax laws that would reduce or eliminate tax deductions or incentives to homeowners, such as a change limiting the deductibility of real estate taxes or interest on home mortgages, could make housing less affordable or otherwise reduce the demand for housing, which in turn could reduce future sales.

**Our developable land is concentrated entirely in California.** All of our developable land is in California and our business is especially sensitive to the economic conditions within California. Any adverse change in the economic climate of California, or our regions of that state, and any adverse change in the political or regulatory climate of California, or the counties where our land is located could adversely affect our real estate development activities. Ultimately, our ability to sell or lease lots may decline as a result of weak economic conditions or restrictive regulations.

**We have in the past and may in the future encounter other risks that could impact our ability to develop our land.** We have in the past and may in the future encounter other difficulties in developing our land, including:

- Difficulty in securing adequate water resources for future developments;
- Natural risks, such as geological and soil problems, earthquakes, fire, heavy rains and flooding, and heavy winds;
- Shortages of qualified trades people;
- Reliance on local contractors, who may be inadequately capitalized;
- Shortages of materials; and
- Increases in the cost of materials.

**A prolonged downturn in the real estate market or instability in the mortgage and commercial real estate financing industry, could have an adverse effect on our real estate business.** Our residential housing projects, Centennial, MV, and Grapevine, are currently in the litigation phase, permitting phase, or are fully entitled and waiting for development to begin. If a downturn in the real estate market or an instability in the mortgage and commercial real estate financing industry exists at the time these projects move into their development and marketing phases, our resort/residential business could be adversely affected. An excess supply of homes available due to foreclosures or the expectation of deflation in housing prices could also have a negative impact on our ability to sell our inventory when it becomes available. The inability of potential commercial/industrial clients to get adequate financing for the expansion of their businesses could lead to reduced lease revenues and sales of land within our industrial development.

#### OPERATIONAL RISKS

Operational risk relates to risks arising from external market factors that affect the operation of our businesses. It includes weather and other natural conditions; regulatory requirements; information management and data protection and security, including cybersecurity; supply chain and business disruption; and other risks, including human resources and reputation.

**We are involved in a cyclical industry and are affected by changes in general and local economic conditions.** The real estate development industry is cyclical and is significantly affected by changes in general and local economic conditions, including:

- Employment levels
- Availability of financing
- Interest rates
- Consumer confidence
- Demand for the developed product, whether residential or industrial
- Supply of similar product, whether residential or industrial

The process of a project's development begins, and financial and other resources are committed long before a real estate project comes to market, which could occur at a time when the real estate market is depressed. It is also possible in a rural area like ours that no market for the project will develop as projected.

**The inability of a client tenant to pay us rent adversely affects our business.** Our commercial revenues are derived primarily from rental payments and reimbursement of operating expenses under our leases. If our client tenants fail to make rental payments under their leases, our financial condition and cash flows could be adversely affected.

**Our inability to renew leases or re-lease space on favorable terms as leases expire may significantly affect our business.** Some of our revenues are derived from rental payments and reimbursement of operating expenses under our leases. If a client tenant experiences a downturn in its business or other types of financial distress, it may be unable to make timely payments under its lease. Also, if our client tenants terminate early or decide not to renew their leases, we may not be able to re-lease the space. Even if client tenants decide to renew or lease space, the terms of renewals or new leases, including the cost of any tenant improvements, concessions, and lease commissions, may be less favorable to us than current lease terms. Consequently, we could generate less cash flow from the affected properties than expected, which could negatively impact our business. We may have to divert cash flow generated by other properties to meet our debt service payments, if any, or to pay other expenses related to owning the affected properties.

**We may experience increased operating costs, which may reduce profitability to the extent that we are unable to pass those costs on to client tenants.** Our properties are subject to increases in operating expenses including insurance, property taxes, utilities, administrative costs, and other costs associated with security, landscaping, and repairs and maintenance of our properties. We cannot be certain that our client tenants will be able to bear the full burden of costs such as real estate taxes, insurance, utilities, common area and other expenses that we pass along through our leases, or that such increased costs will not lead them, or other prospective client tenants, to seek space elsewhere. If operating expenses increase, the availability of other comparable space in the markets we operate in may hinder or limit our ability to increase our rents, if operating expenses increase without a corresponding increase in revenues, our profitability could diminish.

**From time to time we experience shortages or increased costs of labor and supplies or other circumstances beyond our control that cause delays or increased costs within our industrial development, which can adversely affect our operating results.** Our ability to develop our current industrial development has in the past and may in the future be adversely affected by circumstances beyond our control including: work stoppages, labor disputes and shortages of qualified trades people; changes in laws relating to union organizing activity; and shortages, delays in availability, or fluctuations in prices of building materials (including as a result of inflation). Any of these circumstances could give rise to delays in the start or completion of, or could increase the cost of, developing infrastructure and buildings within our industrial development. If any of the above happens, our operating results could be harmed.

**We are dependent on key personnel and the loss of one or more of those key personnel may materially and adversely affect our prospects.** Our future success depends, to a significant degree, on the efforts of our senior management. The loss of key personnel could materially and adversely affect our results of operations, financial condition, or our ability to pursue land development. Our success will also depend in part on our ability to attract and retain additional qualified management personnel.

**Volatile oil and natural gas prices could adversely affect our cash flows and results of operations.** Our cash flows and results of operations are dependent in part on oil and natural gas prices, which are volatile. Oil and natural gas prices also impact the amount we receive for our mineral leases. Moreover, oil and natural gas prices depend on factors we cannot control, such as: changes in foreign and domestic supply and demand for oil and natural gas; weather; political conditions in other oil-producing countries, including the possibilities of insurgency or war in such areas; prices of foreign exports; domestic and international drilling activity; price and availability of alternate fuel sources; the value of the U.S. dollar relative to other major currencies; the level and effect of trading in commodity markets; and the effect of worldwide energy conservation measures and governmental regulations. Substantial or extended decline in the price of oil and gas could have a negative impact on our business, liquidity, financial condition and results of operations. Substantial or extended declines in future natural gas or crude oil prices could have an adverse effect on our future business, liquidity, financial condition and results of operations.

**Our reserves and production will decline from their current levels.** The rate of production from oil and natural gas properties generally decline as reserves are produced. Any decline in production or reserves could materially and adversely affect our future cash flow, liquidity and results of operations.

**Water delivery and water availability continues to be a long-term concern within California.** Any limitation of delivery of SWP water, limitations on our ability to move our water resources, and the absence of available reliable alternatives during drought periods could potentially cause permanent damage to orchards and vineyards and possibly impact future development opportunities.

Our future revenue and profitability related to our water resources will primarily be dependent on our ability to acquire and sell water assets. In light of the fact that our water resources represent a portion of our overall business at present, our long-term profitability will be affected by various factors, including the availability and timing of water resource acquisitions, regulatory

approvals and permits associated with such acquisitions, transportation arrangements, and changing technology. We may also encounter unforeseen technical or other difficulties which could result in cost increases with respect to our water resources. Moreover, our profitability is significantly affected by changes in the market price of water. Future sales and prices of water may fluctuate widely as demand is affected by climatic, economic, demographic and technological factors as well as the relative strength of the residential, commercial, financial, and industrial real estate markets. The factors described above are not within our control.

**Natural and man-made disasters, public health crises, political instability, and other potentially catastrophic events may have an adverse impact on our business and operating results and could decrease the value of our assets.** Natural and man-made disasters, public health crises, political instability, and other potentially catastrophic events including terrorist attacks, particularly those that may cause a decline in global economic activity could have a material adverse impact on our business, our operating results, and the market price of our common stock. Catastrophic events occurring anywhere in the world may result in declining economic activity, which could reduce the demand for and the value of our properties. To the extent that catastrophic events impact our client tenants, their businesses similarly could be adversely affected, including their ability to continue to honor their lease obligations. Disruptions to the global economy can also impact demand for and the prices of our products, which could adversely affect our future cash flow and results of operations.

**Information technology failures and data security breaches could harm our business.** We use information technology and other computer resources to carry out important operational and marketing activities and to maintain our business records. These information technology systems are dependent upon global communications providers, web browsers, telephone systems and other aspects of the Internet infrastructure that have experienced security breaches, cyber-attacks, significant systems failures and electrical outages in the past. A material network breach in the security of our information technology systems could include the theft of customer, employee or company data. The release of confidential information as a result of a security breach may also lead to litigation or other proceedings against us by affected individuals or business partners, or by regulators, and the outcome of such proceedings, which could include penalties or fines, could have a significant negative impact on our business. We may also be required to incur significant costs to protect against damages caused by these information technology failures or security breaches in the future. However, we cannot provide assurance that a security breach, cyber-attack, data theft or other significant systems failure will not occur in the future, and such occurrences could have a material and adverse effect on our consolidated results of operations or financial position.

**Increased cybersecurity requirements, vulnerabilities, threats and more sophisticated and targeted computer crime could pose a risk to our systems, networks, products, solutions, services and data.** Increased global cybersecurity vulnerabilities, threats and more sophisticated and targeted cyber-related attacks pose a risk to our security and our customers', partners', suppliers' and third-party service providers' products, systems and networks and the confidentiality, availability and integrity of the data. We remain potentially vulnerable to additional known or unknown threats despite our attempts to mitigate these risks. We also may have access to sensitive, confidential or personal data or information that is subject to privacy and security laws, regulations or customer-imposed controls. Our efforts to protect sensitive, confidential or personal data or information, may nonetheless leave us vulnerable to material security breaches, theft, misplaced or lost data, programming errors, employee errors and/or malfeasance that could potentially lead to the compromising of sensitive, confidential or personal data or information, improper use of our systems, software solutions or networks, unauthorized access, use, disclosure, modification or destruction of information, production downtimes and operational disruptions. In addition, a cyber-related attack could result in other negative consequences, including damage to our reputation or competitiveness, remediation or increased protection costs, litigation or regulatory action. Additionally, violations of privacy or cybersecurity laws (including the California Consumer Privacy Act), regulations or standards increasingly lead to class-action and other types of litigation, which can result in substantial monetary judgments or settlements. Therefore, any such security breaches could have a material adverse effect on us.

**Inflation can have a significant adverse effect on our operations.** Inflation can have a major impact on our farming operations. The farming operations are most affected by escalating costs, unpredictable revenues and very high irrigation water costs. High fixed water costs related to our farm lands will continue to adversely affect earnings. Prices received for many of our products are dependent upon prevailing market conditions and commodity prices. Therefore, it is difficult for us to accurately predict revenue, just as we cannot pass on cost increases caused by general inflation, except to the extent reflected in market conditions and commodity prices.

Inflation can adversely impact our real estate operations, by increasing costs of material and labor as well as the cost of capital, which can impact operating margins. In an inflationary environment, we may not be able to increase prices at the same pace as the increase in inflation, which would further erode operating margins.

**Government policies and regulations, particularly those affecting the agricultural sector and related industries, could adversely affect our operations and profitability.** Agricultural commodity production and trade flows are significantly

affected by government policies and regulations. Governmental policies affecting the agricultural industry, such as taxes, trade tariffs, duties, subsidies, import and export restrictions on commodities and commodity products, can influence industry profitability, the planting of certain crops, the location and size of crop production, whether unprocessed or processed commodity products are traded, and the volume and types of imports and exports. In addition, international trade disputes can adversely affect trade flows by limiting or disrupting trade between countries or regions. Future governmental policies, regulations or actions affecting our industry may adversely affect the supply of, demand for and prices of our products, restrict our ability to do business and cause our financial results to suffer.

**Our efforts, goals and disclosures related to environmental stewardship and sustainability matters expose us to risks that can adversely affect our reputation and performance.** Our commitment to sustainability with respect to climate change, air quality, and water conservation reflect our current plans and aspirations and are not guarantees that we will be able to achieve our goals. Our failure, or perceived failure, to achieve these goals and objectives on a timely basis, or at all, could adversely affect our reputation, stock price, operations, financial performance and growth, and expose us to increased scrutiny from the investment community as well as enforcement authorities.

#### FINANCIAL RISKS

Financial risk relates to our ability to meet financial obligations and mitigate exposure to broad market risks, including volatility in interest rates and commodity prices; credit risk; and liquidity risk, including risk related to our credit ratings and our availability and cost of funding. Credit risk is the risk of financial loss arising from a customer or counterparty failure to meet its contractual obligations. We face credit risk in our industrial businesses, as well as in our investing and leasing activities and derivative financial instruments activities. Liquidity risk refers to the potential inability to meet contractual or contingent financial obligations (whether on- or off-balance sheet) as they arise, and could potentially impact an institution's financial condition or overall safety and soundness.

**Constriction of the credit markets or other adverse changes in capital market conditions could limit our ability to access capital and increase our cost of capital.** During past economic downturns, we relied principally on positive operating cash flow, cash and investments, and equity offerings to meet current working capital needs, entitlement investment, and investment within our developments. Any slowdown in the economy could negatively impact our access to credit markets and may limit our sources of liquidity in the future and potentially increase our costs of capital.

We regularly assess our projected capital requirements to fund future growth in our business, repay our debt obligations, and support our other general corporate and operational needs, and we regularly evaluate our opportunities to raise additional capital. As market conditions permit, we may issue new equity securities through the public capital markets, enter new joint ventures, or obtain additional bank financing to fund our projected capital requirements or provide additional liquidity. Adverse changes in economic, or capital market conditions could negatively affect our business, liquidity and financial results.

**Our business model is very dependent on transactions with strategic partners. We may not be able to successfully (1) attract desirable strategic partners; (2) complete agreements with strategic partners; and/or (3) manage relationships with strategic partners going forward, any of which could adversely affect our business.** A key to our development and value creation strategies has been the use of joint ventures and strategic relationships. These joint venture partners bring development experience, industry expertise, financial resources, financing capabilities, brand recognition and credibility or other competitive assets.

A complicating factor in any joint venture is that strategic partners may have economic or business interests or goals that are inconsistent with ours or that are influenced by factors related to our business. These competing interests lead to the difficult challenges of successfully managing the relationship and communication between strategic partners and monitoring the execution of the partnership plan. We may also be subject to adverse business consequences if the market reputation or financial position of the strategic partner deteriorates. If we cannot successfully execute transactions with strategic partners, our business could be adversely affected.

**Inability to comply with long-term debt covenants, restrictions or limitations could adversely affect our financial condition.** Our ability to meet our debt service and other obligations and the financial covenants under our credit facility will depend, in part, upon our future financial performance. Our future results are subject to the risks and uncertainties described in this report. Our revenues and earnings vary with the level of general economic activity in the markets we serve and the level of commodity prices related to our farming and mineral resource activities. The factors that affect our ability to generate cash can also affect our ability to raise additional funds for these purposes through the addition of debt, the sale of equity, refinancing existing debt, or the sale of assets.

Our credit facility contains financial covenants requiring the maintenance of a maximum total liabilities to tangible net worth not greater than .75 to 1.0 at each quarter end, and a debt service coverage ratio not less than 1.25 to 1.00. A failure to comply

with these requirements could allow the lending bank to terminate the availability of funds under our revolving credit facility and/or cause any outstanding borrowings to become due and payable prior to maturity.

## MARKET RISKS

Market risk relates to the functioning of the marketplace. Many factors affect market function: investor anticipation, shocks in other markets, and anything that limits the efficient functioning of the marketplace. Market risks can affect the price of our Common Stock.

**Only a limited market exists for our Common Stock, which could lead to price volatility.** The limited trading market for our Common Stock may cause fluctuations in the market value of our Common Stock to be exaggerated, leading to price volatility in excess of that which would occur in a more active trading market of our Common Stock.

**Concentrated ownership of our Common Stock creates a risk of sudden change in our share price.** As of March 8, 2023, directors and members of our executive management team beneficially owned or controlled approximately 22.0% of our Common Stock. Investors who purchase our Common Stock may be subject to certain risks due to the concentrated ownership of our Common Stock. The sale by any of our large shareholders of a significant portion of that shareholder's holdings could have a material adverse effect on the market price of our Common Stock. In addition, the registration and sale of any significant number of additional shares of our Common Stock will have the immediate effect of increasing the public float of our Common Stock and any such increase may cause the market price of our Common Stock to decline or fluctuate significantly.

## ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

## ITEM 2. PROPERTIES

### Land

Our approximately 270,000 acres include portions of the San Joaquin Valley, portions of the Tehachapi Mountains and portions of the western end of the Antelope Valley. Each of our five reporting segments use various portions of this land. A number of key transportation and utility facilities cross our land, including Interstate 5, California Highways 58, 138 and 223, the California Aqueduct (which brings water from Northern California), and various transmission lines for electricity, oil, natural gas and communication systems. Our corporate offices are located on our property.

Approximately 247,000 acres of our land are located in Kern County, California. The Kern County general plan, or the "General Plan," for this land contemplates continued commercial, resource utilization, farming, grazing and other agricultural uses, as well as certain new developments and uses, including residential and recreational facilities. While the General Plan is intended to provide guidelines for land use and development, it is subject to amendment to accommodate changing circumstances and needs. We have three major master planned real estate projects in Kern County: MV, TRCC and Grapevine.

The remainder of our land, approximately 23,000 acres, is in Los Angeles County. This area is accessible from Interstate 5 via Highway 138. Los Angeles County has adopted general plan policies that contemplate future residential development of portions of this land, subject to further assessments of environmental and infrastructure constraints. In 2019, the Los Angeles County Board of Supervisors' affirmed their final approval of Centennial, and now the 19,333 residential units are fully entitled. See Item 1, "Business—Real Estate Development Overview."

Portions of our land consist of mountainous terrain, much of which is not presently served by paved roads or by utility or water lines. Much of this property is included within the Conservation Agreement we entered into with five of the major environmental organizations in June 2008. As we receive entitlement approvals over the life span of our developments we will dedicate conservation easements on 145,000 acres of this land, which will preclude future development of the land. This acreage includes many of the most environmentally sensitive areas of our property and is home to many plant and wildlife species whose environments will remain undisturbed.

Any significant development on our currently undeveloped land would involve the construction of roads, utilities and other expensive infrastructure and would have to be done in a manner that accommodates a number of environmental concerns, including endangered species, wetlands issues, and greenhouse gas emissions. Accommodating these environmental concerns, could possibly limit development of portions of the land or result in substantial delays or certain changes to the scope of development in order to obtain governmental approval.

## Water Operations

Our existing long-term water contracts with the Wheeler Ridge-Maricopa Water Storage District, or WRMWSO, provide for water entitlements and deliveries from the SWP, to our agricultural and municipal/industrial operations in the San Joaquin Valley. The terms of these contracts extend to 2035. Under the contracts, we are entitled to annual water for 5,496 acres of land, or 15,547 acre-feet of water subject to SWP allocations, which is adequate for our present farming operations. It is assumed, that at the end of the current contract period all water contracts will be extended for approximately the same amount of annual water.

In addition to the WRMWSO contract water entitlements, we have an additional water entitlement from the SWP sufficient to service a substantial amount of future residential and/or commercial development in Kern County. TCWD, a local water district serving our land in the district and land we have sold in TRCC, has 5,749 acre-feet of SWP entitlement (also called Table A amount), subject to SWP allocations. In addition, TCWD has 52,554 acre-feet of water stored in Kern County water banks. Both the entitlement and the banked water are the subject of a long-term water supply contract extending to 2035 between TCWD and the Company. TCWD is the water supplier to TRCC, and will be the principal water supplier for any significant mixed-use development in MV. TCWD will also be the water district that provides services to the Grapevine and Centennial projects.

We have a 150-acre water bank consisting of nine ponds on our land in southern Kern County. Water is pumped into these ponds and then percolates into underground aquifers. Since 2006, we have banked 50,349 acre-feet of water from the Antelope Valley-East Kern Water Agency, or AVEK, which has been pumped from the California aqueduct and is currently retained in this water bank. We anticipate adding additional water to the water bank in the future, as water is available.

Over time we have also purchased water for our future use or sale. We have secured SWP entitlement under long-term SWP water contracts within the Tulare Lake Basin Water Storage District and the Dudley-Ridge Water District, totaling 3,444 acre-feet of SWP entitlement annually, subject to SWP allocations. These contracts extend through 2035. In 2013, the Company completed the acquisition of a water purchase agreement that will allow and require the Company to purchase 6,693 acre-feet of water each year from the Nickel Family, LLC, or Nickel, through the Kern County Water Agency.

The initial term of the water purchase agreement with Nickel runs through 2044 and includes a Company option to extend the contract for an additional 35 years. This contract allows us to purchase water each year. The purchase cost of water in 2022 was \$861 per acre-foot. Purchase costs are subject to annual cost increases based on the greater of the consumer price index or 3%, resulting in a 2023 purchase cost of \$928 per acre-foot.

The water purchased will ultimately be used in the development of the Company's land for commercial/industrial development, residential development, and farming. Interim uses may include the sale of portions of this water to third party users on an annual basis until the water is fully used for the Company's internal uses.

During 2022, SWP allocations were 5% of contract levels, and WRMWSO was able to supply us with water from various sources that when combined with our water sources provided sufficient water to meet our farming and real estate demands. In some years, there is also sufficient runoff from local mountain streams to allow us to capture some of this water in reservoirs and utilize it to offset some of the SWP water. In years where the supply of water is sufficient, both WRMWSO and TCWD are able to bank (percolate into underground aquifers) some of their excess supplies for future use. At this time, Wheeler Ridge expects to be able to deliver our entire contract water entitlement in any year that the SWP allocations exceed 30% by drawing on its ground water wells and water banking assets. Based on historical records of water availability, we do not believe we have material problems with our water supply. However, if SWP allocations are less than 30% of our entitlement in any year, or if shortages continue for a sustained period of several years, then WRMWSO may not be able to deliver 100% of our entitlement and we will have to rely on our own ground water sources, mountain stream runoff, water transfer from other sources, and water banking assets to supply the needs of our farming and development activities. Water from these sources may be more expensive than SWP water because of pumping costs and/or transfer costs. A 35% preliminary SWP water allocation has been made by the California Department of Water Resources, or DWR, for 2023. The current 35% allocation of SWP water will allow us to have sufficient water for our farming needs for the next year.

All SWP water contracts require annual payments related to the fixed and variable costs of the SWP and each water district, whether or not water is used or available. WRMWSO and TCWD contracts also establish a lien on benefited land.

Portions of our property also have available groundwater, which we believe would be sufficient to supply commercial development in the Interstate 5 corridor and support current agricultural operations. Ground water in the Antelope Valley Basin is subject to an adjudication of the water basin that limits groundwater pumping.

The Sustainable Groundwater Management Act, or SGMA, is a sustainable groundwater framework that became effective January 1, 2015. For the water districts in which the Company participates in the San Joaquin Valley, Groundwater

Sustainability Plans have been developed and submitted to the DWR for review. Through these plans it will have to be demonstrated to the satisfaction of the DWR that the groundwater within the basins is sustainably managed by 2040 or 2042. To achieve sustainability, the GSPs could impose limitations on the use of groundwater. The Company's Kern County agricultural lands and development lands are located in the Kern Subbasin, the White Wolf Subbasin and the Castac Lake Basin. The Kern Subbasin is designated by DWR as a high priority, critically overdrafted basin, and its GSP was required by to be submitted to DWR by January of 2020. After their initial submittal to DWR of their GSPs, DWR notified the Groundwater Sustainability Agencies in the Kern Subbasin of deficiencies in their GSPs, which were to be addressed to DWR's satisfaction by July of 2022. The GSAs met that deadline and are awaiting a determination from DWR regarding the sufficiency of those GSPs. The White Wolf Subbasin is designated by DWR as a medium priority, non-critically overdrafted basin, and its GSP was required to be submitted to DWR by January 2022. The Board of Directors of the White Wolf GSA adopted the GSP for the White Wolf Subbasin and submitted it to DWR, where it remains under DWR review. The Castac Basin is a low priority basin, so there is no anticipation at this time of any restriction related to use of groundwater under SGMA. Regardless of any limitations on groundwater use that might result from SGMA, the Company's lands are in relatively good condition because of the diverse inventory of surface water supplies and banked water that the Company has access to as mentioned above.

There have been many environmental challenges regarding the movement of SWP water through the Sacramento Delta. Operation of the Delta pumps are of primary importance to the California water system because these pumps are part of the system that moves water from Northern California to Southern California. Biological Opinions, or BiOps, issued by the U.S. Fish and Wildlife Service, or FWS, and National Marine Fisheries Service, or NMFS, in 2008 and 2009 contained restrictions on pumping from the Delta and were challenged in the courts by both water agencies and environmental groups, which challenges were for the most part unsuccessful. Since then a number of developments have occurred that affect or potentially affect SWP supplies from the Delta.

One of these developments relates to the Coordinated Operation Agreement, or COA, that DWR and the Bureau of Reclamation, or the Bureau, which operates pumps in the Delta to supply water to its Central Valley Project, or CVP, entered into in 1986. The COA governs the concurrent state and federal pumping operations in the Delta. DWR and the Bureau renegotiated the COA in late 2018 to bring the COA up to date with various physical and legal changes that occurred over the course of thirty years. The renegotiated COA has generally resulted in reduced deliveries to SWP contractors.

Another development is DWR's plan for construction of a facility to convey water through the Delta in the form of a tunnel system that would divert water at or near the northern end of the Delta and convey the water underground via tunnel for delivery at or near the southern end of the Delta. Originally envisioned as a two-tunnel system known as California WaterFix, that project was rescinded and has been replaced with a proposed downsized single-tunnel system referred to as the Delta Conveyance Project, or DCP. In January of 2020, DWR began the environmental review process for the DCP by issuance of a Notice of Preparation of an EIR under CEQA. DWR circulated the Draft Environmental Impact Report for the DCP and the public comment period on the DEIR closed on December 16, 2022. DWR is reviewing the comments received and presumably working on the Final EIR for DCP. DWR and the SWP Contractors previously entered into an agreement in principle, or AIP, for terms of an amendment to the SWP long-term water supply contracts. If DWR adopts a Final EIR and approves the DCP, which could occur sometime late 2023, DWR and the SWP Contractors would need to execute amendments to the water supply contracts that provide for addition of the DCP to the SWP. The DCP is intended to increase the amount of water available for delivery across the Delta, particularly in wet years.

A third development is the Reinitiation of Consultation on the Coordinated Long-Term Operation of the Central Valley Project and State Water Project. This is a process that DWR and the Bureau jointly requested in 2016 and that resulted in new federal FWS and NMFS Biological Opinions, or BiOps, under Federal Endangered Species Act, or ESA, in 2019. The 2019 BiOps were intended to enhance reliability of water available for pumping out of the Delta based on updated best available science. The State of California and various non-governmental organizations filed a legal challenge to the new BiOps. Shortly after the 2019 BiOps were finalized, the State of California issued an Incidental Take Permit, or ITP, pursuant to the CESA, which is generally more restrictive on pumping out of the Delta in comparison to the BiOps. Several SWP Contractors, and others, filed litigation challenging the ITP on several grounds including CEQA and breach of contract. Additionally, the Bureau has reinitiated further consultation relative to the proposed actions in the federal BiOps. An interim operations plan for the Delta has been introduced that would govern Delta operations in the absence of final BiOps, and that plan is also the subject of legal challenges. It is expected that new biological options will be issued in 2024.

## Other Activities

TRPFFA is a joint powers authority formed by Kern County and TCWD to finance public infrastructure within the Company's Kern County developments. TRPFFA has created two Community Facilities Districts, or CFDs, the West CFD and the East CFD. The West CFD has placed liens on 420 acres of the Company's land to secure payment of special taxes related to \$19,540,000 of outstanding bond debt sold by TRPFFA for TRCC-West. The East CFD has placed liens on 1,931 acres of the Company's land to secure payments of special taxes related to \$72,055,000 of outstanding bond debt sold by TRPFFA for TRCC-East. At TRCC-West, the West CFD has no additional bond debt approved for issuance. At TRCC-East, the East CFD has \$44,035,000 of additional bond debt authorized by TRPFFA. Proceeds from the sales of these bonds are to reimburse the Company for public infrastructure related to TRCC-East.

We paid \$2,899,000 and \$2,860,000 in special taxes related to the CFDs in 2022 and 2021, respectively. As development continues to occur at TRCC, new owners of land and new lease tenants, through triple net leases, will bear an increasing portion of the assessed special tax. It is expected that we will have special tax payments in 2023 of \$2,816,000, but this could change in the future based on the amount of bonds outstanding within each CFD and the amount of taxes paid by other owners and tenants. The assessment of each individual property sold or leased is not determinable at this time because it is based on the current tax rate and the assessed value of the property at the time of sale or on its assessed value at the time it is leased to a third-party. Accordingly, the Company is not required to recognize an obligation at December 31, 2022.

## ITEM 3. LEGAL PROCEEDINGS

The Company is involved in various legal matters arising out of its operations in the normal course of business. None of these matters are expected, individually or in the aggregate, to have a material adverse effect on the Company.

For a discussion of legal proceedings, see Note 14 (Commitments and Contingencies) of the Notes to the Consolidated Financial Statements.

## ITEM 4. MINE SAFETY DISCLOSURES

Not Applicable.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our Common Stock trades under the symbol TRC on the New York Stock Exchange.

As of February 28, 2023, there were 268 registered owners of record of our Common Stock.

No cash dividends were paid in 2022 or 2021 and at this time there is no intention of paying cash dividends in the future.

For information regarding equity compensation plans pursuant to Item 201(d) of Regulation S-K, please see Item 11, "Executive Compensation" and Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Form 10-K, below.

The annual stockholder performance graph will be provided separately in our annual report to stockholders.

### **ITEM 6. RESERVED**

### **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

See Part I, "Forward-Looking Statements" for our cautionary statement regarding forward-looking information.

This discussion and analysis is based on, should be read together with, and is qualified in its entirety by, the consolidated financial statements and notes thereto included in Item 15(a)1 of this Form 10-K, beginning at page F-1. It also should be read in conjunction with the disclosure under "Forward-Looking Statements" in Part 1 of this Form 10-K. When this report uses the words "we," "us," "our," "Tejon," "TRC," and the "Company," they refer to Tejon Ranch Co. and its subsidiaries, unless the context otherwise requires. References herein to fiscal year refer to our fiscal years ended or ending December 31.

## **OVERVIEW**

### ***Our Business***

We are a diversified real estate development and agribusiness company committed to responsibly using our land and resources to meet the housing, employment, and lifestyle needs of Californians and to create value for our shareholders. In support of these objectives, we have been investing in land planning and entitlement activities for new industrial and residential land developments and in infrastructure improvements within our active industrial development. Our prime asset is approximately 270,000 acres of contiguous, largely undeveloped land that, at its most southerly border, is 60 miles north of Los Angeles and, at its most northerly border, is 15 miles east of Bakersfield.

Our business model is designed to create value through the execution of commercial/industrial development, entitlement and development of land for resort/residential uses, and the maximization of earnings from operating assets, while at the same time protecting significant portions of our land for conservation purposes. We operate our business near one of the country's largest population centers, which is expected to continue to grow well into the future.

We currently operate in five reporting segments: commercial/industrial real estate development; resort/residential real estate development; mineral resources; farming; and ranch operations.

Our commercial/industrial real estate segment generates revenues from real estate leases, and land and building sales. The primary commercial/industrial development is TRCC. The resort/residential real estate development segment is actively involved in the land entitlement and pre-development efforts both internally and through a joint venture. Within our resort/residential segment, the three active mixed-use master plan developments are MV, Centennial, and Grapevine. Our mineral resources segment generates revenues from oil and gas royalty leases, rock and aggregate mining leases, a lease with National Cement and sales of water. The farming segment produces revenues from the sale of wine grapes, almonds, and pistachios. Lastly, the ranch operation segment consists of game management revenues and ancillary land uses such as grazing leases and filming.

## Financial Highlights

For 2022, net income attributable to common stockholders was \$15,808,000 compared to net income attributed to common stockholders of \$5,348,000 in 2021. Over the comparative period, commercial/industrial segment profits increased \$16,636,000 resulting from the sale of three land parcels totaling 98.2 acres. Profits from the mineral resources segment increased by \$1,198,000 as a result of greater oil royalties. Lastly, total other income increased \$1,501,000 as a result of an increase in interest income along with receiving excess distributions and recognizing long-term deferred gains associated with the Company's former 18-19 West joint venture. The preceding improvements were offset by a \$3,572,000 increase in income tax expense.

For 2021, net income attributable to common stockholders was \$5,348,000 compared to a net loss attributed to common stockholders of \$740,000 in 2020. Over the comparative period, commercial/industrial segment profits and our share of equity in earnings from our unconsolidated joint ventures increased \$5,109,000 and \$4,698,000, respectively. The increase in commercial/industrial segment profits was attributable to two land parcels sales comprised of 55.96 acres for a total revenues of \$10,035,000. The increase in equity in earnings was primarily attributable to our share of the sale of lots 18 and 19 held by our joint venture with Rockefeller. Additionally, profits from mineral resources segment increased by \$3,106,000 as a result of more water sales during the year due to dry 2021 winter conditions and low SWP allocations. The above mentioned increases were partially offset by a decline in farming segment profits of \$1,840,000. The decline was primarily attributable to a decline in almond revenues due to supply chain disruptions and a decrease in pistachio revenue due to reduced insurance proceeds received when compared to the prior year.

During 2023, we will continue to invest funds towards litigation defense, permits, and maps for our master plan mixed-use developments and for master project infrastructure and vertical development within our active commercial and industrial development. Securing entitlements for our land is a long, arduous process that can take several years and involves litigation. During the next few years, our net income will fluctuate from year-to-year based upon, among other factors, commodity prices, production within our farming segment, the timing of land sales and the leasing of land and/or industrial space within our industrial developments, and equity in earnings realized from our unconsolidated joint ventures.

This Management's Discussion and Analysis of Financial Condition and Results of Operations provides a narrative discussion of our results of operations. It contains the results of operations for each operating segment of the business and is followed by a discussion of our financial position. It is useful to read the business segment information in conjunction with Note 16 (Reporting Segments and Related Information) of the Notes to Consolidated Financial Statements.

## Critical Accounting Estimates

The preparation of our consolidated financial statements in accordance with generally accepted accounting principles in the United States, or GAAP, requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. We consider an accounting estimate to be critical if: (1) the accounting estimate requires us to make assumptions about matters that were highly uncertain at the time the accounting estimate was made, and (2) changes in the estimates that are likely to occur from period to period, or use of different estimates that we reasonably could have used in the current period, would have a material impact on our financial condition or results of operations. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, impairment of long-lived assets, capitalization of costs, allocation of costs related to land sales and leases, and stock compensation. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management has discussed the development and selection of these critical accounting estimates with the Audit Committee of our Board of Directors and the Audit Committee has reviewed the foregoing disclosure. In addition, there are other items within our financial statements that require estimation, but are not deemed critical as defined above. Changes in estimates used in these and other items could have a material impact on our financial statements. See also Note 1 (Summary of Significant Accounting Policies) of the Notes to Consolidated Financial Statements, which discusses accounting policies that we have selected from acceptable alternatives.

We believe the following critical accounting estimates reflect our more significant judgments and estimates used in the preparation of the consolidated financial statements:

*Impairment of Long-Lived Assets, Real Estate Development* – We evaluate our real estate development projects for impairment on an ongoing basis. Our evaluation for impairment involves an initial assessment of each real estate development to determine whether events or changes in circumstances exist that may indicate that the carrying amounts of a real estate development are no longer recoverable. Possible indications of impairment may include events or changes in circumstances affecting the

entitlement process, government regulation, litigation, geographical demand for new housing, and market conditions related to pricing of new homes.

We make significant assumptions to evaluate each real estate development for possible indications of impairment. These assumptions include the identification of appropriate and comparable market prices, the consideration of changes to legal factors or the business climate, and assumptions surrounding continued positive cash flows and development costs. Considering that the planned development communities will be in a location that does not currently have many comparable homes, the Company must make assumptions surrounding the expected ability to sell the real estate assets at a price that is in excess of current accumulated costs. We use our internal forecasts and business plans to estimate future prices, absorption, and costs. We develop our forecasts based on recent sales data, input from marketing consultants, as well as discussions with commercial real estate brokers.

When events or changes in circumstances exist that result in an indicator of impairment, we perform an impairment calculation which compares the carrying value of the asset to the asset's estimated future cash flows (undiscounted). If the estimated future cash flows are less than the carrying value of the asset, we calculate an impairment loss. The impairment loss calculation compares the carrying value of the asset to the asset's estimated fair value, which may be based on estimated future cash flows (discounted). We recognize an impairment loss equal to the amount by which the asset's carrying value exceeds the asset's estimated fair value. If we recognize an impairment loss, the adjusted carrying amount of the asset will be its new cost basis. For a depreciable long-lived asset, the new cost basis will be depreciated (amortized) over the remaining useful life of that asset. Restoration of a previously recognized impairment loss is prohibited. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to impairment losses that could be material to our results of operations.

At this time, there are no assets within any of our reporting segments that we believe are at risk of being impaired due to market conditions nor have we identified any impairment indicators.

We believe that the accounting estimate related to asset impairment is a critical accounting estimate because it is very susceptible to change from period to period; it requires management to make assumptions about future prices, production, and costs, and the potential impact of a loss from impairment could be material to our earnings. Management's assumptions regarding future cash flows from real estate developments are expected to fluctuate due to changes in prices, absorption, and costs as future market conditions change.

*Allocation of Costs Related to Land Sales and Leases* – When we sell or lease land within one of our real estate developments, as we are currently doing within TRCC, and we have not completed all infrastructure development related to the total project, we determine the appropriate costs of sales for the sold land and the timing of recognition of the sale. In the calculation of cost of sales or allocations to leased land, we use estimates and forecasts to determine total costs at completion of the development project. These estimates of final development costs can change as conditions in the market and costs of construction change.

In preparing these estimates, we use internal budgets, forecasts, and engineering reports to help us estimate future costs related to infrastructure that has not been completed. These estimates become more accurate as the development proceeds forward, due to historical cost numbers and to the continued refinement of the development plan. These estimates are updated periodically throughout the year so that, at the ultimate completion of development, all costs have been allocated. Any increases to our estimates in future years will negatively impact net profits and liquidity due to an increased need for funds to complete development. If, however, this estimate decreases, net profits as well as liquidity will improve.

We believe that the estimates used related to cost of sales and allocations to leased land are critical accounting estimates and will become even more significant as we continue to move forward as a real estate development company. The estimates used are very susceptible to change from period to period, due to the fact that they require management to make assumptions about costs of construction, absorption of product, and timing of project completion, and changes to these estimates could have a material impact on the recognition of profits from the sale of land within our developments.

### **Recent Accounting Pronouncements**

For discussion of recent accounting pronouncements, see Note 1 (Summary of Significant Accounting Policies) of the Notes to Consolidated Financial Statements.

## Results of Operations by Segment

We evaluate the performance of our reporting segments separately to monitor the different factors affecting financial results. Each reporting segment is subject to review and evaluation as we monitor current market conditions, market opportunities, and available resources. The performance of each reporting segment is discussed below:

### Real Estate – Commercial/Industrial

(\$ in thousands)	2022	2021	2020
Commercial/industrial revenues			
Pastoria Energy Facility Lease	\$ 4,859	\$ 4,380	\$ 4,584
TRCC Leasing	1,535	1,724	1,744
TRCC management fees and reimbursements	1,431	692	715
Commercial leases	646	627	580
Communication leases	1,011	952	927
Landscaping and other	1,237	1,066	986
Land sales	29,796	10,035	—
Total commercial revenues	<u>\$ 40,515</u>	<u>\$ 19,476</u>	<u>\$ 9,536</u>
Total commercial expenses	<u>\$ 16,356</u>	<u>\$ 11,953</u>	<u>\$ 7,122</u>
Operating income from commercial/industrial	<u>\$ 24,159</u>	<u>\$ 7,523</u>	<u>\$ 2,414</u>

#### 2022 Operational Highlights:

- During 2022, commercial/industrial segment revenues increased \$21,039,000, or 108%, from \$19,476,000 in 2021 to \$40,515,000. The Company sold three land parcels in 2022, totaling 98.2 acres, for \$29,796,000.
  - A 27.88 acre land parcel contributed with a fair value of \$8,501,000 to TRC-MRC 5, LLC. The Company recognized revenues of \$5,489,000 and deferred profit of \$3,012,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.
  - 58.0 acres of industrial land located at TRCC East to a major multinational corporation for \$22,000,000. The Company recognized land sales revenue of \$19,627,000 and deferred revenues of \$2,373,000 attributable to a performance obligation within the contract after applying the five-step revenue recognition model in accordance with ASC Topic 606 - Revenue From Contracts With Customers.
  - 12.3 acres of industrial land located at TRCC West to a third party for \$4,680,000.
- Commercial/industrial real estate segment expenses increased \$4,403,000, or 37%, from \$11,953,000 in 2021 to \$16,356,000 in 2022. The increase in expenses is primarily attributed to additional land cost of sales of \$4,372,000.

#### 2021 Operational Highlights:

- During 2021, commercial/industrial segment revenues increased \$9,940,000, or 104%, from \$9,536,000 in 2020 to \$19,476,000. During 2021, the Company sold two land parcels, comprised of 55.96 acres, for \$10,035,000. The first sale comprised of a 38.86 acre land parcel contributed with a fair value of \$8,464,000 to TRC-MRC 4, LLC. The Company recognized revenues of \$5,679,000 and deferred profit of \$2,785,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures. The second sale was to a third party for a 17.1 acre parcel for total consideration of \$4,665,000. Under the terms of the sale, the Company recognized \$4,355,000 in revenues and deferred \$300,000 that will be recognized upon completion of a performance obligation in 2022. There were no land sales in 2020.
- Commercial/industrial real estate segment expenses increased \$4,831,000, or 68%, from \$7,122,000 in 2020 to \$11,953,000 in 2021. The increase in expenses is primarily attributed to land cost of sales of \$4,246,000 and an increase in TCWD water assessments of \$535,000 that is associated with the drought conditions.

For 2023, TRCC will continue to be the driver of new activity within the Company as construction begins on a, pre-leased, 446,400 square-foot industrial building that is expected to be completed in 2023. We also expect the commercial/industrial

segment to continue to experience operating costs, net of amounts capitalized, primarily related to professional service fees, marketing, commissions, planning, and staffing costs as we continue to pursue these development opportunities. These costs are expected to remain consistent with current levels of expense with any variability in the future tied to specific absorption transactions in any given year and near term inflation impacts. TCWD water assessments may vary depending on water availability and its ability to sell water.

The actual timing and completion of development is difficult to predict due to the uncertainties of the market. Infrastructure development and marketing activities and costs will continue over several years as we develop our land holdings. Prices for building materials such as concrete and steel have increased over the past year and have longer than usual lead times. We will also continue to evaluate land resources to determine the highest and best uses for our land holdings. Future sales of land are dependent on market circumstances and specific opportunities. Our goal in the future is to increase land value and create future revenue growth through planning and development of commercial and industrial properties.

See Item 1, “Business – Real Estate Development Overview” for discussion of the market outlook for the next year.

### **Real Estate – Resort/Residential**

Our resort/residential segment activities include defending entitlements, land planning and pre-construction engineering and conservation activities for our Centennial, Grapevine, and MV projects.

We are in the preliminary stages of development; hence, no revenues are attributed to this segment for these reporting periods.

#### **2022 Operational Highlights:**

- In 2022, resort/residential segment expenses decreased \$94,000 to \$1,629,000, or 5%, when compared to \$1,723,000 in 2021. The decrease is attributed to lower professional service costs.

#### **2021 Operational Highlights:**

- In 2021, resort/residential segment expenses increased \$111,000 to \$1,723,000, or 7%, when compared to \$1,612,000 in 2020. The increase is primarily associated with payroll expenses net of capitalization associated with the Company's development efforts.

The resort/residential segment will continue to incur costs in the future related to professional service fees, public relations costs, and staffing costs as we continue forward with permitting activities for the above communities. We expect these expenses to remain consistent with current years cost in the near term and only begin to increase as we move into the development phase of each project in the future. The actual timing and completion of entitlement-related activities and the beginning of development is difficult to predict due to the uncertainties of the approval process, the length of time related to litigation defense, and the status of the economy. We will also continue to evaluate land resources to determine the highest and best use for our land holdings. Our long-term goal through this process is to increase the value of our land and create future revenue opportunities through resort and residential development.

We are continuously monitoring the markets in order to identify the appropriate time in the future to begin infrastructure improvements and lot sales. Our long-term business plan of developing the communities of MV, Centennial, and Grapevine remains unchanged. As home buyer trends change in California to a more suburban orientation and the economy stabilizes, we believe the perception of land values will also begin to improve. Long-term macro fundamentals, primarily California's population growth and household formation will also support housing demand in our region. California also has a significant documented housing shortage, which we believe our communities will help ease as the population base within California continues to grow.

See Item 1, “Business – Real Estate Development Overview” for a further discussion of real estate development activities.

## Mineral Resources

(\$ in thousands)	2022	2021	2020
Mineral resources revenues			
Oil and gas	\$ 1,340	\$ 737	\$ 654
Rock aggregate	1,937	1,910	1,407
Cement	2,871	2,210	2,214
Exploration leases	94	119	100
Water sales	14,658	15,523	5,909
Reimbursables and other	695	488	452
Total mineral resources revenues	\$ 21,595	\$ 20,987	\$ 10,736
Total mineral resources expenses	\$ 12,969	\$ 13,559	\$ 6,414
Operating income from mineral resources	\$ 8,626	\$ 7,428	\$ 4,322

	2022	2021	2020
<b>Oil and gas</b>			
Oil production (barrels)	92,788	75,006	114,567
Average price per barrel	\$98.00	\$69.00	\$46.00
Blended royalty rate	14.5%	13.9%	11.7%
Natural gas production (millions of cubic feet)	57,000	64,000	207,000
Average price per thousand cubic feet	\$2.84	\$1.50	\$1.06
Blended royalty rate	14.5%	13.9%	11.7%

<b>Water</b>			
Water sold in acre-feet	10,400	13,651	5,022
Average price per acre-feet	\$1,409	\$1,137	\$1,177

<b>Cement</b>			
Tons sold	1,356,000	1,275,000	1,253,000
Average price per ton	\$2.12	\$1.73	\$1.77

<b>Rock/Aggregate</b>			
Tons sold	1,677,000	1,466,000	1,272,000
Average price per ton	\$1.15	\$1.30	\$1.11

Note: Differences between revenues calculated within this table and reported revenues within the previous table are attributed to rounding and the level of precision presented on production units shown.

**2022 Operational Highlights:**

- Revenues from our mineral resources segment increased \$608,000, or 3%, to \$21,595,000 in 2022 when compared to \$20,987,000 in 2021. The increase is attributed to higher oil and gas royalties resulting from higher price per barrel and higher price per thousand cubic feet, respectively, when compared to 2021 pricing. These improvements were partially offset by an \$865,000 reduction in water revenue. This decline was driven by less water available for sale but due to low statewide water supplies we were able to sell our available water at higher prices.
- Mineral resources expenses decreased \$590,000, or 4%, to \$12,969,000 in 2022 when compared to \$13,559,000 in 2021 as a result of having less water sales offset by an increase in property taxes.

**2021 Operational Highlights:**

- Revenues from our mineral resources segment increased \$10,251,000, or 95%, to \$20,987,000 in 2021 when compared to \$10,736,000 in 2020. The increase is attributed to a \$9,614,000 increase in water sales driven by dry 2021 winter conditions and low SWP allocations. Comparatively, the Company sold 13,651 acre-feet and 5,022 acre-feet in 2021 and 2020, respectively.
- Rock aggregate royalties increased as a result of higher demand and better pricing, fueled by the continuing growth in infrastructure projects throughout the state.
- Mineral resources expenses increased \$7,145,000, or 111%, to \$13,559,000 in 2021 when compared to \$6,414,000 in 2020 as a result of the increased water sales volume.

For further discussion of mineral resources operations, refer to Item 1 “Business—Mineral Resources.”

## Farming

(\$ in thousands)	2022	2021	2020
Farming revenues			
Almonds	\$ 6,121	\$ 3,100	\$ 5,021
Pistachios	2,450	4,293	5,636
Wine grapes	3,470	2,850	2,589
Hay	587	408	419
Other	373	388	201
Total farming revenues	\$ 13,001	\$ 11,039	\$ 13,866
Total farming expenses	\$ 19,811	\$ 14,116	\$ 15,103
Operating loss from farming	\$ (6,810)	\$ (3,077)	\$ (1,237)

(\$ in thousands)	December 31, 2022			December 31, 2021			Change		
	Revenue	Quantity Sold <sup>2</sup>	Average Price	Revenue	Quantity Sold <sup>2</sup>	Average Price	Revenue	Quantity Sold <sup>2</sup>	Average Price
<b>ALMONDS (lbs.)</b>									
Current year crop	\$ 2,851	1,267	\$ 2.25	\$ 2,257	945	\$ 2.39	\$ 594	322	\$ (0.14)
Prior crop years	3,216	1,584	\$ 2.03	670	377	\$ 1.78	2,546	1,207	0.25
Crop Insurance	54			173			(119)		
Subtotal Almonds <sup>1</sup>	\$ 6,121	2,851	\$ 2.13	\$ 3,100	1,322	\$ 2.21	\$ 3,021	1,529	\$ (0.08)
<b>PISTACHIOS (lbs.)</b>									
Current year crop	\$ —	—	\$ —	\$ 3,462	1,615	\$ 2.14	\$ (3,462)	(1,615)	\$ (2.14)
Prior crop years	—	—	—	—	—	—	—	—	—
Prior crop price adjustment	873			365			508		
Crop Insurance	1,577			466			1,111		
Subtotal Pistachios <sup>1</sup>	\$ 2,450	—	\$ —	\$ 4,293	1,615	\$ 2.14	\$ (1,843)	(1,615)	\$ (2.14)
<b>WINE GRAPES (tons)</b>									
Current year crop	\$ 3,470	10	\$ 347.00	\$ 2,850	9	\$ 316.67	\$ 620	1	\$ 30.33
Crop Insurance	—			—			—		
Subtotal Wine Grapes	\$ 3,470	10	\$ 347.00	\$ 2,850	9	\$ 316.67	\$ 620	1	\$ 30.33
<b>Other</b>									
Hay	\$ 587			\$ 408			\$ 179		
Other farming revenues	373			388			(15)		
Total farming revenues	\$ 13,001			\$ 11,039			\$ 1,962		

<sup>1</sup> Average price calculation reflects sale of almond and pistachio crops during the calendar reported year exclusive of any price adjustments.

<sup>2</sup> Almond and pistachio units are presented in thousands of pounds while wine grapes are presented in thousands of tons.

## 2022 Operational Highlights:

- During 2022, farming segment revenues increased \$1,962,000, or 18%, from \$11,039,000 in 2021 to \$13,001,000 in 2022. The factors contributing to this increase is as follow:
  - Almond revenues increased \$3,021,000 due an increase in pounds sold in 2022 when compared to 2021. See table above for details of quantity sold.
  - Pistachio revenues decreased \$1,843,000 because the 2022 crop did not bear any fruit due to a very mild winter which limited the number of optimum chill hours (temperatures below 42 degrees for an extended period of time), which impacts the trees ability to produce fruit. Pistachio revenues in 2022 comprised primarily of insurance proceeds and prior year crop bonuses.
  - Wine grape revenues increased \$620,000 due to favorable wine grape pricing and yields.
- During 2022, farming segment expenses increased \$5,695,000, or 40%, from \$14,116,000 in 2021 to \$19,811,000 in 2022. The increase is largely attributed to a 1,529,000-pound increase in almond sales, inclusive of a \$1,050,000 write-down in the carrying value for the Company's 2022 almond crop driven by an increase in costs due to high water expense, the impact of inflation to cultural costs, and the impact of low pricing in the almond market as described in Item 1 "Business—Farming Operations." Labor costs also continued to increase throughout 2022.

(\$ in thousands)	December 31, 2021			December 31, 2020			Change		
	Revenue	Quantity Sold <sup>2</sup>	Average Price	Revenue	Quantity Sold <sup>2</sup>	Average Price	Revenue	Quantity Sold <sup>2</sup>	Average Price
<b>ALMONDS (lbs.)</b>									
Current year crop	\$ 2,257	945	\$ 2.39	\$ 4,207	2,078	\$ 2.02	\$ (1,950)	(1,133)	\$ 0.37
Prior crop years	670	377	1.78	783	405	1.93	(113)	(28)	(0.15)
Signing bonus	—			31			(31)		
Crop Insurance	173			\$ —			\$ 173		
Subtotal Almonds <sup>1</sup>	\$ 3,100	1,322	\$ 2.21	\$ 5,021	2,483	\$ 2.01	\$ (1,921)	(1,161)	\$ 0.20
<b>PISTACHIOS (lbs.)</b>									
Current year crop	\$ 3,462	1,615	\$ 2.14	\$ 932	456	\$ 2.04	\$ 2,530	1,159	\$ 0.10
Prior crop years	—	—	—	25	13	1.92	(25)	(13)	(1.92)
Prior crop price adjustment	365			890			(525)		
Insurance	466			3,789			(3,323)		
Subtotal Pistachios <sup>1</sup>	\$ 4,293	1,615	\$ 2.14	\$ 5,636	469	\$ 2.04	\$ (1,343)	1,146	\$ 0.10
<b>WINE GRAPES (tons)</b>									
Current year crop	\$ 2,850	9	\$ 316.67	\$ 2,589	9	\$ 287.67	\$ 261	—	\$ 29.00
Insurance	—			—			—		
Subtotal Wine Grapes	\$ 2,850	9	\$ 316.67	\$ 2,589	9	\$ 287.67	\$ 261	—	\$ 29.00
<b>Other</b>									
Hay	\$ 408			\$ 419			\$ (11)		
Other farming revenues	388			201			187		
Total farming revenues	\$ 11,039			\$ 13,866			\$ (2,827)		

<sup>1</sup> Average price calculation reflects sale of almond and pistachio crops during the calendar reported year exclusive of any price adjustments.

<sup>2</sup> Almond and pistachio units are presented in thousands of pounds while wine grapes are presented in thousands of tons.

## 2021 Operational Highlights:

- During 2021, farming segment revenues decreased \$2,827,000, or 20%, from \$13,866,000 in 2020 to \$11,039,000 in 2021. The factors contributing to this decrease is as follow:
  - Almond revenues decreased \$1,921,000 due to supply chain disruptions that impacted our ability to deliver 2021 almond crop. In particular, there was a shortage of truck drivers needed to transport goods to the Los

Angeles and Long Beach ports so that goods can be shipped overseas. Additionally, there was a shortage in food grade shipping containers that are necessary to ship almonds overseas.

- Pistachio revenues decreased \$1,343,000 primarily due to the decrease in insurance proceeds received in 2021 when compared to 2020. In 2020, we received pistachio insurance proceeds of \$3,789,000, but because the 2021 pistachio crop year is a down bearing production year the insurance proceeds were only \$466,000, a decrease of \$3,323,000. The primary driver leading to higher insurance proceeds in 2020, was the assumption that 2020 production was based on yields typically seen during an on production year, which is much higher than that of the current down bearing production year. With respect to yields, the Company sold 1,615,000 and 456,000 pounds of pistachios in 2021 and 2020, respectively. The 2021 pistachio yields were in line with a normal off-production year.
- Wine grape revenues increased \$261,000 due to better wine grape pricing.

For further discussion of the farming operations, refer to Item 1 “Business—Farming Operations.”

## Ranch Operations

(\$ in thousands)	2022	2021	2020
Ranch operations revenue			
Game management and other <sup>1</sup>	\$ 2,912	\$ 2,744	\$ 2,097
Grazing	1,194	1,367	1,595
Total ranch operations revenues	\$ 4,106	\$ 4,111	\$ 3,692
Total ranch operations expenses	\$ 5,024	\$ 4,679	\$ 4,896
Operating loss from ranch operations	\$ (918)	\$ (568)	\$ (1,204)

<sup>1</sup> Game management and other revenues consist of revenues from hunting, filming, high desert hunt club (a premier upland bird hunting club), and other ancillary activities.

### 2022 Operational Highlights:

- Revenues from ranch operations decreased \$5,000, or 0%, from \$4,111,000 in 2021 to \$4,106,000 in 2022, which is primarily attributed to an increase in hunting and membership revenues of \$167,000 offset by a decline in grazing revenues of \$172,000 resulting from a drought clause that resulted from having fewer cattle grazing on the Company's land. The increase in game management revenues is partially attributed to a 30% price increase in some of our more premium guided hunt offerings when compared to prior year.
- Ranch operations expenses increased \$345,000, or 7%, to \$5,024,000 in 2022 from \$4,679,000 in 2021. The increase is primarily attributed to increases in repairs and maintenance of \$206,000, insurance of \$57,000, and other services of \$55,000.

### 2021 Operational Highlights:

- Revenues from ranch operations increased \$419,000, or 11%, from \$3,692,000 in 2020 to \$4,111,000 in 2021, which is primarily attributed to an increase in guided hunts of \$123,000 and an increase in filming location fees of \$292,000. Due to extended mandates and restrictions from COVID-19 in Los Angeles County, our vast open area was able to attract more production companies during 2021.
- Ranch operations expenses decreased \$217,000, or 4%, to \$4,679,000 in 2021 from \$4,896,000 in 2020. The decrease is primarily attributed to reduced payroll and overhead expenses of \$218,000.

## Other Income

Total other income increased \$1,501,000, or 679%, from \$221,000 in 2021 to \$1,722,000 in 2022. In 2022, the Company had a higher average investment in marketable securities resulting in a \$577,000 increase in interest income. In addition, the Company received excess distributions and recognized long-term deferred gains, as a result of the sale of the 18-19 West joint venture of \$1,140,000. This amount is reflected in the Statement of Operations - Other Income, line item.

Total other income decreased \$2,104,000, or 90%, from \$2,325,000 in 2020 to \$221,000 in 2021. In 2020, the Company sold building and land that was previously operated by a fast food tenant to its joint venture, Petro Travel Plaza LLC. The Company received a cash distribution of \$2,000,000 from the joint venture, and realized a Gain on Sale of Real Estate of \$1,331,000. In addition, investment interest income decreased \$489,000 as a result of having less marketable securities invested throughout the year.

### Corporate Expenses

Corporate general and administrative costs decreased \$144,000, or 1.5%, to \$9,699,000 during 2022 when compared to \$9,843,000 in 2021. The decrease is attributed to a \$78,000 decrease in depreciation, a \$44,000 decrease in insurance expense, and a \$19,000 decrease in charitable contributions.

Corporate general and administrative costs increased \$413,000, or 4.4%, to \$9,843,000 during 2021 when compared to \$9,430,000 in 2020. The increase is attributed to a \$255,000 increase in insurance expense and a \$128,000 increase in director expenses associated with the expansion of the Board of Directors to fulfill California state requirements on gender and underrepresented community requirements.

### Equity in Earnings of Unconsolidated Joint Ventures

Equity in earnings of unconsolidated joint ventures is an important and growing component of our commercial/industrial activities and in the future, equity in earnings of unconsolidated joint ventures can become a significant part of our operations within the resort/residential segment. We continue to use joint ventures to advance our development projects at TRCC. This allows us to combine our resources with other real estate companies and gain greater access to capital, share in the risks of real estate developments, and share in the operating expenses. More importantly, it allows us to better manage the deployment of our capital and increase our leasing portfolio.

(\$ in thousands)	2022	2021	2020
Equity in earnings (loss)			
Petro Travel Plaza Holdings LLC	\$ 8,526	\$ 4,957	\$ 5,722
Five West Parcel, LLC	—	—	(2)
18-19 West, LLC	(31)	5,206	(68)
TRCC/Rock Outlet Center, LLC	(1,569)	(1,443)	(2,090)
TRC-MRC 1, LLC	21	(7)	64
TRC-MRC 2, LLC	692	634	678
TRC-MRC 3, LLC	297	(144)	200
TRC-MRC 4, LLC	(184)	(1)	—
Equity in earnings of unconsolidated joint ventures, net	<u>\$ 7,752</u>	<u>\$ 9,202</u>	<u>\$ 4,504</u>

### 2022 Operational Highlights:

During 2022, equity in earnings from unconsolidated joint ventures decreased \$1,450,000, or 16%, to \$7,752,000 when compared to \$9,202,000 in 2021.

- The 18-19 West LLC joint venture had a purchase option in place with a third-party to purchase lots 18 and 19 at a price of \$15,213,000. In November 2021, the third-party exercised the land option and purchased the land from the joint venture for \$15,213,000, the Company recognized \$5,206,000 in equity in earnings from this land sale.
- The Petro Travel Plaza equity in earnings increased \$3,569,000 when compared to 2021, this increase is largely due to improved fuel margins; fuel margins improved 42% in 2022 when compared to 2021.

### 2021 Operational Highlights:

During 2021, equity in earnings from unconsolidated joint ventures increased \$4,698,000, or 104%, to \$9,202,000 when compared to \$4,504,000 in 2020.

- The 18-19 West LLC joint venture had a purchase option in place with a third-party to purchase lots 18 and 19 at a price of \$15,213,000. In November 2021, the third-party exercised the land option and purchased the land from the joint venture for \$15,213,000.

- The Petro Travel Plaza improved its fuel sales volume by 22% in 2021 when compared to 2020. However, the Company's share of operating results declined as a result of a 96% increase in the overall cost of fuel that was only partially mitigated by a 70% increase in fuel sales prices. Additionally, the joint venture also experienced an increase in labor costs due to increasing market wages.

## Income Taxes

For the twelve months ended December 31, 2022, the Company's net income tax expense was \$7,393,000 compared to \$3,821,000 for the twelve months ended December 31, 2021. These represent effective income tax rates of approximately 32% and 42% for the twelve months ended December 31, 2022 and 2021, respectively. Our effective income tax rate for the year ended December 31, 2022 was higher than the federal statutory rate in the United States, a result of permanent differences arising from stock compensation and non-deductible compensation under Section 162(m) of the Tax Cuts and Jobs Act of 2017. As of December 31, 2022 and 2021, we had an income tax receivable and payable of \$636,000 and \$1,217,000, respectively.

As of December 31, 2022, we had net deferred tax liabilities of \$7,180,000. Our largest deferred tax assets were made up of temporary differences related to the capitalization of costs, pension adjustments, interest rate swap, deferred gains, and stock compensation. Deferred tax liabilities consist of depreciation, deferred gains, joint venture differences, and cost of sales adjustments. Due to the nature of most of our deferred tax assets, we believe they will be used in future years and an allowance is not necessary.

The Company classifies interest and penalties incurred on tax payments as income tax expenses. The Company made income tax payments of \$8,237,000 in 2022 and \$730,000 in 2021. The Company received refunds of \$1,410,000 in 2022 and \$483,000 in 2021.

For more detail, see Note 12. (Income Taxes), of the Notes to Consolidated Financial Statements, included this Annual Report on Form 10-K.

## Liquidity and Capital Resources

### Cash Flow and Liquidity

Our financial position allows us to pursue our strategies of continued development of TRCC, funding of operating activities, land entitlement, development, and conservation. Accordingly, we have established well-defined priorities for our available cash, including investing in core operating segments to achieve profitable future growth. We have historically funded our operations with cash flows from operating activities, investment proceeds, and short-term borrowings from our bank credit facilities. In the past, we have also issued common stock and used the proceeds for capital investment activities.

To enhance shareholder value, we will continue to make investments in our real estate segments to secure land entitlement approvals, build infrastructure for our developments, invest in to be leased assets, ensure adequate future water supplies, and provide funds for general land development activities. Within our farming segment, we will make investments as needed to improve efficiency and add capacity to its operations when it is profitable to do so.

Our cash and cash equivalents and marketable securities totaled approximately \$72,563,000 at December 31, 2022, an increase of \$25,385,000, or 54%, from the corresponding amount at the end of 2021.

The following table summarizes the cash flow activities for the following years ended December 31:

<i>(\$ in thousands)</i>	2022		2021		2020
Operating activities	\$	8,531	\$	2,816	\$ 15,481
Investing activities	\$	(1,891)	\$	(14,652)	\$ 19,778
Financing activities	\$	(4,419)	\$	(6,086)	\$ (7,045)

Cash flows provided by operating activities are primarily dependent upon the rental rates of our leases, the collectability of rent and recovery of operating expenses from our tenants, distributions from joint ventures, the success of our crops and commodity prices within our mineral resource segment.

During 2022, our operations generated \$8,531,000 in cash, primarily through joint venture distributions and receivable collections.

During 2021, our operations generated \$2,816,000 in cash, primarily through joint venture distributions.

During 2022, investing activities used \$1,891,000, which was largely attributed to capital expenditures of \$22,602,000 used primarily for real estate development. Of the \$22,602,000, we spent \$2,491,000 on permitting efforts for MV, \$3,598,000 on litigation defense for Centennial, and \$1,164,000 on permitting efforts for Grapevine. At TRCC, we primarily used \$8,933,000 to expand the roads at TRCC. All real estate capital expenditures are inclusive of capitalized interest, payroll and overhead. Lastly, our farming segment had cash outlays of \$5,915,000 for cultural and water costs tied to crops not yet in production, developing new almond orchards, grape vineyards, and replacing old farm equipment. Our mineral resources segment spent \$988,000 to acquire water for use as needed and for future residential development activity. Lastly, the Company reinvested \$63,882,000 into marketable securities. Offsetting cash outlays were maturities on marketable securities of \$41,135,000, net proceeds from land sales of \$24,950,000, distributions from unconsolidated joint ventures of \$8,166,000, proceeds from water sales of \$6,180,000, and CFD reimbursements of \$5,950,000.

During 2021, investing activities used \$14,652,000, which was largely attributed to capital expenditures of \$20,879,000 used primarily for real estate development. Of the \$20,879,000, we spent \$4,004,000 on general planning and final map preparation for Phase 1 of MV, \$2,939,000 on litigation defense for Centennial, and \$1,121,000 on litigation for Grapevine. At TRCC, we primarily used \$4,906,000 to expand water infrastructure at TRCC and early entitlement efforts for TRCC Residential. All real estate capital expenditures are inclusive of capitalized interest, payroll and overhead. Our mineral resources segment spent \$2,415,000 to acquire water for use as needed and for future residential development activity. Lastly, our farming segment had cash outlays of \$7,416,000 for cultural and water costs tied to crops not yet in production, developing new almond orchards, grape vineyards, and replacing old farm equipment. The Company also reinvested \$14,586,000 into marketable securities. Offsetting cash outlays were maturities on marketable securities of \$6,249,000, proceeds from water sales of \$9,534,000, distributions from unconsolidated joint ventures of \$5,734,000, and net proceeds from land sales of \$4,413,000.

Our estimated capital investment for 2023 is primarily related to our real estate projects as it was in 2022. These estimated investments include approximately \$14,187,000 of infrastructure development at TRCC-East to support continued commercial retail and industrial development and expanding water facilities to support future anticipated absorption. We are also investing approximately \$5,115,000 to continue developing new almond orchards, wine grape vineyards, and replacing old farming equipment. The farm investments are part of a long-term farm management program to redevelop declining orchards and vineyards allowing the Company to maintain and improve future farm revenues. We expect to possibly invest up to \$7,940,000 for permitting activities, predevelopment activities and land planning design at MV and Grapevine and litigation defense and supplemental recirculated environmental impact report preparation for Centennial. The timing of these investments is dependent on our coordination efforts with Los Angeles County regarding litigation defense for Centennial, permitting activities for Grapevine, and design, civil engineering, land planning and design, for MV. Our plans also include \$1,800,000 for payment of annual water inventory and water related investments. We are also planning to potentially invest up to \$351,000 in the normal replacement of operating equipment, such as ranch equipment, and vehicles.

We capitalize interest cost as a cost of the project only during the period for which activities necessary to prepare an asset for its intended use are ongoing, provided that expenditures for the asset have been made and interest cost has been incurred. Capitalized interest for the years ended December 31, 2022 and 2021, of \$2,294,000 and \$2,459,000, respectively, is classified in real estate development. We also capitalized payroll costs related to development, pre-construction, and construction projects which aggregated \$2,387,000 and \$2,467,000 for the years ended December 31, 2022 and 2021, respectively. Expenditures for repairs and maintenance are expensed as incurred. As noted above, these costs are included in the above investment numbers.

During 2022, financing activities used \$4,419,000, which is comprised of long-term debt repayments of \$51,708,000 and tax payments on vested stock grants of \$2,733,000. This was partially offset by the issuance of new debt of \$49,080,000.

During 2021, financing activities used \$6,086,000, which is comprised of long-term debt repayments of \$4,295,000 and tax payments on vested stock grants of \$1,791,000.

It is difficult to accurately predict cash flows due to the nature of our businesses and fluctuating economic conditions. Our earnings and cash flows will be affected from period to period by the commodity nature of our farming and mineral operations, the timing of sales and leases of property within our development projects, and the beginning of development within our residential projects. The timing of sales and leases within our development projects is difficult to predict due to the time necessary to complete the development process and negotiate sales or lease contracts. Often, the timing aspect of land development can lead to particular years or periods having more or less earnings than comparable periods. Based on our experience, we believe we will have adequate cash flows, cash balances, and availability on our line of credit over the next twelve months to fund internal operations. As we move forward with the completion of the litigation, permitting and engineering design for our master planned communities and prepare to move into the development stage, we will need to secure additional funding through the issuance of equity and secure other forms of financing such as joint ventures and possibly debt and equity financing.

## Capital Structure and Financial Condition

At December 31, 2022, total capitalization at book value was \$527,534,000 consisting of \$49,940,000 of debt, net of deferred financing costs, and \$477,594,000 of equity, resulting in a debt-to-total-capitalization ratio of approximately 9.5%, representing a decrease when compared to the debt-to-total-capitalization ratio of 10.3% at December 31, 2021.

In 2014 the Company, as borrower, entered into an Amended and Restated Credit Agreement, a Term Note and a Revolving Line of Credit Note, with Wells Fargo, or collectively the Credit Facility. The Credit Facility added a \$70,000,000 term loan, or Term Loan, to the then existing \$30,000,000 revolving line of credit, or RLC. In 2019, the Company amended the Term Note (Amended Term Note) and extended its maturity to June 2029 and amended the RLC to expand the capacity from \$30,000,000 to \$35,000,000 and extend the maturity to October 2024.

The interest rate per annum applicable to the Amended Term Note was LIBOR (as defined in the Term Note) plus a margin of 170 basis points. The interest rate for the Amended Term Note was fixed at 4.16% through the use of an interest rate swap agreement. The Amended Term Note required monthly amortization payments, with the outstanding principal amount due June 5, 2029. The Amended Term Note was secured by the Company's farmland and farm assets, which include equipment, crops and crop receivables; the PEF power plant lease and lease site; and related accounts and other rights to payment and inventory. For the RLC, at the Company's option, the interest rate on this line of credit could float at 1.50% over a selected LIBOR rate or fixed at 1.50% above LIBOR for a fixed rate term. During the term of the RLC, the Company could have borrowed at any time and partially or wholly repaid any outstanding borrowings and then re-borrowed, as necessary.

On June 27, 2022, the Company paid off the Amended Term Note and terminated the related interest rate swap agreement with Wells Fargo and received a \$1,123,000 cash termination fee from Wells Fargo for the interest rate swap. On June 30, 2022, the Company entered into a variable rate term note, or New Term Note, and a New Revolving Line of Credit Note, or New RLC, with Bank of America, N.A, (Lender) or collectively the New Credit Facility. The New Term Loan provides a principal amount of \$49,080,000 and a maturity date of June 30, 2032, which was used to pay off the existing Wells Fargo Amended Term Note. The Company evaluated the exchange under ASC 470 and determined that the exchange should be treated as a debt extinguishment. The amount available on the New RLC under the New Credit Facility is \$40,607,000. As a subfacility under the New RLC, the Lender agrees to provide up to \$10,000,000 of capacity to issue standby letters of credit. The Company currently has \$4,393,000 outstanding on a standby letter of credit (see Off-Balance Sheet Arrangements section below for further discussion). The Company can issue an additional \$5,607,000 in standby letters of credit. The allocation of the credit availability to a letter of credit does not incur an interest cost.

The New Term Note had a \$48,462,000 balance as of December 31, 2022. The interest rate per annum applicable to the New Term Loan is the daily secured overnight financing rate, or SOFR, plus a margin of 1.55 percentage points. The interest rate for the term of the New Term Note has been fixed through the use of an interest rate swap at a rate of 4.62%. The New Term Note requires monthly amortization payments pursuant to a schedule set forth in the New Term Note, with the final outstanding principal amount due June 30, 2032. The New Credit Facility is secured by the Company's farmland and farm assets, which include equipment, crops and crop receivables; the PEF power plant lease and lease site; and related accounts and other rights to payment and inventory.

The New RLC and the RLC had no outstanding balance at December 31, 2022 and December 31, 2021, respectively. At the Company's option, the interest rate on this line of credit can float at a rate equal to Daily SOFR plus 1.37% or can be fixed at a rate equal to Term SOFR plus 1.37% for interest periods elected by the Company.

Any future borrowings under the New RLC will be used for ongoing working capital requirements and other general corporate purposes. To maintain availability of funds under the New RLC, undrawn amounts under the New RLC will accrue a commitment fee of 10 basis points per annum. The Company's ability to borrow additional funds in the future under the New RLC is subject to compliance with certain financial covenants and making certain representations and warranties, which are typical in this type of borrowing arrangement.

The New Credit Facility requires compliance with two financial covenants: (a) total liabilities divided by tangible net worth not greater than 0.75 to 1.0 at each quarter end; and (b) a debt service coverage ratio not less than 1.25 to 1.00 as of each quarter end on a rolling four quarter basis.

The New Credit Facility also contains customary negative covenants that limit the ability of the Company to, among other things, make capital expenditures, incur indebtedness and issue guaranties, consummate certain assets sales, acquisitions or mergers, make investments, pay dividends or repurchase stock, make a change in capital ownership, or incur liens on any assets.

The New Credit Facility contains customary events of default, including: failure to make required payments; failure to comply with terms of the New Credit Facility; bankruptcy and insolvency. The New Credit Facility contains other customary terms and conditions, including representations and warranties, which are typical for credit facilities of this type.

At December 31, 2022 and December 31, 2021, the Company was in compliance with all financial covenants.

The Company also has a \$4,750,000 promissory note agreement with principal and interest due monthly. The interest rate on this promissory note is 4.25% per annum, with principal and interest payments ending on September 1, 2028. The proceeds from this promissory note were used to eliminate debt that had been previously used to provide long-term financing for a building being leased to Starbucks and provide additional working capital for future investment. In March 2020, the Company made an additional payment of \$687,000 that was applied to the principal of the note. Subsequent principal and interest payments were reduced to \$28,000 per month. The additional principal payment was tied to the release of collateral, which in April 2020 was contributed to Petro Travel Plaza LLC. The balance of this long-term debt instrument included in "Notes payable" above approximates the fair value of the instrument. The balance as of December 31, 2022 is \$1,692,000.

Our current and future capital resource requirements will be provided primarily from current cash and marketable securities, cash flow from on-going operations, distributions from joint ventures, proceeds from the sale of developed and undeveloped parcels, potential sales of assets, additional use of debt or drawdowns against our line-of-credit, proceeds from the reimbursement of public infrastructure costs through CFD bond debt (described below under "Off-Balance Sheet Arrangements"), and the issuance of common stock. In May 2022, we filed an updated shelf registration statement on Form S-3 that went effective in May 2022. Under the shelf registration statement, we may offer and sell in the future one or more offerings, common stock, preferred stock, debt securities, warrants or any combination of the foregoing. The shelf registration allows for efficient and timely access to capital markets and when combined with our other potential funding sources just noted, provides us with a variety of capital funding options that can then be used and appropriately matched to the funding needs of the Company.

As noted above, at December 31, 2022, we had \$72,563,000 in cash and securities and as of the filing date of this Form 10-K, we had \$40,607,000 available on credit lines to meet any short-term liquidity needs.

We continue to expect that substantial investments will be required in order to develop our land assets. In order to meet these capital requirements, we may need to secure additional debt financing and continue to renew our existing credit facilities. In addition to debt financing, we will use other capital alternatives such as joint ventures with financial partners, sales of assets, and the issuance of common stock. We will use a combination of the above funding sources to properly match funding requirements with the assets or development project being funded. As we move into 2023, we will be evaluating various options for funding the potential start of development projects. There is no assurance that we can obtain financing or that we can obtain financing at favorable terms. We believe we have adequate capital resources to fund our cash needs and our capital investment requirements in the near-term as described earlier in the cash flow and liquidity discussions.

### Contractual Cash Obligations

The following table summarizes our contractual cash obligations and commercial commitments as of December 31, 2022, to be paid over the next five years:

(\$ in thousands)	Payments Due by Period				
	Total	Less than a year	1-3 years	3-5 years	More than 5 years
Contractual Obligations:					
Estimated water payments	\$ 277,653	\$ 12,730	\$ 26,614	\$ 28,236	\$ 210,073
Long-term debt	50,154	1,779	3,824	4,209	40,342
Interest on long-term debt	17,823	2,266	4,279	3,912	7,366
Cash contract commitments	7,425	4,180	1,656	518	1,071
Defined Benefit Plan	4,905	341	839	993	2,732
SERP	5,231	515	1,059	1,108	2,549
Financing fees	163	163	—	—	—
Total contractual obligations	<u>\$ 363,354</u>	<u>\$ 21,974</u>	<u>\$ 38,271</u>	<u>\$ 38,976</u>	<u>\$ 264,133</u>

The table above includes only those contracts that include fixed or minimum obligations. It does not include normal purchases, which are made in the ordinary course of business.

As discussed in Note 15 (Retirement Plans) of the Notes to Consolidated Financial Statements, we have long-term liabilities for deferred employee compensation, including pension and supplemental retirement plans. Payments in the above table reflect estimates of future defined benefit plan contributions from the Company to the plan trust, estimates of payments to employees from the plan trust, and estimates of future payments to employees from the Company that are in the SERP program. During 2022, we made pension contributions of \$165,000 and it is projected that we will make a similar contribution in 2023.

Our cash contract commitments consist of contracts in various stages of completion related to infrastructure development within our industrial developments and entitlement costs related to our industrial and residential development projects. Also, included in the cash contract commitments are estimated fees earned in 2014 by a consultant, related to the entitlement of the Grapevine Development Area. The Company exited a consulting contract in 2014 related to the Grapevine Development and is obligated to pay an earned incentive fee at the time of successful receipt of litigated project entitlements and at a value measurement date five-years after entitlements have been achieved for Grapevine. The final amount of the incentive fees will not be finalized until the future payment dates. The Company believes that net savings from exiting the contract over this future time period will more than offset the incentive payment costs.

Estimated water payments include the Nickel water contract, which obligates us to purchase 6,693 acre-feet of water annually through 2044 and SWP contracts with Wheeler Ridge Maricopa Water Storage District, Tejon-Castac Water District, Tulare Lake Basin Water Storage District, and Dudley-Ridge Water Storage District. These contracts for the supply of future water run through 2035. Please refer to Note 6 (Long-Term Water Assets) of the Notes to Consolidated Financial Statements for additional information regarding water assets.

## Off-Balance Sheet Arrangements

The following table shows contingent obligations we have with respect to the CFDs.

(\$ in thousands)	Amount of Commitment Expiration Per Period				
	Total	< 1 year	2 -3 Years	4 -5 Years	After 5 Years
Other Commercial Commitments:					
Standby letter of credit	\$ 4,393	\$ 4,393	\$ —	\$ —	\$ —
Total other commercial commitments	\$ 4,393	\$ 4,393	\$ —	\$ —	\$ —

The Tejon Ranch Public Facilities Financing Authority, or TRPFFA, is a joint powers authority formed by Kern County and TCWD to finance public infrastructure within the Company's Kern County developments. TRPFFA created two CFD's, the West CFD and the East CFD. The West CFD has placed liens on 420 acres of the Company's land to secure payment of special taxes related to \$19,540,000 of outstanding bond debt sold by TRPFFA for TRCC-West. The East CFD has placed liens on 1,931 acres of the Company's land to secure payments of special taxes related to \$72,055,000 of outstanding bond debt sold by TRPFFA for TRCC-East. At TRCC-West, the West CFD has no additional bond debt approved for issuance. At TRCC-East, the East CFD has approximately \$44,035,000 of additional bond debt authorized by TRPFFA.

In connection with the sale of bonds there is a standby letter of credit for \$4,393,000 related to the issuance of East CFD bonds. The standby letter of credit is in place to provide additional credit enhancement and cover approximately two years' worth of interest on the outstanding bonds. This letter of credit will not be drawn upon unless the Company, as the largest landowner in the CFD, fails to make its property tax payments. As development occurs within TRCC-East there is a mechanism in the bond documents to reduce the amount of the letter of credit. The Company believes that the letter of credit will never be drawn upon. This letter of credit is for a two-year period of time and will be renewed in two-year intervals as necessary. The annual cost related to the letter of credit is approximately \$10,000. The assessment of each individual property sold or leased within each CFD is not determinable at this time because it is based on the current tax rate and the assessed value of the property at the time of sale or on its assessed value at the time it is leased to a third-party. Accordingly, the Company is not required to recognize an obligation at December 31, 2022.

At December 31, 2022, aggregate outstanding debt of unconsolidated joint ventures was \$161,048,000. \$147,730,000 of this debt is subject to various degrees of guarantees ranging from 25% to 100% of the total debt outstanding, with construction loans generally being 100% guaranteed. Because of positive cash flow generation within the Rockefeller and Majestic joint ventures, we do not expect the guarantee to ever be called upon. We do not provide a guarantee on the \$13,318,000 of debt related to our joint venture with TA/Petro.

## Non-GAAP Financial Measures

EBITDA represents earnings before interest, taxes, depreciation, and amortization, a non-GAAP financial measure, and is used by us and others as a supplemental measure of performance. We use Adjusted EBITDA to assess the performance of our core operations, for financial and operational decision making, and as a supplemental or additional means of evaluating period-to-period comparisons on a consistent basis. Adjusted EBITDA is calculated as EBITDA, excluding stock compensation expense. We believe Adjusted EBITDA provides investors relevant and useful information because it permits investors to view income from our operations on an unleveraged basis before the effects of taxes, depreciation and amortization, and stock compensation expense. By excluding interest expense and income, EBITDA and Adjusted EBITDA allow investors to measure our performance independent of our capital structure and indebtedness and, therefore, allow for a more meaningful comparison of our performance to that of other companies, both in the real estate industry and in other industries. We believe that excluding charges related to share-based compensation facilitates a comparison of our operations across periods and among other companies without the variances caused by different valuation methodologies, the volatility of the expense (which depends on market forces outside our control), and the assumptions and the variety of award types that a company can use. EBITDA and Adjusted EBITDA have limitations as measures of our performance. EBITDA and Adjusted EBITDA do not reflect our historical cash expenditures or future cash requirements for capital expenditures or contractual commitments. While EBITDA and Adjusted EBITDA are relevant and widely used measures of performance, they do not represent net income or cash flows from operations as defined by GAAP. Further, our computation of EBITDA and Adjusted EBITDA may not be comparable to similar measures reported by other companies.

(\$ in thousands)	Year-Ended December 31,		
	2022	2021	2020
Net income (loss)	\$ 15,810	\$ 5,342	\$ (747)
Net income (loss) attributed to non-controlling interest	2	(6)	(7)
Interest, net			
Consolidated interest income	(634)	(57)	(884)
Our share of interest expense from unconsolidated joint ventures	2,974	1,708	1,902
Total interest, net	2,340	1,651	1,018
Income tax expense	7,393	3,821	829
Depreciation and amortization			
Consolidated	4,628	4,594	4,938
Our share of depreciation and amortization from unconsolidated joint ventures	4,618	4,639	4,419
Total depreciation and amortization	9,246	9,233	9,357
EBITDA	34,787	20,053	10,464
Stock compensation expense	2,877	4,271	4,494
<b>Adjusted EBITDA</b>	<b>\$ 37,664</b>	<b>\$ 24,324</b>	<b>\$ 14,958</b>

Net operating income (NOI) is a non-GAAP financial measure calculated as operating income, the most directly comparable financial measure calculated and presented in accordance with GAAP, excluding general and administrative expenses, interest expense, depreciation and amortization, and gain or loss on sales of real estate. We believe NOI provides useful information to investors regarding our financial condition and results of operations because it primarily reflects those income and expense items that are incurred at the property level. Therefore, we believe NOI is a useful measure for evaluating the operating performance of our real estate assets.

(\$ in thousands)	Year-Ended December 31,		
	2022	2021	2020
Net operating income			
Pastoria Energy Facility	\$ 4,846	\$ 4,355	\$ 4,576
TRCC	1,185	1,250	1,290
Communication leases	1,001	940	911
Other commercial leases	616	609	557
<b>Total Commercial/Industrial net operating income</b>	<b>\$ 7,648</b>	<b>\$ 7,154</b>	<b>\$ 7,334</b>

(\$ in thousands)	Year-Ended December 31,		
	2022	2021	2020
Commercial/Industrial operating income	\$ 24,159	\$ 7,523	\$ 2,414
Plus: Commercial/Industrial depreciation and amortization	455	463	486
Plus: General, administrative and other expenses	15,491	10,950	6,137
Less: Other revenues including land sales	(32,457)	(11,782)	(1,703)
<b>Total Commercial/Industrial net operating income</b>	<b>\$ 7,648</b>	<b>\$ 7,154</b>	<b>\$ 7,334</b>

The Company utilizes NOI of unconsolidated joint ventures as a measure of financial or operating performance that is not specifically defined by GAAP. We believe NOI of unconsolidated joint ventures provides investors with additional information concerning operating performance of our unconsolidated joint ventures. We also use this measure internally to monitor the operating performance of our unconsolidated joint ventures. Our computation of this non-GAAP measure may not be the same as similar measures reported by other companies. This non-GAAP financial measure should not be considered as an alternative to net income as a measure of the operating performance of our unconsolidated joint ventures or to cash flows computed in accordance with GAAP as a measure of liquidity nor are they indicative of cash flows from operating and financial activities of our unconsolidated joint ventures.

The following schedule reconciles net income from unconsolidated joint ventures to NOI of unconsolidated joint ventures.

(\$ in thousands)	Year-Ended December 31,		
	2022	2021	2020
Net income of unconsolidated joint ventures	\$ 12,662	\$ 16,752	\$ 7,099
Plus: Interest expense of unconsolidated joint ventures	5,834	4,926	5,154
Operating income of unconsolidated joint ventures	18,496	21,678	12,253
Plus: Depreciation and amortization of unconsolidated joint ventures	8,648	8,720	8,323
Less: Profit from sale of land	—	(10,380)	—
<b>Net operating income of unconsolidated joint ventures</b>	<b>\$ 27,144</b>	<b>\$ 20,018</b>	<b>\$ 20,576</b>

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Market risk represents the risk of loss that may impact the financial position, results of operations, or cash flows of the Company due to adverse changes in financial or commodity market prices or rates. We are exposed to market risk in the areas of interest rates and commodity prices.

### Financial Market Risks

Our exposure to financial market risks includes changes to interest rates and credit risks related to marketable securities, interest rates related to our outstanding indebtedness and trade receivables.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields and prudently managing risk. To achieve this objective and limit interest rate exposure, we limit our investments to securities with a maturity of less than five years and an investment grade rating from Moody's or Standard and Poor's. See Note 3 (Marketable Securities) of the Notes to Consolidated Financial Statements.

Our current RLC has no outstanding balance. At the Company's option, the interest rate on this line of credit can float at a rate equal to Daily SOFR plus 1.37% or can be fixed at a rate equal to Term SOFR plus 1.37% above Term SOFR for interest periods elected by the Company. During the term of this RLC (which matures in June 2032), the Company can borrow at any time and partially or wholly repay any outstanding borrowings and then re-borrow, as necessary outstanding balances.

We are exposed to interest rate risk on our long-term debt. Long-term debt consists of two term loans, one for \$48,462,000 and is tied to the daily secured overnight financing rate, or SOFR, plus a margin of 1.55 percentage points. The interest rate for the term of the New Term Note has been fixed through the use of an interest rate swap at a rate of 4.62%. The outstanding balance on the second term loan is \$1,692,000 and has a fixed rate of 4.25%. We believe it is prudent at times to limit the variability of floating-rate interest payments and have from time-to-time entered into interest rate swap arrangements to manage those fluctuations, as we did with the Term Loan.

Market risk related to our farming inventories ultimately depends on the value of almonds, grapes, and pistachios at the time of payment or sale. Credit risk related to our receivables depends upon the financial condition of our customers. Based on historical experience with our current customers and periodic credit evaluations of our customers' financial conditions, we believe our credit risk is minimal. Market risk related to our farming inventories is discussed below in the section pertaining to commodity price exposure.

The following tables provide information about our financial instruments that are sensitive to changes in interest rates. The tables present our debt obligations and marketable securities and their related weighted-average interest rates by expected maturity dates.

Interest Rate Sensitivity Financial Market Risks								
Principal Amount by Expected Maturity								
At December 31, 2022								
(In thousands except percentage data)								
	2023	2024	2025	2026	2027	Thereafter	Total	Fair Value
<b>Assets:</b>								
Marketable securities	\$32,652	\$1,000	\$—	\$—	\$—	\$—	\$33,652	\$33,444
Weighted average interest rate	2.82%	5.20%	—%	—%	—%	—%	2.89%	
<b>Liabilities:</b>								
Long-term debt (\$4.75M note)	\$265	\$277	\$289	\$302	\$315	\$244	\$1,692	\$1,692
Weighted average interest rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Long-term debt (\$49.1M note)	\$1,513	\$1,589	\$1,669	\$1,753	\$1,840	\$40,098	\$48,462	\$48,462
Weighted average interest rate	4.62%	4.62%	4.62%	4.62%	4.62%	4.62%	4.62%	

Interest Rate Sensitivity Financial Market Risks								
Principal Amount by Expected Maturity								
At December 31, 2021								
(In thousands except percentage data)								
	2022	2023	2024	2025	2026	Thereafter	Total	Fair Value
<b>Assets:</b>								
Marketable securities	\$10,242	\$750	\$—	\$—	\$—	\$—	\$10,992	\$10,983
Weighted average interest rate	0.20%	0.22%	—%	—%	—%	—%	0.20%	
<b>Liabilities:</b>								
Long-term debt (\$4.75M note)	\$254	\$265	\$277	\$289	\$302	\$560	\$1,947	\$1,947
Weighted average interest rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Long-term debt (\$70.0M note)	\$4,221	\$4,429	\$4,624	\$4,825	\$5,038	\$27,700	\$50,837	\$50,837
Weighted average interest rate	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	4.16%	

Our risk with regard to fluctuations in interest rates has decreased slightly related to marketable securities since these balances have decreased compared to the prior year.

#### Commodity Price Exposure

As of December 31, 2022, we have exposure to adverse price fluctuations associated with certain inventories and accounts receivable. Farming inventories consist of farming cultural and processing costs related to 2022 and 2021 crop production. The farming costs inventoried are recorded at actual costs incurred. Historically, these costs have been recovered each year when that year's crop harvest has been sold.

With respect to accounts receivable, the amount at risk relates primarily to farm crops. These receivables are recorded based on estimated final pricing. The final price is generally not known for several months following the close of our fiscal year. Of the \$4,453,000 in outstanding receivables, there were no receivables at December 31, 2022 that were at risk for changing prices as there were no pistachio yields. Over the previous three years pistachio prices have fluctuated between \$1.98 to \$2.72.

## **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The response to this Item is submitted in a separate section of this Form 10-K.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

### **ITEM 9A. CONTROLS AND PROCEDURES**

#### **(a) Evaluation of Disclosure Controls and Procedures**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and Controller, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rules 13a-15 and 15d-15 of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of December 31, 2022 in ensuring that all information required in the reports we file or submit under the Exchange Act was accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and was recorded, processed, summarized and reported within the time period required by the rules and regulations of the SEC.

#### **(b) Changes in Internal Control Over Financial Reporting**

There have been no changes in our internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

See Management's Report on Internal Control Over Financial Reporting and the Report of Independent Registered Public Accounting Firm On Internal Control over Financial Reporting following ITEM 15(a)(2) - FINANCIAL STATEMENT SCHEDULES of this Form 10-K.

### **ITEM 9B. OTHER INFORMATION**

None.

### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

## **PART III**

### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information as to our Executive Officers is set forth in Part I, Item 1 of this Form 10-K under "Information about our Executive Officers." The other information required by this Item is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2023 Annual Meeting of Stockholders and will be found under the captions "The Election of Directors," "Code of Business Conduct and Ethics and Corporate Governance Guidelines," "Corporate Governance Matters" and, if applicable, "Delinquent Section 16(a) Reports."

### **ITEM 11. EXECUTIVE COMPENSATION**

Information required by this Item is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2023 Annual Meeting of Stockholders and will be found under the captions "Compensation Discussion and Analysis," and "Compensation Committee Report."

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

### (a) Security Ownership of Certain Beneficial Owners and Management.

Information required by this Item with respect to security ownership of certain beneficial owners and management is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2023 Annual Meeting of Stockholders and will be found under the caption "Stock Ownership of Certain Beneficial Owners and Management."

### (b) Securities Authorized for Issuance under Equity Compensation Plans.

The following table shows aggregated information as of December 31, 2022 with respect to all of our compensation plans under which our equity securities were authorized for issuance. At December 31, 2022, we had, and we presently have, no other compensation contracts or arrangements for the issuance of any such equity securities and there were then, and continue to be, no compensation plans, contracts or arrangements which were not approved by our stockholders. More detailed information with respect to our compensation plans is included in Note 11 (Stock Compensation - Restricted Stock and Performance Share Grants) of the Notes to Consolidated Financial Statements.

#### Equity Compensation Plans Approved by Security Holders

Equity compensation plans approved by security holders *	Number of securities to be issued upon exercise of outstanding grants	Weighted-average exercise price of outstanding grants	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Restricted stock grants and restricted stock units at target goal achievement	234,899	Final price determined at time of vesting	121,287

\* The Company does not use equity compensation plans that have not been approved by the security holders.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information required by this Item is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2023 Annual Meeting of Stockholders and will be found under the captions "Related Person Transactions" and "Corporate Governance Matters."

## ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Our independent registered public accounting firm is DELOITTE & TOUCHE LLP, Los Angeles, CA, PCAOB Auditor Firm ID: 34.

Information required by this Item is incorporated by reference from the definitive proxy statement to be filed by us with the SEC with respect to our 2023 Annual Meeting of Stockholders and will be found under the caption "Independent Registered Public Accounting Firm."

## PART IV

### ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

	<u>Page Number</u>
<b>(a) Documents filed as part of this report:</b>	
<b>1 <u>Consolidated Financial Statements:</u></b>	
1.1 Management's Report on Internal Control Over Financial Reporting	68
Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting	69
Report of Independent Registered Public Accounting Firm	70
1.2 Consolidated Balance Sheets – As of December 31, 2022 and 2021	72
1.3 Consolidated Statements of Operations - Years Ended December 31, 2022, 2021 and 2020	73
1.4 Consolidated Statements of Comprehensive Income (Loss) - Years Ended December 31, 2021, 2020 and 2019	74
1.5 Consolidated Statements of Equity - Years Ended December 31, 2022, 2021 and 2020	75
1.6 Consolidated Statements of Cash Flows - Years Ended December 31, 2022, 2021 and 2020	76
1.7 Notes to Consolidated Financial Statements	78
<b>2 <u>Supplemental Financial Statement Schedules:</u></b>	
None.	
<b>3 <u>Exhibits:</u></b>	
3.1 Restated Certificate of Incorporation	FN 1
3.2 Amended and Restated Bylaws	FN 2
4.3 Registration and Reimbursement Agreement	FN 5
4.4 Description of Securities	FN 39
4.5 Form of Indenture for Debt	FN 36
10.1 Water Service Contract with Wheeler Ridge-Maricopa Water Storage District (without exhibits), amendments originally filed under Item 11 to Registrant's Annual Report on Form 10-K	FN 6
10.7 *Severance Agreement	FN 7
10.8 *Director Compensation Plan	FN 7
10.9 *Amended and Restated Non-Employee Director Stock Incentive Plan	FN 8
10.9 *Stock Option Agreement Pursuant to the Non-Employee Director Stock Incentive Plan	FN 7
10.10 *Amended and Restated 1998 Stock Incentive Plan	FN 9
10.10 *Stock Option Agreement Pursuant to the 1998 Stock Incentive Plan	FN 7
10.12 Ground Lease with Pastoria Energy Facility L.L.C.	FN 10
10.15 Form of Securities Purchase Agreement	FN 11
10.16 Form of Registration Rights Agreement	FN 12
10.17 *2004 Stock Incentive Program	FN 13
10.18 *Form of Restricted Stock Agreement for Directors	FN 13
10.19 *Form of Restricted Stock Unit Agreement	FN 13
10.23 Limited Liability Company Agreement of Tejon Mountain Village LLC	FN 14
10.24 Tejon Ranch Conservation and Land Use Agreement	FN 15
10.25 Second Amended and Restated Limited Liability Agreement of Centennial Founders, LLC	FN 16
10.26 *Executive Employment Agreement - Allen E. Lyda	FN 17
10.27 Limited Liability Company Agreement of TRCC/Rock Outlet Center LLC	FN 18

10.28	Warrant Agreement	FN 19
10.29	Amendments to Limited Liability Company Agreement of Tejon Mountain Village LLC	FN 20
10.30	Membership Interest Purchase Agreement - Tejon Mountain Village LLC	FN 21
10.31	Amended and Restated Credit Agreement	FN 22
10.32	Term Note	FN 22
10.33	Revolving Line of Credit	FN 22
10.34	Amendments to Lease Agreement with Pastoria Energy Facility L.L.C.	FN 23
10.35	Water Supply Agreement with Pastoria Energy Facility L.L.C.	FN 24
10.37	Limited Liability Company Agreement of TRC-MRC 2, LLC	FN 26
10.38	Limited Liability Company Agreement of TRC-MRC 1, LLC	FN 27
10.39	Centennial Founders, LLC Redemption and Withdrawal Agreement - Lewis Tejon Member	FN 28
10.40	First Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 29
10.41	Second Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 30
10.42	Limited Liability Company Agreement of TRC-MRC 3, LLC	FN 31
10.43	Fourth Amendment to Second Amended and Restated Limited Liability Company Agreement of Centennial Founders, LLC	FN 32
10.44	Centennial Founders, LLC Redemption and Withdrawal Agreement - CalAtlantic	FN 33
10.45	Amended Revolving Line of Credit	FN 34
10.46	Amended Term Note	FN 35
10.47	Executive Severance Agreement - Executive Severance Agreement - Gregory S. Bielli	FN 37
10.48	Limited Liability Company Agreement of TRC-MRC 4, LLC	FN 38
10.49	Settlement Agreement of CEQA litigation with Climate Resolve	FN 40
10.50	Limited Liability Company Agreement of TRC-MRC Multi I, LLC	FN 41
10.51	Limited Liability Company Agreement of TRC-MRC 5, LLC	FN 42
10.52	Credit Agreement Between Tejon Ranchcorp and Bank of America, N.A.	FN 43
21	List of Subsidiaries of Registrant	Filed herewith
23.1	Consent of Deloitte & Touche LLP, independent registered public accounting firm (Los Angeles, CA)	Filed herewith
23.2	Consent of RSM US LLP, independent registered public accounting firm	Filed herewith
31.1	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.3	Certification as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Filed herewith
99.1	Financial Statements of Petro Travel Plaza Holdings LLC	Filed herewith
101.INS	XBRL Instance Document.	Filed herewith
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith
*	Management contract, compensatory plan or arrangement.	
FN 1	This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 333-231032) as Exhibit 99.1 to our Current Report on Form 8-K filed on May 26, 2020, is incorporated herein by reference.	

- FN 2 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 99.1 to our Current Report on Form 8-K filed on May 26, 2020, is incorporated herein by reference.
- FN 5 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.1 to our Current Report on Form 8-K filed on December 20, 2005, is incorporated herein by reference.
- FN 6 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K for year ended December 31, 1994, is incorporated herein by reference. This Exhibit was not filed with the Securities and Exchange Commission in an electronic format.
- FN 7 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) under Item 14 to our Annual Report on Form 10-K, for the period ending December 31, 1997, is incorporated herein by reference.
- FN 8 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.9 to our Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by reference.
- FN 9 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.10 to our Annual Report on Form 10-K for the year ended December 31, 2008, is incorporated herein by reference.
- FN 10 This document filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) as Exhibit 10.16 to our Annual Report on Form 10-K for the year ended December 31, 2001, is incorporated herein by reference.
- FN 11 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.1 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.
- FN 12 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.2 to our Current Report on Form 8-K filed on May 7, 2004, is incorporated herein by reference.
- FN 13 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) as Exhibits 10.21-10.23 to our Annual Report on Form 10-K for the year ended December 31, 2004, is incorporated herein by reference.
- FN 14 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 1-7183) as Exhibit 10.24 to our Current Report on Form 8-K filed on May 24, 2006, is incorporated herein by reference.
- FN 15 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.28 to our Current Report on Form 8-K filed on June 23, 2008, is incorporated herein by reference.
- FN 16 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.25 to our Quarterly Report on Form 10-Q for the period ending June 30, 2009, is incorporated herein by reference.
- FN 17 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.26 to our Quarterly Report on Form 10-Q for the period ending March 31, 2013, is incorporated herein by reference.
- FN 18 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.27 to our Current Report on Form 8-K filed on June 4, 2013, is incorporated herein by reference.
- FN 19 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.1 to our Current Report on Form 8-K filed on August 8, 2013, is incorporated herein by reference.
- FN 20 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.29 to our Amended Annual Report on Form 10-K/A for the year ended December 31, 2013, is incorporated herein by reference.
- FN 21 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.30 to our Current Report on Form 8-K filed on July 16, 2014, is incorporated herein by reference.
- FN 22 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibits 10.31-10.33 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
- FN 23 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.34 to our Annual Report on Form 10-K for the year ended December 31, 2014, is incorporated herein by reference.

- FN 24 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.35 to our Quarterly Report on Form 10-Q for the period ending June 30, 2015, is incorporated herein by reference.
- FN 26 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.37 to our Quarterly Report on Form 10-Q for the period ending June 30, 2016, is incorporated herein by reference.
- FN 27 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.38 to our Quarterly Report on Form 10-Q for the period ending September 30, 2016, is incorporated herein by reference.
- FN 28 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.39 to our Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated herein by reference.
- FN 29 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.40 to our Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated herein by reference.
- FN 30 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.41 to our Annual Report on Form 10-K for the year ended December 31, 2016, is incorporated herein by reference.
- FN 31 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.42 to our Quarterly Report on Form 10-Q for the period ending September 30, 2018, is incorporated herein by reference.
- FN 32 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.43 to our Annual Report on Form 10-K for the year ended December 31, 2018, is incorporated herein by reference.
- FN 33 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.44 to our Annual Report on Form 10-K for the year ended December 31, 2018, is incorporated herein by reference.
- FN 34 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.45 to our Quarterly Report on Form 10-Q for the period ending September 30, 2019, is incorporated herein by reference.
- FN 35 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.46 to our Quarterly Report on Form 10-Q for the period ending September 30, 2019, is incorporated herein by reference.
- FN 36 This document, filed with the Securities and Exchange Commission in Washington D.C. (file number 333-231032) as Exhibit 4.6 to our Registration Statement on Form S-3 filed on April 25, 2019, is incorporated herein by reference.
- FN 37 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.47 to our Annual Report on Form 10-K for the year ended December 31, 2019, is incorporated herein by reference.
- FN 38 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 10.48 to our Quarterly Report on Form 10-Q for the period ending March 31, 2021, is incorporated herein by reference.
- FN 39 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-7183) as Exhibit 4.4 to our Annual Report on Form 10-K for the year ended December 31, 2020, is incorporated herein by reference.
- FN 40 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.49 to our Annual Report on Form 10-K for the year ended December 31, 2021, is incorporated herein by reference.
- FN 41 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.50 to our Annual Report on Form 10-K for the year ended December 31, 2021, is incorporated herein by reference.
- FN 42 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.51 to our Quarterly Report on Form 10-Q for the year ended March 31, 2022, is incorporated herein by reference.
- FN 43 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.52 to our Quarterly Report on Form 10-Q for the year ended June 30, 2022, is incorporated herein by reference.

(b) Exhibits. The exhibits being filed with this report are attached at the end of this report.

(c) Financial Statement Schedules - The response to this portion of Item 15 is submitted as a separate section of this report.

**ITEM 16. FORM 10-K SUMMARY**

Not applicable.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**TEJON RANCH CO.**

March 8, 2023  
\_\_\_\_\_  
Date

By: /s/ Gregory S. Bielli  
\_\_\_\_\_  
Gregory S. Bielli  
President and Chief Executive Officer  
(Principal Executive Officer)

March 8, 2023  
\_\_\_\_\_  
Date

By: /s/ Allen E. Lyda  
\_\_\_\_\_  
Allen E. Lyda  
Chief Operating Officer/Chief Financial Officer  
(Principal Financial Officer)

March 8, 2023  
\_\_\_\_\_  
Date

By: /s/ Robert D. Velasquez  
\_\_\_\_\_  
Robert D. Velasquez  
Chief Accounting Officer  
(Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Name	Capacity	Date
<u>/s/ Steven A. Betts</u> Steven A. Betts	Director	March 8, 2023
<u>/s/ Gregory S. Bielli</u> Gregory S. Bielli	Director	March 8, 2023
<u>/s/ Jean Fuller</u> Jean Fuller	Director	March 8, 2023
<u>/s/ Susan Hori</u> Susan Hori	Director	March 8, 2023
<u>/s/ Anthony L. Leggio</u> Anthony L. Leggio	Director	March 8, 2023
<u>/s/ Norman Metcalfe</u> Norman Metcalfe	Director	March 8, 2023
<u>/s/ Frawn Morgan</u> Frawn Morgan	Director	March 8, 2023
<u>/s/ Geoffrey Stack</u> Geoffrey Stack	Director	March 8, 2023
<u>/s/ Daniel R. Tisch</u> Daniel R. Tisch	Director	March 8, 2023
<u>/s/ Michael H. Winer</u> Michael H. Winer	Director	March 8, 2023

**Annual Report on Form 10-K**  
**Item 8, Item 15(a) (1) and (2), (b) and (c)**  
**List of Financial Statements and Financial Statement Schedules**  
**Financial Statements**  
**Certain Exhibits**  
**Year Ended December 31, 2022**  
**Tejon Ranch Co.**  
**Tejon Ranch, California**

**Form 10-K - Item 15(a)(1) and (2)**

**Tejon Ranch Co. and Subsidiaries**

**Index to Financial Statements and Financial Statement Schedules**

**ITEM 15(a)(1) - FINANCIAL STATEMENTS**

The following consolidated financial statements of Tejon Ranch Co. and subsidiaries are included in Item 8:

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Report of Independent Registered Public Accounting Firm	70
Consolidated Balance Sheets - As of December 31, 2022 and 2021	72
Consolidated Statements of Operations - Years Ended December 31, 2022, 2021, and 2020	73
Consolidated Statements of Comprehensive Income (Loss) - Years Ended December 31, 2022, 2021 and 2020	74
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Consolidated Statements of Cash Flows - Years Ended December 31, 2022, 2021 and 2020	76
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**ITEM 15(a)(2) - FINANCIAL STATEMENT SCHEDULES**

All schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable, and therefore have been omitted.

## Management's Report on Internal Control Over Financial Reporting

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. As defined in Rule 13a-15(f) of the Exchange Act, internal control over financial reporting is a process designed by, or supervised by, the Company's principal executive and principal financial officers and effected by the Company's board of directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting is supported by written policies and procedures, that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the Company's annual financial statements, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, management of the Company has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2022 based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), or COSO. Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of the Company's internal control over financial reporting.

Based on this assessment, management did not identify any material weakness in the Company's internal control, and management has concluded that the Company's internal control over financial reporting was effective as of December 31, 2022.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the Company's financial statements included in this report, has issued a report on the effectiveness of internal control over financial reporting, a copy of which follows.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Tejon Ranch Co.

### Opinion on Internal Control Over Financial Reporting

We have audited the internal control over financial reporting of Tejon Ranch Co. and subsidiaries (the “Company”) as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended December 31, 2022, of the Company and our report dated March 8, 2023, expressed an unqualified opinion on those financial statements based on our audit.

### Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California

March 8, 2023

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of Tejon Ranch Co.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Tejon Ranch Co. and subsidiaries (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows, for each of the three years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, based on our audits and the report of the other auditors, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Petro Travel Plaza Holdings LLC ("Petro"), the Company's investment in which is accounted for by use of the equity method as of December 31, 2021 and for the years ended December 31, 2021 and 2020. The accompanying financial statements of the Company include its equity investment in Petro of \$22,915,000 as of December 31, 2021, and its equity earnings in Petro of \$4,957,000 and \$5,722,000 for the years ended December 31, 2021 and 2020, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Petro, is based solely on the report of the other auditors.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 8, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting based on our audit.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits and the report of the other auditors provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Real Estate — Real Estate Development - Refer to Notes 1, 5, 14, and 16 to the financial statements*

##### *Critical Audit Matter Description*

The Company's evaluation of real estate development for impairment involves an initial assessment of each real estate development to determine whether events or changes in circumstances exist that may indicate that the carrying amounts of a real estate development are no longer recoverable. Possible indications of impairment may include events or changes in circumstances affecting the entitlement process, government regulation, litigation, geographical demand for new housing, and market conditions related to pricing of new homes. When events or changes in circumstances exist, the Company evaluates the real estate development for impairment by comparing undiscounted future cash flows expected to be generated over the life of the real estate development to the respective carrying amount. If the carrying amount of the real estate development exceeds the undiscounted future cash flows, an analysis is performed to determine the fair value of the asset.

The Company makes significant assumptions to evaluate each real estate development for possible indications of impairment. These assumptions include the identification of appropriate and comparable market prices, the consideration of changes to legal

factors or the business climate, and assumptions surrounding continued positive cash flows and development costs. Considering that the planned development communities will be in a location that does not currently have many comparable homes, the Company must make assumptions surrounding the expected ability to sell the real estate assets at a price that is in excess of current accumulated costs. Further, the facts and circumstances utilized to make these assumptions may change from period to period. For the year ended December 31, 2022, no impairment loss has been recognized on any real estate development.

We identified the determination of impairment indicators for real estate development as a critical audit matter due to the quantitative significance of real estate development and because of the assumptions management makes when determining whether events or changes in circumstances have occurred indicating that the carrying amounts of any real estate development may not be recoverable. This required a high degree of auditor judgment when performing audit procedures to evaluate whether management appropriately identified impairment indicators.

*How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the evaluation of real estate development for possible indications of impairment included the following, among others:

- We tested the effectiveness of the controls over management’s identification of possible circumstances that may indicate that the carrying amounts of any real estate development is no longer recoverable, including controls over management’s evaluation of the entitlement process, government regulation, litigation, geographical demand for new housing and market conditions related to pricing of new homes.
- We read and evaluated management’s documentation, including relevant accounting policies and information obtained by management from outside sources.
- We evaluated management’s impairment analysis by:
  - Testing the real estate development for possible indications of impairment, including searching for adverse asset-specific and/or market conditions by reviewing publicly available information on home values and land values in the surrounding regions of the development, periodicals and news information relating to the Southern California housing market, and other independent market data, including considerations of the demand for housing in the market and changes to comparable home prices
  - Obtaining letters from legal counsel and performing inquiries with the Company’s in-house legal counsel in order to evaluate any changes in the status of the litigation matters affecting the development properties and the potential impact on the ability to recover the accumulated costs, including any relevant government regulations and/or other matters impacting the entitlement process.
  - Developing an independent expectation of impairment indicators and comparing such expectation to management’s analysis.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California  
March 8, 2023

We have served as the Company's auditor since 2019.

**Tejon Ranch Co. and Subsidiaries**  
**Consolidated Balance Sheets**  
(\$ in thousands)

	December 31	
	2022	2021
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 39,119	\$ 36,195
Marketable securities - available-for-sale	33,444	10,983
Accounts receivable	4,453	6,473
Inventories	3,369	5,702
Prepaid expenses and other current assets	2,660	3,619
Total current assets	83,045	62,972
Real estate and improvements - held for lease, net	16,940	17,301
Real estate development (includes \$115,221 at December 31, 2022 and \$112,063 at December 31, 2021, attributable to Centennial Founders, LLC, Note 17)	321,293	319,030
Property and equipment, net	52,980	50,699
Investments in unconsolidated joint ventures	41,891	43,418
Net investment in water assets	47,045	50,997
Other assets	3,597	1,619
<b>TOTAL ASSETS</b>	<b>\$ 566,791</b>	<b>\$ 546,036</b>
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Trade accounts payable	\$ 5,117	\$ 4,545
Accrued liabilities and other	3,602	3,451
Income taxes payable	—	1,217
Deferred income	1,531	1,907
Current maturities of long-term debt	1,779	4,475
Total current liabilities	12,029	15,595
Long-term debt, less current portion	48,161	48,155
Long-term deferred gains	11,447	8,409
Deferred tax liability	7,180	2,898
Other liabilities	10,380	14,468
Total liabilities	89,197	89,525
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, \$0.50 par value per share:		
Authorized shares - 50,000,000		
Issued and outstanding shares - 26,541,553 at December 31, 2022 and 26,400,921 at December 31, 2021	13,271	13,200
Additional paid-in capital	345,344	344,936
Accumulated other comprehensive loss	(2,028)	(6,822)
Retained earnings	105,643	89,835
Total Tejon Ranch Co. Stockholders' Equity	462,230	441,149
Non-controlling interest	15,364	15,362
Total equity	477,594	456,511
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 566,791</b>	<b>\$ 546,036</b>

See accompanying notes.

**Tejon Ranch Co. and Subsidiaries**  
**Consolidated Statements of Operations**  
(\$ in thousands, except per share amounts)

	Year Ended December 31		
	2022	2021	2020
<b>Revenues:</b>			
Real estate - commercial/industrial	\$ 40,515	\$ 19,476	\$ 9,536
Mineral resources	21,595	20,987	10,736
Farming	13,001	11,039	13,866
Ranch operations	4,106	4,111	3,692
<b>Total revenues</b>	<b>79,217</b>	<b>55,613</b>	<b>37,830</b>
<b>Costs and expenses:</b>			
Real estate - commercial/industrial	16,356	11,953	7,122
Real estate - resort/residential	1,629	1,723	1,612
Mineral resources	12,969	13,559	6,414
Farming	19,811	14,116	15,103
Ranch operations	5,024	4,679	4,896
Corporate expenses	9,699	9,843	9,430
<b>Total expenses</b>	<b>65,488</b>	<b>55,873</b>	<b>44,577</b>
Operating income (loss)	13,729	(260)	(6,747)
<b>Other income:</b>			
Investment income	634	57	884
Gain on sale of real estate	—	—	1,331
Other income	1,088	164	110
<b>Total other income</b>	<b>1,722</b>	<b>221</b>	<b>2,325</b>
Income (loss) from operations before equity in earnings of unconsolidated joint ventures and income tax expense	15,451	(39)	(4,422)
Equity in earnings of unconsolidated joint ventures, net	7,752	9,202	4,504
Income before income taxes	23,203	9,163	82
Income tax expense	7,393	3,821	829
Net income (loss)	15,810	5,342	(747)
Net income (loss) attributable to non-controlling interest	2	(6)	(7)
Net income (loss) attributable to common stockholders	\$ 15,808	\$ 5,348	\$ (740)
Net income (loss) per share attributable to common stockholders, basic	\$ 0.60	\$ 0.20	\$ (0.03)
Net income (loss) per share attributable to common stockholders, diluted	\$ 0.59	\$ 0.20	\$ (0.03)

See accompanying notes.

**Tejon Ranch Co. and Subsidiaries**  
**Consolidated Statements of Comprehensive Income (Loss)**  
(\$ in thousands)

	Year Ended December 31		
	2022	2021	2020
Net income (loss)	\$ 15,810	\$ 5,342	\$ (747)
Other comprehensive income (loss):			
Unrealized (loss) gain on available-for-sale securities	(199)	(14)	(46)
Benefit plan adjustments	(212)	866	(215)
SERP liability adjustments	1,430	331	(622)
Unrealized interest rate swap gain (loss)	5,641	2,841	(3,213)
Other comprehensive income (loss) before taxes	6,660	4,024	(4,096)
(Provision) benefit for income taxes related to other comprehensive income items	(1,866)	(1,126)	1,147
Other comprehensive income (loss)	4,794	2,898	(2,949)
Comprehensive income (loss)	20,604	8,240	(3,696)
Comprehensive income (loss) attributable to non-controlling interests	2	(6)	(7)
Comprehensive income (loss) attributable to common stockholders	\$ 20,602	\$ 8,246	\$ (3,689)

See accompanying notes.

**Tejon Ranch Co. and Subsidiaries**  
**Consolidated Statements of Equity**  
(\$ in thousands, except share information)

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
<b>Balance, December 31, 2019</b>	26,096,797	\$13,048	\$338,745	\$ (6,771)	\$ 85,227	\$ 430,249	\$ 15,375	\$ 445,624
Net loss	—	—	—	—	(740)	(740)	(7)	(747)
Other comprehensive loss	—	—	—	(2,949)	—	(2,949)	—	(2,949)
Restricted stock issuance	338,074	169	(169)	—	—	—	—	—
Stock compensation	—	—	5,629	—	—	5,629	—	5,629
Shares withheld for taxes and tax benefit of vested shares	(158,041)	(80)	(2,146)	—	—	(2,226)	—	(2,226)
<b>Balance, December 31, 2020</b>	26,276,830	\$13,137	\$342,059	\$ (9,720)	\$ 84,487	\$ 429,963	\$ 15,368	\$ 445,331
Net income (loss)	—	—	—	—	5,348	5,348	(6)	5,342
Other comprehensive income	—	—	—	2,898	—	2,898	—	2,898
Restricted stock issuance	227,250	114	(114)	—	—	—	—	—
Stock compensation	—	—	4,731	—	—	4,731	—	4,731
Shares withheld for taxes and tax benefit of vested shares	(103,159)	(51)	(1,740)	—	—	(1,791)	—	(1,791)
<b>Balance, December 31, 2021</b>	26,400,921	\$13,200	\$344,936	\$ (6,822)	\$ 89,835	\$ 441,149	\$ 15,362	\$ 456,511
Net income	—	—	—	—	15,808	15,808	2	15,810
Other comprehensive income	—	—	—	4,794	—	4,794	—	4,794
Restricted stock issuance	249,127	124	(124)	—	—	—	—	—
Stock compensation	—	—	3,212	—	—	3,212	—	3,212
Shares withheld for taxes and tax benefit of vested shares	(108,495)	(53)	(2,680)	—	—	(2,733)	—	(2,733)
<b>Balance, December 31, 2022</b>	26,541,553	\$13,271	\$345,344	\$ (2,028)	\$105,643	\$ 462,230	\$ 15,364	\$ 477,594

See accompanying notes.

**Tejon Ranch Co. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
(in thousands)

	Twelve Months Ended December 31,		
	2022	2021	2020
<b>Operating Activities</b>			
Net income (loss)	\$ 15,810	\$ 5,342	\$ (747)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	4,628	4,594	4,938
Amortization of premium on marketable securities	87	111	34
Equity in earnings of unconsolidated joint ventures, net	(7,752)	(9,202)	(4,504)
Non-cash retirement plan expense	110	99	78
Gain on sale of real estate/assets	(1,140)	(12)	(1,339)
Non-cash profits recognized from land contribution	(3,012)	(2,784)	—
Profit from water sale <sup>1</sup>	(2,229)	(3,442)	—
Profit from land sales <sup>2</sup>	(18,372)	(3,139)	—
Deferred income taxes	2,865	1,134	2,253
Stock compensation expense	2,877	4,271	4,494
Excess tax (loss) benefit of stock-based compensation	(105)	48	519
Abandonment expense	85	—	—
Non-cash write-off of leasing assets	—	—	110
Inventory write down	1,050	—	—
Distribution of earnings from unconsolidated joint ventures	11,793	5,892	6,222
Changes in operating assets and liabilities:			
Receivables, inventories, prepaids and other assets, net	3,244	(814)	5,427
Current liabilities, net	(1,408)	718	(2,004)
Net cash provided by operating activities	8,531	2,816	15,481
<b>Investing Activities</b>			
Maturities and sales of marketable securities	41,135	6,249	41,843
Purchase of marketable securities	(63,882)	(14,586)	(5,610)
Real estate and equipment expenditures	(22,602)	(20,879)	(22,259)
Reimbursement proceeds from Communities Facilities District	5,950	135	4,223
Proceeds from sale of real estate/assets	—	63	2,000
Proceeds from sale of land <sup>2</sup>	24,950	4,413	—
Investment in unconsolidated joint ventures	(800)	(2,900)	(2,160)
Distribution of equity from unconsolidated joint ventures	8,166	5,734	5,309
Investments in long-term water assets	(988)	(2,415)	(3,568)
Proceeds from water sales <sup>1</sup>	6,180	9,534	—
Net cash (used in) / provided by investing activities	(1,891)	(14,652)	19,778
<b>Financing Activities</b>			
Borrowings on line of credit	49,080	—	—
Repayments of long-term debt	(51,708)	(4,295)	(4,819)
Deferred financing costs	(181)	—	—
Interest rate swap settlement <sup>3</sup>	1,123	—	—
Taxes on vested stock grants	(2,733)	(1,791)	(2,226)
Net cash used in financing activities	(4,419)	(6,086)	(7,045)
Increase (decrease) in cash and cash equivalents	2,221	(17,922)	28,214
Cash, cash equivalents, and restricted cash at beginning of year	37,398	55,320	27,106
<b>Cash, cash equivalents, and restricted cash at end of year</b>	<b>\$ 39,619</b>	<b>\$ 37,398</b>	<b>\$ 55,320</b>

	Twelve Months Ended December 31,		
	2022	2021	2020
<b>Reconciliation to amounts on consolidated balance sheets:</b>			
Cash and cash equivalents	\$ 39,119	\$ 36,195	\$ 55,320
Restricted cash (recorded in other assets)	500	1,203	—
<b>Total cash, cash equivalents, and restricted cash</b>	<b>\$ 39,619</b>	<b>\$ 37,398</b>	<b>\$ 55,320</b>
<b>Non-cash investing activities</b>			
Accrued capital and water expenditures included in current liabilities	\$ 1,847	\$ 1,342	\$ 910
Contribution to unconsolidated joint venture <sup>2</sup>	\$ 8,501	\$ 8,464	\$ —
Long term deferred profit on land contribution <sup>2</sup>	\$ 3,012	\$ 2,785	\$ —

<sup>1</sup>In determining the classification of cash inflows and outflows related to water asset activity, the Company's practices are supported by Accounting Standards Codification ("ASC") 230-10-45-22, which provides that "Certain cash receipts and payments have aspects of more than one class of cash flows.... If so, the appropriate classification shall depend on the activity that is likely to be the predominant source of cash flows for the item." Also, at the 2006 American Institution of Certified Public Accountants Conference on Current SEC and PCAOB Developments, the Securities and Exchange Commission, or SEC staff discussed that an entity should be consistent in how it classifies cash outflows and inflows related to an asset's purchase and sale and noted that when cash flow classification is unclear, registrants must use judgment and analysis that considers the nature of the activity and the predominant source of cash flow for these items.

Given the nature of our water assets and the aforementioned authoritative guidance, the Company estimates the appropriate classification of water assets purchased based on the timing of the sale of the water. Water purchased in prior periods that was classified as investing was sold for \$6.2 million in 2022, this cash inflow is appropriately classified in the Company's investing activities. The profit of \$2.2 million related to the water purchased in prior periods is appropriately being deducted from operating activities for the current period. The Company has and will continue to apply this methodology to water asset transactions that meet this fact pattern.

<sup>2</sup>In determining the classification of cash inflows and outflows related to land development costs, the Company's practices are supported by Accounting Standards Codification ("ASC") 230-10-45-22, which provides that "Certain cash receipts and payments have aspects of more than one class of cash flows.... If so, the appropriate classification shall depend on the activity that is likely to be the predominant source of cash flows for the item." Also, at the 2006 American Institution of Certified Public Accountants Conference on Current SEC and PCAOB Developments, the Securities and Exchange Commission, or SEC staff discussed that an entity should be consistent in how it classifies cash outflows and inflows related to an asset's purchase and sale and noted that when cash flow classification is unclear, registrants must use judgment and analysis that considers the nature of the activity and the predominant source of cash flow for these items.

Given the nature of our land development costs and the aforementioned authoritative guidance, the Company estimates the appropriate classification of land development costs based on the timing of the sale of land. Land development costs incurred during prior periods that were classified as investing were sold for \$26.7 million in gross proceeds in 2022, this cash inflow is appropriately classified in the Company's investing activities. The profit of \$18.4 million related to land development costs incurred in prior periods is appropriately being deducted from operating activities for the current period. The Company has and will continue to apply this methodology to land sale transactions that meet this fact pattern.

In December 2022, the Company contributed land with a fair value of \$8.5 million to TRC-MRC 5, LLC, an unconsolidated joint venture formed to pursue the development, construction, lease-up, and management of an approximately 446,400 square foot industrial building located within TRCC-East. The total cost of the land was \$2.4 million. The Company recognized profit of \$3.0 million and deferred profit of \$3.0 million after applying the five-step revenue recognition model in accordance with ASC Topic 606 - Revenue From Contracts With Customers and ASC Topic 323, Investments - Equity Method and Joint Ventures.

In June 2021, the Company contributed land with a fair value of \$8.5 million to TRC-MRC 4, LLC, an unconsolidated joint venture formed to pursue the development, construction, leasing, and management of a 630,000 square foot industrial building on the Company's property at TRCC-East. The total cost of the land was \$2.9 million. The Company recognized \$2.8 million in profit and deferred \$2.8 million of profit after applying the five-step revenue recognition model in accordance with Accounting Standards Codification (ASC) Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.

Historically, cash outflows related to land development expenditures were accounted for within investing activities. For consistency, the Company will continue to classify cash outflows and cash inflows related to land development as investing activities.

<sup>3</sup>The Company had an interest rate swap agreement with Wells Fargo Bank, N.A. to reduce its exposure to fluctuations in the floating interest rate tied to the London Inter-Bank Offered Rate, or LIBOR, under a term note with Wells Fargo. The hedging relationship qualified as an effective cash flow hedge at the initial assessment, based upon a regression analysis, and is recorded at fair value. On June 27, 2022, the Company terminated the interest rate swap agreement with Wells Fargo and received a \$1,123,200 cash termination fee from Wells Fargo. See Interest Rate Swap (Note 10) for further discussion.

See accompanying notes.

**Tejon Ranch Co. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2022**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**The Company**

Tejon Ranch Co. (the Company and Tejon) is a diversified real estate development and agribusiness company committed to responsibly using its land and resources to meet the housing, employment, and lifestyle needs of Californians. Current operations consist of land planning and entitlement, land development, commercial land sales and leasing, leasing of land for mineral royalties, water asset management and sales, grazing leases, and farming.

These activities are performed through five reporting segments:

- Real Estate - Commercial/Industrial
- Real Estate - Resort/Residential
- Mineral Resources
- Farming
- Ranch Operations

Tejon's prime asset is approximately 270,000 acres of contiguous, largely undeveloped land that, at its most southerly border, is 60 miles north of downtown Los Angeles and, at its most northerly border, is 15 miles east of Bakersfield. The Company creates value by securing entitlements for its land, facilitating infrastructure development, strategic land planning, monetization of land through development and sales, and conservation, in order to maximize the highest and best use for its land.

The Company is involved in eight joint ventures that own, develop, and operate real estate properties. The Company enters into joint ventures as a means to facilitate the development of portions of its land. The Company is also actively engaged in land planning, land entitlement, and conservation projects.

Any references to the number of acres, number of buildings, square footage, number of leases, occupancy, and any amounts derived from these values in the notes to the consolidated financial statements are unaudited.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company, and the accounts of all subsidiaries and investments in which a controlling interest is held by the Company. All intercompany transactions have been eliminated in consolidation. The Company has evaluated subsequent events through the date of issuance of the consolidated financial statements.

**Cash Equivalents**

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. The carrying amount for cash equivalents approximates fair value.

**Marketable Securities**

The Company considers those investments not qualifying as cash equivalents, but which are readily marketable, to be marketable securities. The Company's investment portfolio is comprised of fixed income debt securities, which are classified as current assets on the consolidated balance sheets. The Company classifies all marketable securities as available-for-sale. These are stated at fair value with the unrealized gains (losses), net of tax, reported as a component of accumulated other comprehensive income (loss) in the consolidated statements of equity.

## Investments in Unconsolidated Joint Ventures

For joint ventures that the Company does not control, but over which it exercises significant influence, the Company uses the equity method of accounting. The Company's judgment with regard to its level of influence or control of an entity involves consideration of various factors, including the form of its ownership interest; its representation in the entity's governance; its ability to participate in policy-making decisions; and the rights of other investors to participate in the decision-making process, to replace the Company as manager, and/or to liquidate the venture. These ventures are recorded at cost and adjusted for equity in earnings (losses), contributions and distributions. Any difference between the carrying amount of these investments on the Company's balance sheet and the underlying equity in net assets on the joint venture's balance sheet is adjusted as the related underlying assets are depreciated, amortized, or sold. When the Company contributes land to a joint venture, it records the investment in the venture at fair value, regardless of whether the other investors in the venture contribute cash or property.

The Company generally allocates income and loss from an unconsolidated joint venture based on the venture's distribution priorities, which may be different from its stated ownership percentage.

The Company evaluates the recoverability of its investments in unconsolidated joint ventures in accordance with accounting standards for equity investments by first reviewing each investment for any indicators of impairment. If indicators are present, the Company estimates the fair value of the investment. If the carrying value of the investment is greater than the estimated fair value, management makes an assessment of whether the impairment is "temporary" or "other-than-temporary." In making this assessment, management considers the following: (1) the length of time and the extent to which fair value has been less than cost, (2) the financial condition and near-term prospects of the entity, and (3) the Company's intent and ability to retain its interest long enough for a recovery in market value. If management concludes that the impairment is "other than temporary," the Company reduces the investment to its estimated fair value.

## Fair Values of Financial Instruments

The Company follows the Financial Accounting Standards Board's authoritative guidance for fair value measurements of certain financial instruments. The guidance defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the exchange (exit) price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. This guidance establishes a three-level hierarchy for fair value measurements based upon the inputs to the valuation of an asset or liability. Observable inputs are those which can be easily seen by market participants, while unobservable inputs are generally developed internally, utilizing management's estimates and assumptions:

- Level 1 – Valuation is based on quoted prices in active markets for identical assets and liabilities.
- Level 2 – Valuation is determined from quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active, or by model-based techniques in which all significant inputs are observable in the market.
- Level 3 – Valuation is derived from model-based techniques in which at least one significant input is unobservable and based on the Company's own estimates about the assumptions that market participants would use to value the asset or liability.

When available, the Company uses quoted market prices in active markets to determine fair value. The Company considers the principal market and nonperformance risk associated with counterparties when determining the fair value measurement. Fair value measurements are used on a recurring basis for marketable securities, investments within the pension plan and hedging instruments, if any.

## Interest Rate Swap Agreements

In October 2014, the Company entered into an interest rate swap agreement with Wells Fargo. In June 2019, the Company amended the interest rate swap agreement to continue to hedge the Company's exposure to interest rate risk from the Term Note, and the subsequent Amended Term Note. On June 27, 2022, the Company terminated the related amended interest rate swap agreement with Wells Fargo. On June 30, 2022, the Company entered into a variable rate term note, or New Term Note, with Bank of America, N.A. and on the same day, the Company entered into a new interest rate swap agreement to reduce its exposure to fluctuations in the floating interest rate tied to SOFR under the New Term Note. See Note 8 (Line of Credit and Long-Term Debt) and Note 10 (Interest Rate Swap) of the Notes to Consolidated Financial Statements for further detail regarding this interest rate swap related to the Company's Credit Facility. The Company believes it is prudent at times to limit

the variability of floating-rate interest payments and in the past have entered into interest rate swaps to manage those fluctuations.

The Company recognizes interest rate swap agreements as either an asset or liability on the balance sheet at fair value. The accounting for changes in fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based on the hedged exposure, as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation. The interest rate swap agreement is considered a cash flow hedge because it was designed to match the terms of the Term Loan, and the subsequent New Term Loan, as a hedge of the exposure to variability in expected future cash flows. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the earnings effect of the hedged transactions in a cash flow hedge. This interest rate swap agreement will be evaluated based on whether it is deemed highly effective in reducing exposure to variable interest rates. The Company formally documents all relationships between interest rate swap agreements and hedged items, including the method for evaluating effectiveness and the risk strategy. The Company makes an assessment at the inception of each interest rate swap agreement and on a quarterly basis to determine whether these instruments are highly effective in offsetting changes in cash flows associated with the hedged items. If swaps qualify as highly effective, the changes in the fair values of the derivatives used as hedges would be reflected in accumulated other comprehensive income, or AOCI. Amounts classified in AOCI will be reclassified into earnings in the period during which the hedged transactions affect earnings. If swaps do not qualify as highly effective, the changes in fair values of derivatives used as hedges would be reflected in earnings.

The fair value of each interest rate swap agreement is determined using widely accepted valuation techniques including discounted cash flow analyses on the expected cash flows of each derivative. These analyses reflect the contractual terms of the derivatives, including the period to maturity, and use observable market-based inputs, including interest rate curves and implied volatilities (also referred to as “significant other observable inputs”). The fair value of interest rate swap agreements are determined using the market standard methodology of netting the discounted future fixed cash payments and the discounted expected variable cash receipts. The variable cash receipts are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair value calculation also includes an amount for risk of non-performance using “significant unobservable inputs” such as estimates of current credit spreads to evaluate the likelihood of default, which the Company has determined to be insignificant to the overall fair value of its interest rate swap agreement.

### **Variable Interest Entity**

The Company evaluates all of its interests in VIEs for consolidation. When the Company's interests are determined to be variable interests, the Company assesses whether the Company is deemed to be the primary beneficiary of the VIE. The primary beneficiary of a VIE is required to consolidate the VIE. A primary beneficiary is defined as the party that has both (i) the power to direct the activities of the VIE that most significantly impact its economic performance, and (ii) the obligation to absorb losses and the right to receive benefits from the VIE which could potentially be significant. The Company considers its variable interests as well as any variable interests of related parties in making this determination. Where both of these factors are present, the Company is deemed to be the primary beneficiary and consolidates the VIE. Where either one of these factors is not present, the Company is not the primary beneficiary and does not consolidate the VIE.

To assess whether the Company has the power to direct the activities of a VIE that most significantly impact the VIE's economic performance, the Company considers all facts and circumstances, including its role in establishing the VIE and its ongoing rights and responsibilities. This assessment includes first, identifying the activities that most significantly impact the VIE's economic performance; and second, identifying which party, if any, has power over those activities. In general, the parties that make the most significant decisions affecting the VIE or have the right to unilaterally remove those decision makers are deemed to have the power to direct the activities of a VIE.

To assess whether the Company has the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE, the Company considers all economic interests, including debt and equity investments, servicing fees, and other arrangements deemed to be variable interests in the VIE. This assessment requires that the Company apply judgment in determining whether these interests, in the aggregate, are considered potentially significant to the VIE. Factors considered in assessing significance include: the design of the VIE, including its capitalization structure; subordination of interests; payment priority; relative share of interests held across various classes within the VIE's capital structure; and the reasons why the interests are held by the Company.

As of December 31, 2022 and 2021, the Company had two VIEs. One was consolidated in the financial statements while the other was not. See Note 17 (Investment in Unconsolidated and Consolidated Joint Ventures) to the Notes to Consolidated Financial Statements for further discussion.

## Credit Risk

The Company grants credit in the course of operations to co-ops, wineries, nut marketing companies, and lessees of the Company's facilities. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

Commercial revenues are derived primarily from lease rental payments and operating expense reimbursements. If client tenants fail to make rental payments under their lease, the Company's financial condition, and cash flows could be adversely affected. The Company assesses the risk of loss on accounts receivable and adjust the allowance for doubtful accounts based on this risk assessment. We do so by applying historical loss rates to our accounts receivable aging schedule to estimate expected credit losses. We further adjusted expected credit losses for specifically identified and forecasted credit losses. Accounts are written off when they are deemed to be no longer collectible.

During the years ended December 31, 2022, 2021, and 2020, the Pastoria Energy Facility, L.L.C., or PEF power plant lease generated approximately 6%, 8%, and 8% of total revenues, respectively. The Company had no other customers account for 5% or more of total revenues from operations.

The Company maintains its cash and cash equivalents in federally insured financial institutions. The account balances at these institutions periodically exceed FDIC insurance coverage and, as a result, there is a concentration of credit risk related to amounts on deposit in excess of FDIC insurance coverage. The Company believes that the risk is not significant.

## Farm Inventories

Costs of bringing crops to harvest are inventoried when incurred. Such costs are expensed when the crops are sold. Expenses are computed and recognized on an average cost per pound or per ton basis, as appropriate. Costs incurred during the current year related to the next year's crop are inventoried and carried in inventory until the matching crop is harvested and sold. Farm inventories held for sale are valued at the lower of cost (first-in, first-out method) or market.

## Property and Equipment

Property and equipment are stated on the basis of cost, except for land acquired upon organization in 1936, which is stated on the basis carried by the Company's predecessor. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets. The Company's property and equipment and their respective estimated useful lives are as follow:

(\$ in thousands)	Useful Life	December 31, 2022		December 31, 2021	
Vineyards and orchards	20	\$	66,016	\$	62,877
Machinery, furniture fixtures and other equipment	3 - 10		20,895		20,299
Buildings and improvements	10 - 27.5		8,946		8,858
Land and land improvements	15		7,835		7,835
Development in process			4,942		4,882
		\$	108,634	\$	104,751
Less: accumulated depreciation			(55,654)		(54,052)
		\$	52,980	\$	50,699

### **Long-Term Water Assets**

Long-term purchased water contracts are in place with the Tulare Lake Basin Water Storage District and the Dudley-Ridge Water Storage District. These contracts provide the Company with the right to receive water over the term of the contracts that expire in 2035. The Company also purchased a contract that allows and requires it to purchase 6,693 acre-feet of water each year from the Nickel Family LLC. The initial term of this contract runs through 2044. The purchase price of these contracts is being amortized under the straight-line basis over their contractual lives. Water contracts with the Wheeler Ridge Maricopa Water Storage District and the Tejon-Castac Water District are also in place, but were entered into with each district at inception and not purchased later from third parties, and therefore do not have a related financial value on the books of the Company. As a result, there is no amortization expense related to these contracts.

### **Vineyards and Orchards**

Costs of planting and developing vineyards and orchards are capitalized until the crops become commercially productive. Interest costs and depreciation of irrigation systems and trellis installations during the development stage are also capitalized. Revenues from crops earned during the development stage are netted against development costs. Depreciation commences when the crops become commercially productive.

At the time farm crops are harvested, contracted, and delivered to buyers and revenues can be estimated, revenues are recognized and any related inventoried costs are expensed, which traditionally occurs during the third and fourth quarters of each year. It is not unusual for portions of the Company's almond or pistachio crop to be sold in the year following the harvest. Orchard (almond and pistachio) revenues are based upon the contract settlement price or estimated selling price, whereas vineyard revenues are typically recognized at the contracted selling price. Estimated prices for orchard crops are based upon the quoted estimate of what the final market price will be by marketers and handlers of the orchard crops. These market price estimates are updated through the crop payment cycle as new information is received as to the final settlement price for the crop sold. These estimates are adjusted to actual upon receipt of final payment for the crop. This method of recognizing revenues on the sale of orchard crops is a standard practice within the agribusiness community. Adjustments for differences between estimates and actual revenues received are recorded during the period in which such amounts become known. The net effect of these adjustments increased pistachio revenues by \$873,000 in 2022, \$365,000 in 2021, and \$890,000 in 2020. There were no pricing adjustments associated with the Company's almonds.

The Almond Board of California has the authority to require producers of almonds to withhold a portion of their annual production from the marketplace through a marketing order approved by the Secretary of Agriculture. At December 31, 2022, 2021, and 2020, no such withholding was mandated.

### **Common Stock Options and Grants**

The Company accounts for stock incentive plans using the fair value method of accounting. The estimated fair value of the restricted stock grants and restricted stock units are expensed over the expected vesting period. For performance-based grants the Company makes estimates of the probable number of shares that will actually be granted based upon estimated ranges of success in meeting defined performance measures. An estimate for share forfeitures, based on historical forfeitures, are recorded on all grants. Periodically, the Company updates its estimates and reflects any changes to the estimate in the consolidated statements of operations.

### **Long-Lived Assets**

On a quarterly basis, the Company reviews current activities and changes in the business conditions of all of its operating properties prior to and subsequent to the end of each quarter to determine the existence of any triggering events requiring an impairment analysis. If triggering events are identified, the Company reviews an estimate of the future undiscounted cash flows for the properties, including, if necessary, a probability-weighted approach if multiple outcomes are under consideration.

Long-lived assets to be held and used, including rental properties, construction in progress, or CIP, real estate held for development and intangibles, are individually evaluated for impairment when conditions exist that may indicate that the carrying amount of a long-lived asset may not be recoverable. The carrying amount of a long-lived asset to be held and used is not recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Impairment indicators or triggering events for long-lived assets to be held and used, including rental properties, CIP, real estate held for development, and intangibles, are assessed by project and include significant fluctuations in estimated net operating income, occupancy changes, significant near-term lease expirations, current and historical operating and/or cash flow losses, rental rates, and other market factors. The Company assesses the expected undiscounted cash flows based upon numerous factors, including, but not limited to, available market information, current and historical operating results, known trends, current market/economic conditions that may affect the property, and assumptions about the use of the asset, including, if necessary, a probability-weighted approach if multiple outcomes are under consideration. Upon determination that an impairment has occurred, a write-down is recognized to reduce the carrying amount to its estimated fair value.

In addition, the Company accounts for long-lived assets to be disposed of at the lower of their carrying amounts or fair value less selling and disposal costs.

As of December 31, 2022, management of the Company believes that none of its long-lived assets were impaired.

### **Revenue Recognition**

The Company's revenue is primarily derived from lease revenue from its rental portfolio, royalty revenue from mineral leases, sales of farm crops, sales of water, and land sales. The Company recognizes revenue by following the five-step model under ASC 606 to achieve the core principle that an entity recognizes revenue to depict the transfer of goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The five-step model requires that the Company (i) identifies the contract with the customer, (ii) identifies the performance obligations in the contract, (iii) determines the transaction price, including variable consideration to the extent that it is probable that a significant future reversal will not occur, (iv) allocates the transaction price to the respective performance obligations in the contract, and (v) recognize revenue when (or as) the Company satisfies the performance obligation.

### **Sales of Real Estate**

The Company allocates the transaction price, on land sales with multiple performance obligations, to the performance obligations in proportion to their standalone selling prices (i.e., on a relative standalone selling price basis) and not total costs.

### **Sales of Easements**

From time to time the Company sells easements over its land, and the easements are either in the form of rights of access granted for such things as utility corridors or are in the form of conservation easements that generally require the Company to divest its rights to commercially develop a portion of its land, but do not result in a change in ownership of the land or restrict the Company from continuing other revenue generating activities on the land. The Company recognizes easement sales revenue by following the five-step model under ASC 606.

### **Allocation of Costs Related to Land Sales and Leases**

When the Company sells land within one of its real estate developments and has not completed all infrastructure development related to the total project, the Company estimates, at the time of sale, future costs of the development to determine the appropriate costs of sales for the sold land and the timing of recognition of the sale. In the calculation of cost of sales or allocations to leased land, the Company uses estimates and forecasts to determine total costs at completion of the development project. These estimates of final development costs can change as conditions in the market change and costs of construction change.

### **Royalty Income**

Royalty revenues are contractually defined as to the percentage of royalty and are tied to production and market prices. The Company's royalty arrangements generally require payment on a monthly basis with the payment based on the previous month's activity. The Company accrues monthly royalty revenues based upon estimates and adjusts to actual as the Company receives payments.

### **Rental Income**

Rental income from leases is recognized on a straight-line basis over the respective lease terms. The Company classifies amounts currently recognized as income, and amounts expected to be received in later years, as deferred rent in prepaid

expenses and other current assets in the accompanying consolidated balance sheets. Amounts received currently, but recognized as income in future years, are classified in accrued liabilities and other, and deferred income in the accompanying consolidated balance sheets. The Company commences recognition of rental income at the date the property is ready for its intended use, and the client tenant takes possession of or controls the physical use of the property.

During the term of each lease, the Company monitors the credit quality of its tenants by (i) reviewing the credit rating of tenants that are rated by a nationally recognized credit rating agency, (ii) reviewing financial statements of the tenants that are publicly available or that are required to be delivered to the Company pursuant to the applicable lease, (iii) monitoring news reports regarding its tenants and their respective businesses, and (iv) monitoring the timeliness of lease payments. For operating leases in which collectability of rental income is not considered probable, rental income is recognized on a cash basis and allowances are taken for those balances that we have reason to believe may be uncollectible in the period it is determined not to be probable of collection.

### Environmental Expenditures

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and which do not contribute to current or future revenue generation are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the costs can be reasonably estimated. Generally, the timing of these accruals coincides with the completion of a feasibility study or the Company's commitment to a formal plan of action. No liabilities for environmental costs have been recorded at December 31, 2022 and 2021.

### Use of Estimates

The preparation of the Company's consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the financial statement dates and the reported amounts of revenue and expenses during the reporting period. Due to uncertainties inherent in the estimation process, it is reasonably possible that actual results could differ from these estimates.

### New Accounting Pronouncements Adopted in 2022

No new Accounting Standards Update, or ASU, is applicable to our consolidated financial statements as of December 31, 2022.

## 2. EQUITY

### Earnings Per Share (EPS)

Basic net income (loss) per share attributable to common stockholders is based upon the weighted-average number of shares of common stock outstanding during the year. Diluted net income (loss) per share attributable to common stockholders is based upon the weighted-average number of shares of common stock outstanding and the weighted-average number of shares outstanding assuming the issuance of common stock upon exercise of stock options, warrants to purchase common stock, and the vesting of restricted stock grants per ASC 260, "Earnings Per Share."

	Twelve Months Ended December 31,		
	2022	2021	2020
Weighted average number of shares outstanding:			
Common stock	26,478,171	26,343,352	26,205,923
Common stock equivalents: stock options, grants	174,748	70,662	140,527
Diluted shares outstanding	26,652,919	26,414,014	26,346,450

### 3. MARKETABLE SECURITIES

ASC 320 "Investments – Debt and Equity Securities" requires that an enterprise classify all debt securities as either held-to-maturity, trading or available-for-sale. The Company has elected to classify its securities as available-for-sale and therefore is required to adjust securities to fair value at each reporting date. All costs and both realized and unrealized gains and losses on securities are determined on a specific identification basis. The following is a summary of available-for-sale securities at December 31:

Marketable Securities:	Fair Value Hierarchy	2022		2021	
		Cost	Estimated Fair Value	Cost	Estimated Fair Value
<b>Certificates of deposit</b>					
with unrecognized losses for less than 12 months		\$ —	\$ —	\$ 401	\$ 400
with unrecognized gains		—	—	—	—
Total Certificates of deposit	Level 1	—	—	401	400
<b>U.S. Treasury and agency notes</b>					
with unrecognized losses for less than 12 months		13,916	13,832	1,360	1,358
with unrecognized losses for more than 12 months		500	499	—	—
with unrecognized gains		1,250	1,251	—	—
Total U.S. Treasury and agency notes	Level 2	15,666	15,582	1,360	1,358
<b>Corporate notes</b>					
with unrecognized losses for less than 12 months		17,236	17,112	9,231	9,225
with unrecognized losses for more than 12 months		251	250	—	—
with unrecognized gains		499	500	—	—
Total Corporate notes	Level 2	17,986	17,862	9,231	9,225
		<u>\$ 33,652</u>	<u>\$ 33,444</u>	<u>\$ 10,992</u>	<u>\$ 10,983</u>

The Company adopted ASU No. 2016-13, "Financial Instruments — Credit Losses (Topic 326)" on January 1, 2020, prospectively. Under ASC Topic 326-30, the Company is now required to use an allowance approach when recognizing credit loss for available-for-sale debt securities, measured as the difference between the security's amortized cost basis and the amount expected to be collected over the security's lifetime. Under this approach, at each reporting date, the Company records impairment related to credit losses through earnings offset with an allowance for credit losses, or ACL. At December 31, 2022 the Company has not recorded any credit losses.

At December 31, 2022, the fair market value of investment securities was \$208,000 below the cost basis of securities. The Company's gross unrealized holding gains equal \$2,000 dollars and gross unrealized holding losses equal \$210,000. As of December 31, 2022, the adjustment to accumulated other comprehensive loss in consolidated equity for the temporary change in the value of securities reflects a decrease in the market value of available-for-sale securities of \$199,000, which includes estimated taxes of \$56,000.

The Company elected to exclude applicable accrued interest from both the fair value and the amortized cost basis of the available-for-sale debt securities, and separately present the accrued interest receivable balance per ASC Topic 326-30-50-3A. The accrued interest receivables balance totaled \$186,000 as of December 31, 2022, and was included within the Prepaid expenses and other current assets line item of the Consolidated Balance Sheets. The Company elected not to measure an allowance for credit losses on accrued interest receivable as an allowance on possible uncollectible accrued interest is not warranted.

#### U.S. Treasury and agency notes

The unrealized losses on the Company's investments in U.S. Treasury and agency notes at December 31, 2022 were caused by relative changes in interest rates since the time of purchase. The contractual cash flows for these securities are guaranteed by U.S. government agencies. The unrealized losses on these debt security holdings are a function of changes in investment spreads and interest rate movements and not changes in credit quality. As of December 31, 2022, the Company did not intend to sell these securities and it is not more-likely-than-not that the Company would be required to sell these securities before recovery of their cost basis. Therefore, these investments did not require an ACL as of December 31, 2022.

## Corporate notes

The contractual terms of those investments do not permit the issuers to settle the securities at a price less than the amortized cost basis of the investments. The unrealized losses on corporate notes are a function of changes in investment spreads and interest rate movements and not changes in credit quality. The Company expects to recover the entire amortized cost basis of these securities. As of December 31, 2022, the Company did not intend to sell these securities and it is not more-likely-than-not that the Company would be required to sell these securities before recovery of their cost basis. Therefore, these investments did not require an ACL as of December 31, 2022.

The following tables summarize the maturities, at par, of marketable securities by year (\$ in thousands):

December 31, 2022	2023	2024	Total
U.S. Treasury and agency notes	\$ 15,225	\$ 500	\$ 15,725
Corporate notes	17,470	500	17,970
	<u>\$ 32,695</u>	<u>\$ 1,000</u>	<u>\$ 33,695</u>

December 31, 2021	2022	2023	Total
Certificates of deposit	\$ 400	\$ —	\$ 400
U.S. Treasury and agency notes	855	500	1,355
Corporate notes	8,925	250	9,175
	<u>\$ 10,180</u>	<u>\$ 750</u>	<u>\$ 10,930</u>

The Company's investments in corporate notes are with companies that have an investment grade rating from Standard & Poor's.

## 4. INVENTORIES

Inventories consisted of the following at December 31:

(\$ in thousands)	2022	2021
Farming inventories	\$ 3,078	\$ 5,377
Other	291	325
	<u>\$ 3,369</u>	<u>\$ 5,702</u>

Farming inventories consist of costs incurred during the current year related to next year's crop along with unsold current year crop and farming chemicals.

## 5. REAL ESTATE

Real estate consisted of the following as of December 31:

(\$ in thousands)	2022	2021
Real estate development		
Mountain Village	\$ 153,156	\$ 150,668
Centennial	115,221	112,063
Grapevine	39,273	37,922
Tejon Ranch Commerce Center	13,643	18,377
Real estate development	<u>321,293</u>	<u>319,030</u>
Real estate and improvements - held for lease, net		
Tejon Ranch Commerce Center	20,590	20,595
Real estate and improvements - held for lease, net	20,590	20,595
Less accumulated depreciation	(3,650)	(3,294)
Real estate and improvements - held for lease, net	<u>\$ 16,940</u>	<u>\$ 17,301</u>

## 6. LONG-TERM WATER ASSETS

Long-term water assets consist of water and water contracts held for future use or sale. The water is held at cost, which includes the price paid for the water and the cost to pump and deliver the water from the California aqueduct into the water bank. Water is currently held in a water bank on Company land in southern Kern County and by TCWD in Kern Water Banks.

The Company has secured State Water Project, or SWP, entitlements under long-term SWP water contracts within the Tulare Lake Basin Water Storage District and the Dudley-Ridge Water District, totaling 3,444 acre-feet of SWP entitlement annually, subject to SWP allocations. These contracts extend through 2035 and have been transferred to AVEK for the Company's use in the Antelope Valley. In 2013, the Company acquired a contract to purchase water that obligates the Company to purchase 6,693 acre-feet of water each year from the Nickel Family, LLC, or Nickel, a California limited liability company that is located in Kern County.

The initial term of the water purchase agreement with Nickel runs to 2044 and includes a Company option to extend the contract for an additional 35 years. The purchase cost of water in 2022 was \$861 per acre-foot. The purchase cost is subject to annual cost increases based on the greater of the consumer price index or 3%.

The water purchased above will ultimately be used in the development of the Company's land for commercial/industrial real estate development, resort/residential real estate development, and farming. Interim uses may include the sale of portions of this water to third party users on an annual basis until this water is fully allocated to Company uses, as just described.

Water revenues and cost of sales were as follows as of December 31:

(\$ in thousands)	2022		2021		2020	
Acre-Feet Sold	10,400		13,651		5,022	
Revenues	\$	14,658	\$	15,523	\$	5,909
Cost of sales	9,549		10,669		3,663	
Profit	\$	5,109	\$	4,854	\$	2,246

Costs assigned to water assets held for future use were as follows (\$ in thousands):

	December 31, 2022		December 31, 2021	
Banked water and water for future delivery	\$	23,855	\$	25,020
Transferable water	1,455		2,879	
Total water held for future use at cost	\$	25,310	\$	27,899

### Intangible Water Assets

The Company's carrying amounts of its purchased water contracts were as follows (\$ in thousands):

	December 31, 2022				December 31, 2021			
	Costs		Accumulated Depreciation		Costs		Accumulated Depreciation	
Dudley-Ridge water rights	\$	11,581	\$	(5,790)	\$	11,581	\$	(5,307)
Nickel water rights	18,740		(5,890)		18,740		(5,247)	
Tulare Lake Basin water rights	6,479		(3,385)		6,479		(3,148)	
	\$	36,800	\$	(15,065)	\$	36,800	\$	(13,702)
Net cost of purchased water contracts	21,735				23,098			
Total cost water held for future use	25,310				27,899			
Net investments in water assets	\$	47,045			\$	50,997		

Water contracts with the Wheeler Ridge Maricopa Water Storage District, or WRMWS D, and the Tejon-Castac Water District, or TCWD, are also in place, but were entered into with each district at inception of the contract and not purchased later from third parties, and do not have a related financial value on the books of the Company. Therefore, there is no amortization expense related to these contracts. Total water resources, including both recurring and one-time usage are:

(in acre feet, unaudited)	December 31, 2022	December 31, 2021
Water held for future use		
TCWD - Banked water owned by the Company	52,554	56,189
Company water bank	50,349	50,349
Transferable water	2,548	4,203
Total water held for future use	105,451	110,741
Purchased water contracts		
Water Contracts (Dudley-Ridge, Nickel and Tulare)	10,137	10,137
WRMWS D - Contracts with Company	15,547	15,547
TCWD - Contracts with Company	5,749	5,749
Total purchased water contracts	31,433	31,433
Total water held for future use and purchased water contracts	136,884	142,174

Tejon Ranchcorp, or Ranchcorp, a wholly-owned subsidiary of Tejon Ranch Co., entered into a Water Supply Agreement with PEF in 2015. PEF is the current lessee under the power plant lease. Pursuant to the Water Supply Agreement, PEF may purchase from Ranchcorp up to 3,500 acre-feet of water per year from January 1, 2017 through July 31, 2030, with an option to extend the term. PEF is under no obligation to purchase water from Ranchcorp in any year, but is required to pay Ranchcorp an annual option payment equal to 30% of the maximum annual payment. The price of the water under the Water Supply Agreement for 2022 was \$1,224 per acre-foot of annual water, subject to 3% annual increases over the life of the contract. The Water Supply Agreement contains other customary terms and conditions, including representations and warranties, which are typical for agreements of this type. The Company's commitments to sell water can be met through current water assets.

## 7. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consisted of the following as of December 31:

(\$ in thousands)	2022	2021
Accrued vacation	\$ 735	\$ 782
Accrued paid personal leave	348	356
Accrued bonus	2,280	2,062
Other	239	251
	\$ 3,602	\$ 3,451

## 8. LINE OF CREDIT AND LONG-TERM DEBT

Debt consisted of the following as of December 31:

(\$ in thousands)	2022	2021
Notes payable	\$ 50,154	\$ 52,784
Less: line-of-credit and current maturities of long-term debt	(1,779)	(4,475)
Less: deferred loan costs	(214)	(154)
Long-term debt, less current portion	\$ 48,161	\$ 48,155

In 2014, the Company as borrower, entered into an Amended and Restated Credit Agreement, a Term Note and a Revolving Line of Credit Note, with Wells Fargo, or collectively the Credit Facility. The Credit Facility added a \$70,000,000 term loan, or Term Loan, to the then existing \$30,000,000 revolving line of credit, or RLC. In 2019, the Company amended the Term Note (Amended Term Note) and extended its maturity to June 2029 and amended the RLC to expand the capacity from \$30,000,000 to \$35,000,000 and extend the maturity to October 2024.

The interest rate per annum applicable to the Amended Term Note was LIBOR (as defined in the Term Note) plus a margin of 170 basis points. The interest rate for the Amended Term Note was fixed at 4.16% through the use of an interest rate swap agreement. The Amended Term Note required monthly amortization payments, with the outstanding principal amount due June 5, 2029. The Amended Term Note was secured by the Company's farmland and farm assets, which include equipment, crops and crop receivables; the PEF power plant lease and lease site; and related accounts and other rights to payment and inventory. For the RLC, at the Company's option, the interest rate on this line of credit could float at 1.50% above the Daily One Month LIBOR rate or fixed at 1.50% above LIBOR for a fixed rate term. During the term of the RLC, the Company could have borrowed at any time and partially or wholly repaid any outstanding borrowings and then re-borrowed, as necessary.

On June 30, 2022, the Company entered into a variable rate term note, or New Term Note, and a new Revolving Line of Credit Note, or New RLC, with Bank of America, N.A, or collectively the New Credit Facility. The New Term Loan provided a principal amount of \$49,080,000 and a maturity date of June 30, 2032, which was used to pay off the existing Wells Fargo Amended Term Note. The Company evaluated the debt exchange under ASC 470 and determined that the exchange should be treated as a debt extinguishment. The amount available of the New RLC under the New Credit Facility is \$40,607,000.

The New Term Note had a \$48,462,000 balance as of December 31, 2022. The interest rate per annum applicable to the New Term Loan is the daily Secured Overnight Financing Rate, or SOFR, plus a margin of 1.55 percentage points. The interest rate for the term of the New Term Note has been fixed through the use of an interest rate swap at a rate of 4.62%. The New Term Note requires monthly amortization payments pursuant to a schedule set forth in the New Term Note, with the final outstanding principal amount due June 28, 2032. The New Credit Facility is secured by the Company's farmland and farm assets, which, include equipment, crops and crop receivables; the PEF power plant lease and lease site; and related accounts and other rights to payment and inventory.

The New RLC had no outstanding balance as of December 31, 2022. At the Company's option, the interest rate on this line of credit can float at a rate equal to Daily SOFR plus 1.37% or can be fixed at a rate equal to Term SOFR plus 1.37% above Term SOFR for interest periods elected by the Company. During the term of this RLC (which matures on June 30, 2027), the Company can borrow at any time and partially or wholly repay any outstanding borrowings and then re-borrow, as necessary.

The following table summarizes debt maturities, outstanding indebtedness, and respective principal maturities as of December 31,

(\$ in thousands)	Stated Rate	Effective Rate	Maturity	2023	2024	2025	2026	2027	Thereafter	Total
New Term Loan <sup>1</sup>	S+1.55%	4.62%	6/28/2032	\$ 1,513	\$ 1,589	\$ 1,669	\$ 1,753	\$ 1,840	\$ 40,098	\$ 48,462
\$40 million New RLOC	See below <sup>2</sup>	See below <sup>2</sup>	6/30/2027	—	—	—	—	—	—	—
Promissory note	4.25%	4.25%	9/1/2028	265	277	289	302	315	244	1,692
Total long-term debt				\$ 1,778	\$ 1,866	\$ 1,958	\$ 2,055	\$ 2,155	\$ 40,342	\$ 50,154

<sup>1</sup>The interest on the New Term Loan is fixed by an interest rate swap agreement. Please see Footnote 10 for further discussion.

<sup>2</sup>At the Company's option, the interest rate on this line of credit can float at 1.37% over a selected SOFR rate or can be fixed at 1.37% above SOFR for a fixed rate term.

## 9. OTHER LIABILITIES

Other liabilities consist of the following as of December 31:

(\$ in thousands)	2022	2021
Pension liability (See Note 15)	\$ 38	\$ 185
Interest rate swap liability (See Note 10) <sup>1</sup>	—	3,088
Supplemental executive retirement plan liability (See Note 15)	6,186	7,847
Excess joint venture distributions and other	4,156	3,348
	\$ 10,380	\$ 14,468

<sup>1</sup>The Company's interest rate swap had an asset balance of \$1.4 million as of December 31, 2022 and is recorded under the caption Other Assets on the Consolidated Balance Sheets.

For the captions presented in the table above, please refer to the respective Notes to Consolidated Financial Statements for further detail.

## 10. INTEREST RATE SWAP

In October 2014, the Company entered into an interest rate swap agreement to hedge cash flows tied to changes in the underlying floating interest rate tied to LIBOR a term loan with Wells Fargo. On June 21, 2019, the Company amended the interest rate swap agreement to continue to hedge a portion of its exposure to interest rate risk from the term note, and subsequently, the amended term note. The original hedging relationship was de-designated, and the amended interest rate swap was re-designated simultaneously. The amended interest rate swap qualified as an effective cash flow hedge at the initial assessment based upon a regression analysis and is recorded at fair value. Changes in fair value, including accrued interest and adjustments for non-performance risk, that qualify as cash flow hedges are classified in accumulated other comprehensive income, or AOCI. Amounts classified in AOCI are subsequently reclassified into earnings in the period during which the hedged transactions affect earnings.

On June 27, 2022, the Company terminated the related amended interest rate swap agreement with Wells Fargo and received a \$1,123,000 cash termination fee from Wells Fargo. The amounts in AOCI were not reclassified into earnings upon the termination of the interest rate swap but will be released into earnings over the depreciable life of the constructed asset or when the asset is sold.

On June 30, 2022, the Company entered into the New Term Note with Bank of America, N.A. for the New Term Loan as discussed in Note 8 (Line of Credit and Long-Term Debt) of the Notes to Consolidated Financial Statements. On the same day, the Company entered into a new interest rate swap agreement to reduce its exposure to fluctuations in the floating interest rate tied to SOFR under the New Term Note. Per ASC 815, an entity may apply the shortcut method to hedging relationships that meet all of the conditions under ASC 815. The Company performed an initial assessment of the hedging relationship and determined it is appropriate to apply the shortcut method as all conditions were met. The new interest rate swap qualified as an effective cash flow hedge under the guidance of ASC 815. Applying the shortcut method allows the Company to assume that it has a perfectly effective hedging relationship, therefore there is no need for the Company to perform any quantitative assessments of whether the hedge is highly effective.

As of December 31, 2022, the fair value of the interest rate swap agreement was greater than its cost basis and as such is recorded within Other Assets on the Consolidated Balance Sheets. The Company had the following outstanding interest rate swap agreement designated as an interest rate cash flow hedge as of (\$ in thousands):

December 31, 2022					
Effective Date	Maturity Date	Fair Value Hierarchy	Weighted Average Interest Pay Rate	Fair Value	Notional Amount
June 30, 2022	June 28, 2032	Level 2	4.62%	\$1,430	\$48,462

December 31, 2021					
Effective Date	Maturity Date	Fair Value Hierarchy	Weighted Average Interest Pay Rate	Fair Value	Notional Amount
July 5, 2019	June 5, 2029	Level 2	4.16%	\$(3,088)	\$50,837

## 11. STOCK COMPENSATION - RESTRICTED STOCK AND PERFORMANCE SHARE GRANTS

The Company's stock incentive plans provide for the making of awards to employees based upon a service condition or through the achievement of performance-related objectives. The Company has issued three types of stock grant awards under these plans: restricted stock with service condition vesting; performance share grants that only vest upon the achievement of specified performance conditions, such as corporate cash flow goals or share price, or Performance Condition Grants; and performance share grants that include threshold, target, and maximum achievement levels based on the achievement of specific performance measures, or Performance Milestone Grants. Performance Condition Grants with market-based conditions are based on the achievement of a target share price. The share price used to calculate the grant date fair value for market-based awards is determined using a *Monte Carlo* simulation. Failure to achieve the target share price will result in the forfeiture of shares. Forfeiture of share awards with service conditions or performance-based restrictions will result in a reversal of previously recognized share-based compensation expense. Forfeiture of share awards with market-based restrictions does not result in a reversal of previously recognized share-based compensation expense.

The following is a summary of the Company's performance share grants with performance conditions as of the year ended December 31, 2022:

Performance Share Grants with Performance Conditions

Target performance	173,377
Maximum performance	319,122

The following is a summary of the Company's stock grant activity, both time and performance unit grants, assuming target achievement for outstanding performance grants for the following twelve-month periods ended:

	December 31, 2022	December 31, 2021	December 31, 2020
Stock Grants Outstanding Beginning of the Year at Target Achievement	683,645	840,307	409,373
New Stock Grants/Additional shares due to achievement in excess of target	180,034	63,622	797,364
Vested Grants	(384,112)	(196,328)	(307,250)
Expired/Forfeited Grants	(244,668)	(23,956)	(59,180)
Stock Grants Outstanding at Target Achievement	234,899	683,645	840,307

The following is a summary of the assumptions used to determine the fair value of the Company's market-based Performance Condition Grants outstanding for the year ended December 31, 2022:

(\$ in thousands except for share prices)

Grant date	03/11/2020	12/11/2020	03/18/2021	12/16/2021	03/17/2022
Vesting end	12/31/2022	12/31/2023	03/18/2024	12/16/2024	03/17/2025
Share price at target achievement	\$16.36	\$17.07	\$20.02	\$21.58	\$20.43
Expected volatility	18.21%	29.25%	30.30%	31.29%	31.54%
Risk-free interest rate	0.58%	0.19%	0.33%	0.92%	2.13%
Simulated Monte Carlo share price	\$5.87	\$15.59	\$18.82	\$21.48	\$21.75
Shares granted	81,716	3,628	10,905	3,536	13,338
Total fair value of award	\$480	\$57	\$205	\$76	\$290

The unamortized cost associated with unvested stock grants and the weighted-average period over which it is expected to be recognized as of December 31, 2022 was \$1,074,000 and 16 months, respectively. The fair value of restricted stock with time-based vesting features is based upon the Company's share price on the date of grant and is expensed over the service period. Fair value of performance grants that cliff vest based on the achievement of performance conditions is based on the share price of the Company's stock on the day of grant and is expensed over the performance period if it is probable that the award will vest. This fair value is expensed over the service period applicable to these grants. For performance grants that contain a range of shares from zero to maximum the Company determines, based on historic and projected results, the probability of (1) achieving the performance objective, and (2) the level of achievement. Based on this information, the Company determines the number of awards probable of vesting and expenses the grant date fair value of such awards over the service period related to these grants. Because the ultimate vesting of all performance grants is tied to the achievement of a performance condition, the Company estimates whether the performance condition will be met and over what period of time. Ultimately, the Company adjusts compensation cost according to the actual outcome of the performance condition. Under the Non-Employee Director Stock Incentive Plan, or NDSI Plan, each non-employee director, during the years presented, received his or her annual compensation in stock.

The following table summarizes stock compensation costs for the Company's 1998 Stock Incentive Plan, or the Employee 1998 Plan, and NDSI Plan for the following periods:

Employee 1998 Plan (\$ in thousands):	December 31, 2022	December 31, 2021	December 31, 2020
Expensed	\$ 2,281	\$ 3,742	\$ 4,060
Capitalized	335	460	1,135
	<u>2,616</u>	<u>4,202</u>	<u>5,195</u>
NDSI Plan	596	529	434
	<u>\$ 3,212</u>	<u>\$ 4,731</u>	<u>\$ 5,629</u>

## 12. INCOME TAXES

The Company accounts for income taxes using ASC 740, "Income Taxes" which is an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized differently in the financial statements and the tax returns. The provision for income taxes consists of the following at December 31:

(\$ in thousands)	2022	2021	2020
Total provision (benefit):	\$ 7,393	\$ 3,821	\$ 829
Federal:			
Current	3,330	1,960	(852)
Deferred	1,718	620	1,464
	<u>5,048</u>	<u>2,580</u>	<u>612</u>
State:			
Current	2,044	937	(21)
Deferred	301	304	238
	<u>2,345</u>	<u>1,241</u>	<u>217</u>
	<u>\$ 7,393</u>	<u>\$ 3,821</u>	<u>\$ 829</u>

In 2022, the Company's effective tax rate varies from the statutory federal rate primarily due to permanent differences related to Section 162(m) limitations and state taxes. The Section 162(m) compensation deduction limitations occurred as a result of changes in tax law arising from the 2017 Tax Cuts Jobs Act, which first impacted the Company in 2020. A reconciliation of the provision for income taxes, with the amount computed by applying the statutory Federal income tax rate of 21% in 2022, 2021 and 2020 is as follows for the years ended December 31:

(\$ in thousands)	2022	2021	2020
Income tax at statutory rate	\$ 4,869	\$ 1,924	\$ 17
State income taxes, net of Federal benefit	1,851	802	217
Excess stock compensation expense	(147)	34	365
Non-deductible compensation	1,008	539	357
Oil and mineral depletion	(147)	(108)	(101)
Refunds	—	—	(78)
Permanent differences	10	26	16
Stock compensation true-up	—	641	—
Other	(51)	(37)	36
Provision for income taxes	<u>\$ 7,393</u>	<u>\$ 3,821</u>	<u>\$ 829</u>
Effective tax rate	31.9 %	41.7 %	1,011.0 %

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities were as follows at December 31:

(\$ in thousands)	2022	2021
Deferred income tax assets:		
Accrued expenses	\$ 333	\$ 429
Deferred revenues	447	544
Capitalization of costs	1,280	1,390
Pension adjustment	1,940	2,342
Stock grant expense	1,364	2,046
State deferred taxes	555	194
Book deferred gains	2,127	2,297
Joint venture allocations	566	593
Provision for additional capitalized costs	699	699
Interest rate swap	335	921
Other	136	77
Total deferred income tax assets	\$ 9,782	\$ 11,532
Deferred income tax liabilities:		
Deferred gains	\$ 1,753	\$ 1,321
Depreciation	4,492	3,722
Cost of sales allocations	872	872
Joint venture allocations	6,900	6,367
Capitalized stock compensation	1,058	958
Straight line rent	348	412
Prepaid expenses	318	399
State deferred taxes	96	190
Interest rate swap	762	—
Other	363	189
Total deferred income tax liabilities	\$ 16,962	\$ 14,430
Net deferred income tax (liability)	\$ (7,180)	\$ (2,898)
Allowance for deferred tax assets	—	—
Net deferred taxes	\$ (7,180)	\$ (2,898)

Due to the nature of the Company's deferred tax assets, the Company believes they will be used through operations in future years and a valuation allowance is not necessary.

The Company made \$8,237,000 in estimated tax payments in 2022 and \$730,000 in 2021. The Company received tax refunds of \$1,410,000 and \$483,000 in 2022 and 2021, respectively.

The Company evaluates its tax positions for all income tax items based on their technical merits to determine whether each position satisfies the "more likely than not to be sustained upon examination" test. The tax benefits are then measured as the largest amount of benefit, determined on a cumulative basis, that is "more likely than not" to be realized upon ultimate settlement. As a result of this evaluation, the Company determined there were no uncertain tax positions that required recognition and measurement for the years ended December 31, 2022 and 2021 within the scope of ASC 740, "Income Taxes." Tax years from 2019 to 2021 and 2018 to 2021 remain available for examination by the Federal and California State taxing authorities, respectively.

### 13. LEASES

The Company is a lessor of certain property pursuant to various lease agreements having terms ranging up to 30 years. The Company generates rental income from right to use assets. The following is a summary of income from commercial rents included in commercial/industrial real estate revenues as of December 31:

(\$ in thousands)	2022		2021		2020	
Base rent	\$	6,893	\$	6,672	\$	6,471
Percentage rent	\$	918	\$	705	\$	949

Future minimum rental income on commercial, communication and right-of-way on non-cancelable leases as of December 31, 2022 (\$ in thousands):

2023	2024	2025	2026	2027	Thereafter
\$ 6,715	\$ 6,112	\$ 5,926	\$ 5,324	\$ 5,053	\$ 9,336

### 14. COMMITMENTS AND CONTINGENCIES

The Company's land is subject to water contracts of which \$12,730,000 is expected to be paid in 2023. These estimated water contract payments consist of SWP, contracts with Wheeler Ridge Maricopa Water Storage District, TCWD, Tulare Lake Basin Water Storage District, Dudley-Ridge Water Storage District and the Nickel water contract. The SWP contracts run through 2035 and the Nickel water contract runs through 2044, with an option to extend an additional 35 years. As discussed in Note 6 (Long-Term Water Assets), the Company purchased the assignment of a contract to purchase water in late 2013. The assigned water contract is with Nickel and obligates the Company to purchase 6,693 acre-feet of water annually through the term of the contract. The Company's contractual obligation for future water payments was \$277,653,000 as of December 31, 2022.

As of December 31, 2022, the Company has fulfilled its financial obligations to the Tejon Ranch Conservancy as prescribed in the Conservation Agreement that was entered into with five major environmental organizations in 2008.

The Company exited a consulting contract during the second quarter of 2014 related to the Grapevine Development and is obligated to pay an earned incentive fee at the time of successful receipt of litigated project entitlements and at a value measurement date five years after litigated entitlements have been achieved for Grapevine. The final amount of the incentive fees will not be finalized until the future payment dates. The Company believes that net savings from exiting the contract over this future time period will more than offset the incentive payment costs.

The Tejon Ranch Public Facilities Financing Authority, or TRPFFA, is a joint powers authority formed by Kern County and TCWD to finance public infrastructure within the Company's Kern County developments. For the development of TRCC, TRPFFA has created two Community Facilities Districts, or CFDs: the West CFD and the East CFD. The West CFD has placed liens on 420 acres of the Company's land to secure payment of special taxes related to \$19,540,000 of outstanding bond debt sold by TRPFFA for TRCC-West. The East CFD has placed liens on 1,931 acres of the Company's land to secure payments of special taxes related to \$72,055,000 of outstanding bond debt sold by TRPFFA for TRCC-East. At TRCC-West, the West CFD has no additional bond debt approved for issuance. At TRCC-East, the East CFD has approximately \$44,035,000 of additional bond debt authorized by TRPFFA that can be sold in the future.

In connection with the sale of bonds, there is a standby letter of credit for \$4,393,000 related to the issuance of East CFD bonds. The standby letter of credit is in place to provide additional credit enhancement and cover approximately two years' worth of interest on the outstanding bonds. This letter of credit will not be drawn upon unless the Company, as the largest landowner in the CFD, fails to make its property tax payments. The Company believes that the letter of credit will never be drawn upon. The letter of credit is for two years and will be renewed in two-year intervals as necessary. The annual cost related to the letter of credit is approximately \$10,000.

The Company is obligated, as a landowner in each CFD, to pay its share of the special taxes assessed each year. The secured lands include both the TRCC-West and TRCC-East developments. Proceeds from the sale of West CFD bonds went to reimburse the Company for public infrastructure costs related to the TRCC-West development. At December 31, 2022 there were no additional improvement funds remaining from West CFD bonds. There are \$9,763,557 of additional improvement funds remaining within the East CFD bonds for reimbursement of public infrastructure costs during future years. During 2022, the Company paid approximately \$2,899,000 in special taxes. As development continues to occur at TRCC, new owners of land and new lease tenants, through triple net leases, will bear an increasing portion of the assessed special tax. This amount could change in the future based on the amount of bonds outstanding and the amount of taxes paid by others. The assessment of each individual property sold or leased is not determinable at this time because it is based on the current tax rate and the assessed

value of the property at the time of sale or on its assessed value at the time it is leased to a third-party. Accordingly, the Company is not required to recognize an obligation at December 31, 2022.

### *Centennial*

On April 30, 2019, the Los Angeles County Board of Supervisors granted final entitlement approval for the Centennial project. On May 15, 2019, Climate Resolve filed an action in Los Angeles Superior Court (the Climate Resolve Action), pursuant to the California Environmental Quality Act, or CEQA, and the California Planning and Zoning Law, against the County of Los Angeles and the Los Angeles County Board of Supervisors (collectively, LA County) concerning LA County's granting of approvals for the Centennial project, including certification of the final environmental impact report and related findings (Centennial EIR); approval of associated general plan amendments; adoption of associated zoning; adoption of the Centennial Specific Plan; approval of a subdivision map for financing purposes; and adoption of a development agreement, among other approvals (collectively, the Centennial Approvals). Separately, on May 28, 2019, the Center for Biological Diversity (CBD) and the California Native Plant Society (CNPS) filed an action in Los Angeles County Superior Court (the CBD/CNPS Action) against LA County; like the Climate Resolve Action, the CBD/CNPS Action also challenges the Centennial Approvals. The Company, its wholly owned subsidiary Tejon Ranchcorp, and Centennial Founders, LLC are named as real parties-in-interest in both the Climate Resolve Action and the CBD/CNPS Action.

The Climate Resolve Action and the CBD/CNPS Action collectively allege that LA County failed to properly follow the procedures and requirements of CEQA and the California Planning and Zoning Law. The Climate Resolve Action and the CBD/CNPS Action have been deemed "related" and have been consolidated for adjudication before the judge presiding over the Climate Resolve Action. The Climate Resolve Action and CBD/CNPS Action seek to invalidate the Centennial Approvals and require LA County to revise the environmental documentation related to the Centennial project. The court held three consolidated hearings for the CBD/CNPS Action and Climate Resolve Action on September 30, 2020, November 13, 2020, and January 8, 2021.

On April 5, 2021 the court issued its decision denying the petition for writ of mandate by CBD/CNPS and granting the petition for writ of mandate filed by Climate Resolve. In granting Climate Resolve's petition, the court found three specific areas where the EIR for the project was lacking. The court ruled that California's Cap-and-Trade Program cannot be used as a compliance pathway for mitigating greenhouse gas (GHG) impacts for the project and therefore further ruled that additional analysis will be required related to all feasible mitigation of GHG impacts. The court also found that the EIR must provide additional analysis and explanation of how wildland fire risk on lands outside of the project site, posed by on-site ignition sources, is mitigated to less than significant. On April 19, 2021 CBD filed a motion for reconsideration with the court on the denial of their petition for writ of mandate to be granted prevailing party status in the Climate Resolve Action ("Motion for Reconsideration"). The hearing on the Motion for Reconsideration originally scheduled for August 13, 2021, was rescheduled to December 1, 2021.

On November 30, 2021, the Company together with Ranchcorp and Centennial, entered into a Settlement Agreement with Climate Resolve. Pursuant to the Settlement Agreement, the Company has agreed: (1) to make Centennial a net zero GHG emissions project through various on-site and off-site measures, including but not limited to installing electric vehicle chargers and establishing and funding incentive programs for the purchase of electric vehicles; (2) to fund certain on-site and off-site fire protection and prevention measures; and (3) to provide annual public reports and create an organization to monitor progress towards these commitments. The foregoing is only a summary of the material terms of the Settlement Agreement and does not purport to be a complete description of the rights and obligations of the parties thereunder and is qualified in its entirety by reference to the Settlement Agreement. In exchange, Climate Resolve filed a request for dismissal of the Climate Resolve Action with prejudice from the Los Angeles County Superior Court. On December 3, 2021, the Los Angeles Superior Court granted and entered Climate Resolve's dismissal with prejudice concluding the Climate Resolve Action. On December 1, 2021, the Los Angeles Superior Court continued CBD/CNPS Motion for Reconsideration to January 14, 2022, directing CBD/CNPS to evaluate the Settlement Agreement reached in the Climate Resolve Action to address issues surrounding remedies should CBD be granted prevailing party status in the Climate Resolve Action, and to evaluate the potential to settle or otherwise address CBD's objections to the Centennial project. To that end, the Company met and conferred twice on January 4, 2022 and January 20, 2022. On January 14, the Los Angeles County Superior Court heard CBD/CNPS Motion for Reconsideration and issued its decision granting CBD/CNPS prevailing party status in the Climate Resolve Action. The Los Angeles County Superior Court set a tentative hearing date of February 25, 2022 concerning the entry of final judgment and awarding of appropriate remedies. Upon mutual request of the parties and approval by the Court, the February 25, 2022 hearing date has been extended on four separate occasions, originally to March 30, 2022, and then again to May 13, 2022, July 1, 2022 and most recently to September 7, 2022. On September 7, 2022, the Parties appeared before the Court concerning the entry of final judgment and the setting of appropriate remedies. The Court upon hearing oral argument ordered the parties to continue to meet and confer for an additional 30 days and continued the September 7th hearing to October 7, 2022. On October 3, 2022, the Court issued an order on the Court's own continuance to further continue the October 7, 2022 hearing to October 21, 2022. Upon mutual request of the Parties and approval by the Court, the Parties extended the October 21, 2022 hearing date to October 26, 2022. At the October 26th hearing, the Court agreed to: (a) hear the Company's Motion for Reconsideration as to the successful challenges Climate Resolve prevailed upon within the Climate Resolve Action and ordered the Parties to appear on December 14, 2022 to hear the Company's Motion for Reconsideration and (b) rule on the entry of final judgment and

setting of remedies at a February 17, 2023 hearing date. At the December 14, 2022 hearing, the Court denied the Company's Motion for Reconsideration (finding that the Company's motion failed to support the statutory elements necessary to prevail on such motion). At the February 17, 2023 hearing, the Court took into submission the Parties' legal briefs and oral arguments and notified the Parties that a decision on entry of the final judgment would be soon forthcoming. Prior to and subsequent of final judgment being entered, appellate litigation may follow. To the extent there may be an adverse outcome of the claims still pending as described above, the monetary value cannot be estimated at this time.

*Proceedings Incidental to Business*

From time to time, the Company is involved in other proceedings incidental to its business, including actions relating to employee claims, real estate disputes, contractor disputes and grievance hearings before labor regulatory agencies.

The outcome of these other proceedings is not predictable. However, based on current circumstances, the Company does not believe that the ultimate resolution of these other proceedings will have a material adverse effect on the Company's financial position, results of operations or cash flows either individually or in the aggregate.

**15. RETIREMENT PLANS**

The Company sponsors a defined benefit retirement plan, or Benefit Plan, that covers eligible employees hired prior to February 1, 2007. The benefits are based on years of service and the employee's five-year final average salary. The accounting for the defined benefit plan requires the use of assumptions and estimates in order to calculate periodic benefit cost and the value of the plan's assets and benefit obligation. These assumptions include discount rates, investment returns, and projected salary increases, amongst others. The discount rates used in valuing the plan's benefits obligations were determined with reference to high quality corporate and government bonds that are appropriately matched to the duration of the plan's obligation.

Contributions are intended to provide for benefits attributable to service both to date and expected to be provided in the future. The Company funds the plan in accordance with the Employee Retirement Income Security Act of 1974, or ERISA. The Company in April 2017 froze the Benefit Plan as it relates to future benefit accruals for participants.

The following table sets forth changes in the plan's net benefit obligation and accumulated benefit information as of December 31:

(\$ in thousands)	2022	2021
<b>Change in benefit obligation - Pension</b>		
Benefit obligation at beginning of year	\$ 11,310	\$ 12,037
Interest cost	312	291
Actuarial (gain)/loss assumption changes	(2,780)	(722)
Benefits paid	(355)	(296)
Benefit obligation and accumulated benefit obligation at end of year	\$ 8,487	\$ 11,310
<b>Change in Plan Assets</b>		
Fair value of plan assets at beginning of year	\$ 11,125	\$ 10,435
Actual return on plan assets	(2,486)	821
Employer contribution	165	165
Benefits/expenses paid	(355)	(296)
Fair value of plan assets at end of year	\$ 8,449	\$ 11,125
<b>Funded status - liability</b>	\$ (38)	\$ (185)
<b>Amounts recorded in equity</b>		
Net actuarial loss	\$ 2,588	\$ 2,376
Total amount recorded	\$ 2,588	\$ 2,376
Amount recorded, net taxes	\$ 1,864	\$ 1,711

Other changes in plan assets and benefit obligations recognized in other comprehensive income include the following as of December 31:

(\$ in thousands)	2022		2021	
Net (gain) loss	\$	259	\$	(792)
Recognition of net actuarial loss		(47)		(74)
Total changes		212		(866)
Changes, net of taxes	\$	154	\$	(624)

The Company expects to recognize the following amounts as a component of net periodic pension costs during the next fiscal year:

Expected return on plan assets	\$	418
Interest cost		(416)
Amortization of net gain/(loss)		(67)
Net periodic pension benefit/(cost)	\$	(65)

At December 31, 2022 and 2021, the Company had a long-term pension liability. For 2023, the Company is estimating that contributions to the pension plan will be approximately \$165,000.

Based on actuarial estimates, it is expected that annual benefit payments from the pension trust will be as follows:

2023	2024	2025	2026	2027	Thereafter
\$ 341	\$ 373	\$ 466	\$ 498	\$ 495	\$ 2,732

Plan assets consist of equity, debt and short-term money market investment funds. The Benefit Plan's current investment policy changed during the third quarter of 2018. The new policy is an investment strategy in which the primary focus is to minimize the volatility of the funding ratio. This objective will result in a prescribed asset mix between "return seeking" assets (e.g. stocks) and a bond portfolio (e.g., long duration bonds) according to a pre-determined customized investment strategy based on the Plan's Funded Status as the primary input. This path will be used as a reference point as to the mix of assets, which by design will de-emphasize the return seeking portion as funded status improves. At December 31, 2022, the investment mix was approximately 21% equity, 78% debt, and 1% money market funds. At December 31, 2021, the investment mix was approximately 35% equity, 64% debt and 1% money market funds. Equity investments consist of a combination of individual equity securities plus value funds, growth funds, large cap funds and international stock funds. Debt investments consist of U.S. Treasury securities and investment grade corporate debt. The weighted-average discount rate used in determining the periodic pension cost is 5.00% in 2022 and 2.80% in 2021. The expected long-term rate of return on plan assets is 5.0% in 2022 and 7.3% in 2021. The long-term rate of return on plan assets is based on the historical returns within the plan and expectations for future returns. See the following table for fair value hierarchy by investment type at December 31:

(\$ in thousands)	Fair Value Hierarchy	2022	2021
<b>Pension Plan Assets:</b>			
Cash and Cash Equivalents	Level 1	\$ 113	\$ 102
Collective Funds	Level 2	8,336	11,023
Fair value of plan assets		\$ 8,449	\$ 11,125

Total pension and retirement expense was as follows for each of the years ended December 31:

(\$ in thousands)	2022	2021	2020
Cost components:			
Interest cost	\$ (312)	\$ (291)	\$ (338)
Expected return on plan assets	553	752	643
Net amortization and deferral	(47)	(74)	(68)
Total net periodic pension earnings/(cost)	\$ 194	\$ 387	\$ 237

The Company has a Supplemental Executive Retirement Plan, or SERP, to restore to executives designated by the Compensation Committee of the Board of Directors the full benefits under the pension plan that would otherwise be restricted by certain limitations now imposed under the Internal Revenue Code. The SERP is currently unfunded. The Company in April 2017 froze the SERP plan as it relates to the accrual of additional benefits.

The following SERP benefit information is as of December 31:

(\$ in thousands)	2022	2021
<b>Change in benefit obligation - SERP</b>		
Benefit obligation at beginning of year	\$ 7,847	\$ 8,419
Interest cost	182	163
Actuarial gain/assumption changes	(1,315)	(206)
Benefits paid	(528)	(529)
Benefit obligation and accumulated benefit obligation at end of year	6,186	7,847
<b>Funded status - liability</b>	<b>\$ (6,186)</b>	<b>\$ (7,847)</b>
(\$ in thousands)	2022	2021
<b>Amounts recorded in stockholders' equity</b>		
Net actuarial loss	\$ 1,263	\$ 2,693
Total amount recorded	\$ 1,263	\$ 2,693
Amount recorded, net taxes	\$ 910	\$ 1,939

Other changes in benefit obligations recognized in other comprehensive income for 2022 and 2021 included the following components:

(\$ in thousands)	2022	2021
Net (gain) loss	\$ (1,315)	\$ (206)
Recognition of net actuarial gain or (loss)	(115)	(125)
Total changes	\$ (1,430)	\$ (331)
Changes, net of taxes	\$ (1,029)	\$ (239)

The Company expects to recognize the following amounts as a component of net periodic pension costs during the next fiscal year (\$ in thousands):

Interest cost	\$ (291)
Amortization of net (gain)/loss	(40)
Net periodic pension earnings/(cost)	\$ (331)

Based on actuarial estimates, it is expected that annual SERP benefit payments will be as follows (\$ in thousands):

2023	2024	2025	2026	2027	Thereafter
\$ 515	\$ 492	\$ 567	\$ 559	\$ 549	\$ 2,549

The weighted-average discount rate used in determining the actuarial present value of projected benefits obligation was 4.90% for 2022 and 2.40% for 2021. Total pension and retirement expense was as follows for each of the years ended December 31:

(\$ in thousands)	2022	2021	2020
<b>Cost components:</b>			
Interest cost	\$ (182)	\$ (163)	\$ (229)
Net amortization and other	(114)	(125)	(86)
Total net periodic pension earnings/(cost)	\$ (296)	\$ (288)	\$ (315)

## 16. REPORTING SEGMENTS AND RELATED INFORMATION

The Company currently operates five reporting segments: commercial/industrial real estate development, resort/residential real estate development, mineral resources, farming, and ranch operations. For further details of the revenue components within each reporting segment, see Results of Operations by Segment in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Information pertaining to operating results of the Company's reporting segments are as follows for each of the years ended December 31:

(\$ in thousands)	2022	2021	2020
<b>Revenues</b>			
Real estate—commercial/industrial	\$ 40,515	\$ 19,476	\$ 9,536
Mineral resources	21,595	20,987	10,736
Farming	13,001	11,039	13,866
Ranch operations	4,106	4,111	3,692
Segment revenues	79,217	55,613	37,830
Equity in unconsolidated joint ventures, net	7,752	9,202	4,504
Gain on sale of real estate	—	—	1,331
Investment income	634	57	884
Total revenues and other income	87,603	64,872	44,549
<b>Segment Profits (Losses)</b>			
Real estate—commercial/industrial	24,159	7,523	2,414
Real estate—resort/residential	(1,629)	(1,723)	(1,612)
Mineral resources	8,626	7,428	4,322
Farming	(6,810)	(3,077)	(1,237)
Ranch operations	(918)	(568)	(1,204)
Segment profits <sup>(1)</sup>	23,428	9,583	2,683
Equity in unconsolidated joint ventures, net	7,752	9,202	4,504
Gain on sale of real estate	—	—	1,331
Investment income	634	57	884
Other income	1,088	164	110
Corporate expenses	(9,699)	(9,843)	(9,430)
Income from operations before income taxes	\$ 23,203	\$ 9,163	\$ 82

<sup>(1)</sup> Segment profits are revenues less operating expenses, excluding investment income and expense, corporate expenses, equity in earnings of unconsolidated joint ventures, and income taxes.

### *Real Estate - Commercial/Industrial*

Commercial revenue consists of land and building leases to tenants at the Company's commercial retail and industrial developments, base and percentage rents from the PEF power plant lease, communication tower rents, land sales, and payments from easement leases.

In 2022, this operating segment had the following land sales:

- The first sale comprised of a 27.88 acre land parcel contributed with a fair value of \$8,501,000 to TRC-MRC 5, LLC. The Company recognized revenues of \$5,489,000 and deferred profit of \$3,012,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.
- 58.0 acres of industrial land located at TRCC East to a major multinational corporation for \$22,000,000. The Company recognized land sales revenue of \$19,627,000 and deferred revenues of \$2,373,000 attributable to a performance obligation within the contract after applying the five-step revenue recognition model in accordance with ASC Topic 606 - Revenue From Contracts With Customers.

- 12.3 acres of industrial land located at TRCC West to a third party for \$4,680,000.

In 2021, the Company sold 17.1 acres of land to a third party for \$4,655,000. The Company recognized land sales revenue of \$4,355,000 and deferred \$300,000 attributable to a performance obligation within the contract after applying the five-step revenue recognition model in accordance with Accounting Standards Codification (ASC) Topic 606 - Revenue From Contracts With Customers.

In 2020, the Company sold building and land, previously belonging to this segment, that was previously operated by a fast food tenant to its joint venture, Petro Travel Plaza LLC. The Company received a cash distribution of \$2,000,000 from the joint venture, and realized a Gain on Sale of Real Estate of \$1,331,000.

The following table summarizes revenues, expenses and operating income from this segment for each of the years ended December 31:

(\$ in thousands)	2022	2021	2020
Commercial revenues	\$ 40,515	\$ 19,476	\$ 9,536
Equity in earnings of unconsolidated joint ventures	7,752	9,202	4,504
Commercial revenues and equity in earnings of unconsolidated joint ventures	\$ 48,267	\$ 28,678	\$ 14,040
Commercial expenses	16,356	11,953	7,122
Operating results from commercial and unconsolidated joint ventures	\$ 31,911	\$ 16,725	\$ 6,918

#### *Real Estate - Resort/Residential*

The resort/residential real estate development segment is actively involved in the land entitlement and development process internally and through joint venture entities. The segment produced losses of \$1,629,000, \$1,723,000, and \$1,612,000 during the years ended December 31, 2022, 2021, and 2020, respectively.

#### *Mineral Resources*

The mineral resources segment receives oil and mineral royalties from the exploration and development companies that extract or mine the natural resources from the Company's land along with revenue from water sales. The following table summarizes revenues, expenses and operating results from this segment for each of the years ended December 31:

(\$ in thousands)	2022	2021	2020
Mineral resources revenues	\$ 21,595	\$ 20,987	\$ 10,736
Mineral resources expenses	12,969	13,559	6,414
Operating results from mineral resources	\$ 8,626	\$ 7,428	\$ 4,322

#### *Farming*

The farming segment produces revenues from the sale of wine grapes, almonds, pistachios and hay. The following table summarizes revenues, expenses and operating results from this segment for each of the years ended December 31:

(\$ in thousands)	2022	2021	2020
Farming revenues	\$ 13,001	\$ 11,039	\$ 13,866
Farming expenses	19,811	14,116	15,103
Operating results from farming	\$ (6,810)	\$ (3,077)	\$ (1,237)

*Ranch Operations*

Ranch operations consists of game management revenues and ancillary land uses such as grazing leases and filming. The following table summarizes revenues, expenses and operating results from this segment for each of the years ended December 31:

(\$ in thousands)	2022	2021	2020
Ranch operations revenues	\$ 4,106	\$ 4,111	\$ 3,692
Ranch operations expenses	5,024	4,679	4,896
Operating results from ranch operations	\$ (918)	\$ (568)	\$ (1,204)

Information pertaining to assets of the Company's reporting segments is as follows for each of the years ended December 31:

(\$ in thousands)		Identifiable Assets	Depreciation and Amortization	Capital Expenditures
	2022			
Real estate - commercial/industrial		\$ 74,292	\$ 455	\$ 8,933
Real estate - resort/residential		312,956	30	7,253
Mineral resources		48,780	1,366	—
Farming		45,814	1,937	5,915
Ranch operations		1,945	439	305
Corporate		83,004	401	196
Total		<u>\$ 566,791</u>	<u>\$ 4,628</u>	<u>\$ 22,602</u>
	2021			
Real estate - commercial/industrial		\$ 82,397	\$ 463	\$ 4,906
Real estate - resort/residential		305,818	31	8,064
Mineral resources		52,440	1,368	—
Farming		47,160	1,789	7,416
Ranch operations		2,079	455	306
Corporate		56,142	488	187
Total		<u>\$ 546,036</u>	<u>\$ 4,594</u>	<u>\$ 20,879</u>
	2020			
Real estate - commercial/industrial		\$ 73,317	\$ 486	\$ 7,128
Real estate - resort/residential		297,052	39	9,764
Mineral resources		57,797	1,384	25
Farming		38,090	1,989	5,145
Ranch operations		2,442	482	91
Corporate		67,651	558	106
Total		<u>\$ 536,349</u>	<u>\$ 4,938</u>	<u>\$ 22,259</u>

Identifiable assets by segment include both assets directly identified with those operations and an allocable share of jointly used assets. Corporate assets consist primarily of cash and cash equivalents, marketable securities, deferred income taxes, and land and buildings. Land is valued at cost for acquisitions since 1936. Land acquired in 1936, upon organization of the Company, is stated on the basis carried by the Company's predecessor.

## 17. INVESTMENT IN UNCONSOLIDATED AND CONSOLIDATED JOINT VENTURES

The Company maintains investments in joint ventures. The Company accounts for its investments in unconsolidated joint ventures using the equity method of accounting unless the venture is a variable interest entity, or VIE, and meets the requirements for consolidation. The Company's investment in its unconsolidated joint ventures at December 31, 2022 was \$41,891,000. The equity in the income of the unconsolidated joint ventures was \$7,752,000 for the twelve months ended December 31, 2022. The unconsolidated joint ventures have not been consolidated as of December 31, 2022, because the Company does not control the investments. The Company's current joint ventures are as follows:

- Petro Travel Plaza Holdings LLC – TA/Petro is an unconsolidated joint venture with TravelCenters of America Inc. for the development and management of travel plazas and convenience stores. The Company has 50% voting rights and shares 60% of profit and losses in this joint venture. It houses multiple commercial eating establishments as well as diesel and gasoline operations in TRCC. The Company does not control the investment due to it having only 50% voting rights, and because the partner in the joint venture is the managing partner and performs all of the day-to-day operations and has significant decision-making authority regarding key business components such as fuel inventory and pricing at the facility. At December 31, 2022, the Company had an equity investment balance of \$25,441,000 in this joint venture.
  - On April 17, 2020, the Company sold the land and a building formerly leased to a tenant operating a fast food restaurant, to Petro. The Company received cash proceeds of \$2,000,000 from Petro, and realized a gain of \$1,331,000 under ASC 610-20, "Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets."

- Majestic Realty Co. – Majestic Realty Co., or Majestic, is a privately-held developer and owner of master planned business parks in the United States. The Company partnered with Majestic to form five 50/50 joint ventures to acquire, develop, manage, and operate industrial real estate at TRCC. The partners have equal voting rights and equally share in the profit and loss of the joint venture. The Company and Majestic guarantee the performance of all outstanding debt. At December 31, 2022, the Company's investment in these joint ventures was \$9,171,000, which includes an outside basis.
  - On March 29, 2022, TRC-MRC 5 LLC was formed to pursue the development, construction, lease-up, and management of an approximately 446,400 square foot industrial building located within TRCC-East. The construction will be financed by a \$49,226,000 construction loan, as of December 31, 2022 no loan draws were made against this loan. The construction loan is individually and collectively guaranteed by the Company and Majestic. In December 2022, the Company contributed land with fair value of \$8,501,000 to TRC-MRC5, LLC. The total cost of the land was \$2,477,000. The Company recognized profit of \$3,012,000 and deferred profit of \$3,012,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 - Revenue From Contracts With Customers and ASC Topic 323, Investments - Equity Method and Joint Ventures.
  - In February 2022, we formed TRC-MRC Multi I, LLC, to pursue the development, construction, lease-up, and management of 495 multi-family rental units located within TRCC-East. As of December 31, 2022, the Company controlled the joint venture and has consolidated its assets within the Consolidated Balance Sheet. On January 26, 2023, the Company and Majestic entered into a Membership Interest Purchase Agreement, formalizing the purchase of Majestic's interest in this joint venture for \$175,000. The project is currently in its final planning and design phases.
  - On March 25, 2021, TRC-MRC 4 LLC was formed to pursue the development, construction, lease-up, and management of a 629,274 square foot industrial building located within TRCC-East. The construction was completed in the fourth quarter of 2022, and the Company has leased 100% of the rentable space. Construction was financed by a \$47,500,000 construction loan that had an outstanding balance of \$40,130,000 as of December 31, 2022. The construction loan is individually and collectively guaranteed by the Company and Majestic. In June 2021, the Company contributed land with a fair value of \$8,464,000 to TRC-MRC 4, LLC. The total cost of the land was \$2,895,000. The Company recognized profit of \$2,785,000 and deferred profit of \$2,785,000 after applying the five-step revenue recognition model in accordance with ASC Topic 606 — Revenue From Contracts With Customers and ASC Topic 323, Investments — Equity Method and Joint Ventures.
  - In November 2018, TRC-MRC 3, LLC was formed to pursue the development, construction, leasing, and management of a 579,040 square foot industrial building on the Company's property at TRCC-East. TRC-MRC 3, LLC qualified as a VIE from inception, but the Company is not the primary beneficiary therefore does not consolidate TRC-MRC 3, LLC in its financial statements. The construction of the building was completed in the fourth quarter of 2019, and the Company has leased 100% of the rentable space to two tenants. In March 2019, the joint venture entered into a promissory note with a financial institution to finance the construction of the building. The note matures on May 1, 2030 and had an outstanding principal balance of \$34,494,000 as of December 31, 2022. On April 1, 2019, the Company contributed land with a fair value of \$5,854,000 to TRC-MRC 3, LLC in accordance with the limited liability agreement. The Company's investment in this joint venture was \$386,000 as of December 31, 2022.
  - In August 2016, the Company partnered with Majestic to form TRC-MRC 2, LLC to acquire, lease, and maintain a fully occupied warehouse at TRCC-West. The partnership acquired the 651,909 square foot building for \$24,773,000 and was largely financed through a promissory note guaranteed by both partners. The promissory note was refinanced on June 1, 2018 with a \$25,240,000 promissory note. The note matures on July 1, 2028, and currently has an outstanding principal balance of \$22,612,000. Since inception, the Company has received excess distributions resulting in a deficit balance of \$2,396,000. In accordance with the applicable accounting guidance, these excess distributions are reclassified to the liabilities section of the consolidated balance sheet. The Company will continue to record its equity in the net income as a debit to the investment account, and if it becomes positive, it will again be shown as an asset on the consolidated balance sheet. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), the Company will recognize any balance classified as a liability as income.

- In September 2016, TRC-MRC 1, LLC was formed to develop and operate an approximately 480,480 square foot industrial building at TRCC-East. The joint venture completed construction of the building during the third quarter of 2017. Since inception of the joint venture, the Company has received excess distributions resulting in a deficit balance of \$1,752,000. In accordance with the applicable accounting guidance, these excess distributions are reclassified to the liabilities section of the consolidated balance sheet. The Company will continue to record its equity in the net income as a debit to the investment account, and if it becomes positive, it will again be shown as an asset on the consolidated balance sheet. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), the Company will recognize any balance classified as a liability as income. The joint venture refinanced its construction loan in December 2018 with a mortgage loan. The original principal balance of the mortgage loan was \$25,030,000, of which \$22,787,000 was outstanding at December 31, 2022.
- Rockefeller Joint Ventures – The Company has one joint venture with Rockefeller Group Development Corporation or Rockefeller as of December 31, 2022. At December 31, 2022, the Company’s combined equity investment balance in this joint venture was \$7,279,000.
  - The Company was formerly a member of the 18-19 West LLC joint venture. In November 2021, 18-19 West LLC sold its land to a third-party for \$15,213,000. The cash proceeds from the sale were distributed to its partners in the first quarter of 2022. This joint venture was dissolved as of December 31, 2022.
  - The only remaining joint venture the Company currently has with Rockefeller is the TRCC/Rock Outlet Center LLC, which was formed in 2013 to develop, own, and manage a net leasable 326,000 square foot outlet center on land at TRCC-East. The Company controls 50% of the voting interests of TRCC/Rock Outlet Center LLC; thus, it does not control by voting interest alone. The Company is the named managing member. The managing member's responsibilities relate to the routine day-to-day activities of TRCC/Rock Outlet Center LLC. However, all operating decisions during the development period and ongoing operations, including the setting and monitoring of the budget, leasing, marketing, financing and selection of the contractor for any construction, are jointly made by both members of the joint venture. Therefore, the Company concluded that both members have significant participating rights that are sufficient to overcome the presumption of the Company controlling the joint venture through it being named the managing member. Therefore, the investment in TRCC/Rock Outlet Center LLC is being accounted for under the equity method. On September 7, 2021, the TRCC/Rock Outlet Center LLC joint venture successfully extended the maturity date of its term note with a financial institution from September 5, 2021 to May 31, 2024. In connection with the loan extension, the joint venture also reduced the outstanding amount by \$4,600,000. As of December 31, 2022, the outstanding balance of the term note was \$27,707,000. The Company and Rockefeller guarantee the performance of the debt.
- Centennial Founders, LLC – Centennial Founders, LLC, or CFL, is a joint venture with TRI Pointe Homes to pursue the entitlement and development of land that the Company owns in Los Angeles County. At December 31, 2022, the Company owned 93.27% of CFL.

The Company’s investment balance in its unconsolidated joint ventures differs from its respective capital accounts in the respective joint ventures. The differential represents the difference between the cost basis of assets contributed by the Company and the agreed upon contribution value of the assets contributed.

Condensed balance sheet information and statement of operations of the Company's unconsolidated joint ventures are as follows:

**Balance Sheet Information as of December 31:**

	Joint Venture						TRC	
	Assets		Borrowings		Equity (Deficit)		Investment In	
	2022	2021	2022	2021	2022	2021	2022	2021
Petro Travel Plaza Holdings LLC	\$ 84,225	\$ 78,064	\$ (13,318)	\$ (14,848)	\$ 63,069	\$ 58,859	\$ 25,441	\$ 22,915
18-19 West, LLC <sup>1</sup>	—	14,965	—	—	—	14,895	—	6,877
TRCC/Rock Outlet Center, LLC	59,196	61,927	(27,707)	(28,783)	30,684	32,323	7,279	8,098
TRC-MRC 1, LLC	24,085	24,964	(22,787)	(23,400)	1,042	1,209	—	—
TRC-MRC 2, LLC	18,398	20,497	(22,612)	(23,255)	(3,939)	(5,657)	—	—
TRC-MRC 3, LLC	36,608	37,579	(34,494)	(35,324)	2,690	(914)	386	859
TRC-MRC 4, LLC	50,497	25,671	(40,130)	(16,307)	8,974	9,319	4,485	4,669
TRC-MRC 5, LLC	8,602	—	—	—	—	—	4,300	—
<b>Total</b>	<b>\$ 281,611</b>	<b>\$ 263,667</b>	<b>\$ (161,048)</b>	<b>\$ (141,917)</b>	<b>\$ 102,520</b>	<b>\$ 110,034</b>	<b>\$ 41,891</b>	<b>\$ 43,418</b>
Centennial Founders, LLC	\$ 102,984	\$ 101,178	\$ —	\$ —	\$ 102,689	\$ 100,261	Consolidated	

<sup>1</sup>Comprised of cash received from sale of land.

**Condensed Statement of Operations Information as of December 31:**

	Joint Venture						TRC		
	Revenues		Earnings (Loss)			Equity in Earnings (Loss)			
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Petro Travel Plaza Holdings LLC	\$ 182,335	\$ 137,090	\$ 86,331	\$ 14,210	\$ 8,262	\$ 9,536	\$ 8,526	\$ 4,957	\$ 5,722
Five West Parcel, LLC	—	—	—	—	—	(6)	—	—	(2)
18-19 West, LLC	—	15,472	6	(63)	10,411	(136)	(31)	5,206	(68)
TRCC/Rock Outlet Center, LLC <sup>1</sup>	6,065	5,642	5,495	(3,139)	(2,885)	(4,180)	(1,569)	(1,443)	(2,090)
TRC-MRC 1, LLC	3,269	3,237	3,123	43	(15)	129	21	(7)	64
TRC-MRC 2, LLC	4,085	4,024	4,087	1,384	1,268	1,357	692	634	678
TRC-MRC 3, LLC	4,125	3,729	4,032	594	(288)	399	297	(144)	200
TRC-MRC 4, LLC	595	—	—	(367)	(1)	—	(184)	(1)	—
	<b>\$ 200,474</b>	<b>\$ 169,194</b>	<b>\$ 103,074</b>	<b>\$ 12,662</b>	<b>\$ 16,752</b>	<b>\$ 7,099</b>	<b>\$ 7,752</b>	<b>\$ 9,202</b>	<b>\$ 4,504</b>
Centennial Founders, LLC	\$ 594	\$ 409	\$ 419	\$ 28	\$ (80)	\$ (103)	Consolidated		

(1) Revenues for TRCC/Rock Outlet Center are presented net of non-cash tenant allowance amortization of \$1.2 million, \$1.2 million and \$1.3 million for the years ended December 31, 2022, 2021 and 2020, respectively.

## **18. RELATED PARTY TRANSACTIONS**

TCWD is a not-for-profit governmental entity, organized on December 28, 1965, pursuant to Division 13 of the Water Code, State of California. TCWD is a landowner voting district, which requires an elector, or voter, to be an owner of land located within the district. TCWD was organized to provide the water needs for future municipal and industrial development. The Company is the largest landowner and taxpayer within TCWD. The Company has a water service contract with TCWD that entitles it to receive all of TCWD's State Water Project entitlement and all of TCWD's banked water. TCWD is also entitled to make assessments of all taxpayers within the district, to the extent funds are required to cover expenses and to charge water users within the district for the use of water. From time to time, the Company transacts with TCWD in the ordinary course of business.

The Company has water contracts with WRMWSO for SWP water deliveries to its agricultural and municipal/industrial operations in the San Joaquin Valley. The terms of these contracts extend to 2035. Under the contracts, the Company is entitled to annual water for 5,496 acres of land, or 5,749 acre-feet of water subject to SWP allocations. In December 2019, the Company's Executive Vice President and Chief Operating Officer became one of nine directors at WRMWSO. As of December 31, 2022 and December 31, 2021, the Company paid \$5,992,000 and \$6,223,000 for these water contracts and related costs, respectively.

## DESCRIPTION OF CAPITAL STOCK

The following is a summary of the material terms of our capital stock, including our restated certificate of incorporation, as amended, and amended and restated bylaws. You are strongly encouraged, however, to read our restated certificate of incorporation, as amended, amended and restated bylaws and any other relevant agreements, each of which is filed or will be filed as an exhibit to the registration statement of which this prospectus is a part. Additionally, copies of these documents are available from us upon request. Please also refer to “Where You Can Find More Information” to find out where copies of these documents may be obtained.

### General

Our authorized capital stock consists of 5,000,000 shares of preferred stock, of which no shares are outstanding, and 50,000,000 shares of common stock, of which 26,479,917 shares were outstanding on May 2, 2022, held by 279 holders of record.

### Common Stock

The holders of common stock vote cumulatively when electing directors and are entitled to one vote per share on all other matters. The board of directors presently consists of three classes of directors based on when their terms expire. Each class is elected every three years to a three-year term. Because only a portion of the total number of directors is elected each year, a greater number of shares is required to ensure the ability to elect a specific number of directors using cumulative voting than would be required if the entire Board were elected each year. However, pursuant to the terms of our restated certificate of incorporation, as amended, the Board of Directors is currently in the process of being declassified such that, beginning with the Company’s 2023 Annual Meeting of Stockholders, all directors will be elected for a one-year term expiring at the next annual meeting.

Holders of common stock are entitled to receive ratably such dividends as may be declared by the board of directors out of funds legally available therefore. In the event of liquidation, dissolution or winding up of the Company holders of common stock are entitled to share ratably in all assets remaining after payment of liabilities and satisfaction of any preferential rights of the holders of the preferred stock. Holders of common stock have no preemptive, subscription or conversion rights. There are no redemption or sinking fund provisions, and there is no liability for further calls or assessments by the Company.

### Preferred Stock

The Board has the authority, without any further action by stockholders, to issue 5,000,000 shares of preferred stock in one or more series with dividend rights, conversion rights, voting rights, redemption terms, liquidation preferences and other rights or preferences that could be senior to those of holders of common stock. There are no shares of preferred stock outstanding.

### Anti-Takeover Provisions

We are subject to Section 203 of the Delaware General Corporation Law, or DGCL. Subject to certain exceptions, Section 203 prevents a publicly held Delaware corporation from engaging in a “business combination” with any “interested stockholder” for a period of three years following the date that the person became an interested stockholder, unless the interested stockholder attained such status with the approval of our board of directors or unless the business combination is approved in a prescribed manner. A “business combination” includes, among other things, a merger or consolidation involving us, and the interested stockholder and the sale of more than 10% of our assets. In general, an “interested stockholder” is any entity or person beneficially owning 15% or more of our outstanding voting stock and any entity or person affiliated with or controlling or controlled by such entity or person. The restrictions contained in Section 203 are not applicable to any of our existing stockholders.

In addition, provisions of our restated certificate of incorporation, as amended, and our amended and restated bylaws, may have the effect of discouraging persons from pursuing non-negotiated takeover attempts.

These provisions include:

- a classified board of directors, but only through the 2023 Annual Meeting of Stockholders;
- a requirement that directors may only be removed for cause and only by an affirmative vote of the holders of a majority of the Company’s voting stock, except that, pursuant to the terms our restated certificate of incorporation, as amended, the requirement that directors may only be removed for cause shall fall away immediately following the 2023 annual meeting of stockholders; and
- the inability of stockholders to call special meetings and to act without a meeting.

Subject to the exceptions set forth below, certain business combinations involving a “Related Person” require the approval of the holders of at least 80% of the outstanding shares entitled to vote generally in the election of directors (which we refer to as “voting

shares”) and the approval of the holders of a majority of the voting shares not owned beneficially by the Related Person. The 80% voting requirement does not apply if:

- the terms of the business combination meet certain fairness standards set forth in our restated certificate of incorporation;
- the business combination is approved by the holders of a majority of the voting shares not owned beneficially by the Related Person; and
- all other affirmative voting requirements imposed by applicable law or our restated certificate of incorporation are met.

Alternatively, the business combination can be approved by a majority of the “Continuing Directors” and such other vote as may be required by law or by our restated certificate of incorporation.

“Related Person” means any person, entity or group that beneficially owns five percent or more of the outstanding voting stock (subject to certain exceptions) and affiliates and associates of any such person, entity or group.

“Continuing Director” means, as to any Related Person:

- a member of the board of directors who was a director of our company’s predecessor prior to June 9, 1987 or thereafter became a director of our company prior to the time the Related Person became a Related Person; and
- any successor of such a director who is recommended by a majority of such directors then on the Board.

However, to be a Continuing Director as to any Related Person, the director must not be the Related Person or an affiliate of the Related Person.

## LIST OF SUBSIDIARIES OF REGISTRANT

### EXHIBIT 21

(21) Subsidiaries of Registrant

A. Registrant: Tejon Ranch Co.

B. Subsidiaries of Registrant

- a. Tejon Ranchcorp, 100% owned by Registrant.
- b. Laval Agricultural Company, formerly Tejon Farming Company.
- c. Tejon Ranch Feedlot, Inc.
- d. White Wolf Corporation.
- e. Tejon Development Corporation.
- f. Tejon Industrial Corp.
- g. Tejon Energy LLC.
- h. Centennial Founders LLC, Delaware limited liability company, 93.27% owned by Tejon Ranchcorp.
- i. Tejon Mountain Village, LLC., Delaware limited liability company.
- j. Tejon Ranch Wine Company, LLC.
- k. TRCC - West One, LLC.

C. Each of the aforesaid subsidiaries is included in Registrant's Consolidated Financial Statements, set forth in answer to Item 15(a)(1) hereof.

D. Each of the aforesaid subsidiaries (a) is a corporation unless otherwise stated, (b) was organized and incorporated or filed under the laws of the State of California unless otherwise stated, and (c) has 100% of its common stock (if a corporation) or membership interest (if a limited liability company) owned by Tejon Ranchcorp unless otherwise stated.

E. Each of the aforesaid subsidiaries does business under its name, as shown. Registrant also does business under the name Tejon Ranch Company. Tejon Ranchcorp also does business under the names Tejon Ranch Company, Tejon Ranch, Grapevine Center, Grapevine Press, High Desert Hunt Club and Laval Farms. Laval Agricultural Company does business also under the names Laval Farms and Tejon Ranch. Tejon Industrial Corp. also does business under the name Tejon Ranch Commerce Center and Tejon Industrial Complex.

## EXHIBIT 23.1

### Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-8 No. 333-210500) relating to the Amended and Restated 1998 Stock Incentive Plan and Amended and Restated Non-Employee Director Stock Incentive Plan of Tejon Ranch Co.,
- (2) Registration Statement (Form S-8 No. 333-152804) relating to the Amended and Restated 1998 Stock Incentive Plan of Tejon Ranch Co.,
- (3) Registration Statement (Form S-8 No. 333-68869) relating to the 1998 Stock Incentive Plan and Non-Employee Director Stock Incentive Plan of Tejon Ranch Co.,
- (4) Registration Statement (Form S-8 No. 333-70128) relating to the 1998 Stock Incentive Plan of Tejon Ranch Co.,
- (5) Registration Statement (Form S-8 No. 333-113887) relating to the Tejon Ranch Nonqualified Deferred Compensation Plan of Tejon Ranch Co., and
- (6) Registration Statement (Form S-3 No. 333-264642) of Tejon Ranch Co.

of our reports dated March 8, 2023, relating to the financial statements of Tejon Ranch Co. and subsidiaries and the effectiveness Tejon Ranch Co. and subsidiaries' internal control over financial reporting appearing in this Annual Report on Form 10-K for the year ended December 31, 2022.

/s/ DELOITTE & TOUCHE LLP

Los Angeles, California  
March 8, 2023

**EXHIBIT 23.2**

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in these Registration Statements on Form S-8 (Nos. 333-210500, 333-152804, 333-68869, 333-70128, 333-113887) and the Registration Statement and related Prospectus on Form S-3 (No. 333-264642) of Tejon Ranch Co. of our report dated March 2, 2022, relating to the consolidated financial statements of Petro Travel Plaza Holdings LLC, appearing in this Annual Report on Form 10-K of Tejon Ranch Co. for the year ended December 31, 2022.

/s/ RSM US LLP

Cleveland, Ohio  
March 7, 2023

**EXHIBIT 31.1**

**Certification of Chief Executive Officer Pursuant to  
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)  
as Adopted Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Gregory S. Bielli, certify that:

1. I have reviewed this annual report on Form 10-K of Tejon Ranch Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 8, 2023

/s/ Gregory S. Bielli

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Gregory S. Bielli  
Chief Executive Officer

**EXHIBIT 31.2**

**Certification of Chief Financial Officer Pursuant to  
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)  
as Adopted Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Allen E. Lyda, certify that:

1. I have reviewed this annual report on Form 10-K of Tejon Ranch Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 8, 2023

/s/ Allen E. Lyda

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Allen E. Lyda  
Chief Financial Officer

**EXHIBIT 31.3**

**Certification of Chief Accounting Officer Pursuant to  
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)  
as Adopted Pursuant to  
Section 302 of the Sarbanes-Oxley Act of 2002**

I, Robert D. Velasquez, certify that:

1. I have reviewed this annual report on Form 10-K of Tejon Ranch Co.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 8, 2023

/s/ Robert D. Velasquez

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Robert D. Velasquez  
Chief Accounting Officer

**EXHIBIT 32**

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

Each of the undersigned hereby certifies, in his capacity as an officer of Tejon Ranch Co. (the "Company"), for purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his own knowledge:

- The Annual Report of the Company on Form 10-K for the period ended December 31, 2022 fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and
- The information contained in such report fairly presents, in all material respects, the financial condition and results of operation of the Company.

A signed original of this written statement required by Section 906 has been provided to Tejon Ranch Co. and will be retained by Tejon Ranch Co., and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: March 8, 2023

/s/ Gregory S. Bielli

Gregory S. Bielli  
Chief Executive Officer

/s/ Allen E. Lyda

Allen E. Lyda  
Chief Financial Officer

/s/ Robert D. Velasquez

Robert D. Velasquez  
Chief Accounting Officer

# **Petro Travel Plaza Holdings LLC**

## **Consolidated Financial Statements**

**As of December 31, 2022 and, 2021 and for the years ended December 31, 2022,  
2021 and 2020**

## **Report of Independent Registered Public Accounting Firm**

To the Members of  
Petro Travel Plaza Holdings LLC

### **Opinion**

We have audited the consolidated financial statements of Petro Travel Plaza Holdings LLC and subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of income, cash flows, and changes in members' capital for the year then ended, and the related notes to the consolidated financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

/s/ Deloitte & Touche LLP

Cleveland, Ohio  
March 7, 2023

We have served as the Company's auditor since 2022.

## **Report of Independent Registered Public Accounting Firm**

To the Members of  
Petro Travel Plaza Holdings LLC

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Petro Travel Plaza Holdings LLC (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, cash flows, and changes in members' capital for each of the two years in the period ended December 31, 2021, and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ RSM US LLP

We served as the Company's auditor from 2015 to 2022.

Cleveland, Ohio  
March 2, 2022

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	December 31,	
	2022	2021
<b>Assets</b>		
Current assets:		
Cash	\$ 17,873	\$ 13,531
Inventory	3,039	2,581
Due from affiliate, net	1,244	711
Other current assets	273	311
Total current assets	22,429	17,200
Property and equipment, net	61,091	60,581
Other noncurrent assets	374	271
Total assets	\$ 83,894	\$ 78,000
<b>Liabilities and Members' Capital</b>		
Current liabilities:		
Accrued expenses and other current liabilities	\$ 3,134	\$ 3,641
Total current liabilities	3,134	3,641
Long term debt, net	13,318	14,081
Other noncurrent liabilities	4,373	1,471
Total liabilities	20,825	19,200
Members' capital	63,069	58,800
Total liabilities and members' capital	\$ 83,894	\$ 78,000

The accompanying notes are an integral part of these consolidated financial statements.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
<b>Revenues:</b>			
Fuel	\$ 138,293	\$ 98,974	\$ 58,271
Nonfuel	44,042	38,116	28,000
Total revenues	<u>182,335</u>	<u>137,090</u>	<u>86,331</u>
<b>Costs and expenses:</b>			
Fuel product cost	120,307	86,350	43,981
Nonfuel product cost	16,876	14,477	10,800
Site level operating expense	27,456	24,902	19,000
Depreciation and amortization expense	2,925	2,785	2,500
Gain on sale of assets, net	(1)	(5)	-
Total costs and expenses	<u>167,563</u>	<u>128,509</u>	<u>76,481</u>
Operating income	14,772	8,581	9,900
Interest expense, net	562	319	319
Net income	<u>\$ 14,210</u>	<u>\$ 8,262</u>	<u>\$ 9,581</u>

The accompanying notes are an integral part of these consolidated financial statements.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Year Ended December 31,		
	2022	2021	2020
<b>Cash flows from operating activities:</b>			
Net income	\$ 14,210	\$ 8,262	\$ 9,550
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	2,925	2,785	2,500
Gain on sale of assets, net	(1)	(5)	-
Debt issuance cost amortization	4	4	-
(Decrease) increase from changes in:			
Inventory	(454)	(352)	17
Other current assets	97	(178)	(5)
Due from affiliate, net	(527)	523	3,300
Accounts payable and other liabilities	(639)	807	20
Noncurrent liabilities	2,790	702	(13)
Other, net	(2)	20	(16)
Net cash provided by operating activities	<u>18,403</u>	<u>12,568</u>	<u>15,500</u>
<b>Cash flows from investing activities:</b>			
Purchases of property and equipment	(3,272)	(505)	(6,800)
Net cash used in investing activities	<u>(3,272)</u>	<u>(505)</u>	<u>(6,800)</u>
<b>Cash flows from financing activities:</b>			
Distributions to members	(10,000)	(9,000)	(10,000)
Payments on term loan	(767)	(447)	-
Other, net	(21)	—	-
Net cash used in financing activities	<u>(10,788)</u>	<u>(9,447)</u>	<u>(10,000)</u>
Net increase (decrease) in cash	4,343	2,616	(1,300)
Cash, beginning of period	13,530	10,914	12,200
Cash, end of period	<u>\$ 17,873</u>	<u>\$ 13,530</u>	<u>\$ 10,900</u>
<b>Supplemental cash flow information:</b>			
Interest paid during the period	\$ 543	\$ 322	\$ 300

The accompanying notes are an integral part of these consolidated financial statements.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' CAPITAL**  
(in thousands)

	<b>Members' Capital</b>
<b>Balance, December 31, 2019</b>	\$ 60,00
Net income	9,50
Distributions to members	(10,00)
<b>Balance, December 31, 2020</b>	59,50
Net income	8,20
Distributions to members	(9,00)
<b>Balance, December 31, 2021</b>	58,80
Net income	14,20
Distributions to members	(10,00)
<b>Balance, December 31, 2022</b>	\$ 63,00

The accompanying notes are an integral part of these consolidated financial statements.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands)

**(1) Summary of Significant Accounting Policies**

***General Information and Basis of Presentation***

Petro Travel Plaza Holdings LLC (the "Company"), a Delaware limited liability company, was formed on October 8, 2008, by Tejon Development Corporation, a California corporation ("Tejon"), and TA Operating LLC, a Delaware limited liability company ("TA") and wholly-owned subsidiary of TravelCenters of America Inc. ("TA Inc."). The Company has two wholly-owned subsidiaries: Petro Travel Plaza LLC ("PTP") and East Travel Plaza LLC ("ETP"), each of which is a California limited liability company. The Company's Limited Liability Company Operating Agreement, as amended, ("the Operating Agreement") limits each members' liability to the fullest extent permitted by law. Pursuant to the terms of the Operating Agreement, TA manages the Company's operations and is responsible for the administrative, accounting and tax functions of the Company.

As of December 31, 2022, the Company has two travel centers, three convenience stores with retail gasoline stations and one standalone restaurant in Southern California, which we refer to collectively as the locations. One travel center and two convenience stores, owned by PTP, operate under the Petro brand and Goasis brand, respectively, and one travel center and one convenience store owned by ETP, operate under the TravelCenters of America brand and Goasis brand, respectively. The one standalone restaurant, owned by ETP, operates under the Black Bear Diner brand. The travel centers offer a broad range of products and services, including diesel fuel and gasoline, as well as nonfuel products and services such as truck repair and maintenance services, full service restaurants, quick service restaurants ("QSRs") and various customer amenities, such as showers, weigh scales, a truck wash and laundry facilities. The convenience stores offer gasoline as well as a variety of nonfuel products and services, including coffee, groceries, fresh foods, and, in one store, a QSR.

The members and their interests in the Company are as follows:

**Members**

Tejon	60.0 %
TA	40.0 %

In any fiscal year, the Company's profits or losses and distributions, if any, shall be allocated 60.0% to Tejon and 40.0% to TA pursuant to the terms of the Operating Agreement.

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, PTP and ETP, after eliminating intercompany transactions, profits and balances. The preparation of financial statements in conformity with U.S. generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Many of the restrictions that had been imposed in the United States during the COVID-19 pandemic have since been lifted and commercial activity in the United States generally has increasingly returned to pre-pandemic practices and operations. To date, the COVID-19 pandemic has not had a significant adverse impact on the Company's overall business.

The Company has evaluated subsequent events through March 7, 2023, which represents the date the financial statements were available to be issued.

***Significant Accounting Policies***

***Inventory***

Inventory is stated at the lower of cost or net realizable value. The Company determines cost principally on the weighted average cost method. The Company maintains reserves for the estimated amounts of obsolete and excess inventory. These estimates are based on unit sales histories and on hand inventory quantities, known market trends for inventory items and assumptions regarding factors such as future inventory needs, their ability and the related cost to return items to their suppliers and ability to sell inventory at a discount when necessary.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands)

*Property and Equipment*

Property and equipment are recorded at historical cost. Depreciation and amortization expense are provided using the straight line method over the estimated useful lives of the respective assets. Repairs and maintenance are charged to expense as incurred and amounted to \$1,245, \$961 and \$872 for the years ended December 31, 2022, 2021 and 2020, respectively. Renewals and betterments are capitalized. The cost and related accumulated depreciation of property and equipment sold, replaced or otherwise disposed is removed from the related accounts.

*Impairment of Long Lived Assets*

The Company reviews definite lived assets for potential indicators of impairment during each reporting period. The Company recognizes impairment charges when (a) the carrying value of a long lived asset or asset group to be held and used in the business is not recoverable and exceeds its fair value and (b) when the carrying value of a long lived asset or asset group to be disposed of exceeds the estimated fair value of the asset less the estimated cost to sell the asset. The Company's estimates of fair value are based on its estimates of likely market participant assumptions, including projected operating results and the discount rate used to measure the present value of projected future cash flows. The Company uses a number of assumptions and methods in preparing valuations underlying impairment tests including estimates of future cash flows and discount rate, and in some instances may obtain third party appraisals. The Company recognizes such impairment charges in the period during which the circumstances surrounding an asset or asset group to be held and used have changed such that the carrying value is no longer recoverable, or during which a commitment to a plan to dispose of the asset or asset group is made. The Company performs an impairment analysis for substantially all of its property and equipment at the individual site level because that is the lowest level of asset and liability groupings for which the cash flows are largely independent of the cash flows of other assets and liabilities. During 2022, 2021, and 2020 the Company did not record any impairment charges related to its long lived assets.

*Contingencies*

The Company records environmental remediation charges and penalties when the obligation to remediate is probable and the amount of associated costs is reasonably determinable. The Company estimates liabilities for other loss contingencies when it is probable that a liability has been incurred and the amount of loss is reasonably estimable. The Company includes remediation expenses within operating expense in the consolidated statements of income. Generally, the timing of remediation expense recognized coincides with the completion of a feasibility study or the commitment to a formal plan of action. Accrued liabilities related to environmental matters are recorded on an undiscounted basis because of the uncertainty associated with the timing of the related future payments. In the Company's consolidated balance sheets, the accrual for environmental matters is included in other noncurrent liabilities, with the amount estimated to be expended within the subsequent 12 months included in other current liabilities. The Company recognizes a receivable for estimated future environmental costs that it may be reimbursed for once receipt of the recovery is probable and the Company is able to reasonably estimate the amount of the recovery, which is recorded within other noncurrent assets in the consolidated balance sheets.

*Asset Retirement Obligations*

The Company recognizes the future costs for the obligations related to the removal of underground storage tanks over the estimated useful lives of each asset requiring removal. The Company records a liability for the fair value of an asset retirement obligation with a corresponding increase to the carrying value of the related long lived asset at the time such an asset is installed. The Company bases the estimated liability on its historical experiences in removing these assets, their estimated useful lives, external estimates as to the cost to remove the assets in the future and regulatory or contractual requirements. Asset retirement obligations at December 31, 2022 and 2021 were \$258 and \$235, respectively and are presented in other noncurrent liabilities in the Company's consolidated balance sheets.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands)

*Self-Insurance Accruals*

The Company has insurance programs for which it pays deductibles and for which the Company is partially self insured up to certain stop loss amounts, including claims under its general liability, workers' compensation, motor vehicle and group health benefits policies and programs. Accruals are established under these insurance programs for both estimated losses on known claims and potential claims incurred but not asserted, based on claims histories and using actuarial methods. In the Company's consolidated balance sheets, as of December 31, 2022 and 2021, the accrual for self-insurance costs was \$1,423 and \$1,712, respectively, of which \$977 and \$1,166 are included in other noncurrent liabilities and \$446 and \$546 are presented in other current liabilities, respectively.

*Revenue Recognition*

The Company's revenues consist of fuel and nonfuel revenues. See Note 2 for more information about the Company's revenues.

*Fuel Product Cost and Nonfuel Product Cost.*

Fuel product cost primarily consists of the commodity fuel cost and related inbound transportation costs. Nonfuel product cost primarily consists of direct costs from suppliers. All site level labor expense is presented in site level operating expense in the consolidated statements of income. Depreciation and amortization expense is presented separately in depreciation and amortization expense in the consolidated statements of income.

In 2021, the Company executed separate branding agreements with two national retail gasoline suppliers to re-image certain sites to sell those brands of fuel. In 2022, these conversions were completed by the Company and the suppliers paid the Company up-front cash incentives and the reimbursement of certain expenses incurred to convert the sites. The Company has the right to terminate the branding agreements but would be obligated to return all or a portion of the incentives and reimbursements according to certain long-term milestone in the respective agreements. During the twelve months ended December 31, 2022, the Company did not amortize any portions of the deferred revenue related to the up-front incentives in the consolidated statements of income and expects to recognize in the future as reductions to fuel product cost in periods beyond 2023 as the retention milestones of the respective agreements are met. As of December 31, 2022, the Company has \$2,970 of deferred revenue relating to these arrangements, which is recorded within other noncurrent liabilities in the consolidated balance sheets.

*Advertising and Promotion Expense*

Costs incurred in connection with advertising and promotions are expensed as incurred. Advertising and promotion expenses, which are included in site level operating expense in the consolidated statements of income, were \$504, \$483 and \$322 for the years ended December 31, 2022, 2021 and 2020, respectively.

*Income Taxes*

The Company is not subject to federal or state income taxes. Results of operations are allocated to the members in accordance with the provisions of the Operating Agreement and any taxes thereon are the responsibility of each member.

*Comprehensive Income*

As of December 31, 2022, the Company had no comprehensive income, other than the net income disclosed in the consolidated statements of income.

***Recently Issued Accounting Pronouncements***

The following table summarizes recent accounting standard updates, or ASU, issued by the Financial Accounting Standards Board, or FASB, that could have an impact on the consolidated financial statements.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands)

<u>Standard</u>	<u>Description</u>	<u>Effective Date</u>	<u>Effect on the Consolidated Financial Statements</u>
<b>Recently Issued Standards</b>			
ASU 2021-01 - Reference Rate Reform (Topic 848) Scope	This update clarifies that certain optional expedients and exceptions for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition.	January 1, 2023	The Company is currently assessing whether this update will have a material impact on the consolidated financial statements.
ASU 2020-04 - Reference Rate Reform (Topic 848) Facilitation of the effects of Reference Rate Reform of Financial Reporting, as amended by ASU 2021-01 and ASU 2022-06	These updates provide optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform; clarifies that certain optional expedients and exceptions for contract modifications and hedge accounting apply to derivatives that are affected by the discounting transition; and defers the sunset date of Topic 848 from December 31, 2022 to December 31, 2024.	January 1, 2023	The Company is currently assessing whether this update will have a material impact on the consolidated financial statements.

**(2) Revenues**

The Company recognizes revenues based on the consideration specified in the contract with the customer, excluding any sales incentives (such as customer loyalty programs and customer rebates) and amounts collected on behalf of third parties (such as sales and excise taxes). The majority of the Company's revenues are generated at the point of sale in its retail locations.

*Fuel Revenues.* The Company recognizes fuel revenues and the related costs at the time of sale to customers at its locations. The Company sells diesel fuel and gasoline to its customers at prices that it establishes daily or are indexed to market prices and reset daily. The Company sells diesel fuel under pricing arrangements with certain customers.

*Nonfuel Revenues.* The Company recognizes nonfuel revenues and the related costs at the time of sale to customers at its locations. The Company sells a variety of nonfuel products and services at stated retail prices in its travel centers, standalone convenience stores and standalone restaurant, as well as through the TA Truck Service® Emergency Roadside Assistance program. Truck repair and maintenance goods or services may be sold at discounted pricing under pricing and rebate arrangements with certain customers.

Sales incentives and other promotional activities that the Company recognizes as a reduction to revenue include, but are not limited to, the following:

- *Customer Loyalty Program.* The Company offers travel center trucking customers the option to participate in TA's customer loyalty program. The customer loyalty program provides customers with the right to earn loyalty awards on qualifying purchases that can be used for discounts on future purchases of goods or services. The Company applies a relative standalone selling price approach to its outstanding loyalty awards whereby a portion of each sale attributable to the loyalty awards earned is deferred and will be recognized as revenue in the category in which the loyalty awards are redeemed upon the redemption or expiration of the loyalty awards. Significant judgment is required to determine the standalone selling price for loyalty awards. Assumptions used in determining the standalone selling price include the historic redemption rate and the use of a weighted average selling price for fuel to calculate the revenues attributable to the loyalty awards.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands)

- *Customer Discounts and Rebates.* TA enters into agreements with certain customers on behalf of the Company in which it agrees to provide discounts and rebates on fuel and/or truck service purchases. The Company recognizes the cost of discounts against, and in the same period as, the revenues that generated the discounts earned.
- *Gift Cards.* The Company sells branded gift cards. Sales proceeds are recognized as a contract liability; the liability is reduced and revenue is recognized when the gift card subsequently is redeemed for goods or services. Unredeemed gift card balances are recognized as revenues when the possibility of redemption becomes remote and branded gift cards are subject to dormancy fees and escheatment.

**Disaggregation of Revenues**

The Company disaggregates its revenues based on the type of good or service provided to the customer, or by fuel revenues and nonfuel revenues, in its consolidated statements of income. The Company's locations use similar processes to sell similar products and services.

**Contract Liabilities**

The Company's contract liabilities, which are presented in its consolidated balance sheets in other current liabilities, primarily include deferred revenue related to gift cards. There were no contract liabilities as of December 31, 2022 and \$2 as of December 31, 2021.

**(3) Inventory**

Inventory as of December 31, 2022 and 2021, consisted of the following:

	December 31,	
	2022	2021
Nonfuel products	\$ 2,376	\$ 1,815
Fuel products	663	770
Total inventory	<u>\$ 3,039</u>	<u>\$ 2,585</u>

**(4) Property and Equipment**

Property and equipment, net, as of December 31, 2022 and 2021, consisted of the following:

	Estimated Useful Lives (years)	December 31,	
		2022	2021
Land and improvements		\$ 39,567	\$ 39,471
Buildings and improvements	10-40	38,960	38,936
Machinery, equipment and furniture	3-15	16,578	15,637
Construction in progress		1,180	383
Leasehold improvements		43	—
Property and equipment, at cost		<u>96,328</u>	<u>94,427</u>
Less: accumulated depreciation and amortization		<u>35,237</u>	<u>33,840</u>
Property and equipment, net		<u>\$ 61,091</u>	<u>\$ 60,587</u>

Depreciation expense for the years ended December 31, 2022, 2021 and 2020 was \$2,903, \$2,765 and \$2,543, respectively.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands)

**(5) Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities as of December 31, 2022 and 2021, consisted of the following:

	December 31,	
	2022	2021
Taxes payable, other than income taxes	\$ 1,038	\$ 1,572
Long term debt, current portion	767	767
Self-insurance accrual, current portion	446	546
Accrued capital expenditures	279	146
Accrued vacation wages	104	127
Accrued advances and royalties	—	177
Accrued utilities	75	65
Accounts payable	129	68
Other	296	180
Total accrued expenses and other current liabilities	<u>\$ 3,134</u>	<u>\$ 3,648</u>

**(6) Long Term Debt, net**

Long term debt, net of deferred financing costs as of December 31, 2022 and 2021, consisted of the following:

	December 31,	
	2022	2021
Note payable to a bank	\$ 14,085	\$ 14,848
Less: current portion of long term debt	767	767
Total long term debt, net	<u>\$ 13,318</u>	<u>\$ 14,081</u>

The Company has a credit agreement with a bank that was amended in July 2016 to, among other things, decrease the interest rate on the debt to LIBOR plus 1.95%, payable monthly. Future minimum principal payments on the note payable of \$767 are due in each of the years 2023, 2024, 2025, 2026 and 2027 and \$10,283 thereafter. The credit agreement includes certain financial covenants, with which the Company was in compliance with at December 31, 2022. At December 31, 2022, the interest rate was 6.34%. The Company's weighted average interest rates for the years ended December 31, 2022, 2021 and 2020 were 3.84%, 2.05% and 2.48%, respectively. The debt is secured by the Company's real property.

**Debt Issuance Costs**

Debt issuance costs are presented on the consolidated balance sheets as a reduction of long term debt, net and as of December 31, 2022 and 2021, were \$33 and \$36, net of accumulated amortization of debt issuance costs of \$25 and \$21, respectively. The Company estimates it will recognize future amortization of debt issuance costs of \$4 in each of the years 2023, 2024, 2025, 2026 and 2027.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands)

**(7) Related Party Transactions**

***TA Operating LLC***

Pursuant to the terms of the Operating Agreement, TA provides cash management services to PTP, including the collection of accounts receivable. Accounts receivable are periodically transferred to TA for collection and any amounts for which PTP has not received payment from TA are reflected as due from affiliate, net in the consolidated balance sheets. Amounts due from affiliate, net as of December 31, 2022 and 2021, were \$1,244 and \$717, respectively. Pursuant to the terms of the Operating Agreement, TA manages the locations, including purchasing fuel and nonfuel products on the Company's behalf, and is responsible for the administrative, accounting and tax functions of the Company. TA receives a management fee for providing these services, which may not be commensurate with the cost of these services were the Company to perform these internally or obtain them from an unrelated third party. The Company paid management fees to TA in the amount of \$1,596, \$1,639 and \$1,506 for the years ended December 31, 2022, 2021 and 2020, respectively, which fees are included in operating expense in the consolidated statements of income. In November 2016, the Company further amended the Operating Agreement to, among other things, (a) increase the annual management fee to \$1,300 effective January 1, 2017, with annual increases equal to the lesser of (i) the increase in the Customer Price Index, or (ii) 2.5% and (b) include any additional new builds or significant renovation projects in the construction management fee. In November 2019, the Company further amended the Operating Agreement to, among other things, increase the annual management fee by \$100. In addition to management services and staffing provided by TA, the Operating Agreement grants the Company the right to use all of TA's names, trade names, trademarks and logos to the extent required in the operation of the Company's travel centers and convenience stores.

The employees operating the Company's travel centers, convenience stores and standalone restaurant are TA employees. In addition to the management fees described above, the Company reimbursed TA for wages and benefits related to these employees that aggregated \$13,913, \$12,338 and \$9,394 for the years ended December 31, 2022, 2021 and 2020, respectively. These reimbursements were recorded in site level operating expense in the consolidated statements of income.

***Tejon Development Corporation***

In April 2020, the Company purchased from Tejon, a building and parcel of land for \$2,000. The Company accounted for these transactions as an asset acquisition.

**(8) Contingencies**

The Company is involved from time to time in various legal and administrative proceedings, including tax audits, and threatened legal and administrative proceedings incidental to the ordinary course of business, none of which is expected, individually or in the aggregate, to have a material adverse effect on the Company's business, financial condition, results of operations or cash flows.

The Company's operations and properties are subject to extensive federal and state legislation, regulations, and requirements relating to environmental matters. The Company uses underground storage tanks ("USTs") to store petroleum products and motor oil. Statutory and regulatory requirements for UST systems include requirements for tank construction, integrity testing, leak detection and monitoring, overfill and spill control and mandate corrective action in case of a release from a UST into the environment. The Company is also subject to regulation relating to vapor recovery and discharges into the water. Management believes that the Company's USTs are currently in compliance in all material respects with applicable environmental legislation, regulations and requirements.

**PETRO TRAVEL PLAZA HOLDINGS LLC**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(in thousands)

Accruals for environmental matters are recorded in operating expense when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. From time to time the Company has received, and in the future likely will receive, notices of alleged violations of environmental laws or otherwise has become or will become aware of the need to undertake corrective actions to comply with environmental laws at its properties. Investigatory and remedial actions were, and regularly are, undertaken with respect to releases of hazardous substances. The Company had an accrual for environmental matters of \$23 as of December 31, 2022 and 2021, which was presented in the consolidated balance sheets in other noncurrent liabilities, with the amount estimated to be expended within the subsequent 12 months in accrued expenses and other current liabilities. Accruals are periodically evaluated and updated as information regarding the nature of the clean up work is obtained. In light of the Company's business and the quantity of petroleum products that it handles, there can be no assurance that currently unidentified hazardous substance contamination does not exist or that liability will not be imposed in the future in materially different amounts than those the Company has recorded. See Note 1 for a discussion of the Company's accounting policies relating to contingencies.