

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

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 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

(State or other jurisdiction of incorporation or organization)

77-0196136

(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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of the Company's outstanding shares of Common Stock on July 31, 2022 was 26,491,770.

TEJON RANCH CO. AND SUBSIDIARIES
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TEJON RANCH CO. AND SUBSIDIARIES
 UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS
 (In thousands, except per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenues:				
Real estate - commercial/industrial	\$ 2,462	\$ 8,126	\$ 9,811	\$ 10,354
Mineral resources	4,131	7,404	16,099	14,580
Farming	1,921	279	2,576	886
Ranch operations	755	829	1,803	1,872
Total revenues	9,269	16,638	30,289	27,692
Costs and Expenses:				
Real estate - commercial/industrial	1,822	4,712	4,558	6,264
Real estate - resort/residential	423	439	846	992
Mineral resources	2,445	4,253	9,602	9,300
Farming	3,462	1,203	5,224	2,681
Ranch operations	1,250	1,142	2,565	2,329
Corporate expenses	2,185	2,364	4,600	4,655
Total expenses	11,587	14,113	27,395	26,221
Operating (loss) income	(2,318)	2,525	2,894	1,471
Other Income:				
Investment income	79	9	96	16
Other income, net	(91)	43	827	107
Total other income	(12)	52	923	123
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	(2,330)	2,577	3,817	1,594
Equity in earnings of unconsolidated joint ventures, net	1,663	1,365	2,876	1,306
(Loss) income before income tax expense	(667)	3,942	6,693	2,900
Income tax (benefit) expense	(5)	1,118	3,041	1,139
Net (loss) income	(662)	2,824	3,652	1,761
Net income (loss) attributable to non-controlling interest	5	2	12	(6)
Net (loss) income attributable to common stockholders	\$ (667)	\$ 2,822	\$ 3,640	\$ 1,767
Net (loss) income per share attributable to common stockholders, basic	\$ (0.03)	\$ 0.11	\$ 0.14	\$ 0.07
Net (loss) income per share attributable to common stockholders, diluted	\$ (0.03)	\$ 0.11	\$ 0.14	\$ 0.07

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net (loss) income	\$ (662)	\$ 2,824	\$ 3,652	\$ 1,761
Other comprehensive (loss) gain:				
Unrealized loss on available-for-sale securities	(109)	3	(177)	(7)
Unrealized gain on interest rate swap	1,658	(422)	4,211	1,781
Other comprehensive gain before taxes	1,549	(419)	4,034	1,774
Expense for income taxes related to other comprehensive income items	(436)	115	(1,131)	(498)
Other comprehensive gain (loss)	1,113	(304)	2,903	1,276
Comprehensive income	451	2,520	6,555	3,037
Comprehensive income (loss) attributable to non-controlling interests	5	2	12	(6)
Comprehensive income attributable to common stockholders	<u>\$ 446</u>	<u>\$ 2,518</u>	<u>\$ 6,543</u>	<u>\$ 3,043</u>

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share data)

	June 30, 2022 (unaudited)	December 31, 2021
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 18,364	\$ 36,195
Marketable securities - available-for-sale	27,185	10,983
Accounts receivable	2,751	6,473
Inventories	9,435	5,702
Prepaid expenses and other current assets	4,323	3,619
Total current assets	62,058	62,972
Real estate and improvements - held for lease, net	17,117	17,301
Real estate development (includes \$113,627 at June 30, 2022 and \$112,063 at December 31, 2021, attributable to Centennial Founders, LLC, Note 15)	326,835	319,030
Property and equipment, net	52,794	50,699
Investments in unconsolidated joint ventures	38,632	43,418
Net investment in water assets	49,295	50,997
Other assets	1,574	1,619
TOTAL ASSETS	\$ 548,305	\$ 546,036
LIABILITIES AND EQUITY		
Current Liabilities:		
Trade accounts payable	\$ 4,437	\$ 4,545
Accrued liabilities and other	2,228	3,451
Deferred income	1,657	1,907
Income Taxes Payable	2,176	1,217
Current maturities of long-term debt	1,619	4,475
Total current liabilities	12,117	15,595
Long-term debt, less current portion	49,055	48,155
Long-term deferred gains	7,839	8,409
Deferred tax liability	4,029	2,898
Other liabilities	10,956	14,468
Total liabilities	83,996	89,525
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, \$0.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 26,484,947 at June 30, 2022 and 26,400,921 at December 31, 2021	13,242	13,200
Additional paid-in capital	346,137	344,936
Accumulated other comprehensive loss	(3,919)	(6,822)
Retained earnings	93,475	89,835
Total Tejon Ranch Co. Stockholders' Equity	448,935	441,149
Non-controlling interest	15,374	15,362
Total equity	464,309	456,511
TOTAL LIABILITIES AND EQUITY	\$ 548,305	\$ 546,036

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Six Months Ended June 30,	
	2022	2021
Operating Activities		
Net income	\$ 3,652	\$ 1,761
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation and amortization	2,048	1,932
Amortization of premium/discount of marketable securities	82	45
Equity in earnings of unconsolidated joint ventures, net	(2,876)	(1,306)
Non-cash retirement plan expense (benefit)	77	(50)
Non-cash profits recognized from land contribution	—	(2,784)
Profit from water sales ¹	(1,591)	(2,526)
Profit from land sales ²	(3,589)	—
Gain on sale of property plant and equipment	(948)	(16)
Stock compensation expense	2,087	2,225
Excess tax shortfall from stock-based compensation	3	155
Loan fee write-off	85	—
Distribution of earnings from unconsolidated joint ventures	4,908	259
Changes in operating assets and liabilities:		
Receivables, inventories, prepaids and other assets, net	119	477
Current liabilities	(1,399)	(1,267)
Net cash provided by (used in) operating activities	2,658	(1,095)
Investing Activities		
Maturities and sales of marketable securities	20,322	1,400
Funds invested in marketable securities	(36,783)	(7,842)
Real estate and equipment expenditures	(12,288)	(11,414)
Proceeds from sale of real estate/assets	—	55
Investment in unconsolidated joint ventures	—	(600)
Distribution of equity from unconsolidated joint ventures	2,899	5,096
Proceeds from water sales ¹	3,973	5,874
Investments in water assets	(988)	(2,415)
Net proceeds from land sales ²	4,438	—
Net cash used in investing activities	(18,427)	(9,846)
Financing Activities		
Borrowings of long-term debt	49,080	—
Repayments of long-term debt	(50,962)	(2,132)
Deferred financing costs	(181)	—
Interest rate swap settlement ³	1,123	—
Taxes on vested stock grants	(1,122)	(966)
Net cash used in financing activities	(2,062)	(3,098)
Decrease in cash and cash equivalents	(17,831)	(14,039)
Cash, cash equivalents, and restricted cash at beginning of period	37,398	55,320
Cash, cash equivalents, and restricted cash at end of period	\$ 19,567	\$ 41,281

Reconciliation to amounts on consolidated balance sheets:

Cash and cash equivalents	\$	18,364	\$	40,478
Restricted cash (Shown in Other Assets)		1,203		803
Total cash, cash equivalents, and restricted cash	\$	19,567	\$	41,281

Supplemental cash flow information**Non-cash investing activities**

Accrued capital expenditures included in current liabilities	\$	1,054	\$	611
Accrued long-term water assets included in current liabilities	\$	374	\$	262
Contribution to unconsolidated joint venture ²	\$	—	\$	8,464
Long term deferred profit on land contribution ²	\$	—	\$	2,785

¹In 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 \$4.0 million in 2022, this cash inflow is appropriately classified in the Company's investing activities. The profit of \$1.6 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.

²In 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 \$4.7 million in 2022, this cash inflow is appropriately classified in the Company's investing activities. The profit of 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 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.

³The 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 liability (Note 10) for further discussion.

See accompanying notes.

TEJON RANCH CO. AND SUBSIDIARIES
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND NONCONTROLLING INTERESTS
(In thousands, except shares outstanding)

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance, March 31, 2022	26,473,349	\$ 13,237	\$ 345,166	\$ (5,032)	\$ 94,142	\$ 447,513	\$ 15,369	\$ 462,882
Net loss	—	—	—	—	(667)	(667)	5	(662)
Other comprehensive income	—	—	—	1,113	—	1,113	—	1,113
Restricted stock issuance	11,598	5	(6)	—	—	(1)	—	(1)
Stock compensation	—	—	977	—	—	977	—	977
Shares withheld for taxes and tax benefit of vested shares	—	—	—	—	—	—	—	—
Balance, June 30, 2022	<u>26,484,947</u>	<u>\$ 13,242</u>	<u>\$ 346,137</u>	<u>\$ (3,919)</u>	<u>\$ 93,475</u>	<u>\$ 448,935</u>	<u>\$ 15,374</u>	<u>\$ 464,309</u>
Balance, March 31, 2021	26,336,115	\$ 13,167	\$ 342,329	\$ (8,140)	\$ 83,432	\$ 430,788	\$ 15,360	\$ 446,148
Net income	—	—	—	—	2,822	2,822	2	2,824
Other comprehensive loss	—	—	—	(304)	—	(304)	—	(304)
Restricted stock issuance	7,749	4	(4)	—	—	—	—	—
Stock compensation	—	—	1,090	—	—	1,090	—	1,090
Shares withheld for taxes and tax benefit of vested shares	—	—	—	—	—	—	—	—
Balance, June 30, 2021	<u>26,343,864</u>	<u>\$ 13,171</u>	<u>\$ 343,415</u>	<u>\$ (8,444)</u>	<u>\$ 86,254</u>	<u>\$ 434,396</u>	<u>\$ 15,362</u>	<u>\$ 449,758</u>

See accompanying notes.

	Common Stock Shares Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Retained Earnings	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance, December 31, 2021	26,400,921	\$ 13,200	\$ 344,936	\$ (6,822)	\$ 89,835	\$ 441,149	\$ 15,362	\$ 456,511
Net income	—	—	—	—	3,640	3,640	12	3,652
Other comprehensive income	—	—	—	2,903	—	2,903	—	2,903
Restricted stock issuance	147,886	73	(74)	—	—	(1)	—	(1)
Stock compensation	—	—	2,366	—	—	2,366	—	2,366
Shares withheld for taxes and tax benefit of vested shares	(63,860)	(31)	(1,091)	—	—	(1,122)	—	(1,122)
Balance, June 30, 2022	<u>26,484,947</u>	<u>\$ 13,242</u>	<u>\$ 346,137</u>	<u>\$ (3,919)</u>	<u>\$ 93,475</u>	<u>\$ 448,935</u>	<u>\$ 15,374</u>	<u>\$ 464,309</u>
Balance, December 31, 2020	26,276,830	\$ 13,137	\$ 342,059	\$ (9,720)	\$ 84,487	\$ 429,963	\$ 15,368	\$ 445,331
Net income (loss)	—	—	—	—	1,767	1,767	(6)	1,761
Other comprehensive income	—	—	—	1,276	—	1,276	—	1,276
Restricted stock issuance	125,692	63	(63)	—	—	—	—	—
Stock compensation	—	—	2,356	—	—	2,356	—	2,356
Shares withheld for taxes and tax benefit of vested shares	(58,658)	(29)	(937)	—	—	(966)	—	(966)
Balance, June 30, 2021	<u>26,343,864</u>	<u>\$ 13,171</u>	<u>\$ 343,415</u>	<u>\$ (8,444)</u>	<u>\$ 86,254</u>	<u>\$ 434,396</u>	<u>\$ 15,362</u>	<u>\$ 449,758</u>

TEJON RANCH CO. AND SUBSIDIARIES
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The summarized information of Tejon Ranch Co. and its subsidiaries (the Company or Tejon), provided pursuant to Part I, Item 1 of Form 10-Q, is unaudited and reflects all adjustments which are, in the opinion of the Company's management, necessary for a fair statement of the results for the interim period. All such adjustments are of a normal recurring nature. The Company has evaluated subsequent events through the date of issuance of its consolidated financial statements.

The periods ended June 30, 2022 and December 31, 2021 include the consolidation of Centennial Founders, LLC's statement of operations within the resort/residential real estate development segment and statements of cash flows. The Company's June 30, 2022 and December 31, 2021 balance sheets and statements of changes in equity and noncontrolling interests are presented on a consolidated basis, including the consolidation of Centennial Founders, LLC.

The Company has identified five reportable segments: commercial/industrial real estate development, resort/residential real estate development, mineral resources, farming, and ranch operations. Information for the Company's reportable segments are presented in its Consolidated Statements of Operations. The Company's reportable segments follow the same accounting policies used for the Company's consolidated financial statements. The Company uses segment profit or loss and equity in earnings of unconsolidated joint ventures as the primary measures of profitability to evaluate operating performance and to allocate capital resources.

The results of the period reported herein are not indicative of the results to be expected for the full year due to the seasonal nature of the Company's agricultural activities, water activities, timing of real estate sales and leasing activities. Historically, the Company's largest percentages of farming revenues are recognized during the third and fourth quarters of the fiscal year. Please refer to Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for further discussion.

For further information and a summary of significant accounting policies, refer to the Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Restricted Cash

Restricted cash is included in Prepaid expenses and other current assets within the Consolidated Balance Sheets and primarily relate to funds held in escrow. The Company had \$1,203,000 of restricted cash as of June 30, 2022.

Recent Accounting Pronouncements

No new Accounting Standards Update, or ASU, is applicable to our consolidated financial statements as of June 30, 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 Topic 260, "Earnings Per Share."

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Weighted average number of shares outstanding:				
Common stock	26,480,405	26,343,353	26,456,330	26,328,620
Common stock equivalents	47,507	68,177	57,665	63,930
Diluted shares outstanding	<u>26,527,912</u>	<u>26,411,530</u>	<u>26,513,995</u>	<u>26,392,550</u>

3. MARKETABLE SECURITIES

ASC Topic 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 classifies 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:

(\$ in thousands)

	Fair Value Hierarchy	June 30, 2022		December 31, 2021	
		Cost	Fair Value	Cost	Fair Value
Marketable Securities:					
Certificates of deposit					
with unrealized losses for less than 12 months		\$ —	\$ —	\$ 401	\$ 400
with unrealized gains		649	649	—	—
Total Certificates of deposit	Level 1	649	649	401	400
U.S. Treasury and agency notes					
with unrealized losses for less than 12 months		8,498	8,455	1,360	1,358
Total U.S. Treasury and agency notes	Level 2	8,498	8,455	1,360	1,358
Corporate notes					
with unrealized losses for less than 12 months		16,984	16,847	9,231	9,225
with unrealized losses for more than 12 months		591	585	—	—
with unrealized gains		499	500	—	—
Total Corporate notes	Level 2	18,074	17,932	9,231	9,225
Municipal notes					
with unrealized losses for less than 12 months		150	149	—	—
Total Municipal notes	Level 2	150	149	—	—
		<u>\$ 27,371</u>	<u>\$ 27,185</u>	<u>\$ 10,992</u>	<u>\$ 10,983</u>

ASC Topic 326, "Financial Instruments - Credit Losses," requires the Company 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 June 30, 2022, the Company has not recorded any credit losses.

At June 30, 2022, the fair market value of marketable securities was \$186,000 below their cost basis. The Company's gross unrealized holding gains equaled \$1,000 and gross unrealized holding losses equaled \$187,000. As of June 30, 2022, the adjustment to accumulated other comprehensive loss reflected a decline in market value of \$177,000, including estimated taxes of \$50,000.

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. The accrued interest receivables balance totaled \$147,000 as of June 30, 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 June 30, 2022 and December 31, 2021 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 June 30, 2022 and December 31, 2021, 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 June 30, 2022 and December 31, 2021.

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 June 30, 2022 and December 31, 2021, 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 June 30, 2022 and December 31, 2021.

The following tables summarize the maturities, at par, of marketable securities as of:

(\$ in thousands)	June 30, 2022		
	2022	2023	Total
Certificates of deposit	\$ 649	\$ —	\$ 649
U.S. Treasury and agency notes	3,003	5,500	8,503
Corporate notes	5,527	12,470	17,997
Municipal notes	150	—	150
	<u>\$ 9,329</u>	<u>\$ 17,970</u>	<u>\$ 27,299</u>

(\$ in thousands)	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 as of June 30, 2022.

4. REAL ESTATE

Our accumulated real estate development costs by project consisted of the following:

(\$ in thousands)	June 30, 2022	December 31, 2021
Real estate development		
Mountain Village	\$ 152,025	\$ 150,668
Centennial	113,627	112,063
Grapevine	38,472	37,922
Tejon Ranch Commerce Center	22,711	18,377
Real estate development	<u>\$ 326,835</u>	<u>\$ 319,030</u>
Real estate and improvements - held for lease		
Tejon Ranch Commerce Center	\$ 20,589	\$ 20,595
Less accumulated depreciation	(3,472)	(3,294)
Real estate and improvements - held for lease, net	<u>\$ 17,117</u>	<u>\$ 17,301</u>

5. 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 the Tejon-Castac Water District (TCWD) in the 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, or Tulare Lake Basin, and the Dudley-Ridge Water District, or Dudley-Ridge, totaling 3,444 acre-feet of SWP entitlement annually, subject to SWP allocations. These contracts extend through 2035 and have been transferred to the Antelope Valley East Kern Water Agency, or 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 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 is \$861 per acre-foot. The purchase cost is subject to annual cost increases based on the greater of the consumer price index or 3%.

Water assets will ultimately be sold to water districts servicing the Company's commercial/industrial and resort/residential real estate developments, and for the Company's own use in its agricultural operations. Interim uses may include the sale of the temporary "right-of-use" of portions of this water to third-party users on an annual basis until this water is fully allocated to Company uses, as previously described.

Water revenues and cost of sales were as follows (\$ in thousands):

	June 30, 2022	June 30, 2021
Acre-Feet Sold	8,470	10,596
Revenues	\$ 12,407	\$ 11,862
Cost of sales	7,980	7,918
Profit	\$ 4,427	\$ 3,944

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

	June 30, 2022	December 31, 2021
Banked water and water for future delivery	\$ 23,855	\$ 25,020
Water available for banking, sales, or internal use	3,024	2,879
Total water held for future use at cost	\$ 26,879	\$ 27,899

Intangible Water Assets

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

	June 30, 2022		December 31, 2021	
	Costs	Accumulated Depreciation	Costs	Accumulated Depreciation
Dudley-Ridge water rights	\$ 11,581	\$ (5,549)	\$ 11,581	\$ (5,307)
Nickel water rights	18,740	(5,569)	18,740	(5,247)
Tulare Lake Basin water rights	6,479	(3,266)	6,479	(3,148)
	\$ 36,800	\$ (14,384)	\$ 36,800	\$ (13,702)
Net cost of purchased water contracts	22,416		23,098	
Total cost water held for future use	26,879		27,899	
Net investments in water assets	\$ 49,295		\$ 50,997	

Water contracts with the Wheeler Ridge Maricopa Water Storage District, or WRMWS D, and TCWD are also in place, but were entered into with each district at the inception of the respective contracts, were 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)	June 30, 2022	December 31, 2021
Water held for future use		
TCWD - Banked water owned by the Company	54,314	56,189
Company water bank	50,349	50,349
Water available for banking, sales, or internal use	4,004	4,203
Total water held for future use	108,667	110,741
Purchased water contracts		
Water Contracts (Dudley-Ridge, Nickel and Tulare)	10,137	10,137
WRMWS D - Contracts with the Company	15,547	15,547
TCWD - Contracts with the Company	5,749	5,749
Total purchased water contracts	31,433	31,433
Total water held for future use and purchased water contracts	140,100	142,174

Tejon Ranchcorp, or Ranchcorp, a wholly-owned subsidiary of Tejon Ranch Co., entered into a Water Supply Agreement with Pastoria Energy Facility, L.L.C., or PEF, in 2015. PEF is a current lessee of the Company in a land lease for the operation of a power plant. Pursuant to the Water Supply Agreement, PEF may purchase from the Company up to 3,500 acre-feet of water per year until July 31, 2030, with an option to extend the term. PEF is under no obligation to purchase water from the Company in any year but is required to pay the Company an annual option payment equal to 30% of the maximum annual payment. The price of the water under the Water Supply Agreement for 2022 is \$1,224 per acre-foot, 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 that are typical for agreements of this type. The Company's commitments to sell water can be met through current water assets.

6. ACCRUED LIABILITIES AND OTHER

Accrued liabilities and other consisted of the following:

(\$ in thousands)	June 30, 2022	December 31, 2021
Accrued vacation	\$ 762	\$ 782
Accrued paid personal leave	364	356
Accrued bonus	1,060	2,062
Other	42	251
	\$ 2,228	\$ 3,451

7. LINE OF CREDIT AND LONG-TERM DEBT

Debt consisted of the following:

(\$ in thousands)	June 30, 2022	December 31, 2021
Notes payable	\$ 50,901	\$ 52,784
Less: line-of-credit and current maturities of long-term debt	(1,619)	(4,475)
Less: deferred loan costs	(227)	(154)
Long-term debt, less current portion	\$ 49,055	\$ 48,155

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 28, 2032, which was used to pay off the existing Wells Fargo Amended Term Note. The Company evaluated the debt exchange under Accounting Standards Codification (ASC) 470 and

determined that the exchange should be treated as a debt extinguishment. The amount of New RLC under the New Credit Facility is \$45,000,000.

The New Term Note had a \$49,080,000 balance as of June 30, 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 June 30, 2022. At the Company's option, the interest rate on this line of credit can float at 1.37% over a selected the Daily SOFR rate or can be fixed at 1.37% above Term SOFR for a fixed rate term. 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.

8. OTHER LIABILITIES

Other liabilities consisted of the following:

(\$ in thousands)	June 30, 2022	December 31, 2021
Pension liability	\$ 39	\$ 185
Interest rate swap liability (Note 10)	—	3,088
Supplemental executive retirement plan liability	7,805	7,847
Excess joint venture distributions and other	3,112	3,348
Total	\$ 10,956	\$ 14,468

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

9. 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 share price, or as 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 vesting 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 do not result in a reversal of previously recognized share-based compensation expense.

The following is a summary of the Company's Performance Condition Grants as of the six months ended June 30, 2022:

	Performance Condition Grants
Threshold performance	—
Target performance	453,747
Maximum performance	342,411

The following is a summary of the Company's stock grant activity, both time and performance share grants, assuming target achievement for outstanding performance grants for the six months ended June 30, 2022:

	June 30, 2022
Stock Grants Outstanding Beginning of Period at Target Achievement	683,645
New Stock Grants/Additional Shares due to Achievement in Excess of Target	60,078
Vested Grants	(128,893)
Expired/Forfeited Grants	(14,291)
Stock Grants Outstanding End of Period at Target Achievement	<u>600,539</u>

The following is a summary of the assumptions used to determine the price for the Company's market-based Performance Condition Grants for the six months ended June 30, 2022:

(\$ in thousands except for share prices)

Grant date	12/12/2019	03/11/2020	12/11/2020	03/18/2021	12/16/2021	03/17/2022
Vesting end	12/31/2022	12/31/2022	12/31/2023	03/18/2024	12/16/2024	03/17/2025
Share price at target achievement	\$18.80	\$16.36	\$17.07	\$20.02	\$21.58	\$20.43
Expected volatility	17.28%	18.21%	29.25%	30.30%	31.29%	31.54%
Risk-free interest rate	1.69%	0.58%	0.19%	0.33%	0.92%	2.13%
Simulated Monte Carlo share price	\$11.95	\$5.87	\$15.59	\$18.82	\$21.48	\$21.75
Shares granted	<u>6,327</u>	<u>81,716</u>	<u>3,628</u>	<u>10,905</u>	<u>3,536</u>	<u>13,338</u>
Total fair value of award	\$76	\$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 June 30, 2022 were \$2,200,000 and 9 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. The 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 once the Company determines that 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 a maximum, the Company determined, 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 fair value of the award and measures the expense 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 will adjust stock compensation costs according to the actual outcome of the performance condition.

Under the Non-Employee Director Stock Incentive Plan, or NDSI Plan, each non-employee director receives a portion of his or her annual compensation in stock. The stock is granted at the end of each quarter based on the quarter-end stock price.

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

(\$ in thousands)

	Six Months Ended June 30,	
	2022	2021
Employee Plan:		
Expensed	\$ 1,789	\$ 1,969
Capitalized	279	131
	<u>2,068</u>	<u>2,100</u>
NDSI Plan - Expensed	298	256
Total Stock Compensation Costs	<u>\$ 2,366</u>	<u>\$ 2,356</u>

10. INTEREST RATE SWAP

In October 2014, the Company entered into an interest rate swap agreement to reduce its exposure to fluctuations in the floating interest rate tied to the London Inter-Bank Offered Rate, or LIBOR, under the term note with Wells Fargo, or the Term Note. 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 a variable rate term note, or New Term Note, with Bank of America, N.A. 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 June 30, 2022, the fair value of the interest rate swap agreement equated its cost basis and as such no mark-to-market adjustment was recorded by the Company. The Company had the following outstanding interest rate swap agreement designated as an interest rate cash flow hedge as of June 30, 2022 and December 31, 2021 (\$ in thousands):

June 30, 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%	\$—	\$49,080

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. INCOME TAXES

The Company's provision for income taxes as of June 30, 2022 has been calculated by applying an estimate of the annual effective tax rate for the full year to "ordinary" income or loss (pre-tax income or loss excluding unusual or infrequently occurring discrete items). For the six months ended June 30, 2022, the Company's income tax expense was \$3,041,000 compared to \$1,139,000 for the six months ended June 30, 2021. Effective tax rates were 45% and 39% for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, the Company had income tax payables of \$2,176,000. The Company classifies interest and penalties incurred on tax payments as income tax expense.

For the six months ended June 30, 2022, the Company's effective tax rate was above statutory tax rates as a result of permanent differences related to Section 162(m) limitations and discrete tax expense associated with interest rate swap termination proceeds. The Section 162(m) compensation deduction limitations occurred as a result of changes in tax law arising from the 2017 Tax Cuts and Jobs Act. The discrete item was primarily triggered after the Company terminated an existing interest rate swap position that was in a net asset position and as a result, received proceeds of \$1,123,000.

12. COMMITMENTS AND CONTINGENCIES

Water Contracts

The Company has secured water contracts that are encumbered by the Company's land. These water contracts require minimum annual payments, for which \$13,004,000 is expected to be paid in 2022. These estimated water contract payments consist of SWP contracts with WRMWSD, TCWD, Tulare Lake Basin, Dudley-Ridge, 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. Contractual obligations for future water payments were \$277,288,000 as of June 30, 2022.

Conservancy Payments

As of June 30, 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.

Contracts

The Company exited a consulting contract during the second quarter of 2014 related to the Grapevine Development, or Grapevine project, and is obligated to pay an earned incentive fee at the time of its 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 fee will not be finalized until the future payment dates. The Company believes as of June 30, 2022, the net savings resulting from exiting the contract during this future time period will more than offset the incentive payment costs.

Community Facilities Districts

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 the Tejon Ranch Commerce Center, or 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 \$28,620,000 of 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 \$75,965,000 of 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 the 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 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 \$68,000.

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. As of June 30, 2022, there were no additional improvement funds remaining from the West CFD bonds. There are \$15,647,940 of additional improvement funds remaining within the East CFD bonds for reimbursement of public infrastructure costs during future years. During fiscal 2022, the Company expects to pay approximately \$3,247,000 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 tax assessment of each individual property sold or leased is not determinable at this time because it is based on the current tax rate of the property at the time of sale or at the time it is leased to a third-party. Accordingly, the Company was not required to recognize an obligation on June 30, 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, a full copy of which is attached to the 2021 Annual Report on Form 10-K. 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 to September 7, 2022. 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.

13. 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. 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 (ERISA). In April 2017, the Company froze the Benefit Plan as it relates to future benefit accruals for participants. The Company expects to contribute \$165,000 to the Benefit Plan in 2022.

Benefit 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 policy's strategy seeks 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 Benefit 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 the funded status improves. At June 30, 2022, the investment mix was approximately 20% equity, 79% 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 comprise of value, growth, large cap, small cap and international stock funds. Debt investments consist of U.S. Treasury securities and investment grade corporate debt. A weighted average discount rate of 2.8% was used in determining the net periodic pension cost for fiscal 2022 and 2021. The assumed expected long-term rate of return on plan assets is 7.3% for both fiscal 2022 and 2021. The long-term rate of return on Benefit Plan assets is based on the historical returns within the plan and expectations for future returns.

Total pension and retirement earnings for the Benefit Plan was as follows:

(\$ in thousands)	Six Months Ended June 30,	
	2022	2021
Earnings (cost) components:		
Interest cost	\$ (156)	\$ (146)
Expected return on plan assets	276	376
Net amortization and deferral	(24)	(36)
Total net periodic pension earnings	\$ 96	\$ 194

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. In April 2017, the Company froze the SERP as it relates to the accrual of additional benefits.

The pension and retirement expense for the SERP was as follows:

(\$ in thousands)	Six Months Ended June 30,	
	2022	2021
Cost components:		
Interest cost	\$ (92)	\$ (82)
Net amortization and other	(58)	(62)
Total net periodic pension expense	\$ (150)	\$ (144)

14. REPORTING SEGMENTS AND RELATED INFORMATION

The Company currently operates in 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 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Real estate - Commercial/Industrial

Commercial/Industrial real estate development segment revenues consist of land sale revenues, leases of land and/or building space 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. Refer to Note 15 for discussion of unconsolidated joint ventures. The following table summarizes revenues, expenses and operating income from this segment for the periods ended:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Commercial/industrial revenues	\$ 2,462	\$ 8,126	\$ 9,811	\$ 10,354
Equity in earnings of unconsolidated joint ventures	1,663	1,365	2,876	1,306
Commercial/industrial revenues and equity in earnings of unconsolidated joint ventures	4,125	9,491	12,687	11,660
Commercial/industrial expenses	1,822	4,712	4,558	6,264
Operating results from commercial/industrial and unconsolidated joint ventures	\$ 2,303	\$ 4,779	\$ 8,129	\$ 5,396

Real Estate - Resort/Residential

The Resort/Residential real estate development segment is actively involved in pursuing land entitlement and development processes both internally and through joint ventures. The segment incurs costs and expenses related to land management activities on land held for future development, but currently generates no revenue. The segment generated losses of \$423,000 and \$439,000 for the three months ended June 30, 2022 and 2021, respectively, and \$846,000 and \$992,000 for the six months ended June 30, 2022 and 2021.

Mineral Resources

The Mineral Resources segment revenues include water sales and oil and mineral royalties from exploration and development companies that extract or mine natural resources from the Company's land. The following table summarizes revenues, expenses and operating results from this segment for the periods ended:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Mineral resources revenues	\$ 4,131	\$ 7,404	\$ 16,099	\$ 14,580
Mineral resources expenses	2,445	4,253	9,602	9,300
Operating results from mineral resources	\$ 1,686	\$ 3,151	\$ 6,497	\$ 5,280

Farming

The Farming segment revenues include the sale of almonds, pistachios, wine grapes, and hay. The following table summarizes revenues, expenses and operating results from this segment for the periods ended:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Farming revenues	\$ 1,921	\$ 279	\$ 2,576	\$ 886
Farming expenses	3,462	1,203	5,224	2,681
Operating results from farming	\$ (1,541)	\$ (924)	\$ (2,648)	\$ (1,795)

Ranch Operations

The Ranch Operations segment consists of game management revenues and ancillary land uses such as grazing leases and on-location filming. The following table summarizes revenues, expenses and operating results from this segment for the periods ended:

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Ranch operations revenues	\$ 755	\$ 829	\$ 1,803	\$ 1,872
Ranch operations expenses	1,250	1,142	2,565	2,329
Operating results from ranch operations	\$ (495)	\$ (313)	\$ (762)	\$ (457)

15. 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 as of June 30, 2022 was \$38,632,000. Equity in earnings from unconsolidated joint ventures was \$2,876,000 for the six months ended June 30, 2022. The unconsolidated joint ventures have not been consolidated as of June 30, 2022, because the Company does not control the investments. The Company's current joint ventures are as follows:

- Petro Travel Plaza Holdings LLC – Petro Travel Plaza Holdings LLC, or Petro, is an unconsolidated joint venture with TravelCenters of America that develops and manages travel plazas, gas stations, convenience stores, and fast-food restaurants throughout TRCC. The Company has 50% of the voting rights but participates in 60% of all profits and losses. The Company does not control the investment due to having only 50% of the voting rights. The Company's partner is the managing partner and performs all of the day-to-day operations and has significant decision-making authority over key business components such as fuel inventory and pricing at the facilities. The Company's investment in this joint venture was \$26,029,000 as of June 30, 2022.
- Majestic Realty Co. – Majestic Realty Co., or Majestic, is a privately-held developer and owner of real estate projects throughout the United States. The Company has formed six 50/50 joint ventures with Majestic 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 ventures. The Company and Majestic guarantee the performance of all outstanding debt.
 - 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.
 - In February 2022, we formed TRC-MRC Multi I, LLC, to pursue the development, construction, lease-up, and management of approximately 495 multi-family rental units located within TRCC-East.
 - 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. Construction of the building has begun with completion expected in 2022. The construction is being financed by a \$47,500,000 construction loan that had an outstanding balance of \$30,088,000 as of June 30, 2022. The construction loan is individually and collectively guaranteed by the Company and Majestic. In 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. The Company's investment in this joint venture was \$4,663,000 as of June 30, 2022.

- 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 located within TRCC-East. TRC-MRC 3, LLC qualified as a VIE from inception, but the Company is not the primary beneficiary; therefore, it does not consolidate TRC-MRC 3, LLC in its financial statements. The building is 100% leased as of June 30, 2022. 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 \$34,913,000 as of June 30, 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 \$531,000 as of June 30, 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, which 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 has an outstanding principal balance of \$22,937,000 as of June 30, 2022. The building is 100% leased as of June 30, 2022. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of \$1,329,000. In accordance with the applicable accounting guidance, the Company reclassified excess distributions to Other Liabilities within the Consolidated Balance Sheets. The Company expects to continue to record equity in earnings as a debit to the investment account and if it were to become positive, the Company would reclassify the liability to an asset. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), the Company will immediately recognize the 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 building is 100% leased as of June 30, 2022. Since its inception, the Company has received excess distributions resulting in a deficit balance in its investment of \$1,777,000. In accordance with the applicable accounting guidance, the Company reclassified excess distributions to Other Liabilities within the Consolidated Balance Sheets. The Company expects to continue to record equity in earnings as a debit to the investment account and if it were to become positive, the Company will reclassify the liability to an asset. If it becomes obvious that any excess distribution may not be returned (upon joint venture liquidation or otherwise), the Company will immediately recognize the liability as income. The joint venture refinanced its construction loan in December 2018 with a mortgage loan. The original balance of the mortgage loan was \$25,030,000, of which \$23,097,000 was outstanding as of June 30, 2022. During the first quarter we received notice from a tenant of plans to vacate their current space, concurrently, we received a request from a second tenant wanting to move into a larger space. These two events will free up approximately 240,000 square feet of space during the first quarter of 2023.
- Rockefeller Joint Ventures – The Company has two active joint ventures with Rockefeller Group Development Corporation, or Rockefeller. At June 30, 2022, the Company's combined equity investment balance in these two joint ventures was \$7,409,000.
 - 18-19 West LLC was formed in August 2009 through the contribution of 61.5 acres of land by the Company that is being held for future development. The Company owns a 50% interest in this joint venture, and the joint venture is being accounted for under the equity method due to both members having significant participating rights in the management of the venture. In 2021, a third-party purchased the land from the joint venture for \$15,213,000. The cash proceeds from the sale were distributed to the partners in the first quarter of 2022 and we are in the process dissolving this entity.
 - TRCC/Rock Outlet Center LLC 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 the joint venture 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, 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. As a result, 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 June 30, 2022, the outstanding balance of the term note was \$28,249,000. 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. As of June 30, 2022, the Company owned 93.17% of CFL.

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

Unaudited condensed statement of operations for the six months ended June 30, 2022 and condensed balance sheet information of the Company's unconsolidated joint ventures as of June 30, 2022 and December 31, 2021 are as follows:

	Three Months Ended June 30,					
	2022		2021		2021	
	2022	2021	2022	2021	2022	2021
	Joint Venture				TRC	
(\$ in thousands)	Revenues		Earnings (Loss)		Equity in Earnings (Loss)	
Petro Travel Plaza Holdings, LLC	\$ 49,469	\$ 34,496	\$ 3,256	\$ 2,537	\$ 1,953	\$ 1,522
18-19 West, LLC	—	252	(47)	216	(24)	107
TRCC/Rock Outlet Center, LLC ¹	1,376	1,401	(964)	(730)	(482)	(365)
TRC-MRC 1, LLC	801	795	(25)	10	(12)	5
TRC-MRC 2, LLC	1,031	1,004	338	309	169	155
TRC-MRC 3, LLC	1,015	974	126	(118)	63	(59)
TRC-MRC 4, LLC	—	—	(10)	—	(4)	—
Total	\$ 53,692	\$ 38,922	\$ 2,674	\$ 2,224	\$ 1,663	\$ 1,365
Centennial Founders, LLC	\$ 203	\$ 122	\$ 78	\$ (22)	Consolidated	

(1) Revenues for TRCC/Rock Outlet Center are presented net of non-cash tenant allowance amortization of \$0.3 million and \$0.3 million as of the three months ended June 30, 2022 and June 30, 2021, respectively.

	Six Months Ended June 30,					
	2022		2021		2021	
	2022	2021	2022	2021	2022	2021
	Joint Venture				TRC	
(\$ in thousands)	Revenues		Earnings (Loss)		Equity in Earnings (Loss)	
Petro Travel Plaza Holdings, LLC	\$ 87,797	\$ 58,317	\$ 5,190	\$ 2,780	\$ 3,114	\$ 1,668
18-19 West, LLC	—	254	(47)	181	(24)	90
TRCC/Rock Outlet Center, LLC ¹	2,940	2,676	(1,378)	(1,419)	(689)	(709)
TRC-MRC 1, LLC	1,640	1,642	(6)	97	(3)	48
TRC-MRC 2, LLC	2,056	2,019	682	645	341	323
TRC-MRC 3, LLC	2,033	1,944	284	(227)	142	(114)
TRC-MRC 4, LLC	—	—	(11)	—	(5)	—
Total	\$ 96,466	\$ 66,852	\$ 4,714	\$ 2,057	\$ 2,876	\$ 1,306
Centennial Founders, LLC	\$ 324	\$ 251	\$ 175	\$ 89	Consolidated	

(1) Revenues for TRCC/Rock Outlet Center are presented net of non-cash tenant allowance amortization of \$0.6 million and \$0.6 million as of the six months ended June 30, 2022 and June 30, 2021, respectively.

(\$ in thousands)	June 30, 2022				December 31, 2021			
	Assets	Joint Venture Debt	Equity	TRC Equity	Assets	Joint Venture Debt	Equity	TRC Equity
Petro Travel Plaza Holdings, LLC	\$ 85,290	\$ (14,466)	\$ 64,050	\$ 26,029	\$ 78,064	\$ (14,848)	\$ 58,859	\$ 22,915
18-19 West, LLC	384	—	384	—	14,965	—	14,895	6,877
TRCC/Rock Outlet Center, LLC	60,028	(28,249)	30,945	7,409	61,927	(28,783)	32,323	8,098
TRC-MRC 1, LLC	24,454	(23,097)	993	—	24,964	(23,400)	1,209	—
TRC-MRC 2, LLC	20,720	(22,937)	(2,834)	—	20,497	(23,255)	(5,657)	—
TRC-MRC 3, LLC	36,929	(34,913)	827	531	37,579	(35,324)	(914)	859
TRC-MRC 4, LLC	39,501	(30,088)	9,330	4,663	25,671	(16,307)	9,319	4,669
Total	\$ 267,306	\$ (153,750)	\$ 103,695	\$ 38,632	\$ 263,667	\$ (141,917)	\$ 110,034	\$ 43,418
Centennial Founders, LLC	\$ 102,033	\$ —	\$ 101,835	***	\$ 101,178	\$ —	\$ 100,261	***

*** Centennial Founders, LLC is consolidated within the Company's financial statements.

16. 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, residential, 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 WRMWSD 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 15,547 acre-feet of water, subject to SWP allocations. The Company's Executive Vice President and Chief Operating Officer/Chief Financial Officer is one of nine directors at WRMWSD. As of June 30, 2022, the Company paid \$2,190,000 for these water contracts and related costs.

17. SUBSEQUENT EVENTS

In July of 2022, the Company sold 58 acres of industrial land, located at TRCC East, to a major multinational corporation for gross consideration of \$22,000,000.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

This Quarterly Report on Form 10-Q 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 the Company's crops and real estate operations, future prices, production and demand for oil and other minerals, future development of the Company's property, future revenue and income of its jointly-owned travel plaza and other joint venture operations, potential losses to Tejon Ranch Co. and its subsidiaries (the Company, Tejon, we, us, and our) 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, the uncertainties regarding the impact of COVID-19 on the Company, its customers and suppliers, and global economic conditions, and other future events and conditions. In some cases, these statements are identifiable through 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." 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, 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, the impacts of COVID-19 and the actions taken by governments, businesses, and individuals in response to it, including the development, distribution, efficacy and acceptance of vaccines and related mandates, 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 several reasons, including those described above and in the section entitled "Risk Factors" in our most recent Annual Report on Form 10-K.

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 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.

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 development 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. Over the next few years, it is possible that we will be engaged in continuous litigation defending the entitlements of our master planned developments.

We are currently executing on value creation as we are engaged in construction, commercial sales, and leasing at our fully operational commercial/industrial center Tejon Ranch Commerce Center, or TRCC. In January 2021, the Kern County Board of Supervisors approved two Conditional Use Permits, 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 we anticipate construction beginning late 2022. All of these efforts are supported by diverse revenue streams generated from other operations including: farming, mineral resources, and our various joint ventures.

Our Business

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

Activities within the commercial/industrial real estate development segment include planning and permitting of land for development; construction of infrastructure; construction of pre-leased buildings; construction of buildings to be leased or sold; and the sale of land to third parties for their own development. The commercial/industrial real estate development segment also includes activities related to the power plant lease and communications leases.

At the heart of the commercial/industrial real estate development segment is TRCC, a 20 million square foot commercial/industrial development on Interstate 5 just north of the Los Angeles basin. Six million square feet of industrial, commercial and retail space has already been developed, including distribution centers for IKEA, Caterpillar, Famous Footwear, L'Oreal, Camping World, 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.

We are also involved in multiple joint ventures within TRCC with several partners that help us expand our commercial/industrial business activities:

- A joint venture with TravelCenters of America that owns and operates two travel and truck stop facilities, comprised of five separate gas stations with convenience stores and fast-food restaurants within TRCC-West and TRCC-East.
- Two joint ventures with Rockefeller Development Group, or Rockefeller:
 - 18-19 West LLC owns 61.5 acres of land for future development within TRCC-West. In 2019, our 18-19 West LLC joint venture entered into a land purchase option with the same third-party who purchased the Five West building and land. In November 2021, the third-party exercised the land option and purchased the land from the joint venture for \$15,213,000; and
 - TRCC/Rock Outlet Center LLC operates the Outlets at Tejon, a net leasable 326,000 square foot shopping experience in TRCC-East;
- Six joint ventures with Majestic Realty Co., or Majestic, to develop, manage, and operate industrial buildings within TRCC:
 - TRC-MRC 1, LLC operates a 480,480 square foot industrial building in TRCC-East, which was completed during 2017 and is fully leased;
 - TRC-MRC 2, LLC owns and operates a 651,909 square foot building in TRCC-West that is fully leased;
 - TRC-MRC 3, LLC operates a 579,040 square foot industrial building in TRCC-East that is fully leased; and
 - TRC-MRC 4, LLC was formed in 2021 to pursue the development, construction, leasing and management of a 629,274 square foot industrial building in TRCC-East. Grading on the site has been substantially completed and construction of the building has begun. The building is expected to be completed during the second half of 2022.
 - TRC-MRC 5 LLC was formed in March 29, 2022 to pursue the development, construction, lease-up, and management of an approximately 446,400 square foot industrial building located within TRCC-East. The project is currently in its initial planning and design phases with construction set to commence in 2023.
 - TRC-MRC Multi I, LLC was formed in February 2022 with Majestic for the development, leasing and management of approximately 495 multi-family residential community. The development would be located on an approximately 23-acre site located immediately north of the Outlets at Tejon.

The resort/residential real estate development segment is actively involved in the land entitlement and development process internally and through a joint venture. Our active developments within this segment are Mountain Village at Tejon Ranch, or MV, Centennial at Tejon Ranch, or Centennial, and Grapevine at Tejon Ranch, or Grapevine.

- MV encompasses a total of 26,417 acres, of which 5,082 acres will be used for a mixed-use development that will include housing, retail, and commercial components. MV is entitled for 3,450 homes, 160,000 square feet of commercial development, 750 hotel keys, and more than 21,335 acres of open space. 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 Centennial development is a mixed-use master planned community development encompassing 12,323 acres of our land within Los Angeles County. Upon completion of Centennial, it is estimated that the community will include approximately 19,333 homes and 10.1 million square feet of commercial development, including nearly 3,500 affordable units. Centennial had entitlements approved in December 2018 and received legislative approvals in April 2019 from the Los Angeles County Board of Supervisors. See Note 12 (Commitments and Contingencies) of the Notes to Unaudited Consolidated Financial Statements for additional information related to current litigation; and
- Grapevine is an 8,010-acre development area located on the San Joaquin Valley floor area of our lands, adjacent to TRCC. Upon completion of Grapevine, the community will include 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.
- 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, or RWA, 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.

Please refer to our Annual Report on Form 10-K for the year ended December 31, 2021, for a more detailed description of our active developments within the resort/residential real estate development segment.

Our mineral resources segment generates revenues from oil and gas royalty leases, rock and aggregate mining leases, a lease with National Cement Company of California Inc., and water sales.

The farming segment produces revenues from the sale of wine grapes, almonds, and pistachios.

Lastly, the ranch operations segment consists of game management revenues and ancillary land uses such as grazing leases and filming.

Summary of 2022 Performance

For the three months ended June 30, 2022, the Company had a net loss attributable to common stockholders of \$667,000 compared to net income of \$2,822,000 for the three months ended June 30, 2021. Because of the timing of land and water sales, the Company's commercial real estate and mineral resources segments experienced operating profit declines, over the comparative period, of \$2,774,000 and \$1,465,000, respectively. Offsetting those declines was a decrease in income tax expense of \$1,123,000.

For the first six months of 2022, we had net income attributable to common stockholders of \$3,640,000 compared to \$1,767,000 during the first six months of 2021. The Company's mineral resources and commercial real estate segments experienced operating profit improvements of \$1,217,000 and \$1,163,000, respectively, resulting from stronger margins associated with water and land sales.

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 reporting segment of the business and is followed by a discussion of our financial position. It is useful to read the reporting segment information in conjunction with Note 14 (Reporting Segments and Related Information) of the Notes to Unaudited Consolidated Financial Statements.

Critical Accounting Estimates

The preparation of our interim 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 for 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, use of different estimates that we reasonably could have used in the current period, or 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, stock compensation, and our future ability to utilize deferred tax assets. 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.

During the six months ended June 30, 2022, our critical accounting policies have not changed since the filing of our Annual Report on Form 10-K for the year ended December 31, 2021. Please refer to that filing for a description of our critical accounting policies. Please also refer to Note 1 (Basis of Presentation) in the Notes to Unaudited Consolidated Financial Statements in this report for newly adopted accounting principles.

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)	Three Months Ended June 30,		Change	
	2022	2021	\$	%
Commercial/industrial revenues				
Pastoria Energy Facility	\$ 996	\$ 1,079	\$ (83)	(8)%
TRCC Leasing	366	533	(167)	(31)%
TRCC management fees and reimbursements	365	176	189	107 %
Commercial leases	162	155	7	5 %
Communication leases	255	251	4	2 %
Landscaping and other	318	253	65	26 %
Land sale	—	5,679	(5,679)	(100)%
Total commercial/industrial revenues	\$ 2,462	\$ 8,126	\$ (5,664)	(70)%
Total commercial/industrial expenses	\$ 1,822	\$ 4,712	\$ (2,890)	(61)%
Operating income from commercial/industrial	\$ 640	\$ 3,414	\$ (2,774)	(81)%

- Commercial/industrial real estate development segment revenues were \$2,462,000 for the three months ended June 30, 2022, a decrease of \$5,664,000, or 70%, from \$8,126,000 for the three months ended June 30, 2021. The decrease is attributed to the absence of land sales during the second quarter of 2022 whereas in 2021, the Company contributed land to its TRC-MRC 4 joint venture and recognized \$5,679,000 in land sales revenues. Lastly, the Company in 2021 received a one time lease termination payment from a tenant at TRCC resulting in a decrease in revenues for the current year.
- Commercial/industrial real estate development segment expenses were \$1,822,000 for the three months ended June 30, 2022, a decrease of \$2,890,000, or 61%, from \$4,712,000 for the three months ended June 30, 2021. This decrease is primarily attributed to the absence of the cost of sales in 2022 when compared to the prior period.

(\$ in thousands)	Six Months Ended June 30,		Change	
	2022	2021	\$	%
Commercial revenues				
Pastoria Energy Facility	\$ 1,992	\$ 2,095	\$ (103)	(5)%
TRCC Leasing	754	932	(178)	(19)%
TRCC management fees and reimbursements	950	362	588	162%
Commercial leases	316	297	19	6%
Communication leases	508	478	30	6%
Landscaping and other	610	511	99	19%
Land sale	4,681	5,679	(998)	(18)%
Total commercial revenues	\$ 9,811	\$ 10,354	\$ (543)	(5)%
Total commercial expenses	\$ 4,558	\$ 6,264	\$ (1,706)	(27)%
Operating income from commercial/industrial	\$ 5,253	\$ 4,090	\$ 1,163	28%

- Commercial/industrial real estate development segment revenues were \$9,811,000 for the first six months of 2022, a decrease of \$543,000, or 5%, from \$10,354,000 for the first six months of 2021. The decrease is primarily attributed to selling a smaller land parcel in 2022 when compared to 2021. This decrease was partially offset by an increase in developer fees.
- Commercial/industrial real estate development segment expenses were \$4,558,000 during the first six months of 2022, a decrease of \$1,706,000, or 27%, from \$6,264,000 during the first six months of 2021. The decrease is primarily attributed to selling a smaller land parcel in 2022 when compared to the previous period.

The logistics operators currently located within TRCC have demonstrated success in serving all of California and the western region of the United States, and the Company showcases their success in its marketing efforts. We expect to continue to focus our marketing strategy for TRCC-East and TRCC-West on the significant labor and logistical benefits of our site, the pro-business approach of Kern County, and the demonstrated success of the current tenants and owners within our development. Our location 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 many decentralized smaller distribution centers. The world-class logistics 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.

Our Foreign Trade Zone, or FTZ, designation allows businesses to secure the many benefits and cost reductions associated with streamlined movement of goods in and out of the trade zone. This FTZ designation is further supplemented by the Advance Kern Incentive Program, or AKIP, adopted by the Kern County Board of Supervisors. AKIP 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. AKIP provides incentives such as assistance in obtaining tax incentives, building supporting infrastructure, and workforce development.

We believe that the FTZ and AKIP, along with our ability to provide fully entitled, shovel-ready land parcels to support buildings of any size, including buildings one million square feet or larger, can provide us with a potential marketing advantage. Our marketing efforts target the Inland Empire region of Southern California, the Santa Clarita Valley of northern Los Angeles County, the northern part of the San Fernando Valley - due to the limited availability of new product and high real estate costs in these locations, and the San Joaquin Valley of California. The Company continues to analyze the market and evaluate expansions of industrial buildings for lease either on our own or in partnerships, as we have done with the buildings developed within our joint ventures.

A potential disadvantage to our development strategy is our distance from the ports of Los Angeles and Long Beach in comparison to the warehouse/distribution centers located in the Inland Empire, a large industrial area located east of Los Angeles, which continues its expansion eastward beyond Riverside and San Bernardino, to include Perris, Moreno Valley, and Beaumont. As development in the Inland Empire continues to move east and farther away from the ports, the potential disadvantage of our distance from the ports is being mitigated. Strong demand for large distribution facilities is driving development farther east in a search for large, entitled parcels.

During the quarter ended June 30, 2022, historically tight market conditions continued to exist throughout the Inland Empire. Vacancy rates ticked up 20 basis points to 0.5% but is still 70 basis points below the mark from one year ago. Average asking

rents posted a record-high rate, a 21% jump quarter over quarter and 79% increase from one year ago. Demand for Inland Empire logistics space continues to be strong, as net absorption reached 3.7 million square feet. As lease rates increase in the Inland Empire, we may experience greater pricing advantages due to our lower land basis.

During the quarter ended June 30, 2022, vacancy rates in the San Fernando Valley and Ventura County were unchanged at 0.5% quarter over quarter and 80 basis points below its mark from one year ago. Average asking rates continued to climb with a 22% jump from prior quarter. There is currently 622,000 square feet of industrial space under construction within this market.

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. The Company's TRC-MRC 4 joint venture is currently constructing a 629,274 square foot industrial building while Scannell Properties, a third-party land purchaser, is building a 252,000 square foot industrial building.

We expect our commercial/industrial real estate development segment to continue to experience costs, net of amounts capitalized, primarily related to professional service fees, marketing costs, commissions, planning costs, and staffing costs as we continue to pursue development opportunities. These costs are expected to remain consistent with current levels of expense with any variability in future costs tied to specific absorption transactions in any given year.

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 could continue to increase over several years as we develop our land holdings. We will also continue to evaluate land resources to determine the highest and best uses for our land holdings. Future land sales 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.

Real Estate – Resort/Residential:

We are in the preliminary stages of property development for this segment; hence, no revenues or profits are attributed to this segment.

Resort/residential real estate development segment expenses were \$423,000 for the three months ended June 30, 2022, a decrease of \$16,000, or 4%, from \$439,000 for the six months ended June 30, 2021. The decrease is attributed to additional payroll capitalized to qualifying real estate development projects.

Resort/residential real estate development segment expenses were \$846,000 for the first six months of 2022, a decrease of \$146,000, or 15%, from \$992,000 for the first six months of 2021. The decrease is attributed to additional payroll capitalized to qualifying real estate development projects.

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 continue 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. Most of the expenditures and capital investment to be incurred within our resort/residential real estate segment are expected to continue to focus on the mixed use master planned communities of Centennial, Grapevine, and Mountain Village.

- Centennial – the approved Centennial specific plan includes 19,333 residential units and more than 10.1 million square feet of commercial space. The Company is working with the County of Los Angeles to address litigation filed in the Los Angeles Superior Court. See Note 12 (Commitments and Contingencies) of the Notes to Unaudited Consolidated Financial Statements for further discussion.
- Grapevine – an 8,010-acre development area located on the San Joaquin Valley floor area of our lands, adjacent to TRCC. Upon completion of Grapevine, the community will include 12,000 homes, 5.1 million square feet for commercial development, and more than 3,367 acres of open space and parks.
- MV – a fully entitled project that obtained final map approvals in 2021 for 401 residential lots and parcels for hospitality, amenities, and public uses. The timing of the MV development in the coming years will depend on the strength of both the economy and the real estate market, including both primary and second home markets. In moving the project forward, we will focus on consumer and market research studies, and fine tuning of development business plans.
- Over the next several years, we expect to explore funding opportunities for the future development of our projects. Such funding opportunities could come from a variety of sources, such as joint ventures with financial partners, debt financing, or the Company's issuance of additional common stock.

Mineral Resources:

(\$ in thousands)	Three Months Ended June 30,		Change	
	2022	2021	\$	%
Mineral resources revenues				
Oil and gas	\$ 436	\$ 193	\$ 243	126 %
Cement	851	628	223	36 %
Rock aggregate	548	485	63	13 %
Exploration leases	27	25	2	8 %
Water Sales	2,250	5,610	(3,360)	(60)%
Reimbursables and other	19	463	(444)	(96)%
Total mineral resources revenues	\$ 4,131	\$ 7,404	\$ (3,273)	(44)%
Total mineral resources expenses	\$ 2,445	\$ 4,253	\$ (1,808)	(43)%
Operating income from mineral resources	\$ 1,686	\$ 3,151	\$ (1,465)	(46)%

- Mineral resources segment revenues were \$4,131,000 for the three months ended June 30, 2022, a decrease of \$3,273,000, or 44%, from \$7,404,000 for the three months ended June 30, 2021. The reduction in revenues is primarily attributed to the timing of water sales, which were mostly completed during the first quarter of 2022. Comparatively, the Company sold 1,500 and 4,715 acre-feet of water as of the three months ended June 30, 2022 and 2021, respectively.
- Mineral resources segment expenses were \$2,445,000 for the three months ended June 30, 2022, a decrease of \$1,808,000, or 43%, from \$4,253,000 for the six months ended June 30, 2021. This decrease is consistent with reduced water sales volume when compared to the prior period.

(\$ in thousands)	Six Months Ended June 30,		Change	
	2022	2021	\$	%
Mineral resources revenues				
Oil and gas	\$ 710	\$ 367	\$ 343	93 %
Cement	1,434	1,094	340	31 %
Rock aggregate	799	743	56	8 %
Exploration leases	70	50	20	40 %
Water Sales	12,407	11,862	545	5 %
Reimbursables and other	679	464	215	46 %
Total mineral resources revenues	\$ 16,099	\$ 14,580	\$ 1,519	10 %
Total mineral resources expenses	\$ 9,602	\$ 9,300	\$ 302	3 %
Operating income from mineral resources	\$ 6,497	\$ 5,280	\$ 1,217	23 %

- Mineral resources segment revenues were \$16,099,000 for the first six months of 2022, an increase of \$1,519,000, or 10%, from \$14,580,000 for the first six months of 2021. The dry 2021/2022 winter diminished water availability in California and eventually resulted in a SWP allocation of 5%. As a result, the Company generated \$545,000 in additional water sales revenues in 2022, as a result of improved pricing. Comparatively the Company sold 8,470 and 10,596 acre-feet of water as of June 30, 2022 and 2021, respectively. The remainder of the increase is attributed to the timing of property tax reimbursements from our mineral leases and increased production in the Company's oil and mineral leases as well as higher oil prices.
- Mineral resources segment expenses were \$9,602,000 for the first six months of 2022, an increase of \$302,000, or 3%, when compared to the same period in 2021. The increase is primarily attributed to increases in property taxes and general overhead costs.

As anticipated changes arise in the future related to groundwater management in California, such as limits on groundwater pumping in overdrafted water basins outside of our lands, we believe that our water assets, including water banking operations, ground water recharge programs, and access to water contracts like those we have purchased in the past, will become even more

important and valuable in servicing our projects and providing opportunities for water sales to third parties. We do not expect any further water sales for the remainder of the year.

The price per barrel of oil has increased over 48% from December 31, 2021 levels leading to increases in production, with the expectation of more wells returning into production in the near future. 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, political and regulatory conditions in California, and international disputes such as current conflicts in Eastern Europe.

Farming:

(\$ in thousands)	Three Months Ended June 30,		Change	
	2022	2021	\$	%
Farming revenues				
Almonds	\$ 1,643	\$ 93	\$ 1,550	1,667 %
Hay	204	122	82	67 %
Other	74	64	10	16 %
Total farming revenues	\$ 1,921	\$ 279	\$ 1,642	589 %
Total farming expenses	\$ 3,462	\$ 1,203	\$ 2,259	188 %
Operating loss from farming	\$ (1,541)	\$ (924)	\$ (617)	67 %

- Farming segment revenues were \$1,921,000 for the three months ended June 30, 2022, an increase of \$1,642,000, or 589%, from \$279,000 during the same period in 2021. The improvement is primarily attributed to the timing of the 2021 almond crop sales. Comparatively we sold 722,032 and 44,000 pounds of almonds as of the three months ended June 30, 2022 and 2021, respectively.
- Farming segment expenses were \$3,462,000 for the three months ended June 30, 2022, an increase of \$2,259,000, or 188%, from \$1,203,000 during the same period in 2021. The increase in expenses resulted from the additional cost of sales related to the increase in almond sales when compared to prior year and higher water costs.

(\$ in thousands)	Six Months Ended June 30,		Change	
	2022	2021	\$	%
Farming revenues				
Almonds	\$ 2,126	\$ 397	\$ 1,729	436 %
Pistachios	—	14	(14)	(100)%
Wine grapes	—	16	(16)	(100)%
Hay	318	251	67	27 %
Other	132	208	(76)	(37)%
Total farming revenues	\$ 2,576	\$ 886	\$ 1,690	191 %
Total farming expenses	\$ 5,224	\$ 2,681	\$ 2,543	95 %
Operating (loss) income from farming	\$ (2,648)	\$ (1,795)	\$ (853)	48 %

- Farming segment revenues were \$2,576,000 for the first six months of 2022, an increase of \$1,690,000, or 191%, from \$886,000 during the same period in 2021. The improvement is primarily attributed to the timing of 2021 almond crop sales. Comparatively we sold 991,392 and 204,996 pounds of almonds as of the six months ended June 30, 2022 and 2021, respectively.
- Farming segment expenses were \$5,224,000 for the first six months of 2022, an increase of \$2,543,000, or 95%, from \$2,681,000 when compared to the same period in 2021. The increase in expenses is primarily attributed to an increase in the amount of almonds sold. In addition, the Company is also incurring higher fixed water costs resulting from increased costs associated with maintaining local water district infrastructure and high State Water Project fixed water costs.

Our almond, pistachio, and wine grape crop sales are highly seasonal with most of our sales occurring during the third and fourth quarters. Nut and grape crop markets are particularly sensitive to the size of each year's world crop and the demand for those crops. As witnessed in 2020, large crop yields in California and abroad can rapidly depress prices. Tariffs from India, which is a major customer of almonds and pistachios, can make American products less competitive and push customers to switch to another producing country. The strengthening of the U.S. Dollar also makes our crops less attractive to foreign buyers.

Weather conditions can also 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 2022 production until the summer of 2022. We experienced a warm winter, which reduces the number of chilling hours for our pistachio and almond trees. In the past, this has had a very adverse effect on pistachio yields. The current SWP allocation of 5% alone is inadequate for our farming needs. As such, management will use a portion of the Company's water sources to cover any shortfall and may incur additional water delivery charges, which will increase overall 2022 crop production costs.

Labor shortages are increasing the cost of labor for the Company's farming segment, while supply chain disruptions such as shortages of drivers for trucking companies and availability of food grade containers are impacting our ability to deliver goods to customers. Because a majority of the Company's almonds are sold to customers in India and China, it is very likely that there will be continued sales delays given the current disruption in the global supply chain network. The Company, along with the rest of the farming industry, is experiencing increased costs for chemicals, herbicides, and fertilizers. For the remainder of 2022, we expect these issues to have an adverse effect on the Company's farming operations.

Lastly, the impact of state ground water management laws on new plantings and continuing crop production remains unknown. Water delivery and water availability continues to be a long-term concern within California. Any limitation of delivery of SWP water and the absence of available alternatives during drought periods could potentially cause permanent damage to orchards and vineyards throughout California. While this could impact us, we believe we have sufficient water resources available to meet our requirements for the next crop year.

Ranch Operations:

(\$ in thousands)	Three Months Ended June 30,		Change	
	2022	2021	\$	%
Ranch Operations revenues				
Game management and other ¹	\$ 461	\$ 448	\$ 13	3 %
Grazing	294	381	(87)	(23)%
Total Ranch Operations revenues	\$ 755	\$ 829	\$ (74)	(9)%
Total Ranch Operations expenses	\$ 1,250	\$ 1,142	\$ 108	9 %
Operating loss from Ranch Operations	\$ (495)	\$ (313)	\$ (182)	58 %

¹ 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.

- Ranch operations revenues were \$755,000 for the three months ended June 30, 2022, a decrease of \$74,000, or 9%, from \$829,000 for the same period in 2021. The decrease is primarily attributed to a drought clause that reduced the number of cattle that are able to graze on the Company's land, thereby reducing grazing lease revenues.
- Ranch operations expenses were \$1,250,000 for the three months ended June 30, 2022, an increase of \$108,000, or 9%, from \$1,142,000 for the same period in 2021. This increase is primarily attributed to an increase in repairs and maintenance costs resulting from a shift in business strategy. Historically, the Company has maintained property grounds using internal sources, during 2022 we began outsourcing this effort which is attributing to the aforementioned increase in repairs and maintenance costs during the quarter.

(\$ in thousands)	Six Months Ended June 30,		Change	
	2022	2021	\$	%
Ranch Operations revenues				
Game Management and other ¹	\$ 1,163	\$ 1,094	\$ 69	6 %
Grazing	640	778	(138)	(18)%
Total Ranch Operations revenues	\$ 1,803	\$ 1,872	\$ (69)	(4)%
Total Ranch Operations expenses	\$ 2,565	\$ 2,329	\$ 236	10 %
Operating loss from Ranch Operations	\$ (762)	\$ (457)	\$ (305)	67 %

¹ 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.

- Ranch operations revenues were \$1,803,000 for the first six months of 2022, a decrease of \$69,000, or 4%, from \$1,872,000 for the same period in 2021. The decrease is primarily attributed to a drought clause that reduced the number of cattle that are able to graze on the Company's land, thereby reducing grazing lease revenues.
- Ranch operations expenses were \$2,565,000 for the first six months of 2022, an increase of \$236,000, or 10%, from \$2,329,000 for the same period in 2021. This increase is primarily attributed to an increase in repairs and maintenance costs resulting from a shift in business strategy. Historically, the Company has maintained property grounds using internal sources, during 2022 we began outsourcing this effort which is attributing to the aforementioned increase in repairs and maintenance costs during the quarter.

Corporate and Other:

Corporate general and administrative costs were \$2,185,000 for the three months ended June 30, 2022, a decrease of \$179,000, or 8%, from \$2,364,000 for the same period in 2021. The decrease is primarily attributed to a decrease in payroll and stock compensation, net of capitalization, of \$95,000 as a result of the Company switching from a performance-based stock compensation plan to a market-based stock compensation plan. The Company also had a \$44,000 reduction in insurance expense as a result of a refund.

Corporate general and administrative costs were \$4,600,000 for the first six months of 2022, a decrease of \$55,000, or 1%, from \$4,655,000 for the same period in 2021. The decrease is primarily attributed to lower depreciation and amortization costs.

On November 2021, the Company's 18-19 West joint venture sold its land for \$15,213,000. In 2022, the Company received excess distributions and recognized long-term deferred gains, associated with the 18-19 West joint venture of \$925,000.

Joint Ventures:

(\$ in thousands)	Three Months Ended June 30,		Change	
	2022	2021	\$	%
Equity in earnings (loss)				
Petro Travel Plaza Holdings, LLC	\$ 1,953	\$ 1,522	\$ 431	28 %
18-19 West, LLC	(24)	107	(131)	(122)%
TRCC/Rock Outlet Center, LLC	(482)	(365)	(117)	32 %
TRC-MRC 1, LLC	(12)	5	(17)	(340)%
TRC-MRC 2, LLC	169	155	14	9 %
TRC-MRC 3, LLC	63	(59)	122	(207)%
TRC-MRC 4, LLC	(4)	—	(4)	100 %
Total equity in earnings	\$ 1,663	\$ 1,365	\$ 298	22 %

- Equity in earnings were \$1,663,000 for the three months ended June 30, 2022, an increase of \$298,000, from \$1,365,000 during the same period in 2021. The improvement is primarily attributed to the Company's Petro joint venture that saw improved fuel and non-fuel operating margins in 2022.

(\$ in thousands)	Six Months Ended June 30,		Change	
	2022	2021	\$	%
Equity in earnings (loss)				
Petro Travel Plaza Holdings, LLC	\$ 3,114	\$ 1,668	\$ 1,446	87 %
18-19 West, LLC	(24)	90	(114)	(127)%
TRCC/Rock Outlet Center, LLC	(689)	(709)	20	(3)%
TRC-MRC 1, LLC	(3)	48	(51)	(106)%
TRC-MRC 2, LLC	341	323	18	6 %
TRC-MRC 3, LLC	142	(114)	256	(225)%
TRC-MRC 4, LLC	(5)	—	(5)	— %
Total equity in earnings	\$ 2,876	\$ 1,306	\$ 1,570	120 %

- Equity in earnings were \$2,876,000 for the six months ended June 30, 2022, an increase of \$1,570,000, or 120%, from \$1,306,000 during the same period in 2021. The improvement is primarily attributed to the Company's Petro joint venture that saw improvements in both fuel and non-fuel operating margins. Additionally, the joint venture's full-service restaurants were open during the first quarter of 2022, but were closed due to COVID-19 mandates during the same period in 2021.

Please refer to "Non-GAAP Financial Measures" for further financial discussion of the results of our joint ventures.

General Outlook

The operations of the Company are seasonal and future results of operations cannot reliably be predicted based on quarterly results. Historically, the Company's largest percentages of farming revenues are recognized during the third and fourth quarters of the fiscal year. Real estate activity and leasing activities are dependent on market circumstances and specific opportunities and therefore are difficult to predict from period to period.

For further discussion of the risks and uncertainties that could potentially adversely affect us, please refer to Part I, Item 7 – "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the year ended December 31, 2021, or Annual Report, and to Part I, Item 1A - "Risk Factors" of our Annual Report. We continue to be involved in various legal proceedings related to leased acreage. For a further discussion, please refer to Note 12 (Commitments and Contingencies) of the Notes to Unaudited Consolidated Financial Statements in this report.

Income Taxes

For the six months ended June 30, 2022, the Company had net income tax expense of \$3,041,000 compared to \$1,139,000 for the six months ended June 30, 2021. The effective tax rates approximated 45% and 39% for the six months ended June 30, 2022 and 2021, respectively. As of June 30, 2022, income tax payables were \$2,213,000. The Company classifies interest and penalties incurred on tax payments as income tax expenses. The Company's effective tax rates were higher than statutory rates primarily because of permanent differences related to Section 162(m) limitations and discrete tax expense associated with interest rate swap termination proceeds. The Section 162(m) compensation deduction limitations occurred due to changes in tax law arising from the 2017 Tax Cuts Jobs Act. The discrete item was primarily triggered after the Company terminated an existing interest rate swap position that was in a net asset position and as a result, received proceeds of \$1,123,000.

Cash Flow and Liquidity

Our financial position allows us to pursue our strategies of 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 over the long-term, we expect to continue to make investments in our real estate segments to secure land entitlement approvals, build infrastructure for our developments, provide adequate water supplies, and provide funds for general land development activities. Within our farming segment, we intend to make investments as needed to improve efficiency and add capacity to its operations when it is profitable to do so.

Our cash, cash equivalents and marketable securities totaled \$45,549,000 as of June 30, 2022, a decrease of \$1,629,000 from \$47,178,000 as of December 31, 2021.

The following table shows our cash flow activities for the six months ended June 30,

<i>(in thousands)</i>	2022	2021
Operating activities	\$ 2,658	\$ (1,095)
Investing activities	\$ (18,427)	\$ (9,846)
Financing activities	\$ (2,062)	\$ (3,098)

Operating Activities

During the first six months of 2022, the Company's operations provided \$2,658,000 primarily as a result of distributions of earnings from unconsolidated joint ventures and an increase in net income.

During the first six months of 2021, the Company's operations used \$1,095,000 primarily to fund crop cultural costs.

Investing Activities

During the first six months of 2022, investing activities used \$18,427,000. The Company made capital expenditures, inclusive of capitalized interest and payroll (exclusive of stock compensation), of \$12,288,000, which includes predevelopment activities for our master planned communities; \$1,292,000 consisting of permitting efforts for MV; \$420,000 consisting of permitting efforts for Grapevine, and costs related to litigation defense for Centennial of \$2,067,000. At TRCC, we spent \$4,480,000 on infrastructure improvements and planning on the residential community at TRCC-East. Within our farming segment, we spent \$3,690,000 which includes cultural costs for orchards not currently in production and replacing machinery and equipment. Lastly, the Company used \$988,000 to acquire water assets. The Company had marketable securities maturities of \$20,322,000 and reinvested \$36,783,000. Lastly, the Company received proceeds of \$2,899,000, \$3,973,000, \$4,438,000, from joint venture distributions, water sales, and land sales, respectively.

During the first six months of 2021, investing activities used \$9,846,000. The Company made capital expenditures, inclusive of capitalized interest and payroll (exclusive of stock compensation), of \$11,414,000, which includes predevelopment activities for our master planned communities; \$2,235,000 consisting of planning and permitting primarily related to the preparation of final maps for Phase 1 of MV; expenditures relating to litigation of \$618,000 for Grapevine, and costs related to litigation defense for Centennial of \$1,184,000. At TRCC, we spent \$2,136,000 on infrastructure improvements, qualifying costs related to land development and the residential community at TRCC-East. Within our farming segment, we spent \$4,812,000 developing new almond orchards and grape vineyards, which includes cultural costs for 2021 for orchards not currently in production and replacing machinery and equipment. Lastly, the Company used \$2,415,000 to acquire water assets and invested \$7,842,000 into marketable securities. The cash outlays previously mentioned were offset by water sales proceeds of \$5,874,000, joint venture distributions of \$5,096,000 primarily attributed to the sale of land to TRC-MRC 4 and proceeds from matured marketable securities of \$1,400,000.

As we move forward, we anticipate we will continue to use cash from operations, proceeds from the maturity of securities, and anticipated distributions from joint ventures to fund real estate project investments, including the investments summarized below.

Our estimated capital investment, inclusive of capitalized interest and payroll, for the remainder of 2022 is primarily related to our real estate projects. These estimated investments include approximately \$8,236,000 of infrastructure development at TRCC-East to support continued commercial retail and industrial development and to expand water facilities to support future anticipated absorption. We also plan to continue to invest in cultural costs tied to new almond orchards and vineyards, and to replace farm equipment. The farm investments are part of a long-term farm management program to redevelop declining orchards and vineyards to maintain and improve future farm revenues. Lastly, we expect to invest up to \$4,734,000 for land planning, litigation/appeals, federal and state agency permitting activities, and development activities at MV, Centennial, and Grapevine during the remainder of 2022.

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 expenditures for the asset have been made and interest cost has been incurred. Capitalized interest for the six months ended June 30, 2022 and 2021, was \$1,154,000 and \$1,242,000, respectively, and is classified within real estate development. We also capitalized payroll costs related to development, pre-construction, and construction projects which aggregated \$1,311,100 and \$1,238,000 for the six months ended June 30, 2022 and 2021, respectively. Expenditures for repairs and maintenance are expensed as incurred.

Financing Activities

During the first six months of 2022, financing activities used \$2,062,000, which was attributable to long-term debt service of \$50,962,000, tax payments on vested share grants of \$1,122,000, offset by debt issuance of \$49,080,000 and proceeds from interest rate swap termination of \$1,123,000.

During the first six months of 2021, financing activities used \$3,098,000, which was attributable to long-term debt service of \$2,132,000 and tax payments on vested share grants of \$966,000.

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 certain years or periods having different earnings than comparable periods. Based on the Company's experience, the Company believes it will have adequate cash flows, cash balances, and availability on our line of credit (discussed below) over the next twelve months to fund internal operations. As we move forward with the completion of our 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 financing.

We continuously evaluate our short-term and long-term capital investment needs. Based on the timing of capital investments, we may supplement our current cash, marketable securities, and operational funding sources through the sale of common stock and the incurrence of additional debt.

Capital Structure and Financial Condition

At June 30, 2022, total capitalization at book value was \$515,210,000, consisting of \$50,901,000 of debt and \$464,309,000 of equity, resulting in a debt-to-total-capitalization ratio of approximately 9.9%.

On October 13, 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 August 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 5, 2024. 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 \$1,123,200 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 28, 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 of New RLC under the New Credit Facility is \$45,000,000. 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 \$49,080,000 balance as of June 30, 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 June 30, 2022. At the Company's option, the interest rate on this line of credit can float at 1.37% over a selected the Daily SOFR rate or can be fixed at 1.37% above Term SOFR for a fixed rate term. 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.

Any future borrowings under the New RLC are expected to be used for ongoing working capital requirements and other general corporate purposes. To maintain availability of funds under the RLC, undrawn amounts under the 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; (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.

At June 30, 2022 and December 31, 2021, the Company was in compliance with all financial covenants.

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.

The Company also has a \$4,750,000 promissory note agreement whose principal and interest due monthly began October 1, 2013. The interest rate on this promissory note is 4.25% per annum, with principal and interest payments ending on September 1, 2028. The balance as of June 30, 2022 was \$1,821,000.

Current and future capital resource requirements will be provided primarily from current cash and marketable securities, cash flow from ongoing operations, distributions from joint ventures, proceeds from the sale of developed and undeveloped land 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 additional common stock.

In May 2022, we filed an updated shelf registration statement on Form S-3, which went effective in May 2022. Under the shelf registration statement, we may offer and sell in the future one or more offerings not to exceed \$200,000,000, 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.

Although we have a strong liquidity position at June 30, 2022 with \$45,549,000 in cash and securities and \$45,000,000 available on our RLC to meet any short-term liquidity needs, we have taken steps to maximize positive cash flow, in case a lack of liquidity in the economy limits our access to third party funding by responsibly limiting cash expenditures to the extent practical. See Note 3 (Marketable Securities) and Note 7 (Line of Credit and Long-Term Debt) of the Notes to Unaudited Consolidated Financial Statements for more information.

We continue to expect that substantial investments will be required to develop our land assets. 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. 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 June 30, 2022, to be paid over the next five years and thereafter:

(In thousands)	Payments Due by Period				
	Total	One Year or Less	Years 2-3	Years 4-5	Thereafter
Contractual Obligations:					
Estimated water payments	\$ 277,288	\$ 11,632	\$ 24,321	\$ 25,804	\$ 215,531
Long-term debt	50,901	1,619	3,733	4,109	41,440
Interest on long-term debt	18,987	2,307	4,365	4,007	8,308
Cash contract commitments	8,922	5,677	1,656	518	1,071
Defined Benefit Plan	4,489	317	712	973	2,487
SERP	4,967	526	997	1,115	2,329
Financing fees	163	163	—	—	—
Total contractual obligations	<u>\$ 365,717</u>	<u>\$ 22,241</u>	<u>\$ 35,784</u>	<u>\$ 36,526</u>	<u>\$ 271,166</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.

Estimated water payments include the Nickel Family, LLC 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, TCWD, 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 5 (Long-Term Water Assets) of the Notes to Consolidated Financial Statements for additional information regarding water assets.

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 operating lease obligations. Our operating lease obligations are for office equipment. At the present time, we do not have any capital lease obligations or purchase obligations outstanding.

As discussed in Note 13 (Retirement Plans) of the Notes to Unaudited 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. We expect to contribute \$165,000 to our defined benefit plan in 2022.

Off-Balance Sheet Arrangements

The following table shows contingent obligations we have with respect to certain bonds issued by 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 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 \$28,620,000 of 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 \$75,965,000 of 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 the 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 as of June 30, 2022, that the letter of credit will likely never be drawn upon. This letter of credit is for a two-year period and will be renewed in two-year intervals as necessary. The annual cost related to the letter of credit is approximately \$68,000. The tax 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 of the property at the time of sale or at the time it is leased to a third-party. Accordingly, the Company is not required to recognize an obligation as of June 30, 2022.

As of June 30, 2022, aggregate outstanding debt of unconsolidated joint ventures was \$153,750,000. We provided a guarantee on \$139,284,000 of this debt, relating to our joint ventures with Rockefeller and Majestic. Because of positive cash flow generation within the Rockefeller and Majestic joint ventures, we, as of June 30, 2022, do not expect the guarantee to be called upon. We do not provide a guarantee on the \$14,466,000 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. Adjusted EBITDA is used 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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income (loss)	\$ (662)	\$ 2,824	\$ 3,652	\$ 1,761
Net income (loss) attributable to non-controlling interest	5	2	12	(6)
Net income (loss) attributable to common stockholders	(667)	2,822	3,640	1,767
Interest, net				
Consolidated	(79)	(9)	(96)	(16)
Our share of interest expense from unconsolidated joint ventures	640	629	1,231	1,253
Total interest, net	561	620	1,135	1,237
Income taxes	(5)	1,118	3,041	1,139
Depreciation and amortization:				
Consolidated	1,081	967	2,048	1,932
Our share of depreciation and amortization from unconsolidated joint ventures	1,093	1,181	2,242	2,356
Total depreciation and amortization	2,174	2,148	4,290	4,288
EBITDA	2,063	6,708	12,106	8,431
Stock compensation expense	868	949	2,087	2,225
Adjusted EBITDA	\$ 2,931	\$ 7,657	\$ 14,193	\$ 10,656

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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Commercial				
Revenues	\$ 2,462	\$ 8,126	\$ 9,811	\$ 10,354
Expenses	1,822	4,712	4,558	6,264
Commercial/Industrial operating income	\$ 640	\$ 3,414	\$ 5,253	\$ 4,090
Plus: Commercial/Industrial depreciation and amortization	113	116	229	232
Plus: General, administrative, cost of sales and other expenses	1,594	4,490	4,112	5,828
Less: Other revenues including land sales	(675)	(6,108)	(6,234)	(6,542)
Total Commercial/Industrial net operating income	\$ 1,672	\$ 1,912	\$ 3,360	\$ 3,608

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net operating income				
Pastoria Energy Facility	\$ 992	\$ 1,076	\$ 1,985	\$ 2,088
TRCC	272	443	576	761
Communication leases	253	244	499	465
Other commercial leases	155	149	300	294
Total Commercial/Industrial net operating income	\$ 1,672	\$ 1,912	\$ 3,360	\$ 3,608

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 of unconsolidated joint ventures to NOI of unconsolidated joint ventures. Please refer to Note 15 (Investment in Unconsolidated and Consolidated Joint Ventures) of the Notes to Unaudited Consolidated Financial Statements for further discussion on joint ventures.

(\$ in thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Earnings of unconsolidated joint ventures	\$ 2,674	\$ 2,224	\$ 4,714	\$ 2,057
Interest expense of unconsolidated joint ventures	1,256	1,241	2,422	2,473
Operating income of unconsolidated joint ventures	3,930	3,465	7,136	4,530
Depreciation and amortization of unconsolidated joint ventures	2,054	2,220	4,197	4,434
Net operating income of unconsolidated joint ventures	\$ 5,984	\$ 5,685	\$ 11,333	\$ 8,964

ITEM 3. 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 Unaudited Consolidated Financial Statements.

The New RLC had no outstanding balance as of June 30, 2022. At the Company's option, the interest rate on this line of credit can float at 1.37% over a selected the Daily SOFR rate or can be fixed at 1.37% above Term SOFR for a fixed rate term. 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.

We are exposed to interest rate risk on our long-term debt. Long-term debt consists of two term loans, one of which has a balance of \$49,080,000 as of June 30, 2022 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 as of June 30, 2022 was \$1,821,000 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 first term loan (discussed here).

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 our 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 June 30, 2022
(In thousands except percentage data)

	2022	2023	2024	2025	2026	Thereafter	Total	Fair Value
Assets:								
Marketable securities	\$9,357	\$18,014	\$—	\$—	\$—	\$—	\$27,371	\$27,185
Weighted average interest rate	0.66%	1.87%	—%	—%	—%	3.67%	1.46%	
Liabilities:								
Long-term debt (\$4.75M note)	\$129	\$265	\$277	\$289	\$302	\$559	\$1,821	\$1,821
Weighted average interest rate	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	4.25%	
Long-term debt (New Term Loan)	\$618	\$1,513	\$1,589	\$1,669	\$1,753	\$41,938	\$49,080	\$49,080
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
Assets:								
Marketable securities	\$9,834	\$756	\$—	\$—	\$—	\$—	\$10,590	\$10,983
Weighted average interest rate	0.20%	0.22%	—%	—%	—%	—%	0.20%	
Liabilities:								
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%	

Commodity Price Exposure

Farming inventories and accounts receivables are exposed to adverse price fluctuations. Farming inventories consists of farming cultural and processing costs associated with crop production. Farming inventory costs are recorded as incurred. Historically, these costs have been recovered through crop sales occurring after harvest.

With respect to accounts receivables, the amount at risk primarily relates to farm crops. These receivables are recorded as estimates of the prices that ultimately will be received for the crops. The final price is generally not known for several months following the close of our fiscal year. Of the \$2,751,000 of accounts receivable outstanding at June 30, 2022, \$471,381, or 17%, pertains to pistachio sales receivables that are at risk to changing prices.

The price estimated for the remaining accounts receivable for pistachios recorded at June 30, 2022 was \$2.14 per pound and compared to \$2.04 at December 31, 2021 levels. For each \$0.01 change in the price per pound of pistachios, our receivable for pistachios increases or decreases by \$2,000. Although the final price per pound of pistachios, and therefore the extent of the risk is presently unknown, pricing over the past three years has ranged from \$1.98 to \$2.14.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

At the end of the period covered by this report, management carried out an evaluation, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, 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 as of the end of the period covered by this report, our disclosure controls and procedures were effective 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 is 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.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Please refer to Note 12 (Commitments and Contingencies) in the Notes to Unaudited Consolidated Financial Statements in this report.

Item 1A. Risk Factors

There have been no material changes to the risk factors previously disclosed in Part I, Item 1A in our most recent Annual Report on Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits:

3.1	Restated Certificate of Incorporation	FN 1
3.2	Amended and Restated Bylaws	FN 2
4.3	Registration and Reimbursement Agreement	FN 5
4.5	Form of Indenture for Debt	FN 37
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(1)	*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(1)	*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 25

10.33	Revolving Line of Credit	FN 36
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, LLC	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 Officer Severance Agreement - Gregory S. Bielli	FN 38
10.48	Limited Liability Company Agreement of TRC-MRC 4, LLC	FN 39
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.	Filed herewith
31.1	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed herewith
31.2	Certification 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	Furnished
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	Filed herewith
101.SCH	Inline XBRL Taxonomy Extension Schema Document.	Filed herewith
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.	Filed herewith
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).	
	* Management contract, compensatory plan or arrangement.	

FN 1 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 3.1 to our Quarterly Report on Form 10-Q for the period ended June 30, 2021, is incorporated herein by reference.

FN 2 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) 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 1-07183) 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 1-07183) under Item 14 to our Annual Report on Form 10-K for the 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 1-07183) under Item 14 to our Annual Report on Form 10-K for the year ended 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 1-07183) 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 1-07183) 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 1-07183) 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 1-07183) 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 1-07183) 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 1-07183) 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 1-07183) 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 1-07183) 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 1-07183) as Exhibit 10.25 to our Quarterly Report on Form 10-Q for the period ended 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 1-07183) as Exhibit 10.26 to our Quarterly Report on Form 10-Q for the period ended March 31, 2013, for the period ended 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 1-07183) 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 1-07183) 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 1-07183) 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 1-07183) 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 1-07183) as Exhibits 10.31 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 1-07183) 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 1-07183) as Exhibit 10.35 to our Quarterly Report on Form 10-Q for the period ended June 30, 2015, is incorporated herein by reference.
- FN 25 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.32 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
- FN 26 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.37 to our Quarterly Report on Form 10-Q for the period ended 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 1-07183) as Exhibit 10.38 to our Quarterly Report on Form 10-Q for the period ended 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 1-07183) 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 1-07183) 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 1-07183) 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 1-07183) as Exhibit 10.42 to our Quarterly Report on Form 10-Q for the period ended 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 1-07183) 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 1-07183) 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 1-07183) as Exhibit 10.45 to our Quarterly Report on Form 10-Q for the period ended 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 1-07183) as Exhibit 10.46 to our Quarterly Report on Form 10-Q for the period ended 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 1-07183) as Exhibit 10.33 to our Current Report on Form 8-K filed on October 17, 2014, is incorporated herein by reference.
- FN 37 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 38 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) 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 39 This document, filed with the Securities and Exchange Commission in Washington, D.C. (file number 1-07183) as Exhibit 10.48 to our Quarterly Report on Form 10-Q for the period ended March 31, 2021, 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.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TEJON RANCH CO.

August 3, 2022
Date

/s/ Gregory S. Bielli
Gregory S. Bielli
President and Chief Executive Officer
(Principal Executive Officer)

August 3, 2022
Date

/s/ Allen E. Lyda
Allen E. Lyda
Chief Operating Officer/Chief Financial Officer
(Principal Financial Officer)

August 3, 2022
Date

/s/ Robert D. Velasquez
Robert D. Velasquez
Chief Accounting Officer
(Principal Accounting Officer)

CREDIT AGREEMENT

BETWEEN

TEJON RANCHCORP
("BORROWER")

AND

BANK OF AMERICA, N.A.
("BANK")

DATED AS OF JUNE 29, 2022

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CREDIT AGREEMENT

This Agreement dated as of June 29, 2022, is between Bank of America, N.A. (the "Bank") and Tejon Ranchcorp (the "Borrower").

1. DEFINITIONS

In addition to the terms which are defined elsewhere in this Agreement, the following terms have the meanings indicated for the purposes of this Agreement:

1.1 "Beneficial Ownership Certification" means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

1.2 "Beneficial Ownership Regulation" means 31 C.F.R. § 1010.230.

1.3 "Environmental Agreement" means, as applicable, the Indemnity Regarding Hazardous Substances section hereof or the environmental indemnity agreement of even date herewith by and between the Borrower and the Bank pertaining to the Property, as the same may from time to time be extended, amended, restated or otherwise modified. The Environmental Agreement is unsecured.

1.4 "Event of Default" has the meaning specified in Section 11.

1.5 "Flood Insurance Laws" means, collectively, (a) the National Flood Insurance Act of 1968, (b) the Flood Disaster Protection Act of 1973, and (c) the National Flood Insurance Reform Act of 1994, and any regulations promulgated pursuant thereto, each as amended and together with any successor law of such type.

1.6 "Land" means the land described in and encumbered by the Mortgage.

1.7 "Loan Document" has the meaning specified in Section 12.14.

1.8 "Material Adverse Effect" means (a) a material adverse change in, or a material adverse effect upon, the Borrower's business condition (financial or otherwise), operations or properties; or (b) a material adverse change in, or a material adverse effect upon the ability of the Borrower to repay its obligations as contemplated by this Agreement or under any document executed in connection with this Agreement.

1.9 "Mortgage" means the deed of trust or mortgage of even date herewith given by the Borrower to the Bank to secure the obligations hereunder, except for obligations arising out of the Environmental Agreement, as the same may from time to time be extended, amended, restated, supplemented or otherwise modified.

1.10 "PEF Lease" means that certain ground lease, entered into as of July 19, 2001, between the Borrower and Pastoria Energy Facility L.L.C., as amended.

2. FACILITY NO. 1: LINE OF CREDIT AMOUNT AND TERMS

2.1 Line of Credit Amount.

- (a) During the availability period described below, the Bank will provide a line of credit to the Borrower (the "Line of Credit"). The amount of the Line of Credit (the "Facility No. 1 Commitment") is Forty-Five Million Dollars (\$45,000,000).
- (b) This is a revolving line of credit. During the availability period the Borrower may from time to time borrow, partially or wholly prepay principal amounts and reborrow them.
- (c) The Borrower agrees not to permit the principal balance outstanding to exceed the Facility No. 1 Commitment. If the Borrower exceeds this limit, the Borrower will immediately pay the excess to the Bank upon the Bank's demand.

2.2 Availability Period.

The Line of Credit is available between the date of this Agreement and June 29, 2027, or such earlier date as the availability may terminate as provided in this Agreement (the "Facility No. 1 Expiration Date").

2.3 Repayment Terms.

- (a) The Borrower will pay interest on August 5, 2022, and then on the same day of each month thereafter until payment in full of all principal outstanding under this facility. The amount of each interest payment shall be the amount of accrued interest on the Line of Credit as of the interest payment date or such earlier accrual date as indicated on the billing statement for such interest payment.
- (b) The Borrower will repay in full all principal, interest or other charges outstanding under this Agreement no later than the Facility No. 1 Expiration Date.
- (c) The Borrower may prepay the Line of Credit in full or in part at any time without penalty or premium, except as provided in Sections 4.2(f) and 4.2(g). The prepayment will be applied to the most remote payment of principal due under this Agreement.

2.4 Interest Rate.

- (a) The interest rate is a rate per year equal to Daily SOFR plus 1.37 percentage point(s).
- (b) Daily SOFR is a fluctuating rate of interest which can change on each banking day. "Daily SOFR" means the rate per annum equal to SOFR determined for any day pursuant to the definition thereof plus the SOFR Adjustment. Any change in Daily SOFR shall be effective from and including the date of such change without further notice. At any time Daily SOFR is less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. For purposes of this paragraph only:
 - (i) "SOFR" means, for each day any Daily SOFR Portion is outstanding, the Secured Overnight Financing Rate published on such date by the SOFR Administrator on the Federal Reserve Bank of New York's website (or any successor source); provided however that if such determination date is not a U.S. Government Securities Business Day, then SOFR means such rate that applied on the first U.S. Government Securities Business Day immediately prior thereto.
 - (ii) "SOFR Adjustment" means with respect to Daily SOFR, 0.10% per annum.
 - (iii) "SOFR Administrator" means the Federal Reserve Bank of New York, as the administrator of SOFR, or any successor administrator of SOFR designated by the Federal Reserve Bank of New York or other person acting as the SOFR Administrator at such time.

- (iv) "U.S. Government Securities Business Day" means any banking day, except any banking day on which any of the Securities Industry and Financial Markets Association, the New York Stock Exchange or the Federal Reserve Bank of New York is not open for business because such day is a legal holiday under the federal laws of the United States or the laws of the State of New York, as applicable.

2.5 Optional Interest Rates.

Instead of the interest rate based on the rate stated in the paragraph entitled "Interest Rate" above, the Borrower may elect the optional interest rates listed below for this Facility No. 1 during interest periods elected by the Borrower and agreed to by the Bank. The optional interest rates shall be subject to the terms and conditions described later in this Agreement. Any principal amount bearing interest at an optional rate under this Agreement is referred to as a "Portion." The following optional interest rate is available:

- (a) Term SOFR plus 1.37 percentage point(s).

2.6 Letters of Credit.

- (a) As a subfacility under the Line of Credit, during the availability period, the Bank agrees from time to time to issue or cause an affiliate to issue standby letters of credit for the account of the Borrower (each a "Letter of Credit," and collectively "Letters of Credit"); provided however, that the aggregate drawn and undrawn amount of all outstanding Letters of Credit shall not at any time exceed Ten Million Dollars (\$10,000,000). The form and substance of each Letter of Credit shall be subject to approval by the Bank, in its sole discretion. Each Letter of Credit shall be issued for a term, as designated by the Borrower, not to exceed two years; provided however, that in Bank's sole discretion, such Letter of Credit may be extended to have an expiration date up to 365 days beyond the Facility No. 1 Expiration Date. Standby letters of credit may include a provision providing that their expiry date will automatically be extended each year for an additional period not to exceed two years unless the Bank delivers written notice to the contrary provided, however, that each letter of credit must include a final expiry date which will not be subject to automatic extension. The undrawn amount of all Letters of Credit shall be reserved under the Line of Credit and such amount shall not be available for borrowings. Each Letter of Credit shall be subject to the additional terms and conditions of the Letter of Credit agreements, applications and any related documents required by the Bank in connection with the issuance of Letters of Credit. At the option of the Bank, any drawing paid under a Letter of Credit may be deemed an advance under the Line of Credit and shall be repaid by the Borrower in accordance with the terms and conditions of this Agreement applicable to such advances; provided however, that if advances under the Line of Credit are not available, for any reason, at the time any drawing is paid, then the Borrower shall immediately pay to the Bank the full amount drawn, together with interest from the date such drawing is paid to the date such amount is fully repaid by the Borrower, at the rate of interest applicable to advances under the Line of Credit. In such event the Borrower agrees that the Bank, in its sole discretion, may debit any account maintained by the Borrower with the Bank for the amount of any such drawing. The Borrower agrees to deposit in a cash collateral account with the Bank an amount equal to the aggregate outstanding undrawn face amount of all letters of credit which remain outstanding on the Facility No. 1 Expiration Date. The Borrower grants a security interest in such cash collateral account to the Bank. Amounts held in such cash collateral account shall be applied by the Bank to the payment of drafts drawn under such letters of credit and to the obligations and liabilities of the Borrower to the Bank, in such order of application as the Bank may in its sole discretion elect.
- (b) The Borrower shall pay the Bank a non-refundable fee equal to 1.37% per annum of the outstanding undrawn amount of each standby letter of credit, payable quarterly in advance, calculated on the basis of the face amount outstanding on the day the fee is calculated. If there is an Event of Default on such date, at the Bank's option, the amount of the fee shall be increased

to 4.0% per annum, effective starting on the day the Bank provides notice of the increase to the Borrower.

3. FACILITY NO. 2: VARIABLE RATE TERM LOAN AMOUNT AND TERMS

3.1 Loan Amount.

The Bank agrees to provide a term loan to the Borrower in the amount of Forty-Nine Million Eighty Thousand and 0/100 Dollars (\$49,080,000) (the "Facility No. 2 Commitment").

3.2 Availability Period.

The loan is available in one disbursement from the Bank on the date of this Agreement.

3.3 Repayment Terms.

- (a) The Borrower will pay interest on August 5, 2022, and then on the same day of each month thereafter until payment in full of all principal outstanding under this facility.
- (b) The Borrower will repay principal in installments on the dates and in the amounts stated on the attached Exhibit A. On June 29, 2032 the Borrower will repay the remaining principal balance plus all interest then due.
- (c) The Borrower may prepay the loan in full or in part at any time without penalty or premium except, as provided in Sections 4.2(f) and 4.2(g). The prepayment will be applied to the most remote payment of principal due under this Agreement.

3.4 Interest Rate.

- (a) The interest rate is a rate per year equal to Daily SOFR plus 1.55 percentage point(s).
- (b) Daily SOFR is a fluctuating rate of interest which can change on each banking day. "Daily SOFR" means the rate per annum equal to SOFR determined for any day pursuant to the definition thereof plus the SOFR Adjustment. Any change in Daily SOFR shall be effective from and including the date of such change without further notice. At any time Daily SOFR is less than zero, such rate shall be deemed to be zero for the purposes of this Agreement. For purposes of this paragraph only:
 - (i) "SOFR" means, for each day any Daily SOFR Portion is outstanding, the Secured Overnight Financing Rate published on such date by the SOFR Administrator on the Federal Reserve Bank of New York's website (or any successor source); provided however that if such determination date is not a U.S. Government Securities Business Day, then SOFR means such rate that applied on the first U.S. Government Securities Business Day immediately prior thereto.
 - (ii) "SOFR Adjustment" means with respect to Daily SOFR, 0.10% per annum.
 - (iii) "SOFR Administrator" means the Federal Reserve Bank of New York, as the administrator of SOFR, or any successor administrator of SOFR designated by the Federal Reserve Bank of New York or other person acting as the SOFR Administrator at such time.
 - (iv) "U.S. Government Securities Business Day" means any banking day, except any banking day on which any of the Securities Industry and Financial Markets Association, the New York Stock Exchange or the Federal Reserve Bank of New York is not open for business

because such day is a legal holiday under the federal laws of the United States or the laws of the State of New York, as applicable.

3.5 Interest Rate Swap Commitment.

- (a) On or before June 29, 2022, the Bank will, upon the written request of the Borrower, enter into an interest rate swap in connection with the loan (the "Swap") with the Borrower for a notional amount not to exceed the principal amount of the loan for a term not to end later than the maturity date of the loan. Pursuant to a Swap entered into in accordance with this Paragraph: (i) the Bank will agree to pay to the Borrower a floating rate of interest which will be determined at the time of execution of the Swap (but which floating rate shall not exceed the floating rate payable by the Borrower on the loan) and (ii) the Borrower will agree to pay to the Bank a fixed rate determined by the Bank in its sole discretion at the time of execution of the Swap.
- (b) The Bank shall not be obligated to enter into a Swap with the Borrower unless, at or prior to execution of the Swap, the Bank shall have received the following, each of which must be in form and substance satisfactory to the Bank:
 - (i) a Master Agreement in the form published by the International Swap and Derivatives Association, Inc., and related Schedule, duly executed by the Borrower;
 - (ii) a confirmation under the foregoing;
 - (iii) such other documents, agreements and instruments as the Bank may require to evidence satisfaction of conditions contained in any of the foregoing.

4. OPTIONAL INTEREST RATES

4.1 Optional Rates.

Each optional interest rate is a rate per year. No Portion will be converted to a different interest rate during the applicable interest period. No more than ten (10) Portions may be outstanding at any one time. Upon the occurrence and during the continuance of an Event of Default, the Bank may terminate the availability of optional interest rates for interest periods commencing after the occurrence and during the continuance of the Event of Default. At the end of any interest period, the interest rate will revert to the rate stated in the paragraph(s) entitled "Interest Rate" above, unless the Borrower has designated another optional interest rate for the Portion.

With respect to any amount bearing interest at an optional interest rate, the applicable interest must be paid at the end of the applicable interest period; provided, however, that if any applicable interest period exceeds three (3) months, the applicable interest must be paid at the end of the third month of such interest period as well as at the end of the applicable interest period; provided further that no interest period shall expire later than the Facility No. 1 Expiration Date or, if applicable, maturity date of the loan.

4.2 Term SOFR.

The election of Term SOFR shall be subject to the following terms and requirements:

- (a) The interest period during which Term SOFR will be in effect will be one or three months. The first day of the interest period must be a banking day.
- (b) Each Term SOFR Portion will be for an amount not less than One Hundred Thousand Dollars (\$100,000).

- (c) "Term SOFR" means, for any applicable interest period, the rate per annum equal to the Term SOFR Screen Rate two U.S. Government Securities Business Days prior to the commencement of such interest period with a term equivalent to such interest period; provided that if the rate is not published prior to 11:00 a.m. on such determination date then Term SOFR means the Term SOFR Screen Rate on the first U.S. Government Securities Business Day immediately prior thereto, in each case, plus the SOFR Adjustment for such interest period. If at any time Term SOFR is less than zero, such rate shall be deemed to be zero for purposes of this Agreement. For purposes of this paragraph only
- (i) "CME" means CME Group Benchmark Administration Limited.
 - (ii) "SOFR" means the Secured Overnight Financing Rate as administered by the Federal Reserve Bank of New York (or a successor administrator).
 - (iii) "SOFR Adjustment" with respect to Term SOFR means 0.10% for an interest period with a duration of one-month, and 0.20% for an interest period with a duration of three-months.
 - (iv) "Term SOFR Screen Rate" means the forward-looking SOFR term rate administered by CME (or any successor administrator satisfactory to the Bank) and published on the applicable Reuters screen page (or such other commercially available source providing such quotations as may be designated by the Bank from time to time).
 - (v) "U.S. Government Securities Business Day" means any banking day, except any banking day on which any of the Securities Industry and Financial Markets Association, the New York Stock Exchange or the Federal Reserve Bank of New York is not open for business because such day is a legal holiday under the federal laws of the United States or the laws of the State of New York, as applicable.
- (d) The Borrower shall irrevocably request a Term SOFR Portion no later than 12:00 noon Pacific time on the banking day two banking days before Term SOFR takes effect for such Term SOFR Portion. For example, if there are no intervening holidays or weekend days in any of the relevant locations, the request must be made at least two days before Term SOFR takes effect.
- (e) The Bank will have no obligation to accept an election for a Term SOFR Portion if any of the following described events has occurred and is continuing:
- (i) Term SOFR does not accurately reflect the cost of a Term SOFR Portion; or
 - (ii) adequate and reasonable means do not exist for determining Term SOFR for any requested interest period.
- (f) Each prepayment of a Term SOFR Portion, whether voluntary, by reason of acceleration or otherwise, will be accompanied by the amount of accrued interest on the amount prepaid and a prepayment fee as described below. A "prepayment" is a payment of an amount on a date earlier than the scheduled payment date for such amount as required by this Agreement.
- (g) The prepayment fee shall be in an amount sufficient to compensate the Bank for any loss, cost or expense incurred by it as a result of the prepayment, including any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such Portion or from fees payable to terminate the deposits from which such funds were obtained. The Borrower shall also pay any customary administrative fees charged by the Bank in connection with the foregoing. For purposes of this paragraph, the Bank shall be deemed to have

funded such Portion by a matching deposit or other borrowing in the applicable interbank market, whether or not such Portion was in fact so funded.

5. COLLATERAL

5.1 Personal Property.

The personal property of the Borrower listed below now owned or owned in the future will secure the Borrower's obligations to the Bank under this Agreement. The collateral is further defined in security agreement(s) executed by the Borrower, and generally includes the following:

- (a) unless such property is not used in connection with or does not arise from the Borrower's farming operations on the real property located in the County of Kern, State of California, listed on Annex A hereto:
 - (i) Equipment and fixtures,
 - (ii) Inventory,
 - (iii) Receivables,
 - (iv) General intangibles,
 - (v) Crops and farm products and
 - (vi) Water and water rights, and
- (b) Time deposits with the Bank.

5.2 Real Property.

- (a) The Borrower's obligations to the Bank under this Agreement will be secured by a lien covering the owned real property located in Kern County, California and listed on Annex A hereto.
- (b) The deed of trust covering the real property contains the following provision that, under certain conditions, gives the Bank the right to declare the loan immediately due and payable:
 - (i) "Accelerating Transfer" means any sale, contract to sell, conveyance, encumbrance, or other transfer, whether voluntary, involuntary, by operation of law or otherwise, of all or any material part of the Property or any interest in it, including any transfer or exercise of any right to drill for or to extract any water (other than for Borrower's own use).
 - (ii) Trustor agrees that Trustor shall not make any Accelerating Transfer, unless the transfer is preceded by Beneficiary's express written consent to the particular transaction and transferee. Beneficiary may withhold such consent in its sole discretion. If any Accelerating Transfer occurs, Beneficiary in its sole discretion may declare all of the Secured Obligations to be immediately due and payable, and Beneficiary and Trustee may invoke any rights and remedies provided by Paragraph 6.3 of this Deed of Trust.
- (c) The Bank may require an appraisal or inspections for infestation, environmental hazards, ground stability or other matters relating to the condition of the real property, as required elsewhere in this Agreement or as separately communicated to the Borrower. The Bank's decisions on whether to approve or deny the Borrower's request for credit, or to require or not require appraisals or inspections, should not be relied upon by the Borrower or any other party to determine the fair market value of the property or the condition of the property. The Bank

assumes no liability for the accuracy of any appraisal or inspection and makes no warranty of any kind about the condition or value of the property. The Borrower and any other party should consult with appropriate professionals for an assessment of the value and condition of the property.

- (d) Release Provision. So long (i) as there is no event which is, or with notice or lapse of time or both would be, an Event of Default and (ii) there has been no material adverse change to remaining collateral securing this Agreement, as determined by the Bank, upon written request from the Borrower stating that the Borrower will be using the affected parcels for water recharge or water banking operations, the Bank shall (at the Borrower's expense) release the following real estate parcels from the Bank's collateral securing this Agreement to the extent affected by such usage: 241-390-02, 241-390-03, 241-390-04, 241-390-05 and/or 241-390-06.

6. LOAN ADMINISTRATION AND FEES

6.1 Fees.

The Borrower will pay to the Bank the fees set forth on Schedule A.

6.2 Collection of Payments; Payments Generally.

- (a) Regularly scheduled interest and principal payments will be made by debit to a deposit account, if direct debit is provided for in this Agreement or is otherwise authorized by the Borrower. For regularly scheduled interest and principal payments not made by direct debit and for all other payments, such payments will be made by such other method as may be permitted by the Bank.
- (b) Each disbursement by the Bank and each payment by the Borrower will be evidenced by records kept by the Bank which will, absent manifest error, be conclusively presumed to be correct and accurate and constitute an account stated between the Borrower and the Bank.
- (c) All payments to be made by the Borrower shall be made free and clear of and without condition or deduction for any counterclaim, defense, recoupment or setoff.

6.3 Borrower's Instructions.

Subject to the terms, conditions and procedures stated elsewhere in this Agreement, the Bank may honor instructions for advances or repayments and any other instructions under this Agreement given by the Borrower (if an individual), or by any one of the individuals the Bank reasonably believes is authorized to sign loan agreements on behalf of the Borrower, or any other individual(s) designated by any one of such authorized signers (each an "Authorized Individual"). The Bank may honor any such instructions made by any one of the Authorized Individuals, whether such instructions are given in writing or by telephone, telefax or Internet and intranet websites designated by the Bank with respect to separate products or services offered by the Bank.

6.4 Direct Debit.

The Borrower agrees that on the due date of any amount due under this Agreement, the Bank will debit the amount due from deposit account number 1453940417 owned by the Borrower, or such other of the Borrower's accounts with the Bank as designated in writing by the Borrower (the "Designated Account"). Should there be insufficient funds in the Designated Account to pay all such sums when due, the full amount of such deficiency shall be immediately due and payable by the Borrower.

6.5 Banking Days.

Unless otherwise provided in this Agreement, a banking day is a day other than a Saturday, Sunday or other day on which commercial banks are authorized to close, or are in fact closed, in the state where the Bank's lending office is located, and, if such day relates to amounts bearing interest at an offshore rate (if any), means any such day on which dealings in dollar deposits are conducted among banks in the offshore dollar interbank market.

6.6 Additional Costs.

The Borrower will pay the Bank, on demand, for the Bank's costs or losses arising from any Change in Law which are allocated to this Agreement or any credit outstanding under this Agreement. The allocation will be made as determined by the Bank, using any reasonable method. The costs include, without limitation, the following:

- (a) any reserve or deposit requirements (excluding any reserve requirement already reflected in the calculation of the interest rate in this Agreement); and
- (b) any capital requirements relating to the Bank's assets and commitments for credit.

"Change in Law" means the occurrence, after the date of this Agreement, of the adoption or taking effect of any new or changed law, rule, regulation or treaty, or the issuance of any request, rule, guideline or directive (whether or not having the force of law) by any governmental authority; provided that (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives issued in connection with that Act, and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor authority) or the United States regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change in Law," regardless of the date enacted, adopted or issued. Payments by the Borrower pursuant to this Section shall be made within ten (10) business days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof.

6.7 Interest Calculation.

Except as otherwise stated in this Agreement, all interest and fees, if any, will be computed on the basis of a 360-day year and the actual number of days elapsed. This results in more interest or a higher fee than if a 365-day year is used. Installments of principal which are not paid when due under this Agreement shall continue to bear interest until paid. To the extent that any calculation of interest or any fee required to be paid under this Agreement shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

6.8 Default Rate.

Upon the occurrence and during the continuance of any Event of Default or after maturity or after judgment has been rendered on any obligation under this Agreement, all amounts outstanding under this Agreement, including any unpaid interest, fees, or costs, will at the option of the Bank bear interest at a rate which is 4.0 percentage point(s) higher than the rate of interest otherwise provided under this Agreement. This may result in compounding of interest. This will not constitute a waiver of any default.

6.9 Successor Rate.

If at any time an interest rate index provided for in this Agreement (a "Reference Rate") is not available at such time for any reason, then the Bank may replace such Reference Rate with an alternate interest rate index and adjustment, if applicable, as reasonably selected by the Bank, giving due consideration to any evolving or then existing conventions for such interest rate index and adjustment (any such successor interest rate index, as adjusted, the "Successor Rate"). In connection with the implementation of any Successor Rate, the Bank will have the right, from time to time, in good faith to make any conforming,

technical, administrative or operational changes to this Agreement as may be appropriate to reflect the adoption and administration thereof and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments to this Agreement implementing such conforming changes will become effective upon notice to the Borrower without any further action or consent of the other parties hereto. If at any time any Successor Rate is less than zero, such rate shall be deemed to be zero for the purposes of this Agreement.

7. CONDITIONS

Before the Bank is required to extend any credit to the Borrower under this Agreement, it must receive any documents and other items it may reasonably require, in form and content acceptable to the Bank, including any items specifically listed below.

7.1 Authorizations.

Evidence that the execution, delivery and performance by the Borrower of this Agreement and any instrument or agreement required under this Agreement have been duly authorized.

7.2 Governing Documents.

A copy of the Borrower's organizational documents.

7.3 KYC Information.

- (a) Upon the request of the Bank, the Borrower shall have provided to the Bank, and the Bank shall be reasonably satisfied with, the documentation and other information so requested in connection with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act.
- (b) If the Borrower qualifies as a "legal entity customer" under the Beneficial Ownership Regulation, it shall have provided a Beneficial Ownership Certification to the Bank if so requested.

7.4 Security Agreement.

Signed original security agreement covering the personal property collateral which the Bank requires.

7.5 Perfection and Evidence of Priority.

Evidence that the security interests and liens in favor of the Bank are valid, enforceable, properly perfected in a manner acceptable to the Bank and prior to all others' rights and interests, except those the Bank consents to in writing.

7.6 Payment of Fees.

Payment of all fees, expenses and other amounts due and owing to the Bank. If any fee is not paid in cash, the Bank may, in its discretion, treat the fee as a principal advance under this Agreement or deduct the fee from the loan proceeds.

7.7 Repayment of Other Credit Agreement.

Evidence that the existing Amended and Restated Credit Agreement with Wells Fargo Bank, National Association has been or will be repaid and cancelled on or before the first disbursement under this Agreement.

7.8 Good Standing.

Certificates of good standing for the Borrower from its state of formation and from any other state in which the Borrower is required to qualify to conduct its business.

7.9 Legal Opinion.

A written opinion from the Borrower's legal counsel, covering such matters as the Bank may require. The legal counsel and the terms of the opinion must be acceptable to the Bank.

7.10 Insurance.

Evidence of insurance coverage, as required in the "Covenants" section of this Agreement.

7.11 Environmental Information.

An environmental site assessment prepared by a qualified third party consultant approved by the Bank concerning any potential toxic or hazardous condition with respect to the real property collateral, together with a certification signed by the Borrower regarding the environmental information provided to the Bank.

A completed Agricultural Real Estate Environmental Disclosure concerning any potential toxic or hazardous condition with respect to the real property collateral, signed by the Borrower, together with a certification signed by the appraiser regarding the environmental information provided to the Bank.

7.12 Security Instrument.

Signed and acknowledged original deed of trust or mortgage, as required by the Bank, encumbering the real property collateral.

7.13 Title Insurance.

An ALTA lender's title insurance policy (on a form acceptable to the Bank and from a title company acceptable to the Bank), for an amount acceptable to the Bank, insuring the Bank's interest in the real property collateral, with only such exceptions as may be approved by the Bank and together with such endorsements as the Bank may require.

7.14 Tenant Agreements.

A Subordination, Nondisturbance and Attornment Agreement from Pastoria Energy Facility L.L.C., tenant under the PEF Lease.

8. REPRESENTATIONS AND WARRANTIES

When the Borrower signs this Agreement, and until the Bank is repaid in full, the Borrower makes the following representations and warranties. Each request for an extension of credit constitutes a renewal of these representations and warranties as of the date of the request:

8.1 Formation.

The Borrower is duly formed and existing under the laws of the state or other jurisdiction where organized.

8.2 Authorization.

This Agreement, and any instrument or agreement required under this Agreement, are within the Borrower's powers, have been duly authorized, and do not conflict with any of its organizational papers.

8.3 Beneficial Ownership Certification.

The information included in the Beneficial Ownership Certification most recently provided to the Bank, if applicable, is true and correct in all respects.

8.4 Good Standing.

In each state in which the Borrower does business, it is properly licensed, in good standing, and, where required, in compliance with fictitious name (e.g. trade name or d/b/a) statutes.

8.5 Government Sanctions.

- (a) The Borrower represents that neither the Borrower nor, to the knowledge of the Borrower, any owner, trustee, director, officer, employee, agent, affiliate or representative of the Borrower is an individual or entity ("Person") currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of Treasury's Office of Foreign Assets Control, the United Nations Security Council, the European Union, Her Majesty's Treasury, or other relevant sanctions authority (collectively, "Sanctions"), nor is the Borrower located, organized or resident in a country or territory that is the subject of Sanctions.
- (b) The Borrower represents and covenants that it will not, directly or indirectly, use the proceeds of the credit provided under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or in any other manner that will result in a violation by any Person (including any Person participating in the transaction, whether as underwriter, advisor, investor or otherwise) of Sanctions.

8.6 Financial Information.

All financial and other information that has been or will be supplied to the Bank is sufficiently complete to give the Bank accurate knowledge in all material respects of the Borrower's financial condition, including all material contingent liabilities. Since the date of the most recent financial statement provided to the Bank, there has been no material adverse change in the business condition (financial or otherwise), operations, properties or prospects of the Borrower. If the Borrower is comprised of the trustees of a trust, the above representations shall also pertain to the trustor(s) of the trust.

8.7 Lawsuits.

There is no lawsuit, tax claim or other dispute pending, or to the Borrower's knowledge, threatened against the Borrower which, if lost, would have a Material Adverse Effect.

8.8 Other Obligations.

The Borrower is not in default on any material obligation for borrowed money, any material purchase money obligation or any other material lease, commitment, contract, instrument or obligation, except as have been disclosed in writing to the Bank prior to the date of this Agreement.

8.9 Tax Matters.

The Borrower has no knowledge of any pending assessments or adjustments of income tax for itself for any year and all taxes due have been paid, except as have been disclosed in writing to the Bank prior to the date of this Agreement.

8.10 PACE Financing.

The Borrower has not entered into any Property Assessed Clean Energy ("PACE") or similar energy efficiency or renewable energy financing and has no knowledge of any pending assessments or adjustments in connection therewith.

8.11 Collateral.

All collateral required in this Agreement is owned by the grantor of the security interest free of any title defects or any liens or interests of others, except those which have been approved by the Bank in writing.

8.12 No Event of Default.

There is no event which is, or with notice or lapse of time or both would be, an Event of Default.

8.13 Location of the Borrower.

The place of business of the Borrower (or, if the Borrower has more than one place of business, its chief executive office) is located at the address listed on the signature page of this Agreement.

8.14 ERISA Plans.

- (a) Each Plan (other than a multiemployer plan) is in compliance in all material respects with ERISA, the Code and other federal or state law, including all applicable minimum funding standards and there have been no prohibited transactions with respect to any Plan (other than a multiemployer plan), which has resulted or could reasonably be expected to result in a Material Adverse Effect.
- (b) With respect to any Plan subject to Title IV of ERISA:
 - (i) No reportable event has occurred under Section 4043(c) of ERISA which requires notice.
 - (ii) No action by the Borrower or any ERISA Affiliate to terminate or withdraw from any Plan has been taken and no notice of intent to terminate a Plan has been filed under Section 4041 or 4042 of ERISA.
- (c) The following terms have the meanings indicated for purposes of this Agreement:
 - (i) "Code" means the Internal Revenue Code of 1986, as amended.
 - (ii) "ERISA" means the Employee Retirement Income Security Act of 1974, as amended.
 - (iii) "ERISA Affiliate" means any trade or business (whether or not incorporated) under common control with the Borrower within the meaning of Section 414(b) or (c) of the Code.
 - (iv) "Plan" means a plan within the meaning of Section 3(2) of ERISA maintained or contributed to by the Borrower or any ERISA Affiliate, including any multiemployer plan within the meaning of Section 4001(a)(3) of ERISA.

8.15 No Plan Assets.

The Borrower represents that, as of the date hereof and throughout the term of this Agreement, Borrower is not (1) an employee benefit plan subject to Title I of ERISA, (2) a plan or account subject to Section 4975 of the Code; (3) an entity deemed to hold "plan assets" of any such plans or accounts for purposes of ERISA or the Code; or (4) a "governmental plan" within the meaning of ERISA.

8.16 Enforceable Agreement.

This Agreement is a legal, valid and binding agreement of the Borrower, enforceable against the Borrower in accordance with its terms, and any instrument or agreement required under this Agreement, when executed and delivered, will be similarly legal, valid, binding and enforceable.

8.17 No Conflicts.

This Agreement does not conflict with any law, agreement, or obligation by which the Borrower is bound.

8.18 Permits, Franchises.

The Borrower possesses all permits, memberships, franchises, contracts and licenses required and all trademark rights, trade name rights, patent rights, copyrights, and fictitious name rights necessary to enable it to conduct the business in which it is now engaged, except where the failure to possess any such item could not reasonably be expected to have a Material Adverse Effect.

8.19 Insurance.

The Borrower has obtained, and maintained in effect, the insurance coverage required in the "Covenants" section of this Agreement.

8.20 Flood Zone.

None of the Improvements are located in an area identified by the Federal Emergency Management Agency as an area having special flood hazards, or, if any portion of the Improvements is located within such area, the Borrower has obtained the insurance prescribed herein.

For the purposes of this paragraph, "Improvements" means all on-site and off-site improvements to the Land for a structure located on the Land, together with all fixtures, tenant improvements and appurtenances now or later to be located on the Land and/or in such improvements.

8.21 Sufficient Water.

As of the date of this Agreement, to the Borrower's knowledge, sufficient water is available and is projected to be available, from verifiable surface and ground water sources, to conduct operations materially similar to prior years' operations as evidenced by information provided by the Borrower to the Bank.

8.22 Environmental Matters.

To the Borrower's knowledge, the Borrower (a) is not in material violation of any health, safety, or environmental law or regulation regarding hazardous substances and (b) is not the subject of any claim, proceeding, or written communication regarding hazardous substances. "Hazardous substances" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas.

9. COVENANTS

The Borrower agrees, so long as credit is available under this Agreement and until the Bank is repaid in full, the Borrower shall:

9.1 Use of Proceeds.

Use the proceeds of the credit extended under this Agreement only for business purposes.

The proceeds of the credit extended under this Loan Agreement may not be used directly or indirectly to purchase or carry any "margin stock" as that term is defined in Regulation U of the Board of Governors of the Federal Reserve System, or extend credit to or invest in other parties for the purpose of purchasing or carrying any such "margin stock," or to reduce or retire any indebtedness incurred for such purpose.

9.2 Financial Information.

Provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time. The Bank reserves the right, if an Event of Default shall have occurred and be continuing, upon written notice to the Borrower, to require the Borrower to deliver financial information and statements to the Bank more frequently than otherwise provided below, and to use such additional information and statements to measure any applicable financial covenants in this Agreement.

- (a) Within 75 days of the fiscal year end, the annual financial statements of the Tejon Ranch Co. (the "Parent Company"), certified and dated by an authorized financial officer. These financial statements must be audited (with an opinion satisfactory to the Bank) by a Certified Public Accountant ("CPA") acceptable to the Bank. The statements shall be prepared on a consolidated and consolidating basis.
- (b) Within 40 days after each period's end (excluding the last period in each fiscal year), quarterly financial statements of the Parent Company, certified and dated by an authorized financial officer. These financial statements may be company-prepared. The statements shall be prepared on a consolidated and consolidating basis.
- (c) [Reserved].
- (d) Concurrently with the financial statements delivered under clauses (a) and (b) above, a compliance certificate of the Borrower, signed by an authorized financial officer and setting forth (i) the information and computations (in sufficient detail) to establish compliance with all financial covenants at the end of the period covered by the financial statements then being furnished and (ii) whether there existed as of the date of such financial statements and whether there exists as of the date of the certificate, any Event of Default or any event or condition which, with the giving of notice or lapse of time or both, would be an Event of Default, under this Agreement and, if any such default or Event of Default exists, specifying the nature thereof and the action the Borrower is taking and proposes to take with respect thereto. The compliance certificate for each period shall cover the financial statements for such period.
- (e) The budget of the Parent Company, including with respect to budgeted capital expenditures, in form and content acceptable to the Bank, within 45 days after the end of each fiscal year, together with a report as to budget variances from the prior fiscal year (for avoidance of doubt, the amount of budgeted capital expenditures must be satisfactory to the Bank).
- (f) The farming budget of the Borrower, in form and content acceptable to the Bank, within 45 days after the end of each fiscal year.
- (g) Promptly upon the Bank's request, a certificate of the Borrower stating that, to the Borrower's knowledge, the amount of water available and projected to be available is sufficient to conduct operation as described in the Borrower's most recent budget.

- (h) Promptly upon receipt, copies of all notices, orders, or other written communications regarding (i) any enforcement action by any governmental authority relating to health, safety, the environment, or any hazardous substances with regard to the Borrower's property, activities, or operations, or (ii) any claim against the Borrower regarding hazardous substances.
- (i) Promptly upon receipt, copies of all amendments of the PEF Lease and all material notices received in connection with the PEF Lease or the real property subject thereto.
- (j) The annual operating statement and/or rent roll on the real property subject to the PEF Lease, in form and substance satisfactory to the Bank, within 90 days after the end of each fiscal year.
- (k) Promptly upon the Bank's request, such other books, records, statements, lists of property and accounts, budgets, forecasts or reports as to the Borrower as the Bank may request.

9.3 Debt Service Coverage Ratio.

Maintain on a consolidated basis a Debt Service Coverage Ratio of at least 1.25:1.0.

"Debt Service Coverage Ratio" means the ratio of Adjusted EBITDA to the sum of the current portion of long-term debt and the current portion of finance lease obligations, plus interest expense (including capitalized interest) during the applicable period.

"Adjusted EBITDA" means net income, (i) less income or plus loss from discontinued operations (including unusual and infrequent items, agreed to at the sole discretion of the Bank), (ii) plus income taxes, (iii) plus interest expense, (iv) plus depreciation, depletion, and amortization, (v) plus securities amortization, (vi) plus non-cash stock compensation expense, (vii) plus non-cash losses (or less non-cash gains) on dispositions of assets outside of the ordinary course of business (including contributions of assets to joint ventures), (viii) less cash payments or investments made to joint ventures, (ix) less the Borrower's equity in joint venture income (except to the extent distributed to the Borrower in cash), (x) plus cash distributions from joint ventures to the Borrower during the applicable period in excess of the Borrower's equity interest in joint venture income for the applicable period, (xi) less minority interests.

This ratio will be calculated at the end of each reporting period for which the Bank requires financial statements, using the results of the twelve-month period ending with that reporting period. The current portion of long-term liabilities will be measured as of the last day of the calculation period.

9.4 Out of Debt Period.

Reduce the amount of advances outstanding under Facility No. 1 to not more than Zero Dollars (\$0) for a period of at least thirty (30) consecutive days in each Line-Year. "Line-Year" means the period between the date of this Agreement and December 31, 2022, and each subsequent one-year period thereafter commencing on January 1st and ending on December 31st. For purposes of this paragraph, "Advances" does not include undrawn amounts of outstanding letters of credit.

9.5 Debt to Worth Ratio.

Maintain on a consolidated basis a ratio of Total Liabilities (excluding the non-current portion of Subordinated Liabilities) to Tangible Net Worth not exceeding 0.75:1.0.

"Total Liabilities" means the sum of current liabilities plus long-term liabilities.

"Subordinated Liabilities" means liabilities subordinated to the Borrower's obligations to the Bank in a manner acceptable to the Bank in its sole discretion.

"Tangible Net Worth" means the value of total assets (including leaseholds and leasehold improvements and reserves against assets but excluding goodwill, patents, trademarks, trade names, organization expense, unamortized debt discount and expense, capitalized or deferred research and development costs, deferred marketing expenses, and other like intangibles, and monies due from affiliates, officers, directors, employees, shareholders, members or managers) less total liabilities, including but not limited to accrued and deferred income taxes, but excluding the non-current portion of Subordinated Liabilities.

9.6 Capital Expenditures.

Not make capital expenditures in fixed assets in any single fiscal year on a consolidated basis to the extent such expenditure would cause the aggregate amount of all such expenditures during such fiscal year to exceed 130% of the amount budgeted therefore in the Parent Company's annual budget for such fiscal year, acceptable to the Bank, delivered pursuant to Section 9.2(e).

9.7 Dividends and Distributions.

Not declare or pay any dividends, redemptions of stock or membership interests, distributions and withdrawals (as applicable) to its owners, except:

- (a) dividends payable in capital stock; and
- (b) other dividends or distributions, or redemptions or repurchases of stock, so long as no Event of Default exists or would result therefrom and after giving effect thereto on a pro forma basis, the Borrower would be in compliance with Section 9.5.

9.8 Bank as Principal Depository.

Maintain the Bank or one of its affiliates as its principal depository bank, including for the maintenance of business, cash management, operating and administrative deposit accounts.

9.9 Other Debts.

Not have outstanding or incur any direct or contingent liabilities or lease obligations (other than those to the Bank or to any affiliate of the Bank), or become liable for the liabilities of others, without the Bank's written consent. This does not prohibit:

- (a) Acquiring goods, supplies, or merchandise on normal trade credit.
- (b) Liabilities, lines of credit and leases in existence on the date of this Agreement disclosed in writing to the Bank.
- (c) Construction-related guarantees in the ordinary course of business in respect to the Borrower's joint ventures (including Majestic Realty).
- (d) Additional debts and lease obligations incurred for the financing of real property improvements; provided that at least 20 days prior to incurring any such debt or obligations, the Borrower shall provide notice to the Bank thereof with supporting information describing the applicable project and demonstrating that the Borrower has (or will have) adequate financing to complete and, if applicable, lease such project (such supporting information to be reasonably satisfactory to the Bank).
- (e) Indebtedness and liabilities incurred after the date hereof provided the amount of such indebtedness and liabilities does not at any time exceed Five Million Dollars (\$5,000,000) in the aggregate.

9.10 Other Liens.

Not create, assume, or allow any security interest or lien (including judicial liens) on property the Borrower now or later owns without the Bank's written consent. This does not prohibit:

- (a) Liens and security interests in favor of the Bank or any affiliate of the Bank.
- (b) Liens for taxes and assessments not yet due.
- (c) Liens outstanding on the date of this Agreement disclosed in writing to the Bank.
- (d) Liens securing debt and obligations incurred pursuant to Section 9.9(d).
- (e) Carriers' warehousemen's, mechanics', materialmen's, suppliers, tax, assessment, governmental and other like liens and charges, in all cases, arising in the ordinary course of business, securing obligations that are not incurred in connection with the obtaining of any advance or credit and which are not overdue.
- (f) Security interests and liens not otherwise permitted hereunder on assets other than any collateral required hereunder securing indebtedness or other obligations in an aggregate principal amount not exceeding Five Million Dollars (\$5,000,000) at any time outstanding.
- (g) Liens arising in the ordinary course of business in connection with worker's compensation, unemployment insurance and appeal and release bonds.

9.11 Maintenance of Assets.

- (a) Not sell, assign, lease, transfer or otherwise dispose of any part of the Borrower's business or assets except (i) inventory sold in the ordinary course of the Borrower's business and (ii) transfers or contributions of real estate to joint ventures in a manner consistent with past practices.
- (b) Not sell, assign, lease, transfer or otherwise dispose of any assets for less than fair market value, or enter into any agreement to do so.
- (c) Not enter into any sale and leaseback agreement covering any of its fixed assets.
- (d) Maintain and preserve all rights, privileges, and franchises necessary to enable it to conduct the business in which it is now engaged.
- (e) Make any repairs, renewals, or replacements to keep the Borrower's properties in good working condition.
- (f) Execute and deliver such documents as the Bank deems necessary to create, perfect and continue the security interests contemplated by this Agreement.

9.12 Investments.

Not have any existing, or make any new, investments in any individual or entity, or make any capital contributions or other transfers of assets to any individual or entity, except for:

- (a) Existing investments disclosed to the Bank in writing prior to the date of this Agreement.
- (b) Investments in any of the following:
 - (i) certificates of deposit;

- (ii) U.S. treasury bills and other obligations of the federal government;
 - (iii) readily marketable securities (including commercial paper, but excluding restricted stock and stock subject to the provisions of Rule 144 of the Securities and Exchange Commission.
- (c) Investments in joint ventures established for real estate purposes so long as no Event of Default exists or would result therefrom and after giving effect thereto on a pro forma basis, the Borrower would be in compliance with Sections 9.3 and 9.5.

For purposes of clarification, this Section 9.12 shall not prohibit stock repurchases made pursuant to stock repurchases under customary employee compensation plans.

9.13 Loans.

Not make any loans, advances or other extensions of credit to any individual or entity, except for:

- (a) Existing extensions of credit disclosed to the Bank in writing prior to the date of this Agreement.
- (b) Extensions of credit to the Borrower's current subsidiaries or affiliates.
- (c) Extensions of credit in the nature of accounts receivable or notes receivable arising from the sale or lease of goods or services in the ordinary course of business to non-affiliated entities.
- (d) Extensions of credit permitted by Section 9.12(c).

9.14 Change of Ownership.

Not cause, permit or suffer any change in capital ownership such that:

- (a) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, but excluding any employee benefit plan of such person or its subsidiaries, and any person or entity acting in its capacity as trustee, agent or other fiduciary or administrator of any such plan) becomes the "beneficial owner" (as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, except that a person or group shall be deemed to have "beneficial ownership" of all securities that such person or group has the right to acquire, whether such right is exercisable immediately or only after the passage of time (such right, an "option right")), directly or indirectly, of a majority of the equity securities of Tejon Ranch Co. entitled to vote for members of the board of directors or equivalent governing body of Tejon Ranch Co. on a fully-diluted basis (and taking into account all such securities that such "person" or "group" has the right to acquire pursuant to any option right); or
- (b) during any period of twelve consecutive months, a majority of the members of the board of directors or other equivalent governing body of Tejon Ranch Co. cease to be composed of individuals (i) who were members of that board or equivalent governing body on the first day of such period, (ii) whose election or nomination to that board or equivalent governing body was nominated, appointed or approved by individuals referred to in clause (i) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body or (iii) whose election or nomination to that board or other equivalent governing body was nominated, appointed or approved by individuals referred to in clauses (i) and (ii) above constituting at the time of such election or nomination at least a majority of that board or equivalent governing body; or
- (c) Tejon Ranch Co. ceases to own and control all of the outstanding capital stock or other equity interests of the Borrower.

9.15 Additional Negative Covenants.

Not, without the Bank's written consent:

- (a) Enter into any consolidation, merger, or other combination, or become a partner in a partnership, a member of a joint venture, or a member of a limited liability company other than as permitted by Section 9.12(c).
- (b) Acquire or purchase a business or its assets other than as permitted by Section 9.12(c).
- (c) Engage in any business activities substantially different from the Borrower's present business.
- (d) Liquidate or dissolve the Borrower's business.
- (e) Apply for or accept any PACE or similar energy efficiency or renewable energy financing.
- (f) Adopt a plan of division or divide itself into two or more business entities (pursuant to a "plan of division" under Section 18-217 of the Delaware Limited Liability Company Act or a similar arrangement under any other applicable state statute).
- (g) Voluntarily suspend its business.
- (h) Sell or otherwise transfer or enter into any agreement to sell or transfer water rights or contracts (as opposed to the sale of water).
- (i) Knowingly produce, either by breeding, grafting, implanting, cloning, or otherwise, any farm product in violation of any patent, trademark, or copyright, or knowingly sell any such farm product.

9.16 Notices to Bank.

Promptly notify the Bank in writing of:

- (a) Any Event of Default, or any event which, with notice or lapse of time or both, would constitute an Event of Default.
- (b) Any change in Borrower's name, legal structure, state of registration, place of business, or chief executive office if the Borrower has more than one place of business.
- (c) Any reduction in or impairment of the Borrower's supply or projected supply of water.
- (d) The receipt of any notice or written communication regarding (i) any threatened or pending investigation or enforcement action by any governmental authority or any other claim relating to health, safety, the environment, or any hazardous substances with regard to the Borrower's property, activities, or operations or (ii) any belief or suspicion of the Borrower that hazardous substances exist on or under the Borrower's real property.

9.17 Insurance.

- (a) General Business Insurance. Maintain insurance satisfactory to the Bank as to amount, nature and carrier covering property damage (including loss of use and occupancy) to any of the Borrower's properties, business interruption insurance, public liability insurance including coverage for contractual liability, product liability and workers' compensation, and any other insurance which is usual for the Borrower's business. Each policy shall include a cancellation clause in favor of the Bank.

- (b) Insurance Covering Collateral. Maintain all risk property damage insurance policies against loss or damage of the kinds customarily insured against by entities engaged in the same or similar business covering the tangible property comprising the collateral. Each insurance policy must be in an amount acceptable to the Bank. The insurance must be issued by an insurance company acceptable to the Bank and must include a lender's loss payable endorsement in favor of the Bank in a form acceptable to the Bank.
- (c) Evidence of Insurance. Upon the request of the Bank, deliver to the Bank a certificate of insurance listing all insurance in force.

9.18 Compliance with Laws.

Comply with the requirements of all laws and all orders, writs, injunctions and decrees applicable to it or to its business or property, except in such instances in which (a) such requirement of law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted; or (b) the failure to comply therewith could not reasonably be expected to cause a material adverse change in the Borrower's business condition (financial or otherwise), operations or properties, or ability to repay the credit, or, in the case of the Controlled Substances Act, result in the forfeiture of any material property of the Borrower.

9.19 Books and Records.

Maintain adequate books and records, including complete and accurate records regarding all Collateral.

9.20 Audits.

Upon reasonable notice, allow the Bank and its agents to inspect the Borrower's properties and examine, audit, and make copies of books and records during normal business hours. If any of the Borrower's properties, books or records are in the possession of a third party, the Borrower authorizes that third party to permit the Bank or its agents to have access to perform inspections or audits and to respond to the Bank's requests for information concerning such properties, books and records.

9.21 Perfection of Liens.

Help the Bank perfect and protect its security interests and liens, and reimburse it for related costs it incurs to protect its security interests and liens.

9.22 Cooperation.

Take any action reasonably requested by the Bank to carry out the intent of this Agreement.

9.23 Patriot Act; Beneficial Ownership Regulation.

Promptly following any request therefor, provide information and documentation reasonably requested by the Bank for purposes of compliance with applicable "know your customer" and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act and the Beneficial Ownership Regulation.

9.24 Flood and Other Insurance.

If at any time any portion of any structure on the Property is insurable against casualty by flood and is located in a Special Flood Hazard Area under the Flood Insurance Laws, as amended, maintain a flood insurance policy on the structure and the personal property owned by the Borrower located within the structure and acting as collateral under this Agreement, in form and amount acceptable to the Bank but in no amount less than the amount sufficient to meet the requirements of the Flood Insurance Laws as such

requirements may from time to time be in effect. In addition, the Borrower shall maintain such other insurance as the Bank may require to comply with the Bank's regular requirements and practices in similar transactions.

For the purposes of this paragraph, "Property" means the real and personal property conveyed and encumbered by the Mortgage.

9.25 Inspections and Appraisals of Real Property.

Upon reasonable notice, allow the Bank and its agents to visit the real property collateral during normal business hours for the purpose of inspecting the real property and conducting appraisals, and deliver to the Bank any financial or other information concerning the real property as the Bank may request.

9.26 Indemnity Regarding Use of Real Property.

Indemnify, defend with counsel acceptable to the Bank, and hold the Bank harmless from and against all liabilities, claims, actions, damages, costs and expenses (including all legal fees and expenses of Bank's counsel) arising out of or resulting from the construction of any improvements on the real property collateral, or the ownership, operation, or use of the real property collateral, whether such claims are based on theories of derivative liability, comparative negligence or otherwise. The Borrower's obligations to the Bank under this Paragraph shall survive termination of this Agreement and repayment of the Borrower's obligations to the Bank under this Agreement, and shall also survive as unsecured obligations after any acquisition by the Bank of the real property collateral or any part of it by foreclosure or any other means.

9.27 Hedging.

Not enter into any hedging contracts for speculative purposes.

9.28 Evidence of Water Availability.

At such times as the Bank may request, deliver to the Bank a certificate of the Borrower stating that, to the Borrower's knowledge, the amount of water available and projected to be available is sufficient to conduct operations as described in the Borrower's most recent budget(s).

9.29 Appraisals.

Allow the Bank to appraise the Borrower's growing crops and inventory at such intervals as the Bank may reasonably require.

9.30 Lien Rights.

Not waive any of the Borrower's lien rights with respect to the Borrower's crops or other farm products.

9.31 Compliance with Environmental Requirements.

With regard to the Borrower's property, activities, or operations, comply in all material respects with the orders or directions issued by any governmental authority relating to health, safety, the environment, or any hazardous substances including those orders or directives requiring the investigation, clean-up, or removal of hazardous substances, except where such noncompliance could not reasonably be expected to have a Material Adverse Effect.

9.32 Further Assurances.

At any time upon request of the Bank, promptly execute and deliver any and all further instruments and documents and take all such other action as the Bank may deem necessary or desirable to maintain in favor of the Bank, liens and insurance rights on the collateral required to be delivered hereby that are duly perfected in accordance with the requirements hereof, all other documents executed in connection herewith and all applicable laws.

10. HAZARDOUS SUBSTANCES

10.1 Indemnity Regarding Hazardous Substances.

The Borrower agrees to indemnify and hold the Bank harmless from and against all liabilities, claims, actions, damages, costs and expenses (including sums paid in settlement of claims and all consultant, expert and legal fees and expenses of the Bank's counsel) or loss directly or indirectly arising out of or resulting from any of the following:

- (a) Any hazardous substance being present at any time, whether before, during or after any construction, in or around any part of the real property collateral securing this Agreement (the "Real Property"), or in the soil, groundwater or soil vapor on or under the Real Property, including those incurred in connection with any investigation of site conditions or any clean-up, remedial, removal or restoration work, or any resulting damages or injuries to the person or property of any third parties or to any natural resources.
- (b) Any use, generation, manufacture, production, storage, release, threatened release, discharge, disposal or presence of a hazardous substance. This indemnity will apply whether the hazardous substance is on, under or about any of the Borrower's property or operations or property leased to the Borrower, whether or not the property has been taken by the Bank as collateral.

Upon demand by the Bank, the Borrower will defend any investigation, action or proceeding alleging the presence of any hazardous substance in any such location, which affects the Real Property or which is brought or commenced against the Bank, whether alone or together with the Borrower or any other person, all at the Borrower's own cost and by counsel to be approved by the Bank in the exercise of its reasonable judgment. In the alternative, the Bank may elect to conduct its own defense at the expense of the Borrower. The Borrower's obligations to the Bank under this Article, except the obligation to give notices to the Bank, shall survive termination of this Agreement, repayment of the Borrower's obligations to the Bank under this Agreement, and foreclosure of the deed of trust or mortgage encumbering the Real Property or similar proceedings.

10.2 Representation and Warranty Regarding Hazardous Substances.

The Borrower represents and warrants that to its knowledge, no hazardous substance has been disposed of or released or otherwise exists in, on, under or onto the Real Property, except as the Borrower has disclosed to the Bank in writing prior to the date of this Agreement.

10.3 Compliance Regarding Hazardous Substances.

The Borrower has complied, and will comply and cause all occupants of the Real Property to comply, with all current and future laws, regulations and ordinances or other requirements of any governmental authority relating to or imposing liability or standards of conduct concerning protection of health or the environment or hazardous substances ("Environmental Laws"), except where such noncompliance could not reasonably be expected to have a Material Adverse Effect. The Borrower shall promptly, at the Borrower's sole cost and expense, take all reasonable actions with respect to any hazardous substances or other environmental condition at, on, or under the Real Property necessary to (i) comply with all applicable Environmental Laws; (ii) allow continued use, occupation or operation of the Real Property; or (iii) maintain the fair market value of the Real Property. The Borrower acknowledges that hazardous substances may permanently and materially impair the value and use of the Real Property.

10.4 Notices Regarding Hazardous Substances.

Until full repayment of the loan, the Borrower will promptly notify the Bank in writing if it knows, suspects or believes there may be any hazardous substance in or around the Real Property, or in the soil, groundwater or soil vapor on or under the Real Property, or that the Borrower or the Real Property is subject to any threatened or pending investigation by any governmental agency under any current or future law, regulation or ordinance pertaining to any hazardous substance, that could reasonably be expected to have a Material Adverse Effect.

10.5 Site Visits, Observations and Testing.

The Bank and its agents and representatives will have the right during normal business hours, after giving reasonable notice to the Borrower, to enter and visit the Real Property and any other locations where any personal property collateral securing this Agreement is located, for the purposes of observing the Real Property and the personal property collateral and (if the Bank has reasonable cause to believe that there has been any violation of Environmental Laws at the Real Property), taking and removing environmental samples, and conducting tests on any part of the Real Property. The Bank shall not perform any invasive testing in the Real Property without the Borrower's prior written consent and, if such consent is granted, will share the results of such test with the Borrower. The Borrower shall reimburse the Bank on demand for the costs of any such environmental investigation and testing. The Bank will make reasonable efforts during any site visit, observation or testing conducted pursuant to this paragraph to avoid interfering with the Borrower's use of the Real Property and the personal property collateral. The Bank is under no duty, however, to visit or observe the Real Property or the personal property collateral or to conduct tests, and any such acts by the Bank will be solely for the purposes of protecting the Bank's security and preserving the Bank's rights under this Agreement. No site visit, observation or testing or any report or findings made as a result thereof ("Environmental Report") (i) will result in a waiver of any default of the Borrower; (ii) impose any liability on the Bank; or (iii) be a representation or warranty of any kind regarding the Real Property or the personal property collateral (including its condition or value or compliance with any laws) or the Environmental Report (including its accuracy or completeness). In the event the Bank has a duty or obligation under applicable laws, regulations or other requirements to disclose an Environmental Report to the Borrower or any other party, the Borrower authorizes the Bank to make such a disclosure. The Bank may also disclose an Environmental Report to any regulatory authority, and to any other parties as necessary or appropriate in the Bank's judgment. The Borrower further understands and agrees that any Environmental Report or other information regarding a site visit, observation or testing that is disclosed to the Borrower by the Bank or its agents and representatives is to be evaluated (including any reporting or other disclosure obligations of the Borrower) by the Borrower without advice or assistance from the Bank.

10.6 Unsecured Obligation.

Notwithstanding any provision in the deed of trust or mortgage encumbering the Real Property, the Borrower's obligations to the Bank under this Article are not secured by the Real Property.

10.7 Definition of Hazardous Substances.

"Hazardous substance" means any substance, material or waste that is or becomes designated or regulated as "toxic," "hazardous," "pollutant," or "contaminant" or a similar designation or regulation under any current or future federal, state or local law (whether under common law, statute, regulation or otherwise) or judicial or administrative interpretation of such, including without limitation petroleum or natural gas.

11. DEFAULT AND REMEDIES

If any of the following events of default occurs (each, an "Event of Default"), the Bank may do one or more of the following without prior notice except as required by law or expressly agreed in writing by

Bank: declare the Borrower in default, stop making any additional credit available to the Borrower, and require the Borrower to repay its entire debt immediately. If an event which, with notice or the passage of time, will constitute an Event of Default has occurred and is continuing, the Bank has no obligation to make advances or extend additional credit under this Agreement. In addition, if any Event of Default occurs, the Bank shall have all rights, powers and remedies available under any instruments and agreements required by or executed in connection with this Agreement, as well as all rights and remedies available at law or in equity. If an Event of Default occurs under the paragraph entitled "Bankruptcy/Receivers," below with respect to the Borrower, then the entire debt outstanding under this Agreement will automatically be due immediately.

11.1 Failure to Pay.

The Borrower fails to make a payment under this Agreement within three (3) days after the date when due.

11.2 Other Bank Agreements.

(a) (i) Any default beyond applicable notice and cure periods occurs under any other document executed or delivered in connection with this Agreement, including without limitation, any note, subordination agreement, mortgage or other collateral agreement; (ii) the Borrower purports to revoke or disavow any collateral agreement provided in connection with this Agreement; (iii) any representation or warranty made by the Borrower is false in any material respect when made or deemed to be made; or (iv) any default beyond applicable notice and cure periods occurs under any other agreement the Borrower has with the Bank or any affiliate of the Bank.

11.3 Cross-default.

Any default occurs under any agreement in connection with any credit the Borrower has obtained from anyone else or which the Borrower has guaranteed if the default is not cured within thirty (30) days, provided, however, that such obligation is in excess of \$10,000,000 and any cure period applicable thereto has expired.

11.4 False Information.

The Borrower has given the Bank false or misleading information or representations.

11.5 Bankruptcy/Receivers.

The Borrower files a bankruptcy petition, a bankruptcy petition is filed against the Borrower (and such involuntary petition is not stayed or dismissed within sixty (60) days of its commencement), or the Borrower makes a general assignment for the benefit of creditors; or a receiver or similar official is appointed for a substantial portion of the Borrower's business; or the business is terminated, or the Borrower is liquidated or dissolved.

11.6 Lien Priority.

The Bank fails to have an enforceable first lien (except for any prior liens to which the Bank has consented in writing) on or security interest in any property given as security for this Agreement.

11.7 Judgments.

Any judgments or arbitration award are entered against the Borrower that are not fully-covered by insurance policies as to which coverage has not been denied; provided, however, (i) such judgments or arbitration awards involve debts or claims against the Borrower in excess of \$10,000,000, and (i) either (a) enforcement proceedings are commenced by any creditor upon such judgment or award, or (b) there

is a period of thirty (30) consecutive days during which a stay of enforcement of such judgment or award, by reason of a pending appeal or otherwise, is not in effect.

11.8 Material Adverse Change.

A material adverse change occurs in the Borrower's business condition (financial or otherwise), operations or properties, or ability to repay its obligations as contemplated hereunder or under any document executed in connection with this Agreement.

11.9 Government Action.

Any government authority takes action that results in a material impairment in the rights of the Bank in any collateral required hereunder or proceeds thereto or that could have a Material Adverse Effect.

11.10 ERISA Plans.

A reportable event occurs under Section 4043(c) of ERISA, or any Plan termination (or commencement of proceedings to terminate a Plan) or the full or partial withdrawal from a Plan under Section 4041 or 4042 of ERISA occurs, if such event or events could reasonably be expected, in the judgment of the Bank, to have a Material Adverse Effect.

11.11 Covenants.

Any default in the performance of or compliance with any obligation, agreement or other provision contained in this Agreement (other than those specifically described as an Event of Default in this Article). If the breach is capable of being remedied, the breach will not be considered an Event of Default for a period of thirty (30) days after the date of the breach.

11.12 Forfeiture.

A judicial or nonjudicial forfeiture or seizure proceeding is commenced by a government authority and remains pending with respect to any property of Borrower or any part thereof, on the grounds that the property or any part thereof had been used to commit or facilitate the commission of a criminal offense by any person, including any tenant, pursuant to any law, including under the Controlled Substances Act or the Civil Asset Forfeiture Reform Act, regardless of whether or not the property shall become subject to forfeiture or seizure in connection therewith.

11.13 PEF Lease.

The PEF Lease expires or has otherwise been terminated and the Borrower has not entered into a new lease with respect to the property subject to the PEF Lease with a tenant reasonably acceptable to the Bank within ninety (90) days from such expiration or termination.

11.14 Conservation Easement.

The Borrower defaults beyond applicable notice and cure periods with the terms of any conservation easement affecting any of the real property collateral securing its obligations under this Agreement.

11.15 Water Quality/Amount.

The Borrower's water is or is projected to be insufficient in amount or unsuitable in quality to conduct operations as described in the Borrower's most recent budget submitted to and accepted by the Bank and the Borrower elects not to purchase water to cure such insufficiency.

12. ENFORCING THIS AGREEMENT; MISCELLANEOUS

12.1 GAAP.

Except as otherwise stated in this Agreement, all financial information provided to the Bank and all financial covenants will be made under generally accepted accounting principles, consistently applied.

If at any time any change in GAAP would affect the computation of any financial ratio or requirement set forth herein, and either the Borrower or the Bank shall so request, the Borrower and the Bank shall negotiate in good faith to amend such ratio or requirement to preserve the original intent thereof in light of such change in GAAP; provided that, until so amended, (i) such ratio or requirement shall continue to be computed in accordance with GAAP prior to such change therein and (ii) the Borrower shall provide to the Bank financial statements and other documents required under this Agreement or as reasonably requested hereunder setting forth a reconciliation between calculations of such ratio or requirement made before and after giving effect to such change in GAAP.

12.2 Governing Law.

Except to the extent that any law of the United States may apply, this Agreement shall be governed and interpreted according to the laws of California (the "Governing Law State"), without regard to any choice of law, rules or principles to the contrary. Nothing in this paragraph shall be construed to limit or otherwise affect any rights or remedies of the Bank under federal law.

12.3 Venue and Jurisdiction.

The Borrower agrees that any action or suit against the Bank arising out of or relating to this Agreement shall be filed in federal court or state court located in the Governing Law State. The Borrower agrees that the Bank shall not be deemed to have waived its rights to enforce this section by filing an action or suit against the Borrower in a venue outside of the Governing Law State. If the Bank does commence an action or suit arising out of or relating to this Agreement, the Borrower agrees that the case may be filed in federal court or state court in the Governing Law State. The Bank reserves the right to commence an action or suit in any other jurisdiction where the Borrower or any Collateral has any presence or is located. The Borrower consents to personal jurisdiction and venue in such forum selected by the Bank and waives any right to contest jurisdiction and venue and the convenience of any such forum. The provisions of this section are material inducements to the Bank's acceptance of this Agreement.

12.4 Successors and Assigns.

This Agreement is binding on the Borrower's and the Bank's successors and assignees. The Borrower agrees that it may not assign this Agreement without the Bank's prior consent. The Bank may sell participations in or assign this loan and the related Loan Documents, and may exchange information about the Borrower (including, without limitation, any information regarding any hazardous substances) with actual or potential participants or assignees. If a participation is sold or the loan is assigned, the purchaser will have the right of set-off against the Borrower as set forth herein.

12.5 Dispute Resolution Provision.

This paragraph, including the subparagraphs below, is referred to as the "Dispute Resolution Provision." The Bank and the Borrower (and any other party to this Agreement) agree that this Dispute Resolution Provision is a material inducement for their entering into this Agreement.

- (a) Scope. This Dispute Resolution Provision concerns the resolution of any disputes, controversies, claims, counterclaims, allegations of liability, theories of damage, or defenses (collectively, a "Claim" or "Claims") between the Bank, on the one hand, and the Borrower, on the other hand (each side being, for the purposes of this Dispute Resolution Provision, a "Party" and the two

sides together being the "Parties"), regardless of whether based on federal, state, or local law, statute, ordinance, regulation, contract, common law, or any other source, and regardless of whether foreseen or unforeseen, suspected or unsuspected, or fixed or contingent at the time of this Agreement, including but not limited to Claims that arise out of or relate to: (i) this Agreement (including any renewals, extensions or modifications); or (ii) any document related to this Agreement. For the purposes of this Dispute Resolution Provision only, the terms "Bank" or Party or Parties (to the extent referring to or including the Bank) shall include any parent corporation, subsidiary or affiliate of the Bank.

- (b) Judicial Reference. Any Claim brought by any Party in a California state court shall be resolved by a general reference to a referee (or a panel of referees) as provided in California Code of Civil Procedure Section 638. The referee (or presiding referee of the panel) shall be a retired Judge or Justice of the California state court system. The referee(s) shall be selected by mutual written agreement of the parties. If the parties do not agree, the referee(s) shall be selected by the Presiding Judge of the Court (or his or her representative) as provided in California Code of Civil Procedure Section 640. The referee(s) shall hear and determine all issues relating to the Claim, whether of fact or of law, and shall do so in accordance with the laws of the Governing Law State and the California rules of evidence and civil procedure, and shall report a statement of decision. The referee(s) shall be empowered to enter equitable as well as legal relief, provide all temporary or provisional remedies, enter equitable and legal orders that will be binding on the parties, and rule on any motion which would be authorized in court litigation, including without limitation motions to dismiss, for summary judgment, or for summary adjudication. The referee(s) shall award legal fees and costs (including the fees of the referee(s)) relating to the judicial reference proceeding, and to any related litigation or arbitration, in accordance with the terms of this Agreement. The award that results from the decision of the referee(s) shall be entered as a judgment in the court that appointed the referee(s), in accordance with the provisions of California Code of Civil Procedure Sections 644(a). Pursuant to California Code of Civil Procedure Sections 645, the parties reserve the right to seek appellate review of any judgment or order, including but not limited to, orders pertaining to class certification, to the same extent permitted in a court of law.
- (c) Arbitration Provisions. The Parties agree that judicial reference pursuant to Subsection (b) above is the preferred method of dispute resolution of all Claims, when available. The Parties therefore agree that injunctive relief, including a temporary restraining order, without the posting of any bond or security, shall be appropriate to enjoin the prosecution of any arbitration proceeding where the Claims at issue become subject to (and as long as they remain subject to) judicial reference pursuant to Subsection (b) above, provided that a Party moves for such relief within thirty (30) days of its receipt of a demand for arbitration of a Claim. However, with respect to any Claim brought in a forum other than a California state court, or brought in a California state court but judicial reference pursuant to Subsection (b) above is not available or enforced by the court, the arbitration provisions in this Subsection (c) (collectively, the "Arbitration Provisions") shall apply to the Claim. In addition, if either of the Parties serves demand for arbitration of a Claim in accordance with these Arbitration Provisions, and the other Party does not move to enjoin the arbitration proceeding within thirty (30) days of receipt of the demand, the right to judicial reference shall be waived and the Claim shall remain subject to these Arbitration Provisions thereafter. The inclusion of these Arbitration Provisions in this Agreement shall not otherwise be deemed as any limitation or waiver of the judicial reference provisions. The Arbitration Provisions are as follows:
- (i) For any Claim for which these Arbitration Provisions apply (as defined in the immediately preceding paragraph), the Parties agree that at the request of any Party to this Agreement, such Claim shall be resolved by binding arbitration. The Claims shall be governed by the laws of the Governing Law State without regard to its conflicts of law principles. The Federal Arbitration Act, 9 U.S.C. §§ 1 et seq. (the "Act"), shall apply to the construction, interpretation, and enforcement of these Arbitration Provisions, as well as to the confirmation of or appeal from any arbitration award.

- (ii) Arbitration proceedings will be determined in accordance with the Act, the then-current Commercial Finance rules and procedures of the American Arbitration Association or any successor thereof ("AAA") (or any successor rules for arbitration of financial services disputes), and the terms of these Arbitration Provisions. In the event of any inconsistency, the terms of these Arbitration Provisions shall control. The arbitration shall be administered by the Parties and not the AAA and shall be conducted, unless otherwise required by law, at a location selected solely by the Bank in any U.S. state where real or tangible personal property collateral for this credit is located or where the Borrower has a place of business. If there is no such state, the Bank shall select a location in the Governing Law State.
- (iii) If aggregate Claims are One Million Dollars (\$1,000,000) or less:
 - (A) All issues shall be heard and determined by one neutral arbitrator. The arbitrator shall have experience with commercial financial services disputes and, if possible, prior judicial experience, and shall be selected pursuant to the AAA "Arbitrator Select: List and Appointment" process, to be initiated by the Bank. If the AAA "Arbitrator Select: List and Appointment" process is unavailable, the Bank shall initiate any successor process offered by the AAA or a similar process offered by any other nationally recognized alternative dispute resolution organization.
 - (B) Unless the arbitrator has a dispositive motion under advisement or unforeseeable and unavoidable conflicts arise (as determined by the arbitrator), all arbitration hearings shall commence within ninety (90) days of the appointment of the arbitrator, and under any circumstances the award of the arbitrator shall be issued within one hundred twenty (120) days of the appointment of the arbitrator.
 - (C) A Party shall be entitled to take no more than two (2) fact depositions, one or both of which may be taken in accordance with Fed. R. Civ. P. 30(b)(6), plus depositions of any experts designated by the other Party, each of seven (7) hours or less, during pre-hearing discovery.
 - (D) There shall be no written discovery requests except a Party may serve document requests on the other Party not to exceed twenty (20) in number, including subparts. The requests shall be served within forty-five (45) days of the appointment of the arbitrator and shall be responded to within twenty-one (21) days of service.
- (iv) If aggregate Claims exceed One Million Dollars (\$1,000,000):
 - (A) The issues shall be heard and determined by one neutral arbitrator selected as above unless either Party requests that all issues be heard and determined by three (3) neutral arbitrators. In that event, each Party shall select an arbitrator with experience with commercial financial services disputes, and the two arbitrators shall select a third arbitrator, who shall have prior judicial experience. If the arbitrators cannot agree, the third arbitrator shall be selected pursuant to the AAA "Arbitrator Select: List and Appointment" process, to be initiated by the Bank.
 - (B) Unless the arbitrator(s) have a dispositive motion under advisement or other good cause is shown (as determined by the arbitrator(s)), all arbitration hearings shall commence within one hundred twenty (120) days of the appointment of the arbitrator(s), and under any circumstances the award of the arbitrator(s) shall be

issued within one hundred eighty (180) days of the appointment of the arbitrator(s).

- (C) A Party shall be entitled to take no more than five (5) fact depositions, one or more of which may be taken in accordance with Fed. R. Civ. P. 30(b)(6), plus depositions of any experts designated by the other Party, each of seven (7) hours or less, during pre-hearing discovery.
- (D) There shall be no written discovery requests except a Party may serve document requests on the other Party not to exceed thirty (30) in number, including subparts. The requests shall be served within forty-five (45) days of the appointment of the arbitrator(s) and shall be responded to within twenty-one (21) days of service.
- (v) Where a Party intends to rely upon the testimony of an expert on an issue for which the Party bears the burden of proof, the expert(s) must be disclosed within thirty (30) days following the appointment of the arbitrator(s), including a written report in accordance with Fed. R. Civ. P. 26(a)(2)(B). The arbitrator(s) shall exclude any expert not disclosed strictly in accordance herewith. The other Party shall have the right within thirty (30) days thereafter to take the deposition of the expert(s) (upon payment of the expert's reasonable fees for the in-deposition time), and to identify rebuttal expert(s), including a written report in accordance with Fed. R. Civ. P. 26(a)(2)(B).
- (vi) The arbitrator(s) shall consider and rule on motions by the Parties to dismiss for failure to state a claim; to compel; and for summary judgment, in a manner substantively consistent with the corresponding Federal Rules of Civil Procedure. The arbitrator(s) shall enforce the "Apex" doctrine with regard to requested depositions of high-ranking executives of both Parties. The arbitrator(s) shall exclude any Claim not asserted within thirty (30) days following the demand for arbitration. This shall not prevent a Party from revising the calculation of damages on any existing theory. All discovery shall close at least one (1) week before any scheduled hearing date, and all hearing exhibits shall have been exchanged by the same deadline or they shall not be given weight by the arbitrator(s).
- (vii) The arbitrator(s) will give effect to applicable statutes of limitation in determining any Claim and shall dismiss the Claim if it is barred by the statutes of limitation. For purposes of the application of any statutes of limitation, the service of a written demand for arbitration or counterclaim pursuant to the Notices provision of this Agreement is the equivalent of the filing of a lawsuit. At the request of any Party made at any time, including at confirmation of an award, the resolution of a statutes of limitation defense to any Claim shall be decided de novo by a court of competent jurisdiction rather than by the arbitrator(s). Otherwise, any dispute concerning these Arbitration Provisions or whether a Claim is arbitrable shall be determined by the arbitrator(s), except as otherwise set forth in this Dispute Resolution Provision.
- (viii) The arbitrator(s) shall have the power to award legal fees and costs relating to the arbitration proceeding and any related litigation or arbitration, pursuant to the terms of this Agreement. The arbitrator(s) shall provide a written statement of reasons for the award. The arbitration award may be submitted to any court having jurisdiction to be confirmed and have judgment entered and enforced.
- (ix) The filing of a court action is not intended to constitute a waiver of the right of any Party, including the suing Party, thereafter to require submittal of the Claims to arbitration, unless the Party fails to make such demand for arbitration within ninety (90) days following the filing of the court action.

- (x) The arbitration proceedings shall be private. All documents, transcripts, and filings received by any Party shall not be disclosed by the recipient to any third parties other than attorneys, accountants, auditors, and financial advisors acting in the course of their representation, or as otherwise ordered by a court of competent jurisdiction. Any award also shall be kept confidential, although this specific requirement shall be void once the award must be submitted to a court for enforcement. The Parties agree that injunctive relief, including a temporary restraining order, from a trial court is the appropriate relief for breach of this paragraph, and they waive any security or the posting of a bond as a requirement for obtaining such relief.
- (d) Self-Help. This Dispute Resolution Provision does not limit the right of any Party to: (i) exercise self-help remedies, such as but not limited to, setoff; (ii) initiate judicial or non-judicial foreclosure against any real or personal property collateral; (iii) exercise any judicial or power of sale rights; or (iv) act in a court of law to obtain an interim remedy, such as but not limited to, injunctive relief, writ of possession or appointment of a receiver, or additional or supplementary remedies.
- (e) Class Action Waiver. Any arbitration or court trial (whether before a judge or jury or pursuant to judicial reference) of any Claim will take place on an individual basis without resort to any form of class or representative action (the "Class Action Waiver"). THE CLASS ACTION WAIVER PRECLUDES ANY PARTY FROM PARTICIPATING IN OR BEING REPRESENTED IN ANY CLASS OR REPRESENTATIVE ACTION REGARDING A CLAIM. Regardless of anything else in this Dispute Resolution Provision, the validity and effect of the Class Action Waiver may be determined only by a court or referee and not by an arbitrator. The Parties to this Agreement acknowledge that the Class Action Waiver is material and essential to the arbitration of any disputes between the Parties and is nonseverable from the agreement to arbitrate Claims. If the Class Action Waiver is limited, voided or found unenforceable, then the Parties' agreement to arbitrate shall be null and void with respect to such proceeding, subject to the right to appeal the limitation or invalidation of the Class Action Waiver. THE PARTIES ACKNOWLEDGE AND AGREE THAT UNDER NO CIRCUMSTANCES WILL A CLASS ACTION BE ARBITRATED.
- (f) Jury Waiver. By agreeing to judicial reference or binding arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury as permitted by law in respect of any Claim. Furthermore, without intending in any way to limit the provisions hereof, to the extent any Claim is not submitted to judicial reference or arbitration, the parties irrevocably and voluntarily waive any right they may have to a trial by jury to the extent permitted by law in respect of such Claim. This waiver of jury trial shall remain in effect even if the Class Action Waiver is limited, voided or found unenforceable. WHETHER THE CLAIM IS DECIDED BY JUDICIAL REFERENCE, BY ARBITRATION, OR BY TRIAL BY A JUDGE, THE PARTIES AGREE AND UNDERSTAND THAT THE EFFECT OF THIS DISPUTE RESOLUTION PROVISION IS THAT THEY ARE GIVING UP THE RIGHT TO TRIAL BY JURY TO THE EXTENT PERMITTED BY LAW. EACH PARTY HERETO (i) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER, (ii) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT AND THE OTHER DOCUMENTS CONTEMPLATED HEREBY BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION AND (iii) CERTIFIES THAT THIS WAIVER IS KNOWINGLY, WILLINGLY AND VOLUNTARILY MADE.

12.6 Severability; Waivers.

If any part of this Agreement is not enforceable, the rest of the Agreement may be enforced. The Bank retains all rights, even if it makes a loan after default. If the Bank waives a default, it may enforce a later default. Any consent or waiver under this Agreement must be in writing.

12.7 Expenses.

- (a) The Borrower shall pay to the Bank immediately upon demand the full amount of all payments, advances, charges, costs and expenses, including reasonable attorneys' fees, expended or incurred by the Bank in connection with (i) the negotiation and preparation of this Agreement and any related agreements, the Bank's continued administration of this Agreement and such related agreements, and the preparation of any amendments and waivers related to this Agreement or such related agreements, (ii) filing, recording and search fees, appraisal fees, field examination fees, title report fees, and documentation fees with respect to any collateral and books and records of the Borrower, (iii) the Bank's costs or losses arising from any changes in law which are allocated to this Agreement or any credit outstanding under this Agreement, and (iv) costs or expenses required to be paid by the Borrower that are paid, incurred or advanced by the Bank.
- (b) The Borrower will indemnify and hold the Bank harmless from any loss, liability, damages, judgments, and costs of any kind relating to or arising directly or indirectly out of (i) this Agreement or any document required hereunder, (ii) any credit extended or committed by the Bank to the Borrower hereunder, and (iii) any litigation or proceeding related to or arising out of this Agreement, any such document, or any such credit, including, without limitation, any act resulting from (A) the Bank complying with instructions the Bank reasonably believes are made by any Authorized Individual and (B) the Bank's reliance on any Communication executed using an Electronic Signature, or in the form of an Electronic Record, that the Bank reasonably believes is made by any Authorized Individual. This paragraph will survive this Agreement's termination, and will benefit the Bank and its officers, employees, and agents.
- (c) The Borrower shall reimburse the Bank for any reasonable costs and attorneys' fees incurred by the Bank in connection with (a) the enforcement or preservation of the Bank's rights and remedies and/or the collection of any obligations of the Borrower which become due to the Bank and in connection with any "workout" or restructuring, and (b) the prosecution or defense of any action in any way related to this Agreement, the credit provided hereunder or any related agreements, including without limitation, any action for declaratory relief, whether incurred at the trial or appellate level, in an arbitration proceeding or otherwise, and including any of the foregoing incurred in connection with any bankruptcy proceeding (including without limitation, any adversary proceeding, contested matter or motion brought by the Bank or any other person) relating to the Borrower or any other person or entity.

12.8 Set-Off.

Upon and after the occurrence and during the continuance of an Event of Default, (a) the Borrower hereby authorizes the Bank at any time without notice and whether or not the Bank shall have declared any amount owing by the Borrower to be due and payable, to set off against, and to apply to the payment of, the Borrower's indebtedness and obligations to the Bank under this Agreement and all related agreements, whether matured or unmatured, fixed or contingent, liquidated or unliquidated, any and all amounts owing by the Bank to the Borrower, and in the case of deposits, whether general or special (except trust and escrow accounts), time or demand and however evidenced, and (b) pending any such action, to hold such amounts as collateral to secure such indebtedness and obligations of the Borrower to the Bank and to return as unpaid for insufficient funds any and all checks and other items drawn against any deposits so held as the Bank, in its sole discretion, may elect. The Borrower hereby grants to the Bank a security interest in all deposits and accounts maintained with the Bank to secure the payment of all such indebtedness and obligations of the Borrower to the Bank.

12.9 One Agreement.

This Agreement and any related security or other agreements required by this Agreement constitute the entire agreement between the Borrower and the Bank with respect to each credit subject hereto and supersede all prior negotiations, communications, discussions and correspondence concerning the

subject matter hereof. In the event of any conflict between this Agreement and any other agreements required by this Agreement, this Agreement will prevail.

12.10 Notices.

Unless otherwise provided in this Agreement or in another agreement between the Bank and the Borrower, all notices required under this Agreement shall be personally delivered or sent by first class mail, postage prepaid, or by overnight courier, to the addresses on the signature page of this Agreement, or sent by facsimile to the fax number(s) listed on the signature page, or to such other addresses as the Bank and the Borrower may specify from time to time in writing (any such notice a "Written Notice"). Written Notices shall be effective (i) if mailed, upon the earlier of receipt or five (5) days after deposit in the U.S. mail, first class, postage prepaid, (ii) if telecopied, when transmitted, or (iii) if hand-delivered, by courier or otherwise (including telegram, lettergram or mailgram), when delivered. In lieu of a Written Notice, notices and/or communications from the Bank to the Borrower may, to the extent permitted by law, be delivered electronically (i) by transmitting the communication to the electronic address provided by the Borrower or to such other electronic address as the Borrower may specify from time to time in writing, or (ii) by posting the communication on a website and sending the Borrower a notice to the Borrower's postal address or electronic address telling the Borrower that the communication has been posted, its location, and providing instructions on how to view it (any such notice, an "Electronic Notice"). Electronic Notices shall be effective when the communication, or a notice advising of its posting to a website, is sent to the Borrower's electronic address.

12.11 Headings.

Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

12.12 Borrower Information; Reporting to Credit Bureaus.

The Borrower authorizes the Bank at any time to verify or check any information given by the Borrower to the Bank, check the Borrower's credit references, verify employment, and obtain credit reports and other credit bureau information from time to time in connection with the administration, servicing and collection of the loans under this Agreement. The Borrower agrees that the Bank shall have the right at all times to disclose and report to credit reporting agencies and credit rating agencies such information pertaining to the Borrower as is consistent with the Bank's policies and practices from time to time in effect.

12.13 Customary Advertising Material.

The Borrower consents to the publication by the Bank of customary advertising material relating to the transactions contemplated hereby using the name, product photographs, logo or trademark of the Borrower.

12.14 Acknowledgement Regarding Any Supported QFCs.

To the extent that this Agreement and any document executed in connection with this Agreement (collectively, "Loan Documents") provide support, through a guarantee or otherwise, for any Swap Contract or any other agreement or instrument that is a QFC (such support, "QFC Credit Support", and each such QFC, a "Supported QFC"), the parties acknowledge and agree as follows with respect to the resolution power of the Federal Deposit Insurance Corporation under the Federal Deposit Insurance Act and Title II of the Dodd-Frank Wall Street Reform and Consumer Protection Act (together with the regulations promulgated thereunder, the "U.S. Special Resolution Regimes") in respect of such Supported QFC and QFC Credit Support (with the provisions below applicable notwithstanding that the Loan Documents and any Supported QFC may in fact be stated to be governed by the laws of the Governing Law State and/or of the United States or any other state of the United States):

(a) In the event a Covered Entity that is party to a Supported QFC (each, a "Covered Party") becomes subject to a proceeding under a U.S. Special Resolution Regime, the transfer of such Supported QFC and the benefit of such QFC Credit Support (and any interest and obligation in or under such Supported QFC and such QFC Credit Support, and any rights in property securing such Supported QFC or such QFC Credit Support) from such Covered Party will be effective to the same extent as the transfer would be effective under the U.S. Special Resolution Regime if the Supported QFC and such QFC Credit Support (and any such interest, obligation and rights in property) were governed by the laws of the United States or a state of the United States. In the event a Covered Party or a BHC Act Affiliate of a Covered Party becomes subject to a proceeding under a U.S. Special Resolution Regime, Default Rights under the Loan Documents that might otherwise apply to such Supported QFC or any QFC Credit Support that may be exercised against such Covered Party are permitted to be exercised to no greater extent than such Default Rights could be exercised under the U.S. Special Resolution Regime if the Supported QFC and the Loan Documents were governed by the laws of the United States or a state of the United States.

(b) As used in this paragraph, the following terms have the following meanings:

"BHC Act Affiliate" of a party means an "affiliate" (as such term is defined under, and interpreted in accordance with, 12 U.S.C. 1841(k)) of such party.

"Covered Entity" means any of the following: (i) a "covered entity" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 252.82(b); (ii) a "covered bank" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 47.3(b); or (iii) a "covered FSI" as that term is defined in, and interpreted in accordance with, 12 C.F.R. § 382.2(b).

"Default Right" has the meaning assigned to that term in, and shall be interpreted in accordance with, 12 C.F.R. §§ 252.81, 47.2 or 382.1, as applicable.

"QFC" has the meaning assigned to the term "qualified financial contract" in, and shall be interpreted in accordance with, 12 U.S.C. 5390(c)(8)(D).

"Swap Contract" means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

12.15 Amendments.

This Agreement may only be amended by a writing signed by the parties hereto; which, to the extent expressly agreed to by the Bank in its discretion, may include being amended by an Electronic Record signed by the parties hereto using Electronic Signatures pursuant to the terms of this Agreement.

12.16 Electronic Records and Signatures.

This Agreement and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Agreement (each a "Communication"), including Communications required to be in writing, may, if agreed by the Bank, be in the form of an Electronic Record and may be executed using Electronic Signatures, including, without limitation, facsimile and/or .pdf. The Borrower agrees that any Electronic Signature (including, without limitation, facsimile or .pdf) on or associated with any Communication shall be valid and binding on the Borrower to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of the Borrower enforceable against the Borrower in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered to the Bank. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Bank of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Bank may, at its option, create one or more copies of any Communication in the form of an imaged Electronic Record ("Electronic Copy"), which shall be deemed created in the ordinary course of the Bank's business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, the Bank is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Bank pursuant to procedures approved by it; provided, further, without limiting the foregoing, (a) to the extent the Bank has agreed to accept such Electronic Signature, the Bank shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of the Borrower without further verification and (b) upon the request of the Bank any Electronic Signature shall be promptly followed by a manually executed, original counterpart. For purposes hereof, "Electronic Record" and "Electronic Signature" shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

12.17 Conversion to Paper Original.

At the Bank's discretion the authoritative electronic copy of this Agreement ("Authoritative Copy") may be converted to paper and marked as the original by the Bank (the "Paper Original").

Unless and until the Bank creates a Paper Original, the Authoritative Copy of this Agreement:

- (1) shall at all times reside in a document management system designated by the Bank for the storage of authoritative copies of electronic records, and
- (2) is held in the ordinary course of business.

In the event the Authoritative Copy is converted to a Paper Original, the parties hereto acknowledge and agree that:

- (1) the electronic signing of this Agreement also constitutes issuance and delivery of the Paper Original,
- (2) the electronic signature(s) associated with this Agreement, when affixed to the Paper Original, constitutes legally valid and binding signatures on the Paper Original, and
- (3) the Borrower's obligations will be evidenced by the Paper Original after such conversion.

12.18 Price Forecasts.

The Borrower acknowledges that all commodity price forecasts furnished by the Bank to the Borrower represent the Bank's estimate as to possible future commodity prices. Actual future prices may vary greatly from the Bank's projections for many reasons which are not within the Bank's control. The Bank makes no representation or warranty as to the accuracy of any commodity price forecasts prepared by the Bank.

12.19 No Future Commitment.

The Borrower acknowledges that the Bank has made no commitment to extend any additional credit to the Borrower or to continue the credit provided hereunder after this Agreement expires or is terminated as provided herein.

12.20 Review of Budgets.

The Borrower has furnished the Bank with information on the Borrower's operations. Such information has been used by the Bank in preparing budgets, if any, with respect to the Borrower's operations. The Borrower has reviewed and will review any budgets prepared by the Bank with respect to the Borrower and has determined that all such current budgets are accurate and complete. With respect to budgets prepared by the Bank in the future, if any, the Borrower will inform the Bank promptly if any part of any such budget is inaccurate or incomplete. The Borrower acknowledges that the Bank is relying on the accuracy and completeness of all information furnished to the Bank for such budgets in determining the amount and type of credit to be extended by the Bank to the Borrower.

Signature Page

The Borrower executed this Agreement as of the date stated at the top of the first page.

Bank:

Bank of America, N.A.

By: 
Brion Francom, SVP

Borrower:

Tejon Ranchcorp

By: _____
Allen E. Lyda, Executive Vice President,
Chief Operating Officer, Chief Financial Officer,
Treasurer and Assistant Secretary

Prepared by: Moore & Van Allen PLLC

Address where notices to
the Bank are to be sent:

Address where notices to
the Borrower are to be sent:

Bank of America
Gateway Village-900 Building
NC1-026-06-06
900 W. Trade St
Charlotte, NC 28255

Telephone: _____

California Waiver of Prepayment Right

Waiver of Prepayment Right

By its signature below, the Borrower waives any right, under California Civil Code Section 2954.10 or otherwise, to prepay any portion of the outstanding principal balance under this Agreement without a prepayment fee to the extent required above. The Borrower acknowledges that prepayment of the principal balance may result in the Bank incurring additional losses, costs, expenses and liabilities, including lost revenue and lost profits. The Borrower therefore agrees to pay a prepayment fee to the extent described above if any principal amount is prepaid, whether voluntarily or by reason of acceleration, including acceleration upon any sale or other transfer of any interest in the real property collateral. The Borrower further agrees that the Bank's willingness to offer the interest rate described above to the Borrower is sufficient and independent consideration, given individual weight by the Bank, for this waiver. The Borrower understands that the Bank would not offer such an interest rate to the Borrower absent this waiver.

Allent Lyka
ve

..... p y g ..

..... p y g ..

Albin E. Lynde

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SCHEDULE A

FEES

(a) Late Fee.

To the extent permitted by law, the Borrower agrees to pay a late fee in an amount not to exceed four percent (4%) of any payment that is more than fifteen (15) days late. The imposition and payment of a late fee shall not constitute a waiver of the Bank's rights with respect to the Event of Default.

(b) Returned Payment Fee.

The Bank, in its discretion, may collect from the Borrower a returned payment fee each time a payment is returned or if there are insufficient funds in the designated account when a payment is attempted through automatic payment.

(c) Letter of Credit Fees.

Unless otherwise agreed in writing, the Borrower agrees to pay to the Bank, the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of the Bank relating to Letters of Credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(d) Unused Commitment Fee.

The Borrower agrees to pay a fee on any difference between the Facility No. 1 Commitment and the amount of credit it actually uses, determined by the daily amount of credit outstanding during the specified period. The fee will be calculated at 0.10% per year. This fee is due on October 1, 2022, and on the first day of each following fiscal quarter until the expiration of the availability period.

ANNEX A

LIST OF PLEDGED REAL PROPERTIES

Ranch 1

238-390-06
238-390-14

Ranch 2

241-300-01
241-300-02
241-300-03
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241-390-06
241-390-11

Ranch 5

402-150-05

Ranch 6

402-140-04

402-140-05
402-140-07
402-140-08
402-140-09
402-140-10
402-140-11
402-140-12
402-140-13
402-140-14

Ranch 7

402-130-04
402-130-05
402-130-06
402-130-10
402-130-11

Pastoria Power Plant Property

39789 Edmonston Pumping Plant Road, Lebec, California

Exhibit A

Period	Start Date	End Date	Notional	Amortization
1	Closing	8/5/2022	49,080,000.00	123,542.00
2	8/5/2022	9/5/2022	48,956,458.00	123,542.00
3	9/5/2022	10/5/2022	48,832,916.00	123,542.00
4	10/5/2022	11/5/2022	48,709,374.00	123,542.00
5	11/5/2022	12/5/2022	48,585,832.00	123,542.00
6	12/5/2022	1/5/2023	48,462,290.00	123,542.00
7	1/5/2023	2/5/2023	48,338,748.00	123,542.00
8	2/5/2023	3/5/2023	48,215,206.00	123,542.00
9	3/5/2023	4/5/2023	48,091,664.00	123,542.00
10	4/5/2023	5/5/2023	47,968,122.00	123,542.00
11	5/5/2023	6/5/2023	47,844,580.00	123,542.00
12	6/5/2023	7/5/2023	47,721,038.00	123,542.00
13	7/5/2023	8/5/2023	47,597,496.00	129,733.00
14	8/5/2023	9/5/2023	47,467,763.00	129,733.00
15	9/5/2023	10/5/2023	47,338,030.00	129,733.00
16	10/5/2023	11/5/2023	47,208,297.00	129,733.00
17	11/5/2023	12/5/2023	47,078,564.00	129,733.00
18	12/5/2023	1/5/2024	46,948,831.00	129,733.00
19	1/5/2024	2/5/2024	46,819,098.00	129,733.00
20	2/5/2024	3/5/2024	46,689,365.00	129,733.00
21	3/5/2024	4/5/2024	46,559,632.00	129,733.00
22	4/5/2024	5/5/2024	46,429,899.00	129,733.00
23	5/5/2024	6/5/2024	46,300,166.00	129,733.00
24	6/5/2024	7/5/2024	46,170,433.00	129,733.00
25	7/5/2024	8/5/2024	46,040,700.00	136,235.00
26	8/5/2024	9/5/2024	45,904,465.00	136,235.00
27	9/5/2024	10/5/2024	45,768,230.00	136,235.00
28	10/5/2024	11/5/2024	45,631,995.00	136,235.00
29	11/5/2024	12/5/2024	45,495,760.00	136,235.00
30	12/5/2024	1/5/2025	45,359,525.00	136,235.00
31	1/5/2025	2/5/2025	45,223,290.00	136,235.00
32	2/5/2025	3/5/2025	45,087,055.00	136,235.00
33	3/5/2025	4/5/2025	44,950,820.00	136,235.00
34	4/5/2025	5/5/2025	44,814,585.00	136,235.00
35	5/5/2025	6/5/2025	44,678,350.00	136,235.00
36	6/5/2025	7/5/2025	44,542,115.00	136,235.00
37	7/5/2025	8/5/2025	44,405,880.00	143,062.00
38	8/5/2025	9/5/2025	44,262,818.00	143,062.00
39	9/5/2025	10/5/2025	44,119,756.00	143,062.00
40	10/5/2025	11/5/2025	43,976,694.00	143,062.00
41	11/5/2025	12/5/2025	43,833,632.00	143,062.00
42	12/5/2025	1/5/2026	43,690,570.00	143,062.00
43	1/5/2026	2/5/2026	43,547,508.00	143,062.00
44	2/5/2026	3/5/2026	43,404,446.00	143,062.00
45	3/5/2026	4/5/2026	43,261,384.00	143,062.00
46	4/5/2026	5/5/2026	43,118,322.00	143,062.00
47	5/5/2026	6/5/2026	42,975,260.00	143,062.00
48	6/5/2026	7/5/2026	42,832,198.00	143,062.00
49	7/5/2026	8/5/2026	42,689,136.00	150,232.00

50	8/5/2026	9/5/2026	42,538,904.00	150,232.00
51	9/5/2026	10/5/2026	42,388,672.00	150,232.00
52	10/5/2026	11/5/2026	42,238,440.00	150,232.00
53	11/5/2026	12/5/2026	42,088,208.00	150,232.00
54	12/5/2026	1/5/2027	41,937,976.00	150,232.00
55	1/5/2027	2/5/2027	41,787,744.00	150,232.00
56	2/5/2027	3/5/2027	41,637,512.00	150,232.00
57	3/5/2027	4/5/2027	41,487,280.00	150,232.00
58	4/5/2027	5/5/2027	41,337,048.00	150,232.00
59	5/5/2027	6/5/2027	41,186,816.00	150,232.00
60	6/5/2027	7/5/2027	41,036,584.00	150,232.00
61	7/5/2027	8/5/2027	40,886,352.00	157,761.00
62	8/5/2027	9/5/2027	40,728,591.00	157,761.00
63	9/5/2027	10/5/2027	40,570,830.00	157,761.00
64	10/5/2027	11/5/2027	40,413,069.00	157,761.00
65	11/5/2027	12/5/2027	40,255,308.00	157,761.00
66	12/5/2027	1/5/2028	40,097,547.00	157,761.00
67	1/5/2028	2/5/2028	39,939,786.00	157,761.00
68	2/5/2028	3/5/2028	39,782,025.00	157,761.00
69	3/5/2028	4/5/2028	39,624,264.00	157,761.00
70	4/5/2028	5/5/2028	39,466,503.00	157,761.00
71	5/5/2028	6/5/2028	39,308,742.00	157,761.00
72	6/5/2028	7/5/2028	39,150,981.00	157,761.00
73	7/5/2028	8/5/2028	38,993,220.00	165,667.00
74	8/5/2028	9/5/2028	38,827,553.00	165,667.00
75	9/5/2028	10/5/2028	38,661,886.00	165,667.00
76	10/5/2028	11/5/2028	38,496,219.00	165,667.00
77	11/5/2028	12/5/2028	38,330,552.00	165,667.00
78	12/5/2028	1/5/2029	38,164,885.00	165,667.00
79	1/5/2029	2/5/2029	37,999,218.00	165,667.00
80	2/5/2029	3/5/2029	37,833,551.00	165,667.00
81	3/5/2029	4/5/2029	37,667,884.00	165,667.00
82	4/5/2029	5/5/2029	37,502,217.00	165,667.00
83	5/5/2029	6/5/2029	37,336,550.00	165,667.00
84	6/5/2029	7/5/2029	37,170,883.00	165,667.00
85	7/5/2029	8/5/2029	37,005,216.00	173,969.00
86	8/5/2029	9/5/2029	36,831,247.00	173,969.00
87	9/5/2029	10/5/2029	36,657,278.00	173,969.00
88	10/5/2029	11/5/2029	36,483,309.00	173,969.00
89	11/5/2029	12/5/2029	36,309,340.00	173,969.00
90	12/5/2029	1/5/2030	36,135,371.00	173,969.00
91	1/5/2030	2/5/2030	35,961,402.00	173,969.00
92	2/5/2030	3/5/2030	35,787,433.00	173,969.00
93	3/5/2030	4/5/2030	35,613,464.00	173,969.00
94	4/5/2030	5/5/2030	35,439,495.00	173,969.00
95	5/5/2030	6/5/2030	35,265,526.00	173,969.00
96	6/5/2030	7/5/2030	35,091,557.00	173,969.00
97	7/5/2030	8/5/2030	34,917,588.00	182,688.00
98	8/5/2030	9/5/2030	34,734,900.00	182,688.00
99	9/5/2030	10/5/2030	34,552,212.00	182,688.00
100	10/5/2030	11/5/2030	34,369,524.00	182,688.00
101	11/5/2030	12/5/2030	34,186,836.00	182,688.00

102	12/5/2030	1/5/2031	34,004,148.00	182,688.00
103	1/5/2031	2/5/2031	33,821,460.00	182,688.00
104	2/5/2031	3/5/2031	33,638,772.00	182,688.00
105	3/5/2031	4/5/2031	33,456,084.00	182,688.00
106	4/5/2031	5/5/2031	33,273,396.00	182,688.00
107	5/5/2031	6/5/2031	33,090,708.00	182,688.00
108	6/5/2031	7/5/2031	32,908,020.00	182,688.00
109	7/5/2031	8/5/2031	32,725,332.00	191,843.00
110	8/5/2031	9/5/2031	32,533,489.00	191,843.00
111	9/5/2031	10/5/2031	32,341,646.00	191,843.00
112	10/5/2031	11/5/2031	32,149,803.00	191,843.00
113	11/5/2031	12/5/2031	31,957,960.00	191,843.00
114	12/5/2031	1/5/2032	31,766,117.00	191,843.00
115	1/5/2032	2/5/2032	31,574,274.00	191,843.00
116	2/5/2032	3/5/2032	31,382,431.00	191,843.00
117	3/5/2032	4/5/2032	31,190,588.00	191,843.00
118	4/5/2032	5/5/2032	30,998,745.00	191,843.00
119	5/5/2032	6/5/2032	30,806,902.00	191,843.00
120	6/5/2032	6/28/2032	30,615,059.00	30,615,059.00

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 quarterly report on Form 10-Q 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: August 3, 2022

/s/ Gregory S. Bielli

Gregory S. Bielli
President and 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 quarterly report on Form 10-Q 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: August 3, 2022

/s/ Allen E. Lyda

Allen E. Lyda
Chief Operating Officer/Chief Financial 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 Quarterly Report of the Company on Form 10-Q for the period ended June 30, 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: August 3, 2022

/s/ Gregory S. Bielli

Gregory S. Bielli
President and Chief Executive Officer

/s/ Allen E. Lyda

Allen E. Lyda
Chief Operating Officer/Chief Financial Officer